

International activities of Russian Railways and key international projects

Cooperation with CIS and Baltic States within the 1520 Domain

- The Russian Railways Group's participation in the Council of Rail Transport of CIS States helped to promote key issues concerning international passenger and freight transportation. The Council adopted a number of resolutions to update regulatory documents and signed several important agreements at its 64th and 65th sessions.
- The main outcome of the eleventh International Rail Business Forum Strategic Partnership 1520 (1-3 June, Sochi) was the development of coordinated approaches to the development of the railway industry in the '1520 space'. A number of important agreements were signed, in particular:
 - Russian Railways, Islamic Republic of Iran Railways and Azerbaijan Railways signed a trilateral memorandum to develop the routes of the North-South international transportation corridor;
 - Russian Railways and Kazakh Temir Zholy signed an agreement in order to develop Russian-Kazakh cooperation in the electronic exchange of information about international railway freight transportation.
- The Company continued working jointly with its partners to improve the regulatory legal framework of the Eurasian Economic Union and customs regulation for railway transportation throughout the space of the union.
- The decision was made to extend the Russian Railways' trust management of a 50% stake in Ulan-Bator Railway (Mongolia) until 2019.
- Armenian railway infrastructure was rebuilt and developed in full compliance with a concession agreement.

Cooperation with Asia-Pacific Region countries

Russian Railways devoted priority attention throughout 2016 to the development of cooperation with countries of the Asia-Pacific Region and took such interaction to a new level with the conclusion of a number of landmark international agreements:

- In June, Russian Railways and Chinese Railways signed an agreement on comprehensive strategic cooperation for the joint implementation of projects and the further interface of processes to establish the Eurasian Economic Union and the Silk Road Economic Belt.
- In November, Russian Railways and the Chinese group of companies Port of Yingkou signed a cooperation agreement to intensify joint work as part of a project to build an international terminal and logistics centre on the core of the Bely Rast terminal and logistics centre.
- In December, Russian Railways, China's Sinotrans, the Kaluga Region government and Russian Export Centre signed a four-sided memorandum of intent. The document will contribute to the development cross-border trade between Russia and China.
- In October, Russian Railways and South Korea's Samsung Electronics signed a memorandum on mutual understanding to support the development of container transportation via the East-West route. The document will help to attract additional transit freight to the Russian railway network to be forwarded on to the South Korean company's factories in Eastern Europe.

Interaction with international organisations

One of the Russian Railways Group's objectives in international cooperation is to harmonise transportation law and improve the existing regulatory legal framework of the transportation process. This objective is met through the Company's participation in the activities of international organisations such as the Council of Rail Transport of CIS States, the International Union of Railways (UIC), the Organisation for Cooperation of Railways (OSJD), the International Rail Transport Committee, the Intergovernmental Organisation for International Carriage by Rail, the Inland Transport Committee of the UN European Economic Commission, the UN Economic and Social Commission for Asia and the Pacific and others.

The main effects achieved as a result of this work are an expansion in Eurasian transport ties, an increase in transit potential as well as the enhanced attractiveness of logistics services and freight delivery conditions through the development of international transport corridors.

In 2016, the Company concluded its multi-year programme of chairmanship in the UIC. A milestone was the election of the Russian Railways president as chairman of the UIC Asia-Pacific Regional Assembly for 2017-2018.

Significant work was carried out via the OSJD to prepare and endorse the text of the Convention on Direct International Railway Transportation along with its

appendices, which began undergoing the approval procedure at interdepartmental national levels in November 2016 as part of an open special conference.

Over the course of the year, a working group within the Inland Transport Committee of the UN European Economic Commission drafted a new Convention on the Facilitation of Border Crossing Conditions for the International Carriage of Passengers, Luggage and Goods by Rail.

The Russian Railways Group's activities within the format of the BRICS Business Council helped to further converge the positions of BRICS nations on matters concerning the development of joint commercial projects.

Russian Railways Group's cooperation with European partners

The Russian Railways Group's interaction with European partners primarily focused on the design and manufacturing of new rolling stock and its introduction to the national railway network. In 2015, Russian Railways continued work to strengthen cooperation with global railway engineering leaders such as Siemens, Alstom, Bombardier, Talgo, Knorr Bremse and others. Further progress was also made in matters concerning the localisation of advanced rolling stock production in Russia and the introduction

of environmentally friendly and energy efficient technologies to the Russian railway network.

In June, Russian Railways and Siemens AG signed an updated version of a strategic memorandum. The document provides for the development of cooperation between the two companies in rapid-transit and high-speed railway transportation, the manufacturing and operation of locomotives, digital technologies, railway automation and telemechanics,

electrification, personnel training as well as the implementation of projects on external markets.

In addition, Russian Railways continued to promote a project to set up a new Eurasian transportation corridor jointly with the railway administrations and transportation agencies of Austria, Slovakia and Ukraine. The latest stage of a feasibility study for the project was carried out.

Changes in international activities in 2016 that contributed to the increased effectiveness of interaction with international counterparties and institutions

Changes in approaches to international business that took place in 2016 focused on increasing the Group's presence in these segments of the global market for railway services and technologies.

Aware of the Group's competitive advantages, the Company's management has defined the strategic goals, areas and priorities for long-term development of cooperation with foreign partners.

At the same time, the main objective is to ensure growth in revenue from foreign economic activity by effectively expanding the geography of its business and the volume of foreign operations.