

Procurement

FPC achieved RUB 314 million of procurement savings in 2016 as per the procurement register.

Procurement activities in FPC are governed by the corporate Regulation on Procurement of Goods, Work and Services. The document is based on the following laws and regulations of the Russian Federation:

- Federal Law No. 223-FZ On Procurement of Goods, Work and Services by Certain Types of Legal Entities dated 18 July 2011;
- Resolutions adopted by the Russian Government;
- other documents adopted pursuant to Federal Law No. 223-FZ.

In 2016, FPC entered into 4,756 contracts for the total of RUB 25.1 billion less VAT, including contracts for the total of RUB 7.0 billion less VAT with JSC Railwaycar-Building Works Tver (TVZ)

(a leading rolling stock manufacturer) and Russian Railways (carriage repair and maintenance, and Roszheldorsnab services).

In the reporting period:

- 881 contracts were entered into through competitive bidding for the total of RUB 14.7 billion less VAT, or 59% of the total price of contracts;
- the price of contracts with the single-source supplier (contractor, service provider) totalled RUB 3.3 billion, or 13% of the total price of contracts.

The ongoing collaboration between FPC and Russian Small and Medium Business Corporation (RSMB Corporation)¹ provided favourable conditions for involvement of SMEs in the Company's procurement.

In the competitive bidding for procurement of goods, work or services where only SMEs took part, in 2016, 1,058 bids were filed.

FPC's annual procurement from SMEs was 42.4% of the aggregate annual value of contracts.

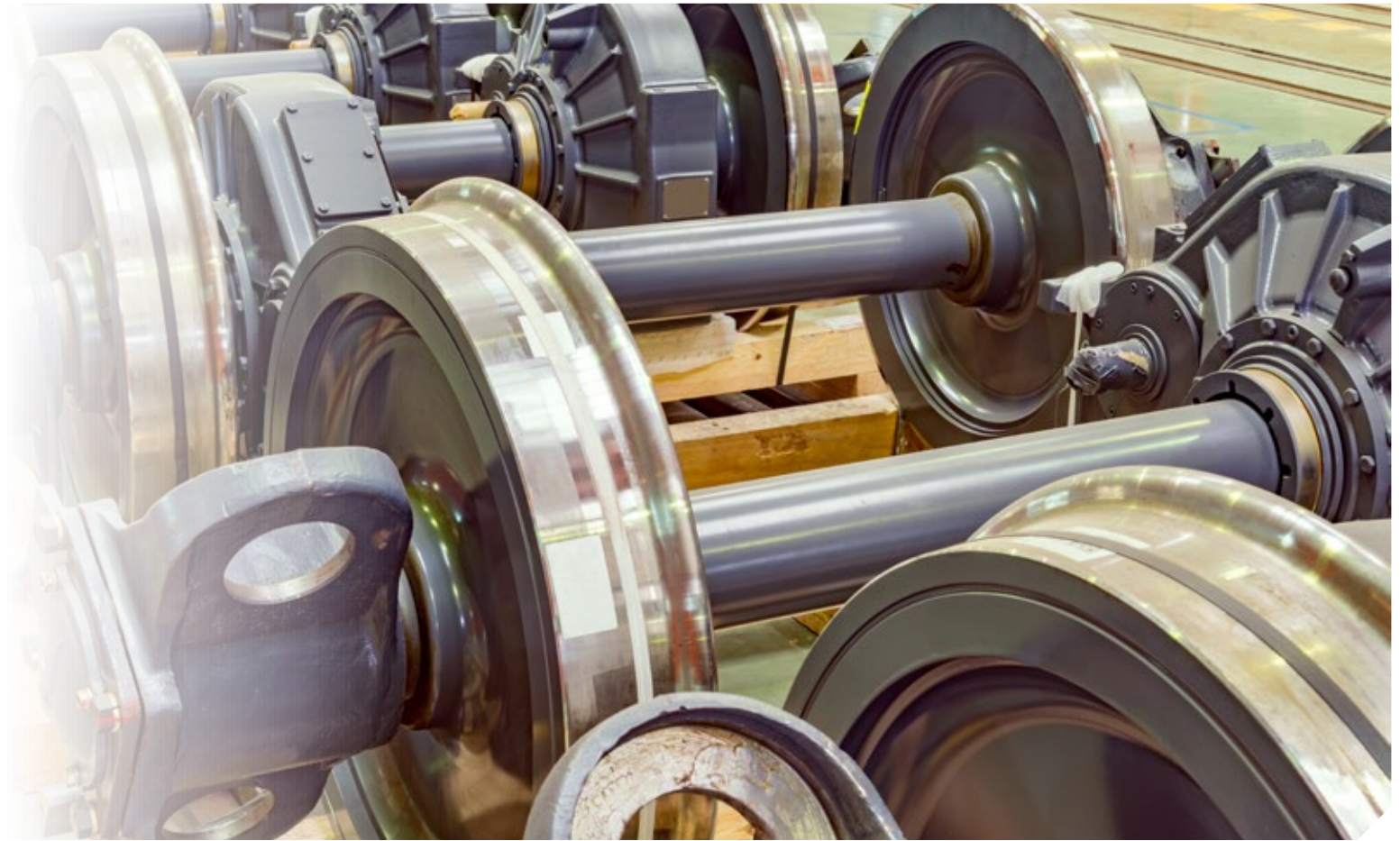
FPC's annual procurement from SMEs through bidding or other procurement procedures provided for by the Regulation on Procurement, with SME bidders only, totalled 18.4% of the aggregate annual value of contracts.

FPC is aware of its key role in the development of Russian small and medium-sized business and is committed to rise their share in its procurement from year to year.

For reference: annual procurement from SMEs should constitute at least 18% of the aggregate annual value of contracts entered into by a customer through bidding. The aggregate annual value of contracts entered into by and between a customer and SMEs through bidding held in line with paragraph 4b of the Regulation should constitute at least 10% of the aggregate annual value of contracts entered into by a customer through bidding².

¹ RSMB Corporation acts as a development institution for support of small and medium-sized enterprises (SMEs).

² Russian Government's Resolution No. 1352 On Specifics of Participation of Small and Medium-Sized Enterprises in the Procurement of Goods, Work and Services by Certain Types of Legal Entities.



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for procurement contracts filed by SMEs in 2016