

INTERNATIONAL RAILWAY CONGRESS 2019

LEVELLING BOUNDARIES: INTERNATIONAL COOPERATION,
STANDARDIZATION AND SCALING UP

ALEXEY GROM, UTLC ERA PRESIDENT & CHAIRMAN OF THE BOARD

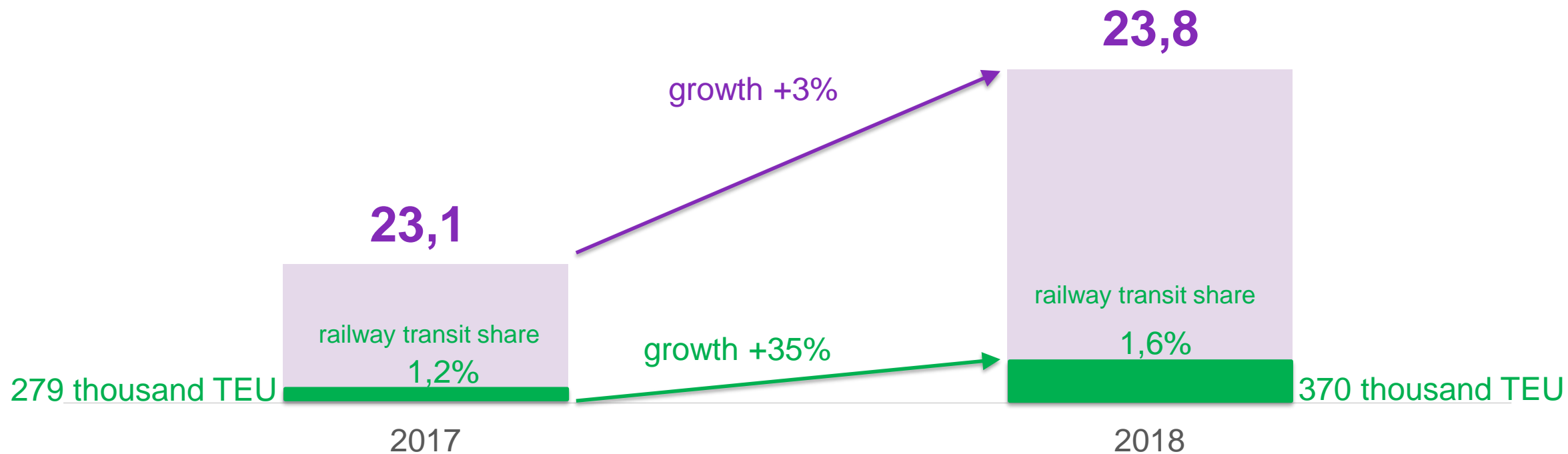
UTLC

Eurasian
Rail Alliance

WIEN, 19 MARCH 2019

VOLUMES OF SHIPPING ON THE ROUTE ASIA – EUROPE – ASIA IN 2017-2018

MILLION TEU



#UE4EU IN 2019 – UTLC ERA FOR EUROPEAN UNION

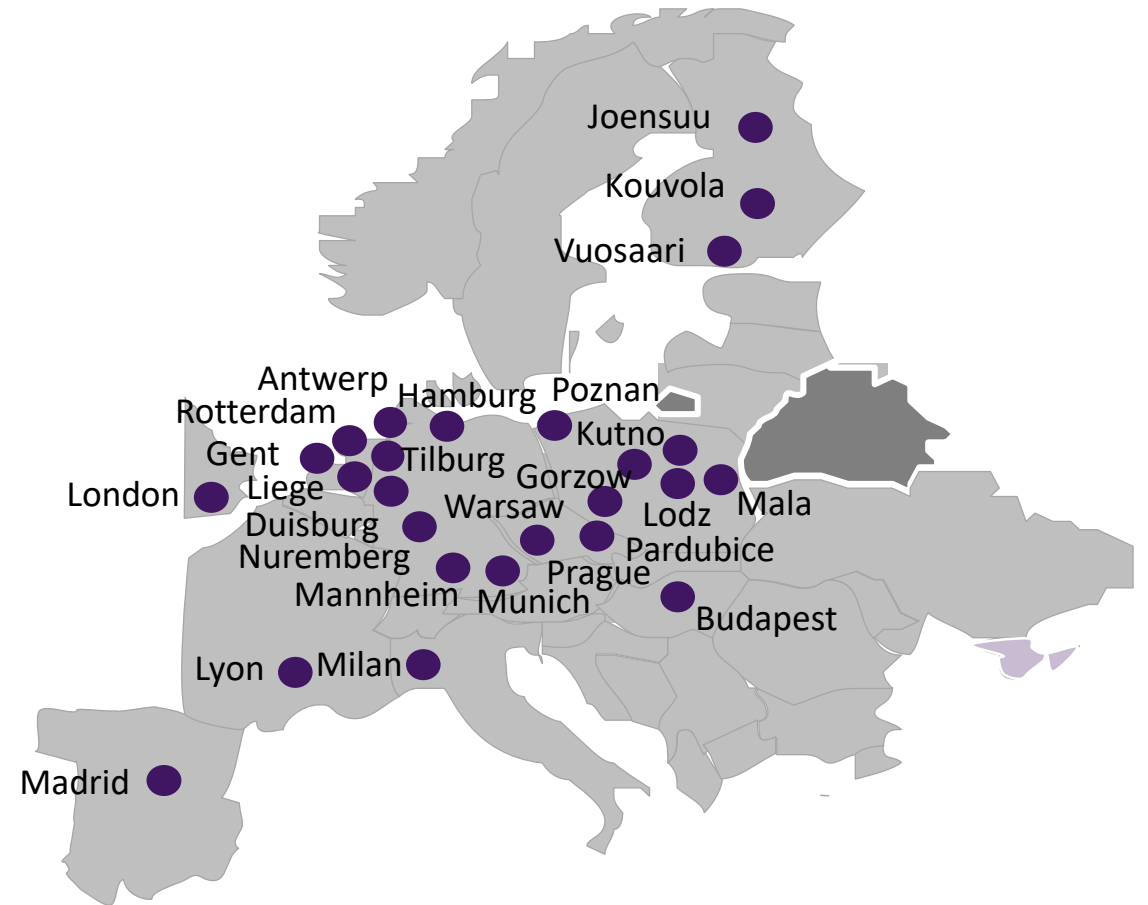
Better pricing

Special project solutions and pricing

More routes and services

Shorter transit time

More reliability and transparency



EURASIAN RAILWAY TRANSIT NOW IN DREWRY

Sea & Air Shipper Insight

Monthly Barometer of Market and Pricing Trends

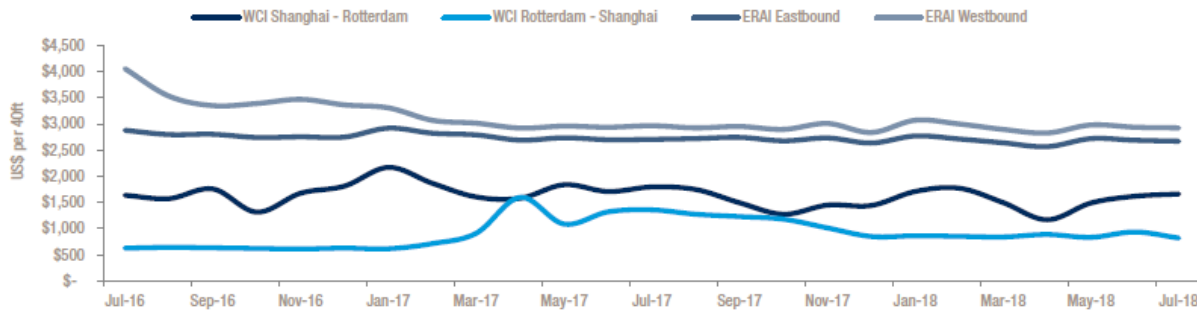


Feb 2019 – Issue no. 74

- Higher spot rates expected in coming months
- Risks to global economy still plentiful
- + US delays proposed China tariffs
- + Ocean, airfreight rates down in early 2019

intermodal / inland transportation

FREIGHT COST LEVELS FOR OCEAN AND RAIL TRANSPORTATION



CHINA-EUROPE RAIL PRODUCTS CONTINUE TO IMPRESS

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In 2018, rail connections between China and Europe transported 370,000 teu. That is up 35% on 2017. Some 75% of the volume is routed via Kazakhstan on the so-called 'southern corridor'. The two alternative rail routes are the 'middle corridor' through Mongolia and the traditional Trans-Siberian route (northern corridor) via Zabaikalsk.

On the dominant southern corridor, last year's volume soared by 59% driven by increases in both the number of trains, up from 2,167 in 2017 to 3,384 in 2018, and in average train length, which increased from 90 to 118 teu.

The dominant direction of trade for rail volumes is, just like for ocean transportation, westbound. However, the imbalance reduced during 2018 as the number of westbound trains grew by 37% compared to a 90% increase to eastbound trains. European shippers are willing to

consider the rail option, particularly in the sectors shipping metal ware, which make up 60% of the rail volumes, machines and machine tools (9%), automobiles (6%), chemicals and consumer goods (each 5%). The result is that the share of eastbound loads increased from 22% in 2016 to 27% in 2017 and 29% in 2018.

The southern corridor offers about 57 different routes between key cities. The key ones, which together make up 177,000 teu or about 65% of the corridor volume, are Chongqing-Duisburg, Chengdu-Lodz, Zhengzhou-Hamburg, and Chengdu-Tilburg. On these larger sub-routes, trade flows are nearly balanced. Between Chengdu and Tilburg the weight of the westbound trade is just 51%.

The Eurasian Rail Alliance Index (ERAI) provides an indicator of the cost for transiting a 40-foot container across the territories of Russia, Kazakhstan,

and Belarus, on route between China and Europe. Comparing the ERAI index with Drewry's World Container Index, which represents cost for the ocean transportation, reveals that the cost by rail is much less volatile than by ocean. Additionally, the rail mode has made considerable gains in terms of cost competitiveness against the sea mode between the second half of 2016 and the second half of 2018: on the westbound leg, the cost multiple fell from 2.2 to 1.8 and on the eastbound leg from 4.4 to 3.6.

Although the ocean mode still carries about 98% of the trade volumes between Europe and China, Drewry expects the rail option to keep improving its competitiveness: ships on the Asia-Europe trade are expected to continue slow steaming and freight charges are forecast to continue increasing throughout 2019 and 2020 while the rail mode is expected to keep getting faster, while the falling trade imbalance should allow operators to keep costs on a downward trajectory. In view of the low base, we expect high growth rates for rail volumes in the coming years.

TO RAIL OR NOT TO RAIL?

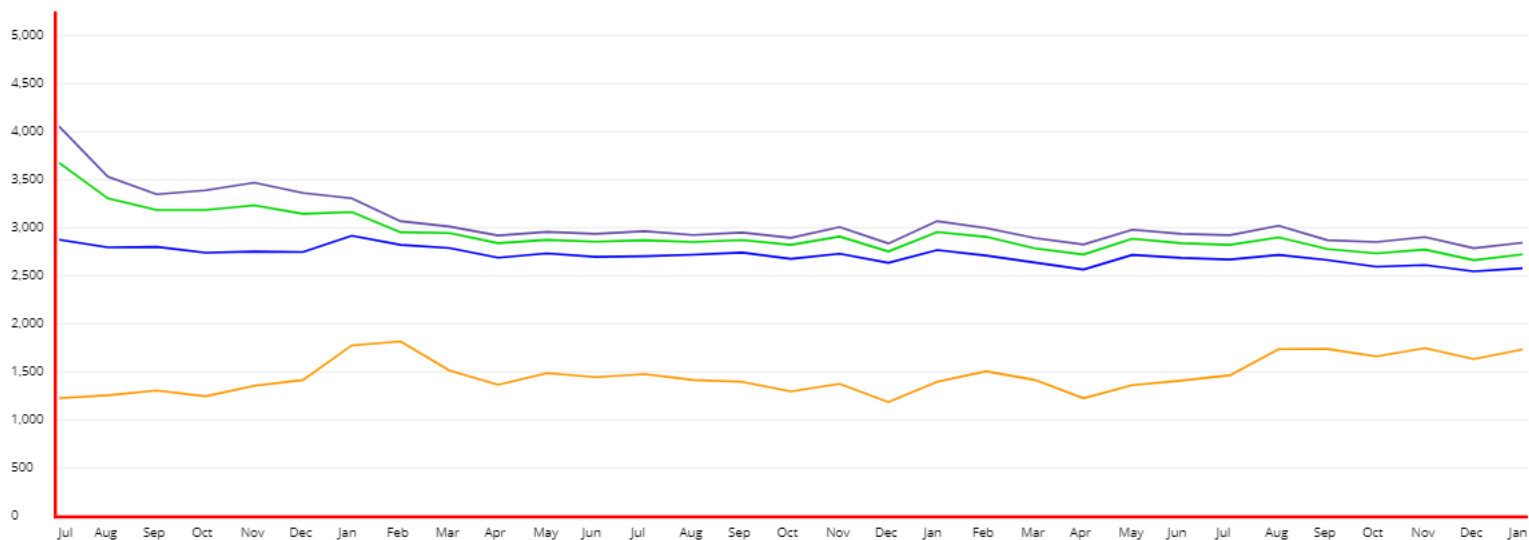
www.index1520.com

ERAI
Eurasian Rail Alliance Index

2,727.00 USD +61 +2.29% ▲

1 Year 2 Years **3 Years** 4 Years 5 Years

ERAI Composite Index ERAI U-East ERAI U-West WCI Drewry



ERAI U-East
2,583.00 USD +33 +1.29% ▲

ERAI U-West
2,848.00 USD +56 +2.01% ▲

WCI Drewry
1,738.00 USD +100 +6.11% ▲

Main parameters of the index

Index measurement unit

USD/FEU

Routes

Dostyk/Altynkol –
Brest/Bruzhi/Svislach/Kaliningrad

Index operator

JSC UTLC ERA

Update period

Monthly

Average transit time

2019 – 5,61 days
target for 2024 – 3,5 days

Average speed

2019 – 970 km/day,
target for 2024 – 1 300 km/day

Update procedure

Analytics publication in English,
Russian and Chinese

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#ENJOYTHERAIL

#UE4EU