JOINT STOCK COMPANY
«RUSSIAN RAILWAYS»

Senior Deputy Chief of the Department of
Economic Environment and Strategic Development

Nikolay Kotelnikov

The 3rd session of EuroAsian Transport
connections experts group

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OUR COMPANY AT A GLANCE

Strategic player in the Russian economy

- Accounts for 2,5% of Russia’s GDP
- Handles 42% of all freight in Russia (excluding pipeline 85%)
- Transports 1,3 billion passengers, 1,5 billion tons of freight annually

One of the biggest railway companies in the world

- 85,2 thousand km of track covering Russia’s 11 time zones
- 1,2 million employees, 131 subsidiaries and affiliated companies
- Considerable scientific potential creating by the research institutes – associated companies of JSC «Russian Railways»

Excellent financial results

- Authorized capital of $ 48,6 billion
- Sustainable business in the era of crisis
- First Russian company to be classed as investment grade by all three international rating agencies
PHASES OF RAILWAY TRANSPORT DEVELOPMENT

2008-2015 Railway transport modernization

- Development of efficient transport and logistic holding «RZD»
- Accelerated modernization of existing technical basis
- Forming financing via investment Fund
- Development of public private partnership (PPP)
- Development of railway tracks to russian ports
- Construction of high-speed railway St.Petersbourg - Moscow
- Intensification of research and project development activity for the construction of new railway lines

2016-2030 Phase of dynamic expansion of railways network

- Complex realization of governmental policy of railway transport development
- Expansion of railway network
- Achievement of international standards of technological and technical development
- Increasing of annual container transit to 1 million TEU
- Forming of unified transport space Europe Asia Economic Community
WORLD LEVEL QUALITY OF CONTAINER TRANSPORTATION – ONE OF THE STRATEGY-2030 FIRST-PRIORITY GOAL

Strategy of development Russian railway transport till Y2030

Draft project «Regulations of the cargo railway large-capacity containers transportation in containers block trains» was developed

Organizational and technological measures of optimization of train stop duration and amount are realizing

Achievement of world level quality of container transportation

Container block trains technologies with strict timetable for the distance of 9000 km with the speed above 900 km per day are implementing

Application of unified transport consignment note makes it possible to safe to 8-12 hours

Container block train №1419, Nakhodka – Krasnoe is running on accelerated timetable from March Y2009
RUSSIAN MARKET OF CONTAINER RAILWAY TRANSPORTATIONS

Volumes of container railway transportations in Russia, thousands TEU

Structure of container railway transportations in 2008

Export, import container transportations

- Russia – China
  - 2005: 104,000 TEU
  - 2008: 270,000 TEU (in 2.6 times)
- Russia – Republic of Korea
  - 2005: 55,000 TEU
  - 2008: 206,000 TEU (in 3.8 times)
- Russia – Japan
  - 2005: 22,000 TEU
  - 2008: 57,000 TEU (in 2.6 times)

Volumes of container railway transportations along the Trans-Siberian Railway in 2008

- Total: 587,000 TEU
- Including transit: 29,000 TEU

*CAGR - Compound Annual Growth Rate

Total | Export, Import | Transit

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Export, Import</th>
<th>Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>17,13</td>
<td>550</td>
<td>185</td>
</tr>
<tr>
<td>2006</td>
<td>18,46</td>
<td>682</td>
<td>115</td>
</tr>
<tr>
<td>2007</td>
<td>21,30</td>
<td>913</td>
<td>153</td>
</tr>
<tr>
<td>2008</td>
<td>24,66</td>
<td>1,180</td>
<td>155</td>
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</tbody>
</table>

* CAGR 12.9%

Export 24.4%
Import 23.4%
Transit 6.3%
MAIN OBJECTIVES FOR INFRASTRUCTURE DEVELOPMENT OF THE TRANS-SIBERIAN RAILWAY

- Construction of new container terminals
- Reconstruction of stations in order to handle 71 wagon trains
- Modernization and enhancement of energy supply, IT, communications and automatic systems
- Construction of new tracks around Perm and Chita rail junctions
- Construction (second stage) of the railway bridge across the Amur river, near Khabarovsk
- Development of cross-border stations Zabaikalsk, Naushki
- Completing the construction of the double track on the line Karymskaya – Zabaykalsk with the possibility of electrification
- Development of Nahodka port-railway junction to operate ports of Vostochny and Nahodka
- Reconstruction of stations in order to handle 71 wagon trains
- Modernization and enhancement of energy supply, IT, communications and automatic systems
## TARGET CONDITIONS OF PRODUCT «TRANSSIB IN 7 DAYS»

<table>
<thead>
<tr>
<th>Condition</th>
<th>Specification</th>
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</thead>
<tbody>
<tr>
<td>Speed of delivery and stability of transit</td>
<td>9806 km Nakhodka – Krasnoe 7 days 1400 km per day</td>
</tr>
<tr>
<td>time</td>
<td></td>
</tr>
<tr>
<td>Regularity of service</td>
<td>Possibility to provide to 15 pairs of trains per day</td>
</tr>
<tr>
<td>Maintenance of fixed train schedule</td>
<td>On transportation time on time arrival at last station</td>
</tr>
<tr>
<td>Competitive tariff on criterion «price –</td>
<td>Target rate “deep-sea” + $1000</td>
</tr>
<tr>
<td>time of delivery»</td>
<td></td>
</tr>
<tr>
<td>Stability of tariff policy</td>
<td>In 2-3 years (minimum)</td>
</tr>
<tr>
<td>Early information about future tariff changes</td>
<td>In advance of 60 days before the beginning of operation</td>
</tr>
</tbody>
</table>
TARGET PRIORITIES OF PRODUCT «TRANSSIB IN 7 DAYS»

- Rules of transportation in container block trains approval;
- Improvements of International normative base.

• Competitive tariff;
• Stability of tariff policy;
• Establishment of container transportation tariffs per coach and, further, per container block train.

• Tariff’s regulation

- Improvement of normative and legal base

- Technological improvements

• Excluding of infrastructural speed limitations;
• Modernization and construction of new container terminals.

- Improvements of quality of transportation service

- Development of infrastructure

• Facile circulation of documents;
• Schedule’s observance;
• Service’s regularity.

• Speed rise to 1400 km per day;
• Polling stock renewal;
• Implementation of up-to-date information system.
FORMATION STAGES OF PRODUCT «THE TRANS-SIBERIAN RAILWAY FOR 7 DAYS»

- **Organizational actions**
- **Actions for tariff policy improvement**
- **Actions for change of standard-legal base**
- **Technological actions**

### Technological actions

- 2009: 10,8 days
- 2010: 9,0 days
- 2011: 8,2 days
- 2012: 7,6 days
- 2013: 7 days
- 2014: 6,6 days

**Nakhodka–Krasnoe**

- 9847 km

**2008**

- 910 km/day (37,9 km/h)

**2009**

- 1100 km/day (45,8 km/h)

**2010**

- 1200 km/day (50,0 km/h)

**2011**

- 1300 km/day (54,2 km/h)

**2012**

- 1400 km/day (58,3 km/h)

**2015 and further**

- 1500 km/day (62,5 km/h)

- **Reduction of quantity and duration of stay**
- **Increase in throughput and routeing speed**
- **Updating of standard and legal base**
- **Optimisation of warranty leg**
- **Increase in throughput and routeing speed**
- **Adoption of automatic control system with use of «the electronic waybill»**
- **Increase in throughput and routeing speed**
- **Throughput increase**
- **Increase in routeing speed - New car development**
INTERNATIONAL EXPERIMENT OF CONTAINERS ROUTE TRANSPORTATION

Los Angeles – Chicago 3567 km 1224 km in day

Ljubljana – Istanbul 1577 km 1022 km in day

Los Angeles – Atlanta 3498 km 960 km in day

Korea – Uzbekistan 6700 km 480 km in day

Nakhodka – Krasnoe 9847 km 1400 km in day

Beijing – Hamburg 9780 km 725 km in day

Product «Transsib in 7 days» could be unique on route length and speed in international railway practice