Salman Babayev was born on 1 September 1955. He graduated from the Khabarovsk Institute of Railway Engineers in 1978 as a qualified Railways Operations Engineer. That same year Mr Babayev started his career in the rail industry, occupying several positions in the transport services sector. Since March 2011, Mr Babayev has been Vice President of Commercial Activity at Russian Railways, overseeing the company’s freight operations: multimodal transport, customs brokerage services and freight terminal services.
Salman Babaev

Transformation of Russian Railways into an international transport and logistics company
Key Driver of the Russian Economy

National Income

VAT Corporate Tax Social Tax Income Tax
1.6 % of the national GDP

Employment

~ 902 thousand employees

Strategic Element of Transportation System

assets value is c. RUR 3.5 trln (c. €73.5 bln) as of 2013

One of the Largest Consumers in Russia
Backbone of the Russian Economy

Russian Railway Network Serving National Economy

Rail is the Key Transportation Mode in Russia

Rail Freight Turnover by Country

Notes: (1) Excluding pipelines
Transformation of RZD Business Model

Inertial model: JSC «RZD» – transporter

- Low capacity for development of infrastructure at own expense and high burden on the state in current business model
- High risks in case of economic crisis due to prevailing volume of recurring expenses in cost structure
- Necessity for the State to finance significant part of expenses on railway infrastructure
- Low dividend flow for the shareholder (Russian Federation)

New paradigm: JSC «RZD» – Freight forwarding and logistics company

- Accelerated development in market segments that facilitate and strengthen the transportation business – strategy for realization of synergies
- Customer focus and quality enhancement
- Creation of growth points in unregulated business segments
- Dividend growth and reduction of state subsidies

Target model

Russian government and the Board of Directors of JSC “RZD” approved acquisition of GEFCO, thus making a strategic decision on development of the international logistic business
**Logistics (3PL+4PL)**

- Formation and development of a multi-modal logistics company which is focused on the Pan-Eurasian region combined with "follow the customer" strategy for other continents

**New regions**

- Targets for 2020-2030
  - Creation of additional traffic and increase profitability through integrated service
  - Development of transit potential of Russia and the export-import flows

**Russia**

- Targets for 2014-2020
  - Maintenance of growth of cargo transportation and income

**Freight transportation (2PL)**

- Creation of additional traffic and increase profitability through integrated service
The Board of Directors of JSC “RZD” approved the Development Strategy for the RZD Holding up to 2030.

The Management Board of JSC “RZD” approved the Development Concept for the transport and logistic business of the RZD Holding.

The perimeter of the transport and logistic business block is approved.

Transport and logistics business block management department

12 subsidiary and dependent companies

- JSC “Federal Freight Company”
- JSC “TransContainer”
- GEFCO S.A.
- JSC “Russkaya Troika”
- JSC “Transport and logistics” complex (Ust Luga)
- JSC “Port Ust Luga Transport Company”
- JSC “ReService”
- JSC “RZD Logistics”
- Black Sea Ferries Limited
- JSC “RailTransAuto”
- TransEurasia Logistics GmbH
- JSC “TLC Bely Rast”

2 BRANCHES OF RZD

Company transport services centre

Central Directorate for management of terminal and warehousing complex

1 STRUCTURAL SUBDIVISION OF JSC “RZD”:
Customs Centre
Russian Railways freight business portfolio

**Basic services**
- Route dispatch
- Wagon dispatch
- Timetable traffic
- Wagon storage
- Loading and unloading work at common use locations

**Additional services**
- Rolling stock provided
- Transhipment at the port
- Customs services
- Insurance and en route freight security
- Certification
- Container carriage
- Execution of transport documents
- “First” and “last” mile services
- Freight transportation by rail ferry
- Warehousing services

**Comprehensive solutions**
- Door to door
- Organisation of a complex of TLS for rail carriage (including by sea, rail and road)
- Contract logistics
- 4 PL/logistics engineering

Clients: [Logos of various companies]
Russia’s geographical location means it can play an important role in the global economic system as a land transport bridge between Europe and Asia, above all in the East–West direction.
UTLC meets the strategic transportation objectives of the Common Economic Space

Project Highlights

July 2012 – Common Economic Space is launched

June 2013 – Russian Railways, Kazakhstan’s KTZ and Belarusian Railway sign Agreement on the creation of the UTLC

October 2013 – Russian Railways, KTZ and Belarusian Railway sign the UTLC Term Sheet

Second half of 2014 – UTLC is registered
UTLC brings together key container shipping assets in the Common Economic Space, thus ensuring high-quality reliable service on the entire territory.

### Distribution Network
- **Belarus**: 14 agencies, 3 agencies abroad
- **Russia**: 147 agencies, 8 representative offices, 6 subsidiaries or affiliates, 28 agents abroad
- **Kazakhstan**: 18 agencies, 1 representative office, 1 subsidiary, 12 agents abroad

### Terminals
- **Belarus**:
  - Terminals in Belarus (Brest Railway Station)
  - Terminals in Russia (including Zabaykalsk Railway Station) and Dobra Railway Station
- **Russia**:
  - Terminals in Russia (including Dostyk and Altynkol railway stations)

### Rolling Stock
- **Belarus**: 1,200 cars, 3,000 containers
- **Russia**: 25,000 cars, 61,000 containers
- **Kazakhstan**: 4,500 cars, 3,000 containers

### In between terminals, UTLC guarantees:
- Regular departures
- Reliable delivery dates
- Reliable shipping cost calculation
- Freight safety

Meeting international client demands
Benefits: Working Capital, Costs

Status quo

1) Expensive hub services
2) Deliveries to/from China are more expensive (by air) or take longer (by sea)
3) Low receivables turnover ratio for sea freight services
4) High costs involved

Affects costs of building a supply chain and competitive ability

Rail traffic advantages

1) Savings on shipping rates and cash flow
2) Costs are 4–8 times below air freight, and less than half the working capital required for sea freight
3) Possibility to combine and consolidate shipments to/from China and subsequently arrange for further shipping to China or Europe
4) Best possible pricing options on the expanding markets of Russia and Kazakhstan

Streamlining the supply chain by launching an integrated service on the China–Europe route
# Key Routes

<table>
<thead>
<tr>
<th>Traditional routes</th>
<th>Rail transit time (station to station)</th>
<th>Sea transit time (port to port)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suzhou–Warsaw</td>
<td>13 days</td>
<td>44 days</td>
</tr>
<tr>
<td>Chonqing–Duisburg</td>
<td>18 days</td>
<td>44 days</td>
</tr>
<tr>
<td>Chengdu–Lodz</td>
<td>14 days</td>
<td>46 days</td>
</tr>
<tr>
<td>Zhengzhou–Hamburg</td>
<td>16 days</td>
<td>43 days</td>
</tr>
<tr>
<td><strong>Suzhou–Warsaw</strong></td>
<td><strong>(through Zabaikalsk–Krasnnoye–Brest)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Chonqing–Duisburg</strong></td>
<td><strong>(through Dostyk–Iletsks–Krasnnoye–Brest)</strong></td>
<td></td>
</tr>
<tr>
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<td><strong>(through Dostyk–Iletsk–Krasnnoye–Brest)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Zhengzhou–Hamburg</strong></td>
<td><strong>(may take either of the routes through Dostyk or Zabaikalsk)</strong></td>
<td></td>
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</tbody>
</table>
THANK YOU FOR YOUR TIME!