

Confidential Memorandum of Understanding

The Civil Aviation Working Group, composed of the Delegation representing the Ministry of Transport of the Russian Federation (hereinafter referred to as the Russian Delegation) and the Civil Aviation Administration of China (hereinafter referred to as the Chinese Delegation) met in Beijing from August 25 to 26, 2015 for the 19th Meeting of Russia-China Transportation Cooperation Sub-Committee to discuss matters relating to further development of aviation relations between the two countries.

The name lists of the Delegations are attached hereto as Appendix 1 and Appendix 2.

The discussions were conducted in a very cordial and friendly atmosphere.

I. Air Traffic Management Cooperation

The Russian Delegation proposed to hold ATM meeting at expert level. The Chinese Delegation agreed with such proposal. The time and venue of the meeting could be discussed and finalized through ATM experts via email.

II. Arrangements for the Implementation of the Agreement on Civil Aircraft Search and Rescue

The Chinese Delegation provided its counter proposal on the draft of the above mentioned agreement. The Russian Delegation stated that it would carefully study the Chinese proposal and responded in due time.

Both Delegations agreed to continue their exchanges of views through e-mail and in case of necessity to organize a working meeting between the experts aiming to finalize discussions.

III. Expansion of Commercial Traffic Rights Arrangements

Both Delegations agreed to expand local air services, triangular air services as well as overflying arrangements for the designated airlines of both sides. With regard to capacity and frequency entitlements of local services as well as overflying frequencies, both sides agreed to new arrangement as set out in Appendix 3 to this CMOU, which shall replace Appendix 4 to 2014 CMOU.

The Chinese Delegation reminded the Russian Delegation that due to the severe congestion in PEK airport, only the night-time landing slots (02:00-05:00) are available for the expanded traffic rights in relation to Beijing as specified in Appendix 3, before the completion of the new airport in Beijing scheduled to be in

operation in 2019. The Russian Delegation noted and understood the current situation.

IV. Coterminalization of All-Cargo Services

Both Delegations agreed to replace Article V coterminalization of all-cargo services of the 2014 CMOU with the following:

Both Delegations agreed that subject to customs and border regulations as well as availability of infrastructure resources, the Russian designated airlines may coterminalize on any two points among Zhengzhou, Chengdu, Chongqing, Kunming, Tianjin, Dalian, Shenyang and Xi'an for scheduled all-cargo services, while on the basis of reciprocity, the Chinese designated airlines may exercise similar coterminalization for scheduled all-cargo services on any two points among eight points as freely selected by the Chinese side in the Russian territory. The Russian side may change the above eight points in China for coterminalization operations subject to the approval of the Chinese aeronautical authorities.

Both Delegations further agreed that subject to customs and border regulations as well as availability of infrastructure resources, the Russian designated airlines may coterminalize between any point among Zhengzhou/Chengdu/Chongqing/Kunming/Urumqi/Dalian/Shenyang/Xi'an and Beijing for scheduled all-cargo services up to seven (7) frequencies per week and any point among Zhengzhou/Chengdu/Chongqing/Shenzhen/Urumqi/Dalian/Shenyang/Xi'an and Shanghai up to seven (7) frequencies per week respectively, provided that each of such coterminalization flights operate no more than one landing and take-off at any Chinese airport. The Russian side may change the above eight points in China for coterminalization operations subject to the approval of the Chinese aeronautical authorities.

V. Code-sharing arrangements

Both delegations agreed to replace Article VII "Code-sharing arrangements" of the CMOU signed on August 13, 2014 with the following:

1. When operating or holding out agreed services on the specified routes, including to beyond points, designated airlines of either Contracting Parties shall be entitled to enter into cooperative arrangements, such as but not limited to code sharing, with:

- (a) an airline or airlines from China;
- (b) an airline or airlines from Russia.

2. When a designated airline performs services under cooperative marketing arrangement as the marketing carrier, the total capacity offered by the airline will

not be counted against the capacity entitlement of the Contracting Party designating the airline.

3. All airlines operating or holding out the above services shall hold the appropriate authority including route rights and traffic rights and shall meet the requirements normally applied to such arrangements.

4. The designated airlines of both Contracting Parties shall, when holding services out for sale, in terms of code share, blocked-space or other joint venture arrangements, make it clear to the purchaser at the point of sale which airline will be the operating airline on each sector of the service and with which airline(s) the purchaser is entering into a contractual relationship.

5. The designated airline(s) of either Contracting Party may also, on a case-by-case basis, enter into domestic sector code-share arrangement with the airline(s) of the other Party designated to operate between China and Russia. The domestic sector code-share services may be conducted only between points of entry and eleven (11) other destination points and such services should form part of a through international journey. The eleven destination points selected for domestic sector code-sharing should be informed to the aeronautical authorities of the other side in due course.

6. The designated airlines of either Contracting Party may also, on a case-by-case basis, enter into beyond sector codeshare arrangements with the designated airlines of the other Contracting Party. The marketing airlines shall not exercise the fifth freedom traffic rights on the beyond sector while engaging in the above codeshare arrangements.

7. All code-share arrangements are subject to approval by the aeronautical authorities of both Contracting Parties.

VI Others

Representative of Volga-Dnepr Group made presentation concerning Group's project to base several AN-124 and IL-76 aircraft in CGO airport. The purpose of establishing a base for AN-124 and IL-76 aircraft in China is mainly to ease and facilitate access to services for Chinese commercial and governmental customers. It is expected that air charter flights would be operated exclusively under special ad-hoc requests from governmental agencies of China in support of emergency needs of economy and social stability or as part of response to natural calamities and man-made disasters.

The new services should be priced significantly lower than the current market prices and would ultimately become much more affordable for Chinese customers. The initial estimates have shown that basing of AN-124 and IL-76 aircraft in CGO

would increase the annual traffic flow through this hub airport by 15-20 per cent, and result in further growth of the region's economy and creation of new jobs for the local community.

Chinese delegation noted the presentation and the project and stated that it might be difficult to base aircraft of the foreign airline due to restrictions of the air space. Nonetheless if such a base will be done together with Chinese investor through setting-up a joint venture, the project might be considered positively.

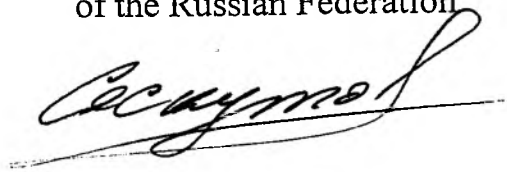
This Confidential Memorandum of Understanding shall come into effect on the date of signature.

Done in Beijing on August 26, 2015 in English language.

For the Aeronautical Authorities
of the People's Republic of China



For the Aeronautical Authorities
of the Russian Federation



Name list of the Russian Delegation

Name	Title
Head of Delegation	
Mr. Sergey A. Seskutov	Deputy Director Department of State Policy in Civil Aviation Ministry of Transport of the Russian Federation
Delegates	
Mr. Alexander V. Shatalin	Chief-expert of Air Services Division, Department of State Policy in Civil Aviation Ministry of Transport of the Russian Federation
Mr. Sergey. N. Sorokin	Deputy Trade Representative Embassy of the Russian Federation
Observers:	
Mr. Igor V. Chernyshov	Aeroflot
Mr. Vadim A. Shevalye	S7 "Siberia"
Ms. Marianna B. Galagura	Ural Airlines
Ms. Anna S. Zentsova	Ural Airlines
Mr. Oleg O. Demidov	Group of Companies Volga-Dnepr
Mr. Alexey V. Leonov	Group of Companies Volga-Dnepr
Mr. Dmitry A. Strelnikov	Group of Companies Volga-Dnepr
Mr Yuriy N. Gutchenko	Vnukovo International Airport
Ms. Tatyana M. Sudakova	GTLK
Mr. Kamil R. Feizrakhmanov	Domodedovo International Airport

Name list of the Chinese Delegation

Name	Title
Head of Working Group	
Ms. Liang Nan	Deputy Director General Department of International Affairs CAAC
Delegates	
Mr. Wei Hong	Director Division of International Air Transport Department of Air Transport CAAC
Mr. Cai Guoxian	Deputy Director Division I of International Relations Department of International Affairs CAAC
Mr. Yang Song	Official Department of International Affairs CAAC
Mr. Fu Zhengwei	Official Department of Air Transport
Mr. Wang He	Official Department of International Affairs CAAC
Ms. Ding Yao	Interpreter
Observers	
Mr. Peng Haiping	Managing Director International Affairs Air China
Ms. Zhang Baoru	Manager International Affairs Air China
Ms. Xia Wen	Tariff Manager China Eastern Airline




Ms. Wang Xinru	Manager of International Affairs China Eastern Airlines
Ms. Song Ting	Manager International Affairs & Alliance China Southern Airlines
Ms. Chen Lei	Specialist International Business Division Hainan Airlines
Ms. Su Dan	Specialist International Business Division Hainan Airlines
Ms. Li Xue	General Manager International Business Centre Capital Airlines
Mr. Zhou Liang	Operation Manager Capital Airlines
Mr. Wan Yu	Operation Manager Capital Airlines
Ms. Zhang Xiaojing	International Affairs Manager Sichuan Airlines
Mr. Hu Wei	Chief Representative of Moscow Office Sichuan Airlines
Mr. Zhao Weipeng	International Affairs Manager Airline Planning and International Affairs Dept. Air China Cargo
Mrs. Wang Yushuang	Flight Schedule Manager Airline Planning and International Affairs Dept. Air China Cargo
Ms. Diana Young	Sale and Marketing Department Yangtze River Express Airlines Co., LTD

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Mr. Hu Nan

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