



MANAGEMENT DISCUSSION AND ANALYSIS

for the nine months and Q3 ended 30 September 2022



FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Revenue

'000 GEL

Q3 2022

9M 2022

180,052

491,155

+37.1% from Q3 2021
+6.1% from Q2 2022

+20.1% from 9M 2021

Results from operating activities

'000 GEL

Q3 2022

9M 2022

76,852

179,552

+132.9% from Q3 2021
+16.4% from Q2 2022

+42.3% from 9M 2021

Adjusted EBITDA

'000 GEL

Q3 2022

9M 2022

86,185

218,364

+69.6% from Q3 2021
+5.9% from Q2 2022

+21.6% from 9M 2021

Adjusted EBITDA margin

Q3 2022

9M 2022

47.87%

44.46%

+9.2 points from Q3 2021
-0.1 points from Q2 2022

+0.6 points from 9M 2021

Net cash investment in PP&E

'000 GEL

Q3 2022

9M 2022

33,108

66,492

+273.6% from Q3 2021
-18.9x from Q2 2022

+160.0% from 9M 2021

Net debt to Adjusted EBITDA

9M 2022

5.19

5.35 as at 30 June 2022
5.71 as at 30 September 2021

Tons ('000)

Q3 2022

9M 2022

4,086

10,902

+34.5% from Q3 2021
+7.1% from Q2 2022

+20.5% from 9M 2021

TKM (in million)

Q3 2022

9M 2022

1,123

3,105

+40.9% from Q3 2021
+0.5% from Q2 2022

+26.5% from 9M 2021

N of Passengers ('000)

Q3 2022

9M 2022

554

1,178

+54.1% from Q3 2021
+43.5% from Q2 2022

+96.6% from 9M 2021

Passenger-kilometers (in million)

Q3 2022

9M 2022

168

357

+34.3% from Q3 2021
+43.6% from Q2 2022

+75.3% from 9M 2021

MAIN DEVELOPMENTS IN 2022

- | Freight volume increased by 21 percent;
- | In December 2021 Fitch affirmed Long-term outlook to "stable" and "BB-" rating, in March 2022 "S&P" affirmed "B+" rating and outlook to "positive" from "stable".

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I. PROFIT OR LOSS STATEMENT

PROFIT AND LOSS STATEMENT

9-month period ended 30 September	TOTAL		CHANGE		
	9M 2022	9M 2021	%	% constant currency	Absolute
GEL '000					
Revenue	491,155	408,951	20.1%	31.2%	82,204
Other income	18,489	4,963	272.5%	307.1%	13,525
Impairment gain/(loss) on trade receivables	2,636	-897	-393.9%	-421.1%	3,533
Employee benefits expense	-144,203	-127,127	13.4%	24.0%	-17,076
Depreciation and amortization	-41,448	-52,387	-20.9%	-13.5%	10,939
Electricity, consumables and maintenance costs	-58,085	-36,262	60.2%	75.0%	-21,823
Other expenses	-88,992	-71,022	25.3%	36.9%	-17,969
Result from operating activities	179,552	126,219	42.3%	55.5%	53,333
Net finance income/(costs)	99,345	-114,969	-186.4%	-194.4%	214,314
Profit before income tax	278,897	11,250	2379.1%	2609.2%	267,646
Income tax expense	-460	-391	17.6%	28.6%	-69
Profit and total comprehensive income	278,437	10,859	2464.1%	2702.1%	267,578
Adjusted EBITDA	218,364	179,503	21.6%	32.9%	38,861
Adjusted EBITDA Margin	44.5%	43.9%	NA	NA	0.6%

* Adjusted EBITDA and EBITDA in previous reports are calculated using the same methodology

PROFIT AND LOSS STATEMENT(QUARTERLY)

9-month period ended 30 September

GEL '000	Q3 2022	Q3 2021	y-o-y	Q2 2022	q-o-q
Revenue	180,052	131,324	37.1%	169,661	6.1%
Other income	7,841	1,468	434.1%	8,510	-7.9%
Impairment gain/(loss) on trade receivables	-1,062	-412	157.8%	3,940	-127.0%
Employee benefits expense	-46,822	-42,501	10.2%	-51,141	-8.4%
Depreciation and amortization	-8,271	-17,388	-52.4%	-19,350	-57.3%
Electricity, consumables and maintenance costs	-22,301	-14,618	52.6%	-18,025	23.7%
Other expenses	-32,585	-24,870	31.0%	-27,588	18.1%
Result from operating activities	76,852	33,004	132.9%	66,006	16.4%
Net finance income/(costs)	40,403	9,982	304.8%	71,999	-43.9%
Profit before income tax	117,255	42,987	172.8%	138,005	-15.0%
Income tax expense	-58	-93	-37.6%	-312	-81.4%
Profit and total comprehensive income	117,197	42,893	173.2%	137,693	-14.9%
Adjusted EBITDA	86,185	50,803	69.6%	81,417	5.9%
Adjusted EBITDA Margin	47.9%	38.7%	NA	48.0%	NA

* Adjusted EBITDA and EBITDA in previous reports are calculated using the same methodology

1.1 REVENUE

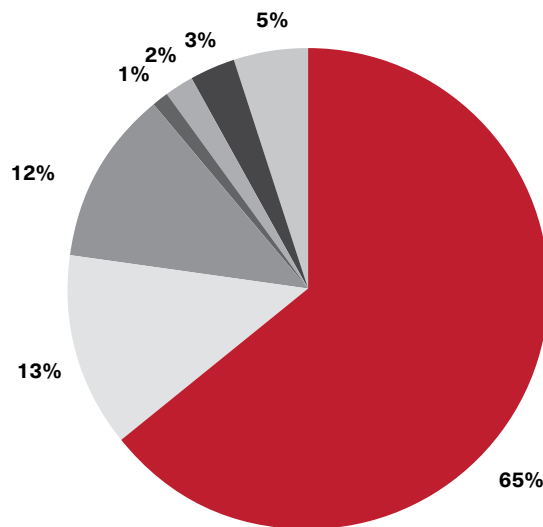
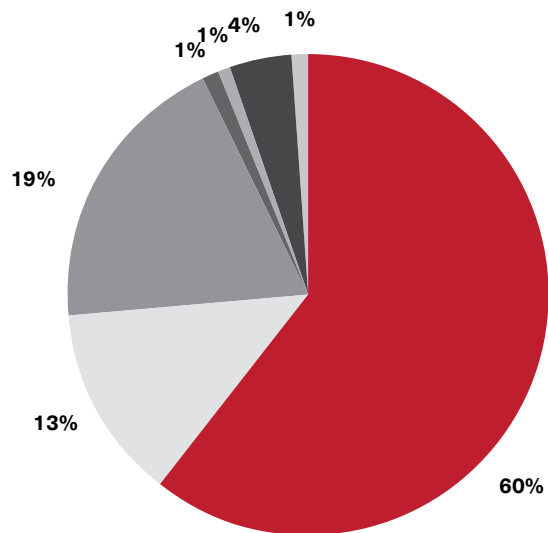
REVENUE BREAKDOWN

9-month period ended 30 September	TOTAL		CHANGE		
GEL '000	9M 2022	9M 2021	%	% constant currency	Absolute
Freight transportation	294,737	263,979	11.7%	22.0%	30,758
Freight handling	66,223	51,667	28.2%	40.1%	14,555
Logistical service	93,255	49,579	88.1%	105.6%	43,676
Rent of wagons and other rental income	4,406	3,850	14.4%	25.1%	556
Freight car cross-border charge	5,584	7,478	-25.3%	-18.4%	-1,894
Passenger traffic	19,822	11,303	75.4%	91.6%	8,519
Other	7,128	21,094	-66.2%	-63.1%	-13,966
Revenue	491,155	408,951	20.1%	31.2%	82,204
Other income	18,489	4,963	272.5%	307.1%	13,525

REVENUE BREAKDOWN (QUARTERLY)

9-month period ended 30 September	Q3 2022	Q3 2021	y-o-y	Q2 2022	q-o-q
GEL '000					
Freight transportation	103,581	81,935	26.4%	104,002	-0.4%
Freight handling	26,022	16,162	61.0%	23,019	13.0%
Logistical service	32,015	15,288	109.4%	35,187	-9.0%
Rent of wagons and other rental income	1,516	1,444	5.0%	1,033	46.8%
Freight car cross-border charge	1,942	2,327	-16.5%	-450	-531.6%
Passenger traffic	9,980	7,411	34.7%	6,145	62.4%
Other	4,995	6,757	-26.1%	724	589.9%
Revenue	180,052	131,324	37.1%	169,661	6.1%
Other income	7841	1,468	434.1%	8,510	-7.9%

The following charts represent revenue breakdown for the nine months ended 30 September 2022 and 2021:



- Freight transportation
 - Freight handling
 - Logistical service
 - Rent of wagons and other rental income
- Freight car cross-border charge
 - Passenger traffic
 - Other

FREIGHT TRANSPORTATION REVENUE

Most of the Group's revenue (about 58 percent in first 9 months of 2022) is derived from freight transportation. GR's freight transportation revenue consists of liquid and dry cargoes. The split between liquid and dry cargo revenue in the first 9 months of 2022 was about 38 and 64 percent, respectively. Freight transportation revenue, has increased by 12 percent (GEL 30.8 million) during the nine months ended 30 September 2022, compared to the same period of the previous year.

Total freight volume transported by the Group during the nine months ended 30 September 2022 has increased

by 20.5 percent, compared to the same period of previous year. Transported volumes of liquid cargo and dry cargo has increased by 14.1 percent and 23.7 percent respectively (see Appendix 1).

The Group's transportation revenue depends on several factors, including GEL/USD exchange rate as the Group's tariffs for freight transportation are denominated in USD. Fluctuations in GEL/USD exchange rate also affect the Group's profitability, as significant part of the operating expenses are denominated in GEL.

AVERAGE RATES

	Q3 2022	Q3 2021	% Change	Q2 2022	% Change	9M 2022	9M 2021	% Change
USD	2.82	3.12	-9.51%	3.00	-5.78%	2.98	3.25	-8.49%
CHF	2.92	3.40	-13.97%	3.11	-6.12%	3.14	3.57	-12.20%

REPORTING DATE SPOT RATES

	30-Sep-22	30-Sep-21	% Change	30-Jun-21	% Change	31-Dec-21
USD	2.84	3.12	-9.21%	2.93	-3.20%	3.10
CHF	2.89	3.36	-14.05%	3.08	-6.19%	3.38

FREIGHT TRANSPORTATION REVENUE BREAKDOWN

9-month period ended 30 September	TOTAL		CHANGE		
GEL '000	9M 2022	9M 2021	%	% constant currency	Absolute
Freight transportation	294,737	263,979	11.7%	22.0%	30,757
Liquid cargoes	111,219	120,582	-7.8%	0.8%	-9,363
Oil products	107,650	120,028	-10.3%	-2.0%	-12,378
Crude oil	3,569	554	544.2%	604.0%	3,015
Dry cargoes	183,518	143,397	28.0%	39.9%	40,120
Ores	24,214	25,531	-5.2%	3.6%	-1,316
Grain	6,726	2,438	175.9%	201.5%	4,288
Ferrous metals and scrap	8,998	8,697	3.5%	13.1%	301
Sugar	17,644	8,314	112.2%	131.9%	9,330
Chemicals and fertilizers	32,256	21,970	46.8%	60.4%	10,286
Construction freight	6,172	4,676	32.0%	44.2%	1,496
Industrial freight	4,082	4,144	-1.5%	7.6%	-62
Cement	399	309	29.1%	41.1%	90
Other	83,026	67,318	23.3%	34.8%	15,708
Freight turnover (million ton-km)	3,105	2,455	26.5%	38.2%	650
Revenue / ton-km (in Tetri)	9.49	10.75	-11.7%	-10.6%	-1.26

FREIGHT TRANSPORTATION REVENUE BREAKDOWN (QUARTERLY)

9-month period ended 30 September GEL '000	Q3 2022	Q3 2021	y-o-y	Q2 2022	q-o-q
Freight transportation	103,581	81,935	26.4%	104,003	-0.4%
Liquid cargoes	40,456	37,960	6.6%	39,382	2.7%
Oil products	40,356	37,474	7.7%	35,936	12.3%
Crude oil	100	486	-79.4%	3,446	-97.1%
Dry cargoes	63,125	43,975	43.5%	64,620	-2.3%
Ores	9,697	9,200	5.4%	7,086	36.8%
Grain	2,596	351	639.6%	2,723	-4.7%
Ferrous metals and scrap	2,756	3,015	-8.6%	4,408	-37.5%
Sugar	5,160	-2,932	-276.0%	9,138	-43.5%
Chemicals and fertilizers	10,175	7,098	43.4%	9,274	9.7%
Construction freight	2,960	1,579	87.5%	1,857	59.4%
Industrial freight	1,527	1,192	28.1%	1,352	12.9%
Cement	280	76	268.4%	65	330.8%
Other	27,974	24,396	14.7%	28,718	-2.6%
Freight turnover (million ton-km)	1,123	797	40.9%	1,117	0.5%
Revenue / ton-km (in Tetri)	9.22	10.28	-10.3%	9.31	-1.0%

OIL PRODUCTS

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	107,650	120,028	-10.3%	-6.9%
Freight volume (ton '000)	3,297.3	3,042.5	8.4%	NA
Freight turnover (million ton-km)	1,034.1	965.5	7.1%	NA
Revenue / ton-km (in Tetri)	10.41	12.43	-16.3%	-13.1%

MAIN DIRECTIONS OF CARGO

Oil products currently are the main component of liquid cargo (nearly 94 percent of the transportation volume of liquid cargo in the first nine months of 2022).

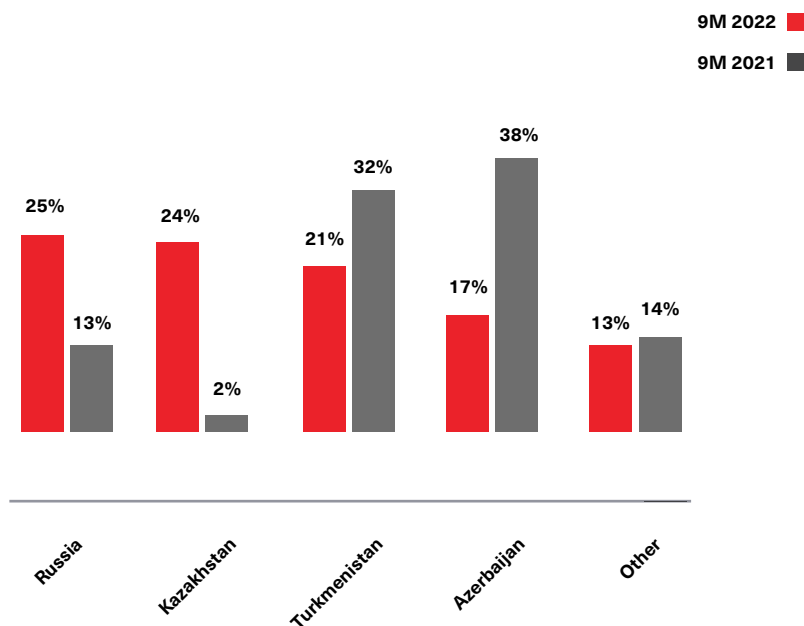
Oil products are mostly transported by rail, but they face competition from vessels, particularly through the Volga-Don Canal, which connects the Caspian Sea to the Black Sea.

The Group transported oil products mainly from Russia, Kazakhstan, Turkmenistan and Azerbaijan during the

nine-month period ended 30 September 2022. The main destination countries were Georgia, Turkey, Armenia and Netherlands.

The share of Russia and Kazakhstan increased to 25% and 24% from 13% and 2% percent respectively, in the first nine months of 2022, compared to the same period of 2021, while the share of Turkmenistan and Azerbaijan fell to 21% and 17% from 32% and 38%, respectively.

Transported volume by countries of origin



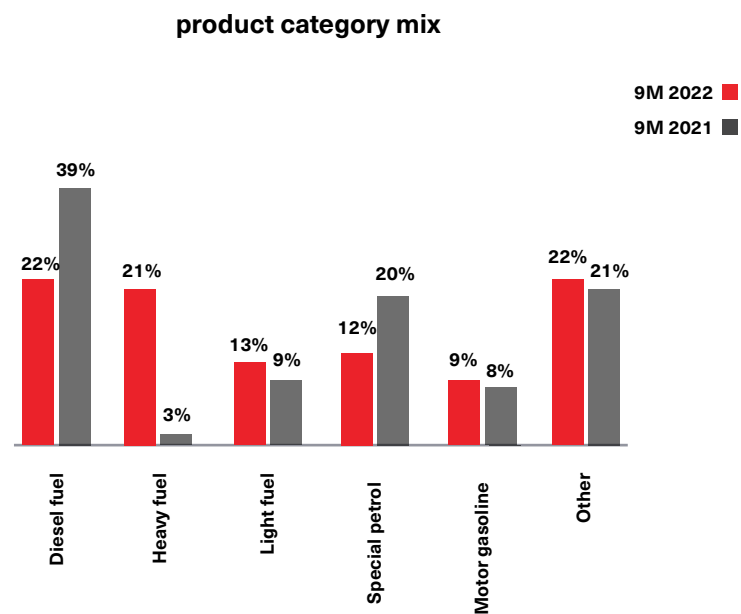
FACTORS INFLUENCING PERFORMANCE

Ton-kilometers – 7.1 percent increase in transportation turnover was mainly driven by increased transported volume by 8.4 percent, mainly caused by increased transportation from Russia by 414,000 tons and from Kazakhstan by 722,000 tons.

* The sharp fall in the transported oil products from Azerbaijan is related to the regular maintenance works of an oil refinery in Azerbaijan. Transportation will be restored once they are complete.

Revenue/ton-km (in Tetri) - decrease in average revenue per ton-kilometer during the period under review, compared to the same

period of the previous year, was mainly due to changes in product category mix. The share of diesel fuel and Special petrol (which are relatively more profitable products) has decreased and the share of heavy fuel oil and light fuel oil (which are relatively less profitable products) has increased in total oil products transported by Georgian Railway.



CRUDE OIL

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	3,569	554	544.2%	604.0%
Freight volume (ton '000)	206.5	27.7	644.4%	NA
Freight turnover (million ton-km)	78.3	10.9	615.4%	NA
Revenue / ton-km (in Tetri)	4.56	5.06	-10.0%	-1.6%

MAIN DIRECTIONS OF CARGO

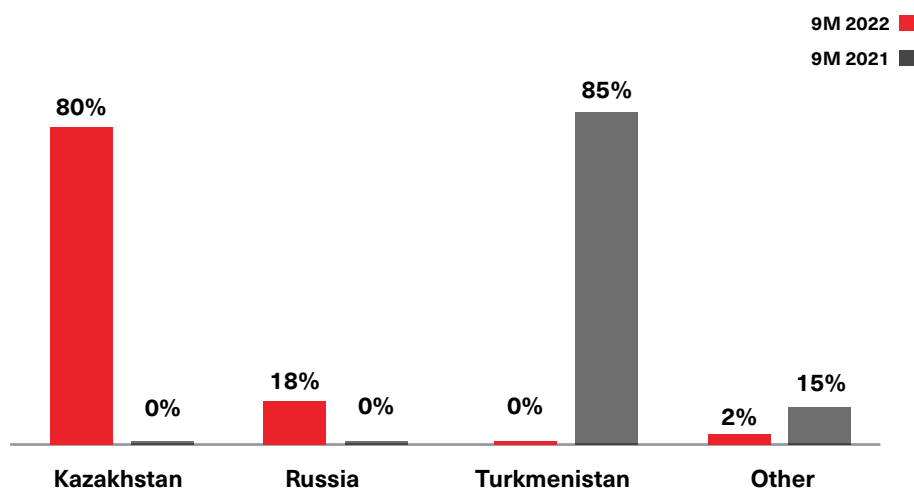
Within the nine months ended 30 September 2022, the main country of origin was Kazakhstan with 80% of total crude oil transportation, while in the same period of 2021, the main country of origin was Turkmenistan. Crude oil faces competition from oil pipelines.

Revenue/ton-km (in Tetri) – 10% decrease in revenue per ton-kilometer was due to product direction mix. The share of Azerbaijan (which is relatively more profitable direction) decreased, while the share of Kazakhstan (which is relatively less profitable direction) increased in total crude oil transported by the Group in the first nine-month period of 2022, compared to the same period of 2021.

FACTORS INFLUENCING PERFORMANCE

Ton-kilometers – Transportation turnover increased by 7.2x due to increased transportation from Kazakhstan and Russia by 166,000 tons and 36,000 tons, respectively, in the first nine months of 2022.

Transportation volume by countries of origin



GRAIN AND GRAIN PRODUCTS

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	6,726	2,438	175.9%	201.5%
Freight volume (ton '000)	219.8	83.8	162.2%	NA
Freight turnover (million ton-km)	68.8	20.5	235.9%	NA
Revenue / ton-km (in Tetri)	9.78	11.90	-17.9%	-10.3%

MAIN DIRECTIONS OF CARGO

Grain and grain products transported by the Group during the nine months ended 30 September 2022, was mainly directed to Armenia, Georgia, Italy and Azerbaijan (with 124,000 tons, 50,000 tons, 21,000 and 18,000 tons respectively). The main origin countries were Russia, Kazakhstan and Ukraine.

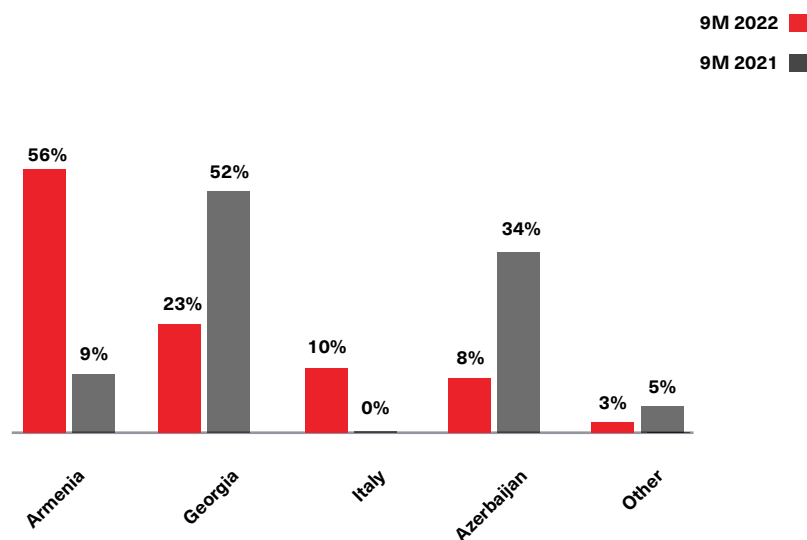
FACTORS INFLUENCING PERFORMANCE

Ton-kilometers – 162.2 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by

increased volumes to Armenia and Italy by 116,000 tons and 21,000 tons respectively.

Revenue/ton-km (in Tetri) – 17.9 percent decrease in average revenue per ton-kilometer was caused by change in product direction mix. The share of volume transported to Italy (which is relatively less profitable direction) increased, while the share of transportation to Azerbaijan (which is relatively more profitable direction) decreased.

Transported volume by destination countries



SUGAR

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	17,644	8,314	112.2%	131.9%
Freight volume (ton '000)	605.5	313.2	93.3%	NA
Freight turnover (million ton-km)	223.4	116.0	92.6%	NA
Revenue / ton-km (in Tetri)	7.90	7.17	10.2%	20.4%

MAIN DIRECTIONS OF CARGO

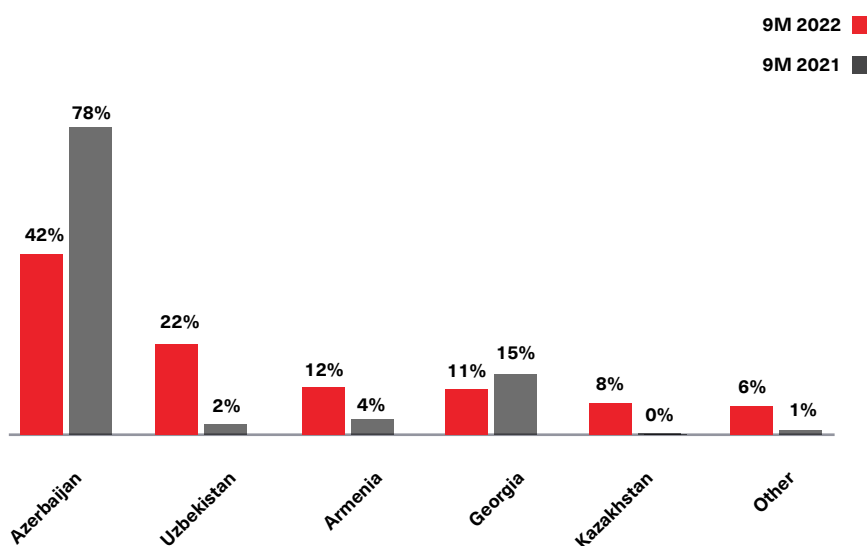
The countries of origin for transported volumes of sugar within the nine months ended 30 September 2022, were Brazil, and Mexico. Main destination countries were Azerbaijan, Uzbekistan, Armenia, Georgia and Kazakhstan.

FACTORS INFLUENCING PERFORMANCE

Ton-kilometers – 92.6 percent increase in transportation turnover was mainly driven by increased transported volume by 93.3 percent, mainly caused by increased transportation from Brazil by 244,000 tons and from Mexico by 31,000 tons.

Revenue/ton-km (in Tetri) – 10.2 percent increase in average revenue per ton-kilometer was mainly due to product direction mix. The share of volume directed to Armenia (which is relatively more profitable direction) increased, while the share of volume directed to Georgia (which is relatively less profitable product) decreased, during nine-month period ended 30 September 2022 compared to same period of previous year.

Transported volume by destination countries



CHEMICALS AND FERTILIZERS

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	32,256	21,970	46.8%	60.4%
Freight volume (ton '000)	1,334.1	856.8	55.7%	NA
Freight turnover (million ton-km)	478.3	289.6	65.2%	NA
Revenue / ton-km (in Tetri)	6.74	7.59	-11.1%	-2.9%

MAIN DIRECTIONS OF CARGO

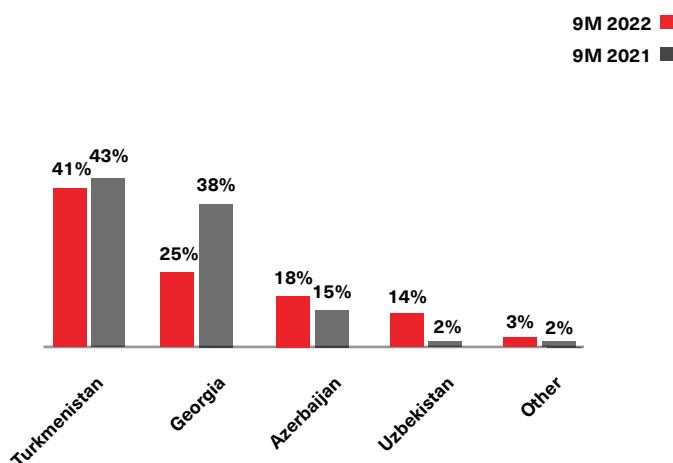
Chemicals and fertilizers transported by the Group during nine-month period ended 30 September 2022, mainly originated from Turkmenistan, Georgia, Azerbaijan and Uzbekistan (549,000 tons, 330,000 tons, 238,000 tons and 184,000 tons, respectively).

FACTORS INFLUENCING PERFORMANCE

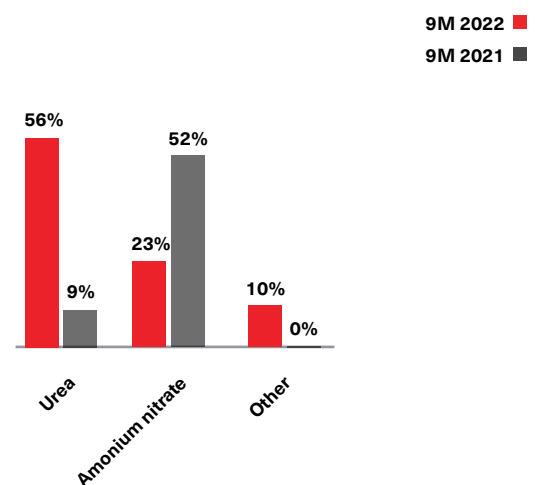
Ton-kilometers – 55.7 percent increase in freight turnover during the period under review, was mainly driven by increased volumes directed to Georgia and Bulgaria by 305,000 and 109,000 tons, respectively, compared to same period of 2021.

Revenue/ton-km (in Tetri) – 11.1 percent decrease in average revenue per ton-kilometer was caused by change in product category mix. The share of ammonium nitrate (which is relatively more profitable product) decreased, while the share of urea (which is relatively less profitable product) increased in the first nine months of 2022, compared to the same period of 2021.

Transportation volume by countries of origin



product category mix



INDUSTRIAL FREIGHT

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	4,082	4,144	-1.5%	7.6%
Freight volume (ton '000)	384.9	280.4	37.3%	NA
Freight turnover (million ton-km)	45.0	42.3	6.1%	NA
Revenue / ton-km (in Tetri)	9.08	9.78	-7.2%	1.4%

MAIN DIRECTIONS OF CARGO

Industrial freight transported by the Group during nine-month period ended 30 September 2022, mainly originated from Azerbaijan, Georgia and Turkey (255,000 tons, 81,000 tons and 17,000 tons respectively). While main destination countries were Georgia, Armenia and Turkmenistan.

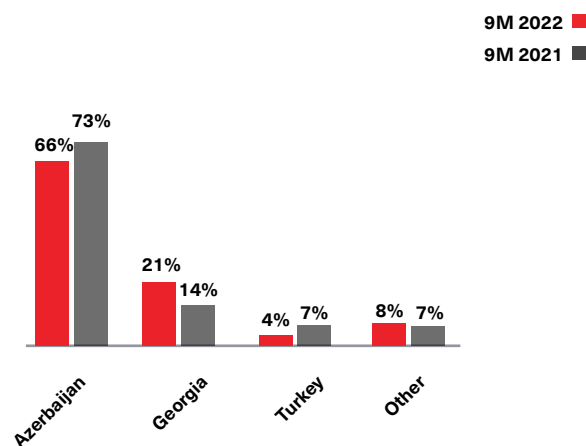
FACTORS INFLUENCING PERFORMANCE

Ton-kilometers – higher increase in transported volume, rather than transportation turnover, was mainly driven by increased share of transportation from Georgia (which covers relatively shorter distance), while the share of transportation from Azerbaijan (which covers relatively longer distance) decreased in total industrial freight transportation.

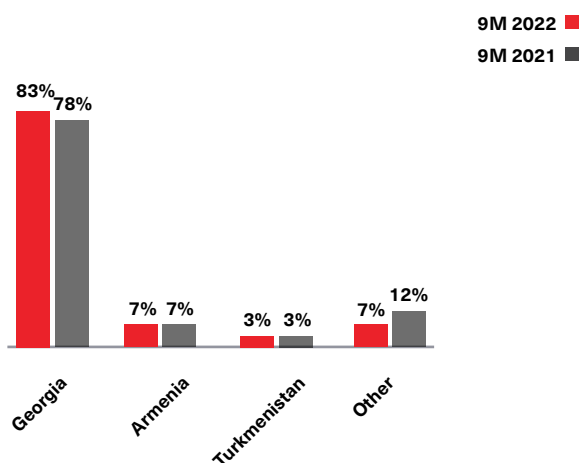
Revenue/ton-km (in Tetri) – 7.2 percent decrease in average revenue per ton-kilometer was caused by change in product direction mix. The share of volume transported from Azerbaijan (which is relatively more profitable

direction) decreased, while the share of transportation from Georgia (which is relatively less profitable direction) increased.

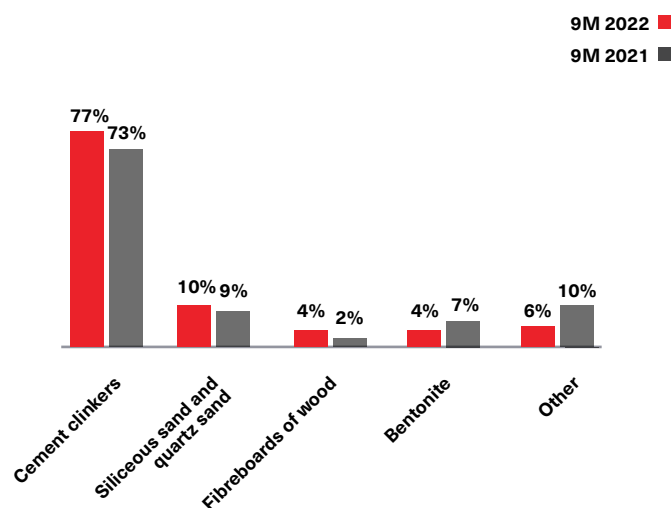
Transportation volume by countries of origin



Transported volume by destination countries



product category mix



OTHER PRODUCTS

9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	% constant currency
Revenue (GEL million)	122,810	106,531	15.3%	26.0%
Freight volume (ton '000)	4,854.0	4,446.1	9.2%	NA
Freight turnover (million ton-km)	1,177.0	1,010.2	16.5%	NA
Revenue / ton-km (in Tetri)	10.43	10.55	-1.1%	8.1%

MAIN DIRECTIONS OF CARGO

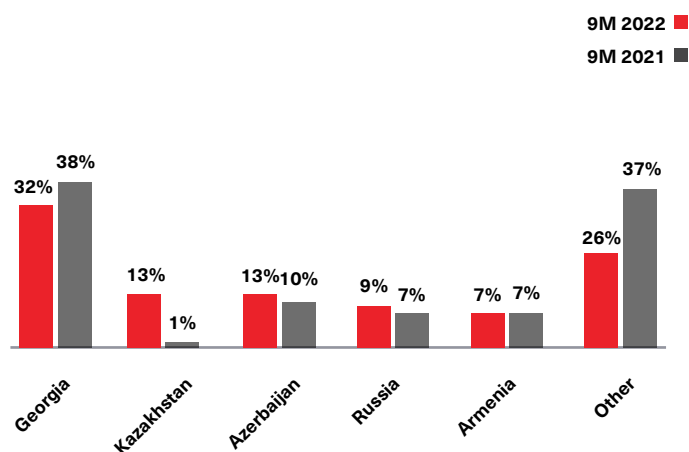
Freight from other products category in nine months ended 30 September 2022, was mainly originated from Georgia, Kazakhstan, Azerbaijan, Russia and Armenia (1,543,000 tons, 632,000 tons, 623,000 tons, 437,000 tons and 336,000 tons, respectively), while the main destination countries were Georgia, Turkey, Azerbaijan, China, Kazakhstan and Netherlands (1,933,000 tons, 429,000 tons, 244,000 tons, 210,000 tons, 203,000 tons and 173,000 tons, respectively).

FACTORS INFLUENCING PERFORMANCE

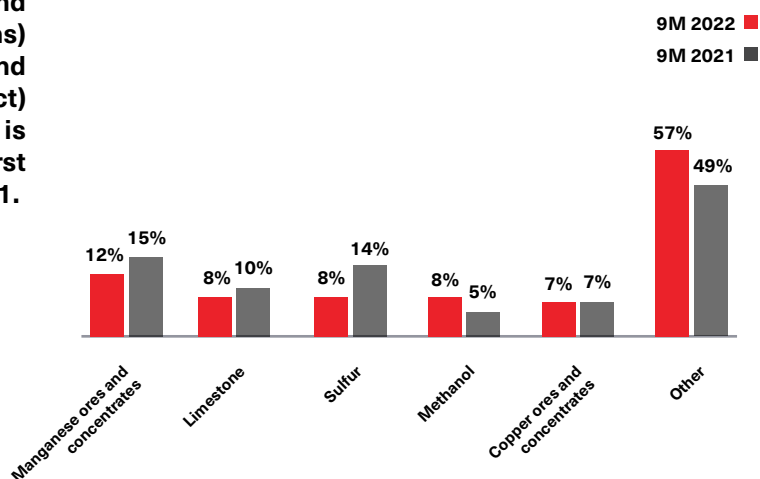
Ton-kilometers – 16.5 percent increase in transportation turnover was mainly driven by increased volumes from Kazakhstan, Azerbaijan and Russia by 586,000 tons, 177,000 tons and 129,00 tons, respectively.

Revenue/ton-km (in Tetri) – 1.1 percent decrease in average revenue per ton-kilometer was mainly caused by change in product direction mix and product category mix. The share of volume transported from Georgia (which is relatively more profitable direction) decreased, while the share of transportation from Kazakhstan and Russia (which are relatively less profitable directions) increased. As well as the share of manganese ores and concentrates (which is relatively more profitable product) decreased, while the share of bituminous coal (which is relatively less profitable product) increased in the first nine months of 2022, compared to same period of 2021.

Transportation volume by countries of origin



product category mix



FREIGHT HANDLING

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Station services	47,946	43,935	9.1%	4,011
24-hour service	17,320	5,796	198.8%	11,524
Other	957	1,937	-50.6%	-980
Total	66,223	51,667	28.2%	14,555

Revenue from freight handling increased by GEL 14.6 million in the first nine months of 2022, compared to the same period of the previous year. It was mainly driven by increased revenues from station services and 24-hours services, which in turn was due to significant increase in transportation turnover.

LOGISTICAL SERVICES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Revenue from logistical services	93,255	49,579	88.1%	43,676

GEL 43.7 million increase in revenue from logistical services during the first nine months of 2022, compared to the same period of the previous year was primarily due to increased revenue from railcar and container transportation by one of the GR's subsidiary company, as well as other subsidiary providing services for crude oil and oil product transportation.

*Logistical revenue and expenditures should be taken into consideration jointly. (See pg. 26 Logistical service expenses)

FREIGHT CAR CROSS-BORDER CHARGE

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Freight car cross-border charge	5,584	7,478	-25.3%	-1,894

Revenue from freight car cross-border charge decreased by 25.3 percent during the nine-month period ended 30 September 2022 compared to same period of 2021. This downturn was primarily due to decreased usage of tank cars and box cars.

PASSENGER TRANSPORTATION

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Revenue ('000 GEL)	19,822	11,303	75.4%	8,519
Number of passengers ('000)	1,178	599	96.6%	579

Revenue from passenger transportation has increased by 75.4 percent (GEL 8.5 million) during the nine months ended 30 September 2022, compared to the same period of the previous year and the number of passengers increased by 0.6 million. Mentioned change is related to the significant increase in the number of passengers transported, as well as increased tariff on mainline tickets from July 2022.

The Passenger transportation was materially adversely impacted from the first two months of 2021, by the impact of the COVID-19 pandemic. In line with Government regulations, passenger transportation was ceased from the second half of March 2020 until 15 June 2020 and, subject to certain limited exceptions, from 28 November 2020 until 27 February 2021.

OTHER REVENUE

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Revenue from repair	2,658	106	2409.4%	2,552
Revenue from sale of materials (scrap)	0	19,337	-100.0%	-19,337
Other	4,470	1,653	170.5%	2,817
Total	7,127	21,095	-66.2%	-13,968

Other revenue, in the first nine months of 2022 has decreased by GEL 14.0 million, compared to the same period of 2021. This change was mainly due to revenue from realization of scrap with GEL 19.3 million in the first nine

months of 2021, which was partially offset by increase in revenue from repairs by GEL 2.6 million and from sale of goods and materials (rather than scrap) by GEL 2.8 million.

1.2 OTHER INCOME

In order to better illustrate the operational profitability of the Group, other income is split into two categories: continuing operations (such as income from services of heavy equipment, penalties on creditors and debtors,

etc.) and non-continuing operations (such as gain or loss from sale of fixed assets and other items which are not expected to reoccur in the following periods).

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Continuing operations	4,030	1,938	107.9%	2,092
Non-continuing operations	14,459	3,025	378.0%	11,434
Total	18,489	4,963	272.5%	13,526

Total other income has increased by GEL 13.5 million in the nine months ended 30 September 2022, compared to the same period of 2021. The increase was mainly due to increase in non-continuing operations by GEL 11.4 million, which in turn was due to realization of fixed assets.

1.3 OPERATING EXPENSES

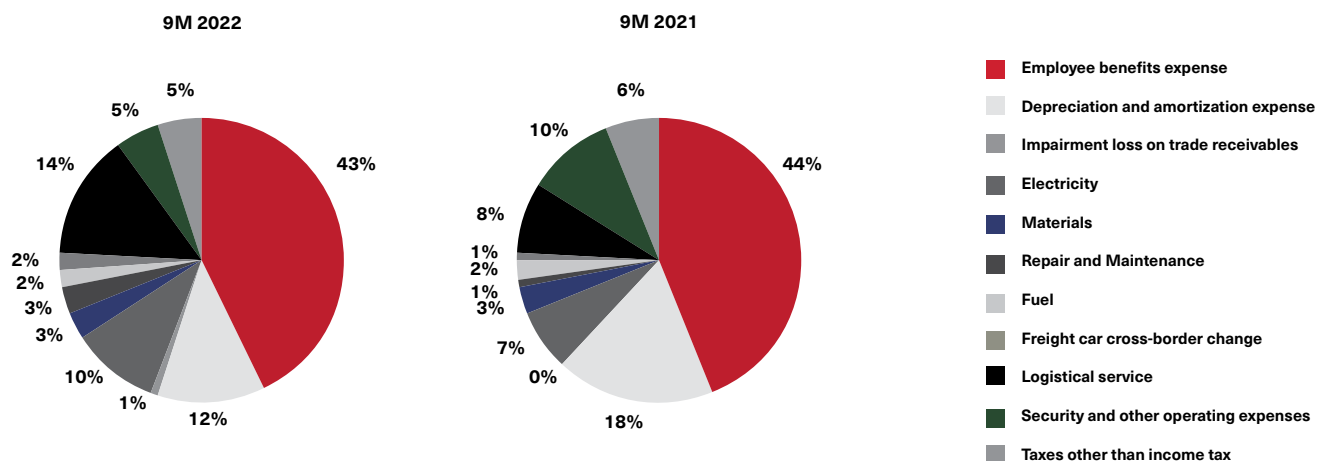
Total operating expenses for the nine months ended 30 September 2022 increased by GEL 42.4 million, compared to the same period of the previous year. The rise in total operating expenses was caused by increase in expenses of employee benefits, electricity, repair and

maintenance, fuel, freight car cross-border charge and logistical services. These expenses are partially offset by decrease in depreciation and amortization expenses, impairment gain on trade receivables and security and other operating expenses.

OPERATING EXPENSES

In GEL '000	TOTAL		CHANGE		
	9M 2022	9M 2021	%	% constant currency	Absolute
Employee benefits expense	144,203	127,127	13.4%	24.0%	17,076
Depreciation and amortization expense	41,448	52,387	-20.9%	-13.5%	-10,939
Impairment (gain)/loss on trade receivables	-2,636	897	-393.8%	-421.1%	-3,533
Electricity	32,632	20,254	61.1%	76.1%	12,378
Materials	8,799	8,531	3.1%	12.7%	268
Repair and maintenance	9,148	2,936	211.6%	240.5%	6,212
Fuel	7,506	4,541	65.3%	80.6%	2,965
Freight car cross-border charge	7,460	3,407	119.0%	139.3%	4,053
Logistical service	47,268	22,040	114.5%	134.4%	25,228
Security and other operating expenses	16,255	27,514	-40.9%	-35.4%	-11,259
Taxes other than income tax	18,008	18,062	-0.3%	9.0%	-54
Total	330,092	287,695	14.7%	25.4%	42,396

The following charts represent the cost structure for the nine months ended 30 September 2022 and 2021:



EMPLOYEE BENEFITS EXPENSE

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Salary	113,369	98,022	15.7%	15,347
Bonus-reward	4,527	4,099	10.4%	428
Other benefits	26,307	25,006	5.2%	1,301
Total	144,203	127,127	13.4%	17,075

13.4 percent increase in employee benefits expense during the nine months ended 30 September 2022, compared to the same period of the previous year, was mainly due to increase in salary expenses by GEL 15.3 million.

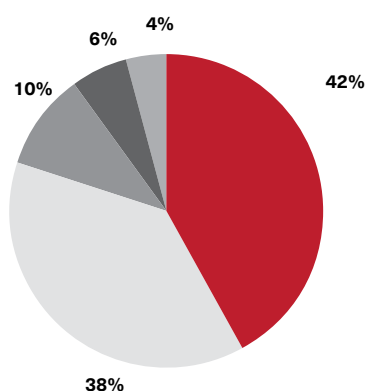
In September 2021, the Management increased the wages of approximately 12,000 employees.

GEL 1.3 million increase in other benefits, was mainly due to expenses related to additional financial support provided to the employees.

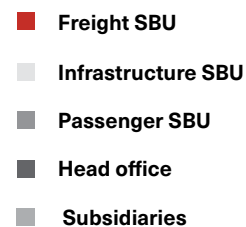
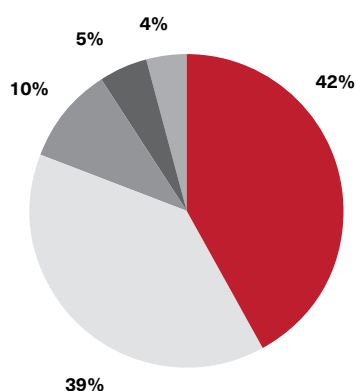
Number of employees (excluding subsidiaries) by the end of September 2022 was equal to 11,876 and by the end of September 2021 was 11,813.

Following charts represent the headcount by strategic business units and head office of the Company:

Distribution of staff by bussines units as at the end of september 2022



Distribution of staff by bussines units as at the end of september 2021



DEPRECIATION AND AMORTIZATION EXPENSES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Depreciation and amortization	41,448	52,387	-20.9%	-10,939

The Group's depreciation and amortization expense was GEL 41.4 million for the nine months ended 30 September 2022, as compared to GEL 52.4 million for the corresponding period of 2021, reflecting a decrease of 20.9%

(or GEL 10.9 million). Decrease in depreciation and amortization expenses in the first nine months of 2022, compared to the same period of 2021, was primarily due to changes in market prices of scrap.

ELECTRICITY EXPENSES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Electricity expense of traction	28,087	17,158	63.7%	10,929
Utility expenses	4,545	3,096	46.8%	1,449
Total	32,632	20,254	61.1%	12,378

There was about a 61.1 percent (GEL 12.4 million) increase in total electricity expenses during the nine months ended 30 September 2022, compared to the same period of 2021. The increase was due to significant

increase in transportation turnover, as well as higher average tariffs for electricity (see table below: "Purchased electricity and weighted average tariff").

PURCHASED ELECTRICITY AND WEIGHTED AVERAGE TARIFF

	9M 2022			9M 2021		
9-month period ended 30 September	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	10.8	472.4	0.276	9.9	479.6	0.155
February	11.3	546.4	0.290	9.3	452.0	0.155
March	11.6	536.3	0.275	12.1	585.1	0.156
April	12.8	647.2	0.262	10.0	489.8	0.153
May	13.8	707.3	0.218	10.9	537.9	0.153
June	13.3	673.2	0.218	10.0	461.1	0.153
July	14.4	690.5	0.193	10.9	497.3	0.188
August	13.8	642.9	0.230	11.0	503.2	0.243
September	14.0	674.9	0.245	10.7	508.7	0.264
Total	115.8	5,591.0	0.245	94.8	4,514.8	0.180

In September 2011, the Company entered into an agreement for the purchase and sale of electricity with the provider, which fixed tariffs for electricity for ten years (the "Electricity Agreement"), securing a price for more than 90% of the Company's needs for electricity on traction,

the rest of the electricity was procured on open market. Mentioned agreement expired in September 2021, therefore, as of July 2021, the Company purchases electricity on an open market.

MATERIALS, REPAIR AND MAINTENANCE EXPENSES

'000 GEL	TOTAL		CHANGE	
9-month period ended 30 September	9M 2022	9M 2021	%	Absolute
Materials expenses	8,799	8,531	3.1%	268
Repair and maintenance expenses	9,148	2,936	211.6%	6,212
Total	17,947	11,467	56.5%	6,480

The Group's materials, repair and maintenance expenses are influenced by its rolling stock equipment balance and subsequent utilization level. In the first nine months of 2022, materials and repair and maintenance expenses increased by about GEL 6.5 million, primarily due to

more repair works, which in turn was due to accelerated works on the Modernization Project, as well as it was influenced by significant rise in transportation turnover in the period under review.

IMPAIRMENT (GAIN)/LOSS ON TRADE RECEIVABLES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Impairment (gain)/loss on trade receivables	-2,636	897	-393.77%	-3,533

The Group showed impairment gain on trade receivables of GEL 2.6 million, in the first 9 months of 2022, which was due to reversal of previously impaired account receivables.

FREIGHT CAR CROSS-BORDER CHARGE EXPENSES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Freight car cross-border charge expenses	7,460	3,407	119.0%	4,053

Freight car cross-border charge expenses increased by about GEL 4.1 million, mostly due to increased usage of various freight wagons, including box cars, semi-wagons and grain carriers in the first nine months ended 30 September 2022, compared to the same period of the previous year.

LOGISTICAL SERVICE EXPENSES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Logistical services	47,268	22,040	114.5%	25,228

Expenses for logistical services represent operating expenses of GR's logistical subsidiaries. The expenses for logistical services in the nine months ended 30 September 2022 have increased by about 114.5 percent (GEL 25.2 million), compared to the same period of the previous year. This change was primarily due to increased freight forwarding expenses of GR's subsidiaries in Azerbaijan and Kazakhstan.

*Logistical revenue and expenditures should be taken into consideration jointly. (See pg. 19 Logistical services)

SECURITY AND OTHER OPERATING EXPENSES

'000 GELL	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Security	7,523	7,285	3.3%	238
Other operating expenses	8,731	20,229	-56.8%	-11,498
Total	16,255	27,514	-40.9%	-11,258

GEL 11.3 million decrease in security and other operating expenses in the nine months of 2022, compared to the same period of 2021, was mainly caused by a decrease in other operating expenses. Higher operating expenses in the 9 months of 2021 was due to provision made against legal case by GEL 7.4 million and due to consulting fees by about GEL 2.9 million.

1.4 FINANCE INCOME AND COST

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost for the Group. Due to GEL appreciation against USD by 8.5 percent as at 30 September 2022 compared to 31 December 2021 (GEL/USD exchange rate 2.84 versus 3.10), the Group experienced unrealized net foreign exchange gain of GEL 126.5 million. Unrealized foreign currency translation gains and losses are included in net income when the balance

sheet date falls between the transaction and settlement dates. Implicit assumption underlying this accounting requirement is that unrealized gain or loss as of balance sheet date reflects the company's ultimate net gain or loss. In reality, though, ultimate net gain or loss may vary dramatically because of possibility for changes in trend and volatility of currency prices.

In GEL '000	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
9-month period ended 30 September				
Interest income	20,900	17,344	20.5%	3,556
Impairment loss on issued loans	-87	-3	2,686.9%	-83
Impairment gain/(loss) on cash in bank	-443	88	-601.2%	-532
Premium on early redemption of issued bonds	0	-115,686	-100.0%	115,686
Unwinding of discount	0	-419	-100.0%	419
Interest expense	-47,518	-84,664	-43.9%	37,145
FX gain/(loss)	126,493	68,371	85.0%	58,122
Net finance income/(costs)	99,345	-114,969	-186.4%	214,314

In the nine months ended 30 September 2022 the Group showed GEL 99.3 million net finance income compared to the net finance loss of GEL 115.0 million in the same period of 2021. The positive difference of GEL 214.3 million was mainly due to the payment of Premium on early redemption of issued bonds in June 2021. As well as, mentioned change was impacted by the appreciation of GEL against foreign currencies. The Group experienced a net foreign exchange gain of GEL 126.5 million, due to GEL appreciation against USD in the first nine months of 2022.

Premium on early redemption of issued bonds of GEL 115.7 million in the nine months of 2021 is related to Eurobonds refinance process that took place in the second

quarter of 2021. GR repurchased Eurobonds 2022, by the end of June 2021, issued Green bonds with a 4 percent coupon rate.

Lower interest expense during the nine months ended 30 September 2022, compared to the same period of 2021, was due to lower coupon rate on new Green Eurobonds issued in 2021, as well as change on the dates of semi-annual payments.

Higher interest income by GEL 3.6 million in the first nine months ended 30 September 2022, compared to the same period of 2021, was mainly due to the higher average cash balances.

1.5 INCOME TAX EXPENSE/BENEFIT

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code of Georgia. The new tax code is effective from 1 January 2017. According to the new tax code, previously active profit tax regulation was changed

to so-called “tax on distributed profits” model. During the first nine months of 2022 income tax expense increased by 18 percent (GEL 0.1 million) compared to the same period of previous year.

II. BALANCE SHEET

'000 GEL							
9-month period ended 30 September	30-Sep-22	30-Jun-22	% Change	Abs. change	31-Dec-21	% Change	Abs. change
TOTAL ASSETS	2,380,452	2,354,527	1.1%	25,925	2,259,732	5.3%	120,720
Changes are mainly due to:							
Trade and other receivables	25,921	29,146	-11.1%	-3,225	13,965	85.6%	11,956
Loans receivable (LT)	50,707	51,539	-1.6%	-831	31,282	62.1%	19,426
Other non-current assets	142,209	155,351	-8.5%	-13,142	130,961	8.6%	11,248
Cash and cash equivalents	286,876	252,383	13.7%	34,493	212,224	35.2%	74,652
TOTAL LIABILITIES	1,715,000	1,779,912	-3.6%	-64,912	1,846,603	-7.1%	-131,603
Changes are mainly due to:							
Loans and borrowings (LT)	1,451,687	1,499,050	-3.2%	-47,363	1,590,817	-8.7%	-139,130
Trade and other payables (LT)	40,137	56,196	-28.6%	-16,059	56,198	-28.6%	-16,061

SIGNIFICANT CHANGES IN ASSETS

Trade and other receivables – increase by GEL 12.0 million was due to lower impairment allowance on trade receivables, which in turn was due to write off of trade receivables from partnering companies as of 30 September 2022, compared to 31 December 2021.

Loans receivable (LT) – GEL 19.4 million increase in loan receivable, as of 30 September 2022, compared to 31 December 2021, was mainly due to additional loan in the amount of USD 7.0 million issued to the Parent company.

As a result of the mentioned change, the Group derecog-

nized previous financial asset and recognized a new financial asset. This did not have a material effect on the amounts recognized in profit or loss or on the consolidated statement of financial position.

Other non-current assets – increase by GEL 11.2 million in other non-current assets as of 30 September 2022, compared to 31 December 2021, was mainly due to inventory reclassification.

*For cash and cash equivalents see heading “Cash Flow Statement”.

SIGNIFICANT CHANGES IN LIABILITIES

Loans and borrowings (LT) – Currently, the Group has two debts: Green Eurobonds and a secured loan, obtained for the sole purpose of the acquisition of passenger trains. Decrease in loans and borrowing was mainly due to the appreciation of GEL against foreign currencies.

Trade and other payables (LT) – GEL 16.1 million decrease in long term trade and other payables was mainly due to liabilities covered mostly related to the Modernization Project.

III. CASH FLOW STATEMENT

'000 GELL		
9-month period ended 30 September	9M 2022	9M 2021
Cash flows from operating activities		
Cash receipts from customers	480,799	409,139
Cash paid to suppliers and employees	-268,770	-214,781
Cash flows from operations before income taxes paid	212,029	194,358
Income tax paid		
Net cash from operating activities	212,029	194,358
Cash flows from investing activities		
Acquisition of property, plant and equipment	-101,091	-30,395
Proceeds from sale of property, plant and equipment	34,600	4,822
Interest received	18,462	15,129
Increase / (decrease) in term deposits	-323	0
Issuance of the loan	-21,568	0
Net cash used in investing activities	-69,920	-10,444
Cash flows from financing activities		
Proceeds from borrowings	0	1,577,389
Repayment of borrowings	-6,663	-1,583,120
Premium on early redemption of issued bonds	0	-115,686
Interest paid	-30,176	-121,271
Net cash used in financing activities	-63,199	-242,688
Net increase/(decrease) in cash and cash equivalents	78,910	-58,774
Cash and cash equivalents at 1 January	212,224	322,986
Effect of exchange rate fluctuations on cash and cash equivalents	-3,815	-15,979
Cash Provision	-443	88
Cash and cash equivalents at the end of the period	286,876	248,321

OPERATING ACTIVITIES

Net cash from operating activities increased by GEL 17.7 million in the nine months ended 30 September 2022, compared to the same period of the previous year. The change was driven by higher cash receipts from cus-

tomers by GEL 71.7 million, which was partially offset by higher cash paid to suppliers and employees by GEL 54.0 million.

INVESTING ACTIVITIES

Cash used in investing activities has increased by GEL 59.5 million in the nine months ended 30 September 2022, compared to the same period of the previous year. The increase was mainly due to the higher cash outflows on acquisition of property, plant, and equipment by GEL

70.7 million, primarily under the Modernization Project. The increase is also driven by issued loan of USD 7.0 million to Parent company in the first quarter of 2022. The cash used in investing activities was partially offset by cash inflows from the sale of PP&E by GEL 29.8 million.

FINANCING ACTIVITIES

Cash used in financing activities decreased by GEL 179.5 million. Proceeds from borrowing decreased by GEL 1.6 billion because of the refinancing of Eurobonds (USD 500.0 million) in June 2021. The Group has paid premium on early redemption on unsecured bonds about GEL 115.7 million.

Lower interest expense during the nine months ended 30 September 2022, compared to the same period of 2021, was due to lower coupon rate on new Green Eurobonds issued in 2021, as well as change on the dates of semi-annual payments.

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

'000 tons 9-month period ended 30 September	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Liquid cargoes	3,504	3,070	14.1%	434
Oil products	3,297	3,043	8.4%	255
Crude oil	207	28	644.4%	179
Dry cargoes	7,398	5,980	23.7%	1,418
Ores	1,396	1,419	-1.6%	-23
Grain	220	84	162.2%	136
Ferrous metals and scrap	504	444	13.4%	59
Sugar	605	313	93.3%	292
Chemicals and fertilizers	1,334	857	55.7%	477
Construction freight	754	694	8.7%	60
Industrial freight	385	280	37.3%	105
Cement	22	24	-11.8%	-3
Other	2,179	1,865	16.8%	314
Total	10,902	9,051	20.5%	1,851

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS (QUARTERLY)

'000 tons

9-month period ended 30 September	Q3 2022	Q3 2021	y-o-y	Q2 2022	q-o-q
Liquid cargoes	1,262	933	35%	1,368	-8%
Oil products	1,256	907	38.5%	1,169	7%
Crude oil	6	26	-76.4%	199	-97%
Dry cargoes	2,824	2,105	34.2%	2,447	15%
Ores	593	554	7.1%	394	50%
Grain	108	11	839.8%	75	44%
Ferrous metals and scrap	161	158	1.9%	241	-33%
Sugar	311	101	208.1%	232	34%
Chemicals and fertilizers	418	311	34.7%	386	8%
Construction freight	323	263	23.0%	240	35%
Industrial freight	171	108	59.0%	137	25%
Cement	12	6	103.4%	5	155%
Other	727	594	22.3%	737	-1%
Total	4,086	3,038	34.5%	3,815	7%

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

'mIn ton kilometers	TOTAL		CHANGE	
	9M 2022	9M 2021	%	Absolute
Liquid cargoes	1,112	976	13.9%	136
Oil products	1,034	966	7.1%	69
Crude oil	78	11	615.4%	67
				0
Dry cargoes	1,993	1,479	34.7%	514
Ores	255	237	7.4%	18
Grain	69	20	235.9%	48
Ferrous metals and scrap	122	97	25.3%	25
Sugar	223	116	92.6%	107
Chemicals and fertilizers	478	290	65.2%	189
Construction freight	114	101	13.1%	13
Industrial freight	45	42	6.1%	3
Cement	6	6	0.4%	0
Other	680	568	19.6%	111
Total	3,105	2,455	26.5%	650

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS (QUARTERLY)

'mln ton kilometers

9-month period ended 30 September	Q3 2022	Q3 2021	y-o-y	Q2 2022	q-o-q
Liquid cargoes	372	281	33%	457	-19%
Oil products	370	271	36.8%	380	-3%
Crude oil	2	10	-81.0%	76	-97%
Dry cargoes	751	516	45.5%	661	14%
Ores	112	100	12.2%	69	63%
Grain	34	3	1179.6%	23	47%
Ferrous metals and scrap	42	35	18.2%	61	-32%
Sugar	114	36	216.2%	85	34%
Chemicals and fertilizers	153	109	39.6%	135	13%
Construction freight	50	37	35.7%	36	40%
Industrial freight	18	13	39.4%	16	8%
Cement	4	2	144.1%	1	178%
Other	224	181	23.7%	233	-4%
Total	1,123	797	40.9%	1,117	1%

APPENDIX 3

According to Condition 3 (d) of the “Terms and Conditions of the Notes” (The U.S. \$500,000,000 4% Notes due 17 June 2028 issued by Georgian Railway JSC on 10 June 2021), Georgian Railway and/or its subsidiary is entitled to incur financial indebtedness if the ratio of Net Financial Indebtedness of the Issuer and its Subsidiaries as of the date of such Incurrence to the aggregate amount of EBITDA for the most recent consecutive semi-annual periods ending prior to the date of such determination for which consolidated financial statements have been delivered, does not exceed 3.5 to 1.

Given table sets forth calculation of Net Financial Indebtedness to adjusted EBITDA and according to the above-mentioned Condition 3 (d) of the “Terms and Conditions of the Notes”. However, this calculation is for information only and does not implicate that any specific date is the Incurrence date (or “the date of determination”) as defined in Condition 3 of the “Terms and Conditions of the Notes”.

APPENDIX 3.1

Calculations of ratio of Net Financial Indebtedness to adjusted EBITDA for 9 months of 2022:

In 000 GEL	30-Sep-22		
Net Financial Indebtedness as at:			
Financial indebtedness			1,480,994
less:			
Available credit facilities			0
Cash			286,876
Net Financial Indebtedness:			1,194,118
	Second half of 2021	First half of 2022	Adjusted EBITDA for the most recent 2 consecutive semi-annual period
Results from operating activities	72,173	72,173	174,874
add-back:			
Depreciation and amortization expenses	23,398	23,398	56,575
Impairment loss on trade receivables	2,305	2,305	-1,392
Adjusted EBITDA	97,876	97,876	230,056

NET FINANCIAL INDEBTEDNESS/ADJUSTED EBITDA

5.19

APPENDIX 3.2

Calculations of ratio of Net Financial Indebtedness to adjusted EBITDA for 9 months of 2021:

In 000 GEL	30-Sep-21		
Net Financial Indebtedness as at:			
Financial indebtedness			1,645,572
less:			
Available credit facilities			63,228
Cash			248,321
Net Financial Indebtedness:			1,334,023
	Second half of 2020	First half of 2021	Adjusted EBITDA for the most recent 2 consecutive semi-annual period
Results from operating activities	56,644	93,215	149,858
add-back:			
Depreciation and amortization expenses	36,489	34,999	71,488
Impairment loss on trade receivables	11,658	485	12,143
Adjusted EBITDA	104,791	128,700	233,490

NET FINANCIAL INDEBTEDNESS/ADJUSTED EBITD

5.71

APPENDIX 3.3

Calculations of ratio of Net Financial Indebtedness to adjusted EBITDA for 6 months of 2022:

In 000 GEL	30-Jun-22		
Net Financial Indebtedness as at:			
Financial indebtedness			1,514,142
less:			
Available credit facilities			32,000
Cash			252,383
Net Financial Indebtedness:			1,229,760
	Second half of 2021	First half of 2022	Adjusted EBITDA for the most recent 2 consecutive semi-annual period
Results from operating activities	72,173	102,700	174,872
Depreciation and amortization expenses	23,398	33,177	56,575
Impairment loss on trade receivables	2,305	-3,698	-1,393
Adjusted EBITDA	97,876	132,179	230,056

NET FINANCIAL INDEBTEDNESS/ADJUSTED EBITDA

5.35

