

Working with Rating Agencies, Investors and Analysts

Eurobonds of JSC "Russian Railways" were assigned the same investment grade rating as the government securities rating level, which indicates their reliability on a long-term horizon. New financial instruments are attracting investment on favorable terms to finance infrastructure projects of JSC "Russian Railways", which, in turn, are expected to increase the individual rating of the Holding Company.

In anticipation of future placements in the international capital markets, JSC "Russian Railways" has been working to improve individual or "standalone" ratings. A "standalone" rating is assigned to quasi-sovereign companies and reflects an assessment of the creditworthiness of the issuer in the event of any risks materializing at a state level. Individual ratings are more conservative in terms of the issuer's risks assessment and, as a general rule, are set at a level below the final rating of the same issuer.

Therefore, until recently, the individual rating of JSC "Russian Railways", assigned by the agency Standard & Poor's, was at BB+ level, two steps lower than the final BBB rating.

In 2011-2012, we conducted a series of consultations with methodologists from leading rating agencies, studying the possibility of revising their approaches to Russian companies' risks assessment and the reduction factor assessment, introduced for country risk assessment. The most important result of this work was the raising of the individual rating of JSC "Russian Railways" from "BB+" to "BBB-" implemented by the rating agency Standard & Poor's in March 2012.

In November 2012 a series of traditional annual meetings was held with analysts from the following rating agencies: Standard & Poor's, Moody's and Fitch. We examined the expected results of the Holding Company's work for 2012 and plans for 2013. Representatives from all agencies noted the importance and timeliness of the decisions taken by the Government of the Russian Federation in the provision of concessional financing to JSC "Russian Railways" by means of infrastructure bonds tools, which are to be issued for a period of 30 years and less. Infrastructure bonds are an innovative long-term market tool for governmental support of major infrastructure projects. The fact that JSC "Russian Railways" will be the first issuer of infrastructure bonds, demonstrates the strategic importance of the Company to the country's economy.

CREDIT RATINGS OF JSC "RUSSIAN RAILWAYS" AS OF 31 DECEMBER 2012

Russia	Moody's Standard & Poor's Fitch	Baa1 BBB BBB	Stable Stable Stable
JSC "Russian Railways"	Moody's Standard & Poor's Fitch	Baa1 BBB BBB	Stable Stable Stable

At the beginning of 2013, the rating agencies confirmed the rating of JSC "Russian Railways" at the levels BBB/Baa1/BBB provided that the Holding Company maintains the ratio debt / EBITDA below 2.5.

The analysts of the agencies noted the strategic importance of JSC "Russian Railways" to the Russian economy and highlighted the close relationship between the operating and financial results of the Holding Company and the state of the Russian economy. However, the agencies also noted the high level of capital costs of JSC "Russian Railways" connected with infrastructure maintenance and development and pointed out the need for a balanced approach to financing these costs.

According to the rating agencies, borrowing funds for the total investment program financing may exceed the threshold level of the Holding Company's debt load. However, the new possibility of preferential financing of infrastructure projects of JSC "Russian Railways" with the involvement of the resources of the State Pension Fund of Russia partly removes this concern.

Successful placements of Eurobonds of JSC "Russian Railways" in 2012 demonstrate the consistently high market interest in the debt obligations of the Holding Company.

ADDITIONALLY, WE PARTICIPATED IN AND ORGANIZED A SERIES OF ACTIVITIES IN 2012, DEMONSTRATING THE COMPANY'S INCREASING OPENNESS AND TRANSPARENCY:

January-March	April-June	October-December
<ul style="list-style-type: none"> ▶ Sberbank and Troika Dialog, "Forum Russia 2012" (Moscow) ▶ IX Krasnoyarsk Economic Forum (Krasnoyarsk) ▶ Round-table conference "Pension funds as a source of investment in infrastructure projects. Experience, Problems and Prospects" (Moscow) ▶ Bonds & Loans Russia Conference (Moscow) ▶ Meeting with analysts and representatives of the press based on the results of the group of JSC "Russian Railways" activities for the 1st half-year of 2011, in accordance with the International Financial Reporting Standards (Moscow) ▶ Holding of a road show connected with the debut Eurobond issue of JSC "Russian 	<ul style="list-style-type: none"> ▶ Expert RA, IV Annual Conference "Future of Pension Market" (Moscow) ▶ Investor Day (Moscow) ▶ VTB Capital "Russia Invites!" (London) ▶ International Regional Railroad Business Forum "Strategic 	<ul style="list-style-type: none"> ▶ Meeting with representatives of the press based on the results of the group of JSC "Russian Railways" activities for the full year 2011, in accordance with the International Financial Reporting Standards (Moscow) ▶ Company Day (Moscow) ▶ VTB Capital "Russia Invites!" (Moscow) ▶ Round-table conference "Vedomosti": Privatization: the goals of the state, investors' expectations (Moscow) ▶ Cbonds, X Russian Bond Congress (Saint Petersburg) ▶ "Russian Railways" — Partner and Business Dialogue, X International Conference "Transport Services Market: cooperation and partnership" (Moscow)

Railways in rubles and in US dollars (London)

Partnership
1520 (Sochi)

▶ Investor Day (London)

▶ Saint
Petersburg
International
Economic
Forum (Saint
Petersburg)

▶ Investor Day (Zurich)