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**President**  
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**Information for meeting with representatives of  
the Association of European Businesses**

**10 November 2011**



## RZD as an integrator of economic growth

### Contribution to Russia's GDP

#### State revenues

Payments of taxes and  
dues into all levels of  
budget and off-budget  
funds

More than 250  
billion roubles

1.9%



#### Employment

RZD provides work for  
approximately 1.3% of  
the economically active  
population

#### Industrial production

Every year the company creates  
a high demand for Russian  
businesses' products, involving  
more than 15 related industrial  
sectors

#### Scale of procurements

Diesel fuel – 10% in RF (>50 bn roubles)  
Electricity – 5% in RF (>100 bn roubles)  
Ferrous metals – 2% in RF  
Steel products – 1.8 million tonnes (>30 bn  
roubles)  
Rolling stock – 47.5 bn roubles  
Total investment – 374.2 bn roubles

**Each rouble invested by RZD is not only ploughed back into the Russian economy but also has a significant influence on the growth of national prosperity.**

## Implementing the Programme for Structural Reform in Russian Rail Transport

**Stage 1**  
(2001–2003)

**Stage 2**  
(2003–2005)

**Stage 3**  
(2006–2010)

Distribution of responsibilities for state regulation and economic management functions in rail transport; creation of Russian Railways

Drafting of legislative bills and other regulatory instruments required for the implementation of structural reform in rail transport

Development of competition in various areas of business

Generating investment for the development of rail transport

Increasing the global competitiveness of Russian railways

**Further structural  
transformations \***

- Completing the creation of a competitive market in the field of freight wagon operations
- Introducing a pilot programme for the development of a market for private local carriers
- Improving the existing tariff system
- Selling shareholdings in subsidiary companies

*\*The Government of the Russian Federation has adopted a decision to extend the Structural Reform Programme up to 2015*

**RZD has share holdings in 161 subsidiaries and affiliates.  
A total of 84 subsidiaries and affiliates have been created during the reforms.**



Rolling stock  
operations



Construction and design



Passenger  
transport



Rolling stock  
overhaul



Industrial  
manufacturing



Science and  
research



Other

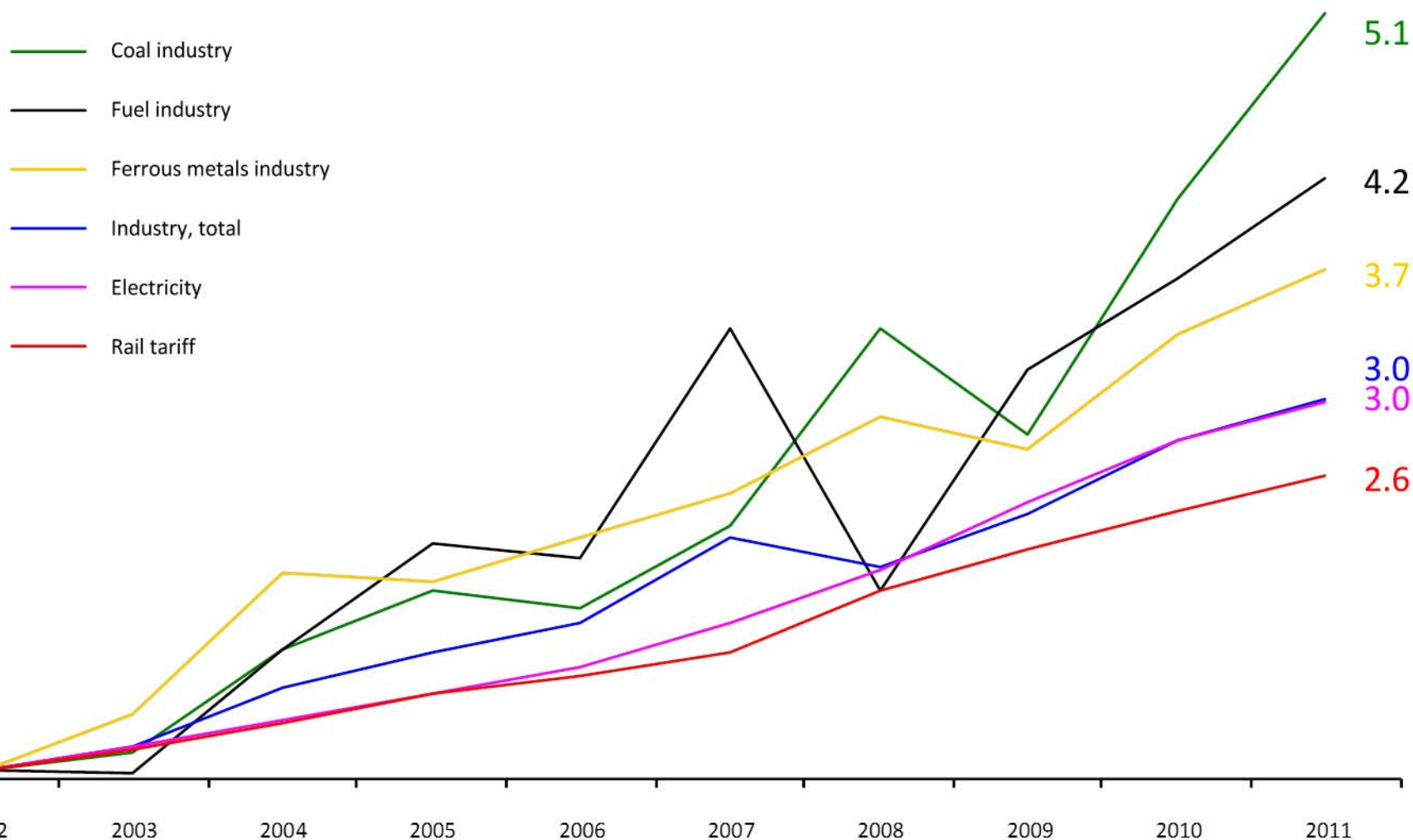


The RZD management has approved the Concept Plan for the sale of share holdings in subsidiary companies in 2012–2012 (including up to 75%-2 shares in Freight One in 2011), which forecasts proceeds of 156 bn roubles.

In 2010 the board of directors adopted decisions to sell 54 subsidiary companies, in accordance with which:

- the public flotation of 35% of the shares in TransContainer was carried out;
- a (50%-2) share holding in ELTEZA was sold to Bombardier.

## Movement of price indexes for industrial manufacturers and tariffs from 2003<sup>1</sup> (by factor of growth in comparison with December 2002)



<sup>1</sup> Source: Russian Federation Federal State Statistics Service and RZD statistical reporting; 2011 data January-June



## IMF forecast of GDP growth rates for world and individual countries

Countries	January 2011		April 2011		June 2011		September 2011	
	2011	2012	2011	2012	2011	2012	2011	2012
<b>World</b>	<b>4.4</b>	<b>4.5</b>	<b>4.4</b> и	<b>4.5</b> и	<b>4.3</b> К	<b>4.5</b> и	<b>4.0</b> К	<b>4.0</b> К
<b>Developed countries</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b> К	<b>2.6</b> Й	<b>2.2</b> К	<b>2.6</b> и	<b>1.6</b> К	<b>1.9</b> К
USA	3.0	2.7	2.8 К	2.9 Й	2.5 К	2.7 К	1.5 К	1.8 К
Eurozone. including:	1.5	1.7	1.6 Й	1.8 Й	2.0 Й	1.7 К	1.6 К	1.1 К
Germany	2.2	2.0	2.5 Й	2.1 Й	3.2 Й	2.0 К	2.7 К	1.3 К
France	1.6	1.8	1.6 и	1.8 и	2.1 Й	1.9 Й	1.7 К	1.4 К
Italy	1.0	1.3	1.1 Й	1.3 и	1.0 К	1.3 и	0.6 К	0.3 К
Spain	0.6	1.5	0.8 Й	1.6 Й	0.8 и	1.6 и	0.8 и	1.1 К
Greece	-	-	-3.0	1.1	-	-	-5.0	-2.0
Portugal	-	-	-1.5	-0.5	-	-	-2.2	-1.8
Ireland	-	-	0.5	1.9	-	-	0.4	1.5
<b>Developing countries</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b> и	<b>6.5</b> и	<b>6.6</b> Й	<b>6.4</b> К	<b>6.4</b> К	<b>6.1</b> К
Brazil	4.5	4.1	4.5 и	4.1 и	4.1 К	3.6 К	3.8 К	3.6 и
<b>Russia</b>	<b>4.5</b>	<b>4.4</b>	<b>4.8</b> Й	<b>4.5</b> Й	<b>4.8</b> и	<b>4.5</b> и	<b>4.3</b> К	<b>4.1</b> К
India	8.4	8.0	8.2 К	7.8 К	8.2 и	7.8 и	7.8 К	7.5 К
China	9.6	9.5	9.6 и	9.5 и	9.6 и	9.5 и	9.5 К	9.0 К
RSA	3.4	3.8	3.5 Й	3.8 и	-	-	3.4	3.6

**In September 2011 the majority of authoritative international organisations reduced their growth forecasts for the global economy and the majority of the world's countries. A recession is expected in some Eurozone countries.**

## **RZD's most important infrastructure projects implemented by 2011**

Projects implemented to develop and improve the infrastructure of railway routes Kuzbass – North-West, Kuzbass – Far East transport hub, Kuzbass – Azov-Black Sea transport hub

Electrification of railway routes implemented and underway on the October, Northern, South Eastern, Kuibyshev, Privolzhsk, North Caucasus, Zabaikal and Far Eastern Railways

Refurbishment of major bridges and tunnels and bank protection work underway

A number of major shunting and portside stations refurbished and built, modernisation and refitting of locomotive, wagon and track management facilities underway, new station complexes being refurbished and commissioned

Plans to introduce fast suburban train services operating to a clock-face schedule implemented, and continuous service by Sapsan and Allegro high-speed trains introduced

Train traffic opened on the new 53 km railway sector from Yaiva to Solikamsk

Construction of Olympics facilities underway







## **The most important integration initiatives aimed at developing economic partnership between EU countries and Russia**



**Creating an integrated railway infrastructure for the East-West and North-South international transport corridors by approving the routes for key railway corridors at the inter-governmental level**



**Modernising the railway infrastructure of key international corridors in order to meet the growing requirements of the economy for uninterrupted passenger and freight transport, efficient multimodal transport and transport and logistics systems**



**Creating a major international logistics operator for transit transport on the East-West route, involving capital from a wide range of partners with an interest in developing competitive land transport by rail**



**Developing high-speed and fast passenger traffic on the main international transport corridors and consistent integration with national high-speed route networks**



**Development featuring break-through innovation**

# Implementing RZD's innovations policy through technology transfer

Passenger locomotive with asynchronous traction drive



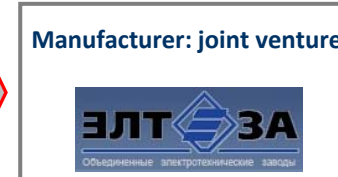
Freight locomotive with asynchronous traction drive



New generation freight car (covered)



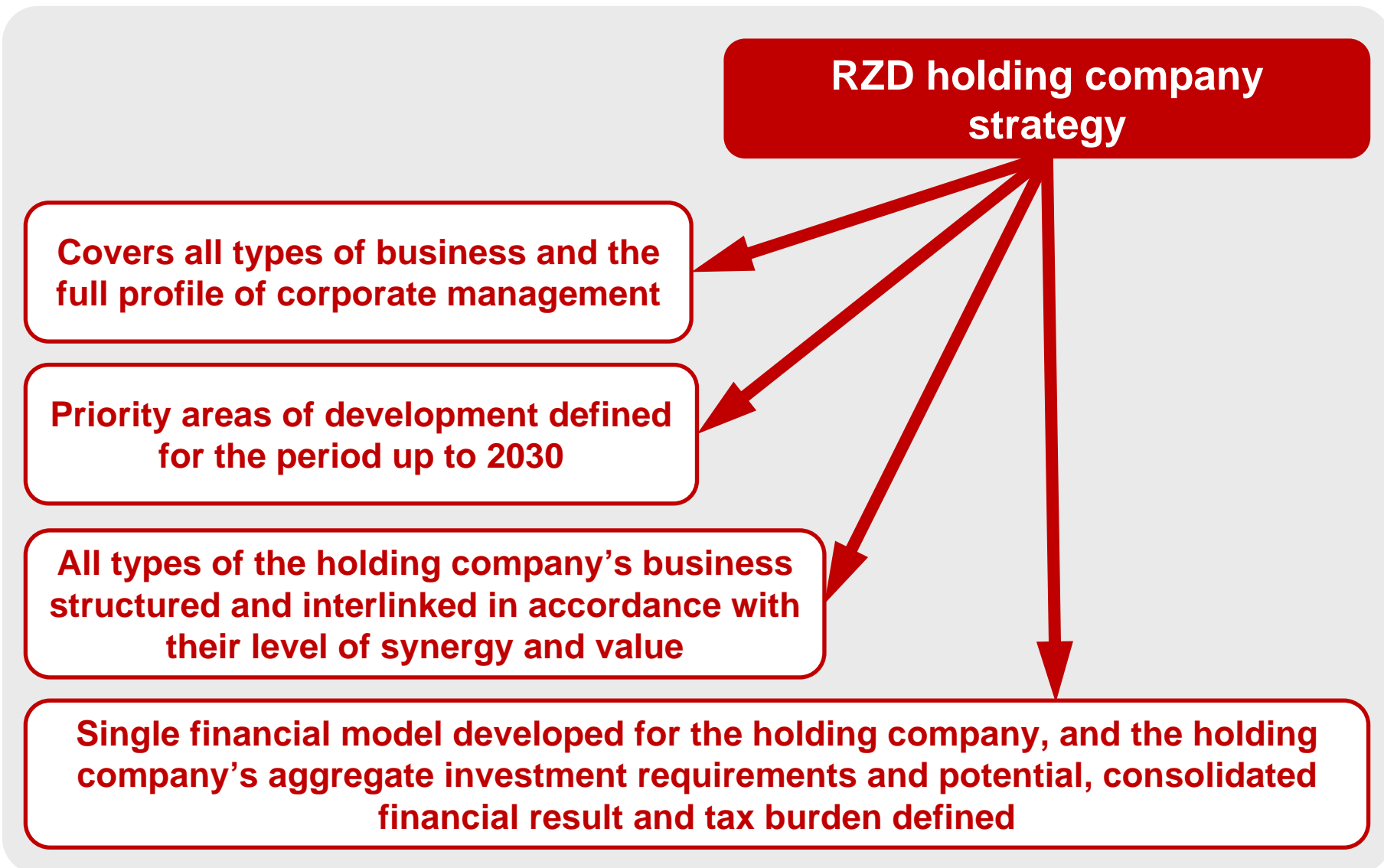
Railway automation and telemetry systems



Management and safety system for ITARUS-ATC trains

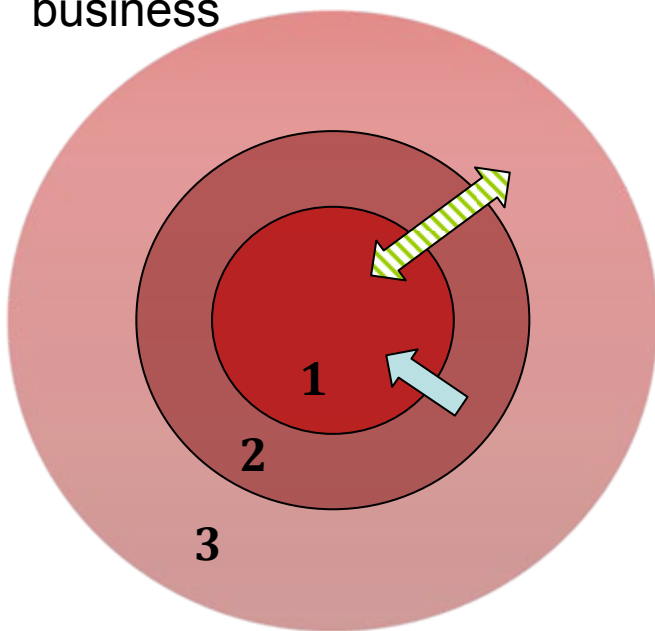


## Key aspects of the RZD holding company's development strategy



# Principles for creating the RZD holding company's strategic business portfolio

Grouping of holding company's types of business



← - Supplying the requirements of the Core types of business

↔ - Synergetic benefit obtained from interaction with Core types of business

Type	Description
<b>Group 1 - Core*</b>	Types of business to which special requirements of the state apply
<b>Group 2 – strategic suppliers*</b>	Types of business which sustain the Core activities
<b>Group 3 – profitable types of business</b>	Types of business which have a synergetic link with the Core and must meet only financial requirements

\* – The types of business are generally divided by type of group, and part of the business may not correspond to the criteria for categorisation as Core or strategic supplier (for example, passenger transport in long-distance sleeping compartment trains is not subject to special restrictions by the state).

## Main points in the Strategic Model for the Freight Rail Transport Market up to 2015



Maintaining single management of the general purpose infrastructure and network-wide freight transport complex in RZD



Implementing pilot projects to create local carriers and organise competition on the “by route” and “on route” models



Further development of a competitive market for operator services and expanding use of tools to increase the efficiency of the sector's work



Improving the system of state tariff regulation

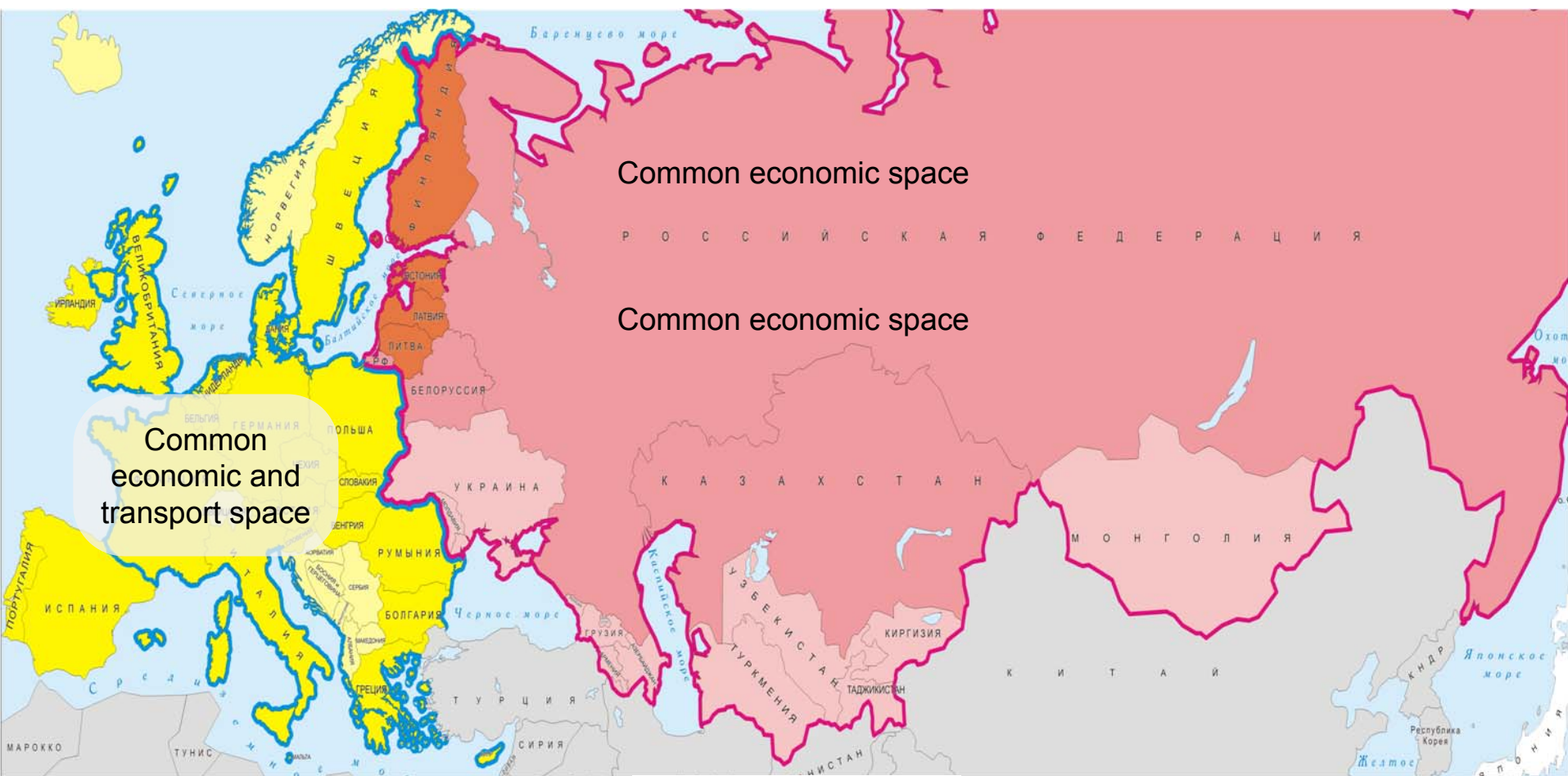


Creating a long-term mechanism for modernising the general purpose railway infrastructure

**The model was approved at a meeting of the Presidium of the Government of the Russian Federation on 13 January 2011.**



## Rational integration of the 1520 and 1435 mm railway systems in Eurasia



- - 1520 mm area border
- - European 1435 mm area border
- - Member countries of the Single Economic Space
- - Member countries of the European Union
- - 1520 mm area countries that are members of the European Union