

## 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  RUB 471.8 bn (up 1.7% vs target), with EBITDA exceeding RUB 30 bn (up 12.6% vs target).

## 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  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  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.

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 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 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.

## 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.

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. Together with the Vietnamese partners, it closely considered construction of light rail in Ho Chi

Minh City with the extension to Longhang 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.

## 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 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 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 Belozerov, 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.



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**m railcars**

WERE SHIPPED UNDER  
ELECTRONIC WAY BILLS IN  
2018