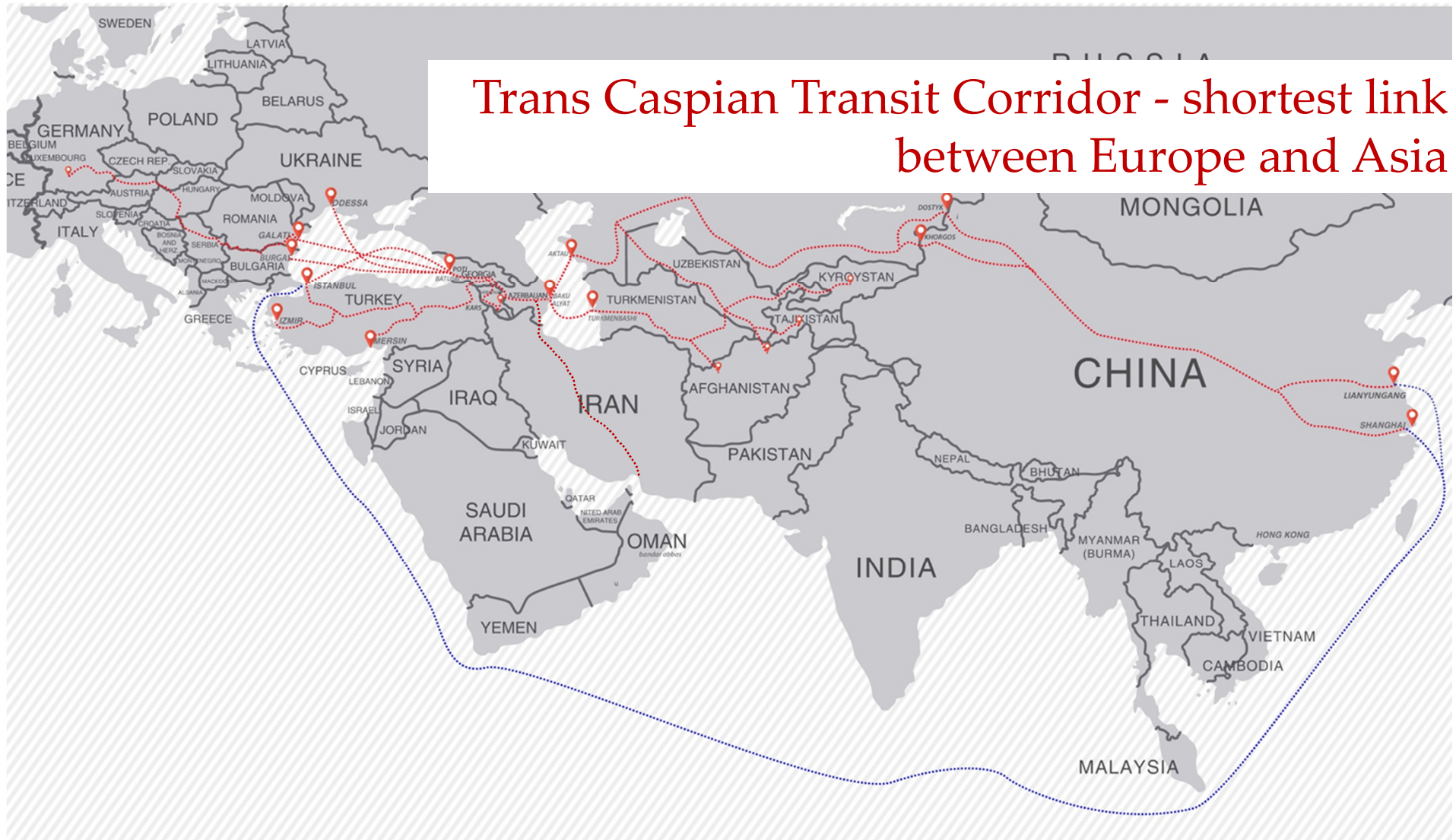


Trans Caspian Transit Corridor - shortest link between Europe and Asia

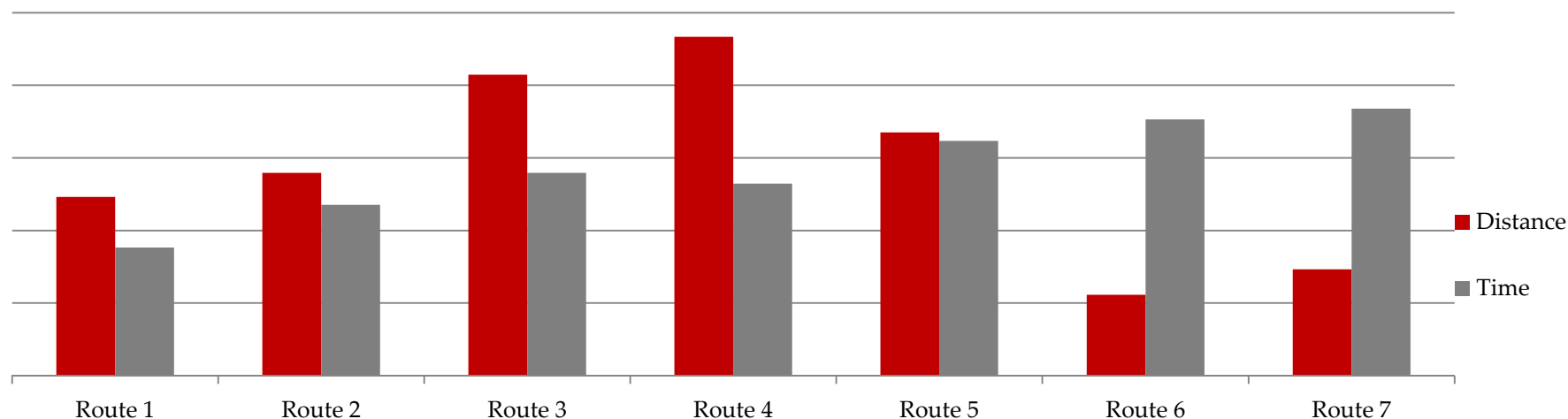


Oil Corridor map



Competitiveness of the Trans-Caspian transit corridor

Route	Total distance	Auto transport	Railway	Time	Delay time	Total time
1. Afghanistan (Kabul) - Turkmenistan - Kazakhstan - Azerbaijan - Georgia (Poti)	3,314	1,014	2,300	10	2	12
2. Afghanistan (Kabul) - Uzbekistan - Kazakhstan - Azerbaijan - Georgia (Poti)	3,760	420	3,340	14	2	16
3. Afghanistan (Kabul) - Pakistan (Karachi port)	5,580	420	5,160	9	10	19
4. Afghanistan (Kabul) - Uzbekistan - Kazakhstan - Russia - Latvia (Riga)	6,280	1,197	5,083	16	2	18
5. Afghanistan (Kabul) - Tajikistan - Uzbekistan - Kazakhstan - Russia -Latvia (Riga)	4,510	450	4,060	20	2	22
6. Afghanistan (Kabul) - Tajikistan - Uzbekistan - Kazakhstan - Azerbaijan - Georgia (Poti)	1,500	0	1,500	22	2	24
7. Afghanistan (Kabul) - Pakistan (Karachi port) Auto and railway transport	1,970	288	1,682	15	10	25



Main participants of railway corridor

Azerbaijani State Caspian Shipping Company (Azerbaijan)

- DWT 448,073 tons;
- 43 tankers / 7 rail ferries;
- 6.500.000 tons of oil and oil products handled during the year.



Georgian Railway

- 396 km from Azerbaijan border to the port of Batumi



Kazmortransflot (Kazakhstan)

- DWT over 300,000 tons;
- 8 tankers;
- 5.500.000 tons of oil and oil products handled during the year.



Azerbaijani Railway

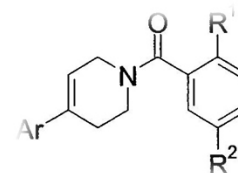
- 502 km from Baku to the Georgian border

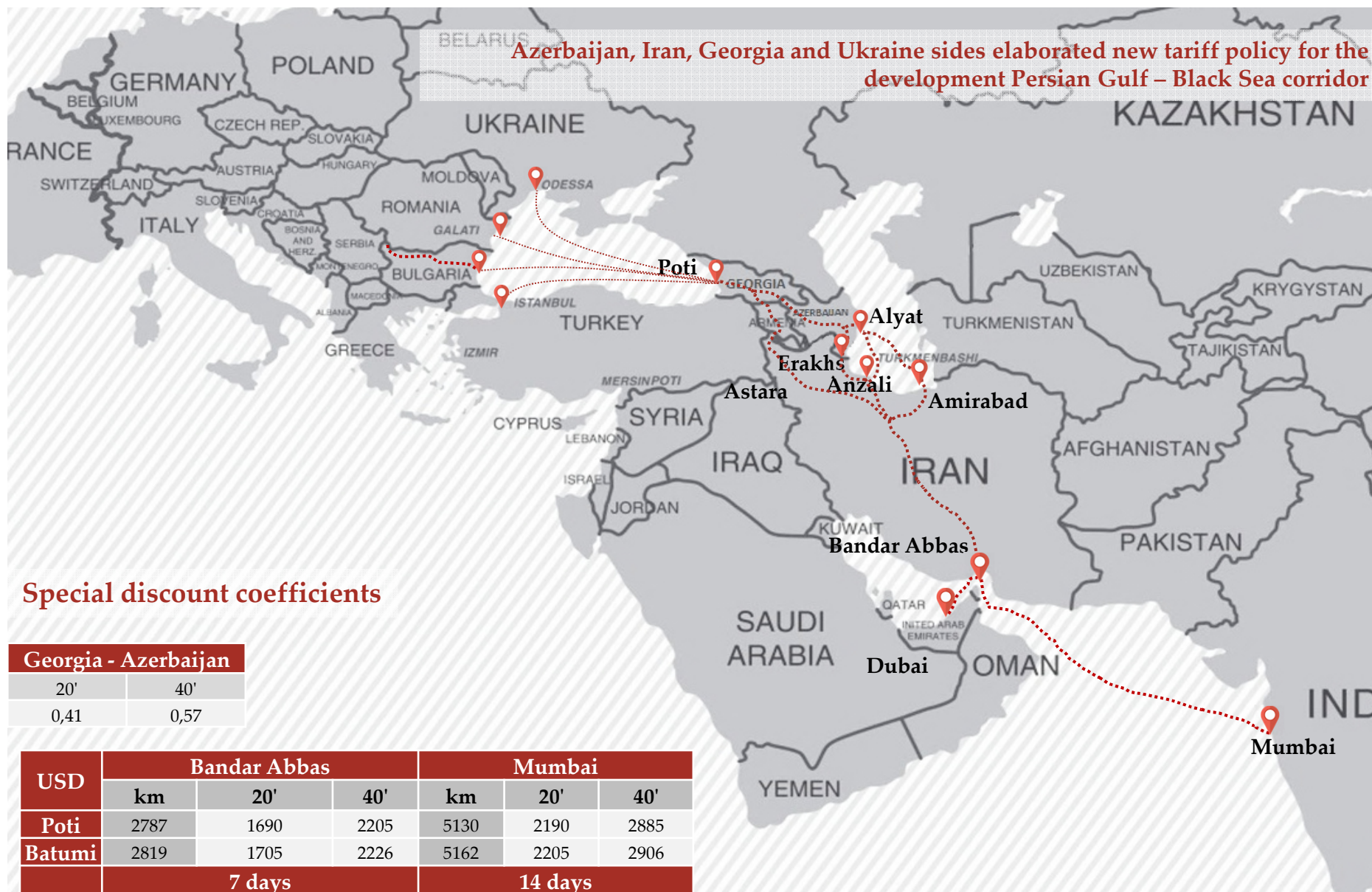


New cargoes in the corridor

Based on the current situation on the world oil market, attraction of oil and petrochemical products from Central Asia toward the corridor is becoming a strategic goal.

- In 2014 first stream of Azerbaijan methanol was attracted
- This year new cargoes of benzoyl and paraxinol from Kazakhstan are expected
- New cargo flow of sulfur and oil from Turkmenistan
- New cargo flow of Karbamid from Uzbekistan
- Stable oil products flow on Black Sea – Armenia direction
- New opportunity - Opening of Kashagan oil field





Further Upside From the Baku-Tbilisi-Kars ("B-T-K") Railway Corridor

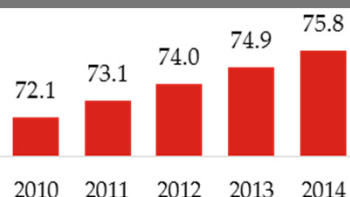
Geographic Location and Network



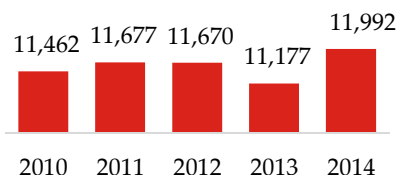
Development of trade between Turkey and China (US\$bn)

2014 → 2020
24 → 100

Population (m)



Turkey - Railway Transportation Volumes (million tonnes km)



Turkey - Imports & Exports (US\$bn)



Key Comments

- USD 775m new corridor from the Caspian Sea to Europe via Turkey expected to be completed by the end of 2016
 - Fully funded by the government – no cash outflow from Georgian Railway for the construction
- 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
- GR expects this line to attract cargo transportation businesses which may currently use the alternative routes offered through Iran
- If cargo switches to BTK line profitability will increase

Development of deep-sea port

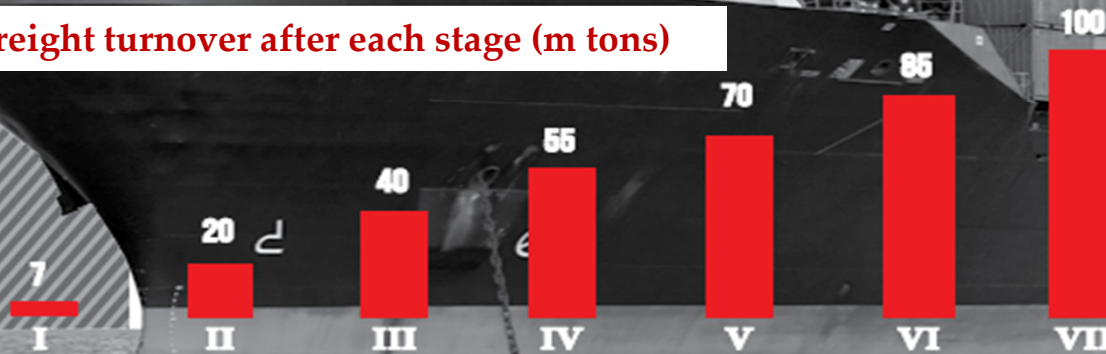
Georgian government plans to develop the infrastructure of new deep sea port. Port should be focused on containers and bulk/mixed cargoes, with the possibility of their placement on the fifth-generation vessels such as Panamax.

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, from which one candidate was selected.

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 tons)



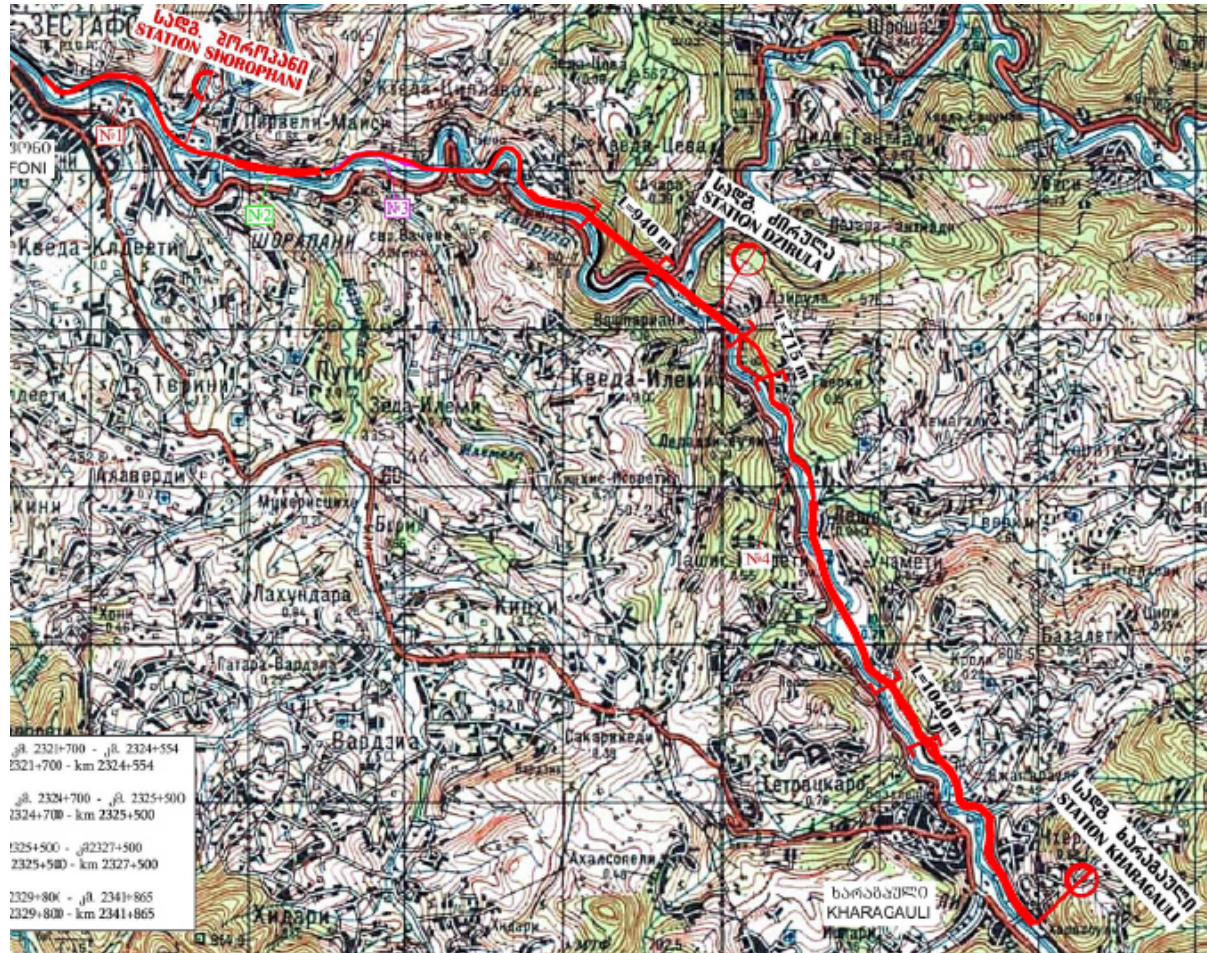
Modernization Project – brief description

- JSC “Georgian Railway” has started the implementation of the Railway Modernization Project according to the rules and regulations of The Yellow book of International Federation of Consulting Engineers (FIDIC Yellow Book) in September 20, 2011. The works for the Design and Construction of Tbilisi-Makhinjauri modernization Project are implemented under the contract signed between Georgian Railway JSC and China Railway 23rd Bureau Group Co. Ltd on August 12, 2011.
- Georgian Government has launched the deep sea Port Project in Anaklia (black sea) which should attract new freight in out corridor, as the capacity of the existing railway line is limited in gorge section (Khashuri Zestaponi 27,2 million tons annually) it was of paramount importance to modernize the existing railway line.

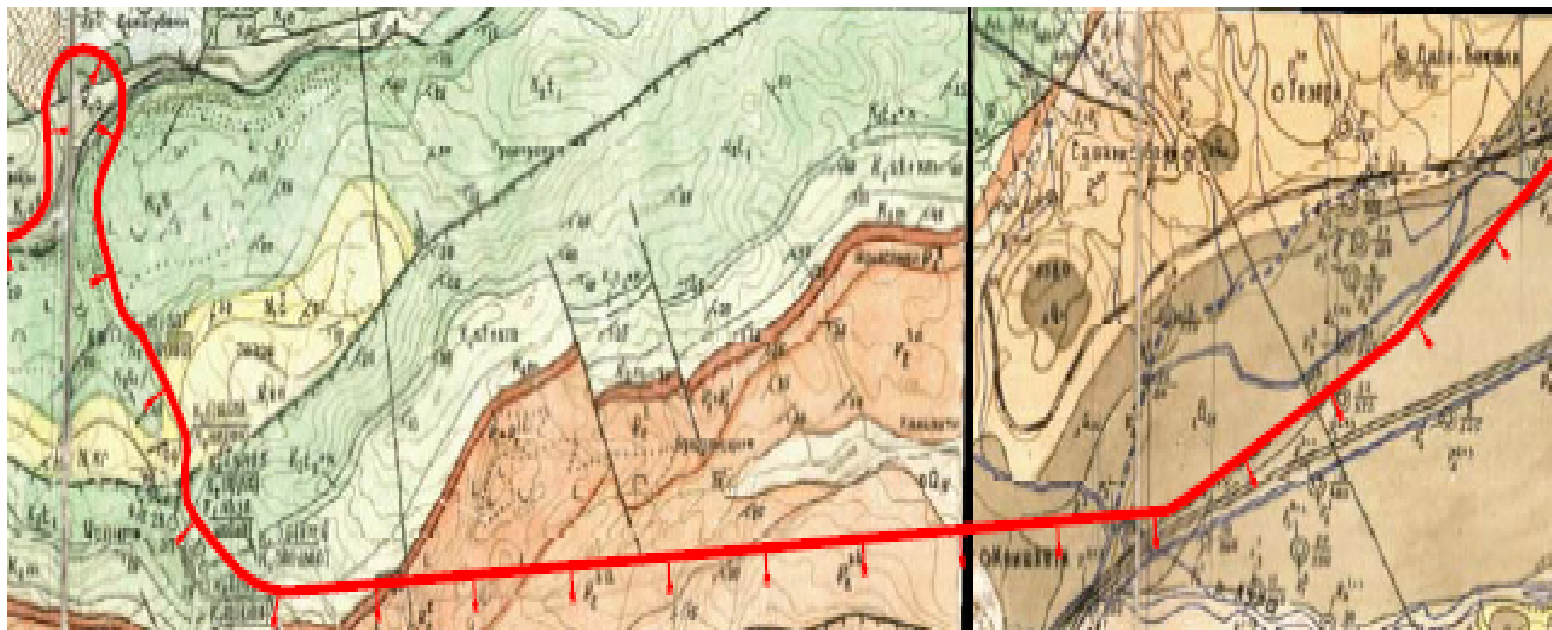
The main objectives of the Project are:

- Maximization of freight through capacity;
 - Reduction of operational expenses;
 - Improvement of operational safety;
 - Optimization of freight and passenger traffic duration;
- With the order of Georgian Government N1404 dated: July 03, 2015 the variation №4 was approved and instructed Georgian Railway JSC to carry out all the respective measures to finalize the Addendum agreement with China Railway 23rd Bureau Group Co. The necessity of the variation was stipulated based on the following factors: the tender design Qvishkheta – Zvare connecting tunnel (8350m) was planned to be the single line which would lead to the decreased capacity of the line. In order to avoid the above mentioned problem solution was found to build second parallel operational tunnel (8350m) instead of Moliti – Kharagauli section. After careful studies and considerations the parties agree that the variation is the best solution after the addendum agreement the contract price is adjusted to **260 126 000 CHF** from **267 000 000 CHF** with the extended time of construction to 2019, November .

Zestaponi – Kharagauli section



Nebodziri – Khashuri Section



Changes according to so called “big Variation”
1. additional 8 km long operational tunnel.



Big Variation

- Together with the Construction Supervisor (ILF & DBI) Georgian Railway experts has elaborated the big variation concept, according to which it was decided to eliminate the construction section from Moliti to Kharagauli and from the savings thereof to construct the second running tunnel (8350 m) From Kvishkheti to Zvare. It was also needed to redesign the loop section (village Bezatubani) and connect to the existing Moliti station. Alongside with it new infrastructure satisfies the following main requirement:
- inclination/gradient less than 18 ‰;
- Curve radius not less than 400-m;
- During the railway operations on the section is not any more needed to switch the braking system to the gorge regime !
- Comparing with the existing line and tender design solution throughout capacity of the line is significantly improved:
 - 38 million Tons annually – without automatic blocking system;
 - With Automatic blocking system Only for section Khashuri- Moliti – 65 million tons annually;
 - With automatic Blocking system for the entire gorge section (khashuri – zestaponi) – 123 million Tons annually.



Comparison of the capacity

	Scenario	Tons Annually (USD m)
1	Existing line	27 200 000
2	Tender design	14 400 000
3	After the Big Variation	65 000 000



Present progress of the project

- Tunnel 10 completed
 - Tunnel 12 completed
 - Tunnel 9 under construction -3km m. from Zvare side – 1 km km from Kvishkheti side
 - Tunnel 8 under construction – Completed.
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