საქართველოს რკინიგზა
GEORGIAN RAILWAY

Management Discussion and Analysis for the nine month period ended 30 September 2013

Georgian Railway had outstanding performance in the third quarter of the year that is represented in the Financial Statements published for 9 months 2013.

EBITDA of the company has risen significantly as well as EBITDA margin compared to both previous quarters of 2013 and the same quarter in 2012. The reason behind this performance was revenues of the company, while the expenses stayed more or less the same.

Freight revenue increased due to improved transportation performance in both dry and liquid cargo and increased transportation of high yielding cargoes (grain, sugar, and ext.). This caused the increase in transportation revenue as well as other freight revenues. Due to the tariff setting independence of the company, it was able to increase tariffs on freight handling services which also contributed to the increase in revenue from freight handling operations. In May, 2013 tariffs for the freight forwarding services of the subsidiary company were also increased, which in combination with the improved cargo transportation resulted in increased revenue stream from this direction.

The slow-down of the capital construction projects resulted in additional increase of cash balances of the company. The pace of Modernization project is slowed down, while Tbilisi Bypass is delayed.

Tbilisi Bypass project should have already been completed in summer 2013. However, the contractor was not able to meet his obligations and the project is currently suspended. Georgian Railway has hired a consultant to make the project more feasible for the company and as the studies of the project are carried out, the final decision is yet to be made. However, the expectation is for the delay of up to 3 years. This delay should not affect company in any way from the point of its operations, as the project carries more of a municipal value rather than improvement in operations. Thus the delay has a positive effect on the liquidity of the company.

Transportation volumes in October 2013 were the highest up to now, with November levels quite high as well. This gives expectations for continued good performance of the company in the remaining quarter of the year. Near completion of Batumi intermodal station, designed to increase container transportation through railway as well as the company's plans on entering ferry business on the Black Sea as a minority shareholder, are expected to add to the effect of cargo growth in future periods.

Contents

1. Profit & Loss Statement

Following table sets forth profit and loss statement of the Company for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Revenues	349,896	-0.4%	-1,455	351,351
Other income	9,262	-52.3%	-10,160	19,422
Payroll expenses	-99,620	28.8%	-22,261	-77,359
Depreciation and amortization expense	-73,417	-7.0%	5,512	-78,929
Electricity and materials used	-33,271	-14.1%	5,474	-38,745
Other expenses	-56,567	-3.1%	1,802	-58,369
Result From Operating Activities	**96,283**	-18.0%	-21,088	**117,371**
Finance Income	9,150	-27.0%	-3,383	12,533
Finance Cost	-14,401	-75.6%	44,666	-59,067
Net finance income	**-5,251**	-88.7%	41,283	**-46,534**
Profit before income tax	**91,032**	28.5%	20,195	**70,837**
Income tax	-14,160	20.4%	-2,396	-11,764
Net income	**76,872**	30.1%	17,799	**59,073**
Adjusted EBITDA	**169,290**	**-12.3%**	**-23,790**	**193,080**
Adjusted EBITDA margin	**48.4%**			**55.0%**

Net income amounted to GEL 76.9 million in the nine month period ended 30 September 2013 compared to GEL 59.1 million in the same period of the previous year.

Adjusted EBITDA of Georgian Railway JSC for the nine month period ended 30 September 2013 decreased by 12.3 per cent (GEL 23.8 million) compared to the same period in previous year.

2. P&L Analysis

Following paragraphs present the analysis of the profit and loss statement of Georgian Railway JSC for the nine month period ended 30 September 2013.

2.1. Revenues

The following table sets forth revenue breakdown and comparison of the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Freight transportation	262,659	1.6%	4,062	258,597
Freight handling	45,489	10.4%	4,296	41,193
Freight car rental	24,553	-30.8%	-10,906	35,459
Passenger transportation	14,048	0.8%	116	13,932
Other revenue	3,146	45.0%	976	2,170
Total Revenue	**349,895**	**-0.4%**	**-1,456**	**351,351**
Other Income	**9,262**	**-52.3%**	**-10,160**	**19,422**

Revenues in the nine month period ended 30 September, 2013 amounted to GEL 349.9 million, representing a decrease of 0.4 per cent (GEL 1.5 million) compared to the same period in the previous year. Revenue from freight transportation increased by 1.6 per cent (GEL 4.1 million); Freight handling revenue increased by 10.4 per cent (GEL 4.3 million); Revenue from freight car rental decreased by 30.8 per cent (GEL 10.9 million); Passenger revenues increased by 0.8 per cent (GEL 0.1 million). Other revenues increased by 45.0 per cent (GEL 1.0 million). Below, you can find detailed discussion for the reasons of the above-mentioned changes.

2.1.1 Freight revenues

Freight transportation revenues increased by 1.6 per cent (GEL 4.1 million) in nine-month period ended 30 September 2013 compared to the same period of the previous year.

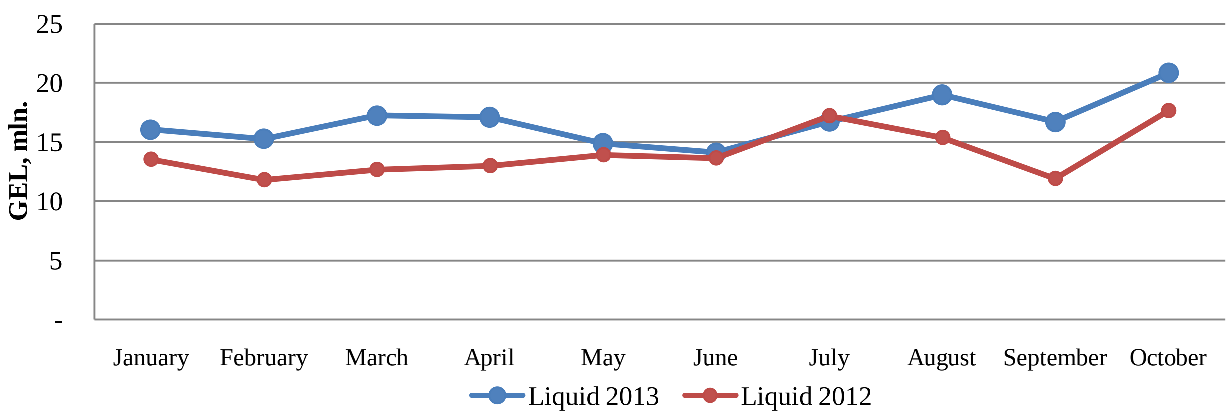
The following table sets forth freight transportation revenue by types of freight for the nine-month periods ended 30 September 2013 and 2012:

GEL, Millions	9 month periods ended 30 September			
	2013	*% Change*	*Abs. Change*	2012
Liquid Cargoes	**147.1**	**19.5%**	**24.0**	**123.1**
of which				
Crude Oil	50.8	-0.7%	-0.3	51.1
Oil Products	96.3	33.8%	24.3	72.0
Dry Cargoes	**115.6**	**-14.7%**	**-19.9**	**135.5**
of which				
Grain	14.5	-32.0%	-6.8	21.3
Construction Freight	8.3	-0.5%	0.0	8.3
Cement	2.5	-4.0%	-0.1	2.6
Industrial Freight	5.6	-22.7%	-1.6	7.2
Ferrous Metals and Scrap	12.4	-8.2%	-1.1	13.5
Ores	23.1	-24.8%	-7.6	30.7
Sugar	11.3	-2.3%	-0.3	11.6
Chemicals, fertilizers	6.8	-19.5%	-1.7	8.5
Other	31.1	-2.3%	-0.7	31.9
Total	**262.7**	**1.6%**	**4.1**	**258.6**

The types of freight that positively contributed to the nine month period-over-period change in freight transportation revenue were mainly Oil products. This was offset by the decrease in revenue from transportation of dry cargo.

Liquid cargo revenues:

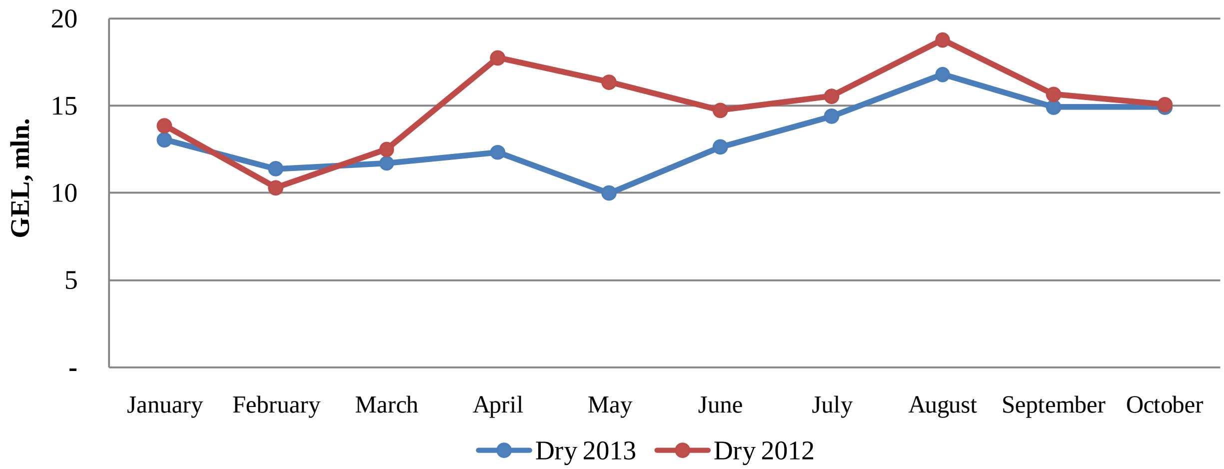
The following graph presents distribution of revenue from liquid cargo transportation by months, for the ten month periods ended 31 October 2013 and 2012:



Second quarter decrease is related to maintenance works on oil fields located in Kazakhstan. Starting from Q3, oil production was renewed in full scale, which contributed to the increasing trend of revenues in Q3 2013. Overall increase in liquid cargo transportation in Q3 2013 was also a result of new cargo flows, such as crude oil from Zhanazhol oil field. Mazut volumes from Kazakhstan should add to the performance in Q4 and the following periods.

Dry cargo revenues:

The following graph shows distribution of revenues from dry cargo transportation by month in ten month periods ended 31 October 2013 and 2012:



Dry cargo volumes in nine month period ended 30 September 2013 decreased by 17.4 per cent and revenues decreased by 14.7 per cent compared to the previous year. The main reasons for the reduced transportation were Grain (high existing stocks of grain in Armenia at the end of 2012 temporarily eliminated the need for additional grain transportation to this direction; temporary import of low cost flour from Turkey also caused the decrease) and Ore products. Starting from July, dry transportation increased compared to the previous months.

Q3 developments:

Q3 2013 has shown significant improvement in transportation revenue compared to the previous quarters of the year. The following table sets forth the main cargo types, which had significant effect on an increase in the revenue from freight transportation in Q3 2013:

	2013			
Revenue GEL mln.	Q1	Q2	**Q1&Q2 Average**	Q3
Oil Products	26.2	33.9	**30.1**	36.1
Grain	3.2	2.3	**2.8**	8.9
Sugar	2.4	3.3	**2.9**	5.6
Chemicals, fertilizers	2.1	1.3	**1.7**	3.4

Increase in revenue of Oil Products from Q2 2013 to Q3 2013 was mainly attributable to the increase in transportation of high yielding oil products compared to the cargo mix in the previous periods. Increase of tariffs by company's subsidiary Georgia Transit in May 2013, has also contributed to the increase in revenue from oil products.

Revenue from Grain transportation increased in Q3 compared to previous quarters. Increase was due to the significant increase in transportation of grain from Russia to Armenia. Tariff on the Armenian direction is higher than on other ones, thus transportation rise here has had a significant effect.

Sugar also contributed to the increase, mainly deriving from the sugar cane transportation to Armenia. There are several sugar refinery plants in Armenia and their stock of material significantly affects the transportation as transportation tariff of this material is significantly higher.

Transportation revenue of chemicals and fertilizers rose as well, due to the activity of the plant located in Georgia, which periodically transports its products worldwide. In Q3, the increased demand on the markets and the prices of the product caused the increased transportation from the plant.

Freight handling revenue:

The following table sets forth the revenues from freight handling for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Freight handling	45,489	10.4%	4,296	41,193

Revenue from freight handling increased by 10.4 per cent (GEL 4.3 million) in the nine month period ended 30 September 2013 compared to the same period of the previous year. This is mostly attributable to the optimization of station service tariffs. Starting from February 2013, tariffs for station services were increased to USD 1.7 per ton for using GR's own diesel locomotives instead of USD 1.6 per ton. For customers' personal diesel locomotives, tariffs increased to USD 1.1 per ton instead of USD 0.6 per ton. Delay of customers' own railcars in GR's stations increased to GEL 50 per day instead of GEL 20 per day starting from May 2013. Assigning GR's railcars for transportation to Afghanistan destination was increased by USD 100 per railcar sent, representing a 15% increase in tariff, effective from March, 2013.

The following table sets forth the breakdown of freight handling revenue for the nine months of 2013 and 2012:

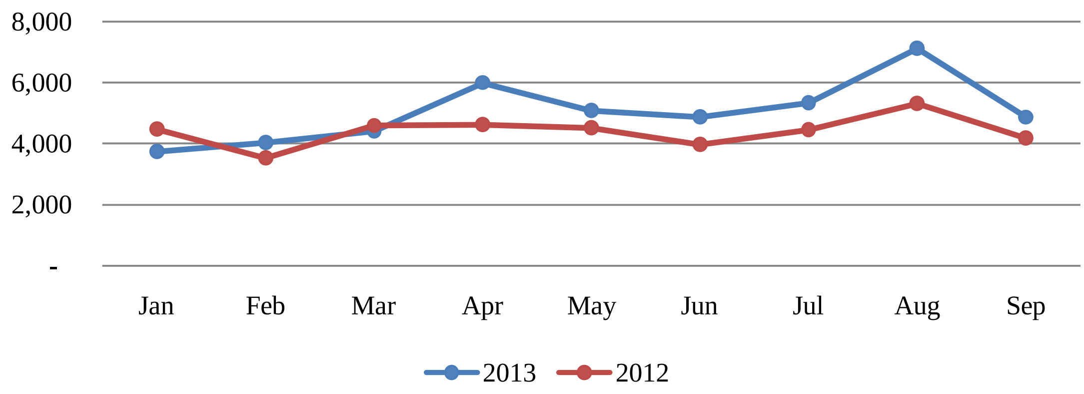
	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Station service	29,531	-2.60%	-783	30,314
Delay of railcars	9,908	81.4%	4,445	5,463
Diesel locomotive service	319	70.6%	132	187
Trans Caucasus Terminals	1,650	8.3%	126	1,524
Other	4,081	10.10%	376	3,705
Total	**45,489**	**10.4%**	**4,296**	**41,193**

Breakdown of freight handling revenue indicates that the increase was mostly caused by the revenue from the delay of customer’s own railcar in GR’s stations, which is attributable to the increase of the tariff for the delay from GEL 20 to GEL 50 per day effective from May 2013 as well as the increase in overall delay days.

Q3 developments:

There was a significant increase in Q3 2013 which was mainly due to the various freight handling services that are included in “other” subcategory, such as overloading the railcars and allocating railcars to specific directions. Namely, allocating railcars for Afghanistan destination increased significantly caused by the increase in transportation volumes to this direction in Q3 2013 and due to the increased tariff on such service.

The following graph shows comparison of freight handling revenue by months for the nine month period ended 30 September of years 2013 and 2012:



Freight car rental revenue:

The following table sets forth the revenues from freight car rental for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Freight car rental revenue	24,553	-30.8%	-10,906	35,459

Revenue from freight car rental decreased by 30.8 per cent (GEL 10.9 million) in the nine month period ended 30 September 2013 compared to the same period in 2012. The decrease was primarily due to the additional diesel locomotives acquired by Turkmenistan Railway in order to improve turnover of the cargo. Previously GR's wagons were delayed in Turkmenistan due to the bottlenecks on Afghanistan border. When railcars are delayed for 30-45 days, freight car rental daily tariff is multiplied by a coefficient of 1.3, while for the delay of more than 45 days the tariff triples. As the bottlenecks were dealt with by Turkmenistan, turnover improved significantly and railcar delays decreased, returning the tariff to normal amounts. In the nine months of 2013 freight car rental revenue from Turkmenistan decreased to GEL 3.9 million from GEL 8.9 million in the same period of 2012, with the rest of the decrease originating from decrease in cargo transportation in 2013. Resolution of bottlenecks in Turkmenistan has a positive effect on the wagon turnover and capacity for Georgian Railway, somewhat eliminating the possible need for future investments into the railcars.

Q3 developments:

Following table sets forth distribution of freight car rental revenue by quarters in 2013:

		2013	
GEL '000	Q1	Q2	Q3
Freight car rental	7,063	7,933	9,557

There was a significant increase was in Q3 2013 compared to the previous quarters of the 2013. Main countries which contributed this increase are Azerbaijan, Kazakhstan and Russia. Azerbaijan increase usage of GR's Tank cars was due to the increased liquid cargo transportation in the Q3 2013, compared to the previous periods of the same year. Also Azerbaijan, like Kazakhstan and Russia, increased usage of GR's Box cars and OTB cars, due to the increased dry cargo transportation to their directions.

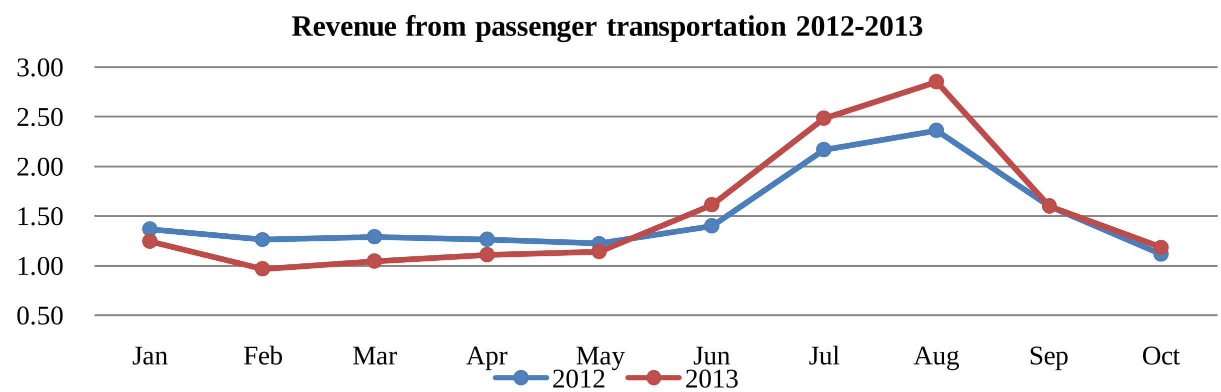
2.1.2. Passenger revenues

The following table sets forth the revenues from passenger transportation for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Passenger revenues	14,048	0.8%	116	13,932

Passenger revenues increased by 0.8 per cent (GEL 0.1 million) in the nine month period ended 30 September 2013 compared to the same period of the previous year. In the nine month period of 2013, GR transported 5.2 per cent less passengers than in the same period of 2012. The disproportion between the change in passenger number and change in revenues is caused by the increased share of seats sold with higher tariffs.

The following graph shows distribution of revenues from passenger transportation by month in the ten month periods ended 31 October 2013 and 2012:



2.1.3. Other revenues

The following table sets forth other revenue for nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Other revenue	3,146	45.0%	976	2,170

Other revenues comprise of items such as: revenue from rent of space in buildings, sale of scrap, repair services and such. Increase in the nine month period is mainly caused by the fact that in Q3 2013 revenue for overloading the railcars was added to the accounts, as the tariff for overloaded tons is significantly higher than for normally loaded cargo. High tariff was not applied before, however in 2013, GR discovered this and started accruing such revenues. In Q3, these revenues were added to the other revenue of the company in a lump sum for a number of months, causing an increase.

Following table shows distribution of other revenue by quarters for 2013.

	2013		
GEL '000	Q1	Q2	Q3
Other revenue	636	588	1,922

2.1.4. Other income

The following table sets forth other income for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Other Income	**9,262**	***-52.3%***	***-10,160***	**19,422**
Of which:				
Continuing Operations	8,687	-30.9%	-3,876	12,563
Non-Continuing Operations	575	-91.6%	-6,284	6,859

In the nine month period ended 30 September 2013 other income decreased by 52.3 per cent (GEL 10.1 million), compared to the same period of the previous year. Other income mostly comprises of items such as penalties accrued on debtors or creditors, gain on inventory revaluation, revenue from communication services, revenue for inflicted loss on company from third parties, revenue from the surplus of inventory, revenue from heavy equipment services and other.

In order to better illustrate the operational profitability of the company, GR divides other income into two categories: income which is reoccurring between the periods due to their nature (for example such are penalties on creditors and debtors, different types of non-core revenues and some other items) – this is classified as income from continuing operations. Second type of other income comes from one time sources, such as provisions, gain/loss on inventory revaluation and other items, which are not expected to reoccur in the following periods.

The decrease in other income was caused by the decrease in both categories. Continuing operations decreased by 30.9 per cent (GEL 3.9 million), which was caused by reduced revenue from damage compensated by nonemployees (GEL 3.8 million). This item was high in 9 month period of 2012 due to only one case and was no longer present in same period of 2013. Non-continuing operations decreased by 91.6 per cent (GEL 6.3 million) This was mainly caused by the reduced surplus of inventory and fixed assets in non-continuing operations (GEL 5.4 million).

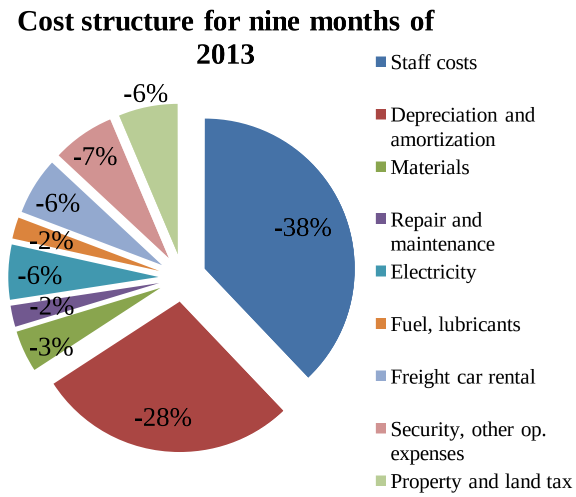
2.2. Operating expenses

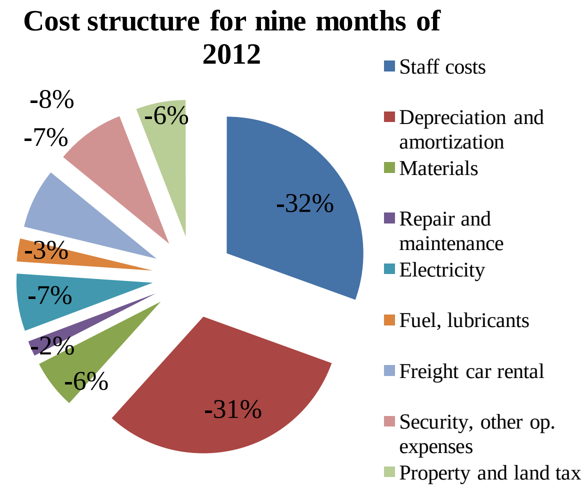
The following table sets forth total expenses of Georgian Railway JSC, excluding Finance Costs, Interest Income/Expense and Profit Tax, for the nine month periods ended 30 September of years 2013 and 2012:

	9 month period ended 30 September			
	2013	***% Change***	**Abs. Change**	**2012**
Staff costs	-99,620	28.8%	-22,261	-77,359
Depreciation and amortization	-73,417	-7.0%	5,512	-78,929
Materials	-11,769	-19.7%	2,886	-14,655
Repair and maintenance	-5,993	30.7%	-1,407	-4,586
Electricity	-15,452	-10.3%	1,776	-17,228
Fuel, lubricants	-6,050	-11.8%	812	-6,862
Freight car rental	-16,223	-10.1%	1,825	-18,048
Security, other op. expenses	-17,586	-15.4%	3,195	-20,781
Property and land tax	-16,765	12.1%	-1,811	-14,954
Total	**-262,875**	**3.7%**	**-9,473**	**-253,402**

Total expenses for the nine month period ended 30 September 2013 increased by 3.7 per cent (GEL 9.5 million) compared to the nine month period ended 30 September 2012, the main reasons of which was the increase in salary expense.

The following charts sets forth the cost structure for the nine month period ended 30 September of years 2013 and 2012:





2.2.1. Staff cost

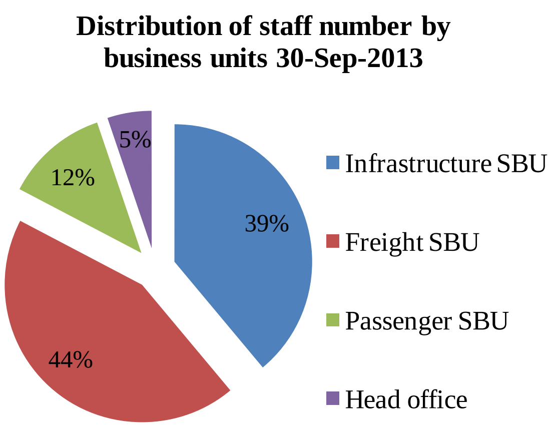
The following table sets forth staff costs for the nine month periods ended 30 September for years 2013 and 2012:

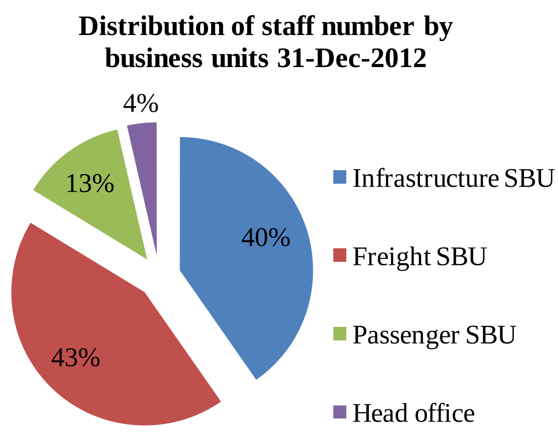
	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Staff cost	-99,620	28.8%	-22,261	-77,359

Main reason for increase in staff costs by 28.8% (GEL 22.3 million) was increase in salary expenses at the end of 2012 and in first months of 2013. Average salary expense has risen at the end of 2012. The reason behind this was the faster pace of company's ranking program. According to the initial plan, number of employees was being reduced, while the average salary was being gradually increased. The increase was applied in a manner that the total salary would stay mostly flat. However, after the elections there was a wave of strikes in the company and country. As a result, by the end of 2012 GR made a decision to complete salary ranking process all at once without staff lay-offs. Respectively, the decision was followed by an increase in salary expense. Currently management withholds from laying off staff because as the Baku-Tbilisi-Kars (BTK) project completion is expected in 2015. Operations of BTK require additional staff resources. Management plans to use existing surplus staff for the operations of the new line. This would eliminate the need for lay-offs and rehiring the same staff when the project is done.

Employee number at the end of September 2012 was equal to 12,504 and accordingly at the end of nine month of 2013 the number of employees was 12,646. Average salary at the end of nine month of the year 2013 was GEL 875 compared to GEL 684 in the same period of 2012.

Following charts show the distribution of staff number by strategic business units and head office of the company (excluding subsidiaries):





The following table sets forth average salaries for the nine-month period ended 30 September 2013 and nine-month period ended 30 September 2012:

	9 month period ended 30 September			
GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Average Salary	875	28.00%	*192*	684

2.2.2. Materials, Repair and Maintenance Expenses

The following table sets forth materials and repair and maintenance expenses for the nine month period ended 30 September for years 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Materials	-11,769	-19.7%	2,886	-14,655
Repair and maintenance	-5,993	30.7%	-1,407	-4,586
Total	**-17,762**	**-7.7%**	**1,479**	**-19,241**

Total expense for materials and repair and maintenance services for the nine-month period ended 30 September 2013 decreased by 7.7 per cent (GEL 1.5 million) compared to the nine month period ended 30 September 2012. Materials expenses decreased by 19.7 per cent (GEL 2.9 million) and as the material expenses are not evenly distributed during the year. This variance for the nine months is not unusual. Repair and maintenance expense increased by 30.7 per cent in nine months of 2013 compared to the same period in 2012. High expense in 2013 partly was caused by the new types of repair, namely the replacement of Twin-Heads on freight and passenger railcars.

2.2.3. Electricity and Fuel Expenses

The following table sets forth electricity expense for the nine month periods ended 30 September 2013 and 2012:

Electricity Expense:

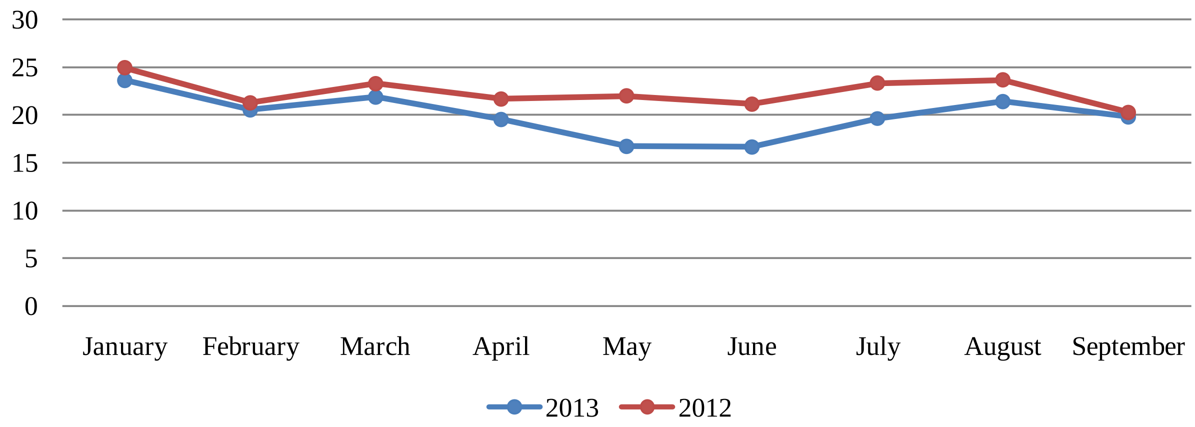
	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Electricity	-15,452	-10.3%	1,776	-17,228

Electricity expense for the nine month period ended 30 September 2013 decreased by 10.3 per cent (GEL 1.8 million) compared to the nine-month period ended 30 September 2012. Change in electricity expense is a function of two major variables: price per purchased KWh and consumed electricity, which in the nine month period ended 30 September 2013 decreased by 10.8 per cent (21.8 GWh), to ca. 179.8 GWh. The decrease was mainly caused by the increased average weight of train compositions from an average 2,000 tons to 2,200 tons per composition, which in its turn reduced the average electricity expense per gross ton-km of cargo.

The following table shows purchased electricity for cargo transportation purposes and an average electricity expense per gross ton-kilometre of cargo:

	2013			**2012**		
	GWh	**Amount paid (GEL m.)**	**GWh per gross ton.km (mln.)**	**GWh**	**Amount paid (GEL m.)**	**GWh per gross ton.km (mln.)**
January	18.2	928.2	19.6	19.4	906.8	21.4
February	16.2	835.1	19.4	16.0	726.9	22.0
March	17.4	907.1	19.2	18.1	831.7	21.7
April	15.9	819.7	19.5	18.2	929.0	19.6
May	13.6	675.2	20.2	19.0	938.4	20.2
June	13.7	709.5	19.4	18.3	909.1	20.1
July	16.3	831.1	19.7	19.7	999.0	19.7
August	18.1	940.0	19.2	19.9	997.1	19.9
September	16.6	823.6	20.2	16.9	791.6	21.3
Total	**146.2**	**7,469.4**	**19.6**	**165.5**	**8,029.6**	**20.6**

The following graph shows comparison of purchased volumes by months for the nine month period ended 30 September of years 2013 and 2012:



Fuel expenses:

The following table sets forth fuel expense for the nine month period ended 30 September for years 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Fuel and Lubricants	-6,050	-11.8%	812	-6,862

Fuel (and lubricants) expense in the nine month period ended 30 September 2013 decreased by 11.8 per cent compared to the nine month period ended 30 September 2012. The reason for the decrease was the fact that some capital construction project were stopped (Tbilisi Bypass) and the pace of Modernization Project has slowed down. The contractors of this project are renting GR’s heavy equipment and as this equipment is using diesel for its operations, the expense decreased. Another reason is the decreased transportation volume in total nine months.

2.2.4. Freight car rental expense

The following table sets forth freight car rental expense for the nine month period ended 30 September for years 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Freight car rental	-16,223	-10.1%	1,825	-18,048

Freight car rental expenses for the nine month period ended 30 September 2013 decreased by 10.1 per cent compared to the nine month period ended 30 September 2012. The decrease was mainly due to privatization of Ukrainian, Russian and Kazakh wagon fleet, causing the decrease of freight car rental fees that GR has to pay when using other railway’s wagons for transportation on its territory.

2.2.5. Security and other expenses

The following table sets forth security and other operating expenses for the nine month period ended 30 September for years 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Security	-5,682	4.9%	264	-5,418
Other op. expenses	-11,904	-22.5%	-3,459	-15,363
Total	**-17,586**	-15.4%	-3,195	**-20,781**

Total security and other operating expenses for the nine month period ended 30 September 2013 decreased by 15.4 per cent (GEL 3.2 million) compared to the nine month period ended 30 September 2012. Other operating expenses mainly consist of items such as: municipal, communication, legal costs, consultancy, membership fees, administrative expenses and etc. The decrease in other operating expenses was mainly caused by the low utility expenses and decreased consultancy fees, as in 2012 company issued new Eurobonds.

2.2.6. Property and land taxes

The following table sets forth the breakdown of Property and Land taxes for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% change***	***Abs. change***	**2012**
Property tax	-8,933	22.4%	*-1,633*	-7,300
Land Tax	-6,905	-0.8%	*54*	-6,960
Other taxes	-926	33.4%	*-232*	-695
Total	**-16,765**	**12.1%**	***-1,811***	**-14,954**

Property tax increased due to the increase in Construction in Progress due the Modernization and Bypass projects. Other taxes consist of additional expenses for tax purposes and property and land taxes of subsidiaries.

2.3. Finance costs and income

The following table sets forth the breakdown of financial costs and income for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Interest income	9,150	-18.6%	*-2,086*	11,236
FX gain /(loss)	-2,754	-312.4%	*-4,050*	1,297
Provisions	-1,642	100.0%	*-1,642*	0
Impairment loss on trade receivables	-3,973	-48.8%	*3,789*	-7,762
Interest expense	-6,032	-40.4%	*4,095*	-10,127
Euro Bond buy-back premium	0	-100%	*41,178*	-41.178
Net finance income	**-5,251**	-88.7%	*41,283*	**-46,534**

Finance income/loss in the nine month period ended 30 September 2013 decreased by GEL 41.3 million compared to the nine month period ended 30 September 2012. Main reason was euro bond buy-back premium (GEL 41.3 million) due to the tendering of the bonds in 2012.

2.4. Income Tax Expense

The following table shows the Income Tax Expense for the nine-month period ended 30 September of years 2013 and 2012:

	9 month period ended 30 September			
’000 GEL	**2013**	***% change***	**Abs. change**	**2012**
Income Tax Expense	-14,160	20.4%	*-2,396*	-11,764

Increase in income tax expense is in line with the increased income before taxes in the nine month period ended 30 September, 2013.

2.5. Profitability

The following Table show the calculation of Adjusted EBITDA and Adjusted EBITDA margin for the nine-month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000 GEL	**2013**	***% Change***	***Abs. Change***	**2012**
Revenues	349,896	-0.4%	-1,455	351,351
Other income	9,262	-52.3%	-10,160	19,422
Expenses	-262,875	3.7%	-9,473	-253,402
Result from Operating Activities	**96,283**	-18.0%	-21,088	**117,371**
Depreciation add-back	73,417	-7.0%	-5,512	78,929
Non-continuing operations from other income	-575	-91.6%	6,284	-6,859
Write-offs	165	100.0%	-3,474	3,639
Adjusted EBITDA	**169,290**	-12.3%	-23,790	**193,080**
Adjusted EBITDA Margin	**48.4%**			**55.0%**

Adjusted EBITDA for the nine month period ended 30 September 2013 amounted to GEL 169.3 million, representing a decrease of 12.3 per cent (GEL 23.8 million) compared to the same period of the previous year. Adjusted EBITDA margin reached 48.4 per cent, compared to the 55.0 per cent for the nine month period ended 30 September 2012. Significant increase was observed in Q3 2013 compared to the same period of the previous year. Adjusted EBITDA in Q3 2013 reached GEL 72.7 million with margin 53.9%, when in Q3 2013 Adjusted EBITDA was GEL 62.4 million, margin – 49.5%.`

3. Cash flows

’000GEL	Nine-month period ended 30 September 2013	Nine-month period ended 30 September 2012
Cash flows from operating activities		
Cash receipts from customers	348,311	368,701
Cash paid to suppliers and employees	-165,890	-183,330
Cash flows from operations before income taxes and interest paid	**182,421**	**185,371**
Income tax paid	-16,059	-8,220
Net cash from operating activities	**166,362**	**177,151**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-134,736	-322,445
Purchase of a company share	-48	-
Decrease/Increase in term deposits	59,597	-94,459
Increase in restricted cash	-	1,854
Interest received	11,648	8,579
Net cash used in investing activities	**-63,539**	**-406,191**
Cash flows from financing activities		
Proceeds from borrowings	-	396,182
Repayment of borrowings	-26	-822
Interest paid	-69,764	-22,910
Dividends paid	-18,000	-128,000
Distribution of cash to owners	-	-3,101
Net cash from /(used in) financing activities	**-87,790**	**241,539**
Net increase/(decrease) in cash and cash equivalents	**15,033**	**12,498**
Cash and cash equivalents at 1 January	115,076	61,553
Effect of exchange rate fluctuations on cash and cash equivalents	437	2,638
Cash and cash equivalents at 31 December	**130,546**	**76,691**
Bank deposits	38,062	170,908
Restricted Cash	-	1,109
Total Cash and cash equivalents	**168,608**	**248,708**

As at the publishing date of this report, Georgian Railway has accumulated up to GEL 198.7 million of cash resources available for its use excluding available credit facilities. Compared to the cash resources of GEL 156.7 as at June 30, 2013, this represents an increase of GEL 42.0 million. Positive cash flows are a result of the slow-down of capital expenditure programs, namely Modernization and Bypass projects. While the pace of Modernization is reduced, Bypass project is being withheld until the studies of the project are complete and the final decision is made. Current expectation for the decision is that the project will be delayed for up to 3 years.

3.1. Net cash from operating activities

The following table shows cash from operating activities for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
'000GEL	**2013**	**% change**	**Abs. Change**	**2012**
Cash flows from operating activities				
Cash receipts from customers	340,811	-1.41%	-4,890	345,701
Tax refund (VAT)	7,500	-67.39%	-15,500	23,000
Cash paid to suppliers and employees	-165,890	-9.50%	17,440	-183,330
Cash flows from operations before income taxes and interest paid	**182,421**	**-1.60%**	**-2,950**	**185,371**
Income tax paid	-16,059	95.40%	-7,839	-8,220
Net cash from operating activities	**166,362**	**-6.10%**	**-10,789**	**177,151**

Net cash from operating activities in the nine month period ended 30 September 2013 has decreased by 6.1 per cent (GEL 10.8 million) compared to the same period in 2012. This was mainly caused by the decrease in VAT refund by 67.4 per cent (GEL 15.5 million) and by increase in income tax paid by 95.4 per cent (GEL 7.8 million). The decrease of net cash from operating activities was partly offset by the decrease in cash paid to suppliers and employees by 9.5 per cent (GEL 17.4 million)

Decrease in VAT refunded was caused by the fact that in 2013, Georgian Railway used a portion of its VAT surplus in order not to pay other taxes, such as employee income tax and other. This subsequently cased lower refunds of VAT and decrease in cash paid to suppliers and employees.

Increase in income tax was caused by the following: Payments for income tax are made through the year in advance and based on previous years' results. These advance payments can cause both deficit and surplus of income tax paid, which is apparent after the total advance payments are compared to the actual performance of the company at the end of the year. In 2012, company had a significant surplus due to which the payment of income tax was only GEL 8.2 million. In 2013, company surplus of income tax decreased compared to 2012, causing a payment of GEL 16.1 million. No further payments of income tax are expected to take place in 2013.

3.2. Net cash used in investing activities

The following table shows cash from investing activities for the nine-month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
Cash flows from investing activities	**2013**	**% change**	**Abs. Change**	**2012**
Acquisition of property, plant and equipment	-134,736	-58.2%	187,709	-322,445
Purchase of a company share	-48	-	-48	-
Decrease/Increase in term deposits	59,597	-163.1%	154,056	-94,459
Increase in restricted cash	-	-100.0%	-1,854	1,854
Interest received	11,648	35.8%	3,069	8,579
Net cash used in investing activities	**-63,539**	-84.4%	342,652	**-406,191**

Net cash used in investing activities has decreased by 84.4 per cent (GEL 342.7 million), which was mainly caused by decrease in acquisition of property, plant and equipment by 58 per cent (GEL 187.7 million).

Total decrease of net cash used was also caused by the decrease in cash from term deposits by 163 per cent (GEL 154.1 million), which represents just a reclassification of term deposits to cash and cash equivalents and does not have an impact on company's total cash.

Cash paid for Bypass project was GEL 26.4 million in the nine-month period ended 30 September 2013 and GEL 92.2 million in the nine-month period ended 30 September 2012. Cash paid for Modernization Project was GEL 40.0 million in the nine-month period ended 30 September 2013 and GEL 93.5 million in the nine-month period ended 30 September 2012.

3.3 Net cash used in financing activities

The following table shows cash from financing activities for the nine month periods ended 30 September 2013 and 2012:

	9 month period ended 30 September			
Cash flows from financing activities	**2013**	**% change**	**Abs. Change**	**2012**
Proceeds from borrowings	-	-100.0%	-396,182	396,182
Repayment of borrowings	-26	-96.8%	796	-822
Interest paid	-69,764	204.5%	-46,854	-22,910
Dividends paid	-18,000	-85.9%	110,000	-128,000
Distribution of cash to owners	-	-100.0%	3,101	-3,101
Net cash used in financing activities	**-87,790**	-136.3%	-329,329	**241,539**

The Company's total net cash used in financing activities decreased by 136.3 per cent or GEL 329.3 million. This was mainly caused by decrease in proceeds from borrowings of GEL 396.2 million and decrease in dividends paid by GEL 110 million. The decrease was partly offset by increase in interest paid by 205% (GEL 46.9 million). The reason behind this is the increased amount of debt due to the new issue of Eurobonds (USD 500 million), which was offset by the tender of old Eurobond issue: 88.9 per cent of USD 250 million was bought back by the company alongside with the new bond issue.

Company’s dividend payments are restricted by its covenants for the bonds, according to which starting from 2013, 50% of previous year’s consolidated net income is the maximum amount that can be paid in any given year. In 2013, up to the release date of this report, the company has made a dividend distribution of GEL 21 million. Shareholder supports the company’s financial stability and the future dividends are subject to operational performance.

4. Balance Sheet

’000GEL	30 September 2013	% change	Abs. change	31 Dec 2012
ASSETS				
Non-current assets				
Property, plant and equipment	2,327,276	6%	130,041	2,197,235
Deferred tax assets	1,557	0%	0	1,557
Other non-current assets	211,080	-25%	-69,804	280,884
Total non-current assets	**2,539,913**	**2%**	**60,237**	**2,479,676**
Current assets				
Inventories	47,061	32%	11,490	35,571
Current tax assets	6,029	0%	6,029	0
Trade and other receivables	50,106	28%	10,853	39,253
Prepayments and other current assets	37,166	-40%	-24,482	61,648
Total cash and cash equivalents	168,608	22%	-46,789	215,397
Total current assets	**308,970**	**-12%**	**-42,899**	**351,869**
Total assets	**2,848,883**	**0.61%**	**17,338**	**2,831,545**
EQUITY AND LIABILITIES				
Equity				
Share capital	1,049,789	0%	38	1,049,751
Non-cash owner contribution reserve	31,673	0%	0	31,673
Retained earnings	506,238	13%	56,862	449,376
Total equity	**1,587,700**	**4%**	**56,900**	**1,530,800**
Non-current liabilities				
Loans and borrowings	875,278	0%	4,344	870,934
Advance received from the Government	231,592	0%	0	231,592
Trade and other payables	52	0%	0	52
Deferred tax liabilities	63,222	10%	5,920	57,302
Total non-current liabilities	**1,170,144**	**1%**	**10264**	**1,159,880**
Current liabilities				
Loans and borrowings	14,862	-56%	-18,558	33,420
Trade and other payables	50,042	-39%	-31,603	81,645
Liabilities to Government	11,926	-8%	-1,030	12,956
Provisions	5,820	41%	1,688	4,132
Current tax liabilities	0	-100%	-1,542	1,542
Dividends payable	449	0%	449	0
Other current liabilities	7,940	11%	770	7,170
Total current liabilities	**91,039**	**-35%**	**-49,826**	**140,865**
Total liabilities	**1,261,183**	**-3%**	**-39562**	**1,300,745**
Total equity and liabilities	**2,848,883**	**0**	**17,338**	**2,831,545**

4.1. Non-current Assets

The following table sets forth breakdown of non-current assets as of 30 September 2013 and 31 December 2012:

’000GEL	**30 September 2013**	**% change**	**Abs. change**	**31 Dec 2012**
ASSETS				
Goodwill	46	100%	46	0
Property, plant and equipment	2,327,230	6%	129,995	2,197,235
Deferred tax assets	1,557	0%	0	1,557
Other non-current assets	211,080	-25%	-69,804	280,884
Total non-current assets	**2,539,913**	**2%**	**60,237**	**2,479,676**

Total non-current assets increased by 2 per cent (GEL 60.2 million) as at the 30 September 2013, comparing to the 31 December 2012. The increase was mainly caused by increase in property, plant and equipment by 6 per cent (GEL 130.0 million). This increase was due increase in construction in progress within the framework of Modernization and Tbilisi Bypass project, as well as acquisition of other railway assets. Total increase of non-current assets was partly offset by the decrease in other non-current assets by 25 per cent (GEL 69.8 million) caused by the decrease in prepayments for wagon repairs, due to completed works and the completion of some parts of Modernization project.

4.2. Current Assets

The following table sets forth breakdown of current assets as of 30 September 2013 and 31 December 2012:

’000GEL	**30 September 2013**	**% change**	**Abs. change**	**31 Dec 2012**
Inventories	47,061	32%	11,490	35,571
Current tax assets	6,029	100%	6,029	0
Trade and other receivables	50,106	28%	10,853	39,253
Prepayments and other current assets	37,166	-40%	-24,482	61,648
Total cash and cash equivalents	168,608	-22%	-46,789	215,397
Total current assets	**308,970**	**-12%**	**-42,899**	**351,869**

Total current assets decreased by 12 per cent (GEL 42.9 million) as at the 30 September 2013 compared to the 31 December 2012. The decrease was mainly caused by the decrease in total cash and cash equivalents, which was caused by the implementation of capital projects such as Bypass and Modernisation and other capital expenditures. Decrease is cash and cash equivalents was accompanied by the decrease in prepayments and other current assets due to the reimbursed VAT from the state and the receipt of inventory which were paid for in advance. The decrease was partially offset by the increase in inventories, trade and other receivables and by the increase in current tax asset due to the advance payment of income tax.

4.3. Equity

The following table sets forth breakdown of equity as of 30 September 2013 and 31 December 2012:

'000GEL	30 September 2013	% change	Abs. change	31 December 2012
Share capital	1,049,789	0%	38	1,049,751
Non-cash owner contribution reserve	31,673	0%	0	31,673
Retained earnings	506,238	13%	56,862	449,376
Total equity	**1,587,700**	**4%**	**56,900**	**1,530,800**

Total equity increased by 4 per cent (GEL 56.9 million) as at the 30 September 2013, comparing to the 31 December 2012. The increase was caused by an increase in retained earnings by 13 per cent (GEL 56.9 million) due to net income in the nine-month period, partly offset by dividend payments.

4.4. Non-current liabilities

The following table sets forth breakdown of non-current liabilities as of 30 September 2013 and 31 December 2012:

'000GEL	30 September 2013	% change	Abs. change	31 December 2012
Loans and borrowings	875,278	0%	4,344	870,934
Advance received from the Government	231,592	0%	0	231,592
Trade and other payables	52	0%	0	52
Deferred tax liabilities	63,222	10%	5,920	57,302
Total non-current liabilities	**1,170,144**	**1%**	**10,264**	**1,159,880**

Total increase in non-current liabilities was 1 per cent as of 30 September 2013, comparing to the 31 December 2012. Increase in deferred tax a liability which originates from temporary differences between tax asset base and IFRS asset base was accompanied by an increase in loans and borrowings which was caused by the difference in USD/GEL exchange rate between 31 Dec 2012 and 30 June 2013, as the liabilities are mostly in USD.

GEL 231.6 million relating to the advances received from the government, represent the amount for which the company has made an agreement with the government of Georgia, that when the Bypass project is completed, the company would transfer the freed-up land to the government. In return, the amount of GEL 231.6 million would be subtracted from the retained earnings of the company. The subtraction is already made, however the project is not yet complete and the land remains with the company. Thus the amount is shown in the balance sheet as a liability. As already stated, Bypass project is negotiated to be postponed for about 3 years. In case the project is cancelled, the liability indicated in the balance sheet will be added back to the retained earnings of the company, without any monetary effect for the company.

4.5. Current liabilities

The following table sets forth breakdown of current liabilities as of September 30 2013 and FY 2012:

’000GEL	**30 September 2013**	**% change**	**Abs. change**	**31 December 2012**
Loans and borrowings	14,862	-56%	-18,558	33,420
Trade and other payables	50,042	-39%	-31,603	81,645
Liabilities to Government	11,926	100%	-1,030	12,956
Provisions	5,820	41%	1,688	4,132
Current tax liabilities	0	-100%	-1,542	1,542
Dividends payable	449	100%	449	0
Other current liabilities	7,940	11%	770	7,170
Total current liabilities	**91,039**	**-35%**	**-49,826**	**140,865**

Total current liabilities decreased by 35 per cent (GEL 49.8 million) as at the 30 September 2013, compared to the 31 December 2012, which was caused by the decrease in trade and other payables by GEL 31.6 million. This was accompanied by a decrease in current loans and borrowings by GEL 18.6 million. Decrease in trade and other payables was caused by the payment for the completed parts of capital projects, while decrease in current loans and borrowings was caused by the payment of accrued interest in July 2013 with the next payment in January of the next year, thus there was lesser accrued interest on 30 September 2013 than on 31 December 2012.

5. Operational Performance Report

5.1. Traffic report

5.1.1. Freight traffic data

The following table sets forth breakdown of the freight transportation volumes, by type of freight transported, for the nine month periods ended 30 September 2013 and 2012:

Ton, Millions	**9 month period ended 30 September**			
	2013	***% Change***	***Abs. Change***	**2012**
Liquid Cargoes	**6.67**	**-3.7%**	**-0.25**	**6.92**
of which:				
Crude Oil	2.84	-16.3%	-0.55	3.40
Oil Products	3.83	8.6%	0.30	3.52
Dry Cargoes	**6.74**	**-17.4%**	**-1.42**	**8.16**
of which:				
Grain	0.57	-49.3%	-0.56	1.13
Construction Freight	1.08	-13.6%	-0.17	1.25
Cement	0.51	1.6%	0.01	0.50
Industrial Freight	0.43	-15.1%	-0.08	0.50
Ferrous Metals and Scrap	0.74	-13.7%	-0.12	0.85
Ores	1.45	-18.0%	-0.32	1.76
Sugar	0.43	-8.5%	-0.04	0.48
Chemicals, fertilizers	0.36	-7.5%	-0.03	0.39
Other	1.17	-9.4%	-0.12	1.30
Total	**13.41**	**-11.1%**	**-1.67**	**15.08**

In the nine months of 2013 total freight transportation volumes decreased by 11.1 per cent, compared to the same period of the previous year. The decrease was mainly caused by the decrease in dry cargo transportation by 17.4 per cent (1.42 million tons) which in its turn was due to the decrease in Grain, Construction freight and Ore transportation.

High existing stocks of grain in Armenia at the end of 2012 temporarily eliminated the need for additional grain transportation to this direction; temporary import of low cost flour from Turkey also caused the decrease for this category of cargo. In third quarter of 2013, grain transportation increased significantly compared to H1 2013 and average transportation of grain almost tripled.

Construction freight transportation decreased due to temporary slow-down of construction projects in the country following parliamentary elections. Ore transportation decreased by 18.0% (0.32 million tons), which was caused by the stopped operations of aluminium plant in Azerbaijan.

The following table sets forth the breakdown of freight transportation volumes by types of freight transported by quarters in 2013:

Tons, Millions	**Q1 2013**	**Q2 2013**	**Q3 2013**
Liquid Cargoes	**2.50**	**1.97**	**2.20**
of which			
Crude Oil	1.31	0.65	0.88
Oil Products	1.18	1.32	1.32
Dry Cargoes	**2.05**	**2.24**	**2.45**
of which			
Grain	0.12	0.11	0.34
Construction Freight	0.32	0.43	0.33
Cement	0.13	0.21	0.17
Industrial Freight	0.13	0.15	0.15
Ferrous Metals and Scrap	0.26	0.24	0.23
Ores	0.48	0.48	0.49
Sugar	0.10	0.14	0.19
Chemicals, fertilizers	0.11	0.09	0.16
Other	0.41	0.39	0.37
Total	**4.55**	**4.21**	**4.65**

Main contributor of increase in the Q3 is Crude Oil Grain, Sugar and Chemicals and fertilizers. Crude oil increased due to the renewal of operations on the oil field in Kazakhstan. Grain and sugar transportation rose due to demand of these products on the Armenian direction, which is a high yielding direction for Georgian Railway. Chemicals and fertilizers rose due to global demand for the products produced by the plant in Georgia and a rise in their prices.

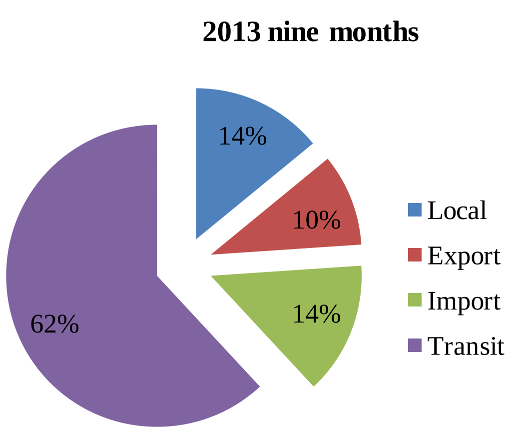
Crude oil transportation is recovering in Q3 2013 due to renewed operations on oil fields after the maintenance works and new crude oil coming from Zhanazhol field. In Q4 and the following quarters, Mazut volumes from Kazakhstan are expected to increase transportation of oil products in the corridor.

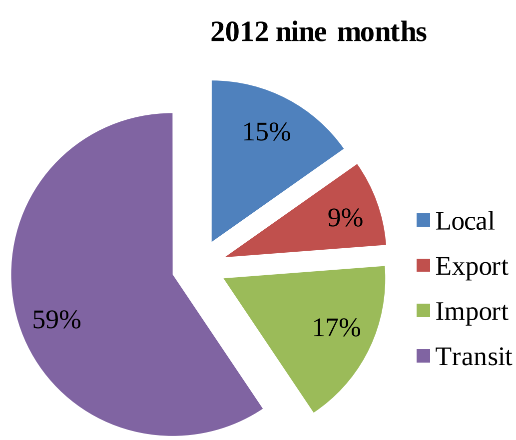
The following table sets forth the breakdown of freight transportation volumes by types of freight transported by months in 2013:

	2013										
Tons, Millions	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**10m Total**
Liquid Cargoes	**0.84**	**0.78**	**0.88**	**0.77**	**0.62**	**0.59**	**0.70**	**0.78**	**0.72**	**0.87**	**7.54**
of which											
Crude Oil	0.50	0.41	0.40	0.28	0.19	0.19	0.29	0.28	0.31	0.44	**3.29**
Oil Products	0.34	0.37	0.48	0.49	0.43	0.40	0.42	0.50	0.41	0.43	**4.25**
Dry Cargoes	**0.68**	**0.65**	**0.72**	**0.79**	**0.67**	**0.78**	**0.80**	**0.87**	**0.77**	**0.82**	**7.56**
of which											
Grain	0.03	0.05	0.04	0.03	0.04	0.05	0.09	0.12	0.12	0.15	**0.72**
Construction Freight	0.08	0.10	0.13	0.14	0.15	0.14	0.13	0.10	0.10	0.11	**1.19**
Cement	0.03	0.04	0.05	0.08	0.07	0.06	0.06	0.05	0.06	0.04	**0.55**
Industrial Freight	0.03	0.04	0.05	0.05	0.04	0.06	0.05	0.06	0.04	0.05	**0.47**
Ferrous Metals and Scrap	0.11	0.07	0.08	0.08	0.07	0.08	0.07	0.08	0.09	0.04	**0.78**
Ores	0.16	0.14	0.18	0.18	0.14	0.16	0.17	0.18	0.14	0.18	**1.63**
Sugar	0.03	0.05	0.02	0.06	0.00	0.08	0.07	0.07	0.05	0.08	**0.51**
Chemicals, fertilizers	0.05	0.02	0.03	0.03	0.03	0.02	0.03	0.09	0.05	0.05	**0.41**
Other	0.15	0.13	0.13	0.14	0.12	0.13	0.12	0.12	0.12	0.12	**1.29**
Total	**1.52**	**1.44**	**1.60**	**1.56**	**1.29**	**1.36**	**1.51**	**1.65**	**1.49**	**1.69**	**15.09**

As mentioned above the decrease in cargo transportation in the nine month period of 2013 was caused by the decrease in Dry Cargo volumes. The main contributor of the decrease in dry cargo volumes was Grain, Construction freight and Ore. Main origin country in grain transportation is Kazakhstan. Decrease of grain from Kazakhstan was the main cause, which was a result of low prices on market and existing high spare stocks of regional importers. From May to September grain transportation increased by 221%. Management expects additional flows of cargo, namely black oil, from Kazakhstan and other liquid products which will amount to additional liquid volumes in Q4 2013 and thereon.

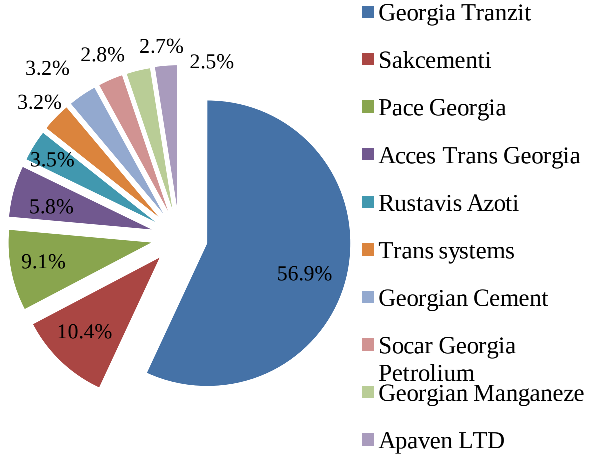
The following graphs show the freight transportation volumes by type of destination:



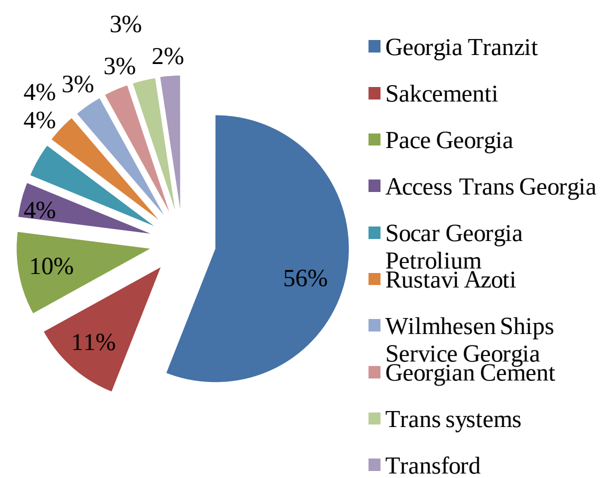


Top 10 freight customers in nine month periods ended 30 September 2013 and 2012:

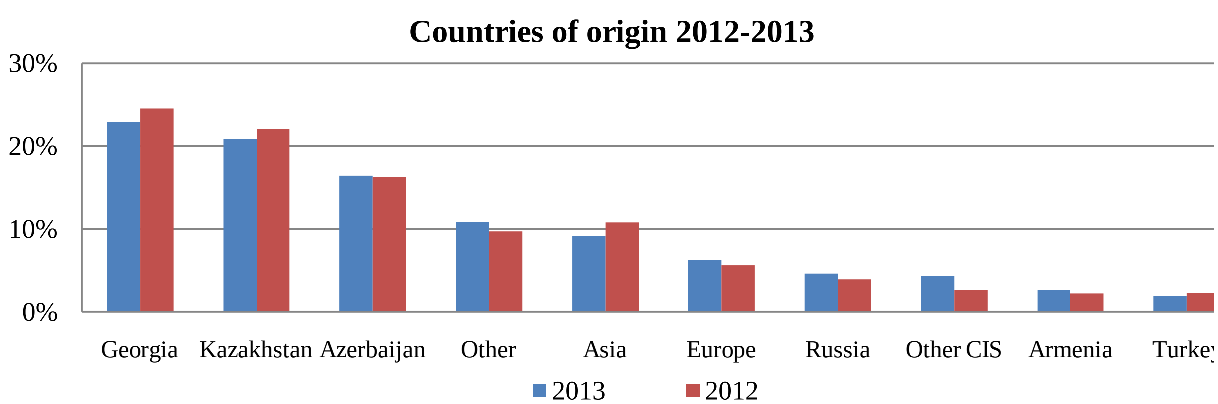
In nine month 2013 top ten freight customers transported 70.7% (9.48 million ton) of total freight volume – 13.41 million ton:



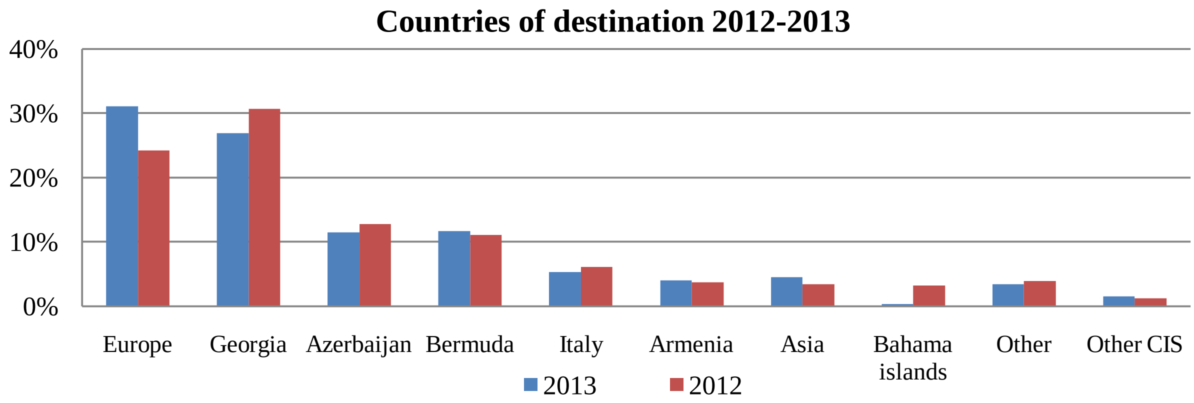
In nine month 2012 top ten freight customers transported 66.4% (10.02 million ton) of total freight volume – 15.08 million ton:



The following graphs show the breakdown of countries of origin of freight transported:



The following graphs show the breakdown of countries of destination of freight transported:



5.1.2. Freight transportation tariffs

The following table sets forth average revenue per thousand ton-kilometers by quarters 2013-2012:

'USD per 1,000 ton-km	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Crude oil	22.2	22.5	26.1	26.3	26.4	28.9	28.7
Oil products	38.4	38.7	41.0	40.2	38.9	46.1	50.2
Dry	38.8	41.2	40.8	40.7	40.0	38.7	41.8

Starting from February 2013, Georgian Railway has increased all of its base tariffs for transportation by 3 per cent. This does not have its effect on discounted transportation of liquid cargo as the tariffs set there remained the same.

Average revenue per 1,000 ton-km of crude oil remained practically the same between Q1 2013 and Q4 2012. But in Q2 and Q3 2013 average revenue increased mainly due to the consolidation of Georgian Transit LLC into the revenue of the Company (from April 2013).

Average revenue on oil products in Q3 2013 increased to USD 50.2 compared to other periods. Increase was mainly caused by the increased usage of Georgian Railway's railcars for transportation of oil products. Namely 30.3 per cent of total oil products were transported with GR's railcars in FY 2012, while in the nine month period of 2013 the GR's share was 39.4 per cent. Due to the fact that transportation with Company's own railcars has a higher tariff, average revenue increased. Also from Q2 2013, Georgia Transit was consolidated into the revenues of the company, thus increasing the average revenue. Increase from Q2 2013 to Q3 2013 was mainly caused by the increase of tariff margin by approximately USD 1.22 per ton by Georgia Transit on transportation of oil & oil products, starting from May 2013.

Average revenue per 1,000 ton-km of dry cargo in the first nine months of 2013 decreased by 2.7 per cent compared to Q4 2012. The reason is the change in dry cargo mix. It must be noted that when calculating average revenue per 1,000 ton-km in the above table, company has subtracted revenue from transportation of empty wagons owned by private companies, which generally is classified as transportation of dry cargo however does not count as transported tons and has no impact on ton-kilometres. Such revenue have increased by 27.6 per cent (GEL 0.89 million) when comparing nine months of 2013 to the same period in 2012.