

# FOREIGN PROJECTS AND INTERNATIONAL COOPERATION

Russian Railways expands its network of international and transit routes for passenger and freight transportation, implements foreign infrastructure projects, manages railway assets, and cooperates with its partners in promoting comprehensive transportation and logistics services. One of the Company's priorities is to boost Russia's transport potential and ensure efficient cooperation with both major foreign railway operators and international transport organisations.

IN 2018:

CONTAINER TRANSIT THROUGH  
RUSSIAN RAILWAYS' NETWORK  
TOTALLED

**553,000**  
TEU

+33%

THE RUSSIAN RAILWAYS GROUP'S  
REVENUE FROM ITS FOREIGN  
OPERATIONS TOTALLED<sup>1</sup>

RUB

**471.8**

bn

+33%

CONTAINERS SHIPPED ALONG  
THE CHINA-RUSSIA-EUROPE ROUTE

**350,800**  
TEU

+0,9%

<sup>1</sup> Including the results of RZD Logistics (container shipment and international transport corridor logistics), TransContainer (international transportation), UTLC ERA, GEFCO, RasonConTrans, South Caucasus Railway, and RZD International, as well as income from transit shipments generated by Russian Railways' Centre for Corporate Transport Services.



# Foreign projects and international cooperation

The Company's key business lines abroad include logistics, passenger and freight transportation on international and transit routes, engineering and management of railways, machine building, and personnel training.

## Key focus areas of the Long-Term Development Programme

Russian Railways plans to continue developing its foreign business, among other things, by expanding its footprint and promoting the Group's export-oriented portfolio centred around:

- › integrated projects of railway design, construction (upgrade), electrification, and subsequent operation;
- › consulting (development of concepts, strategies, railway development programmes, feasibility studies, and business plans);
- › railway facility management;
- › supplies of railway machinery, equipment and materials;
- › comprehensive transport and logistics services (establishing joint operations, acquiring stakes in national logistics companies);
- › expanding international passenger transportation routes and assessing the

possibility to establish joint operations in the passenger segment (including for the purpose of entering the European market);

- › transit freight transportation to key international destinations;
- › personnel training and education;
- › development of IT services, cloud applications, and digital strategies;
- › working out financial solutions for foreign projects.

To do this, the Company will need to implement a number of corporate initiatives, new business processes and algorithms, including the development of competencies in international engineering and transport infrastructure construction via mergers and acquisitions.

Furthermore, given the trends in the global transportation market, the Company needs

to build a project financing framework to implement infrastructure projects in foreign transportation and construction markets, and boost cooperation with international financial organisations supporting export services.

**Key initiatives to expand foreign operations include:**

- › organisational support;
- › implementation of new business processes and algorithms;
- › development of financing packages.

The Group will be actively expanding foreign operations to improve its competitive edge in international transportation and construction markets and increase total income.

## Key achievements in 2018

- › The Company signed a number of important agreements and memoranda with Asia-Pacific countries
- › It also implemented some initiatives to boost Russia's transit potential and create efficient transportation routes between Europe and Asia, first of all, along the North – South and East – West corridors.
- › The Group strengthened its positions in Western Europe by signing several

agreements with the region's leading railway operators.

- › The UIC Asia Pacific Regional Assembly action plan drafted by Russian Railways was put into operation.
- › The Shanghai Cooperation Organisation (SCO) member states established a framework for regular meetings of heads of railway administrations.

**In 2018, the Russian Railways Group's revenue from foreign operations totalled<sup>1</sup> RUB 471.8 bn (up 1.7% vs target), with EBITDA exceeding RUB 30 bn (up 12.6% vs target).**

<sup>1</sup> Including the results of RZD Logistics (container shipment and international transport corridor logistics), TransContainer (international transportation), UTLC ERA, GEFCO, RasonConTrans, South Caucasus Railway, and RZD International, as well as income from transit shipments generated by Russian Railways' Centre for Corporate Transport Services.



« Russian Railways celebrates its 15th anniversary with a hefty portfolio of international projects. Our expertise and technologies are in demand globally and lay ground for further expansion of our international footprint. This year, we strengthened our positions in the Middle East and South Asia, received promising proposals from a number of African countries, boosted the operational performance of foreign companies held in trust or managed under concession agreements, and increased the volumes of transit container transportation by a third compared to 2017»

Alexander Misharin  
First Deputy CEO of Russian Railways

## Foreign operations and key international projects

### Cooperation with CIS and Baltic states within the 1,520 mm gauge network

During the year, the Russian Railways Group focused on complex development of the 1520 gauge<sup>2</sup> railway network, including by participation in the **Council for Rail Transport of the Commonwealth Member States** (the “Council”). In 2018, the Council resolved to draft a Conceptual Framework for Strategic Development of the Railway Transport through 2030 aimed to improve the competitive edge by gradual transition to the digital railway and further integration in the global transportation system.

### Cooperation with Eastern Asia

In 2018, our ties with the countries of Eastern Asia were growing stronger. In June, Russian Railways and China Railway signed a memorandum in the presence of the heads of the states to organise high-speed and ultra high-speed rail freight transportation along the China–Russia–Europe route.

The efficiency of the Joint Working Group created under the septilateral agreement<sup>3</sup> enabled fast growth of freight traffic along the route and back. The transported volume for the year reached 350,772 TEU, up 34% y-o-y.

The cooperation with the Korean partners was also on the rise. In June 2018, the presidents of Russia and South Korea witnessed the signing of a memorandum of understanding on the cooperation between Russian Railways and Korea Railroad Corporation (KORAIL).

The work over transportation projects with Japan was also gaining momentum – to demonstrate the potential and advantages of the Trans-Siberian line, Russian Railways and the Ministry of Transport of Japan launched test container shipments from Japan starting September 2018. In October, Russian Railways signed a memorandum of understanding with Mitsubishi Heavy Industries and Sojitz Corporation to develop construction plans for Baltiysky and Primorsky terminal and logistics centres at the Russian rail network. On top of that, the project for the first preventive medicine and diagnostics centre in Khabarovsk is underway in partnership with Marubeni.

Trust management of the 50% Russian stake in Ulaanbaatar Railways (Mongolia) in 2018 led to a record freight volume – 25.8 mt (up 13.2% y-o-y), with 3 mt accounting for transit transportation, and maximisation of throughput and carrying capacities. In December 2018,

Ulaanbaatar Railways’ Management Board approved the first stage of the modernisation programme through 2020.

### Russian Railways’ cooperation with European partners

**In 2018, the Group strengthened its positions on the Western European market by signing a number of documents with the leading European railway companies on the development of the talent pool, passenger and freight transportation, logistics, infrastructure projects, innovations and cooperation in third-party countries:**

- › addendum to the cooperation agreement between Russian Railways and Austrian Federal Railways;
- › cooperation memorandum between Russian Railways and Spanish operator Renfe Operadora;
- › agreement to expand the fleet of ultra high-speed trains between Russian Railways, Sinara Group, Siemens and Siemens Mobility;
- › strategic cooperation and partnership development agreement between Russian Railways and Rusenergosbyt, a subsidiary of Italian company ENEL;
- › cooperation development roadmap between Russian Railways and French national railway company SNCF.

<sup>2</sup> 1520 mm is the main gauge used in railways of ex-USSR countries. North America, Middle East, North Africa, Australia, China, Korea and Europe (excluding CIS and Baltic countries, Finland, Ireland, Spain and Portugal) mostly have a track gauge of 1435 mm.

<sup>3</sup> Agreement between Russian Railways, China, Mongolia, Germany, Kazakhstan, Belarus, and Poland to strengthen cooperation and increase the number of container trains between China and Europe signed in 2017.

Russian Railways joined efforts with railway administrations and transport authorities of Austria, Slovakia and Ukraine to create a new Eurasian transport corridor by **extending the broad gauge tracks from Košice to Bratislava and further**

## Overseas infrastructure projects

In 2018, construction works on two legs of **Serbian** railways were completed ahead of schedule, opening Belgrade–Pancevo and a number of other routes. On top of that, tracks were laid on the railway bridge across Danube in Novi Sad.

In 2018, the Company strengthened its positions in the large and highly competitive **Indian** market. The first stage of the feasibility study for the high-speed (up to 200 km/h) railway connection between Nagpur and Secunderabad (India) was completed in line with the contractual agreements between Russian Railways and Indian Railways. In 2019, we plan to complete a feasibility study for further increasing the speed on the line.

## Cooperation with international organisations

The reporting year saw continued work with the **Organisation for Cooperation between Railways (OSJD)** to approve the Convention on Direct International Railway Traffic. When approved, it will shape a legal framework that will allow Russian Railways and its clients to provide freight and passenger rail transportation services between Europe and Asia under a single document.

Another important highlight is that the UNECE Inland Transport Committee (ITC) finalised the Convention on the Facilitation of Border Crossing Procedures for Passengers, Luggage and Load-Luggage Carried in International Traffic by Rail. The document is the result of many years of development started at Russian Railways' initiative. The convention was adopted during the 81st annual session of the Inland Transport Committee (ITC) (on 19–22 February 2019 in Geneva) and will soon be open for signing. After enactment, the document will facilitate border-crossings while maintaining efficient state control, ensuring comfort and quality of service

### to Vienna, and creating a Vienna–Bratislava international logistics centre.

One of the milestones was environmental certification by the state and municipal authorities of Austria and Slovakia. The preliminary discussions were held

In **Armenia**, the 10th anniversary of concession agreement between South Caucasus Railway and Russian Railways saw higher shipment volumes and the launch of passenger transportation between Yerevan and Gyumri with a Russian-made electric train.

The Russian Railways Group entered the **Cuban** market with a complete and up-to-date complex renovation project. The contract and intergovernmental agreement for the project are expected in 2019.

In Asia, the Group addressed the possibilities of entering the **Vietnamese** infrastructure market.

for passengers and reducing the running times of trains.

In 2018, the Russian Railways Group continued cooperation with UIC in a number of areas such as development of high-speed rail connections, traffic safety, standardisation, digital technology, energy efficiency and improvement of professional competencies.

Under the chairmanship of Oleg Belozеров, CEO of Russian Railways, the UIC Asia-Pacific Regional Assembly delivered on all its objectives set for his tenure. These include introduction of a quality management system (QMS), development of project selection criteria and enhanced cooperation with global organisations (including the UN) and financial institutions. A number of efforts were made to prevent unauthorised access to the railway.

On top of that, INTERTRAN, a joint project of UIC and the UN Economic and Social Commission for Asia and the Pacific, was

over the project financing, including with the shareholders of the joint venture. Close cooperation with Austria and Slovakia during the year led to the decision to sign an intergovernmental agreement on the project in 2019.

Together with the Vietnamese partners, it closely considered construction of light rail in Ho Chi Minh City with the extension to Longhanh airport. In September, Russian Railways International and a group of Vietnamese investors signed a framework partnership agreement for the project.

To promote project initiatives in **Africa** and mitigate economic risks, a trilateral memorandum of cooperation was signed in late November with the African Export–Import Bank and the Russian Export Centre. We also considered project proposals from South Africa, Ghana, Nigeria and other countries.

launched at Russian Railways' initiative to boost volume and quality of intermodal freight transportation on a paperless basis.

### 22nd St. Petersburg International Economic Forum

A delegation led by Oleg Belozеров, CEO and Chairman of the Management Board, represented Russian Railways at the 22nd St. Petersburg International Economic Forum (held on 24–26 May 2018). More than a dozen of agreements and memorandums were signed on the sidelines of the forum to expand cooperation in various fields such as development of modern trains (with Siemens and Sinara), medical rehabilitation (with ORPEA S.A.), as well as prevention of, and response to, the threat of infectious diseases abroad (with Rospotrebnadzor (Federal Service for Surveillance on Customer Rights Protection and Human Well-being)).

As a Co-Chairman of the Russia-France Business Cooperation Council, Oleg Belozеров gave a speech at a business dialogue in the presence of President of the Russian Federation Vladimir Putin and President of France Emmanuel Macron. The topics included mutually beneficial technology transfer, attracting investment for business development, opportunities for bilateral cooperation in the manufacturing industry of the future, development of digital economy and building modern infrastructure.

#### InnoTrans International Trade Fair and Rail Leaders' Summit

In September 2018, a delegation of Russian Railways led by Oleg Belozеров, CEO and

Chairman of the Management Board, participated in the 2018 InnoTrans, International Trade Fair for Transport Technology in Berlin.

During the event, Russian Railways and French National Railway Company (SNCF) signed a road map, marking an important step towards strengthening ties between the partners. This aims to foster bilateral cooperation in passenger and freight transportation, infrastructure development (both domestically and in third-party countries), improvement of railway stations, exchange of expertise and R&D.

Russian Railways also entered into an agreement with Siemens AG, Sinara Group and Siemens Mobility GmbH to expand its fleet of high-speed trains.

m railcars

**WERE SHIPPED UNDER  
ELECTRONIC WAY BILLS IN 2018**

## Traffic safety

### General principles

Russian Railways' Strategy for Guaranteed Transportation Safety and Reliability lays out the general principles that are underpinned by safety management and culture. It seeks to ensure reliability and

safety of equipment and infrastructure and minimise traffic accidents to achieve the traffic safety targets across Russian Railways.

### 2018 results

2018 saw the number of traffic accidents and incidents involving the Company's railway infrastructure fall 27% against 2017 (3,119 vs 3,707), including a 14% decrease in accidents caused by Russian Railways (1,347 vs 1,575).

In the reporting year, the number of rail safety violations stood at 0.98 per million train kilometres, outperforming the target (1.28) by 23% and the previous year's result (1.17) by 16.5%.