JSC Georgian Railway

Condensed Consolidated Interim Financial Statements for the nine-month periods ended 30 September 2022 and 2021

Contents

000 GEL	Note	30 September 2022	31 December 2021
Assets			
Property, plant and equipment	10	1,824,371	1,825,474
Loans receivable	11	50,707	31,282
Other non-current assets	14	142,209	130,961
Non-current assets		**2,017,287**	**1,987,717**
Inventories	13	36,165	36,937
Prepayments and other current assets		10,626	5,635
Trade and other receivables	12	25,921	13,965
Term deposit		3,577	3,254
Cash and cash equivalents	15	286,876	212,224
Current assets		**363,165**	**272,015**
Total assets		**2,380,452**	**2,259,732**
Equity			
Share capital	16 (a)	1,055,031	1,054,805
Non-cash owner contribution reserve		100,601	100,585
Accumulated losses		(490,180)	(742,261)
Total equity		**665,452**	**413,129**
Liabilities			
Loans and borrowings	17	1,451,687	1,590,817
Advance received from the Government		46,594	46,594
Payables for non-current assets	18	40,137	56,198
Non-current liabilities		**1,538,418**	**1,693,609**
Loans and borrowings	17	29,306	16,015
Trade and other payables	18	104,070	105,873
Liabilities to the Government		4,712	4,718
Provisions		13,140	14,397
Tax liabilities		15,543	3,515
Other current liabilities		9,811	8,476
Current liabilities		**176,582**	**152,994**
Total liabilities		**1,715,000**	**1,846,603**
Total equity and liabilities		**2,380,452**	**2,259,732**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 21.

		For the nine months ended 30 September	
'000 GEL	**Note**	**2022**	**2021**
Revenue	6	491,155	408,951
Other income		18,489	4,963
Employee benefits expense		(144,203)	(127,127)
Depreciation and amortization expense		(41,448)	(52,387)
Electricity, consumables and maintenance costs	7	(58,085)	(36,262)
Impairment gain/(loss) on trade receivables		2,636	(897)
Other expenses	8	(88,992)	(71,022)
Results from operating activities		**179,552**	**126,219**
Finance income	9	20,900	17,432
Finance costs	9	(48,048)	(200,772)
Net foreign exchange gain	9	126,493	68,371
Net finance income / (costs)		**99,345**	**(114,969)**
Profit before income tax		**278,897**	**11,250**
Income tax expense		(460)	(391)
Profit and total comprehensive income for the period		**278,437**	**10,859**

These condensed consolidated interim financial statements were approved by Management Board on 11 November 2022 and were signed on its behalf by:

David Peradze
General Director

Irakli Titvinidze
Chief Financial Officer

The condensed consolidated interim statements of profit or loss and other comprehensive income are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 21.

’000 GEL	**Share capital**	**Non-cash owner contribution reserve**	**Accumulated losses**	**Total equity**
Balance at 1 January 2022	1,054,806	100,584	(742,257)	413,133
Profit /Loss and total comprehensive loss for the period			278,437	278,437
Dividends to equity holders			(26,360)	(26,360)
Non-cash contributions by and distributions to owners	225	17		242
Balance at 30 September 2022	**1,055,031**	**100,601**	**(490,180)**	**665,452**
Balance at 1 January 2021	1,053,936	100,322	(794,972)	359,286
Loss and total comprehensive loss for the period, restated	-	-	10,859	10,859
Non-cash contributions by and distributions to owners	868	262	-	1130
Balance at 30 September 2021	**1,054,804**	**100,584**	**(784,113)**	**371,274**

The condensed consolidated interim statements of changes in equity are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 21.

		For the nine months ended 30 September	
'000 GEL	**Note**	**2022**	**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
Issuance of the loan		(21,568)	**-**
Term deposit		(323)	**-**
Net cash used in investing activities		**(69,920)**	**(10,444)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,577,389
Repayment of borrowings		(6,663)	(1,583,120)
Premium paid on early redemption of issued bonds		-	(115,686)
Interest paid	15 (b)	(30,176)	(121,271)
Dividends paid		(26,360)	
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)
Effect of movements in ECL on cash and cash equivalents		(443)	88
Cash and cash equivalents at 30 September	13	**286,876**	**248,321**

The condensed consolidated interim statements of cash flows are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 21.

1. Reporting entity

(a) Business environment

The Group's operations are primarily located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Georgia. The COVID-19 coronavirus pandemic and increased tensions over Ukraine in 2022 have further increased uncertainty in the business environment.

The condensed consolidated interim financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

JSC Georgian Railway (the "Company") and its subsidiaries (the "Group") comprise Georgian joint stock and limited liability companies as defined in the Civil Code of Georgia. The Company was established as a state-owned enterprise in December 1998 by the Decree of the President of Georgia # 929 as an entity engaged in the provision of railway transportation services in Georgia. The Company's registration number is 03/4-965.

The Company's registered office is 15 Queen Tamar Avenue, Tbilisi 0112, Georgia.

The Group's principal activity is the operation of a nationwide railway system providing freight and passenger transportation services, freight forwarding services, maintenance and development of railway infrastructure and construction of railway lines within Georgia.

The Company is wholly owned by JSC Partnership Fund, a wholly state-owned company. The ultimate controlling party of the Group is the Government of Georgia. JSC Partnership Fund produces publicly available consolidated financial statements.

Related party transactions are disclosed in Note 18.

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari (GEL), which is the functional currency of the Group entities and the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

4. Use of estimates and judgments

Preparing the condensed consolidated interim financial statements requires Management to make judgements, estimates assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 17.

5. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Freight transportation – includes transportation of goods and commodities and related services.*
- *Passenger transportation – includes transportation of passengers.*

There are no inter-segment charges.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before infrastructure costs, which are the cost of maintaining the rail network used by both reportable segments, central overheads, interest and income tax, as included in the internal management reports that are reviewed by the Group's Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. The Group's Management Board does not monitor segment liabilities.

(i) Information about reportable segments

For the nine months ended 30 September

	Freight transportation		Passenger transportation		Total	
'000 GEL	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
External revenues	461,682	374,108	19,822	11,303	481,504	385,411
Depreciation and amortization	(6,949)	(9,710)	(7,051)	(8,583)	(14,000)	(18,293)
Reportable segment profit/(loss) before infrastructure costs, net impairment, interest cost and income tax	329,404	268,418	(10,781)	(14,496)	318,623	253,922
Capital expenditure and other additions to non-current assets	9,688	4,893	766	421	10,454	5,314
	30-Sep-22	**31-Dec-21**	**30-Sep-22**	**31-Dec-21**	**30-Sep-22**	**31-Dec-21**
Reportable segment assets	186,841	189,935	108,040	112,554	294,881	302,489

(ii) Reconciliations of reportable segment revenues, profit or loss and assets

	For the nine months ended 30 September	
'000 GEL	**2022**	**2021**
Revenues		
Total revenue for reportable segments	481,504	385,411
Other revenue	9,651	23,539
Consolidated revenue	**491,155**	**408,950**
Profit or loss		
Total profit for reportable segments before infrastructure costs, net impairment, interest cost and income tax	318,623	253,922
Employee benefits expense – infrastructure and headquarters	(62,510)	(55,048)
Depreciation expenses – infrastructure and headquarters	(27,449)	(34,095)
Net finance income/costs	99,344	(114,969)
Other net unallocated expenses*	(49,111)	(38,560)
Consolidated profit/(loss) before income tax	**278,897**	**11,250**

* Other net unallocated expenses include logistic services expense of GEL 47,268 thousand (nine months ended 30 September 2021: GEL 22,040 thousand) which was not included in the freight transportation segment profit presented to the Group's Management Board.

There has been no change in reportable segments as well as in a basis of allocation since last annual consolidated financial statements.

(iii) Geographical information

Approximately 98% of the Group's revenue is generated in Georgia with the remainder generated in CIS countries. The non-current assets of the Group are located in Georgia.

6. Revenue

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements.

	For the nine months ended	
'000 GEL	**2022**	**2021**
Freight traffic	360,960	315,646
Logistic services	93,255	49,579
Freight car cross-border charge	5,584	7,478
Rent of wagons and other rental income	4,406	3,850
Passenger traffic	19,822	11,303
Other	7,128	21,094
	491,155	**408,950**

Railroad transportation in Georgia is a natural monopoly, however, the prices are not subject to government regulation. According to clause 64 of the Railway Code of Georgia, which came into force on 1 July 2005, the Government of Georgia allowed the Group to set the prices for all services provided, including freight transportation, freight transportation-related additional services and passenger transportation.

Tariffs for freight transportation are based on the International Rail Transit Tariff. The Group is a co-signatory of the Tariff Agreement together with CIS countries, Latvia, Lithuania and Estonia. The parties to the Agreement hold annual conferences to determine the tariff policy for the following year: each party declares tariffs denominated in Swiss Francs (CHF) for railway transportation and states the general rules that apply to and modify tariffs. The agreed tariffs indicate the maximum level of tariffs applicable.

Performance obligations and revenue recognition policies are those described in the last annual consolidated financial statements.

(a) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Freight traffic - Revenue generated by transporting freight from one point to another in return of the consideration determined based on the agreement.

Logistics services - Revenue for provision of general freight transportation supervision, document preparation and other related services to external parties.

Passenger traffic - Revenue generated by charging individuals for transporting from one place to another through sale of railway tickets.

Freight car cross-border charge - Revenue generated, when the Group's wagons cross the Georgian border and enter another country's territory, based on daily charges for wagons, containers and any other services.

Rent of wagons and other rental income – Income represents operating lease and is accounted for under IFRS 16, see Note 23.

Other revenue - Revenue is predominantly comprised of sale of scrap.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Revenue Type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Freight traffic, logistic services and passenger traffic	Freight traffic, logistic services and passenger traffic revenue streams are to be recognized "over time" since transportation is the service, during which customer receives and consumes simultaneously the benefit as the Group performs. The customer benefits from the distance travelled.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on estimated time to completion of transportation.
Freight car cross-border charge	Freight car cross-border charge stream is to be recognized "over time" since it is the service, during which customer receives and consumes simultaneously the benefit as the Group performs.	Revenue for such services is recognised over time.
Other revenue	Other revenue is recognised at the point in time when sale has been commenced and control over the goods was transferred.	Revenue is recognised at a point in time when the goods have been accepted by customers at the Group`s warehouse.

7. Electricity, consumables and maintenance costs

	For the nine months ended	
’000 GEL	**2022**	**2021**
Electricity	32,632	20,254
Materials	8,799	8,531
Fuel	7,506	4,541
Repair and maintenance	9,148	2,936
	58,085	**36,262**

8. Other expenses

	For the nine months ended	
’000 GEL	**2022**	**2021**
Logistic services	47,268	22,040
Property and land tax	18,008	18,062
Freight car cross-border charge	7,460	3,407
Security	7,523	7,285
Other	8,733	20,229
	88,992	**71,023**

9. Finance income and finance costs

	For the nine months ended	
’000 GEL	**2022**	**2021**
Recognised in profit or loss		
Interest income under the effective interest method	20,900	17,344
Impairment gain on other financial assets		88

	For the nine months ended	
'000 GEL	**2022**	**2021**
Recognised in profit or loss		
Finance income	**20,900**	**17,432**
Impairment loss on other financial assets	(530)	(3)
Unwinding of discount on provisions and financial liabilities measured at amortised cost	-	(419)
Premium on the early redemption of issued bonds	-	(115,686)
Interest expense on financial liabilities measured at amortised cost *	(47,518)	(84,664)
Finance costs	**(48,048)**	**(200,772)**
Net foreign exchange gain	126,493	68,371
Net finance income (costs) recognised in profit or loss	**99,345**	**(114,969)**

* As disclosed in note 10 (b) capitalisation of borrowing costs on a qualifying asset was suspended in 2021 and 2022.

10. Property, plant and equipment

(a) Acquisitions and disposals

During the nine months ended 30 September 2022, the Group acquired property plant and equipment with a cost, of GEL 67,863 thousand (nine months ended 30 September 2021: GEL 72,522 thousand)

Assets with a carrying amount of GEL 13,333 thousand were disposed during the nine months ended 30 September 2022 (nine months ended 30 September 2021: GEL 11,802 thousand).

(b) Construction in progress

By the end of 2010, the Group started two large capital projects:

- The Main Line Modernisation; and
- Tbilisi Bypass Project.

The Group commenced the initiation of the above projects in September 2010 and November 2010, respectively. The Group issued unsecured bonds in 2010 to partly finance the projects above. During 2012, the Group redeemed the bonds issued in 2010 by issuing new bonds for general corporate and liquidity management purposes (see Note 15).

No borrowing costs were capitalized in 2022 and 2021 due to significant slowdown of the works performed on the Modernization project, mainly linked with the COVID-19 pandemic situation in Georgia.

(a) Impairment of Tbilisi Bypass Project (the Project)

In June 2013, the Group announced a decision to redesign the Tbilisi Bypass Project. The Group held negotiations with the Government of Georgia and with the main third-party construction companies to agree a plan for the conservation of the Project for the period of redesigning. All construction works in progress were substantially completed by the end of October 2013 and further construction was suspended. No borrowing costs are capitalised since October 2013.

In March 2014, the Government of Georgia decided that the suspension of the construction of the Tbilisi Bypass project will last for 18 months until the final modified project is presented.

During 2015 and 2016, the Group was in discussion with the Tbilisi City Hall and the Government of Georgia about various scenarios of completing the project. One of the scenarios under discussion included an option envisaging a change of the original bypass location, because of which the existing bypass infrastructure may become redundant. The alternative scenarios also included the determination of the future use of the existing infrastructure, should it become redundant. The options of future use of the infrastructure were bypass automobile road, light rail/extension of the Tbilisi Metro System, freight depot, etc., however, as at 31 December 2021 and the date these consolidated financial statements were authorized for issue, no decision was made by the Government of Georgia about the redesign of the Tbilisi Bypass Project.

Due to significant uncertainties associated with either the continuation of the existing Project or implementation of any other scenarios, envisaging the change in the existing use of the Project, and also considering the fact that Management does not expect that the Project will generate any future economic benefit to the Group either individually, or in combination with other non-current assets, the carrying value of the Project was written-down by GEL 382,616 thousand in 2017 to its recoverable amount GEL 14,689 thousand, representing land included in the construction in progress heading above.

During 2022 nine months period no event or change in circumstances occurred which would result in a reversal of the provision.

(c) Impairment of property, plant and equipment

At each reporting date, the Group assesses whether there is any indication that the recoverable amount of the Group's non-financial assets has declined below the carrying value or previously recognized impairment loss is subject to reversal.

As at 30 September 2022, the Management analyzed impairment, as well as impairment reversal indicators (external and internal) according to IAS 36 and concluded that there is no indication of additional impairment or reversal of previously recognized impairment losses, respectively no detailed impairment test has been conducted at 30 September 2022.

No event or change in circumstances occurred which would result in a reversal of the provision related to Tbilisi Bypass Project during the nine months ended 30 September 2022.

(d) Security

At 30 September 2022, property with a carrying amount of GEL 68,747 thousand (31 December 2021: GEL 70,252 thousand) is pledged in respect of the secured loan (See Note 17).

(e) Capital commitment

As at 30 September 2022, the Group had entered into contracts for the construction or purchase of property, plant and equipment of GEL 270,233 thousand (31 December 2021: GEL 362,972 thousand) mainly relating to the Main Line Modernization project of GEL 26,925 thousand (31 December 2021: GEL 87,486 thousand) and Tbilisi Bypass project of GEL 235,210 thousand (31 December 2021: GEL 274,881 thousand, decreased only due to CHF foreign exchange rate fluctuation).

Management does not expect that the future cessation of the construction agreement with the counterparty, responsible for the Tbilisi Bypass project completion, will result in the payment of the above amount.

11. Loans receivable

This note provides information about the contractual terms of the Group's interest-bearing loans receivable, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and credit risk, see Note 19.

'000 GEL	**30 September 2022**	**31 December 2021**
Non-current assets		
Parent company	50,707	31,282
	50,707	**31,282**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 September 2022		**31 December 2021**	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Parent company	USD	6.50%	2026	50,707	50,707	31,282	31,282
Total interest-bearing assets				**50,707**	**50,707**	**31,382**	**31,382**

In September 2021, the the Group and Parent company formed an amendment to original contract according to which, date of maturity shifted from September 2022 to 31 December 2026, interest rate decreased from 9.75% to 6.5% in order to set interest rate in accordance with the market principles and agreed on additional credit line of USD 7 million, which has been disbursed to the Group in 2022.

As a result of the mentioned changes to the contractual terms, the Group derecognised previous financial asset and recognised a new financial asset. This did not have a material effect on the amounts recognised in profit or loss or on the consolidated statement of financial position.

12. Trade and other receivables

'000 GEL	**30 September 2022**	**31 December 2021**
Trade receivables	233,125	239,600
Impairment allowance on trade receivables	(207,484)	(225,974)
	25,641	**13,626**
Other receivables	280	339
	25,921	**13,965**

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 17.

13. Inventories

'000 GEL	**30 September 2022**	**31 December 2021**
Materials	28,595	29,212
Fuel	1,762	2,824
Rails	1,772	1,379
Other	5,592	5,071
	37,721	**38,486**
Write-down for inventory obsolescence	(1,556)	(1,549)
	36,165	**36,937**

14. Other non-current assets

’000 GEL	30 September 2022	31 December 2021
Prepayments for non-current assets*	80,536	87,650
Construction materials	54,252	35,058
Intangible assets	7,421	8,253
	142,209	**130,961**

* Prepayments for non-current assets are mainly related to the Bypass project, which was suspended as at 30 September 2022 and 31 December 2021. Per Management’s assessment the prepayments are fully recoverable based on the performance guarantee from a foreign bank.

15. Cash and cash equivalents

’000 GEL	30 September 2022	31 December 2021
Current accounts in banks	73,193	45,196
Call deposits	214,358	167,270
Petty cash	51	41
Provision for cash and cash equivalents	(726)	(283)
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	**286,876**	**212,224**

Call deposits represent term deposits with banks with maturities greater than three months from the acquisition date but for which the Group has the unilateral right to withdraw the deposits within a few days of providing notification without incurring penalties or significant loss of interest. Consequently, these term deposits have been classified in accordance with their nature which is that of a call deposit.

The Group’s exposure to interest rate risk is disclosed in Note 17.

16. Equity

(a) Share capital

Number of shares	**Ordinary shares**	
	30 September 2022	**31 December 2021**
In issue at 1 January	1,054,805,024	1,053,936,024
Net increase/(reduction) for property, plant and equipment	226,248	869,000
In issue at 30 September /31 December, fully paid	**1,055,031,272**	**1,054,805,024**
Authorised shares - par value	**1**	**1**

All ordinary shares rank equally with regard to the Group’s residual assets.

(b) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group.

17. Loans and borrowings

This note provides information about the contractual terms of the Group’s interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group’s exposure to interest rate, foreign currency and liquidity risk, see Note 19.

'000 GEL	30 September 2022	31 December 2021
Non-current liabilities		
Secured loan	40,636	50,102
Unsecured bonds	1,411,051	1,540,715
	1,451,687	**1,590,817**
Current liabilities		
Secured loan	13,039	13,632
Current portion of unsecured bonds	16,267	2,383
	29,306	**16,015**
	1,480,993	**1,606,832**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings were as follows:

				30 September 2022		31 December 2021	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured bonds	USD	4.00%	2028	1,546,776	1,451,687	1,546,776	1,543,098
Secured loan	USD	Libor +1.25%	2026	67,460	29,306	67,460	63,734
Total interest-bearing liabilities				**1,614,236**	**1,480,993**	**1,614,236**	**1,606,832**

In July 2012, the Group carried out the issuance, placement and registration (listing) of unsecured bonds of USD 500 million on the London Stock Exchange with an interest rate of 7.75% due in 2022.

Part of the above bonds were used for an early redemption of the unsecured bonds of USD 250 million issued by the Group in 2010.

The secured loan was obtained for the sole purpose of the acquisition of passenger trains. The secured loan is collateralized by the underlying passenger trains, with the carrying amount of GEL 68,747 thousand as at 30 September 2022 (31 December 2021: GEL 70,252 thousand) (See Note 10 (e)).

In June 2021 the Group has successfully issued USD 500 million worth of green bonds on the London Stock Exchange due 2028 with an interest rate of 4%. The proceeds from the issuance were used for redemption of the USD 500 million unsecured bonds.

As a result of early redemption, the green bonds were considered as a new financial instrument and accounted for at amortized cost using the effective interest rate method. The Group incurred directly attributable transaction expenses of GEL 8,999 thousand in connection with the issue of the green bonds, including, amongst other, legal counsel fees, rating agency expenses, listing expenses, etc. These expenses are accounted for as transaction costs. They are included in the calculation of the effective interest rate of the green bonds and are deferred over 7 years

(b) Changes in liabilities arising from financing activities

'000 GEL	2022	2021
Balance at 1 January	**1,606,832**	**1,777,336**
Proceeds from borrowings	-	1,577,389
Repayment of borroeings	(6,663)	(1,583,120)
Payment for debt issue cost	-	(115,686)
Interest paid	(30,176)	(121,271)
Total change from financing cash flows	**(36,839)**	**(242,688)**
The effect of changes in foreign exchange rates	**(136,518)**	**(89,427)**

Other changes

'000 GEL	2022	2021
Interest expense recognised in finance costs	47,518	200,350
Total liability-related other changes	**47,518**	**200,350**
Balance at 30 September	**1,480,993**	**1,650,571**

18. Trade and other payables

'000 GEL	30 September 2022	31 December 2021
Current		
Payables for non-current assets	9,176	54,884
Trade payables	54,943	31,482
Advances received from customers	39,951	19,507
	104,070	**105,873**
Non-current		
Payables for non-current assets	40,137	56,197
	40,137	**56,197**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

19. Fair values and risk management

The Group has determined fair values of financial assets and liabilities using valuation techniques disclosed in the last annual consolidated financial statements.

Management's estimate of the fair value of the unsecured bonds yielded a range of values from a fair value approximately equal to the carrying amount to a fair value approximately 5% higher than the carrying amount.

The carrying values of other financial assets and liabilities of the Group are a reasonable approximation of their fair values.

The Group's financial risk management objectives and policies are consistent with those disclosed in the last annual consolidated financial statements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans receivable and cash and cash equivalents. Credit risk is consistent with those disclosed in the last annual consolidated financial statements and the Group has not faced a significant financial loss during the nine months period ended 30 September 2022.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of nine months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters or global pandemic.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30 September 2022

'000 GEL	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured loan	53,675	57,678	6,599	6,545	12,959	31,575	-
-Unsecured bonds	1,427,319	1,741,556	23,456	23,771	52,056	165,464	1,476,809
Trade payables*	95,080	78,524	57,407	212	4,558	16,346	-
	1,576,074	**1,877,758**	**87,462**	**30,528**	**69,573**	**213,385**	**1,476,809**

31 December 2021

'000 GEL	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured loan	63,734	56,178	7,245	7,202	14,245	27,486	-
Unsecured bonds	1,543,098	1,920,512	30,976	30,976	61,952	185,856	1,610,752
Trade payables	142,564	117,740	86,077	318	6,835	24,510	
	1,749,396	**2,094,430**	**124,298**	**38,496**	**83,032**	**237,852**	**1,610,752**

*Based on the agreement signed between the Group and the construction company responsible for the Modernization Project, there is a specified percentage of each milestone payment to be withheld (retention fee), to protect the Group from the contractor failing to adequately complete its obligations under the contract. Such retention fee is due to pay within two years after the completion of the project.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The functional currencies of Group entities are the Georgian Lari (GEL). The currencies in which these transactions are primarily denominated and settled are U.S. Dollars (USD) and Swiss Francs (CHF).

Borrowings and related interest are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without a need to enter into derivatives contracts.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

'000 GEL	**USD -denominated 30 September 2022**	**USD -denominated 31 December 2021**
Cash and cash equivalents	42,160	35,714
Loan receivable	50,707	31,282
Trade receivables	10,088	10,761
Secured loan	(53,675)	(63,734)
Unsecured bonds	(1,427,319)	(1,543,098)
Trade and other payables	(4,659)	(20,988)
Net exposure	**(1,382,698)**	**(1,550,062)**

The following significant exchange rates applied during the year:

in GEL	**Average rate**		**Reporting date spot rate**	
	nine months ended 30 September 2022	**nine months ended 30 September 2021**	**30 September 2022**	**31 December 2021**
USD 1	2.9705	3.2532	2.8352	3.0976

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

20. Subsidiaries

Subsidiary	**Country of incorporation**	**Principal activities**	**2022 Ownership/ voting**	**2021 Ownership/ voting**
GR Property Management LLC	Georgia	Property management and development	100%	100%
GR Logistics and Terminals LLC	Georgia	Container transportation and terminal services	100%	100%
Georgian Railway Construction JSC	Georgia	Construction and other projects	100%	100%
Georgia Transit LLC	Georgia	Transportation services	100%	100%
GR Transit Line LLC	Georgia	Transportation services	100%	100%
GR Trans Shipment LLC	Georgia	Transportation services	100%	100%
GR Transit LLC	Georgia	Transportation services	100%	100%

21. Related parties

(a) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the period, which is included in employee benefits expenses:

	For the nine months ended 30 September	
'000 GEL	**2022**	**2021**
Salaries and bonuses	**716**	**732**

(b) Other related party transactions

(i) Transactions with the Government

The Group transacts in its daily operations with a number of entities that are either controlled, jointly controlled or under significant influence of the Government of Georgia. The Group has opted to apply the exemption in IAS 24 *Related Party Disclosures* that allows the presentation of reduced related party disclosures regarding transactions with government-related entities.

The Group's other related party transactions are disclosed below.

(ii) Revenue, purchases and expenses

The Group purchases security services from a state agency, which amounted to GEL 7,356 thousand for nine months ended 30 September 2022 (30 September 2021: GEL 7,067 thousand). The Group usually does not have significant balances for these purchases.
Management estimates that the aggregate amounts of other income and expenses and the related balances with other Government-related entities are not significant.

(iii) Loans issued

'000 GEL	Transaction value for the nine months ended 30 September		Outstanding balance	
	2022	**2021**	**30 September 2022**	**31 December 2021**
Loans issued:				
Parent company	21,568	-	50,707	31,282

During the nine months ended 30 September 2022, interest income of GEL 2,436 thousand (nine months ended 30 September 2021: GEL 2,215 thousand) was recognised in profit or loss in respect of a related party loan.

22. Change in accounting policies

A number of new standards and amendments to standards are effective from annual periods beginning after 1 January 2022, however their application did not have an impact on the Groups' consolidated financial statements.

The significant accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's last annual consolidated financial statements.

23. Impact of COVID-19

The COVID-19 outbreak started to have a significant impact in Georgia in late February 2020. On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic and the Georgian government started to take measures to contain the virus – imposed restrictions on the cross-border movement, instructed the business community to transfer employees to work from home, etc. To enhance social distancing the schools, restaurants, cinemas and sports activities stayed suspended for most of 2020.

During the first half of 2021, the Government of Georgia started to gradually lift major restrictions imposed due to the COVID-19 pandemic. Distribution of vaccines that demonstrate an ability to provide a high degree of immunity from COVID-19 provides a positive overlook on the future prospects of the economy and business environment both in Georgia and around the world. Despite the fact that currently there is still a high number of COVID -19 cases in the country, no lock-down

is anticipated and the economy is gradually recovering with positive outlook. Preliminary real GDP has grown by 10.6% during 2021. (source: Geostat).
Although the freight transportation sector tends to be more resilient than most of the other sectors, still COVID-19 did have a negative impact on the Group's passenger transportation segment (note 5) and infrastructural project (note 10).

Taking into account the Group's current operational and financial performance along with other currently available public information, management does not anticipate any more significant adverse impact of the COVID-19 outbreak on the Group's financial position and operating result.