

Implementation of international transportation infrastructure construction projects

The Russian Railways Group continued implementing foreign projects in 2016 to build railways and develop infrastructure in Serbia, Mongolia and Armenia.

Having completed the infrastructural part of a project in North Korea in 2014, the Company focused its efforts on increasing transportation volume.

Russian Railways continued developing a project to form a new Eurasian transport corridor to Bratislava and Vienna.

In addition, measures were implemented to expand the Group's portfolio of infrastructure projects. Opportunities and formats for cooperation in this segment of the railway business were studied with Iran, Cuba, India and other nations.

In Serbia, RZD International and Serbian Railways continued implementing a contract on the construction of railway infrastructure and the supply of diesel trains. On 6 June, RZD International completed work ahead of schedule to rebuild three northern sections of the Pan-European Transport Corridor X with total length of 65 km. At the end of the year, also earlier than scheduled, the Company fully supplied 27 Russian-made diesel trains to Serbia for suburban transport.

Work was carried out as planned to build and electrify 16 km of a second track on the Belgrade-Pancevo railway line and also to prepare for the signing of an additional agreement for the construction and reconstruction of the Stara Pazov – Novi Sad section. In

July, work began on the Resnik-Valevo section. In addition, Russia's NIIAS and Serbian design institute CIP signed a contract for the design of the Unified Dispatch Centre for the Remote Control of Railway Traffic.

As part of the fulfilment of obligations under a trust management agreement for a 50% stake in Ulan-Bator Railway, work was continued to modernise and develop Ulan-Bator Railway. The implementation of the project should ensure the required increase in capacity both for the freight transportation, above all minerals from the fields of Mongolia to China and the ports of Russia's Far East, as well as to increase transit between Russia and China. The trustee management of the stake has been extended until 2019.

The Company continues to implement a project to manage Armenia's railway system and is fully meeting its obligations under a concession agreement. Infrastructure has been modernised and the rolling stock fleet has been renovated. Work will be continued in 2017.

In North Korea, joint work was continued during the reporting year with international partners to attract additional freight to infrastructure that has been built (work to rebuild the Rajin-Khasan Railway and build a terminal in the port of Rajin was completed in 2014). Total freight shipment, primarily coal, totalled 1.5 mln tonnes.

A project office set up by Russian Railways for the establishment of a new Eurasian transportation corridor that envisages the construction of a 1,520-mm railway

line to Bratislava and Vienna continued work to promote the project via a four-way joint venture and interaction with the government and business structures of these countries.

Russian Railways continued work in 2016 to prepare for the signing of a contract with Islamic Republic of Iran Railways for design, supply of materials and equipment, and construction as part of a project to electrify the Garmsar-Ince Burun railway section. In December, a protocol to the previous agreement on the project was signed with additional conditions. Russian Railways opened a general representative office in Tehran to coordinate the joint work.

Another promising area for the Russian Railways Group's international cooperation is the development of interaction with the Republic of Cuba to modernise railway infrastructure. In early December 2016, a road map was signed to study the conditions for cooperation.

The signing of a protocol on cooperation between Russian Railways and the Indian Ministry of Railways in October 2016 as part of the High-Speed Railways programme was a practical step towards promoting joint projects in India. Under the document, the parties intend to continue work to coordinate a draft contract for the development of a feasibility study for a project to modernise the Nagpur-Secunderabad railway line. Implementing the project will make it possible to increase passenger transportation speeds on the section to 200 km/h.