

PRESS RELEASE

Armenia Announces Launch of Southern Armenia Railway and High Speed Road Projects

China and Russia to cooperate with Armenia regarding the development of the strategically important railway, which is an essential missing link in the International North-South Transport Corridor

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Pursuant to an instruction by the President of the Republic, the Minister of Transport and Communication of the Republic of Armenia, Mr. Gagik Beglaryan, announced the launch of the estimated \$3 Billion Southern Armenia Railway and Southern Armenia High Speed Road Projects in a presentation, signing ceremony and public announcement attended by senior government officials, ambassadors, investment and sovereign funds, and corporate executives from Armenia, China, Russia, the United Arab Emirates, and Iran. A tripartite Memorandum of Understanding on regional cooperation towards the development of the Southern Armenia Railway was also signed between South Caucasus Railway CJSC, the Ministry of Transport and Communication of the Republic of Armenia, and Rasia FZE.

The Southern Armenia Railway is anticipated to be a 316km, electrified single track railway extending from Gavar, near Lake Sevan, to the southern border of Armenia by Meghri and will connect to the existing central railway system of the Republic of Armenia. The Southern Armenia High Speed Road is anticipated to be a 110km expressway extending from Sisian to the southern border of Armenia by Meghri.

Both projects will form a part of the International North-South Transport Corridor, which will play a pivotal role in improving regional connectivity and driving economic growth along the Corridor, and will create the shortest transportation route from the ports of the Black Sea to the ports of the Persian Gulf. When the projects are completed, transport costs and times for the region are expected to improve substantially, fostering greater regional trade and economic growth while dramatically strengthening the Armenian economy. The implementation of these projects is envisaged by the electoral program of the President of the Republic of Armenia Mr. Serzh Sargsyan and is among the top strategic priorities for the Republic of Armenia.

In 2012, the Republic of Armenia signed with Dubai-based investment company, Rasia, two concession agreements for the vitally important transport projects in order to develop them on a Public-Private Partnership basis. The concession terms provide specific periods for completing feasibility studies, engineering designs, project financing and construction and are followed by a 30-year operating period, renewable by Rasia for an additional 20 years. Among other strengths, the concession terms confer upon Rasia the right to freely establish freight rates and tolls while providing protection from competing projects. Chairman and CEO of Rasia, Mr. Joseph Borkowski said, “As the key missing link in the International North-South Transport Corridor, the projects have attracted significant regional interest from both strategic and financial partners waiting to participate in their development.” Rasia is already implementing a consortium-based strategy for the feasibility, design, financing, development and operation of the projects.

As a major step of the said strategy Rasia has successfully negotiated and recently signed framework and commercial agreements with China Communications Construction Company Ltd, one of the world leading companies involved in railway, high speed road, tunnel, bridge, and port construction, to become the lead member of the development consortium. Feasibility study works based on the Terms of Reference agreed between the Ministry and Rasia in mid-November 2012 commenced on December 31, 2012.

The area along the Corridor is endowed with significant natural resources and, given its location, a number of countries have developed major interest in the region. Mr. Borkowski indicated that, “Rasia and its consortium members will aim to boost potential local and international transit freight volumes by investing in the development of mineral and agricultural projects along the Corridor. We have already held early stage discussions with China state-owned enterprises regarding potential joint venture investments in mineral and agricultural projects which will have the effect of enhancing the economic appeal of the railway and road projects. There will be additional effort to seek the involvement of nations, and companies, benefiting from the Corridor including Russia, Iran, India and the countries of Europe, Central Asia, and the Gulf Cooperation Council (“GCC”) in order to enhance regional trade relations.”

Rasia also entered into a cooperation agreement with Hayah Resources, a global natural resources investment group backed by ultra-high net worth families in the GCC and Chaired by UAE businessman H.E. Rashid Al Malik; this investment group will focus on mineral investments along the Corridor and the development of the railway and high speed road projects.

The implementation of the projects is already marked by strong regional cooperation. Three Memoranda of Understanding were signed between the respective Ministries in the Republic of Armenia and the Islamic Republic of Iran related to the construction of a direct railway connection between Armenia and Iran. Rasia has recently entered into negotiations with the Ministries for signing a new tripartite Memorandum of Understanding unifying the efforts for developing direct railway communication between the two countries.

Mr. Viktor Rebets, General Director, South Caucasus Railway CJSC who has signed under the tripartite Memorandum with the Ministry of Transport and Communication of the Republic and Armenia and Rasia indicated in his statement “South Caucasus Railway CJSC provides concession management of the railway system in the Republic of Armenia pursuant to a Concession Agreement signed between Russian Railways OJSC and the Government of the Republic of Armenia on February 13, 2008. During the period between 2008 and 2012, the total financing of SCR’s investment program was on the scale of 90 billion drams (approx. \$225m) allocated by Russian Railways OJSC. A massive reconstruction program of railway infrastructure objects was implemented using these funds, primarily, of track and station facilities, systems of electrification and power supply, communication, centralization and blocking.

During this time, as a part of the infrastructure modernization program, more than 300 km of track and more than 160 technological objects, 33 artificial structures, 130 km of contact network, more than 140 km of power lines were repaired. Only in 2012 at once 3 major railway bridges built in 1898 were commissioned: Zamanlinsky bridge, "Satanikamurj" bridge and the bridge on the Kober-Tumanian span. Infrastructure restored within 4 years has now acquired strong potential for substantial traffic volumes.

Expansion of the railway network of Armenia, involvement of the explored mineral resource base into economic circulation, creation of new jobs and increase of tax payments to the state budget are the factors of stable economic growth of the Republic and the pledge for increases in the traffic volume.

SCR also has the capacity to operate a new railway section: we have created a strong base for the maintenance and repair of locomotives and rolling stock, introduced modern technologies for transportation process management, and the qualifications of staff constantly increases. Construction of the Southern section of the railway in Armenia and connection to the railway network of Iran will form a new international transport corridor linking the countries of the Black Sea region with the Persian Gulf countries and India.”

China Communications Construction Company Ltd (“CCCC”) is one of the world’s largest construction companies and international general contractors based in the People’s Republic of China, specializing in planning and design, project development, equipment procurement, trade, construction and facilities management. CCCC is one of the leading companies involved in railway, high speed road, tunnel, bridge, and port construction worldwide.

South Caucasus Railway CJSC (“SCR”) is a 100% subsidiary of Russian Railways OJSC and provides concession management of the existing railway system in Armenia. Armenian Railways CJSC was referred to the concession management of SCR according to a Concession Agreement signed on February 13, 2008. The term of the concession management is 30 years with possible extension for another 10 years. Currently South Caucasian Railway CJSC is a member of the International Union of Railways (UIC), the International Rail Transport Committee (CIT), and the Organization for Railways Cooperation (ORC) with the status of associated enterprise.

Rasia FZE (“Rasia”) and Rasia Group, Rasia Management LLC, Southern Armenia Railway Pte Ltd., and Southern Armenia High Speed Road Pte Ltd. are members of the “Rasia” group of investment and investment management companies based in Dubai, UAE, the Cayman Islands, Armenia and Singapore. Rasia is involved in direct principal investments and investment management primarily in mining and strategic infrastructure.