



Report of the Audit Committee



Roles of the Committee

Accounting (financial) statements

Monitor the completeness, accuracy and integrity of the accounting (financial) statements of the Company; review the material aspects of the Company's Accounting Policies; participate in the consideration of material matters and judgements relating to the accounting (financial) statements of the Company; approve the draft budget, Investment Programme and relevant performance reports

Risk management and internal control

Monitor the risk management and internal control systems for reliability and effectiveness; review the effectiveness of risk management and internal control procedures; prepare proposals for their improvement; review and assess the implementation of the Risk Management and Internal Control Policy

Internal and external audit

Ensure independent and unbiased approach of the internal audit function, and review its effectiveness; review the Company's Internal Audit Policy and Internal Audit Plan; assess nominees to the Company's auditors and make proposals on the auditor's remuneration; oversee external audits and assess audit quality and the Auditor's reports

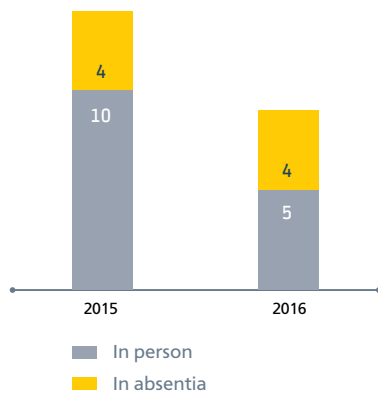
Combating fraud committed by the Company's employees or third parties

Monitor the performance of the Company's system of alerting on potential fraud being committed by the company's or third parties' employees; oversee special investigations of potential fraud, misuse of insider or confidential information; monitor the implementation of measures taken by the Company in response to reports of suspected fraud or other violations

Statistics on the Committee meetings

In 2016, the Committee held a total of nine meetings: five meetings in person and four meetings in absentia.

In 2016, the Audit Committee discussed 33 agenda items.



Key items discussed by the Committee

1. Agreed and recommended for approval to FPC's Board of Directors the Master Agreement for Revolving Framework Credit Facility with differentiated interest rates between FPC and Sberbank.
2. Reviewed and took note of performance reports of FPC's Internal Audit Centre for 6M and 9M 2016.
3. Reviewed the progress of FPC's risk management system and amended FPC's Risk Management Policy.
4. Agreed and recommended for approval to FPC's Board of Directors the Guidelines for Corruption Risk Assessment at FPC, taking account of Russian Railways' recommendations (approvals).
5. Reviewed and note of interim audit results of FPC's accounting (financial) statements and FPC's consolidated financial statements for 2016.
6. Reviewed and recommended for approval to FPC's Board of Directors FPC's draft Financial Plan and Investment Programme for 2017, and forecasts for 2018–2019.
7. Reviewed and took note of information on FPC's Credit Policy, Borrowing Programme, and risk management system.
8. Agreed and recommended for approval to FPC's Board of Directors the Loan Agreement between FPC and FPC-Logistics and the Facility Agreement between VTB Bank and FPC.
9. Agreed and recommended for approval to FPC's Board of Directors FPC's Budgeting Methodology and amendments to the structure of the Budget Explanatory Note.
10. Reviewed and recommended for approval to FPC's Board of Directors the Regulations on FPC's Debt Policy.

The Committee's plans for 2017

1. Review the General Director's report on FPC's financial and business performance in 2016. Statements, and provide opinion on whether and how FPC's net profit for 2016 can be distributed. nominees to the position of external auditor, and material terms of the relevant agreement and service fee.
2. Review the audit reports on RAS accounting (financial) statements and on IFRS consolidated financial statements of FPC for 2016.
3. Review FPC's accounting statements for 2016, including the Profit and Loss
4. Consider payment of the full year dividend for 2016.
5. Propose nominees for voting on the "Approval of FPC's Auditor" agenda item at the annual General Shareholders Meeting. Review
6. Review a Report on risk management system performance at FPC, discuss recommendations on system enhancements.

The Committee was set up by resolution of FPC's Board of Directors to enhance oversight of the Company's financial and business operations by the Board of Directors. In March 2016, all Directors

were removed from office before the expiration of their term. Pursuant to the Regulations on the Audit Committee, if FPC's Directors are removed from office, powers of the Committee

members shall also terminate. In September 2016, the Board of Directors resolved to elect a new Audit Committee. The Committee is led by Alla Saltykova as an independent director.



CHANGES IN THE COMMITTEE'S MEMBERSHIP IN 2016

Members of the Committee in January–March 2016	Members of the Committee in September–December 2016
Olga Gnedkova , Chair of the Committee, Head of the Corporate Finance Department at Russian Railways, member of FPC's Board of Directors	Alla Saltykova , Chair of the Committee, Deputy Executive Director of the Forum Analytical Centre, independent director
Oleg Ivanov , Director for Internal Control and Audit, Russian Railways	Olga Gnedkova , Chair of the Committee, Head of the Corporate Finance Department at Russian Railways, member of FPC's Board of Directors ¹
Natalia Lem , Head of the Accounting Department, Russian Railways	Elena Chamortseva , Deputy Head of Zheldorkontrol Internal Control Centre, a business unit of Russian Railways
Tamara Andranovich , Deputy Head of the Department of Economics, Russian Railways	Sergey Milokhin , Head of the IFRS Consolidated Statements Department at the Accounting Service of Russian Railways
Andrey Derin , Deputy Head of the Subsidiaries and Affiliates Management Department, Russian Railways	Andrey Derin , Deputy Head of the Subsidiaries and Affiliates Management Department, Russian Railways ¹
Alexander Muslovets , Deputy General Director of FPC for Economics and Finance	Alexander Muslovets , Deputy General Director of FPC for Economics and Finance
Semyon Smolyak , CEO of PF Capital, an Independent Director	Alexander Ananyev , Deputy Head of the Department of Economics, Russian Railways, Head of Unit

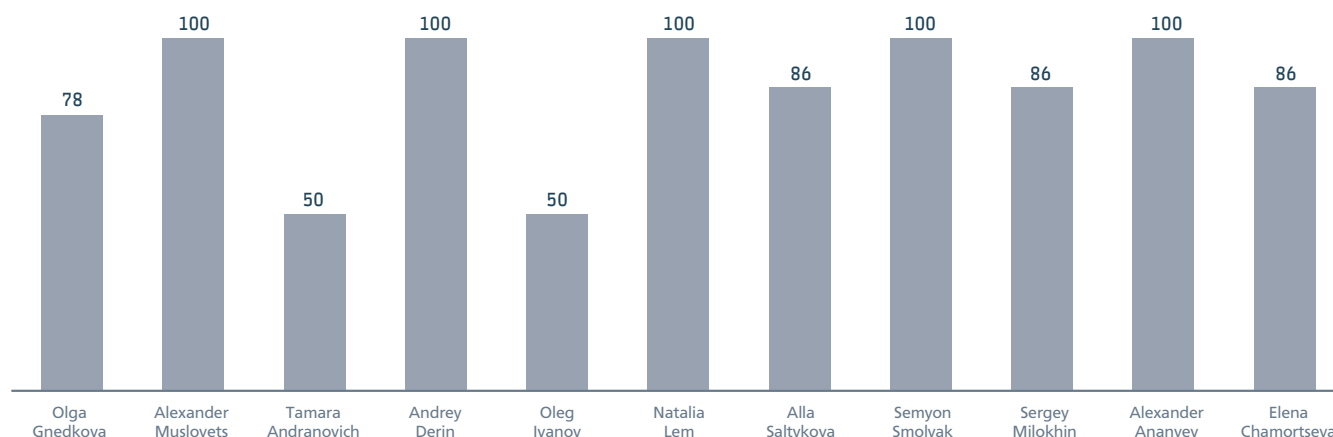
¹ Positions as at the date of election to FPC's Audit Commission.

The Audit Committee acting in January–March 2016 held two meetings in absentia.

No in person meetings were held. The Audit Committee acting in September–December 2016 held five

meetings in person and two meetings in absentia.

Statistics on individual attendance of the Committee meetings in 2016, %



The remuneration paid to members of the Committee in 2016 totalled RUB 553,192.