

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 Moscow from August 12 to 13, 2014 for the 18th 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

With reference to the proposal to open new entry/exit points and new international air traffic routes submitted in course of the 17th Meeting of Russia-China Transportation Cooperation Sub-Committee, the Russian Delegation suggested to revert to this matter based on the analysis conducted by the Chinese Delegation.

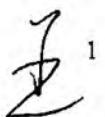
The Chinese Delegation agreed in principle that a new entry/exit point be established near SIMLI. Further details on the exact location of the point will be coordinated between Russian and Chinese ATC experts later on.

Taking into account the need for detailed technical assessment and adjustment of international air routes in the air space of two countries, both Delegations agreed to organize a joint meeting on working level. The Chinese Delegation handed an air routes map attached in the Appendix 3.

The Russian Delegation responded that it would carefully study the provided air routes map and convey the proposal for the experts meeting to the responsible authorities of the Russian Federation.

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

The Chinese Delegation informed that the above mentioned Agreement had been carefully studied and noted that proposed provisions of the Articles 3 and 6 would require additional coordination in view of the difference of organizational structure in charge of civil aircraft search and rescue.



Both Delegations decided 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. Cooperation in Field of Aviation Security

The Chinese Delegation noted growing importance of coordination in field of aviation security to cope with increasing threats to civil aviation and proposed to create a mechanism for direct exchange of information in this area between the competent authorities.

The Russian Delegation welcomed the initiatives of the Chinese Delegation and will communicate this proposal to the responsible Department of the Ministry of Transport.

The Russian Delegation brought to the notice of the Chinese Delegation its position towards requirements raised by the European Union in part of the obligatory validation of the aviation security measures at the airports of origin in third countries while operating cargo air services to the airports in the territory of the EU (ACC3).

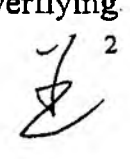
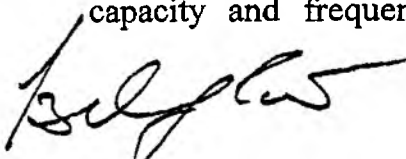
Both Delegations exchanged their views on the matter and decided to further exchange information on this issue.

IV. Operation of Open-Jaw Routes

Both Delegations decided to amend the provisions of Article III of the Confidential Memorandum of Understanding signed on September 5, 2013 (hereinafter referred to as "2013 CMOU") and agreed that on the basis of reciprocity the designated airlines of each Party may operate the open-jaw scheduled passenger/combo services on no more than twenty-six (26) routes provided that each sector of the services shall be counted half (0.5) frequency against the frequency entitlements on the specified routes as provided for in Part A of Appendix 4, and that such open-jaw services shall exclude the routes prescribed in paragraph 1 Part A of the Appendix 4 to this CMOU. Both Delegations further confirmed that an open-jaw route refers to the "V" shape international air service where such service begins and terminates at two different points in the territory of the Party designating the airline.

V. 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 4 to this CMOU, which shall replace Appendix 4 to 2013 CMOU.

VI. Coterminalization of All-Cargo Services

Both Delegations agreed to replace Article VI coterminalization of all-cargo services of the 2013 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, Urumqi, 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.

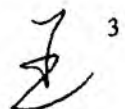
Both Delegations further agreed that subject to customs and border regulations as well as availability of infrastructure resources, the Russian designated airlines may coterminalize between any point among Zhengzhou/Chengdu/Chongqing/Kunming/Urumqi/Dalian/Shenyang/Xi'an and Beijing for scheduled all-cargo services up to seven (7) frequencies per week and any point among Zhengzhou/Chengdu/Chongqing/Kunming/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.

VII. Code-sharing arrangements

Both delegations agreed to replace Article IV "Code-sharing arrangements" of the CMOU signed on July 28, 2011 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 ten (10) other destination points and such services should form part of a through international journey. The ten destination points selected for domestic sector code-sharing should be informed to the aeronautical authorities of the other side in due course.
6. All code-share arrangements are subject to approval by the aeronautical authorities of both Contracting Parties.

VIII. Other Issues

Slot allocation at Chinese airports

The Russian Delegation draw attention to the issue of SLOTS allocation at major Chinese airports , in particular at Beijing and Sanya International Airports.

With this respect the Russian Delegation requested the Chinese Delegation to render possible assistance to the Russian designated carriers to obtain SLOTS at the above mentioned airports.

The Chinese Delegation took note of this request and will do its utmost to coordinate with the responsible SLOT allocation authority in order to facilitate development of scheduled operations to Beijing and Sanya.

 4

Fuel supply of Volga-Dnepr Group Airlines operations at Pudong Airport

The Russian Delegation informed the Chinese Delegation that Volga-Dnepr Group currently has prepayment method of payment for fuel services provided by CNAF and SPIAAFSC at Pudong airport which puts additional financial pressure on the airline. In order to improve the situation Volga-Dnepr Group would like to obtain from CNAF and SPIAAFSC credit basis for the payment. In case it is not possible Volga-Dnepr Group would like to arrange fuel tender for Chinese locations among direct suppliers and agencies (Cosmooil, Gazpromneft-aero or others) in order to get the best terms. In this respect the Russian Delegation asked the Chinese Delegation for support in resolving of this issue.

The Chinese Delegation noted this request and agreed to forward it to CNAF for review. The Chinese Delegation also advised the airline to contact directly with CNAF.

Exemption of Customs Duties

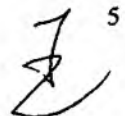
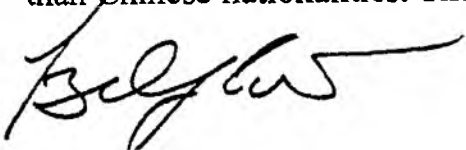
The Chinese Delegation stated that on some occasions the Chinese designated airlines have been imposed on customs duties and similar fees when introducing spare parts including engines for the maintenance or repair of aircraft in operation of agreed services into the Russian territory, which are not in consistence with Article 11 of the ASA signed on March 26, 1991. The Chinese delegation requested the Russian delegation to coordinate with the Russian customs authorities to exempt the designated airlines of China from all customs duties, fees and other similar charges in accordance with the ASA. The Russian delegation will transfer the abovementioned request to the Russian Customs Authorities.

Simplification of Airline Designation Procedures

The Chinese Delegation proposed to the Russian Delegation to simplify and streamline the procedures for the application of establishing new services or changes on existing services by the incumbent designated airlines. In this regard, when applying for a new route by the incumbent designated airlines, the designated airlines is only required a letter from its aeronautical authority allocating the route, rather than a note through the diplomatic channels. The Russian delegation stated that this proposal requires additional legal clearance and once done, the answer will be forwarded to the Chinese side via mail.

Passenger Charter Operations

With a view to facilitating tourism development between the two countries and on the basis of reciprocity, the Chinese Delegation further requested to remove the restriction on charter flights operated by Chinese airlines to carry passengers other than Chinese nationalities. The Russian delegation stated that such services are not

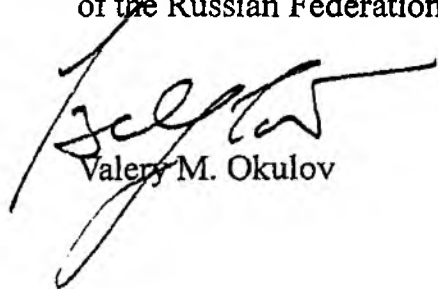


allowed under the provisions of Russian legislation.

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

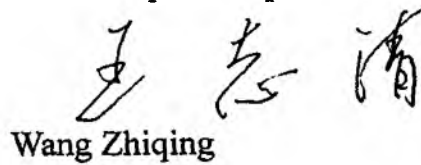
Done in Moscow on August 13, 2014 in English language.

For the Aeronautical Authorities
of the Russian Federation



Valery M. Okulov

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



Wang Zhiqing

Route Schedule Specifications:

A. PASSENGER AIR SERVICES

1. Common frequencies entitlements for designated carriers of Russia and China (major city pairs):

Moscow – Beijing	23 flights per week
Moscow – Shanghai	14 flights per week
Saint-Petersburg – Beijing	7 flights per week
Saint-Petersburg – Shanghai	7 flights per week

2. For designated carriers of Russia:

Local services:

Points in Russia (except Moscow and Saint-Petersburg) – Beijing	90 flights per week, but not more than 7 flights per week for each route
Points in Russia (except Moscow and Saint-Petersburg) – Shanghai	14 flights per week, but not more than 7 flights per week for each route
Points in Russia – 15 freely selected points in China (except Beijing and Shanghai)*	14 flights per week for each route

Triangular routes:

Berlin – Moscow – Beijing	1 flight per week
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Points of intermediate stops and/or points beyond

points in Asia, Africa, Middle East, Far East and Northern America, 1 point in CIS countries to choose by the Russian Side

Including with commercial landing in China (without 5th freedom traffic rights):

14 flights per week, but not more than 5 flights per week via Beijing and 5 flights per week via Shanghai

Including with 5th freedom traffic rights:

7 flights per week from points in Russia excluding Moscow and Saint-Petersburg but not more than 3 flights per week via Beijing and 3 flights per week via Shanghai via/to Singapore, Bangkok, Seoul

**updated information about points of destination shall be submitted in writing to the other Party not less than sixty (60) days prior to the commencement of operations*

B. CARGO AIR SERVICES

1. Common frequencies entitlements for designated carriers of Russia and China (major city pairs):

Moscow – Beijing	21 flights per week
Moscow – Shanghai	28 flights per week
Moscow – Tianjin	14 flights per week

2. For designated carriers of Russia:

Local services:

Points in Russia (except Moscow)-Beijing

21 flights per week, but not more than 7 flights per week for each route

Points in Russia (except Moscow)-Shanghai

Points in Russia (except Moscow)-Tianjin

Points in Russia – Harbin, Shenyang, Urumqi, Dalian, Guangzhou, Qingdao, Sanya, Mudanjiang, Zhengzhou, Chengdu, Xiamen, Xian and Chongqing

rTriangular air services:

Points of intermediate stops and/or points beyond

Including with commercial landing in China (without 5th freedom traffic rights):

Including with commercial landing in China (with 5th freedom traffic rights):

10 flights per week, but not more than 7 flights per week for each route

14 flights per week, but not more than 7 flights per week for each route

14 flights per week for each route

one (1) point in CIS, points in Asia, Africa, Middle East, Far East and Northern America to choose by the Russian side

7 flights per week, but not more than 3 flights per week via Beijing and 3 flights per week via Shanghai

5 flights per week, from any point in Russia via one point in Asia to one point in China and beyond to one point in North America to be freely selected by Russia (without fifth freedom traffic rights in the direction from North America to China)