

Development of Trans Caspian Corridor

Georgian Railway



Company Overview

JSC Georgian Railway

*The operating company is organised around three
Strategic Business Units (SBU)*

Freight SBU
96% of
3Q 2015 revenue

Passenger SBU
2.9% of
3Q 2015 revenue

**Infrastructure
SBU**

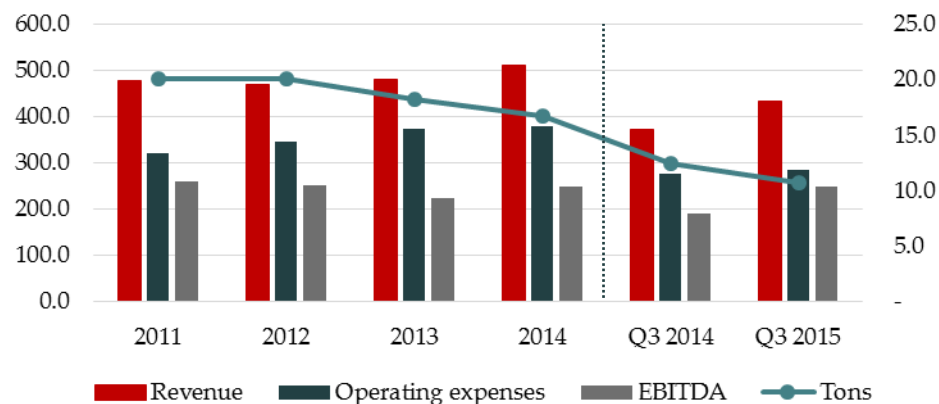
Subsidiaries of JSC Georgian Railway

GR Transit Line LLC	
Georgian Transit LLC	
Trans Caucasus Terminals LLC	
GR Transshipment LLC	
Railway Property Management LLC	
Georgian Railway Construction JSC	

Vertically Integrated resilient and flexible Business Model

- ✓ Ownership of rolling stock, including railcars and locomotives
- ✓ Ownership and free access to railway infrastructure
- ✓ Operating flexibility
- ✓ Asset base with limited need for investment
- ✓ High barriers to entry due to full control of rail network
- ✓ Freedom to set prices increases flexibility
- ✓ Providing freight forwarding services

Results of repositioning an entering in freight forwarding business

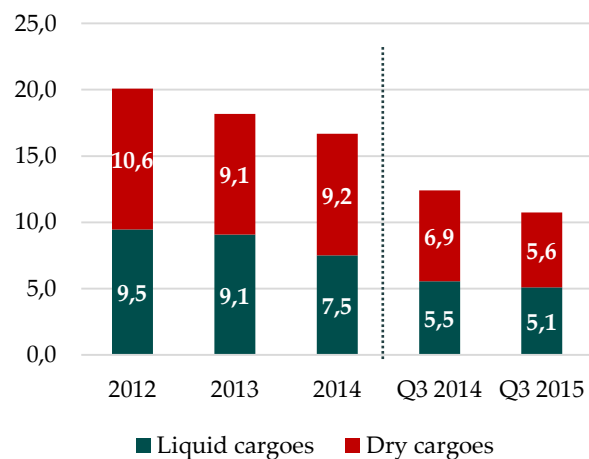


Company Overview

Freight SBU

- Conducts all the Group's freight operations:
 - Freight Traffic
 - Freight Transportation
 - Freight Handling
 - Freight Car Rental
- Estimated average utilisation rate of 63% for railcars in 31 October 2015
- 5,547 employees at the end of 31 October 2015
- Expected percentage of total revenue in 2015 - 96.6%

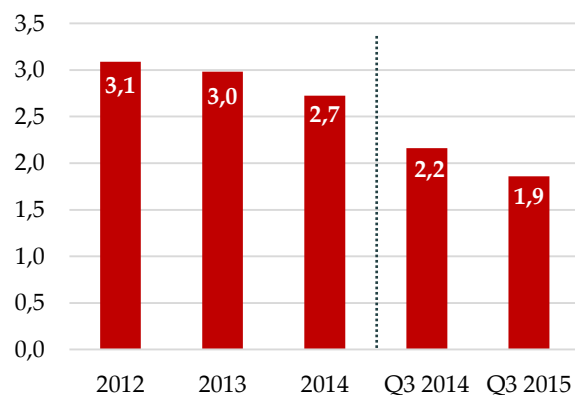
Volume (m t)



Passenger SBU

- Conducts all the Group's passenger operations
 - Transportation of passengers within Georgia
 - Routine maintenance repairs
- 1,446 employees at the end of 31 October 2015
- Expected percentage of total revenue in 2015 - 2.5%

Passengers (m)



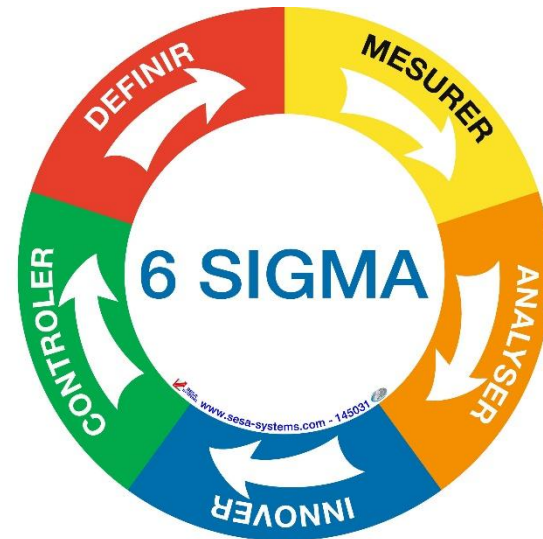
Infrastructure SBU

- Operates, maintains and manages the Company's infrastructure assets
- Cost centre serving freight and passenger activities
 - No service to external customers
- Implementation of Modernisation Project
- 4,836 employees at the end of 31 October 2015

Asset Overview

Network Length	1,326km
% Electrification	96%
Mainline Length	527km
% Electrification	100%
Double-Track Line Length	293km
Number of Stations	114
Tunnels	55
Bridges (Mainline)	1,369
Track Gauge	1,520mm

Company's management improvements

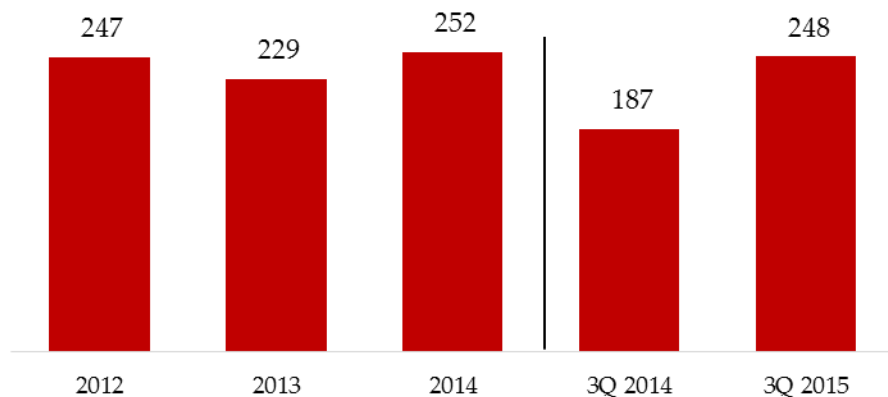


- In 2015 appropriated the certificate of quality of management ISO 9001:2008
- SAP license acquired in Q1 2015
- SAP implementation has started
- New bonus scheme was adopted to increase employee efficiency

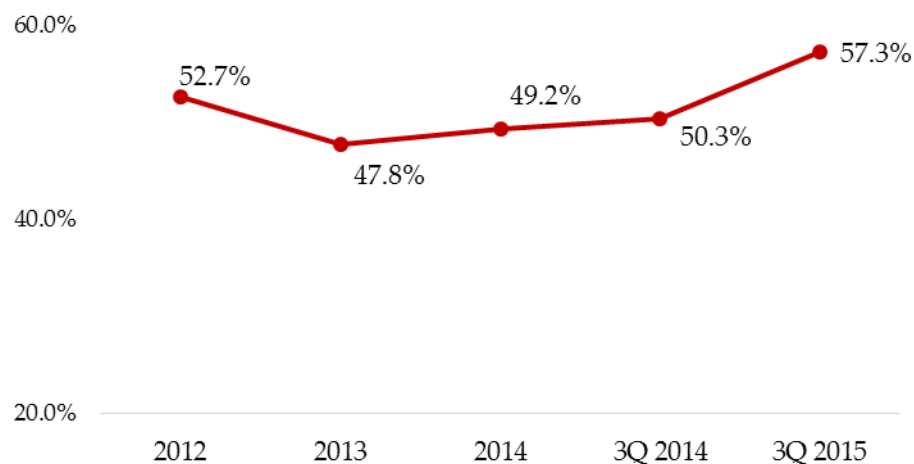


Leading margins in the industry

Adjusted EBITDA (GEL m)



Adjusted EBITDA Margin



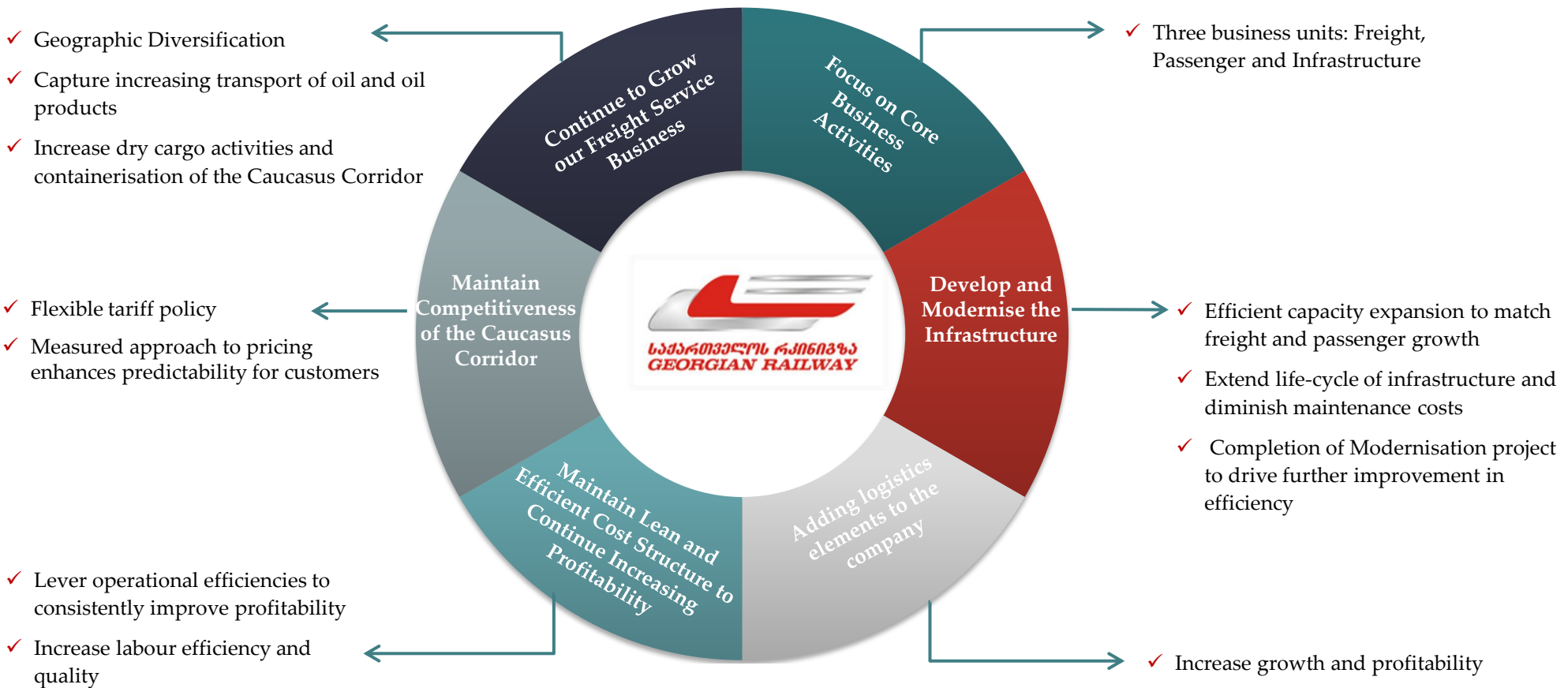
Key Comments

- Adjusted EBITDA improvement in 3Q 2015 was mainly due to the higher increase in revenue compared to operating expenses;
- Management expects EBITDA margin to remain above 50% in 2015.
- **Further margin uplift potential:**
 - Leverage operational efficiencies
 - Focus on controlling cost base
 - Labour efficiency through staff level optimisation
 - CAPEX to reduce future repair and maintenance costs
 - Objective to achieve Break even for Passenger SBU



A Clearly Defined Strategy Aimed at Increasing Future Profitability

Increase Product and Regional Diversification to Consistently Achieve Profitability Levels Above Industry Average



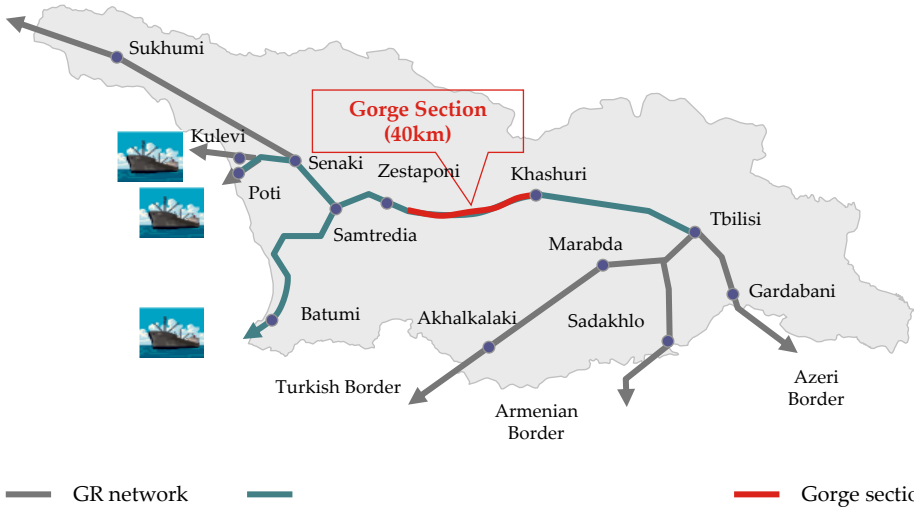
Discretionary Major Projects

Baku-Tbilisi-Kars (“BTK”)



- ✓ USD 775m new corridor from the Caspian Sea to Europe via Turkey expected to be completed by the end of 2016
- ✓ Will transport both goods and passengers between Central Asia and Europe
 - Expected to increase cargo transportation capacity by 5mtn to 15mtn
- ✓ GR has been granted the right to operate the Georgian portion of the new line
- ✓ Trade between China and Turkey amounted in 27 bln in 2016, in 2020 it is expected to triple.

Modernization



- ✓ Expected to be completed by 2019
- ✓ Designed to increase transportation capacity of infrastructure from 27 mln tons to a potential 100 mln p.a.
- ✓ Supports future corridor developments: Anaklia Deep Sea port, Poti Port expansion etc.
- ✓ Reduced operational expenses
- ✓ Improved operational safety
- ✓ Increased train speeds

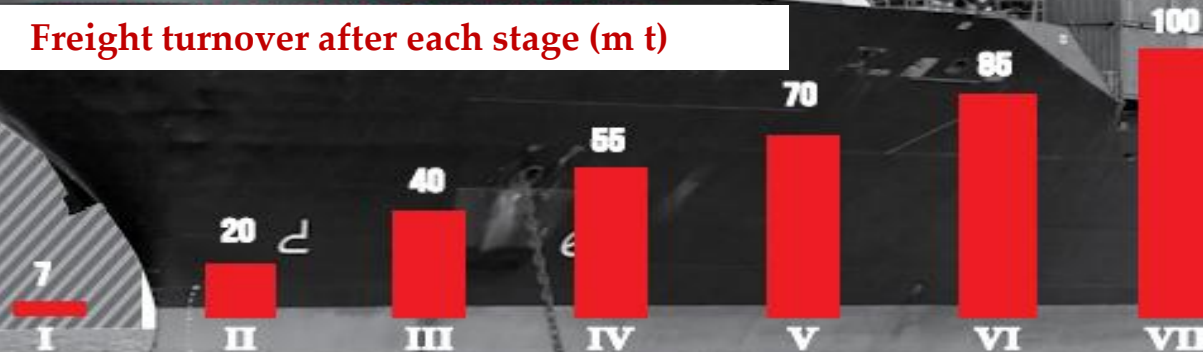
Development of deep-sea port

The project is considered as strategically important for Georgia and has full support from the state.

12 companies have participated in the announced competition on the construction of Anaklia port.

On February 8, 2016 **LTD Anaklia Development Consortium** was selected by the Governmental Commission as a winner. After selecting the winner, the MOESD and the Investor will negotiate several provisions of Investment Agreement within 90 days.

Freight turnover after each stage (m t)



Best shortcut to Europe

In 2015 Georgia became a founding member of the Asian Infrastructure Investment Bank (AIIB)

A single tariff across the Trans Caspian-Black Sea international transport routes
Transit time 13 days in comparison with 45 days via the sea route

Best shortcut to Europe



Thank you for your attention

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