ANNUAL REPORT

Georgian Railway
EST. 1872

2024

A MESSAGE FROM THE CHAIRMAN

The year 2024 marked a period of continued advancement for Georgian Railway, during which the Company further strengthened its institutional and operational foundations despite persistent regional uncertainties and external challenges.

Throughout the year, Georgian Railway maintained its strategic relevance as a vital transit corridor of regional importance, ensuring uninterrupted freight and passenger services. In parallel, the Company advanced its ambitious modernization and reform agenda, positioning itself to meet the evolving demands of international logistics. Over the years, the Company has experienced steady growth in freight volumes, a clear reflection of its expanding role within the regional logistics network and its ability to capitalize on emerging market opportunities.

One of the most significant achievements during the reporting period was the successful completion of the core infrastructure works under the Railway Modernization Project. These infrastructure improvements considerably enhance Georgian Railway's capacity, reliability and overall competitiveness, thereby reinforcing the Company's pivotal position in the dynamic logistics landscape of the South Caucasus. As the Company remains aligned with the strategic vision of the Government of Georgia, this project also directly supports the nation's broader goals to strengthen national connectivity and economic resilience.

Another major institutional milestone was the implementation of the Public Service Contract with the Railway Transport Agency. This mechanism, introduced in line with EU passenger transport regulations, ensures the financial sustainability of socially necessary passenger services. Its successful introduction demonstrates the Company's progress in aligning its operations with European standards and securing a more transparent, stable framework for public service delivery.

These outcomes collectively underscore the Company's growing institutional maturity, strategic focus and commitment to operational excellence. On behalf of the Supervisory Board, I would like to extend my sincere appreciation to the management team and all employees of Georgian Railway for their consistant dedication, professionalism and tireless efforts in driving the Company forward.

I would also like to take this opportunity to express our sincere appreciation to Mr. David Peradze for his exceptional leadership over the past seven years. Under his direction, Georgian Railway achieved to atract new cargo and create ever-growing trend in freight transportation. His strategic vision solidified the Company's position as a key link in the regional transport corridor and created a strong foundation for the Company's future growth. With this leadership transition, we warmly welcome Mr. Lasha Abashidze as the new General Director and look forward to his leadership in advancing the Company's long-term objectives.

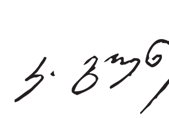
With a clear vision, strong governance and a steadfast commitment to continuous improvement, Georgian Railway confidently embarks on the next phase of its development path. As Chairman of the Supervisory Board, I firmly believe that the accomplishments of 2024 are a direct result of the Company's long-term planning, disciplined governance and operational resilience — qualities that will continue to guide and sustain our growth in the coming years.

Sincerely,

Konstantine Guntsadze

Chairman of the Supervisory Board

JSC Georgian Railway



A MESSAGE FROM GENERAL DIRECTOR

I am very pleased to present the 2024 Annual Report for JSC Georgian Railway for the last time in my role as Chief Executive Officer. This document outlines the major developments of the year and reflects on the broader progress achieved under our long-term strategic direction. In 2024, the Company continued to operate confidently in a dynamic regional environment, advancing important initiatives while responding effectively to emerging challenges.

Among the most consequential outcomes of the year was the completion of the Railway Modernization Project — the most comprehensive infrastructure renewal undertaken by the Company in recent decades. The project delivers enhanced line capacity, improved safety performance and reduced travel times.

Institutionally, the year was also marked by the introduction of the Public Service Contract, signed in June 2024 with the Railway Transport Agency. Designed in accordance with EU regulatory frameworks, this mechanism provides long-term financial support for passenger services deemed socially necessary. A compensation amounting to GEL 8.0 million has already been received for services of the second half of 2024. A comparable amount is agreed to be received in 2025, with the expectation that the compensation will progressively increase in the coming years. This reform initiative, on the one hand, aims to align our operations with European standards and on the other, is expected to significantly strengthen the performance and sustainability of our passenger transport business.

Technological advancement also remained at the forefront of our operational strategy in 2024. A new Train Traffic Management and Control System was introduced to improve coordination and safety across the network. In parallel, the Orion 2 platform was launched to support scheduling, rolling stock and crew management and ticketing functions — enhancing real-time responsiveness across freight and passenger services.

Over the past years, there has been a notable increase in freight volumes transported along the Middle Corridor, with a significant rise in container shipments from China. New transportation directions were introduced and the number of origin countries served by the Company continued to grow. In line with these developments, the establishment of Middle Corridor Multimodal Ltd. in 2023 marked a significant step in expanding the Company's role within the Trans-Caspian International Transport Route. This Joint Venture between the railway authorities of Georgia, Kazakhstan and Azerbaijan lays the foundation for more integrated multimodal transport solutions and reflects Georgian Railway's growing contribution to regional logistics development.

Sustainability continues to underpin the Company's development agenda. Over the past five years, more than USD 500 million has been directed toward green projects, with half of that sum allocated specifically to the Railway Modernization Project.

Supporting our workforce has remained a core priority throughout recent years. Alongside ongoing professional development efforts, Georgian Railway implemented several rounds of salary increases over the years, with the most recent in 2025, reinforcing our commitment to fair and competitive remuneration for almost 12,000 employees.

I would like to express my heartfelt appreciation to all employees, customers, partners, and investors for their continued trust and support during these pivotal years of transformation at Georgian Railway.

It has been a privilege to lead the Company through a period marked by strategic progress and operational resilience. I am proud of what we have accomplished together—advancing infrastructure, strengthening customer relationships and enhancing value for all stakeholders.

As I transition from my role, I am pleased to announce that Mr. Lasha Abashidze will hold the position of General Director. I have every confidence in his leadership and vision to continue driving Georgian Railway's long-term strategy and delivering sustainable growth.

Thank you once again for your dedication and commitment to our shared success.

Sincerely,

David Peradze

CEO

JSC Georgian Railway

SUPERVISORY
BOARD

KONSTANTINE GUNTSADZE

Chairman of Supervisory Board | Since 2012

Main field of competence | Jurisprudence
23 years of working experience in the industry
With GR Group for over 14 years

GIORGI MUSKHELISHVILI

Supervisory Board Independent Member | Since 2012
Member of Audit and Remuneration and Risk Management Committee
Member of Nomination and Governance Committee
Main field of competence | Engineering
32 years of working experience in the industry
With GR Group for 3 years

DAVID SAMKHARASHVILI

Supervisory Board Member Independent | Since 2020
Member of Nomination and Governance Committee

Main field of competence | Jurisprudence
19 years of working experience in the industry
With GR Group for over 18 years

GIORGI KAKAURIDZE

Supervisory Board Non-independent Member | since 2024
Chairman of Audit and Remuneration and Risk Management Committee

Main field of competence | Finance and Banking
25 years of working experience in the industry
With GR Group for 1 year

AKAKI SAGHIRASHVILI

Supervisory Board Non-independent Member | since 2024
Member of Audit and Remuneration and Risk Management Committee

Main field of competence | Jurisprudence
18 years of working experience in the industry
With GR Group for 1 year

VASIL VASHAKIDZE

Supervisory Board Member | since 2024
Chairman of Nomination and Governance Committee
Main field of competence | Jurisprudence
15 years of working experience in the industry
With GR Group for 1 year

MANAGEMENT
BOARD

DAVID PERADZE

Chief Executive Officer* | since 2017

22 years of working experience in the industry
With GR Group for over 7 years

IRAKLI TITVINIDZE

Chief Financial Officer | since 2013

21 years of working experience in the industry
With GR Group for over 11 years

GIORGI GOMARELI

Freight Transportation SBU Director | since 2024

24 years of working experience in the industry
With GR Group for over 5 years

DAVIT BABUNASHVILI

Infrastructure SBU Director | since 2024

19 years of working experience in the industry
With GR Group for over 19 years

DACHI TSAGURIA

Passenger SBU Director | since 2018

12 years of working experience in the industry
With GR Group for over 11 years

**Mr. Lasha Abashidze succeeds Mr. David Peradze, who has decided to step down from his role from May 2025.*

FORWARD-LOOKING STATEMENT

This report contains certain forward-looking statements with respect to the business, financial conditions and results of the operations of the Group and certain plans, intentions, expectations, assumptions, goals and beliefs of the Group in this regard. These statements include matters that are not factual and generally, but not always, may be identified by the use of words or expressions such as “believes”, “expects”, “are expected to”, “anticipates”, “intends”, “estimates”, “should”, “will”, “will continue”, “may”, “is likely to”, or “plans” among others.

The forward-looking statements in this report are based upon various assumptions, many of which are based upon further assumptions, including, without limitation, the Management’s examination of historical operating trends, data contained in the Group’s records and other data available from third parties. Although the Group believes that these assumptions were reasonable when made, they are subject to significant uncertainties and contingencies, which are difficult or impossible to predict and which are thus beyond the Group’s control. Accordingly, the Group may not actually achieve such expectations, beliefs, or projections.

When reading forward-looking statements, the reader should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements are valid only on the date on which they are made. Neither the Group nor any of its agents, employees, or advisers intend or have any obligation, to supplement, amend, update or revise any of the forward-looking statements given in this report.

The reader should be aware that forward-looking statements are not guarantees of future performance and that the Group’s actual business: financial conditions and results of operations and prospects, as well as the development of the industry in which it operates, may differ significantly from what is stated in the forward-looking statements given in this report. In addition, even if the Group’s business, financial conditions and results of operations and prospects, as well as the development of the industry in which it operates, are consistent with the forward-looking statements given in this report, those results or developments may not necessarily be indicative of results or developments in subsequent periods.

The facts contained in this report refer to the period under review. The Group does not undertake any obligation to update any fact or forward-looking statement to reflect events or circumstances that may occur after the period under review.

IRAKLI TITVINIDZE
FINANCIAL DIRECTOR
29.05.2025

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

For the year (GEL '000)

Revenue 2024

648,337 *(+3.4% from 2023)*

2023: 627,173
2022: 674,773

Adjusted EBITDA 2024

220,576 *(+31.4% from 2023)*

2023: 167,821
2022: 283,517

EBIT 2024

145,513 *(+60.0% from 2023)*

2023: 90,926
2022: 216,932

Net income/(loss) 2024

68,184 *(-21.4% from 2023)*

2023: 86,776
2022: 396,681

Net cash from operating activities 2024

224,360 *(+26.9% from 2023)*

2023: 176,815
2022: 288,221

Acquisition of property, plant and equipment (PPE) 2024

150,725 *(+8.2% from 2023)*

2023: 139,342
2022: 134,968

As at 31 December (GEL '000)	2024	2023	2022
Total assets	2,584,842	2,495,961	2,399,517
Total liabilities	1,648,524	1,627,917	1,618,249
Total equity	936,318	868,044	781,268

Financial ratios	2024	2023	2022
Revenue growth/(decline)	3.4%	(7.05)%	23.16%
Adjusted EBITDA margin	34.02%	26.76%	42.02%
Operating ratio	81.07%	86.94%	70.20%
Dividend payout ratio	0%	0%	0%
Interest coverage ratio	2.45	1.64	3.75
Net Debt to Adjusted EBITDA	5.02	6.51	3.93
Debt*/ Equity	1.5	1.6	1.8

Key operating measures	2024	2023	2022
Total freight revenue per ton-km *(in Tetri)*	11.5	11.3	11.5
Passenger revenue per passenger-km** *(in Tetri)*	7.7	7.7	6.8
Revenue per average N of employees *(in GEL '000)*	54.35	51.20	54.43
Operating expenses per ton-km *(in GEL)*	0.13	0.14	0.11
Ton-km per average number of Freight SBU employees *(in '000)*	763.9	726.5	794.2
Passenger -km per average number of Passenger SBU employees *(in '000)*	460.1	477.4	338.5

Safety indicators	2024	2023	2022
Accident rate per million ton-km	0.04	0.04	0.04
Injuries per average number of employees *('000)*	0.22	0.38	0.29
Deaths per average number of employees *('000)*	0.48	0.24	0.08

**Debt comprises current and non-current loans and borrowings*
*** The method for calculating passenger-kilometres was revised and applied retrospectively to previous periods.*

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Statistical data ('000)

Tons 2024

13,674 *(+0.9% from 2023)*

2023: 13,551
2022: 14,773

Ton-km 2024

3,921,995 *(+3.1% from 2023)*

2023: 3,804,429
2022: 4,163,977

Number of passengers 2024

2,077 *(-9.0% from 2023)*

2023: 2,283
2022: 1,605

Passenger-km* 2024

478,056 *(-11.2% from 2023)*

2023: 538,465
2022: 400,916

Number of employees 2024

11.740 *(-3.1% from 2023)*

2023: 12.119
2022: 12.378

** The method for calculating passenger-kilometres was revised and applied retrospectively to previous periods.*

CREDIT RATINGS

S&P Global

S&P reaffirmed long-term issuer credit rating on GR and on its senior unsecured bond to 'BB-' with a stable Outlook;

S&P believes that Georgian Railway will continue to demonstrate resilient operating performance and manage its liquidity needs, despite the challenging economic environment. The agency continues to expect a very high likelihood of extraordinary state support;

GR's robust operating performance and stable cost of debt are anticipated to maintain funds from operations (FFO) to debt comfortably above 8% over the next two years, with limited exposure to higher interest rates due to a significant portion of debt at fixed interest rates and maturing in 2028.

First issued	LT	Outlook	ST	Last updated	LT	Outlook	ST
2010	B+	STABLE	B	2024	BB-	STABLE	B

FitchRatings

Fitch Rating affirmed JSC Georgian Railway Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB-' and revises Outlook from Positive to Stable on December 12, 2024;

This affirmation reflects Fitch's assessment of Georgian Railway's strong ties with the Georgian government, despite challenges in achieving sustainable improvement in financial metrics;

GR's credit rating remains aligned with its Standalone Credit Profile (SCP) of 'b+', emphasizing the integral role of extraordinary government support.

First issued	LT	Outlook	ST	Last updated	LT	Outlook	ST
2010	B+	STABLE	B	2024	BB-	STABLE	B

OUR HISTORY

1872 The Transcaucasian Railway, which runs through Georgia, Armenia and Azerbaijan, commences operations

1883 A rail connection is created between Tbilisi and Baku

1891 The assets of the Transcaucasian Railway Company are divided and allocated to the national railroad companies of Georgia, Armenia and Azerbaijan

1892 Formation of the independent Georgian Railway

1893 TRACECA established, with Georgian Railway a founding member

1898 Georgian Railway is established as a limited liability company on 21 December

2005 Georgian Railway launches restructuring program based on the proposals of an independent consultant

2008 Georgian Railway separates its operations into three SBUs

2010 First Eurobond placement on the London Stock Exchange. Initial credit rating assigned by Fitch Ratings and S&P

2011 Georgian Railway registered as a JSC

2013 Georgian Railway enters the freight forwarding business

2015 International certificate of quality management (ISO 9001:2008) attained by Georgian Railway. Revival of the Silk Road and first Chinese train arrives in Georgia

2016 ISO 9001:2015 certificate granted to Passenger Transportation SBU

2016 Modern passenger trains purchased from Stadler Bussnang

2017 First freight on BTK line

2019 New feeder transportation initiated, serving Black and Caspian Seas to increase container flow in the region

2020 Business processes updated to adapt to COVID-19-related lockdowns and embraced online working

2021 Eurobond issued in 2012 successfully refinanced with new Green Eurobond

2022 Double-track line along the entire mainline network

2023 Creating joint venture along with Kazakhstan and Azerbaijan to develop multimodal service

2024 Completion of the Modernization Project

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MANAGEMENT REPORT

CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

CONSOLIDATED FINANCIAL STATEMENTS FOR 2024

1. DESCRIPTION OF THE COMPANY’S BUSINESS ACTIVITIES

1.1 OVERVIEW OF THE GROUP

JSC Georgian Railway (hereinafter referred to as “GR” or “the Company,” and as “the Group” encompassing all of its subsidiaries) is, according to statute, Georgia’s only integrated railway company. Established in the 19th century, it has played a pivotal role in connecting Georgia with neighboring countries. Strategically located, Georgian Railway serves as a crucial link between Europe and Asia. It principally provides freight transporting services for diverse cargo including oil, oil products, ores and grain, which mostly originate to the east of Georgia and are transported from Central Asia across the Caspian Sea through Georgia and onward to the Black Sea. The Group also provides passenger services and freight forwarding services. It has a vertically integrated business model, owning and operating the tracks, stations, terminals, other infrastructure and rolling stock comprising Georgia’s entire national railway system.

The Group’s mainline rail network, together with that of CFSC Azerbaijan Railways (“Azerbaijan Railways”), forms the Caucasus railway corridor, a key segment of the Transport Corridor Europe-Caucasus-Asia (TRACECA). The former is thus a key link in the shortest route from Central Asia and the Caspian Sea to the Black Sea and the Mediterranean Basin. Providing a pivotal connection in the transportation chain between Europe and Central Asia, the Group is uniquely positioned to capitalize on trade between these two regions. Specifically, three of the Group’s lines connect to the Georgian port cities of Batumi, Kulevi and Poti. Access to these ports allows for easy on-shipment of transit cargo to the Black Sea and, subsequently, the world’s oceans through the Mediterranean Sea. Furthermore, a newly-established railway line now connects Azerbaijan and Georgia to Türkiye and, ultimately, Europe.

The map below shows the key transportation links in the Eurasian region:

OUR MISSION

To deliver safe, efficient and reliable rail transportation services that drive Georgia's economic growth, enhance regional and international connectivity and contribute to sustainable development through modernized infrastructure and accessible services.

OUR VISION

To become a regional leader in rail transportation by maximizing Georgia's transit potential, integrating into global railway systems and providing innovative, safe and environmentally sustainable solutions for freight and passenger services.

OUR GOAL

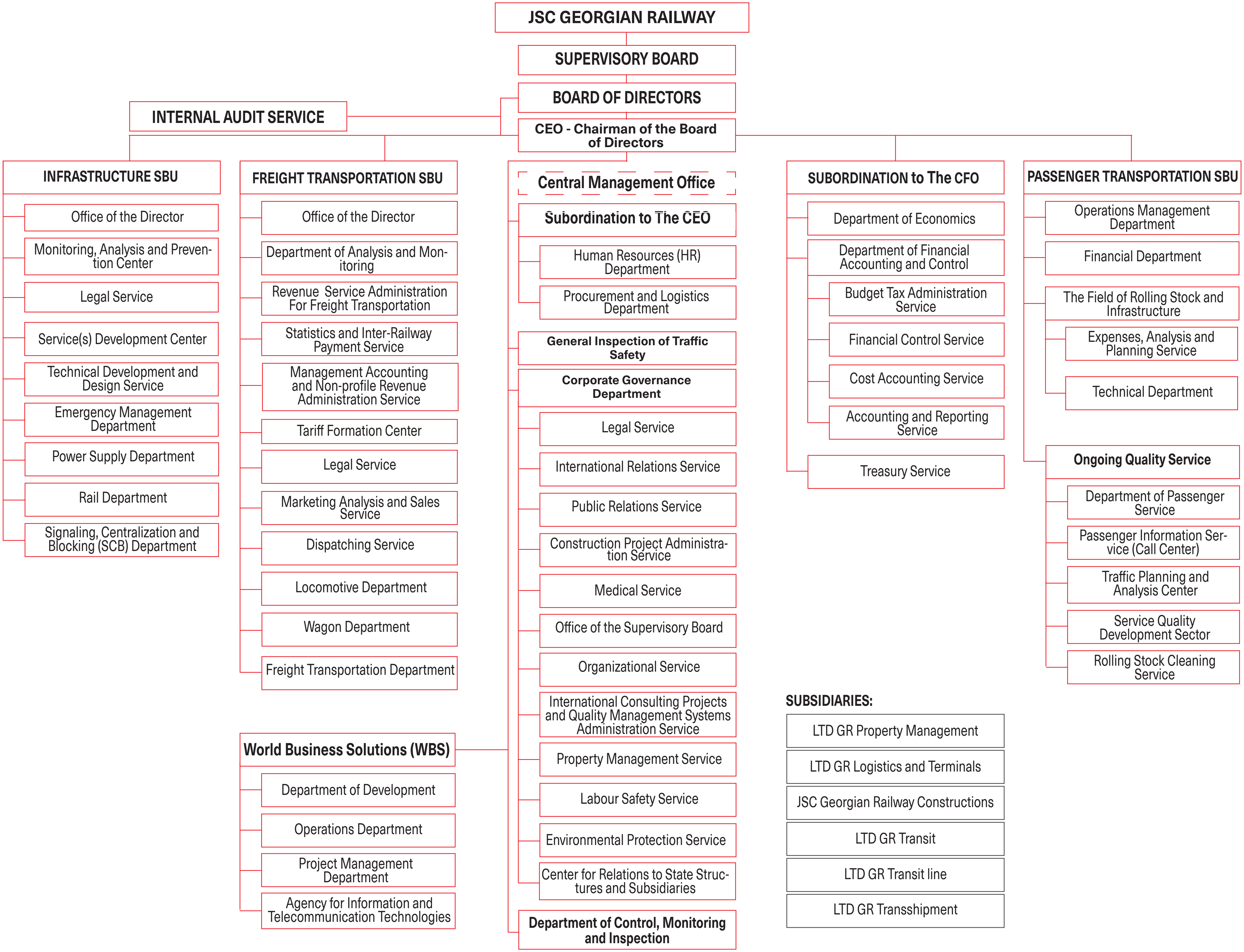
To modernize railway infrastructure comprehensively, maintain leadership in regional freight transportation, offer safe and comfortable passenger services and ensure sustainable operations that support Georgia's long-term economic and social progress

Georgian Railway has made significant strides in achieving its mission and vision. The company has invested heavily in the modernization of its railway infrastructure, including track rehabilitation, station upgrades and the introduction of advanced technologies to enhance safety and operational efficiency. GR has actively supported regional connectivity by participating in projects like the development of the Middle Corridor and integrating its network with international railway systems, including partnerships with Azerbaijan and Kazakhstan Railways.

To strengthen its leadership in freight transportation, Georgian Railway has expanded its logistics capabilities, constructing and operating modern container terminals in Poti and Tbilisi to support the containerization of the Caucasus Railway Corridor. Additionally, GR has competitive and flexible tariff policies to attract more transit cargo, particularly from Central Asia.

For passenger services, the company has focused on improving safety and comfort by modernizing rolling stock and infrastructure, offering accessible fares and upgrading its service standards. These efforts collectively align with Georgian Railway's commitment to sustainable development and solidifying its role as a key player in regional and global trade.

1.2 OUR ORGANIZATIONAL STRUCTURE



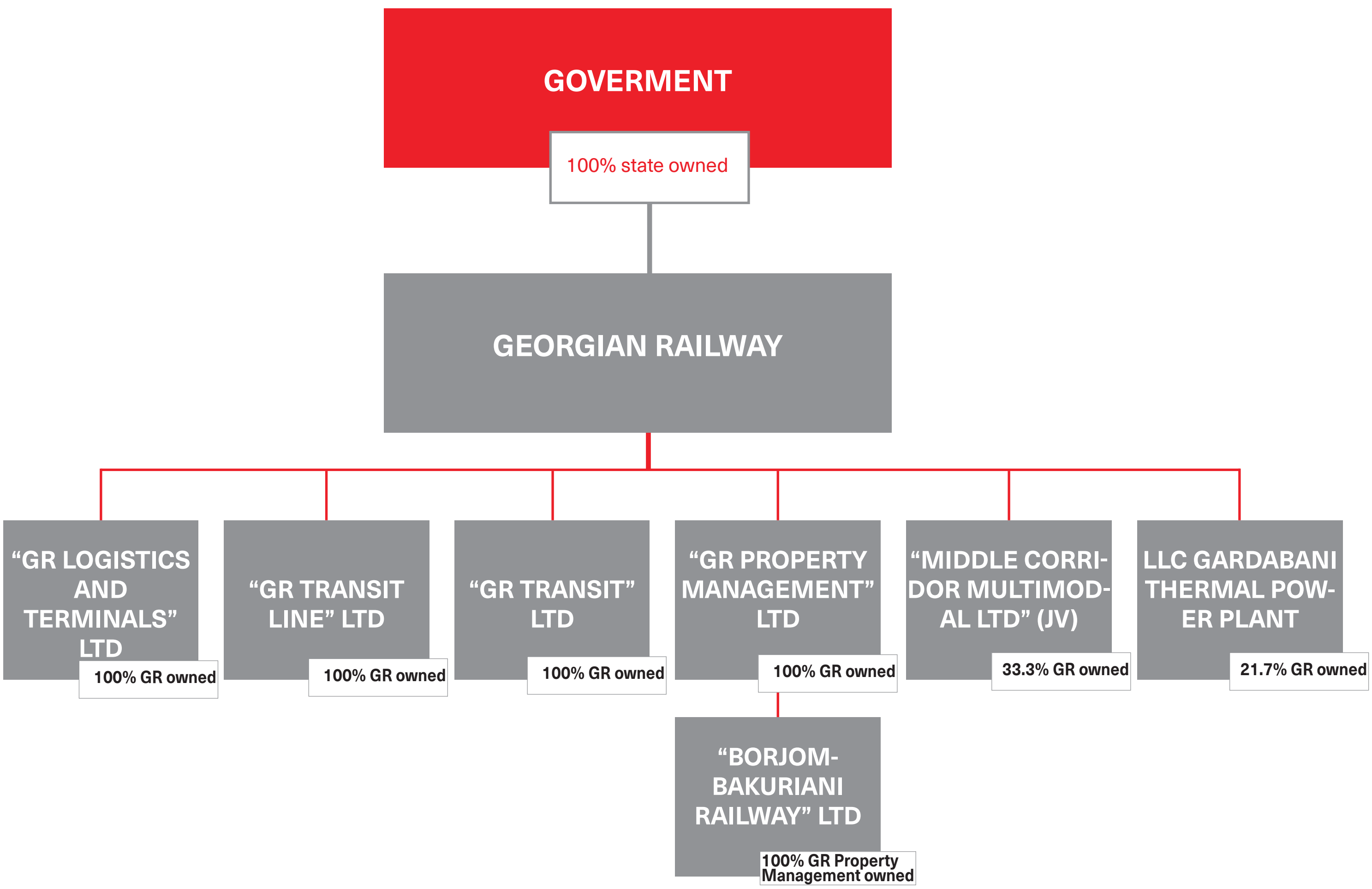
MANAGEMENT STRUCTURE

Georgian Railway's organizational structure is designed for operational efficiency and strategic growth. At the top of the hierarchy is the Supervisory Board, which oversees the Company's long-term strategy and ensures alignment with national and international goals. The Executive Management Team, led by the CEO, handles the day-to-day operations and is responsible for executing strategic decisions.

The Company is divided into Strategic Business Units (SBUs), each focused on specific operational areas: the Freight SBU handles logistics and cargo transportation, ensuring the efficient movement of goods across Georgia and beyond. The Passenger SBU focuses on providing public transport services, contributing to regional mobility and accessibility. The Infrastructure SBU oversees the maintenance, modernization and expansion of the railway network, ensuring it meets growing demand and sustainability goals.

Supporting these core functions are various departments, including Finance, Human Resources, IT and Legal, all of which play critical roles in ensuring operational success and compliance with regulations. This integrated structure enables Georgian Railway to operate as a unified entity, ensuring that its business units work together to achieve common goals while remaining responsive to external and internal challenges. The collaboration between SBUs allows for improved resource allocation, quicker decision-making and more effective strategic execution *(see corporate governance).*

STRATEGIC PARTNERSHIPS AND SUBSIDIARY STRUCTURE OF GEORGIAN RAILWAY



Georgian Railway is fully owned by the Government of Georgia and operates several subsidiaries. GR Logistics and Terminals LLC manages containerization and operates terminals in Poti and Tbilisi. GR Transit LLC focuses on liquid cargo forwarding, while GR Transit Line LLC handles oil product transportation to Azerbaijan and Armenia. GR Property Management LLC oversees railway-related assets and fully owns Borjomi-Bakuriani Railway LLC, though its operations have been suspended.

Additionally, Georgian Railway has established a joint venture with JSC NC Kazakhstan Temir Zholy and CJSC Azerbaijan Railways to form Middle Corridor Multimodal LTD. Georgian Railway also holds a 21.7% share in LLC Gardabani Thermal Power Plant.

1.3 BUSINESS PROFILE

BUSINESS MODEL OF THE COMPANY

COST STRUCTURE[2]

- Employee benefits
- Energy cost
- Repair and maintenance
- Logistics expenses
- Security

STAKEHOLDERS

- Government of Georgia
- Employees
- Customers
- Investors and financial partners
- Suppliers and contractors
- Regulatory bodies
- Local communities
- Labor unions

REVENUE FLOWS[1]

- Freight traffic
- Freight handling
- Logistics services
- Rent of wagons
- Passenger transportation

PARTNERS

- Foreign railways
- Logistics companies
- Freight forwarders
- Transportation companies
- Suppliers
- Ports

CORE ACTIVITY[3]

- Freight transportation
- Passenger transportation
- Logistics services

CONSUMERS

- Passengers
- Logistics companies
- Freight forwarders
- Private companies

1) see Managerial discussion and analysis, 1.1 Revenue
2) see Managerial discussion and analysis, Operating expenses
3) See 7. Focus on core business activities

Georgian Railway operates a vertically integrated business model that combines freight transportation, passenger services and infrastructure management, ensuring seamless and efficient operations across its network. As Georgia's only integrated railway company, it facilitates the transit of key cargo, including oil, grain and minerals, originating from Central Asia and the Caspian region and destined for the Black Sea ports and beyond. Its passenger services, while less commercially appealing, remain a critical responsibility, enhancing connectivity for the public.

The Company continuously invests in modernization projects to improve capacity, efficiency and sustainability. These initiatives include enhancing infrastructure, increasing train speeds and implementing digital technologies to streamline operations. By leveraging its fully electrified network, Georgian Railway reduces its carbon footprint, saving significant emissions annually. Its role as a central link in the Transport Corridor Europe-Caucasus-Asia (TRACECA) positions Georgian Railway as a critical player in regional and international logistics, fostering economic growth and strengthening Georgia's role as a key transit hub.

BUSINESS MODEL IN ACTION

INPUTS

Resources:

Investments:

Partnerships:

BUSINESS ACTIVITIES

Freight transportation

Passenger transportation

Infrastructure management

OUTPUTS

- Freight: Ton-kilometers and tons of transported goods.
- Passenger: Number of passengers and kilometers traveled.
- Operational: Improved infrastructure and digitized processes.

OUTCOMES

- Increased connectivity across Central Asia, the Caucasus and Europe.
- Enhanced service efficiency and reliability.
- Sustainable operations with reduced CO_2 emissions.

IMPACT

- Strengthening Georgia's position as a regional logistics hub.
- Economic development and integration into global trade networks.
- Environmental and social benefits through electrified and sustainable railways.

OUR STAKEHOLDERS

The Company ensures effective stakeholder dialogue through consistent engagement and open communication. This includes regular meetings and consultations with the Government of Georgia to align on policy and strategic objectives. Georgian Railway actively involves employees through training, development programs and feedback mechanisms. The Company maintains strong relationships with investors through transparent reporting and updates, while engaging suppliers through fair procurement practices. Additionally, local communities are supported by social and environmental initiatives, demonstrating the Company's commitment to sustainable development.

Key stakeholders include:

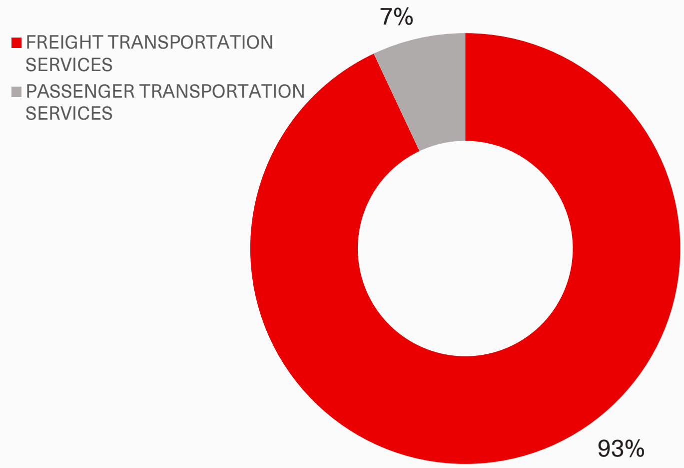
- GOVERNMENT OF GEORGIA: The sole shareholder, guiding the overall strategy and national interests;
- EMPLOYEES: Over 11,700 employees, whose development and welfare are prioritized for operational success;
- CUSTOMERS: Freight and passenger clients, whose needs drive service offerings;
- INVESTORS AND FINANCIAL PARTNERS: Provide capital and contribute to growth and sustainability;
- SUPPLIERS AND CONTRACTORS: Key in maintaining infrastructure and operational efficiency;
- REGULATORY BODIES: Ensure compliance with legal and international standards;
- LOCAL COMMUNITIES: Benefit from the Company's economic impact and commitment to sustainable development.

Engagement with these stakeholders strengthens operational excellence and drives long-term growth.

1.4 OUR SERVICES

Georgian Railway is the national railway company of Georgia, serving as a vital link in the transport network between Europe and Asia. It provides both freight and passenger services, with freight transport being its primary focus and revenue source. The railway plays a key role in transit logistics, moving goods like oil, metals, grain and containers between Azerbaijan, Central Asia and Black Sea ports such as Poti, Batumi and Kulevi. As a crucial component of the Middle Corridor (Trans-Caspian route), Georgian Railway connects to Turkey and Europe via the Baku–Tbilisi–Kars railway. Georgian Railway continues to modernize through infrastructure upgrades, digital tracking systems and improved multimodal logistics, reinforcing its position as a strategic transit hub in the South Caucasus.

SHARE OF GR SERVICES BY REVENUE



TRANSPORTATION SERVICES

- WAGON & CONTAINER TRANSPORTATION;
- PASSENGER TRANSPORTATION;
- REFRIGERATED TRANSPORTATION;

HANDLING SERVICES

- STATION AND TERMINAL SERVICES;
- SHUNTING LOCOMOTIVE SERVICES;
- CARGO STORAGE;
- “SINGLE WINDOW” PRINCIPLE;

REPAIR SERVICES

- WAGON REPAIR SERVICE;
- LOCOMOTIVE REPAIR SERVICE;

RENTAL SERVICES

- WAGON RENTAL SERVICE;
- LOCOMOTIVE RENTAL SERVICE;

TRANSPORTATION SERVICES

WAGON AND CONTAINER TRANSPORTATION

Georgian Railway operates with 4,088 working freight wagons, encompassing various types tailored to handle a wide range of cargo. This diversity enables the railway to meet the needs of clients across numerous industries, from heavy industry and oil transit to agriculture and consumer goods.
(see 5.1 The Group's Ifrastructure)

The main wagon types in operation include:

- OPEN TOP BOX CARS: Used for transporting bulk commodities such as coal, ore and construction materials that are not affected by weather conditions.

- TANK CARS: Designed for liquid cargo like oil, fuel and chemical products. These wagons are essential for Georgia's role in regional oil transit.

- BOX CARS: Provide protection for goods sensitive to weather, making them ideal for consumer products, paper, textiles and packaged food items.

- PLATFORM CARS: Utilized for transporting oversized cargo and containers. These wagons are versatile and support multi-modal freight movement.

- REFRIGERATOR CARS: Equipped with insulation and temperature control systems for perishable goods, including food and pharmaceuticals.

- GRAIN HOPPERS: Ideal for the transportation of grains, fertilizers and other bulk dry cargo requiring bottom discharge.

This wide variety ensures that Georgian Railway can provide customized transportation solutions to clients, with emphasis on safety, efficiency and cargo integrity.

Georgian Railway also offers extensive container transportation services, which have gained prominence with the rise of intermodal logistics and international supply chain integration. Standard containers, including 20-foot and 40-foot units, are widely used to support the flow of goods on both domestic and international corridors.

The railway operates several container terminals across the country, including in Tbilisi and Poti. These terminals are strategically located near seaports, customs clearance zones and industrial centers, ensuring smooth transshipment and connectivity.

In addition, Georgian Railway has embraced digital transformation to improve transparency and convenience for customers. Services such as online cargo tracking, electronic consignment documentation and real-time communication platforms make freight movement more manageable and predictable. *(see 6. The Copmany's Strategy for a Sustainable Future)*

PASSENGER TRANSPORTATION

Georgian Railway prioritizes the safe, timely and comfortable transportation of passengers as one of its core missions. The Company views passenger service not only as a transportation function but as a vital component of Georgia's social infrastructure and regional integration. By providing accessible and affordable rail services, Georgian Railway plays a key role in strengthening mobility for all citizens and visitors, fostering economic development, tourism and environmental sustainability across the country. *(see 7. Focus on core business activities)*

To ensure modern standards in service quality, Georgian Railway is committed to continuous improvement of operations and passenger experience. This includes investment in rolling stock modernization, digital ticketing systems, enhanced scheduling and reliability. A major milestone in this effort was the acquisition of Stadler KISS double-decker electric trains from Switzerland in 2016–2017. These modern trains feature high-speed capability, ergonomic seating, onboard Wi-Fi, climate control systems, accessibility features for persons with disabilities and quiet, energy-efficient operation. Their introduction elevated Georgia's mainline intercity service to European quality standards and significantly increased passenger satisfaction and demand.

Georgian Railway operates its passenger transportation network across three key categories, designed to serve diverse user needs and geographic regions:

- MAINLINE;
- REGIONAL;
- INTERNATIONAL ROUTES.

MAINLINE ROUTES: Mainline services form the backbone of the Georgian passenger railway system. These routes connect the country's largest cities, key economic centers and tourist destinations, providing high-capacity, long-distance travel that is both fast and affordable. For example:

Tbilisi – Batumi: This is the busiest and fastest route in the system, connecting the capital city with the popular Black Sea resort of Batumi. It is operated using the modern Stadler KISS double-decker trains, which offer comfort, speed (up to 120 km/h) and premium services. It's especially popular during the summer season, with trains often fully booked due to high tourist demand.

Tbilisi – Zugdidi / Ozurgeti / Poti: These vital intercity routes connect eastern and western Georgia, linking Tbilisi with key cities in Samegrelo, Guria and Adjara regions. Services run both during the day and overnight. These routes are essential for daily commuters, students, holiday travelers and logistics surrounding tourism and local trade.

REGIONAL ROUTES: Regional passenger trains help to balance regional development by ensuring that even remote communities remain connected to Georgia's economic and social life.

Typical characteristics of regional routes include:

- Use of smaller, older trainsets;
- Frequent stops in local towns and villages;
- Affordable fares and simplified access.

Examples include:

Tbilisi – Borjomi – Tbilisi: Culturally significant route that supports domestic tourism to the Borjomi resort area and National Park.

Kutaisi – Batumi – Kutaisi: Facilitates intra-regional travel between two major cities of western Georgia, often used by workers and students.

Regional services are instrumental in social equity, offering reliable transport for those without access to private vehicles.

INTERNATIONAL ROUTES: Georgian Railway has historically operated international passenger trains to Georgia's neighboring countries, enhancing regional connectivity and cultural exchange. These cross-border services are not only used for tourism, but also for trade, business travel and diaspora visits.

Tbilisi – Yerevan (Armenia): This international route remains active, especially in summer months and holiday periods. Operated in cooperation with South Caucasus Railway (SCR), it provides a safe, comfortable and scenic alternative to road travel between the two capitals.

Tbilisi – Baku (Azerbaijan): This route was temporarily suspended due to regional developments and pandemic-related border closures but is expected to be restored in 2025 as regional transport cooperation strengthens.

International services include border control procedures onboard, seating and sleeper accommodations and are especially attractive to tourists exploring the historic and cultural richness of the South Caucasus.

The digital transformation of GR's passenger system has significantly improved customer experience. Passengers can purchase tickets both online and at the ticket offices. GR's official portal gr.com.ge enables passengers to: purchase tickets online, choose seating preferences, view real-time train schedules, receive travel updates and notifications. In addition Georgian Railway offers preferential tariffs for specific groups, promoting affordability and inclusivity. Students, Georgian Railway employees, military veterans and children are eligible for discounted ticket fares, ensuring that essential railway services remain accessible to a broad spectrum of society *(see 9.3 Competition from road transportation).*

REFRIGERATOR TRANSPORTATION

Georgian Railway offers specialized refrigerator wagon services designed for the transportation of perishable goods that require strict temperature control throughout the journey. This service is crucial for industries such as agriculture, food processing, pharmaceuticals and retail, enabling the safe and efficient movement of temperature-sensitive cargo across Georgia and through international corridors. The Tbilisi–Poti–Batumi corridors are among the busiest directions for refrigerated cargo movement.

Georgian Railway refrigerator wagons and containers are equipped with thermal insulation and autonomous temperature control systems, maintaining optimal conditions for goods such as fruits and vegetables; meat and fish; dairy products and etc. The Company offers this service both with its own refrigerated wagons, as well as sections owned by the client.

The Company collaborates closely with clients to offer customized logistics solutions, including:

- Pre-departure inspections and temperature pre-setting;
- Real-time cargo monitoring (where available);
- Warehouse-to-destination coordination;
- Flexible scheduling and integration with other types of freight wagons when needed.

Furthermore, Georgian Railway offers competitive and transparent tariffs for refrigerator transport services, including preferential conditions for long-term partners. The Company's goal is to strengthen Georgia's position as a reliable transit and logistics hub in the region, by ensuring efficient and secure cold chain logistics.

This service reflects Georgian Railway's strategic vision to support sustainable agriculture, safe food supply chains and cross-border trade through high-quality freight services tailored to modern economic needs.

HANDLING SERVICES

STATION AND TERMINAL SERVICES

One of the important components of Georgian Railway's freight logistics system is its station service, which ensures the efficient handling of wagons during the cargo delivery and removal process.

Station service involves the delivery and removal of rail wagons between the main railway lines and the internal tracks. This process includes several coordinated actions performed by the railway, which ensure that cargo reaches its destination safely and efficiently. Key Services Included in Station Operations:

DOCUMENTATION PROCESSING: Georgian Railway takes care of preparing and managing all the necessary transport and customs documentation required for cargo shipments. This includes loading and unloading records and other logistics paperwork, ensuring compliance with national and international regulations.

ROLLING STOCK: When needed, the railway allocates appropriate types of wagons for customer use - depending on the nature of the cargo (e.g., open wagons, tank wagons, refrigerated wagons, covered wagons, etc.). This allows companies to benefit from a ready supply of transport equipment without having to own.

TRACK OCCUPANCY FOR CUSTOMER-OWNED WAGONS: If a customer operates with their own wagons, Georgian Railway provides access to its tracks and coordinates their movement, ensuring efficient use of railway infrastructure for both public and private freight operations.

OPENING AND CLOSING OF LANES AT RAILWAY-OWNED SIDINGS: In cases where cargo needs to be loaded or unloaded at sidings, the railway is responsible for the opening, switching and securing of those tracks. This ensures the safe positioning of wagons during the loading/unloading process.

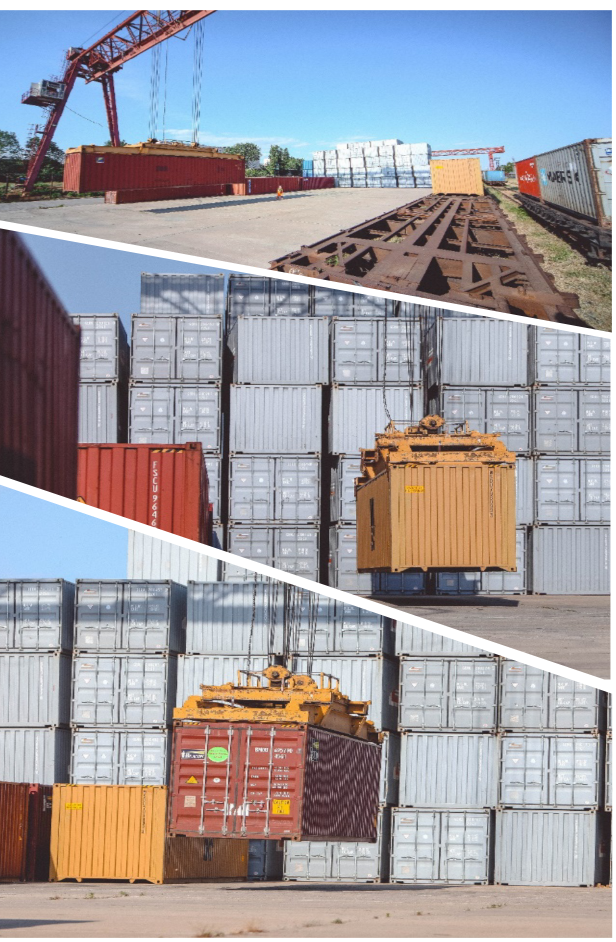
ADDITIONAL OPERATIONAL SUPPORT: Georgian Railway also performs auxiliary tasks required to complete cargo delivery - such as rearranging wagons, inspecting brakes, coupling and uncoupling wagons and coordinating with cargo terminal operators or warehouse teams.

In addition, Georgian Railways owns a subsidiary Company, GR Logistics and Terminals, which provides terminal services. It operates terminals in both Tbilisi and Poti *(see 7.4 Subsidiaries amd affiliates).*

TBILISI CONTAINER TERMINAL: is equipped with 2 gantry cranes, reach stackers, modern forklifts and private locomotive on railway line. The total area of the concrete square is 5'500 km, which can simultaneously hold 600 pcs of 20' containers. Terminal area is divided into customs and commercial zones. In each zone, there are open and closed warehouse areas, cargo reloading zone. Working Hours –7/24 including the Holidays; 24 hours monitoring with security cameras installed across terminal territory.

Type of services of Tbilisi terminal:

- Full and empty container - crane operation;
- Maneuver locomotive service on wagon / container;
- Full and empty containers storage;
- Storage of refrigerated containers in a state of 12 units at the same time;
- Dry Cargo Warehousing / storage;
- Weighing of containers or vehicle;
- Storage of dry cargo in an enclosed or open area;
- Any kind of loading / unloading operations;
- Customs / non-customs warehouse services;
- Direct reloading of cargo from wagon to container / car or vice versa;
- Possibility to use the internal railway line and lane of the terminal;
- Cargo packing - fastening works in one container or one wagon with terminal workers.



POTI CONTAINER TERMINAL: is equipped with gantry cranes, reach stackers, modern forklifts and private locomotive on railway line. The total area of the concrete area is 7,100 km, which has place for 800 c 20-foot containers at a time. Terminal serves all container- shipping lines operating in Poti port. Terminal area is divided into customs and commercial zones. In each zone, there are open and closed warehouse areas. Working Hours –7/24 including the Holidays; 24 hours monitoring with security cameras installed across terminal territory.

Type of services of Tbilisi terminal:

- Full and empty container - crane operation;
- Maneuver locomotive service on wagon / container;
- Store full and empty containers;
- Storage of refrigerated containers in a state of 12 units at the same time;
- Dry Cargo Warehousing / storage;
- Storage of dry cargo in a closed or open area;
- Contain dry cleaning (According to the order of the container owner).

SHUNTING LOCOMOTIVE SERVICE

Shunting services are an essential component of Georgian Railway's freight operations, involving the local movement, assembling and disassembling of railcars at stations, terminals, or customer-owned sidings. These operations are necessary for the efficient handling, delivery and dispatch of cargo wagons within the rail network. Shunting services include:

OPTIMIZING FREIGHT TURNOVER IN TERMINALS: Local movement of wagons within station yards; Transporting wagons to and from loading/unloading points.

Shunting services are carried out using specialized shunting locomotives, which are designed for short-distance, flexible and safe movement of wagons. These operations are performed by qualified teams trained to manage local rail movements and ensure technical accuracy in a confined rail environment.

CARGO STORAGE

Georgian Railway offers reliable and flexible cargo storage services.. These services are designed to accommodate the temporary storage of goods and wagons during different stages of transport – including pre-loading, post-unloading, customs clearance and logistics scheduling.

Cargo storage is an essential link in the logistic chain, especially for customers who manage large volumes of freight, depend on multimodal transport, or require coordination between production cycles and shipment schedules. Types of Storage Services Offered:

STORAGE OF LOADED WAGONS: Georgian Railway provides designated rail tracks at freight stations where loaded wagons can be temporarily stored until the next stage of their journey begins. This service is especially important when:

- Cargo is awaiting customs clearance;
- There are delays from the receiving party;
- Transshipment to another mode of transport (e.g., port terminal or road) is pending.

STORAGE OF EMPTY WAGONS: Clients who own or lease wagons may require temporary parking for empty wagons between shipments. Georgian Railway allocates specific sidings and tracks to accommodate such requests. This helps clients reduce congestion at their own facilities and maintain fleet availability near key stations.

STATION TERRITORY STORAGE: Georgian Railway manages warehouse-type storage spaces and open-air cargo yards within station premises.

“SINGLE WINDOW” PRINCIPLE

Georgian Railway prioritizes customer-oriented and efficient service delivery across its freight operations. One of the key approaches supporting this goal is the “Single Window” principle, a centralized service model that allows customers to access a wide range of railway-related services across the Middle Corridor, through a single point of contact. This system simplifies logistics procedures, improves transparency and accelerates cargo processing across the entire transportation chain.

The “Single Window” principle is particularly essential for the Middle Corridor, which is particularly comlicated due to number of different players and different transportation modes. Clients no longer need to navigate multiple entities to manage cargo transportation. Instead, Georgian Railway ensures all processes are accessible through a centralized service center or digital communication line.

The “Single Window” principle offers numerous advantages to customers and partners:

EFFICIENCY: Simplifies coordination by consolidating all communication through a single contact point;

SPEED: Reduces processing time for document handling and wagon operations;

TRANSPARENCY: Enhances visibility into cargo status, tariffs and procedures;

CONVENIENCE: Enables easier access to multiple services across the Middle Corridor, either digitally or through a central operator.

By integrating all services into one cohesive platform, Georgian Railway empowers businesses to manage freight logistics with fewer obstacles. The Single Window model not only improves client satisfaction but also boosts overall system performance, contributing to Georgia’s growing role as a regional transport and logistics hub.

REPAIR SERVICES

WAGON REPAIR SERVICE

Georgian Railway provides a comprehensive Wagon Repair Service designed to ensure the reliability, safety and operational readiness of its freight and passenger rolling stock. The maintenance and repair of wagons are crucial to maintaining uninterrupted cargo flows and prolonging the service life of railway assets. Wagon Repair Include:

SCHEDULED MAINTENANCE - Regular inspections and preventive repairs are carried out based on usage cycles and technical standards. These help detect and address issues early, reducing the risk of in-service failures.

CURRENT REPAIRS (ROUTINE REPAIRS) - These include the replacement of worn parts, brake systems servicing, minor structural work and safety system checks, typically performed between major overhauls.

OVERHAUL AND MODERNIZATION - Periodic full overhauls of wagons involve complete disassembly, inspection, part replacement, repainting and reassembly. In some cases, wagons may be upgraded with modern equipment or features to extend operational life or improve performance.

WHEELSET AND BOGIE MAINTENANCE - Repairs and replacements of wheelsets, bearings, axles and bogie components are performed according to safety regulations to ensure stability and safe operation.

Georgian Railway operates its own network of depots and repair workshops strategically located along major routes. These facilities are equipped with:

- Lifting and diagnostic equipment;
- Welding and machining tools;
- Spare parts inventory;
- Skilled engineers and certified technicians.

The repair service covers a broad range of wagons including:

- Open wagons;
- Tank wagons;
- Covered wagons;
- Platform wagons;
- Refrigerated wagons.

LOCOMOTIVES REPAIR SERVICE

Georgian Railway ensures the reliability and efficiency of its rail operations through a well-organized Locomotive Repair Service, which is responsible for the technical maintenance, servicing and modernization of locomotives in both freight and passenger segments.

Main Components of Locomotive Repair Service:

PREVENTIVE MAINTENANCE - Routine technical checks and servicing are conducted at regular intervals to prevent unexpected breakdowns. This includes inspections of brake systems, power units and electronic components.

CURRENT AND EMERGENCY REPAIRS - Covers the repair of mechanical and electrical faults discovered during operation or at the depot. Quick-response teams are available for on-site diagnostics and troubleshooting.

OVERHAUL AND MODERNIZATION - Locomotives undergo comprehensive overhauls at scheduled intervals, including:

Engine disassembly and rebuilding;

- Replacement of critical systems (transmissions, traction motors, compressors);
- Structural repair and painting;
- Software and control system upgrades.

LOCOMOTIVE DIAGNOSTICS - Advanced diagnostic tools are used to monitor engine performance, identify early signs of failure and optimize maintenance schedules.

RENTAL SERVICES

WAGON RENTAL SERVICE

The Wagon Rental Service offered by Georgian Railway is a flexible and client-oriented solution for businesses that require cargo transportation without owning their own rolling stock. This service is ideal for companies looking to optimize logistics operations, increase transport capacity, or secure rail freight solutions for short- or long-term needs. By leveraging the extensive wagon fleet of Georgian Railway, customers gain access to reliable and maintained rolling stock, supported by a professional railway infrastructure.

Georgian Railway owns a diverse fleet of wagons designed to meet a wide variety of cargo transportation needs. The wagons available for rental include:

OPEN TOP BOX CARS: Suitable for bulk materials such as coal, gravel, ore, or construction materials.

BOX CARS: Provide protection for packaged or palletized goods from weather exposure.

PLATFORM CARS: Used for containers, oversized cargo, machinery, or vehicles.

TANK CARS: Designed for the transportation of liquid cargo, including oil, fuel, or chemicals.

REFRIGERATOR CARS: Ensure temperature control for transporting perishable goods like food and pharmaceuticals.

Each wagon type meets national and international safety standards and is maintained regularly to ensure operational efficiency.

LOCOMOTIVE RENTAL SERVICE

The Locomotive Rental Service offered by Georgian Railway is a tailored logistics solution for industrial operators, cargo terminal managers and enterprises that require independent maneuvering or hauling capabilities but do not own locomotives themselves. This service enables clients to rent locomotives either for industrial sidings, internal yard movements, or for use in specific routes, depending on operational needs.

Georgian Railway operates different types of locomotives, which may be available for rent based on technical and operational compatibility. These include:

SHUNTING LOCOMOTIVES – typically used within stations, terminals, or industrial areas for moving wagons over short distances.

MAINLINE ELECTRIC LOCOMOTIVES – for longer hauls or internal logistics within large industrial zones.

SPECIAL-PURPOSE MEASURING VEHICLES – for cases such as construction or maintenance works.

Rental Service Included:

- Fully operational locomotives maintained by certified railway workshops.
- Technical inspection and readiness before deployment.
- Skilled locomotive crew (upon request) – for clients without certified staff.
- Fueling and maintenance options as per contract agreement.
- Operational integration with Georgian Railway infrastructure, including access to sidings, yards and junction points.
- 24/7 dispatch coordination for safety and efficiency during movements.

2. COUNTRY PROFILE AND INDUSTRY OVERVIEW

2.1 COUNTRY PROFILE

CROSSROADS BETWEEN EUROPE AND ASIA

Georgia is a country located at the intersection of Europe and Asia, making it an important and attractive place for economic activities. Over the years, Georgia has signed up to multiple international treaties and other agreements to strengthen its position and boost its competitive advantage in this regard. Since regaining independence in 1991, extensive economic reforms have steered the country toward becoming a relatively well-functioning and stable market economy.

In particular, Georgia has been a member of the World Trade Organization (WTO) since 14 June 2000, while it also has free trade agreements (FTAs) with the Commonwealth of Independent States (CIS) and Türkiye. Moreover, under the Generalized System of Preferences (GSP), Georgia can export a variety of products duty-free to the United States or the EU and can benefit from reduced tariffs with Switzerland, Norway, Canada and Japan.

In addition, the signing of the EU-Georgia Association Agreement (AA) and the establishment of the Deep and Comprehensive Free Trade Area (DCFTA) in 2014 gave Georgian products easier access to the EU market. At the same time, reduced taxes as well as the removal of technical barriers have increased the accessibility of companies and traders in the EU to the Georgian market. Furthermore, Georgia also signed an FTA with China in 2017 and with Hong Kong in 2018, while it has similar agreements with the European Free Trade Association (EFTA), the UK and Ukraine as well.

INTERNATIONAL RATINGS

DOING BUSINESS

N7

Out of 190 countries

source: The World Bank

OPEN GOVERNMENT INDEX

N45

Out of 142 countries

source: The World Justice Project

OPEN BUDGET INDEX

N1

Out of 125 countries

source: The International Budget Partnership

CORRUPTION PERCEPTIONS INDEX

N53

Out of 180 countries

source: Transparency International

GLOBAL COMPETITIVENESS INDEX

N74

Out of 141 countries

source: The World Economic Forum

E-GOVERNMENT DEVELOPMENT SURVEY

N60

Out of 193 countries

source: United Nations

INDEX OF ECONOMIC FREEDOM

N32

Out of 184 countries

source: The Heritage Foundation

LOGISTICS PERFORMANCE INDEX

N79

Out of 139 countries

source: The World Bank

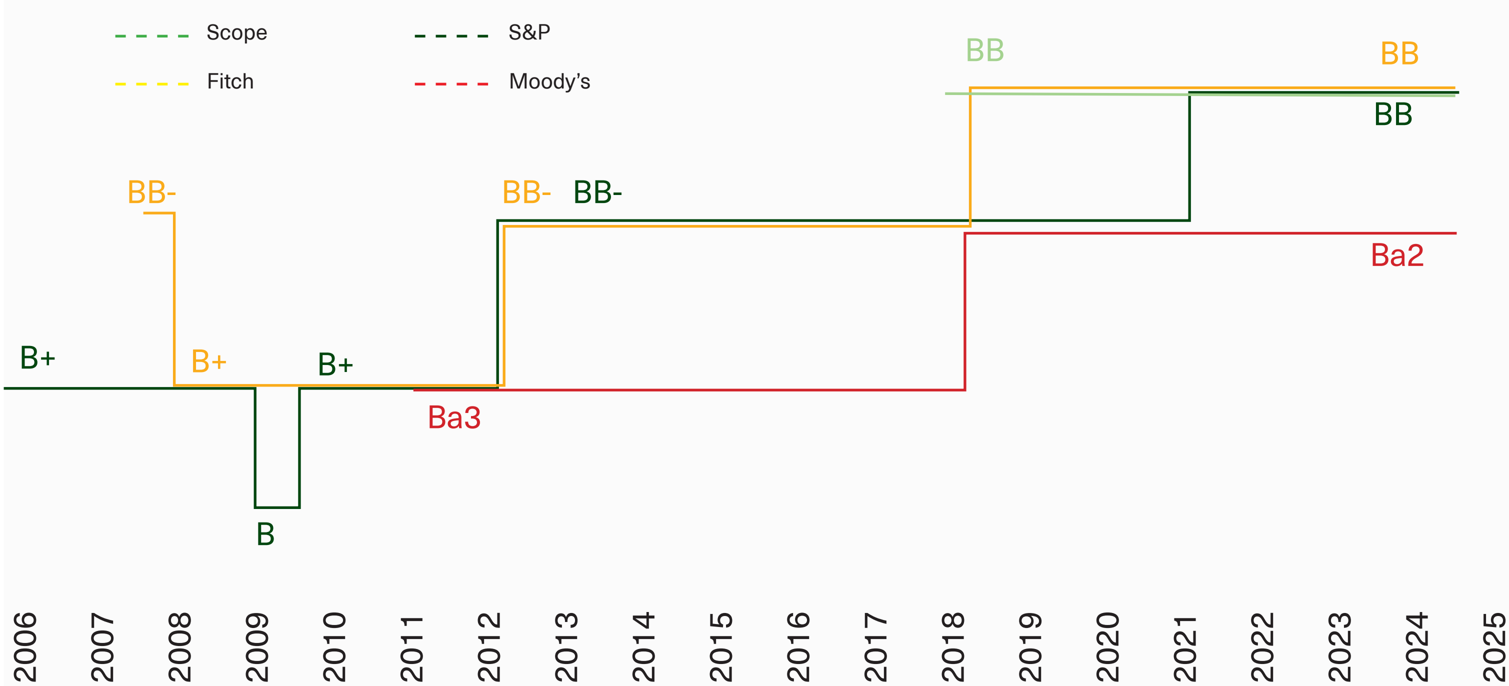
BUSINESS BRIBERY INDEX

N44

Out of 194 countries

source: TRACE Association

SOVEREIGN RATINGS FOR GEORGIA



Sources: Moody's; Fitch; S&P.

The world's leading rating agencies continuously monitor and analyze countries' macroeconomic indicators, enabling them to provide qualified and reliable assessments. In this context, Moody's, Fitch and S&P have all upgraded Georgia's sovereign credit rating over the years.

Specifically, on 7 February 2025, S&P Global Ratings maintained Georgia's outlook as 'Stable' and affirmed its "BB" credit rating.

However, on 24 March 2025, Moody's affirmed Georgia's "Ba2" rating but revised its outlook from 'Stable' to 'Negative'.

Earlier, on 6 December 2024, Fitch affirmed Georgia's sovereign credit rating at "BB" and also revised its outlook from 'Stable' to 'Negative'.

FitchRatings

Rating	BB
Outlook	NEGATIVE
Last Update	6 December 2024

S&P Global

Rating	BB
Outlook	STABLE
Last Update	7 February 2025

MOODY'S

Rating	Ba2
Outlook	NEGATIVE
Last Update	24 March 2025

MACRO-ECONOMIC OVERVIEW

In 2024, despite challenges arising from the Russia-Ukraine War, political instability in Georgia and disruptions in global supply chains, Georgia's economy demonstrated remarkable resilience, characterized by robust economic activity and effective management of macroeconomic and fiscal stability. Despite ongoing geopolitical tensions, which led to alterations in trade routes and higher consumer prices in certain sectors, key macroeconomic trends continued on a positive trajectory. Strong GDP growth, increased export revenues and rising tourism earnings provided a foundation for continued positive economic performance. Although foreign direct investment (FDI) and remittance inflows were lower than in previous years, Georgia's economy showed robustness and adaptability.

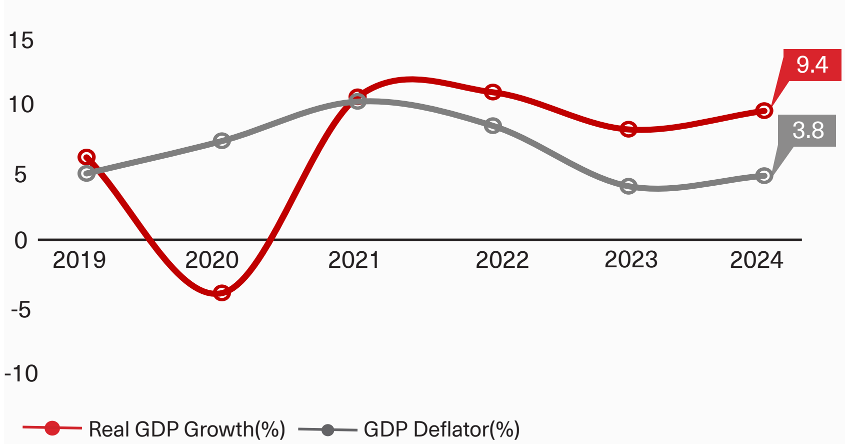
GEORGIA'S KEY MACROECONOMIC INDICATORS

2024 compared to 2023

+9.4%	REAL GROSS DOMESTIC PRODUCT	**+7.3%**	INCOME FROM FOREIGN TRAVEL
-29.9%	FOREIGN DIRECT INVESTMENT	**-18.9%**	REMITTANCE INFLOWS
+8.5%	IMPORT	**+7.8%**	EXPORT

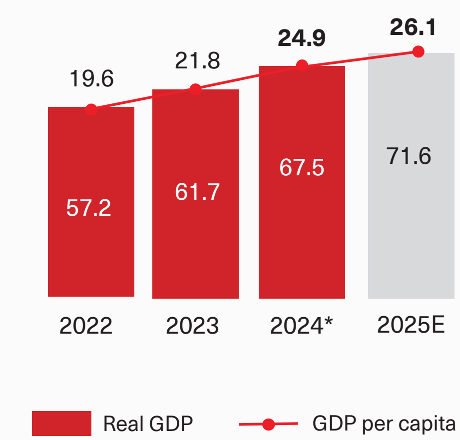
Despite facing an adverse external climate and geopolitical tensions, Georgia's economy recorded notable growth in 2024, with increases in both tourism earnings and export revenues. As a result, Georgia's GDP grew by 9.4% year-on-year. Meanwhile, the GDP price deflator increased to 3.8%, reflecting moderate inflationary trends. The combination of a strong real GDP growth rate and a moderate GDP price deflator in 2024 indicates ongoing economic growth, with moderate inflationary pressures, pointing towards a more stable economic environment. Driven by strong performance in sectors such as education, information and communication and public administration, as well as increased export revenues, higher tourism earnings, sustained domestic demand and infrastructure investments, the real GDP growth in 2024 was higher compared to the 7.8% growth rate recorded in 2023. However, primarily due to diminished FDI and remittances, the growth was lower compared to the double-digit expansions of 11.0% and 10.6% recorded in 2022 and 2021, respectively. Looking ahead, the International Monetary Fund (IMF) forecasts 6.0% GDP growth for Georgia in 2025.

REAL GDP GROWTH AND GDP DEFLATOR TRENDS



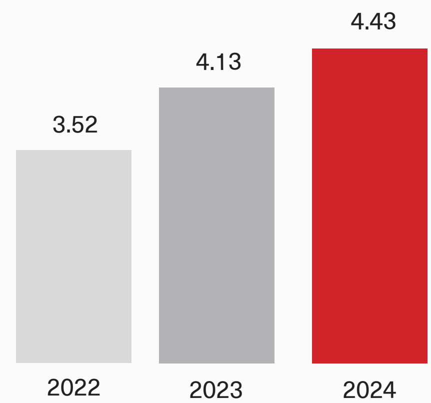
Source: National Statistics Office of Georgia (Geostat), International Monetary Fund (IMF)
**Preliminary data*

REAL GDP GROWTH *(BLN GEL)*



Increased consumption, which substantially contributed to GDP growth, was significantly driven by foreign travel. Specifically, in 2024, income from foreign travel grew by 7%. This rise was largely attributed to a surge in the number of tourists from Israel, Iran and Azerbaijan by 39%, 16% and 12%, respectively, in 2024, compared to the previous year (source: Geostat.ge). It should be noted that the lower growth rate in income from foreign travel in 2023-2024, compared to 2022, was due to the reclassification of a certain percentage of migrants from Russia, Ukraine and Belarus as Georgian residents by the National Bank of Georgia (NBG)[1], meaning their expenses were excluded from the foreign travel income figure.

INCOME FROM FOREIGN TRAVEL *(BLN USD)*

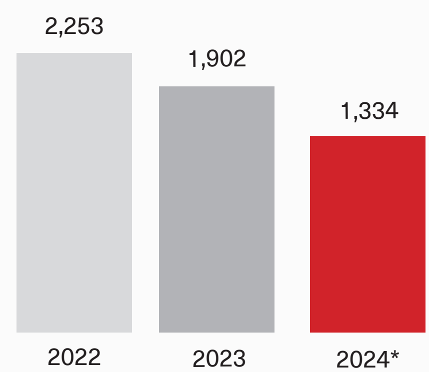


Source: National Bank of Georgia (NBG)

[1]As of 31 December 2024, 26.7% of Belarusian citizens, 19.8% of Russian citizens and 22.9% of Ukrainian citizens residing in Georgia were estimated as living in the country for one year, or were intending to stay for more than one year. According to the IMF's methodology, they are classed as Georgian residents and their expenses are thus not included in the foreign travel income calculations.

Investment plays a central role in GDP, with FDI specifically carrying significant importance in stimulating economic growth. In 2024, FDI inflows amounted to USD 1.3 billion, marking a decrease of 30% compared to the previous year. The total decline of USD 0.6 billion was mainly attributable to a decrease in equity investments and reinvested earnings, as well as a decline in investments from traditional partners such as Netherlands, the United States and Türkiye. Additionally, the political uncertainty during the 2024 parliamentary elections likely contributed to cautious investor behavior, further affecting FDI inflows. Moreover, in 2024, the share of the transportation and storage sector's contribution to FDI amounted to 7.3%, compared to 8.7% in 2023 and 3.9% in 2022.

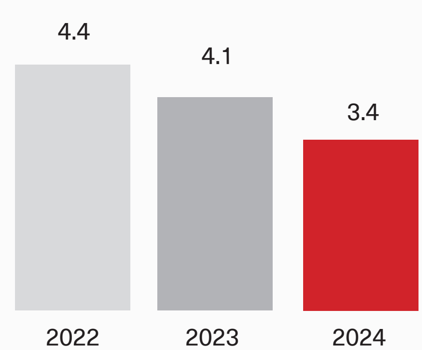
FDI IN GEORGIA *(MLN USD)*



Source: National Statistics Office of Georgia (Geostat)
**Preliminary data*

The combination of reduced FDI and diminished remittance inflows contributed to the economic challenges faced by Georgia in 2024. The 19% decline in financial inflows was primarily due to a 65% drop in transfers from Russia, which had been a major source of remittances. This decline was driven by factors such as the Russian ruble's (RUB) depreciation, the impact of the Russia-Ukraine war the partial mobilization of Russian citizens for military service, all of which reduced the financial capacity of Russian migrants. Meanwhile, remittances from the United States increased significantly, making it the largest source of remittances to Georgia in 2024. In addition, despite the downturn in foreign currency inflows, the Georgian lari (GEL) showed signs of strengthening towards the end of 2024 due to measures taken by the National Bank of Georgia *(see Foreign Currency Exchange Rate against the GEL below).*

REMITTANCE INFLOWS *(BLN USD)*

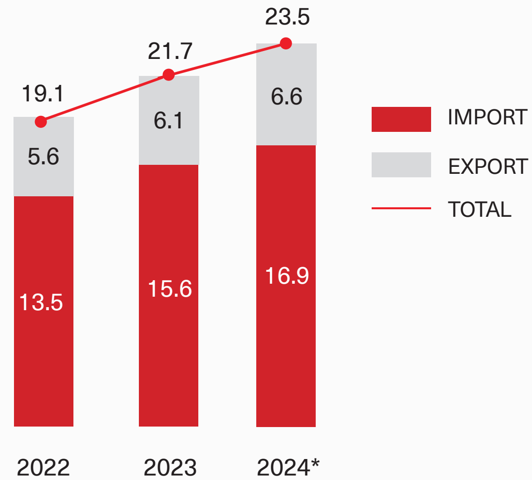


Source: National Bank of Georgia (NBG)

INTERNATIONAL TRADE

Changes in demographics and economic trends in Georgia have had a significant impact on the demand for domestic goods and services, with a consequent effect on the country's trade balance. Indeed, Georgia's trade balance currently shows a deficit, as the revenue generated from imports is more than double the amount earned from exports. Clearly, this highlights the country's high dependence on imports. As Georgia continues to receive an increasing number of tourists, the demand for imported products has risen. Pertinently, imports witnessed a substantial increase of 8% in 2024, compared to 2023. On the other hand, the export of goods also grew in 2024, by 8% compared to the previous year. It is also worth noting that GR, which holds a monopoly when it comes to rail transportation, is playing a vital role in facilitating the transportation of exported and imported goods from and to Georgia.

INTERNATIONAL TRADE *(BLN USD)*

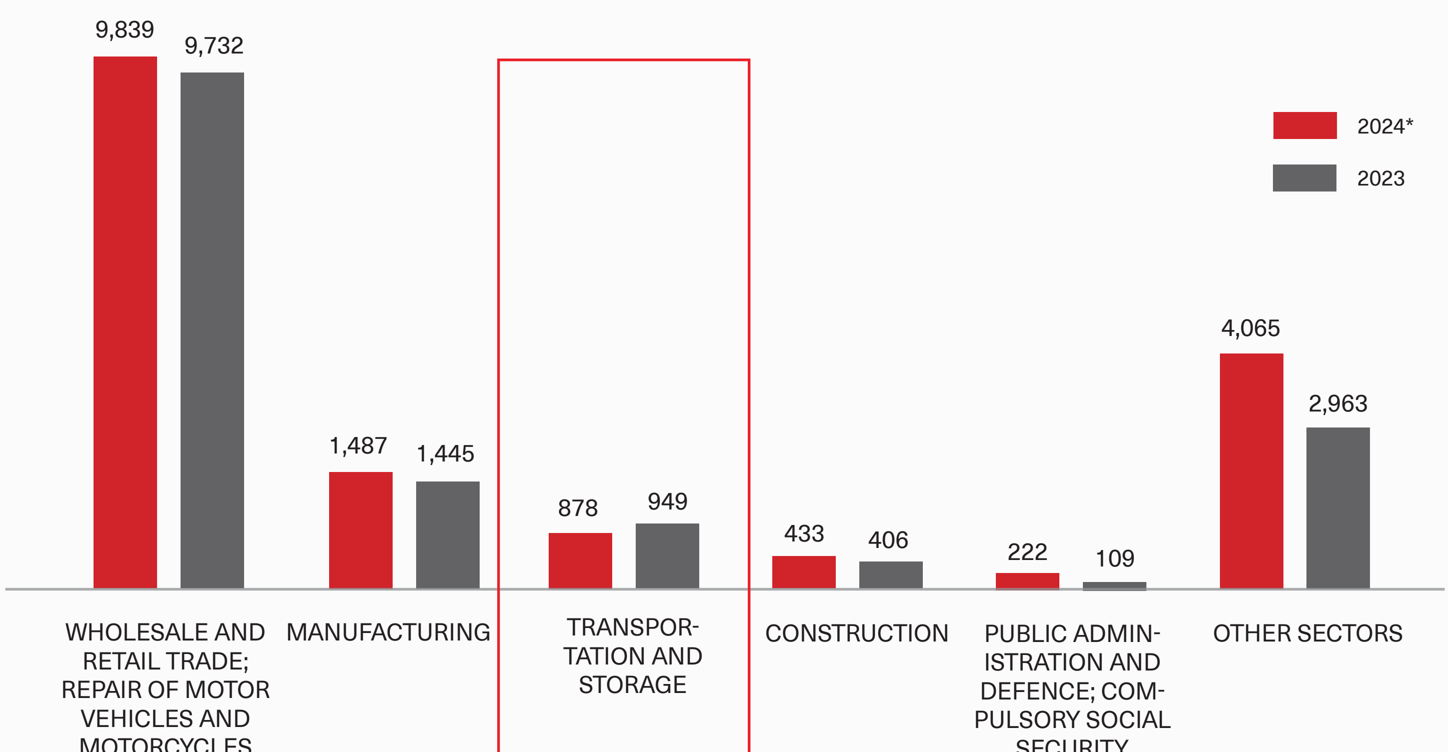


Source: National Statistics Office of Georgia (Geostat)
**Preliminary data*

IMPORTS

In 2024, imports into Georgia increase across various economic sectors. Notably, there was a slight rise in imports in the wholesale and retail trade sector, as well as in the public administration and defence sector, both of which amounted to GEL 0.1 billion. However, the transportation and storage sector recorded a slight decrease of GEL 0.1 billion, compared to 2023. The main imported products in 2024 were motor vehicles (accounting for 20.5%), followed by petroleum and petroleum oil (7.7%), medicaments (3.7%), petroleum gases (2.6%) and telephone sets and apparatus (2.0%).

GEORGIA'S IMPORTS BY TYPE OF ECONOMIC ACTIVITY *(MLN GEL)*



Source: National Statistics Office of Georgia (Geostat)
**Preliminary data*

In 2024, imports increased from all of Georgia's main trading partners, except Azerbaijan and Ukraine.

IMPORTS *y-o-y change*	2022	2023	2024*
EU MEMBER STATES	*33%*	*25%*	*20%*
TÜRKIYE	*30%*	*8%*	*8%*
RUSSIA	*79%*	*-5%*	*6%*
CHINA	*30%*	*18%*	*21%*
USA	*56%*	*102%*	*1%*
AZERBAIJAN	*7%*	*2%*	*-11%*
UKRAINE	*-37%*	*-9%*	*-3%*
OTHER COUNTRIES	*35%*	*-2%*	*1%*

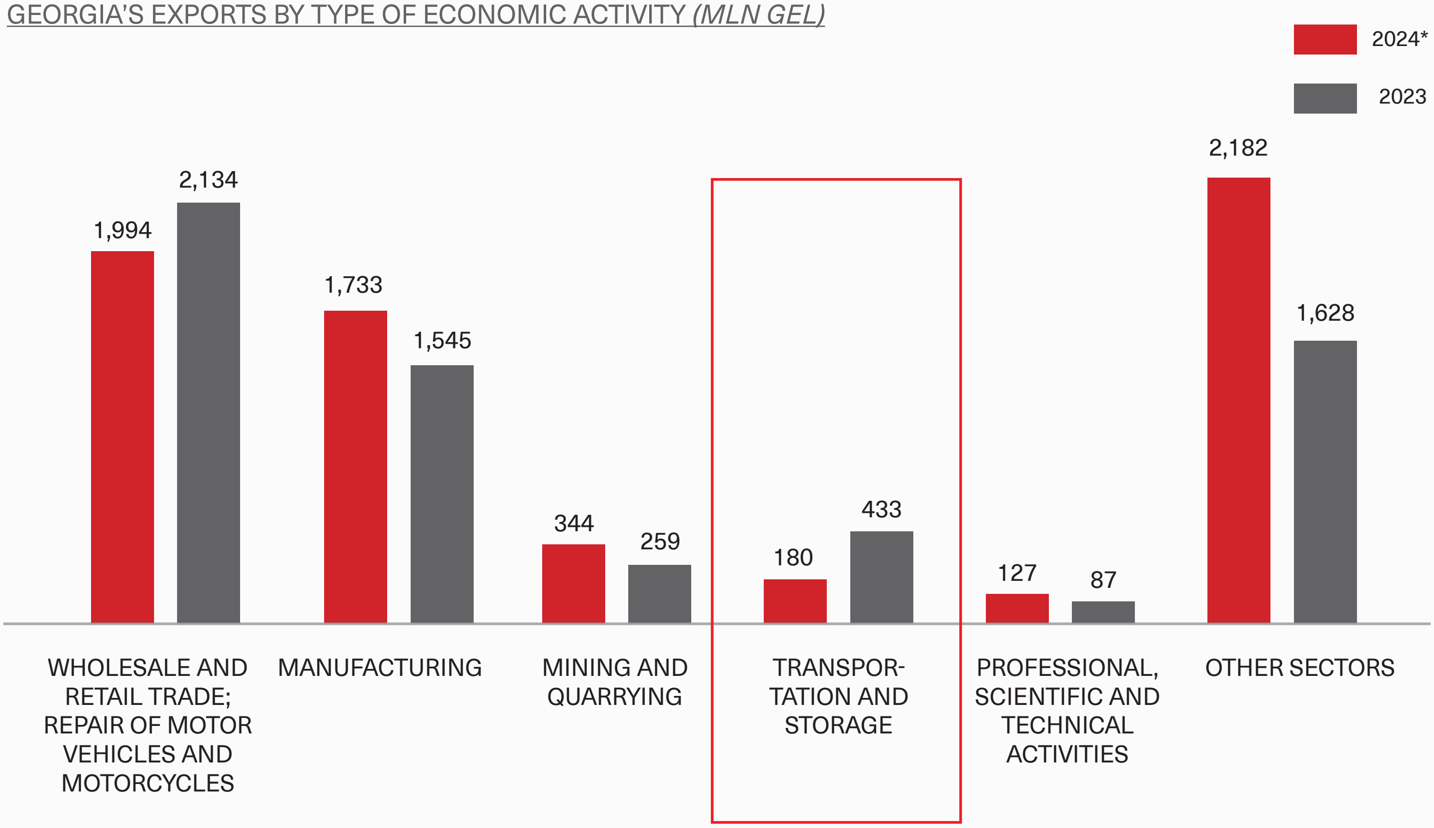
Source: National Statistics Office of Georgia (Geostat)
**Preliminary data*

SHARE OF IMPORTS BY COUNTRIES
*Full Year 2024**

EXPORTS

In 2024, exports grew across various economic sectors as well. Slight increases were observed in the manufacturing sector and mining and quarrying sector, amounting to GEL 0.2 billion and GEL 0.1 billion, respectively, compared to 2023. However, the transportation and storage sector recorded a decrease of GEL 0.3 billion in 2024, compared to 2023. The main exported products in 2024 were motor vehicles (accounting for 37.0%), followed by ferro-alloys (4.9%), spirituous beverages (4.4%), wine of fresh grapes (4.2%) and precious metal ores and concentrates (3.6%).

GEORGIA'S EXPORTS BY TYPE OF ECONOMIC ACTIVITY *(MLN GEL)*



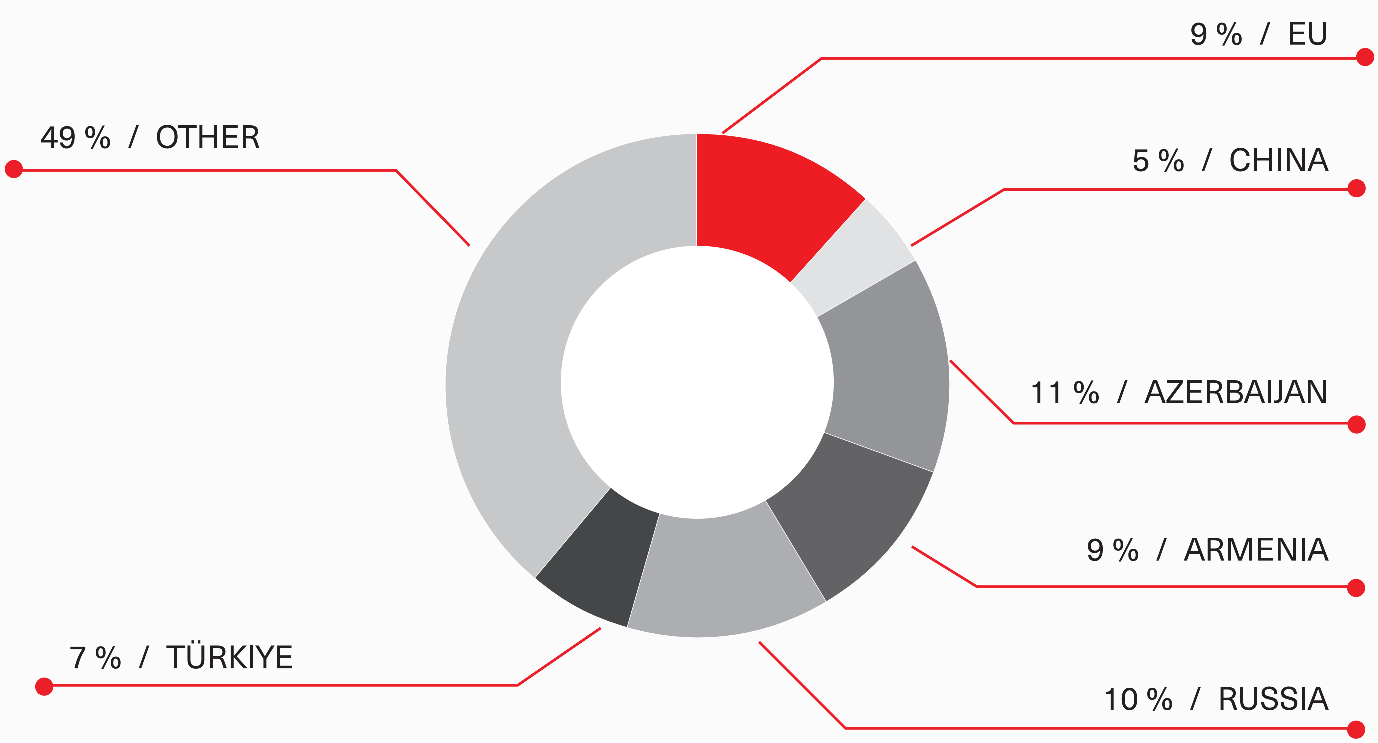
Source: National Statistics Office of Georgia (Geostat)
**Preliminary data*

In 2024, exports increased to all of Georgia's main trading partners except Armenia, EU member states, Azerbaijan and China.

EXPORTS *y-o-y change*	2022	2023	2024*
EU MEMBER STATES	*20%*	*-18%*	*-19%*
CHINA	*20%*	*-58%*	*-2%*
RUSSIA	*5%*	*2%*	*4%*
AZERBAIJAN	*27%*	*28%*	*-16%*
TÜRKIYE	*35%*	*-6%*	*12%*
UKRAINE	*-24%*	*-57%*	*2%*
ARMENIA	*128%*	*35%*	*-22%*
OTHER COUNTRIES	*61%*	*59%*	*37%*

Source: National Statistics Office of Georgia (Geostat)
**Preliminary data*

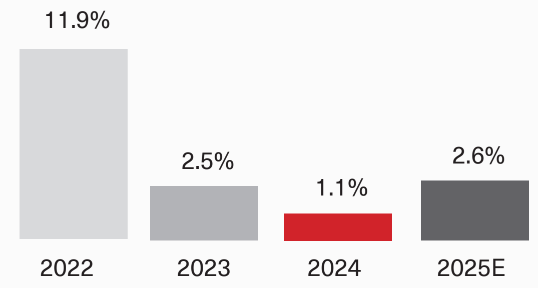
SHARE OF EXPORTS BY COUNTRIES
*Full Year 2024**



ANNUAL INFLATION

The socio-economic and geopolitical developments in 2024 contributed to a decline in the global inflation rate to 5.7%, down from 6.6% in 2023. In Georgia, the average annual inflation rate remained below the 3% target set by the NBG since April 2023. In 2024, it declined to 1.1%, down from 2.5% in 2023. This decrease was primarily driven by reduced demand and falling prices in the housing, water, electricity, gas and other fuels sector, with an average inflation rate of -2.4% in 2024, compared to 6.7% in 2023. Furthermore, in 2024, the miscellaneous goods and services sector in Georgia experienced a notable deceleration in inflation, with the average rate decreasing to 6.4% from 12.1% in 2023, indicating a slowdown in price increases. However, the transport sector recorded an inflation rate of 5.7% in 2024, compared to -4.4% in 2023.

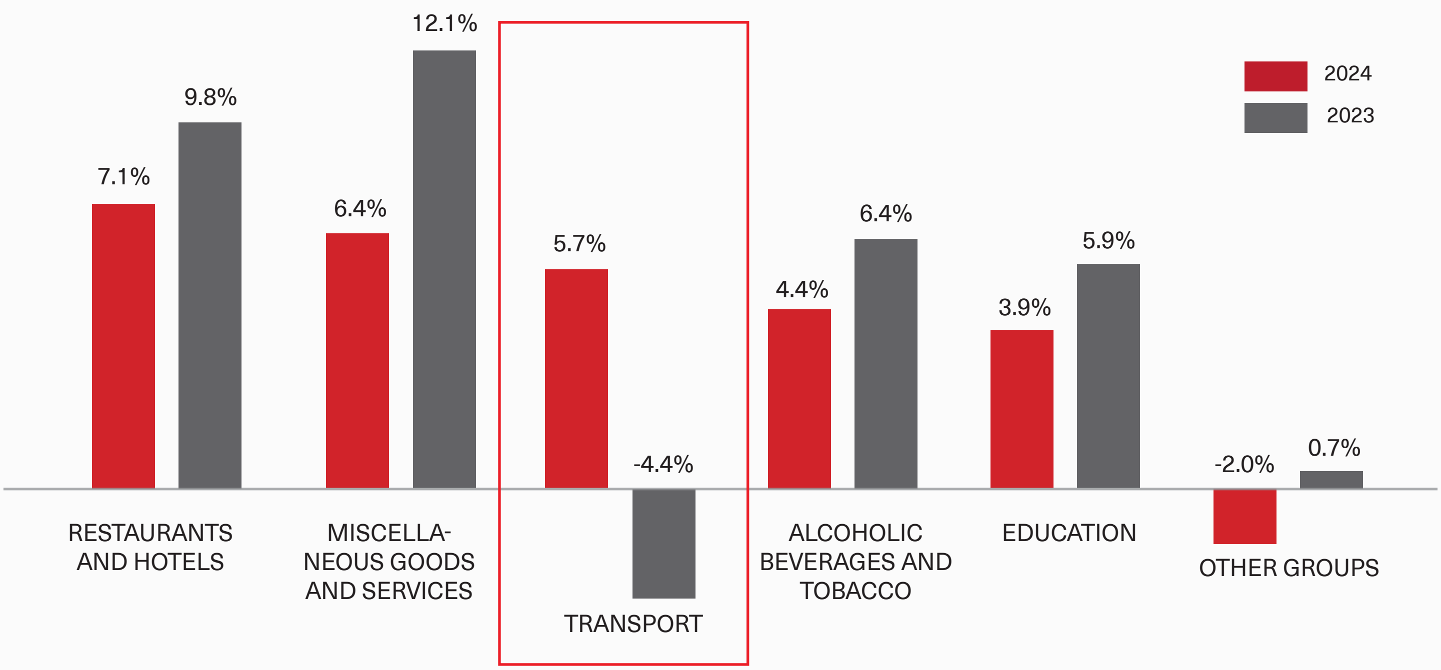
ANNUAL INFLATION RATE



Sources: National Statistics Office of Georgia (Geostat), International Monetary Fund (IMF)

The NBG maintained the monetary policy rate at 11.00%, set in March 2022, for the rest of 2022 to address persistent price pressures. However, starting in May 2023, the NBG began gradually reducing the interest rate, which was lowered to 9.50% by December 2023. From February 2024, the National Bank reduced the interest rate to 9.00% and then by another 0.75 percentage points in March 2024, bringing it to 8.25%. In May 2024, the rate was further reduced by 0.25 percentage points, reaching 8.00%. The rate has been maintained at 8.00% since then. According to the IMF, inflation is projected to increase to 2.6% in 2025.

AVERAGE INFLATION BY SECTORS



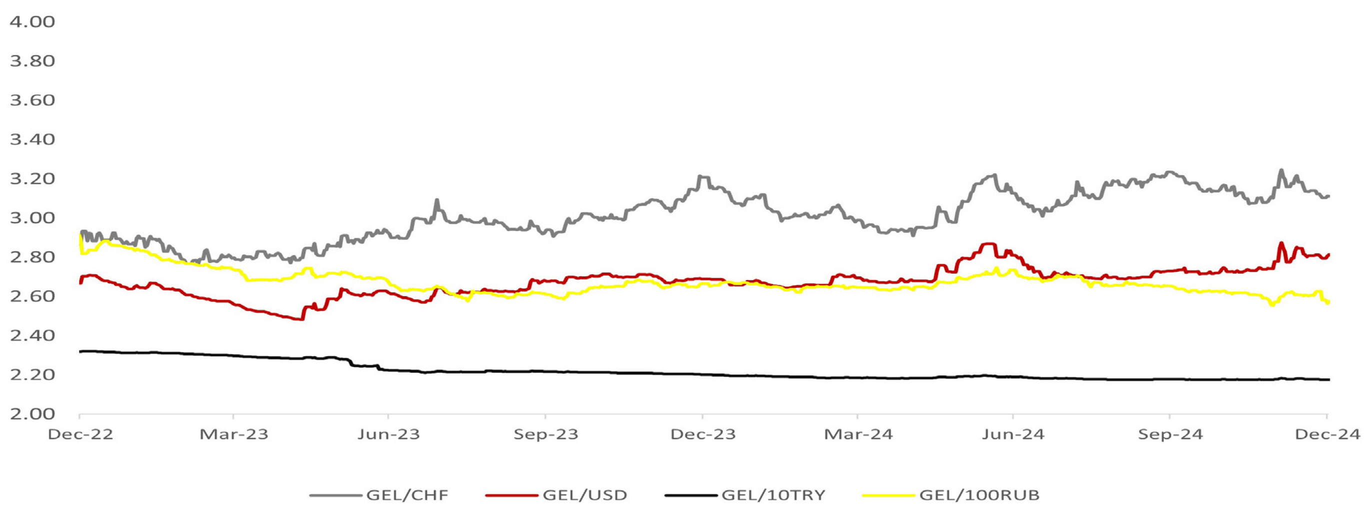
Source: National Statistics Office of Georgia (Geostat)

The Group's operating expenses have been affected by the inflation rate. Specifically, fuel costs have decreased mainly due to adjustments in petroleum prices and tax measures. On the other hand, electricity costs have increased, driven primarily by higher average tariffs for electricity in 2024 compared to 2023 *(see I.Profit and Loss Statement; Fuel Expenses, Electricity Expenses).*

EXCHANGE RATE

The GEL exchange rate against foreign currencies showed negative trends in 2024. Specifically, it depreciated on average by 3.5% against the US Dollar (USD) and by 5.7% against the Swiss Franc (CHF) compared to 2023. The depreciation of the Georgian currency was largely caused by trade deficits, reduced remittances and political instability. The USD/GEL exchange rate stood at 2.8068 on 31 December 2024, compared to 2.6894 on 31 December 2023, representing a 4.4% decrease. As Georgian Railway's revenue from freight transportation is mostly denominated in USD, it is sensitive to the GEL/USD exchange rate. Notably, GR's revenue from freight transportation at constant currency in 2024 would have been 1% higher than in actual currency *(see I.Profit and Loss Statement; Finance Income and Cost).*

FOREIGN CURRENCIES AGAINST GEL



IMPACT OF THE RUSSIA-UKRAINE WAR ON THE GEORGIAN ECONOMY

The Russian invasion of Ukraine in February 2022 caused not only geopolitical but also large-scale economic changes from 2022 to 2024, coinciding with the general recovery of the global economy as the COVID-19 pandemic subsided. Georgia's economy has been significantly impacted by the conflict, as both Russia and Ukraine are among its main economic partners in terms of trade, tourism and remittances.

The impact of the conflict on Georgia's economy has been twofold. On the one hand, since Georgia is more dependent on imports than exports, the ongoing war involving two key trading partner countries worsened Georgia's trade deficit. At the same time, escalating prices, mainly for food, electricity and housing, led to higher inflation in 2022. Additionally, the war initially led to a dramatic influx of migrants and tourists to Georgia, boosting tourism revenues, remittances and real estate purchases. Since the beginning of the war, numerous foreign companies registered in Georgia, contributing to an increase in foreign direct investment (FDI) in 2022. These factors contributed to an improved economic growth rate (+11.0% in 2022, according to Geostat.ge). However, in 2023, financial transaction dynamics slowed down due to a decline in net remittances received from Russia, influenced by two primary factors: the outflux of migrants from Russia and the significant devaluation of the RUB. Despite these shifts, by the second half of 2023, economic growth began to stabilize (+7.0% in Q3 2023 and +6.9% in Q4 2023, according to Geostat.ge).

By 2024, the decline in net remittances from Russia became more pronounced. Although inflation had moderated compared to 2022, certain sectors continued to face price pressures, especially in essential goods, which still impacted household purchasing power. Elevated import costs persisted, although the overall inflationary environment was less severe than in the previous year. The depreciation of the ruble and the departure of earlier migrants further reduced financial inflows. This resulted in a decreased reliance on Russia-linked financial flows, pushing Georgia toward a more diversified growth model. Additionally, while the initial economic boost from migration-driven demand slowed, many earlier migrants remained, sustaining demand in sectors like real estate, IT, tourism, financial services and professional business services. The economy continued to show resilience, achieving a growth rate of +9.4%, reflecting Georgia's ability to adapt to the changing economic environment, maintaining fiscal and macroeconomic stability while navigating the aftermath of the geopolitical conflict.

2.2 TRANSPORT SECTOR IN GEORGIA

The transport sector in Georgia is vital to the country's economic development, trade facilitation and connectivity with neighboring countries and global markets. Georgia's strategic location in the Middle Corridor underscores its importance as a crucial transit hub linking Europe to Asia and, despite geopolitical challenges in recent times, there remain promising opportunities for the transport sector to expand.

The Georgian government has concentrated heavily on the development of international trade and travel since 2005. Local government, the private sector, as well as international agencies have all invested substantially in upgrading the transport infrastructure and increasing the efficiency of related services.

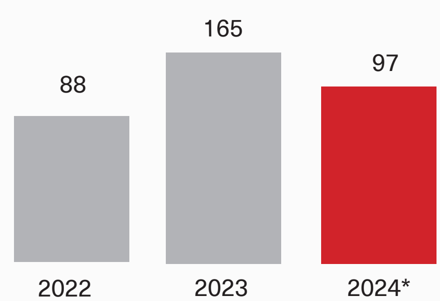
The European Commission and World Bank together developed the "Trans-European Transport Network (TEN-T) Indicative Capital Investments Implementation Program," which defines how priority projects in Azerbaijan, Belarus, Moldova, Georgia, Armenia and Ukraine will be implemented in order to stimulate connectivity and economic growth in Eastern Partnership countries. This program provides for the construction of 4,800 km of new road and rail lines, six ports and 11 logistics centers.

According to the program, 18 projects will be implemented in the Georgian transport sector by 2030 worth EUR 3.4 billion in total, including two EUR 349 million projects on railway transportation *(8.3 Infrastructure Developments In Georgia)*.

Georgia's transport system comprises the following five main areas:

The stable growth of Georgia's transport sector has been accentuated by an increase in FDI flowing into it. Of note, this experienced a notable upward trend from 2021 to 2023. In 2024, FDI allocated to the transport sector amounted to USD 97 million, approximately 41% less than in 2023 and 11% higher than 2022 figure. This steep rise was attributed to improvements in both infrastructure and technology, including advances in customs procedures, logistics efficiency, tracking and tracing systems and other related areas *(see 2.1 Country Profile).*

FDI IN GEORGIA'S TRANSPORT SECTOR *(MLN USD)*

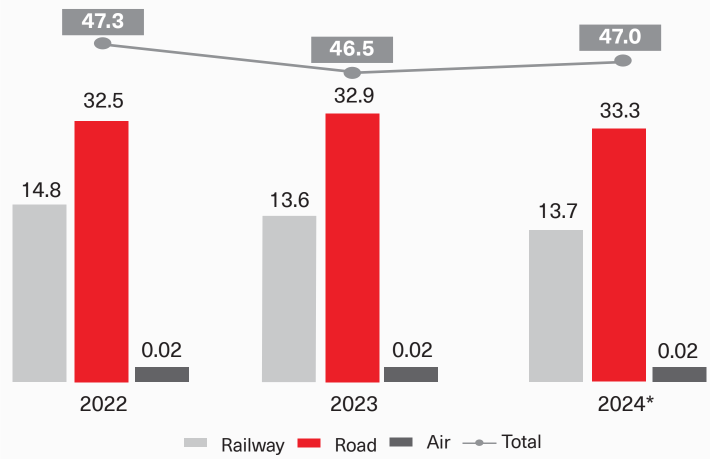


Source: National Statistics Office of Georgia (Geostat)

**Preliminary data.*

In the period of 2022 to 2024, Georgia maintained an average transported volume of 46.9 million tons. In 2024, a volume of 47.0 million tons was transported through Georgia, representing a 1.1% increase compared to 2023 and a 0.7% decrease compared to 2021. In terms of mode of transport, the share of railway varied between 29% in total the transported volume, while the share of road fluctuated between 71%.

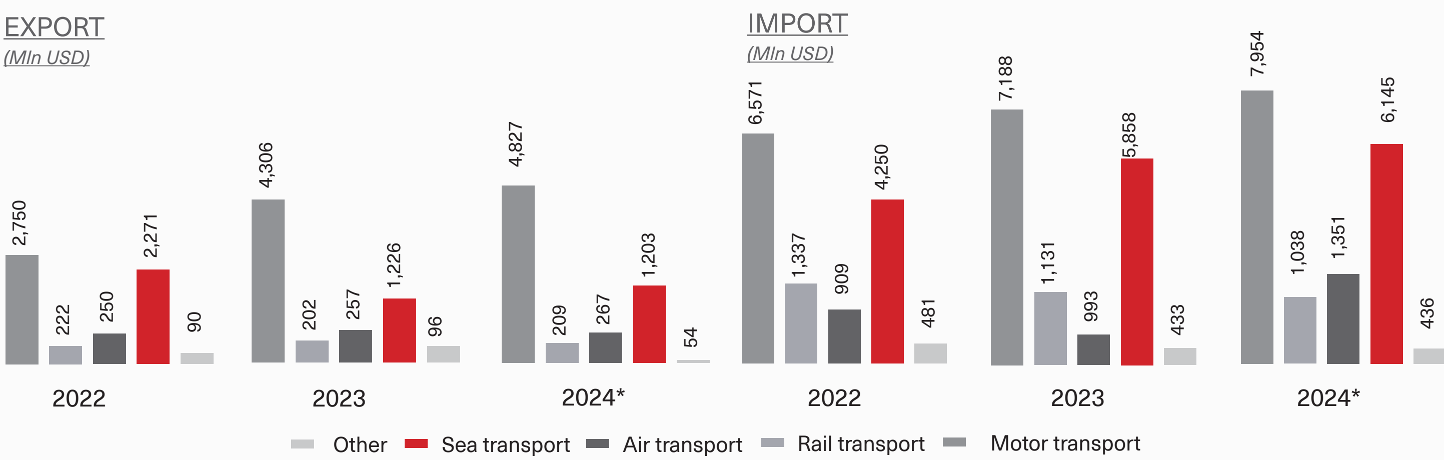
TRANSPORTED VOLUME IN GEORGIA BY MODE OF TRANSPORT *(MLN USD)*



Source: Ministry of Economy and Sustainable Development of Georgia

Road remained the dominant mode of transportation for both imports and exports in 2024, carrying 47% of imports and 74% of exports, respectively. The second-most popular mode of transport in this regard is sea, with respective shares of 36% for imports and 18% for exports in 2024.

TRANSPORTATION OF GEORGIA BY MODE OF TRANSPORT



Source: National Statistics Office of Georgia (Geostat)

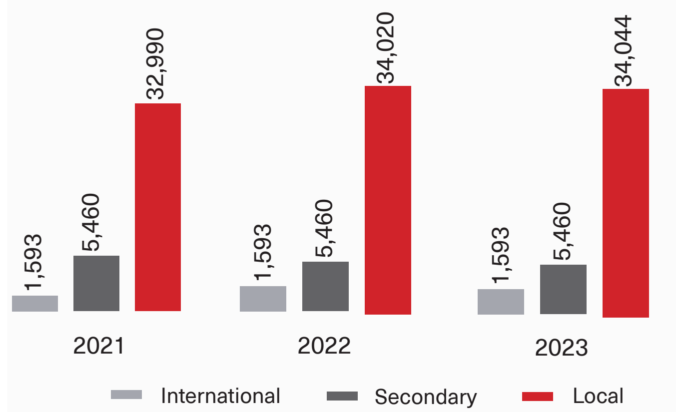
ROAD TRANSPORTATION

In the Georgian transport sector, road transportation plays a significant role. Specifically, it accounted for 71% of total freight transportation in Georgia in 2024. In particular, transit is one of the main operational features of road transportation in Georgia. Meanwhile, road serves export, import and domestic transportation needs and is also the most popular means of transport for passengers, whether it be by car, bus, or minibus.

In Georgia, the roads used for transportation are categorized into three types: international, secondary and local[1]. The following definitions are stipulated in the Law of Georgia on Roads: (i) highways of international importance include roads connecting administrative, important industrial and cultural centers of Georgia and other states; (ii) highways of secondary importance include roads connecting administrative centers of autonomous republics and municipalities, important industrial and cultural centers of Georgia, as well as roads connecting the capital city of Georgia and airports and docks with the previously mentioned ones; (iii) highways of local importance include roads connecting administrative centers of municipalities with settlements of the same municipality, roads connecting settlements of the municipality with each other and/or with highways of international and secondary importance, as well as roads connecting objects of special importance (sports complexes, historical and cultural monuments, etc.) with the administrative centers of the municipality and access roads to the nearest railway stations, airports and/or seaports. Roads of local importance may also include roads that, despite not meeting the criteria defined in this paragraph, still have defensive and/or special importance *(Source: matsne.gov.ge)*.

In 2023, the total length of roads in Georgia was 41,098 km, while 2022 was 41,073 km and 2021 was 40,044 km.

LENGTH OF COMMONLY USED ROAD IN GEORGIA *(KM)*



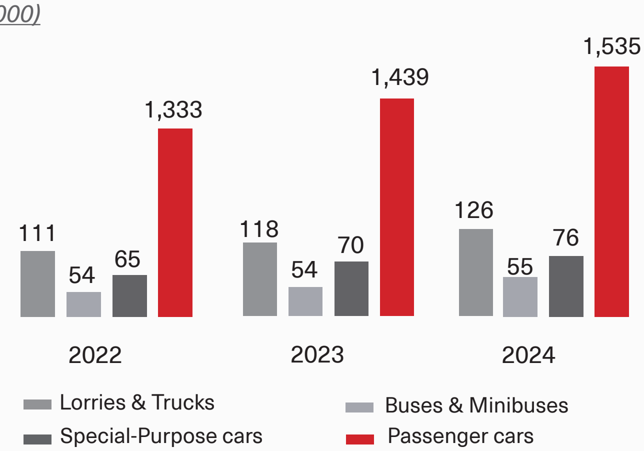
Source: National Statistics Office of Georgia (Geostat)

Note: Based on an amendment made to the Law of Georgia on Roads, from 2021, local roads were to include roads within the administrative boundaries of a settlement, which are not classified as international, secondary, or departmental road. Meanwhile, when it comes to calculation, the length of local roads does not include self-governing cities.

There are four main types of vehicle used for road transport in Georgia: passenger cars; lorries and trucks; special-purpose cars (including agricultural machines); and buses and minibuses.

In 2024, the total number of vehicles in Georgia increased by 7% compared to the previous year. In particular, the number of lorries and trucks increased by 6% in 2024, compared to 2023. That rise was mainly driven by an increase in the number of lorries and trucks in Tbilisi. Meanwhile, the number of buses and minibuses remained almost the same as in the previous year. In addition, the number of special-purpose cars (including agricultural machines) increased by 9%, with growth in this category observed in Tbilisi (by about 20%). Furthermore, the number of light passenger cars in Georgia also grew (by about 8%). Similar to the situation for special-purpose cars, growth in this area was spread out across Tbilisi. Moreover, for Tbilisi in which such an increase was noted, the percentage rise varied by about 18% in 2024, compared to 2023.

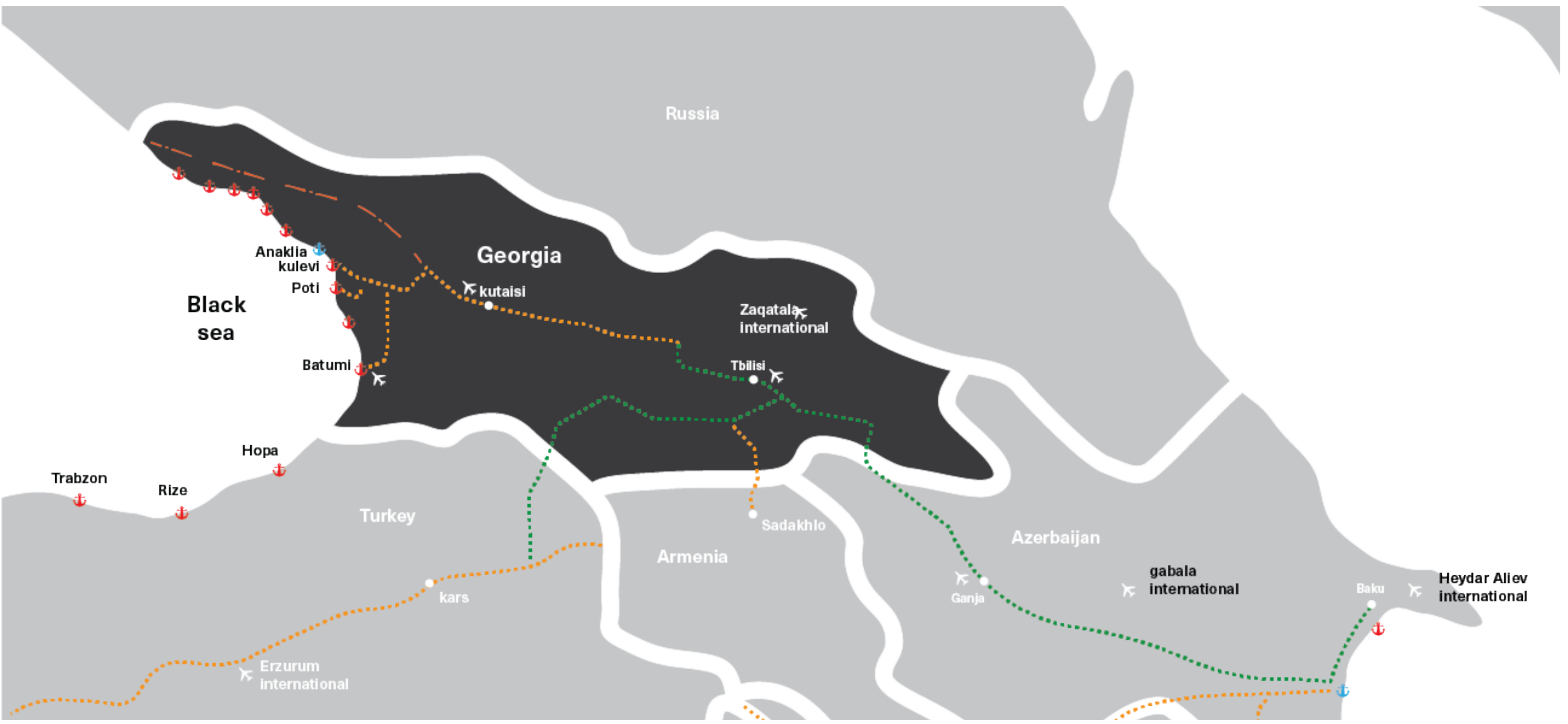
NUMBER OF REGISTERED VEHICLES IN GEORGIA *('000)*



Source: National Statistics Office of Georgia (Geostat)

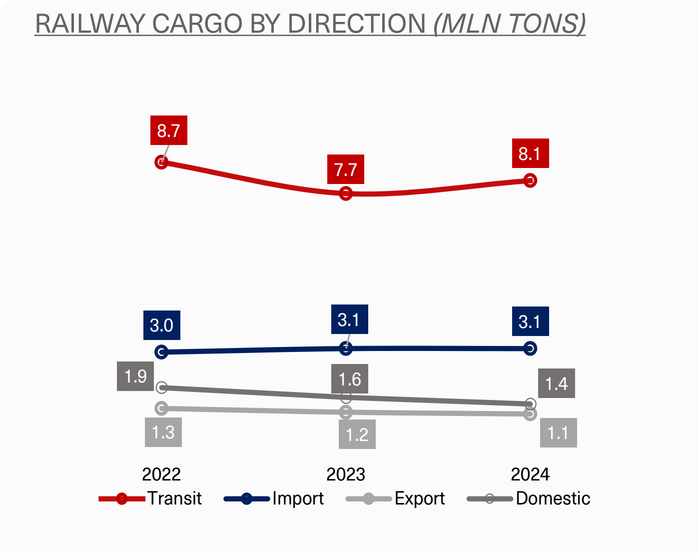
RAILWAY TRANSPORTATION

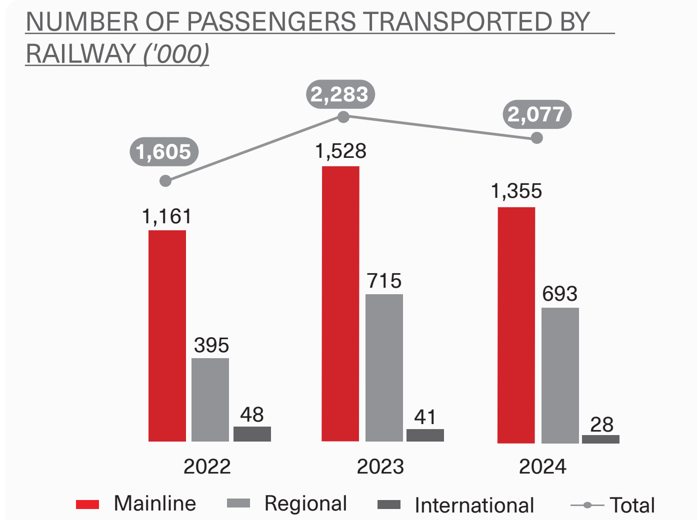
Georgia's railway sector, managed by Georgian Railway, is crucial to the country's economy and has a pivotal role in connecting Europe with Asia. Handling both freight and passenger transportation, it facilitates international trade and tourism. Notably, railway transportation in Georgia has shown resilience to global and regional shocks, albeit the activities of Georgian Railway in recent years have still been impacted by events of worldwide importance like the Russia-Ukraine War, the COVID-19 pandemic and other global political and environmental shifts. Having suitable infrastructure in place on the railway network and at ports is also crucial if Georgian Railway is to ensure that delays are minimized or avoided.



Railway transportation is the second-most popular transportation type for cargo in Georgia, accounting for 29% of total freight transportation in the country in 2024. JSC Georgian Railway, as the main railway operator in Georgia, provides export, import, domestic and transit transportation. The most demanded type of rail freight transportation is transit, the popularity of which has risen courtesy of geopolitical changes. Nevertheless, in 2024, 57% of the total cargo was transit, showing an 5% increase compared to the same indicator for the previous year.

Apart from carrying freight, rail transportation in Georgia also serves passengers. In particular, passenger transportation is either mainline, regional, or international. In 2024, the total number of passengers transported decreased by 9% compared to the previous year. Specifically, there was 30% decrease in passengers traveling under the "International" classification.



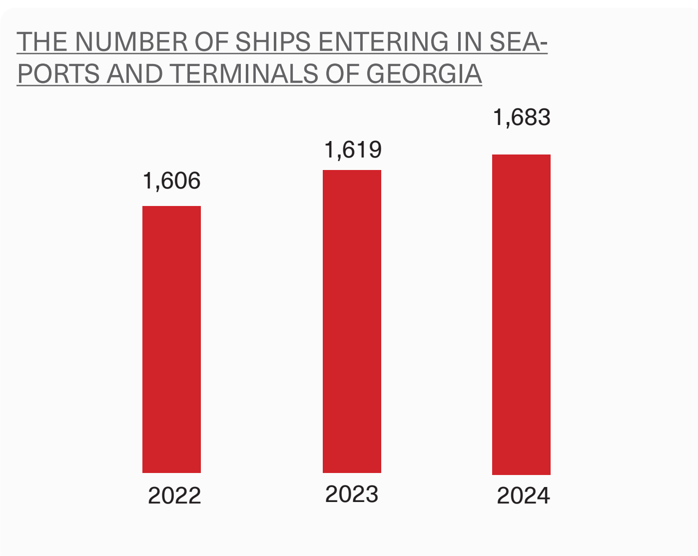


Source: Ministry of Economy and Sustainable Development of Georgia

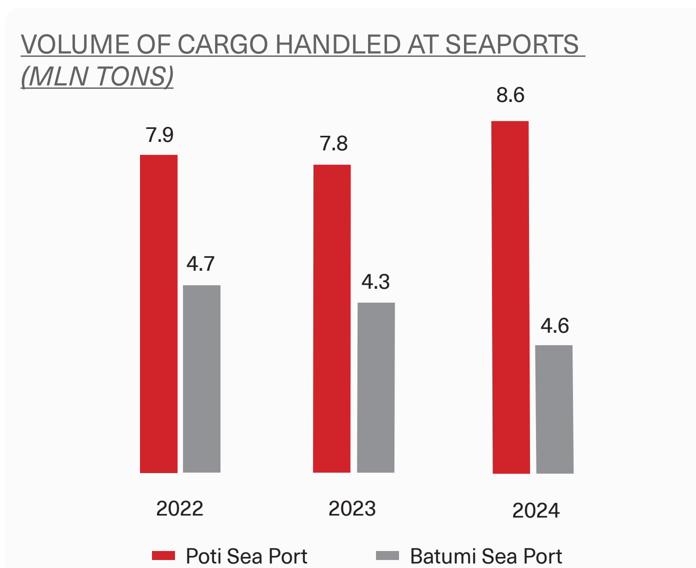
SEA TRANSPORTATION

Sea transportation is another essential part of the Georgian transport sector. Ports are tightly linked with both railway and road transportation and together they form an integrated system for exports/imports and transit. Georgia's ports assume a vital role in facilitating the nation's trade activities and in ensuring a secure and efficient transportation framework that promotes safe trading and contributes to the country's economic well-being. These ports maintain direct connections with numerous countries via important shipping routes.

Over the last three years, a total of 4,908 ships entered ports and terminals in Georgia, with 1,683 ships entering in 2024and 1,619 in 2024.



Source: National Statistics Office of Georgia (Geostat)



Source: Ministry of Economy and Sustainable Development of Georgia

Around 7,900 passengers were transported through the ports and terminals of Georgia in 2024, marking a 2% increase compared to 2023. In 2024, 4.0 thousand arrived and 3.9 thousand left the ports and terminals of Georgia.

The volume of cargo handled in Georgia's seaports in 2024 and 2023 was 13.2 and 12.1 million tons, respectively. In the 2024 volume specifically, 65% was handled at Poti, while the other 35% was handled at Batumi.

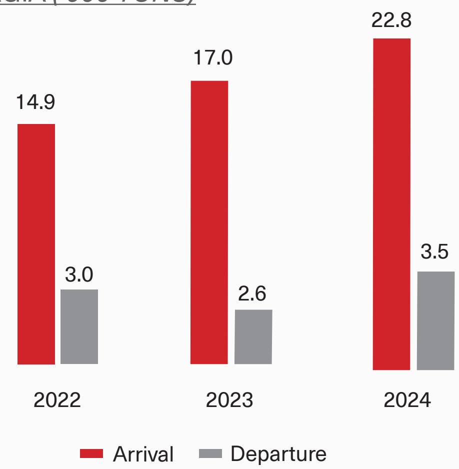
AIR TRANSPORTATION

Air transportation is the least popular of the main types of transport in Georgia. The country has four domestic airports (Natakhtari, Ambrolauri, Telavi and Mestia) and three international airports (Tbilisi Shota Rustaveli International Airport, Kutaisi Davit Agmashenebeli International Airport and Batumi Alexander Kartveli International Airport). Tbilisi Airport is served by three private cargo handling companies: Tbilisi Cargo Service Ltd; Lasare Ltd; and Georgian Post Ltd. Meanwhile, only three airlines currently provide regular cargo flights to five destinations, two of which are in neighboring countries - Türkiye and Azerbaijan. Crucially, air transportation is not yet tightly connected to the road, sea and railway transportation systems in Georgia.

The volume of cargo carried through Georgian airports increased by 34% in 2024 compared to 2023. Over the same period, incoming cargo rose by 34% and outgoing cargo by 33%.

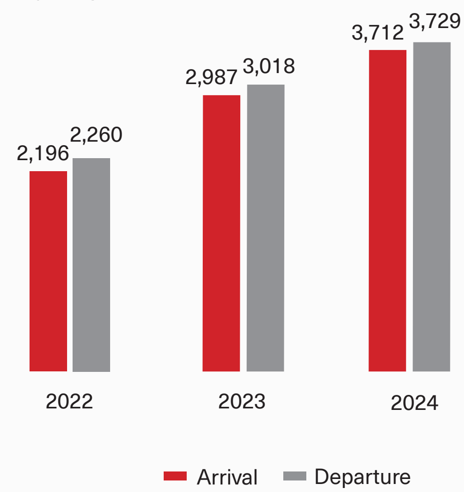
In 2024, there was a notable 24% rise in passenger traffic compared to 2023, which marked a 67% increase compared to 2022. At the same time, the number of arriving passengers reached 3,729 million, while the number of departing passengers hit 3,712 million.

FREIGHT AND MAIL CARRIED TROUGH THE AIRPORTS OF GEORGIA *('000 TONS)*



Source: National Statistics Office of Georgia (Geostat)

PASSENGERS CARRIED THROUGH THE AIRPORTS OF GEORGIA *('000)*



PIPELINES

Georgia's pipelines offer the main gateway through which Azerbaijan's oil and gas resources can reach the European market. The key players in the Georgian pipeline industry include the Georgian Oil and Gas Corporation (GOGC), BP and SOCAR.

GEORGIAN OIL & GAS CORPORATION

bp

SOCAR

The BTC Pipeline and the WREP transport oil across the territory of Georgia.

The WREP has been operating since 1999 and was the first international pipeline in Georgia. It delivers crude oil and connects the Caspian Sea to the Supsa Terminal on the Black Sea.

The BTC Pipeline connects the Caspian Sea to the Mediterranean Sea, through Azerbaijan, Georgia and Türkiye. It started operating in 2006 and transports crude oil, mainly originating from Azerbaijan. The BTC Pipeline covers a length of 1,768 km, of which 249 km (about 14%) passes through Georgia.

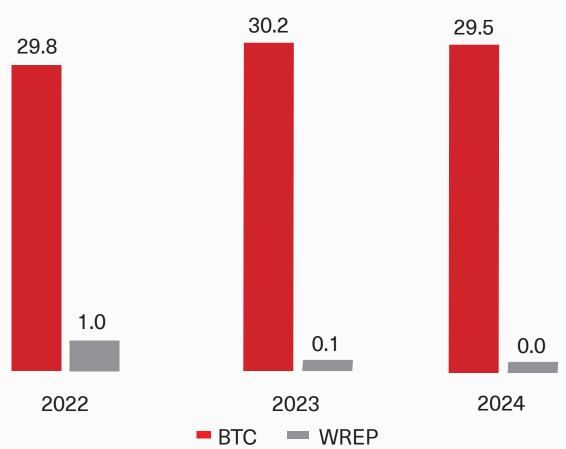
In 2024, the WREP experienced operational challenges, leading to reduced oil transportation volumes. Specifically, the Sangachal terminal exported approximately 1 million barrels through WREP during the first half of 2023, but no significant exports were reported for 2024. Therefore, in 2024, the total volume of oil transported through the BTC Pipeline reached 29.5 million tons.

Gas is transited through Georgia via the SCP and the NSMP.

The 692-km-long SCP was designed to transport gas from the Shah Deniz field in Azerbaijani territory in the Caspian Sea, through Georgia and on to the Georgia-Türkiye border. The SCP passes through Georgia for 249 km, which is approximately 36% of the pipeline's total length.

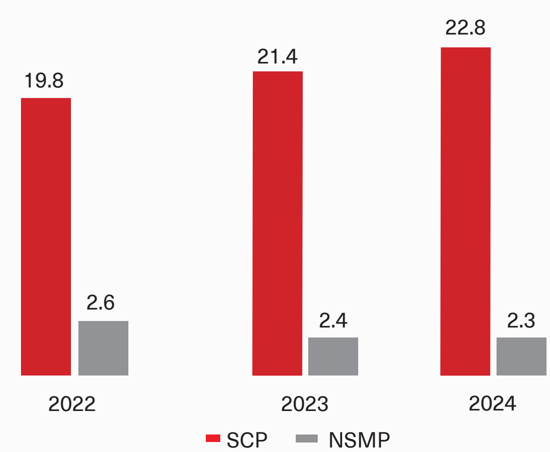
The transit of Russian gas to Armenia is carried out through the North-South Main Gas Pipeline (NSMP). The pipeline stretches from the Georgia-Russia border to the Georgia-Armenia border (221 km) and supplies Georgia and Armenia with natural gas. Gas from Russia is transported to Armenia via the NSMP, of which the Georgian segment is 234 km and has an annual design throughput of 12 billion cubic meters.

OIL TRANSIT *(MLN TONS)*



Source: Georgian Oil & Gas Corporation (GOGC)

NATURAL GAS TRANSIT *(MLN M3)*



IMPACT OF THE RUSSIA-UKRAINE WAR ON THE GEORGIAN TRANSPORT SECTOR

The Russia-Ukraine War, which began in February 2022, has had a significant impact on global trade. In particular, the war has had a noticeable effect on cargo transportation in Georgia. In the months since Russia's invasion of Ukraine, massive queues of trucks in various parts of Georgia became commonplace. Another effect of the war is that international supply chains have been severely disrupted. Indeed, trucks that used to deliver goods to and from markets in Russia and Central Asia via Ukraine were forced to deviate and major companies transporting goods to and from China via Russian rail corridors had to change their routes due to international sanctions, with many of them opting to redirect through Georgia.

Ultimately, the war has disrupted the global transportation industry with border closures, sanctions, a drop in demand for northern routes and other factors making routes through Georgia more attractive than before.

THE TRANSPORTATION MARKET IN THE CAUCASUS

The TRACECA is the shortest route from Central Asia and the Caspian Sea to the Black Sea and the Mediterranean Basin. It runs through Georgia and Azerbaijan, which act as a sort of land bridge between the Caspian Sea and the Black Sea.

TRACECA

The TRACECA is the result of a technical assistance program financed by the EU, which was first established in 1993. It intended to develop a transport corridor between Europe and Asia via the Black Sea, as well as through the countries of the South Caucasus and Central Asia.

In 1998, the Basic Multilateral Agreement on International Transport for Development of the Europe-Caucasus-Asia Corridor (the "TRACECA Basic Agreement") was signed by Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Romania, Tajikistan, Türkiye, Uzbekistan and Ukraine. Iran also became a signatory member in 2009, while Turkmenistan participates without being a signatory member.

The main objectives of the TRACECA are to: (i) enhance the role and functions of the TRACECA in international trade outside the TRACECA region as an important alternative to other corridors; (ii) ensure a sustainable multi-modal transportation network, allowing for the smooth and uninterrupted flow of trade and passengers and to maximize the transit potential of the corridor; (iii) encourage stakeholders to make systematic evaluations of the regional and international consequences of national policies whilst solving transportation and logistics issues, which will promote further negotiations with donors; (iv) introduce and increase the use of best practices across the industry and to draw upon regional and international experience, modernized approaches and innovations across the TRACECA countries; (v) promote the improvement of global logistics of supply chains and develop transport processes based on international practices; (vi) arrange optimal conditions to attract private sector investors to create and enhance maritime routes and international logistics centers and realize combined projects; (vii) identify and prioritize infrastructure-related and other projects in terms of investment and financing; and (viii) reinforce human resources and the capacity for development.

Five expert groups have been established, comprising: (i) aviation; (ii) security (for all modes of transport); (iii) road and rail transport; (iv) transport infrastructure; and (v) maritime transport. In 2000, the Intergovernmental Commission TRACECA (the "IGC") was established to regulate issues relating to the implementation and application of the TRACECA and the corresponding Basic Agreement. Moreover, in 2001, the IGC TRACECA Permanent Secretariat was established in Baku. According to figures published by the EU, it has financed 70 completed technical assistance projects and 14 investment projects through the TRACECA since 1993.

TRACECA

GR's network is a key segment of the TRACECA, representing the shortest route from Central Asia and the Caspian Sea to the Black Sea and the Mediterranean Basin. A significant portion of the Group's freight operations (about 89% of its total transportation revenue in 2022) is generated from freight transported from, or directed to, CIS countries. As a result, the Group's freight transportation volumes are sensitive to economic activity in CIS countries.

Economic growth has been a challenge in recent years for many CIS countries. Low oil prices, a spillover from Russia's recession (the largest economy among CIS countries), reduced import demand from Russia and a number of geopolitical developments/conflicts (e.g., international sanctions on Russia, the Russia-Ukraine War and the hostile relationship between Azerbaijan and Armenia) have contributed to growth slowing down in CIS countries. Concerns have also been raised by the depreciation of the Russian Ruble and currencies of other CIS countries in recent years.

In order to reduce its dependence on CIS countries and seize new opportunities, the Group is trying to reach out to new markets. After completing the BTK project *(see 8.3 Infrastructure Developments in Georgia)* and with the subsequent new route from China to Europe, through Georgia and Türkiye, GR aims to capitalize on increased trade volumes.

According to data from the China State Railway Group, in 2023, the China-Europe freight trains completed 17,000 trips and transported 1.9 million TEUs, reflecting a year-on-year increase of 6% and 18%. Indeed, about 10% of Turkish imports were from China in 2023.

According to ADY Containers in Azerbaijan, China has started developing a new route for freight trains from Xi'an (China's northwest Shaanxi province) to Germany's Mannheim using multi-modal rail and sea transport through the Black Sea and Caspian Sea. On April 13, the first train with 42 containers (316 tons) left from Xi'an. The route passes through Kazakhstan, Azerbaijan, Georgia, Romania, Hungary, Slovakia and Czech Republic before reaching Germany. After arriving at the port in Kazakhstan's Aktau, the containers are transported by feeder ship to the port in Azerbaijan's Baku and then by rail to Georgia's Poti port and finally via the Black Sea to Europe. Given the sanctions imposed on Russia and Iran, an increase in the volume of freight traffic through this route is anticipated. The importance of Azerbaijan in Eurasian cargo transportation is rising while developments in the Baku-Tbilisi-Kars railway are going to be crucial here as well.

3. RELATIONSHIP BETWEEN GOVERNMENT AND GEORGIAN RAILWAY

Georgia's economic development, in the view of the GoG, is directly related to the development of the transport sector. Due to its location at the crossroads of Europe and Asia, through which strategic cargo flows both east and west, among the GoG's top priorities are to ensure the smooth functioning of the sector, modernize infrastructure and harmonize national legislation in line with international laws in order to integrate as much as possible with the Trans-European Transport Network (TEN-T).

JSC Georgian Railway was fully owned by the Georgian government until 2011 after which up until 2022 its ownership was transferred to the Joint Stock Company Development Fund of Georgia (Partnership Fund). The latter was established in 2011 by the Law of Georgia on the JSC Partnership Fund to promote investment activity and economic development and to create more job opportunities in Georgia. However, the Georgian government resumed full control of JSC Georgian Railway at the end of 2022.

Georgian Railway, as the largest single entity in the transport sector, is of systemic importance to the country and represents a strategic national asset. At the same time, as one of the country's biggest corporate employers, it carries significant social importance.

3.1 JSC GEORGIAN RAILWAY'S CONTRIBUTION TO THE ECONOMY

LARGEST CORPORATE EMPLOYER

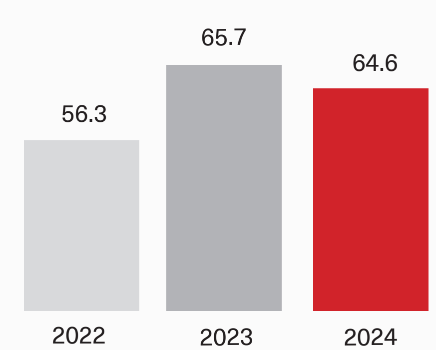
1% of total workforce of Georgia is employed in JSC Georgian Railway

LARGEST TAXPAYER

0.5% share in State tax revenues

The Group is a strategic partner in national economic development, as it facilitates advances in other industrial sectors and plays a crucial role in maintaining strong economic ties between Georgia and its partner countries, including Azerbaijan, Armenia, Kazakhstan, Tajikistan, Türkiye and Turkmenistan. In particular, the GoG has indicated that developing the country's infrastructure is one of its highest priorities, with the aim being that Georgia becomes a significant transportation hub, in which the Group's railway network is a critical component. Moreover, the Group's provision of key passenger transportation services at affordable prices is considered by the GoG to be akin to a public service obligation, enabling the GoG to promote regional development. Furthermore, the Group is a major taxpayer and a significant contributor to Georgia's GDP.

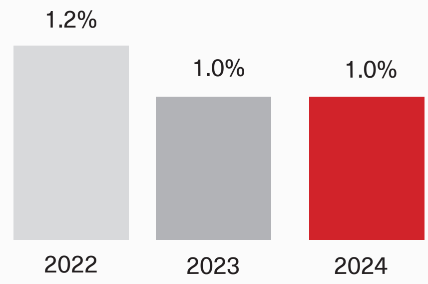
CASH PAID TO STATE BUDGET *(MLN GEL)*



**Data comprises all taxes paid by the Company*
Source: internal estimates

According to figures published by the National Statistics Office of Georgia (Geostat), the Group's consolidated revenue represented 1.0% of GDP in 2024, the same as in the 2023. The Group is also a leading corporate employer in Georgia, with its business supporting other employment opportunities in Georgia too. In addition, it is one of the largest taxpayers in the country.

THE GROUP'S REVENUE AS A PERSENTAGE OF GEORGIA'S GDP



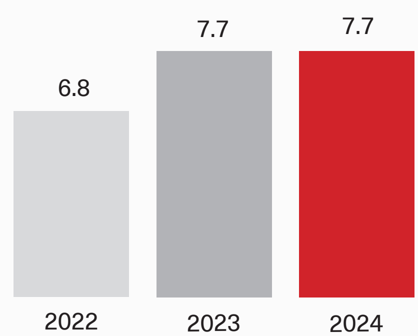
Source: National Statistics Office of Georgia (Geostat)

SUPPORTING PASSENGER TRANSPORTATION

Historically, the Group's passenger transportation segment have generated losses. Specifically, losses before infrastructure costs, net impairment, interest cost and income tax were GEL 5.4 million in 2024, following losses of GEL 10.0 million and GEL 15.5 million in 2023 and 2022, respectively. Nevertheless, fares are kept low due to the national importance of having affordable passenger rail transportation.

Given the social importance of its passenger services, the Group is constrained in its ability to remove or reduce services on certain passenger routes, even where such routes are not economically viable. In June 2024, the Railway Transport Agency and JSC Georgian Railway signed an initial Public Service Contract (PSC) to ensure compliance with EU railway safety regulations, supporting sector reform and European integration by enhancing service quality, transparency and accountability. The compensation for the period from July to December, 2024, reached up to GEL 8.7 million. Starting in 2025, the Government plans to provide an annual compensation of GEL 8 million to GR in the following years.

AVERAGE PASSENGER TARIFF PER KILOMETER *(TETRI)*



3.2 GOVERNMENT SUPPORT

The Government has shown strong support for the Group's initiatives over the years, including the contribution of land and other assets to the Group's fixed capital projects (in particular, the Modernization Project), the exemption of linear infrastructure (such as railroads and transmission lines) from property tax and an agreement to restrict dividend payments, as well as the change of ownership under the Group's Eurobond prospectus. Given the close alignment of interests between the Group and Georgia as a nation, the former's management expects that the Government will continue to support the Group's operations.

Some prominent examples of the Government's support for the Group are as follows:

- The Government handed over up to 182 hectares of land for the Tbilisi Bypass Project in 2010 and 2011, at a value of GEL 33 million, to GR Capital. This land comprised approximately 40% of the total land required for the Tbilisi Bypass railroad;
- Contributions of land and other related assets for GR's projects (mostly for the Modernization Project and Tbilisi Bypass Project) were also made from 2012 to 2016, amounting to around GEL 10 million;
- Linear infrastructure such as railroads and transmission lines have been made exempt from property tax in Georgia;
- In 2015 and 2016, the building of a new passenger station in Batumi was financed by shareholders' dividends;
- The signing of an agreement on limitations relating to Eurobonds held by the Group, restricting its dividend payments. The agreement also includes a constraint according to which dividend payments must not exceed 50% of the Group's cumulative consolidated net income. In addition, there are restrictions related to ownership changes, but the Government's declaration to maintain full ownership represents a strong indication of its long-term support for the Group.

3.3 COMPLIANCE WITH DIRECTIVE 34

Georgia has undertaken several commitments under the Association Agreement. The directives and regulations defined in the Association Agreement provide the framework for the creation of common rules for the internal market in the rail transportation sector, which are expected to impact the Group and how it conducts its business. In particular, Georgia has pledged to implement certain provisions of Directive 2012/34 of the European Parliament and of the Council of 21 November 2012 establishing a single European rail area (recast) ("Directive 34").

To comply with Directive 34 ahead of required timelines, the Group started preparing and publishing independent financial reports ("Activities Report") for each of the Company's business segments since 2021.

The Group's Activities Report follows the rules outlined in Directive 2012/34/EU of the European Parliament and Council, particularly Section 2, Article 6, which focuses on Separation of Accounts. Article 6 requires Member States to ensure that the Group maintains and publicly shares separate financial reports (profit and loss accounts and balance sheets) for two specific parts of its operations: one for the transportation services provided by the railway undertakings and the other for managing railway infrastructure.

Transactions among the Group's units are priced and treated identically to transactions involving external customers, suppliers and other units within the Group. This means that revenues from internal services (or the expenses to acquire them) are accounted in the same manner as revenues from external services (or the costs associated with acquiring them).

INTERNAL COSTS AND REVENUE (PROFIT AND LOSS STATEMENT)

The Group have three sources of internal revenues (costs) of units.

For the period ended 31 December 2023 ('000 GEL)	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	*WBS Unit*	*GR GROUP*
External Revenue	597,267	46,208	2,153	1,088	1,621	648,337
Revenue from sales to the Units	**2,193**	**0**	**81,111**	**0**	**14,190**	**97,494**
TO FREIGHT TRANSPORTATION UNIT	0	0	71,930	0	6,043	77,973
TO PASSENGER TRANSPORTATION UNIT	2,193	0	9,181	0	1,133	12,707
TO RAILWAY INFRASTRUCTURE UNIT	0	0	0	0	1,450	1,450
TO HEAD OFFICE UNIT	0	0	0	0	5,364	5,364
Other Income	6,481	1,480	13,436	1,317	93	22,807
TOTAL REVENUE	**605,941**	**47,688**	**96,700**	**2,405**	**15,904**	**768,638**
Employee benefits expense	(111,131)	(20,939)	(79,372)	(15,632)	(6,150)	(233,224)
Depreciation and amortization expenses	(13,523)	(10,210)	(27,533)	(237)	(7,822)	(59,325)
Electricity, consumables and maintenance	(51,433)	(14,676)	(20,034)	(1,233)	(277)	(87,653)
Impairment Loss on trade receivables	(3,065)	(6)	(65)	(507)	(134)	(3,777)
Other expenses	(104,504)	(5,803)	(24,843)	(7,992)	(2,287)	(145,429)
Cost of purchases from the Units	**(77,973)**	**(12,707)**	**(1,450)**	**(5,364)**	**0**	**(97,494)**
OF FREIGHT TRANSPORTATION UNIT	0	(2,193)	0	0	0	(2,193)
OF RAILWAY INFRASTRUCTURE UNIT	(71,930)	(9,181)	0	0	0	(81,111)
OF WBS UNIT	(6,043)	(1,333)	(1,450)	(5,364)	0	(14,190)
TOTAL EXPENSES	**(361,629)**	**(64,341)**	**(153,297)**	**(30,965)**	**(16,670)**	**(626,902)**
RESULTS FROM OPERATING ACTIVITIES	**244,312**	**(16,653)**	**(56,597)**	**(28,560)**	**(766)**	**141,736**
Finance income	21,213	10	4,051	3,095	-	28,369
Finance costs	(6)	(2,966)	(58,334)	(684)	-	(61,990)
Net Foreign exchange loss(gain)	5,670	(1,065)	(60,740)	464	2	(55,669)
Share of results of equity accounted investees	-	-	-	-	-	15,738
NET FINANCE INCOME / (COSTS)	**26,877**	**(4,021)**	**(115,023)**	**15,738**	**2**	**(73,552)**
PROFIT / (LOSS) BEFORE INCOME TAX	**271,189**	**(20,674)**	**(171,620)**	**(9,947)**	**(764)**	**68,184**
Income Tax	-	-	-	-	-	-
NET PROFIT / (LOSS)	**271,189**	**(20,674)**	**(171,620)**	**(9,947)**	**(764)**	**68,184**

(1) INFRASTRUCTURE CHARGES

General Description

Infrastructure charges are calculated according of Directive 2012/34/EU of the European parliament and of the council, Section 2, Article 30 (infrastructure cost and accounts). For Track access charge (TAC) The Group uses minimum access package. Train kilometer and Gross-tones kilometer charge contains: direct and indirect charges, amortization cost for infrastructure facilities excluding any kind of mark-ups.

Factors Influencing Performance

Infrastructure charges of 2024 to Freight SBU equals to GEL 71.9 million, compared to GEL 85.8 million in 2023. Infrastructure charges of 2024 to Passenger transportation unit equals to GEL 9.2 million, compared to GEL 10.7 million in 2023.

(2) SERVICE FROM USING LOCOMOTIVES

General Description

Freight transportation unit provides additional service to passenger transportation unit, that is calculated by electric locomotive hours multiplied domestic traffic Charge per electric locomotive hour (internal charges are same as the charges to the third parties). Electric locomotive hours are taken for each trip performed in each train slot.

Factors Influencing Performance

In 2024, the Passenger Transportation Unit increased its expenditure on using Freight Transportation Unit locomotives from GEL 1.9 million in 2023 to GEL 2.2 million, despite a decrease in passenger transportation. This change was driven by the capital repair of electric multiple units (EMUs).

(3) WBS SERVICES

General Description

The unit cost of such services are calculated using indirect method - multiplying man/hour by the cost per man/hour and adding idle costs. WBS charges similar market prices to both internal and external customers.

Factors Influencing Performance

Total WBS Unit service cost in 2024 equals to GEL 14.2 million, compared to GEL 15.9 million in 2023. Such costs are due to additional services provided to the Passenger Transportation Unit and the Railway Infrastructure Unit as part of the digitalization strategy.

4. ENVIRONMENTAL AND SOCIAL FOCUS

4.1 CONTINUOUS FOCUS ON SUSTAINABLE DEVELOPMENT

"GREEN IS OUR CHOICE"

E

Green transportation with low carbon emissions

98% of the railway is electrified

Responsible waste management

All hazardous waste is disposed of carefully

Iron waste (old rolling stock, etc.) is sold out to third parties for recycling

Commitment to high ESG standards in new CAPEX projects

S

Over 11,700 employees

The largest employer in Georgia, providing employment opportunities all over the country

Formed HSE* policy

GEL 12.1 mn spent on employees' healthcare and insurance in 2024

Established its own Railway Transport College in 2015

G

Adherence to the best governance standards

All board members are independent

Three committees established under its Supervisory Board

Health, safety and environmental

Since its incorporation in the 1990s, the Group's railway network has become almost entirely electrified (it is fully electrified in terms of the mainline and 98% electrified all told) and is thus an environmentally friendly mode of transport. The Group operates both freight and passenger transportation using electric locomotives and electric multiple units (EMUs), while using diesel locomotives only for shunting operations and on non-electrified sidings. The Group is devoted to avoiding, minimizing and mitigating environmental harm caused by its activities and to improving its overall environmental performance. Relatedly, it carries out effective measures to protect the environment, as reflected in the implementation of long-term plans and effective emergency response measures. The Group acts under the slogan "Green is our Choice" and contributes to the achievement of national environmental policy goals. In addition, the Group has a waste management plan in place to utilize and dispose of the waste generated during its operations responsibly, with hazardous waste transferred for disposal or remediation on an annual basis.

Through its operation of non-profitable passenger transportation routes, the Company performs an important social function in Georgia by offering affordable domestic passenger transportation.

The Group is the largest employer in Georgia, with more than 11,700 employees as of 31 December 2024 and offers its employees a range of benefits and support systems. In particular, the Group provides medical insurance to its employees and their family members and finances certain healthcare expenditures not covered by insurance.

In order to meet the needs of the railway transportation needs of the public and the state, in 2015 the Company, the MoES and the Georgian Technical University established the Railway Transport College. The College was granted vocational education status for six years in 2016 and started running classes in 2018. Its main objectives are to develop dual vocational education in the railway sector and to improve the railway labor market *(see 4.3 Social Focus).*

The Group's management considers its continued focus on such efforts and other sustainable development matters to be one of its competitive advantages.

PROCEEDS ALLOCATED TO ELIGIBLE GREEN PROJECTS

In 2021, one of the most strategically important events of the year not only for JSC Georgian Railway but the whole Georgian economy was the refinancing of the 2012 Eurobonds. In June 2021, the Company successfully issued USD 500 million of senior unsecured Green Eurobonds. Their maturity was extended by seven years and the coupon rate was decreased from 7.75% to 4.00%. With that reduced coupon rate, the Company will be able to save around USD 140 million by 2028.

JSC Georgian Railway is the only company in the South Caucasus region to have achieved "green" status in transportation, showcasing its commitment to tackling environmental, social and governance challenges.

Meanwhile, the involvement of the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB), as well as a pool of investors interested in sustainable financing, highlights the compatibility of GR's operations with international standards.

SAVING AROUND USD 140 MILLION BY 2028

TRANSACTION PARTICIPANTS

J.P.Morgan | citibank | Renaissance Capital | თიბისი კაპიტალი TBC CAPITAL | GALT & TAGGART CREATING OPPORTUNITIES

JOINT LEAD MANAGERS AND BOOKRUNNERS

Citigroup Global Markets Limited and J.P. Morgan Securities PLC

JOINT LEAD MANAGERS

Renaissance Securities (Cyprus) Limited and TBC Capital LLC

CO-MANAGER (NO UNDERWRITING COMMITMENT)

JSC Galt & Taggart

FISCAL AGENT, PAYING AND TRANSFER AGENT

Citibank, N.A., London Branch

REGISTRAR

Citigroup Global Markets Europe AG

ANCHOR INVESTORS

European Bank for Reconstruction and Development (EBRD)

Asian Development Bank (ADB)

GREEN BOND FRAMEWORK

The Green Bond Framework is aligned with the ICMA Green Bonds Principles 2018

Under the Green Bond Framework, GR is committed to allocating an amount equivalent to the net proceeds of the green bonds issued to finance eligible green projects in clean transportation. These projects will contribute to the construction, modernization, maintenance and extension of new and existing zero direct emissions electric railway lines and the acquisition and maintenance of supporting infrastructure and assets. Pertinently, clean transportation is one of the project categories identified in the Framework.

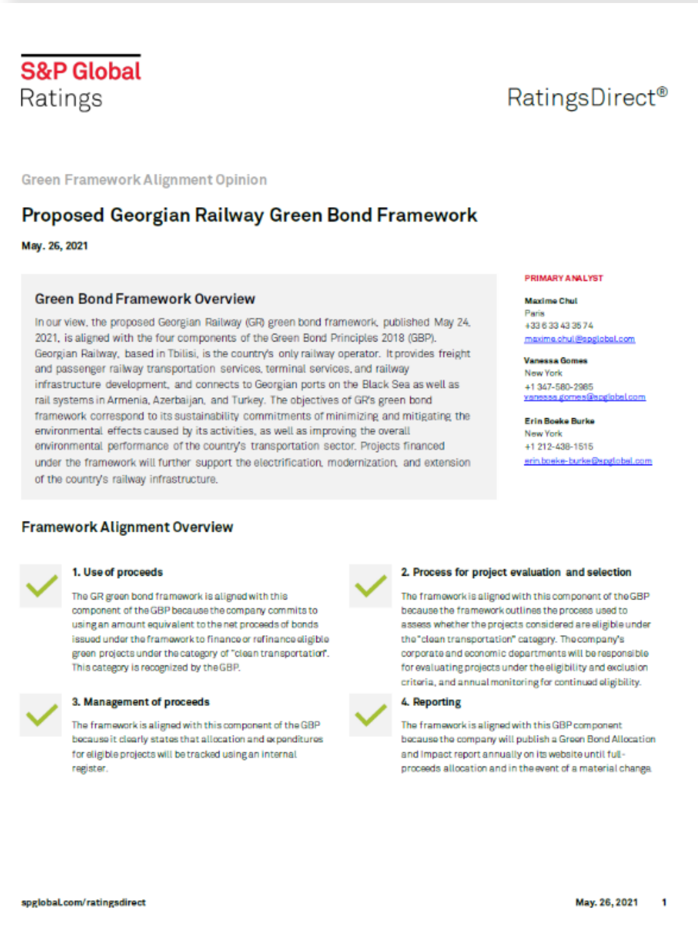
POSITIVE EXTERNAL REVIEW

JSC Georgian Railway received a positive second-party opinion* on its Green Bond Framework from Standard and Poor's, which stated:

"Georgian Railway's Green Bond Framework is aligned with the four core components of the Green Bond Principles 2018.

The objectives of GR's Green Bond Framework correspond to its sustainability commitments of minimizing and mitigating the environmental effects caused by its activities, as well as improving the overall environmental performance of the country's transport sector. Projects financed under the Framework will further support electrification, modernization and extension of the country's railway infrastructure."

*https://www.railway.ge/en/eurobonds/



S&P Global Ratings

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Green Framework Alignment Opinion

Proposed Georgian Railway Green Bond Framework

May. 26, 2021

Green Bond Framework Overview

In our view, the proposed Georgian Railway (GR) green bond framework, published May 24, 2021, is aligned with the four components of the Green Bond Principles 2018 (GBP). Georgian Railway, based in Tbilisi, is the country's only railway operator. It provides freight and passenger railway transportation services, terminal services, and railway infrastructure development, and connects to Georgian ports on the Black Sea as well as rail systems in Armenia, Azerbaijan, and Turkey. The objectives of GR's green bond framework correspond to its sustainability commitments of minimizing and mitigating the environmental effects caused by its activities, as well as improving the overall environmental performance of the country's transportation sector. Projects financed under the framework will further support the electrification, modernization, and extension of the country's railway infrastructure.

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Framework Alignment Overview

1. Use of proceeds

The GR green bond framework is aligned with this component of the GBP because the company commits to using an amount equivalent to the net proceeds of bonds issued under the framework to finance or refinance eligible green projects under the category of "clean transportation". This category is recognized by the GBP.

2. Process for project evaluation and selection

The framework is aligned with this component of the GBP because the framework outlines the process used to assess whether the projects considered are eligible under the "clean transportation" category. The company's corporate and economic departments will be responsible for evaluating projects under the eligibility and exclusion criteria, and annual monitoring for continued eligibility.

3. Management of proceeds

The framework is aligned with this component of the GBP because it clearly states that allocation and expenditures for eligible projects will be tracked using an internal register.

4. Reporting

The framework is aligned with this GBP component because the company will publish a Green Bond Allocation and Impact report annually on its website until full-proceeds allocation and in the event of a material change.

spglobal.com/ratingsdirect

May. 26, 2021 1

According to the obligations set under the Green Bond Framework, GR's Corporate and Economic Department evaluates projects against the eligibility criteria with activities under the following categories excluded from financing: fossil fuel energy; fossil-fuel-reliant transport; nuclear energy; alcohol; and defense.

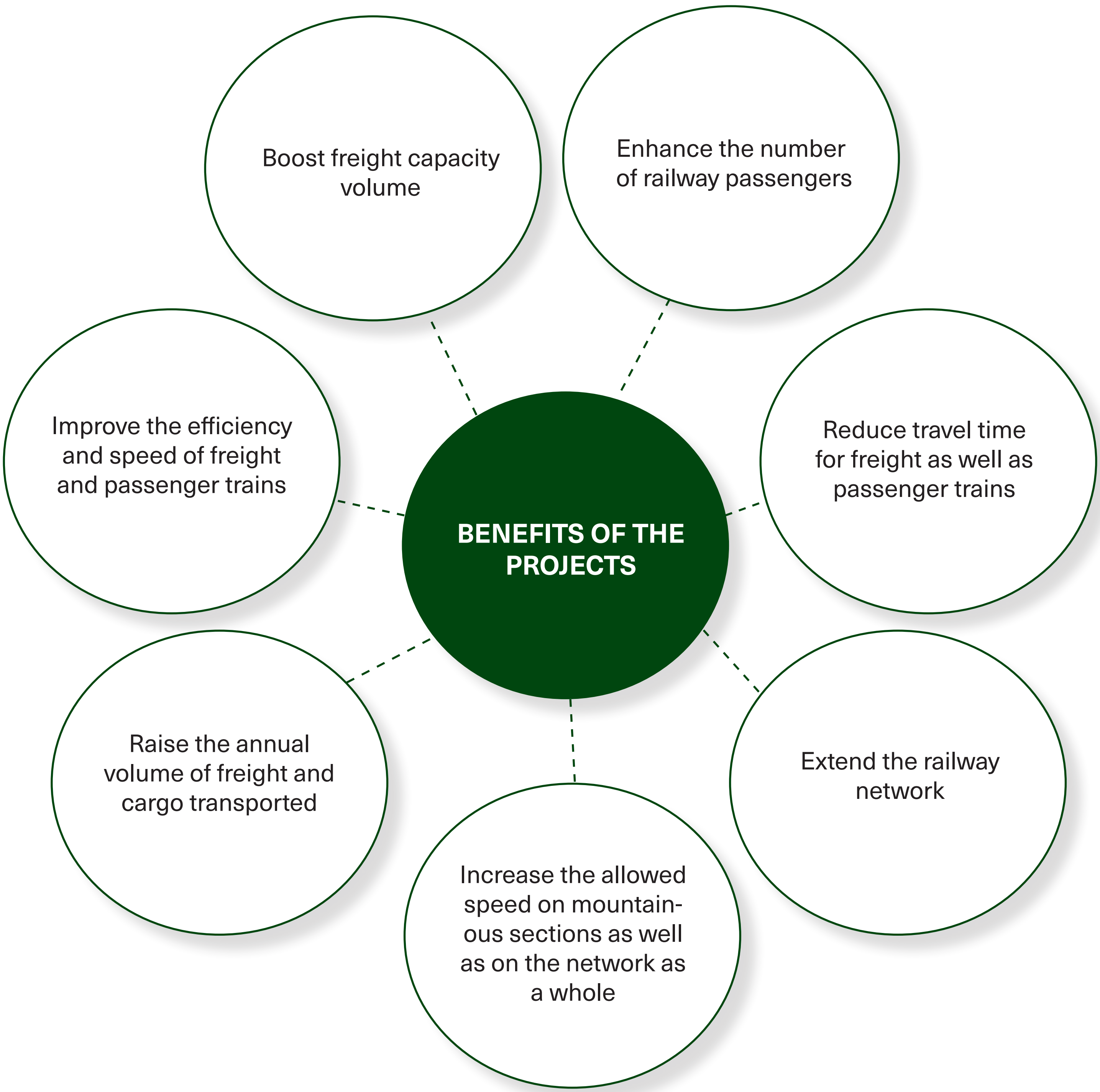
Expenditure on eligible projects is tracked using an internal register to ensure that an amount equivalent to the net proceeds of the green bonds is allocated in accordance with the Green Bond Framework.

GR publishes an annual Green Bond Allocation and Impact Report*. This report includes details of: eligible green projects and the amounts allocated thereto; the proportional allocation of proceeds between refinancing and new projects; and the remaining balance of cash or cash equivalents to be allocated.

Following the full allocation of Green Eurobond proceeds, GR has continued investing in eligible green projects. As of the end of 2024, the total amount invested in such projects reached USD 676.1 million:

- USD 224.9 million allocated to the Railway Modernization Project, designed to modernize rail infrastructure and increase the safety and capacity of the mainline *(see 8.2 Ongoing Projects of the Company)*;
- USD 101.5 million allocated to the acquisition and maintenance costs of the Company's wagon and locomotive fleet;
- USD 186.5 million allocated to costs related to freight and passenger stations, logistics terminals and platforms;
- USD 115.3 million allocated to extensions, modernization, maintenance, energy efficiency and electrification of existing railway lines; and
- USD 48.0 million allocated to costs related to signaling, centralization and blocking systems.

*see https://www.railway.ge/en/eurobonds/


BENEFITS OF THE PROJECTS
Boost freight capacity volume
Enhance the number of railway passengers
Improve the efficiency and speed of freight and passenger trains
Reduce travel time for freight as well as passenger trains
Raise the annual volume of freight and cargo transported
Extend the railway network
Increase the allowed speed on mountain-ous sections as well as on the network as a whole

4.2 ENVIRONMENTAL FOCUS

Most of GR's network is electrified, making it one of the most energy-efficient and environmentally friendly means of transportation available in Georgia. Pertinently, a filtration system has been installed in the railway's facilities to reduce the impact of emissions.

GR is fully devoted to avoiding, minimizing and mitigating any environmental damage caused by its activities and to improving its environmental performance overall. In that regard, it is carrying out effective measures to protect the environment, as reflected in the implementation of long-term plans and its emergency response. GR abides by the mantra "Green is our Choice" and makes a significant contribution to initiatives underpinning national environmental policy.

JSC Georgian Railways has a waste management plan for its operations. Each year, in accordance with the Law of Georgia on Public Procurement, an electronic procurement procedure is announced for the disposal and management of hazardous waste. As a Wasteless association member, it transferred 4,039 electronic devices for recovery by 2024. Additionally, as part of the joint project "PCB-Free Electricity Distribution in Georgia," implemented by the Ministry of Environmental Protection and Agriculture of Georgia, the Caucasus Regional Environmental Center and UNIDO, JSC Georgian Railways has planned laboratory monitoring of oils containing polychlorinated biphenyls (PCBs) and the labeling of relevant equipment. This initiative aims to facilitate the removal, recycling and destruction of PCB-containing oils, thereby reducing hazardous waste in the Company's electricity supply network and minimizing the risk of cross-contamination. The Company strives to achieve sustainable development goals by gradually substituting operational materials with more environmentally friendly alternatives, such as water-based sleepers or concrete sleepers instead of creosote-treated ones. Moreover, it makes efforts to reuse various types of waste to minimize waste generation. In addition, when modernizing its existing service or infrastructure facilities, renovations are carried out using entirely eco-friendly materials.

As part of its daily operations, JSC Georgian Railway conducts identifies and monitors high-risk areas. Through inspections conducted in railway corridors, areas prone to atmospheric and natural changes are picked out, such as areas or zones susceptible to avalanches, landslides and/or geotectonic activity. Each location is equipped with an information brochure and designated personnel with appropriate qualifications who conduct periodic visual or other types of monitoring as needed. This proactive approach aims to mitigate risks within the railway corridors and to ensure movement therein is as safe as possible.

The Group is subject to various environmental protection laws and regulations including the Law of Georgia on "Red List" and "Red Book," the Law of Georgia on Cultural Heritage, the Maritime Code of Georgia and the Law of Georgia on Public Safety . According to the applicable laws, the construction of railway facilities, as well as the development of railway infrastructure must be approved by an ecological expert.

According to Georgian environmental laws and regulations, the Group is required to remedy any environmental damage caused by its operations through clean-up and rehabilitation works (such as repairing damaged assets or objects).

In 2017, GR published a new document concerning the management of waste accumulated during its operational processes.

Earlier, in June 2015, changes were made to Georgia's environmental laws and regulations (e.g. the Environmental Impact Permit) according to which the Group had to conduct an environmental audit of the railway system throughout the country.

In 2020, the Group conducted environmental monitoring, with protocols on the relevant violations subsequently prepared and recommendations issued to carry out appropriate measures. GR was not penalized for causing any envi-

Polychlorinated Biphenyls, a group of synthetic organic chemicals that were widely used in electrical equipment like transformers and capacitors due to their insulating and heat-resistant properties.

ronmental impact by way of its activities or in the course of the Railway Modernization Project in 2020 and in 2021. In addition, as of 31 December 2024, the Group has not been the subject of any material claims regarding environmental pollution.

GR has a waste management plan in place whereby waste generated during its operations is utilized responsibly. Its annual plan is prepared in compliance with the Waste Management Code of Georgia and includes:

- Waste management goals and objectives;
- Hierarchy and principles of waste management;
- Information on waste generation;
- Information about waste prevention and recovery measures;
- Descriptions of the waste separation methods introduced;
- Methods for and conditions of temporary storage and waste;
- Waste transportation rules and waste treatment methods used;
- Information about which organization(s) is/are responsible for further treatment of waste; and
- Requirements for the safe handling of waste and waste control methods.

Once a year, GR transfers hazardous waste for disposal and/or remediation.

In GR, the ISO 9001:2015 has been introduced to its at Corporate Governance Department and the Passenger SBU *(see 7.2 Passenger SBU).* Accordingly, on an annual basis, risks are identified and agreed with the Group's management and action plans are implemented in accordance with the following standards:

- Trains and passenger coaches produce zero direct (tailpipe) CO_2 emissions; and
- Trains and passenger coaches produce zero direct (tailpipe) CO_2 emissions when operating on a track with the necessary infrastructure and use a conventional engine where such infrastructure is not available (bi-mode).

ENVIRONMENTALLY FRIENDLY TRANSPORTATION MODE

GR abides by the slogan "Green is our Choice"

98% of Georgian Railway is electrified

Waste management plan established in compliance with the Waste Management Code of Georgia

Both freight and passenger transportation use electric locomotives and EMUs, while diesel locomotives are used only for shunting operations and on non-electrified sidings

Realization of strategic green projects (such as the Railway Modernization Project) aiming to lower GR's environmental impact (i.e. reduced electricity consumption and lower CO_2 emissions) and make operations safer

Environmental Protection Unit established at GR's corporate level

Fully compliant with applicable environmental protection laws and regulations

Regularly conducts environmental audits and monitoring of the railway throughout the country

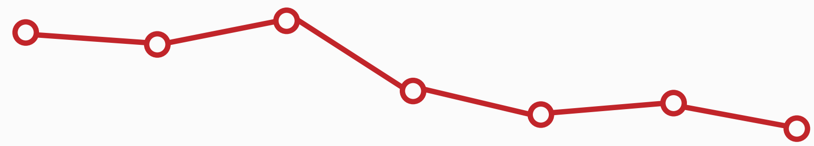
AVOIDED CO2 EMISSIONS

To estimate the extent of the GHG emissions avoided in Georgia courtesy of JSC Georgian Railway, the Company compared the volume of greenhouse gases emitted into the atmosphere by energy consumed as a result of rail transport against the volume of emissions in the absence of the railway network. To conduct such a comparison, minibus was used as the alternative type of transportation.

AVOIDED THE EQUIVALENT OF ABOUT 1,033,000 TONS OF CO2 EMISSIONS FROM 2018 TO 2024

ZERO DIRECT EMISSIONS

tons CO2 eq.	2024	2023	2022	2021	2020	2019	2018
TOTAL AVOIDED EMISSIONS	178,772	172,852	181,847	139,931	120,344	125,689	113,752



Avoided about 6,000 t more CO2 eq. in 2024, compared to 2023.

**The IPCC 2006 methodology was used to calculate greenhouse gas (CO2, CH4 and N2O) emissions from the railway sector (Publications - IPCC-TFI (iges.or.jp)*

4.3 SOCIAL FOCUS

The Group operates the Passenger SBU, which primarily transports passengers within Georgia and on international routes, connecting Georgia with Azerbaijan and Armenia. One of GR's main objectives here is to provide accessible and comfortable travel for people . Historically, fares for passenger have remained relatively low due to the importance of affordable transportation services to the GoG, the sole shareholder of the Group *(see 7.2 Passenger SBU)*.

The health and safety of its employees and operations is critical for the Company, which acts in full compliance with local and international law. Each health and safety incident is thoroughly investigated to identify the causes and inform appropriate measures to be taken to prevent similar incidents from reoccurring in the future.

GR offers medical insurance to its employees together with their family members and finances certain healthcare expenditure not covered by insurance policies. Moreover, the Company also provides other financial aid for special occasions such as the birth of a child and a child's first day at school, while also issuing bonuses to employees for certain holidays, events, etc.

In order to meet the railway transport needs of the public and the state, JSC Georgian Railway together with the MoES and the Georgian Technical University co-founded the Railway Transport College (RTC) in 2015. The purpose of the RTC is to supply the Company with qualified graduates with the relevant vocational background to meet the requirements of the modern international labor and rail market, enshrining national and international values and creating conditions for candidates to achieve their educational goals and successfully obtain employment. In addition, the RTC building has been renovated and adapted in line with the standards necessary for inclusive learning, to better accommodate students with disabilities.

STRONG SOCIAL IMPACT AND COMMITMENT TO ENSURING A SAFE WORKING ENVIRONMENT

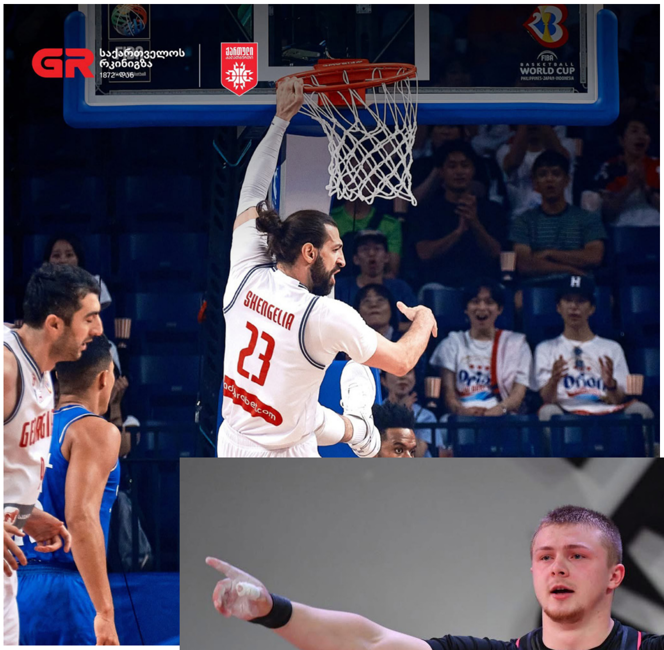
- GR is one of the largest employers and taxpayers in Georgia, providing a workplace for more than 11,700 people all over the country
- GR provides affordable passenger transportation, which is socially important and benefits the development of all regions of the country
- GR adheres to the best health and safety standards and management systems (ISO certification, SAP and six SIGMA programs)
- GR has an established health and safety policy
- Around 60% of the Group's employees are a member of one or more trade unions

From 2022 to 2024, Georgian Railway reaffirmed its role as a socially responsible company by allocating 750,000 GEL annually to support the development of sports in Georgia. This long-term commitment reflects the Company's dedication to promoting healthy lifestyles, youth engagement and community well-being.

As a proud partner of the Georgian Basketball Federation (GBF) and the Georgian Rugby Union (GRU), Georgian Railway actively contributes to the growth and success of this team sports.

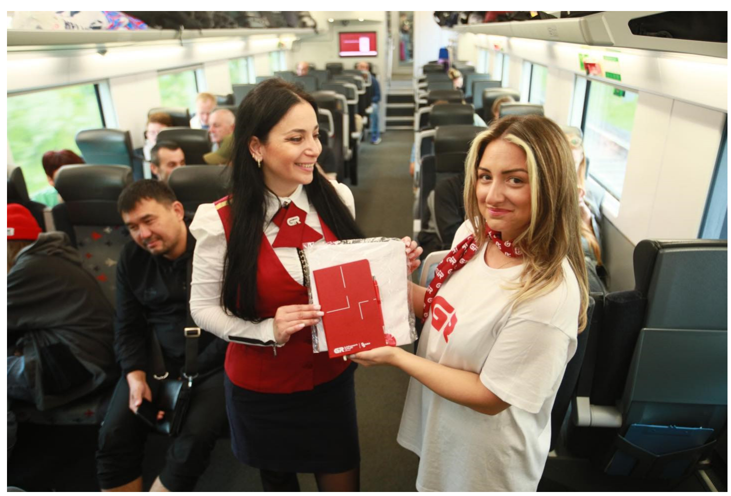
The Company's sponsorship helps strengthen national teams, expand youth programs and improve sporting infrastructure.

In addition to basketball and rugby, Georgian Railway supports football, athletics and water polo, recognizing their vital role in shaping both individual character and community identity. By investing in a wide range of sports, the Company continues to play a key role in fostering athletic excellence and encouraging an active, healthy society.



Georgian Railway continues to support cultural events and engage with the community through various initiatives. One notable example is the Jazz Train, which transports passengers to the Black Sea Jazz Festival, offering a unique and memorable journey. The train features live performances of popular jazz hits.

Every May 26, Georgian Railway celebrates Georgia's Independence Day by wishing passengers a happy holiday and organizing a quiz about the country's history and the Company's legacy. Quiz winners, including those in the 26th seat, receive symbolic gifts, reinforcing the Company's commitment to national pride and community engagement.



EMPLOYEES

The Group is one of the largest corporate employers in Georgia, with more than 11,700 employees as of 31 December 2024. The Company also effectively creates additional employment in related industries, such as railcar manufacturing and construction.

The following table presents the distribution of the Group's employees by business unit, as of the dates indicated:

For the year ended 31 December	2024	2023	2022	*2024*	*2023*	*2022*
HEAD OFFICE	748	755	767	*6%*	*6%*	*6%*
INFRASTRUCTURE SBU	4,460	4,611	4,670	*38%*	*38%*	*38%*
FREIGHT SBU	5,047	5,221	5,253	*43%*	*43%*	*42%*
PASSENGER SBU	1,010	1,059	1,197	*9%*	*9%*	*10%*
SUBSIDIARIES	466	473	491	*4%*	*4%*	*4%*
TOTAL	11,740	12,119	12,378	*100%*	*100%*	*100%*

**see 7. Focus on Core Business Activities*

The Group's management believes that a common understanding at all levels of the organization regarding the strategic objectives and business principles of the Company is essential to succeed. To achieve this, the Company promotes business education among its mid-level technical staff and engages lower-level managers in the decision-making processes, while incentivizing employees through its group-wide, value-creation-oriented bonus scheme.

Meanwhile, the Group offers medical insurance to its employees and their family members and finances certain healthcare expenditure not covered by insurance. In 2024, the amount it spent on employees' healthcare expenses totaled GEL 465,000, compared to GEL 323,000 in 2023.

The Group's average employment package (salary, bonuses, etc.) is relatively close to the average national salary. The Group also has a bonus system in place, according to which bonuses are distributed to all employees twice a year.

AVERAGE EMPLOYEE BENEFITS

'GEL

	2024	2023	2022
JSC GEORGIAN RAILWAY	1,630	1,626	1,329
GEORGIA *(source: National Statistics Office of Georgia)*	2,059	1,767	1,543

**In October, 2024 GR Management announced salary increase of 10.0 percent starting from January, 2025.*

ADDITIONAL BENEFITS

'000 GEL

For the year ended 31 December	2024	2023	2022
LOYALTY PROGRAM	1,066	1,756	762
HEALTHCARE FUNDING	465	323	304
Total	**1,531**	**2,079**	**1,066**

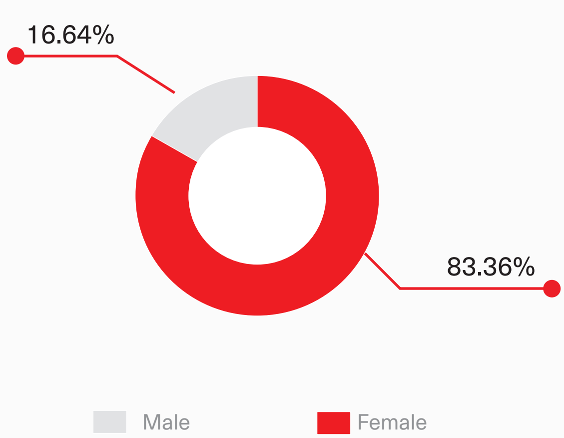
There is stiff competition among companies and organizations in Georgia for executives and other personnel who are both sufficiently qualified and experienced. However, due to the favorable working environment afforded by the Company to its employees, including a competitive compensation package, career opportunities and other advantages, its employee turnover rate is relatively low. Specifically, the Company's employee turnover rate was 8% in 2024 and 6% in both 2023 and 2022 (excluding subsidiaries).

EMPLOYEE TURNOVER RATE BY BUSINESS UNIT

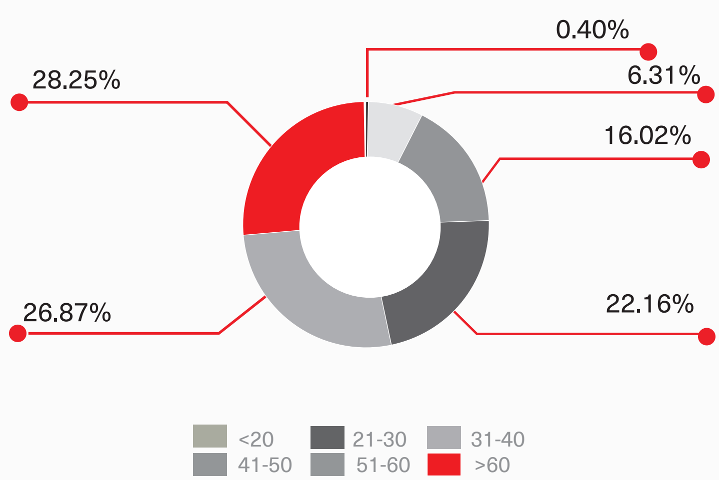
	31-Dec-24	31-Dec-23	31-Dec-22
HEAD OFFICE	*12%*	*15%*	*13%*
FREIGHT TRANSPORTATION SBU	*8%*	*4%*	*6%*
INFRASTRUCTURE SBU	*7%*	*6%*	*7%*
PASSENGER TRANSPORTATION SBU	*10%*	*10%*	*5%*
WBS	*3%*	*8%*	*6%*
Average turnover	*8%*	*6%*	*6%*

The charts below break the Company's personnel down according to age group and gender. Of note, the majority of GR employees are aged between 51 and 60. Meanwhile, the Group involves its workers in decision-making processes, which boosts their workplace engagement and offers them career advancement opportunities. This approach allows for the sharing of innovative ideas which in turn benefits the Group.

EMPLOYEE DISTRIBUTION BY GENDER

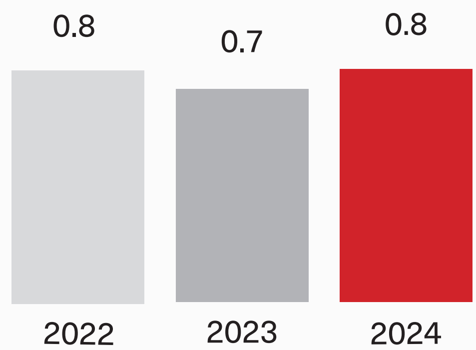


EMPLOYEE DISTRIBUTION BY AGE

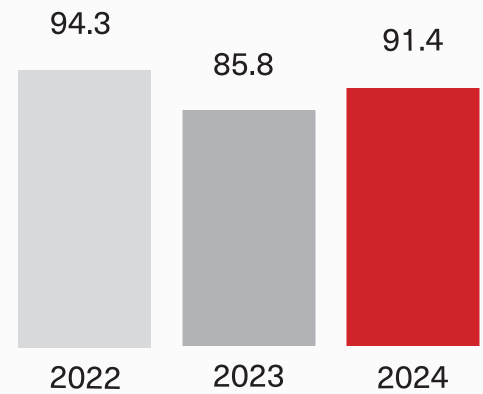


LABOR PRODUCTIVITY MEASURES

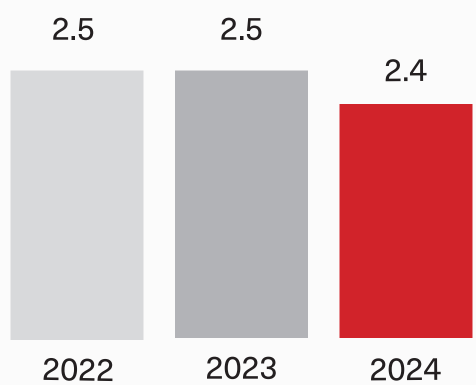
TON-KM PER AVERAGE NUMBER OF FREIGHT SBU EMPLOYEES *(MILLIONS)*



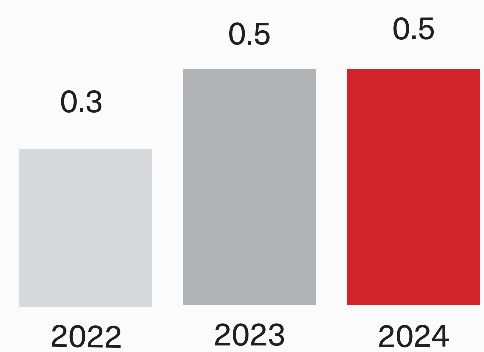
FREIGHT REVENUE PER AVERAGE NUMBER OF FREIGHT SBU EMPLOYEES *(GEL '000)*



AVERAGE NUMBER OF INFRASTRUCTURE SBU EMPLOYEES PER AVERAGE EXPANDED LENGTH (KM) OF INFRASTRUCTURE

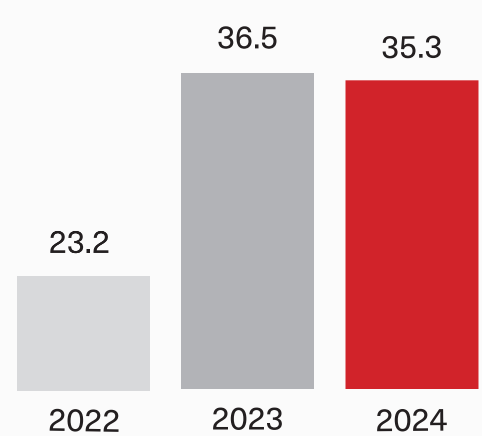


PASSENGER-KM PER AVERAGE NUMBER OF PASSENGER SBU EMPLOYEES *(MILLIONS)*



As of 31 December 2024, approximately 60% of the Group's employees were a member of one of two labor unions (the NNLE Union and the Trade Union of Georgian Railway Employees). The Group does not have any collective bargaining agreements with its employees or any trade union, although it has in the past been party to arrangements with certain unions. In addition, pursuant to the requirements of Georgian law, if 20 or more employees raise a singular concern, it is transformed into an employee collective dispute, necessitating the Group to conduct roundtable meetings with trade unions.

PASSENGER REVENUE PER AVERAGE NUMBER OF PASSENGER SBU EMPLOYEES *(GEL '000)*



RAILWAY TRANSPORT COLLEGE (RTC)

In 2015, the Railway Transport College (RTC) was established and in 2016 was granted professional education status. The RTC started running classes in 2018.

The RTC was founded by:

- JSC Georgian Railway;
- Ministry of Education and Science of Georgia (MoES); and
- Georgian Technical University.

The RTC's partners are:

- DB Engineering and Consulting (a subsidiary of German railway company DB); and
- Iowa State University.

The main objectives of the RTC are to develop dual vocational education in the railway sector and to improve the railway labor market.

The RTC is financed by GR, the MoES and Georgian Technical University, while it was also granted around USD 2.3 million by the U.S. Millennium Challenge Account.

In 2018, the college building was renovated and adapted to accommodate inclusive learning for students with disabilities, as well as to provide the RTC with suitable training inventories, computer equipment and locomotive simulators. The refurbishment costs were covered by the MoES and GR. A machine operator vocational training program was introduced at the institution in 2019, the first program of its kind in Georgia. Moreover, a training laboratory was built and furnished for one of the most in-demand professions on the labor market .

Initiatives providing short-term training to people with disabilities (PwDs) to improve their competitiveness on the labor market were launched in 2020 by the Georgian Government Administration Coordination Group for the Rights of Persons with Disabilities , the MoES and the Tbilisi Office of the United Nations High Commissioner for Human Rights. Involved in the initiative, the RTC created a specific course called "Office Task Management" and made it available to any interested parties.

The RTC joined the "Professional Training and Qualification Enhancement" state program in 2021. Meanwhile, two other training programs were submitted for financing, namely “Office Management” and “Accounting for Construction and Service Organizations.”

The modern electronic program "OPENBIBLIO" was also purchased, through which an electronic catalog was put to use, including extensive library resources of 549 printed units and 86 e-books. The catalog can be used remotely by teachers, professional students and any other interested persons.

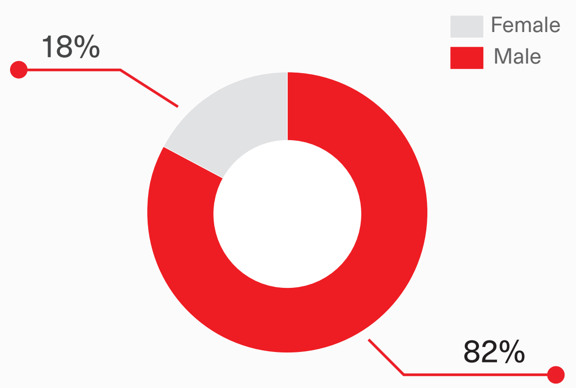
In 2022, Georgian Railway and the RTC launched a new initiative entitled “Equal Opportunities in the Railway Sector of Georgia and Strengthening the Technical Skills of Young People” with the support of the EBRD, the details of which are presented below:

- "Equal Opportunities in the Railway Sector of Georgia and Strengthening the Technical Skills of Young People" - a two-year project, within the framework of which both new and updated professional short-term educational programs of the RTC are to be created; and
- Gender-sensitive human resources management policies and procedures - to be developed in order to better implement the principles of gender equality in Georgian Railway and in the RTC (the equal opportunities action plan outlines all steps the Company should take to improve gender equality).

The project is part of a railway modernization program funded by the EBRD and is being implemented by the French company AETS, with the participation of foreign and local experts.

In the RTC, 660 professional students are currently enrolled, comprising 514 men and 146 women. This total exceeds the 2023 figure by 51, with a notable increase in the number of female students (by 44). In 2024, a total of 180 students successfully completed their chosen professional education program and attained the relevant qualifications. Since its establishment, the RTC has had a total of 551 graduates.

SHARE OF CURRENT STUDENTS BY GENDER



The RTC offers a total of 17 professional educational programs, outlined below:

DUAL FORM*

- Construction of Railway Track
- Monitoring of Railway Track
- Power supply of Railway
- Railway Electrical Motorized Unit
- Railway transportation
- Signaling, centralization and blocking of railway transport
- Railcar management
- Locomotive management

MODULAR FORM*

- Machine tool operator
- Welding
- Labor safety and environmental technologies
- Warehouse Operation
- Freight forwarding

INTEGRATED FORM*

- Railway transportation
- Railway power supply
- Signaling, centralization and blocking of railway transport
- Railcar management

**The dual form of studying, also known as dual education or dual training, combines traditional classroom learning with practical on-the-job training. The modular learning allows to individualize the work with students, consulting with each of them and helping them individually. The integrated form of studying, or integrated education, brings together theoretical knowledge with practical skills throughout the entire learning process.*

In 2024, based on the decision of the Authorization Council of Vocational Educational Institutions, the RTC acquired the right to implement 2 new vocational educational programs: “Warehouse Operation” and “Freight Forwarding”. Each vocational educational program was provided with a maximum number of 70 vocational students.

At the same time, due to the cancellation of the “Logistics” framework document, the “Freight Transportation Logistics” professional educational program has been put into a temporary mode, in which professional students are currently enrolled, after which the program will be canceled. This program is removed from RTC professional education programme’s list.

Accordingly, the full quota of professional students to be admitted by the college during the academic year has been determined at this stage to be a total of 775 professional students, among whom 640 professional students will be admitted in a non-integrated form and 135 in an integrated form.

In addition to its professional long-term educational programs, the RTC has also been authorized to offer the following 15 short-term professional training and retraining programs:

SHORT-TERM PROFESSIONAL PREPARATION PROGRAM

- Technical drawing, draftsperson
- Electric welder
- Geodetic surveyor
- Wagon tester
- Track maintenance technician
- Railway power supply technician
- Railway Power Supply Technician
- Metalworking Machine Tool Operator
- Train Formator

SHORT-TERM PROFESSIONAL RETRAINING PROGRAM

- Argon arc welder
- Elevator maintenance and repair technician
- Gauge defects inspector
- Visual inspection specialist for rail and building elements
- Station operator
- Station dispatcher
- Railway signaling, centralization and blocking microprocessor equipment specialist
- Traffic safety in rail transport

Until 2023, the RTC implemented seven short-term training/retraining programs, in 2024 RTC implamented one new short-term training/retraining program . Starting in 2023, the "Railway Industry" grant project was initiated under the USAID "Industry-Led Skills Development" program, aiming to provide equal access to professional development opportunities. In addition, based on the needs of the Tetritskaro and Samtredia regions, an additional training program was prepared. The National Center for Educational Quality Enhancement confirmed that a further eight professional training/retraining programs would be implemented.

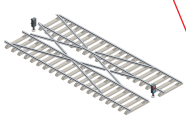
In 2024, 306 trainees successfully completed their selected vocational training/retraining program and received the corresponding certificate, reflecting an increase of 263 compared to 2023. In addition, from 2023, training on short-term programs: "Argon arc welder", "Electric welder" and "Elevator maintenance and repair" started and is currently being conducted. A total of 55 student are enrolled and the training process is ongoing.

5. THE GROUP'S INFRASTRUCTURE

5.1 RAILWAY PROPERTY

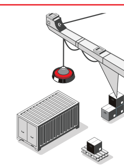
The Group owns different types of real estate, machinery, rolling stock and other assets. The net book value of its property, plant and equipment as at 31 December 2024 was approximately GEL 2.0 billion. Specifically, it owns and operates the following assets:

RAIL NETWORK



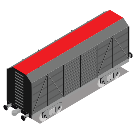
1,408 km

FREIGHT STATIONS



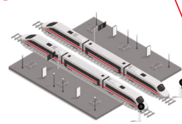
94

FREIGHT RAILCARS



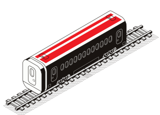
4,088

PASSENGER STATIONS



28

PASSENGER WAGONS

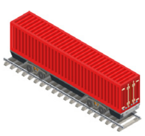


29

LAND

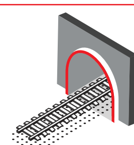
50 km2

CONTAINERS



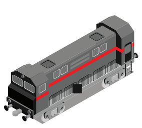
586

TUNNELS



46

LOCOMOTIVES (diesel/electric)

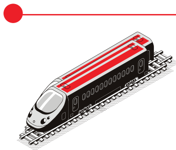


91

PEDESTRIAN TUNNELS

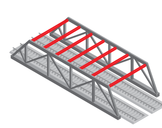
21

ELECTRIC MULTIPLE UNITS (EMUs)



19

BRIDGES



1,350

**Table includes working fleet*
** Table does not include property owned by Borjomi-Bakuriani Railway (see 7.4 Subsidiaries and Affiliates)*

Some of the infrastructure, such as interlocking systems and power substations and some related assets owned and operated by the Group, such as rolling stock, are relatively old. Although the condition of this infrastructure is sufficient to carry out the Group's current and planned railway operations without significant disruption, GR continues to conduct significant maintenance and improvement works on much of its infrastructure. The Group has already made and intends to continue making substantial investments to modernize its infrastructure, including the Modernization Project *(see 8.2 Ongoing Projects of the Company)*.

RAIL NETWORK

GENERAL DESCRIPTION

The Group's mainline rail network, together with that of CJSC Azerbaijan Railways, forms the Caucasus Railway Corridor, a key segment of the TRACECA. The Group's mainline rail network is thus a key link in the shortest route from Central Asia and the Caspian Sea to the Black Sea and the Mediterranean Basin.

GR owns and operates a 1,408-km-long railway network, 293 km of which is double-track line. Meanwhile, the Company's network is 98% electrified.

GR's network is connected to both the Azerbaijani and Armenian railways.

On 30 October 2017, the Baku-Tbilisi-Kars (BTK) railway line became operational. The BTK link directly connects Azerbaijan, Georgia and Türkiye. In 2017, the first train passed through this line *(see 8.3 Infrastructure Developments in Georgia)*.

The Company also has a line connecting with Russia through the Georgian region of Abkhazia, which is currently not operational.

1,408km

NETWORK LENGTH

293km

DOUBLE-TRACK LINE LENGTH

98%

FULLY ELECTRIFIED

CAPACITY

The Company's infrastructure capacity varies across different sections. The main bottleneck is a mountainous region located in the center of Georgia, referred to as the gorge section. Most of the Group's freight is transported through this region, as the gorge section is part of the network's mainline. Currently, the estimated annual capacity of the gorge section is 27 million tons of cargo. The ongoing works under the Modernization Project are designed to increase the possible throughput capacity of the rail line to 48 million tons annually with the potential to increase the capacity further to 100 million tons with relatively minor additional investments.

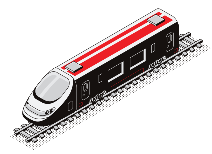
An increase in the capacity of the rail lines would boost the capacity of the entire TRACECA, along with other planned or implemented projects such as the development of a deep-sea port on the Black Sea coast, the modernization of the Azerbaijani railway network and the development of ports on the Caspian Sea in Kazakhstan.

ROLLING STOCK

As of 31 December 2024, the Group had 4,088 active freight railcars and 34 active passenger wagons. Earlier, in 2014, the Group purchased 480 containers to facilitate container transportation within the Caucasus Railway Corridor.

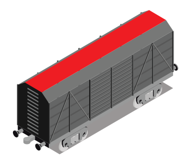
	31-Dec-24	31-Dec-23	31-Dec-22
ACTIVE FREIGHT RAILCARS	4,088	4,392	4,504

GENERAL DESCRIPTION



29

PASSENGER WAGONS



4,088

FREIGHT RAILCARS

The Group's rolling stock undergoes regular maintenance and repair. Such work falls into the following two main categories: (i) scheduled repairs carried out according to current technical standards in the region and applicable regulations; and (ii) unscheduled repairs carried out according to the condition of the railcars. Scheduled repairs are carried out based on either the period or mileage of operation. The Group's rolling stock is generally subject to regular inspection before loading, after unloading and during transportation through freight stations.

Under Group procedures, its maintenance staff perform routine depot repairs once every 1-3 years on average after manufacturing (depending on the class, the usage and condition of the railcar) and, thereafter, once every two years. Around the middle of the useful life of a railcar, the Group performs capital depot repairs. After the end of its initially expected useful life, the Group currently uses third-party providers to perform capital repairs with life extensions (generally, by approximately 150-200% of the expected useful life). Routine depot repairs are still performed after the useful life is extended. After this extension ends, another similar extension is afforded to third-party providers. In such cases, once the second extended useful life ends, the Group may yet make two further life extensions, each lasting five years.

Unscheduled repairs are dictated by the technical condition of the railcar and are directly related to the term and intensity of operation. In addition, the Group's railcars undergo routine technical inspections, as a result of which minor repairs are performed at repair shops throughout its network.

The Group also performs an annual renovation and repair program with respect to its rolling stock, to ensure the availability of sufficient locomotives and railcars to service its ongoing operations.

The following table presents the distribution of the Freight SBU's total working freight railcars by age, as at 31 December 2024:

Age	Total Workforce (%)
Less than 21 years	8
21-25 years	5
26-30 years	2
31-35 years	10
More than 35 years	75

*See 7.1 Freight SBU

The following table sets out the distribution of the Passenger SBU's total active passenger wagons by age, as at 31 December 2024:

Age	Total Workforce (%)
Less than 21 years	0
21-25 years	0
26-30 years	0
31-35 years	0
More than 35 years	100

*See 7.2 Passenger SBU

CAPACITY

One of the main factors determining the capacity of the rolling stock is the number of railcars and containers available for transportation. Currently, the Group can use railcars from three different sources: the Group's railcars; railcars owned by other railways; and the railcars of private companies.

The information presented below indicates the Group's dependency on its wagons as less than half of the Group's overall freight transportation in 2024 was performed by its railcars.

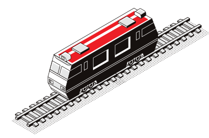
SHARE OF FREIGHT TRANSPORTED BY RAILCAR OWNERS

For the year ended 31 December	***2024***	***2023***	***2022***
The Group's railcars	*36%*	*37%*	*38%*
Railcars owned by other railways	*17%*	*16%*	*18%*
Railcars of private companies	*47%*	*47%*	*44%*

The Group's management believes that its current rolling stock allows it to operate efficiently, provided that the required maintenance and capital repairs are performed thereon. It also understands that utilizing the existing rolling stock would be significantly more cost-efficient than purchasing new rolling stock or leasing more modern equipment, as it estimates that the cost of capital repairs to extend the useful life of the Group's existing rolling stock would be approximately one-third of the cost of acquiring new rolling stock. Given the spare capacity of its rolling stock fleet, the Group's management does not intend to aggressively expand the fleet. When the Group experiences a shortage of specific types of railcar, it typically fills that through a combination of conducting capital repairs on rolling stock from the inventory, selective acquisition of new railcars, or adjusting tariffs to attract private railcar owners.

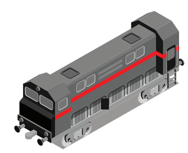
LOCOMOTIVES AND EMUs

As of 31 December 2024, the Group owned 19 units of active EMUs and 91 active locomotives, of which 66 were electric and 25 were diesel. In addition, the Group has another 6 EMUs as well as 22 electric and 33 diesel locomotives that will be fully operational after capital repairs. Diesel locomotives are mainly used for shunting operations at stations, while electric locomotives are used to move railcars along with the electrified railway network.



19

PASSENGER TRAINS (EMUs)



91

ACTIVE LOCOMOTIVES

The following table sets out the distribution of the Freight SBU's total active locomotives by age, as of 31 December 2024:

Age	Total Fleet (%)
Less than 21 years	0
21-25 years	0
26-30 years	1
31-35 years	21
More than 35 years	78

**See 7.1 Freight SBU*

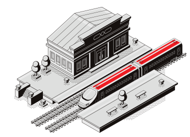
The following table details the distribution of the Passenger SBU's total working EMUs by age, as of 31 December 2024:

Age	Total Fleet (%)
Less than 21 years	42
21-25 years	5
26-30 years	0
31-35 years	0
More than 35 years	53

**See 7.2 Passenger SBU*

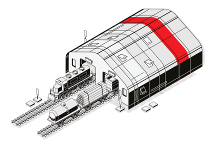
STATIONS AND ADMINISTRATIVE BUILDINGS

As of 31 December 2024, the Group owned and operated 94 freight stations in Georgia, 45 of which are fit for commercial purposes. Ten freight stations have been closed since 2016 following a management decision and the fleet from these stations has been transferred to other stations to boost efficiency. The Group also owned and ran 28 passenger stations with 45 ticket booths as of 31 December 2024. Of note, the Group's headquarter building is located in central Tbilisi.



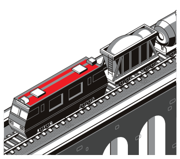
28

PASSENGER STATIONS



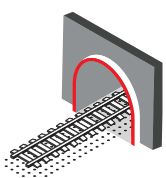
94

FREIGHT STATIONS



1,350

BRIDGES



46

RAILROAD TUNNELS

TUNNELS AND BRIDGES

The Group's infrastructure assets comprise 46 railroad tunnels and 1,350 bridges of various functions. It also owns signal equipment and other assets related to ensuring the safety of operations.

SIGNALING CENTRALIZATION AND BLOCKING

Its signaling, centralization and blocking infrastructure is among the most important assets owned and operated by the Group. These assets are used to regulate and manage locomotive movement along GR's lines. In addition, the reliability of their functioning directly affects the efficiency and safety of movement along the line.

It is crucial that investments be made in new technology and that outdated infrastructure be renewed or replaced in order to maintain good performance. Relatedly, new relay-microprocessor devices were selected that meet the SIL-4 level of accuracy and safety set by the European Committee for Electrical Standardization (CENELEC). The mentioned systems will increase the safety and simplicity of technical operations. Furthermore, the introduction of an electrical relay-microprocessor also brings the following new opportunities and benefits:

- Enhanced reliability due to the replication of several nodes, including the MPS kernel CPU (information is continuously exchanged between the control, control objects and the processor (which also serves to boost safety));
- The capacity to combine the SCB's control and rolling stock control tools into a single station processor and establishing a more comprehensive set of technical features;
- Reducing the size of equipment by 3-4 times;
- Facilitating expansion thanks to its modular design (in accordance with track development);
- The ability to recover field equipment's operational characteristics from the archive, forecast its status, or schedule repairs and modifications to prevent misrepresentation; and
- Significant reduction in system energy costs.

In 2016, for the first time in Georgia, in the course of the Modernization Project, a modern-type relay-microprocessor (hybrid) electrical centralization system was installed and put into operation at the Batumi passenger station. In the same year, an alternative system of relay circuits was also introduced.

Furthermore, to replace relay semi-automatic blocking, microprocessor semi-automatic blocking was installed and put into operation on 11 inter-station crossings on the Samtredia-Batumi segment (within the Modernization Project). The link ensuring electrical centralization on this route was built using an optical fiber cable, which greatly improves the safety of train traffic between stations *(see 8.2 Ongoing Projects of the Company).*

Within the same project, a tender to upgrade five stations along the Khashuri-Zestaponi segment (Kvishkheti, Moliti, Marelisi, Kharagauli and Dzirula) with contemporary relay-microprocessor systems was announced in 2021. The tender for that includes three stages and the corresponding work was completed in the begining 2025.

As part of the mentioned project, in February 2023, the construction of the relay-microprocessor electrical centralization system in Marelisi station was put into operation. In Kharagauli, Dzirula and Kvishkheti, construction of the relay-microprocessor centralization system is already underway. The installation of Moliti station's relay-microprocessor centralization system ended in 2025.

The process of designing and construction construction at nine stations (Poti, Senaki, Chakvi, Kobuleti, Poti, Supsa, Ochkhamuri, Sajavakho, Tbilisi-Satvirto and Tbilisi-Sakvandzo) is already underway. In particular, this includes the replacement of relay electrical centralization systems in stations with relay-microprocessor (hybrid) electrical centralization systems.

As the transition to new systems is a gradual and time-consuming process, GR is undertaking the removal of postal equipment from depreciated buildings and system rehabilitation, installation and replacement of board cables, among other work. The renewal process is ongoing all year round and all across the Company as a whole.

5.2 RAILWAY SAFETY PRACTICES AND INCIDENT ANALYSIS

Safety is paramount in railway transportation and the Group's commitment to ensuring the well-being of passengers, employees and the environment is evident in its adherence to self-regulation and robust safety policies. The Group takes a proactive approach to safety, promptly reporting and addressing minor derailments to prevent potential hazards and ensure smooth operations. Additionally, the Group's efforts to provide compensation and benefits for affected individuals showcase its dedication to accountability and care for its employees and their families.

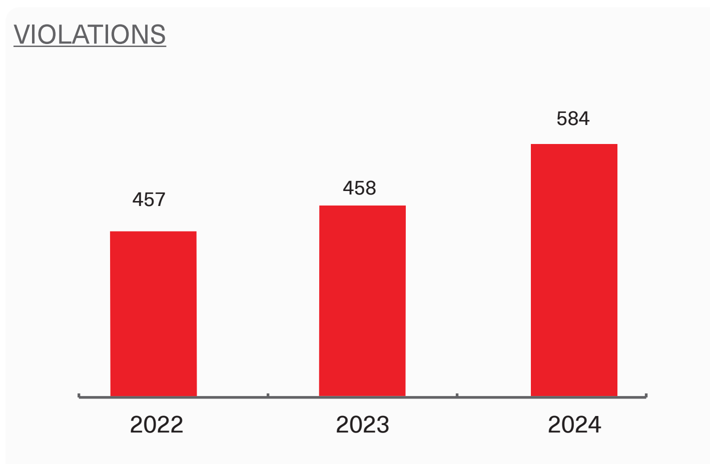
Moreover, the implementation of comprehensive training programs demonstrates the Group's commitment to promoting a culture of safety among its workforce. The program pairs experienced employees with newer recruits to impart valuable safety knowledge and best practices. This initiative not only enhances safety awareness but also fosters a sense of responsibility and accountability among employees. The Occupational Health, Safety and Environment Policy further highlight the Group's proactive measures, outlining procedures for incident investigation and quarterly trend reports. These policies not only ensure compliance with safety regulations but also serve as a testament to the Group's commitment to continuous improvement in safety standards.

Furthermore, the Modernization Project's emphasis on enhancing operational and overall safety underscores the Group's proactive approach to meeting evolving safety challenges. By investing in modernization, the Group is not only improving safety standards but also ensuring a secure travel experience for all passengers. Overall, the Group's dedication to safety through self-regulation, robust policies and ongoing modernization efforts reflects its unwavering commitment to ensuring the highest levels of safety and security in railway transportation.

GENERAL INDICATORS OF TRAFFIC SAFETY

In 2024, a total of 584 violations occurred among all participants in the transportation process at Group as per the "Instructions on Classification, Registration, Investigation and Review of Traffic Safety Violations". This figure includes 114 violations attributed to other participants, constituting 19.5% of the total. Compared to 2023, there was a increase of 1 26 unit, equivalent to 27.5%.

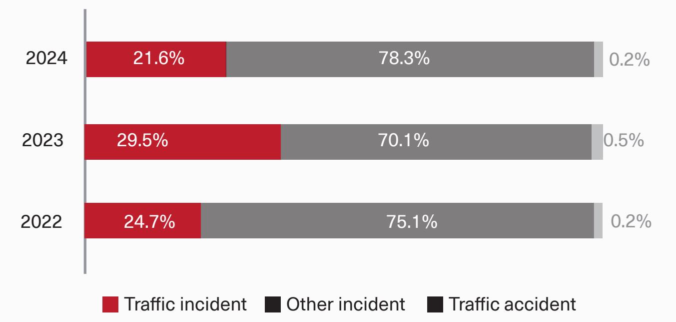
The size of the traffic of trains in terms of safety (the rate of transport work per train-kilometer), may be affected by the anticipated rise in transported volumes. Studies indicate that a 20-30% increase in transportation could lead to a disproportionate 40-80% increase in traffic safety violations. In 2024, train traffic volume saw a slight 0.3% decrease from the previous year, accompanied by a 28% rise or 1 unit increase in traffic safety violations. As a result, the overall traffic safety situation is perceived to have slightly worsened.



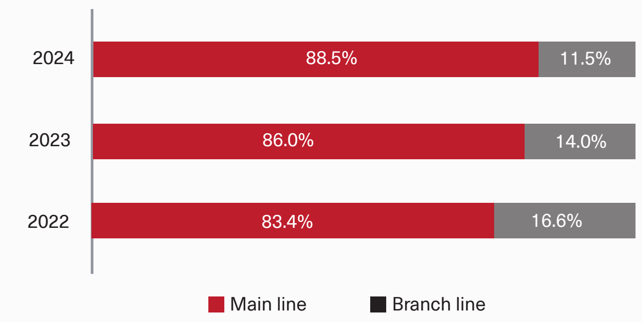
TRAFFIC SAFETY VIOLATIONS IN 2022-2024 ACCORDING TO CLASSIFIER CATEGORIES

In 2024, Group recorded a total of 584 incidents categorized under different classifications of traffic safety violations, compared to 458 incidents in 2023, marking an increase of 126 unit or 27.5%. Within the classification of categories, two "serious accidents" were noted under the "traffic accident" category. The "traffic incident" category showed a 6.7% decrease, with 126 violations, while the "other incident" category increased by 42.4%, with 457 violations. 89% of the recorded violations were on the main railway line, while 11% occurred on the branches.

CLASSIFICATION OF TRAFFIC SAFETY VIOLATIONS



TRAFFIC SAFETY VIOLATIONS BY TRACK TYPES



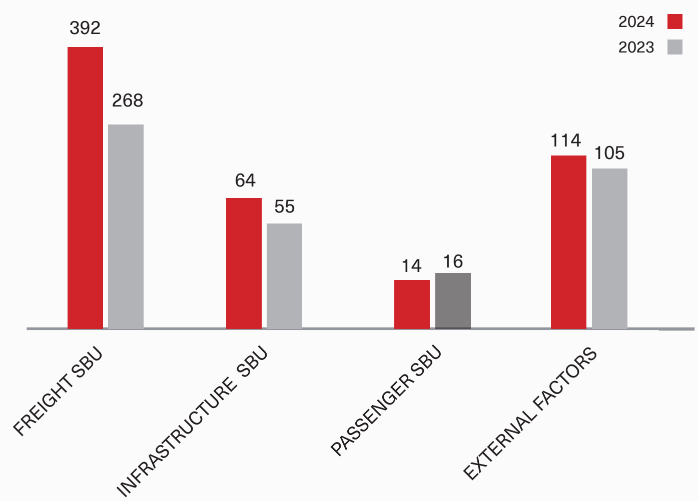
TRAFFIC SAFETY BY SBUs

Freight Transportation SBU - traffic safety violations increased by 124 units (46.2%) in 2024, compared to 2023.

Infrastructure SBU - incidents increased by 9 units (16.3%) in 2024, compared to 2023.

Passenger transportation SBU - incidents decreased by 2 units (12.5%) in 2024, compared to 2023.

ALL INCIDENTS BY SBUs



INTERNAL AND EXTERNAL FACTORS OF TRAFFIC SAFETY VIOLATIONS

20% of traffic safety violations were attributed to external factors, with 80% of these due to third-party actions and 20% due to weather conditions. Internal causes accounted for 80% of violations, with 86% attributed to technical irregularities and 14% to human error.

EXTERNAL CAUSES
20%

Intervention of a Third Party (91) 80%

Weather conditions (23) 20%

INTERNAL CAUSES
80%

Infrastructure related Violation (60) 13%

Human Error (66) 14%

Rolling Stock related Violation (346) 73%

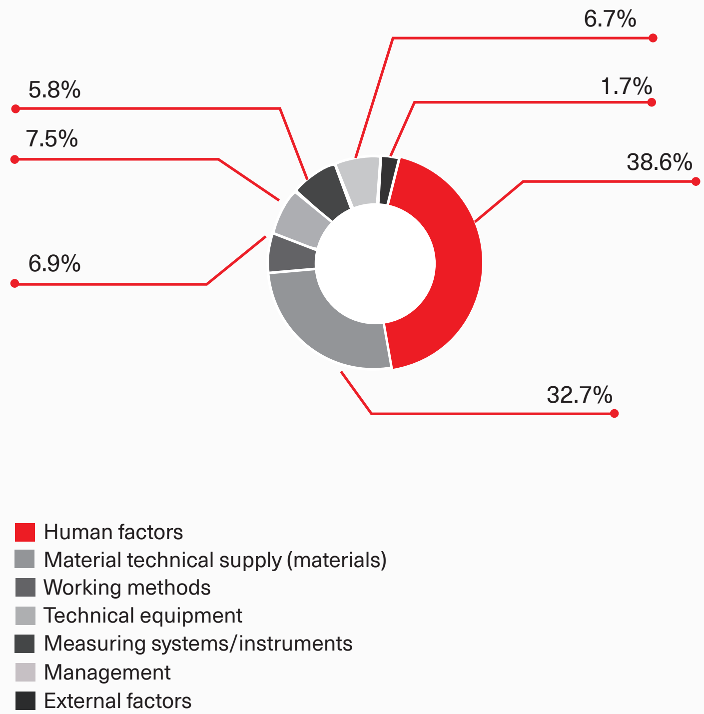
INTERNAL CONTROL OF TRAFFIC SAFETY

To prevent traffic safety violations, inspectors from the General Inspection of Traffic Safety check various areas, such as adherence to repair processes on railways and at enterprises, compliance with train management rules and the maintenance of infrastructure and rolling stock.

In 2024, inspectors conducted 1,404 inspections across 2,366 sites. This included 100 surprise inspections covering 194 sites and 1,304 planned inspections covering 2,172 sites. Spring and autumn inspections covered 559 sites, while train escorts occurred 241 times. There were 79 responses to incidents and 181 participations in various commissions. Additionally, 128 instances involved technical training, examinations, incident investigations and discussions.

The most common issues were related to low personnel qualifications, error and carelessness accounting for 38.6% of the total. Problems due to the improper supply of materials, resources and spare parts made up 32.7% of the findings. Additionally, wear and tear of equipment and poor-quality repairs accounted for 7.5% of the detected irregularities.

FACTORS IDENTIFIED AS A RESULT OF INSPECTION BY INSPECTORS



RISK ASSESMENT

Collisions and derailments of rolling stock pose a significant risk, both in organized trains and during shunting operations. It is important to note that in the reporting period, 14% of traffic safety violations (incidents) were influenced by human factors.

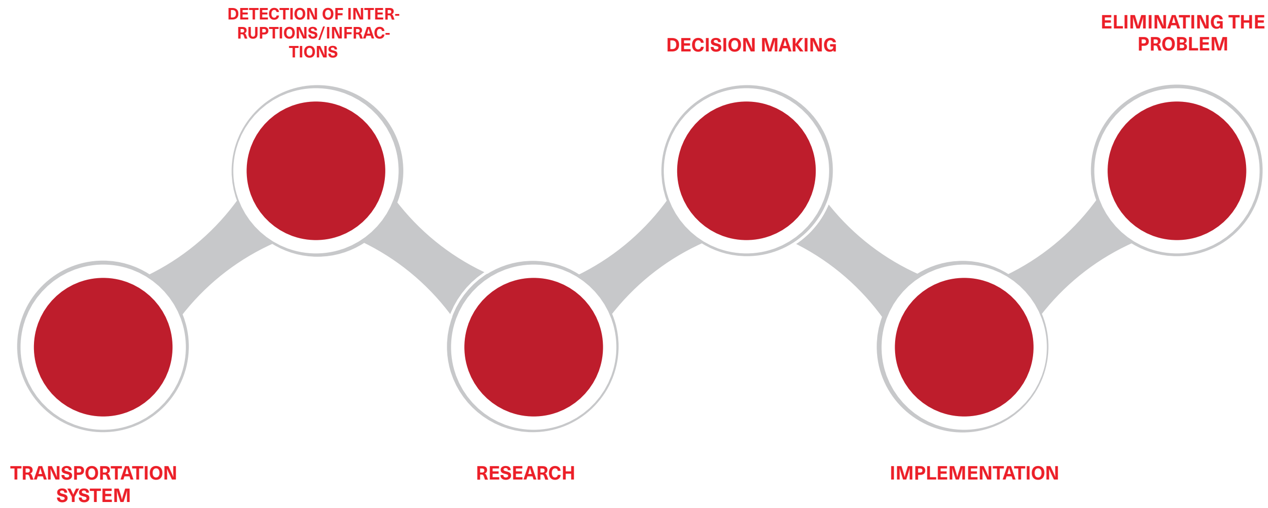
For a comprehensive and objective assessment of the risks affecting traffic safety, the reports of field inspectors were considered. These reports provide a high level of diagnosis of traffic safety conditions, as they evaluate not only the indicators of traffic safety conditions but also the compliance of human, material, technical and technological resources with approved rules and regulations. Inconsistencies detected during inspections indicate the risk of traffic safety violations due to the following reasons:

Improper supply of material and technical resources, raw materials, supplies - 33%.

Low qualification of staff, carelessness - 39%.

Low-quality repair of technical equipment - 8%.

THE PROCEDURE FOR HANDLING INTERRUPTIONS AND INFRACTIONS THAT TAKE PLACE WITHIN THE COMPANY



In June 2021, the General Traffic Safety Inspection regulation was changed. In particular, if before the change the inspections were to control, analyze and supervise safety measures, after it the they were to encompass control, analysis and supervision, as well as regulation of traffic safety.

The main tasks of the General Inspectorate are to:

- Control, regulate and analyze train traffic safety on Georgian railways and prevent traffic safety violations;
- Conduct official investigations into violations of train traffic safety;
- Regulate and analyze the security situation for trains on Georgian railways and identify risks and develop appropriate recommendations;
- Determine strategic goals in terms of safe movement of trains during the operation of Georgian railway transport;
- Perfect existing normative documentation on the Georgian railways in the field of traffic safety, develop appropriate regulations and methodologies with identified deficiencies in mind and input existing regulations into a centralized database;
- Plan and participate in training, raising qualification levels and retraining production personnel.

To carry out its main tasks, the General Inspectorate uses internal guidelines and an action plan based on the Company's experience and best practices from other railways.

In 2020, new rules were introduced for managing maneuvering work at locomotive depots and for protecting rolling stock. These changes reduced the amount of maneuvering work at depots and made it easier to detect and investigate safety violations.

To improve inspections and ensure they are consistent, new rules were created for maintaining train safety on Georgian Railway tracks. Updated instructions now allow for more precise recording and reporting of safety violations.

In line with modern standards, the updated guidelines for registering, investigating and classifying traffic safety violations provide clearer records and more transparent statistics. Inspectors follow new company standards approved in 2021, with weekly updates to management about inspections and violations. Immediate discussions address any issues. New safety norms will be applied to all technical department heads and line enterprise leaders to ensure that safety standards are followed at all sites.

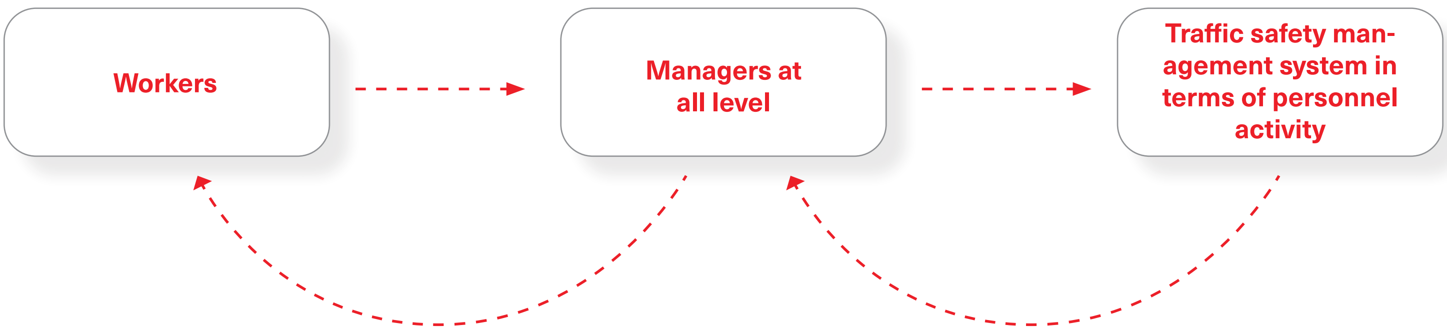
In 2023, another new normative document entered into force entitled “Instructions for Registration, Storage and Issuance of Brake Blocks to be Attached to the Rail of Rolling Stock.”

GR also actively refers to the Railway Safety Basics established by the European Union Railway Agency, which covers various railway issues including existing safety standards in high-risk industries.

SAFETY CULTURE

Efforts are being made to establish a safety culture, specifically defining acceptable methods for creating such a culture. The direction for creating and developing a safety culture should be based on initiatives from the heads of departments within GR and other organizations. This involves ensuring that all members of the organization understand the importance and social responsibility of ensuring traffic safety and achieving results, making it their priority goal and personal commitment when performing all tasks that affect traffic safety. Additionally, the traffic safety culture must encompass the entire cycle at all levels of interaction between executives and managers.

TRAFFIC SAFETY CULTURE



SAFETY MANAGEMENT SYSTEM (SMS)

As part of “the Twinning Project”, the safety management system (SMS) is being developed by the Group together with Polish Colleagues. The purpose of the SMS is to ensure that the organization safely controls risks arising from business objectives and fulfills all security obligations.

The plan-do-check-act (PDCA) cycle, which includes the following components, can be used to observe the SMS:

PLANNING: Identification of risks and opportunities and determination of safety goals and corresponding action plan required to accomplish outcomes in accordance with the Company’s Security Policy;

OPERATION: Process development and implementation according to the action plan;

EVALUATION OF WORK PERFORMANCE: Monitoring and evaluation of procedures and actions in relation to objectives, as well as reporting outcomes;

IMPROVEMENT: Establishing procedures to regularly improve the SMS and fulfill safety objectives.

The safety level indicator has improved consecutively for GR’s network three times since 2021.

The volume of train traffic (i.e. the rate of transport work per train-kilometer) has a bearing on safety and pertinently the volume of shipments is expected to increase. As statistics and studies show, an increase in the volume of shipments by 20-30% can disproportionately increase related violations of traffic safety by 40-80%.

6. THE COMPANY'S STRATEGY FOR A SUSTAINABLE FUTURE

Georgian Railway plays a vital role in the transportation infrastructure of Georgia and the broader South Caucasus region. Our strategy outlines a comprehensive approach to modernize and enhance the operations, connectivity and efficiency across the network. By adopting advanced technologies, sustainable practices and strategic partnerships, we aim to support economic growth, regional development and social progress. The vision of this strategy is to transform Georgian Railway into a world-class transport system that not only meets the evolving demands of the industry but also contributes to Georgia's role as a vital transport corridor.

This strategy emphasizes several key areas critical to achieving the expansion and modernization of rail infrastructure, including the digital transformation of operational systems and the integration of innovative technologies to enhance safety, reliability and efficiency throughout our network. Georgian Railway is committed to upgrading its rolling stock, enhancing Signaling, Centralization and Blocking systems and implementing smart logistics solutions that streamline operations and enhance service quality. Sustainability is at the forefront of this strategy with initiatives aimed at reducing the environmental footprint of railway operations, promoting green technologies and minimizing carbon emissions. These sustainability efforts are essential for preserving the environment, maintaining resilience and ensuring the long-term viability of our transport network.

To achieve these strategic objectives, we will continue to invest in human capital development, foster international cooperation and engage in research and development activities to drive innovation. By creating a culture of continuous improvement, collaboration and excellence, we aim to deliver superior service standards, enhance customer experience and drive economic development across the region. This strategy represents a significant investment in the future of Georgian Railway, setting a clear path towards becoming a key driver of prosperity and connectivity for Georgia and the South Caucasus.

CONTINUE TO GROW ITS FREIGHT SERVICE BUSINESS

ENHANCE PASSENGER SERVICE QUALITY

ENCHANCING RAIWAY INFRASTRUCTURE AND INCREASE OPERATIONAL EFFICIENCY

DIGITALIZATION

MAINTAIN LIQUIDITY AND FINANCIAL RESILIENCE

SUSTAINABLE DEVELOPMENT

CONTINUE TO GROW ITS FREIGHT SERVICE BUSINESS

One of the Company's strategic goals is to achieve continuous growth in its freight service business while expanding its geographical reach through diversification. To accomplish this, the Company is committed to modernize its infrastructure, strengthen its rolling stock and implement cutting-edge technological solutions. These initiatives are designed to meet the rising demand for efficient and reliable freight transportation. By investing in advanced technologies, enhancing operational capacity and broadening its geographical footprint, GR is positioning itself as a resilient and competitive player in the logistics sector.

> **By diversifying the freight mix across different regions, GR can mitigate risks and capitalize on growth opportunities."**

The Company's approach prioritizes efficient use of its existing rolling stock, focusing on timely maintenance and capital repairs rather than large-scale acquisitions. This strategy is complemented by the selective expansion of containerized freight services and the development of multimodal transport solutions, tailored to meet the projected growth in regional freight volumes. Together, these measures support GR's goals for cost-effective, sustainable growth while maintaining flexibility in a changing market environment and continuing to meet customer needs.

ROLLING STOCK ENHANCEMENT: A central component of GR's strategy is the enhancement of its infrastructure to support growth within the freight service business. In line with this, GR is actively engaged in the modernization and expansion of its rolling stock. the Company is planning to purchase an additional 395. This expansion aligns with the growing demand for freight services and optimizes the transportation of diverse cargo types across the network. Furthermore, the Group is investing in the maintenance and modernization of its locomotive fleet. in 2024, GR repaired 4 electric locomotive and 9 diesel locomotive and plans to repair 36 electric locomotives and 11 diesel locomotives to extend the service life of existing assets, improve reliability and enhance operational efficiency.

In 2024, GR completed its Modernization Project, which will significantly increase the throughput capacity of its mainline infrastructure. Key upgrades such as reducing track gradients, improving tunnels and bridges and expanding capacity to support 48 million tons of freight annually align with GR's broader goals of sustainable infrastructure development and operational efficiency *(see 8.2 Ongoing Projects of the Company)*.

The integration of advanced technological innovations is another cornerstone of GR's infrastructure enhancement. Through the adoption of digitalization, automation and artificial intelligence, the Company is optimizing its infrastructure operations. Advanced information exchange systems and data analytics are designed to minimize delays, reduce paperwork and boost overall efficiency, thereby improving the reliability and competitiveness of GR's services. In this context, GR invested GEL 12.3 million in software services, a significant portion of which was allocated to the implementation of the Train Traffic Management and Control System in 2024 *(see 7.5 World Bussines Solutions (WBS))*. This system plays a key role in digitizing and optimizing the scheduling and control of both passenger and freight train traffic. To stay at the forefront of technological advancements, GR also plans an additional investment of GEL 30.6 million to further expand its digital infrastructure.

GEOGRAPHICAL DIVERSIFICATION: As part of its growth strategy, GR is diversifying its geographical reach to expand into new markets. By building on established partnerships, the Company is fostering cross-border collaborations with railway and infrastructure companies, thus diversifying its freight mix across regions. This approach mitigates potential risks and creates new growth opportunities. In 2023, a new transport route for transporting sulfur from Kazakhstan and Uzbekistan was launched. Additionally, the number of origin countries served by GR increased by 10, reaching a total of 100, highlighting the success of its diversification strategy. In 2024, a new transport route for transporting amonium nitrate from Kazakhstan was launched.

The expansion is further strengthened by regional partnerships, including an agreement reached at the Tbilisi Silk Road Forum in October 2023. GR entered into a partnership with JSC NC Kazakhstan Temir Zholy and CJSC Azerbaijan Railways to establish Middle Corridor Multimodal LTD. This joint venture is aimed to optimize the integration of rail, sea and road transport, contributing to the overall efficiency of regional logistics *(see 8.1 International agreements)*. At the same time, the development of a new route connecting China, Georgia, Türkiye and Europe to the Mediterranean Basin offers a viable alternative to traditional maritime routes and creates opportunities for attracting cargo from new markets.

Alongside expanding into new markets, GR recognizes the importance of maintaining competitiveness in the freight service sector. The Company regularly conducts market demand analyses and adjusts its tariff policy to ensure attractive and flexible fares for customers. The most recent update to the tariff policy was made on April 15, 2025 with details publicly accessible on the Company's website *https://www.railway.ge/2025-wlis-satarifo-politika/*. GR maintains a customer-centric approach by fostering long-term partnerships, engaging in dialogue to understand transportation needs and delivering innovative solutions across its expanding geographical footprint.

INCREASE IN CONTAINERIZATION OF FREIGHT TRANSPORTATION: Complementing the geographical expansion, GR is also focused on enhancing containerization within its freight services. Containerization provides several advantages, including cost-effectiveness, improved cargo handling and compatibility with intermodal transport systems, all of which support more efficient logistics operations. By expanding containerized freight services, the Group aims to take advantage of emerging market trends, meet growing customer demand and strengthen its competitive position in the logistics sector *(see Menegerial Discussion and Analysis, Containerisation)*.

In 2023, the establishment of Middle Corridor Multimodal LTD further advanced GR's containerization initiatives by supporting the development of multimodal services along the Trans-Caspian International Transport Route. This reinforces the Group's efforts to expand containerized freight operations while enhancing its geographical diversification strategy *(see 8.1 International agreements).*

To strengthen its position in containerized freight transportation, Georgian Railway established a dedicated subsidiary focused on the development and management of container infrastructure. GR Logistics and Terminals plays a key role in expanding the Group's presence along the Black Sea and Central Asian routes. The Company is actively investing in terminals, depots and intermodal transfer points, supported by the acquisition of specialized equipment and the deployment of digital tracking systems. These efforts, combined with customer-oriented service solutions, underscore the Group's commitment to making containerization a central pillar of its freight strategy by enhancing reliability, transparency and operational efficiency across the network. *(see 7.4 Subsidiaries and affiliates)*

ENHANCE PASSENGER SERVICE QUALITY

As part of its broader commitment to serving the public interest, Georgian Railway continues to strengthen the quality and accessibility of its passenger services. This involves aligning operations with international standards, addressing key performance areas and ensuring that essential services remain available even on commercially unviable routes. These efforts not only reinforce GR's role as a public service provider but also support Georgia's long-term socio-economic development and regional integration. A key milestone in this process was the establishment of the Railway Transport Agency (RTA) on July 1, 2023, under the Ministry of Economy and Sustainable Development *(see Railway Transport Reform)*. The RTA now serves as the national railway safety authority and sector regulator, responsible for driving the country's railway reform and aligning it with international practices. In June 2024, GR entered into a Public Service Contract (PSC) with the RTA, based on EU Regulation (EC) No 1370/2007 *(see Railway Transport Reform)*. The PSC formalizes the delivery of socially necessary passenger services and sets measurable standards to ensure service quality, transparency and regulatory compliance. To support these services, the Government allocated GEL 8.7 million for the second half of 2024 and committed GEL 8.0 million annually thereafter—helping to secure continued public access to essential rail transport.

As part of the Public Service Contract, five core KPIs have been defined to monitor and enhance service delivery. These indicators are contractually binding and serve as key tools for assessing performance in areas critical to public interest. By focusing on these KPIs, the Passenger SBU of Georgian Railway aims to strengthen the Company's social role, ensure service continuity and support national transport objectives. The five KPIs include:

- PUNCTUALITY;
- SAFETY;
- RELIABILITY;
- TIDINESS;
- COMPLAINTS MANAGEMENT.

PUNCTUALITY - *Target: 70% I Actual: 97.1%*

Punctuality measures the on-time performance of trains according to the official schedule. A train is considered on time if it arrives and departs within 15 minutes of the scheduled time. The target for punctuality is 70%. The indicator is calculated by comparing the total number of operated trains to those delayed. The operator must regularly analyze the causes of delays, report them quarterly to the competent authority and prepare recovery plans for routes with frequent issues. Early departures are not permitted and delays caused by external factors beyond the operator's control are excluded from the penalty assessment.

SAFETY - *Target: 90% I Actual: 98.9%*

Safety measures the percentage of trains that operate without damage or delays, with a performance target of 90%. It reflects overall operational reliability and requires the operator to maintain trains effectively, address technical issues promptly and monitor performance consistently. Accurate documentation is essential to ensure accountability and support continuous improvement efforts.

RELIABILITY - *Target 90% I currently: 99.9%*

Reliability refers to the consistency of service and the operator's ability to complete scheduled train trips. The goal is to achieve at least 90% reliability, calculated as the ratio of completed trips to the total scheduled trips. Cancellations, partial cancellations and trips delayed over 180 minutes are considered failures. The operator must identify recurring disruptions and implement preventive and corrective measures to maintain dependable service.

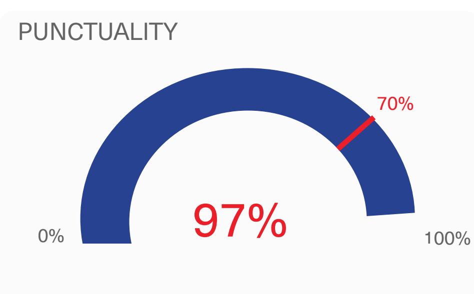
TIDINESS - *Target 90% I currently: 78.6%*

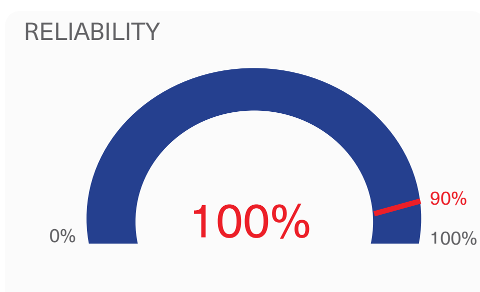
Tidiness evaluates the cleanliness and upkeep of train carriages. The target is for at least 90% of trains to be cleaned before departure. The operator must maintain hygiene standards through regular cleaning routines and inspections, especially considering the age and technical condition of each train. Cleanliness performance is tracked and reported to the competent authority and passenger satisfaction surveys supplement the objective data.

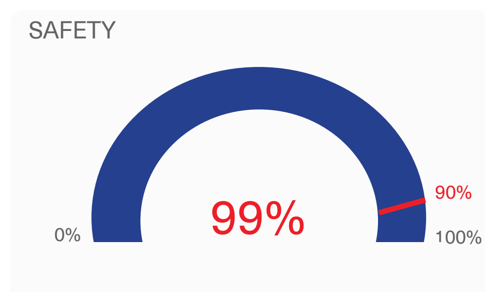
COMPLAINTS MANAGEMENT - *Target 85% I currently: 99.13%*

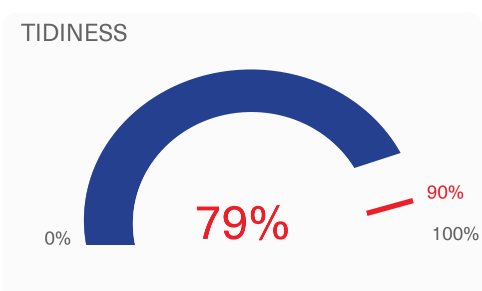
Complaints management assesses how effectively the operator handles passenger complaints. The goal is for 85% of complaints to be addressed and closed within a reasonable time. The operator has established accessible channels for receiving complaints (e.g., hotlines, written forms) and maintains detailed records of all submissions. Regular analysis of complaint trends is essential for identifying service gaps and improving overall customer satisfaction.

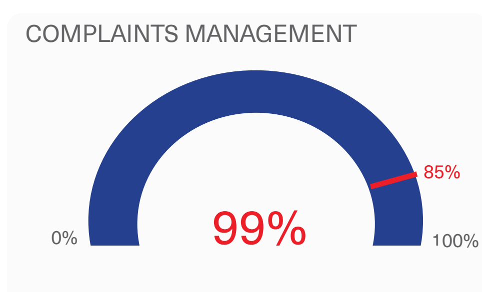
By achieving these goals, the Company strengthens its position as a socially responsible organization that prioritizes accessibility, reliability and safety. These efforts align with broader national objectives to promote sustainable development, reduce environmental impact and enhance public welfare, ensuring that GR remains a vital part of the country's transportation infrastructure.











ENHANCING RAILWAY INFRASTRUCTURE AND INCREASE OPERATIONAL EFFICIENCY

Efficient maintenance is critical to the sustained operation, safety and reliability of Georgian Railway's extensive infrastructure network. In line with its strategic objectives, the Company is committed to adopting innovative maintenance approaches, optimizing asset management practices and ensuring the operational longevity of its key infrastructure.

The Group's railway network spans 1,408 kilometers, with 98% of the track being electrified.

As part of its strategic vision, Georgian Railway has completed a major Modernization Project aimed at eliminating infrastructure bottlenecks, improving safety and increasing overall operational efficiency. Launched in 2010 and completed in 2024, the project was divided into two phases: upgrading the mainline and removing critical capacity constraints. The main bottleneck was in a maountainous region in central Georgia, referred to as the gorge section, which is 40 km long. This section previously required up to three locomotives per train and caused significant delays due to its 2.9% gradient and tight curves with radii as small as 180 meters.

Following the project, the upgraded corridor is expected to enable the operation of a single locomotive throughout the route, reducing electricity use and maintenance costs while increasing rolling stock turnover by up to 45%. It is anticipated that overall throughput capacity will rise from 27 million tons per year to 48 million tons, with the potential to expand to 100 million tons with minimal capital investment. Passenger train speeds are expected to increase to 120 km/h, cutting travel time to Batumi by one hour. Additionally, the project aims to eliminate the need for heavy ongoing maintenance on outdated infrastructure.

The project also included significant infrastructure upgrades in the mountainous region, such as the construction of 6 tunnels totaling 14,556 meters, including the region's longest railway tunnel at 8,300 meters. Furthermore, a land embankment spanning 24,540 meters, 10 railway bridges with a combined length of 1,185 meters and the construction of 3 new railway stations were completed, along with the construction of a new substation and the rehabilitation of two existing substations *(see 8.2 Ongoin Projects of the Company)*.

As part of its continued modernization efforts, GR introduced the Train Traffic Management and Control System in 2024. This system is central to the Company's strategy to enhance train scheduling and dispatch. By digitizing the entire planning and monitoring process for both passenger and freight traffic, the system allows dispatchers to create real-time traffic schedules, track train movements and assess deviations from the plan. It also visualizes track occupancy and operational restrictions, enabling faster, data-informed decisions. This reduces delays, strengthens traffic safety and ensures more efficient use of network capacity *(see 7.5 World Bussines Solutions (WBS))*.

Investment in rail infrastructure is another priority for GR. In 2024, GR successfully repaired and upgraded 12.0 kilometers of railway track, compared to 36.3 kilometers completed in 2023. This ongoing commitment to infrastructure improvements demonstrates GR's dedication to maintaining and enhancing its assets. Additionally, upgrading the signaling, centralization and blocking systems is expected to significantly bolster both safety and reliability across the network.

DIGITALIZATION

Georgian Railway is advancing its digital transformation with a clear focus on improving operational efficiency, enhancing safety and delivering a better customer experience. By implementing modern technologies across its operations, the Company is streamlining railway management, logistics and administrative processes to create a more responsive, data-driven organization. Building on more than two decades of internal digital development, GR has gradually introduced a wide range of IT systems supporting freight billing, wagon and container tracking, international document exchange and electronic workflow management. These long-standing capabilities have laid the groundwork for more recent innovations.

A cornerstone of this strategy is the integration of automation and smart infrastructure. GR has deployed advanced railway traffic management systems and real-time monitoring tools. These systems optimize train scheduling, improve asset utilization and reduce delays, while also enhancing safety throughout the network. A key development is the Train Traffic Management and Control System, which is revolutionizing train traffic management. The system enables the digitalization of train scheduling and real-time control, supporting faster, more informed decision-making and improving overall operational efficiency.

In the passenger segment, a major upgrade was achieved through the launch of the Orion 2 Passenger Transportation Management System, which replaces legacy systems with a modern, microservice-based platform. Orion 2 enables full digital management of suburban and long-distance train services, including wagon registration, scheduling, ticket sales and crew operations. Among its key enhancements are real-time ticket data access for staff, full integration with ticket vending systems and the elimination of paper-based strict accountability documents, resulting in a streamlined and fully digital experience for both passengers and railway personnel.

In addition to traffic management and passenger systems, the Company is advancing its document digitalization efforts. Transitioning from paper-based workflows to electronic records and automated processes has improved administrative efficiency, strengthened data security and facilitated smoother coordination across departments. This shift aligns with the Company's sustainability objectives by reducing paper consumption and simplifying record-keeping. Longstanding systems such as Docflow and electronic signature integration, as well as the digitization of archives, have played a foundational role in this transition.

GR has also modernized its software infrastructure. The upgraded Enterprise Resource Planning (ERP) system, including SAP S/4HANA, is streamlining financial and inventory management. Furthermore, the introduction of digital freight tracking platforms provides real-time visibility of cargo, enhancing coordination with business partners. To further improve the passenger experience, the Company has introduced electronic ticketing systems and customer service applications, simplifying access to services. Platforms such as cargo.railway.ge and freight.railway.ge exemplify the Company's efforts to digitalize interactions with clients and optimize freight logistics.

The Company's IT infrastructure is designed to support these digital initiatives, with state-of-the-art data centers and secure hardware ensuring smooth operations. The network, which includes fiber-optic cables along railway tracks, ensures fast and reliable data transfer. In addition, GR has implemented robust cybersecurity measures to protect critical operations from external threats, in alignment with both national and international standards.

Looking ahead, GR is exploring opportunities to further evolve its digital strategy through the adoption of advanced technologies, such as AI-based analytics and IoT-enabled asset monitoring, among others. These tools have the potential to enhance forecasting, scheduling, and maintenance processes, contributing to more efficient network operations.

Building on the foundation of earlier initiatives, GR seeks to deepen regional cooperation by strengthening data exchange with neighboring railways. Enhanced interoperability and continued investment in digital infrastructure are expected to support more seamless cross-border coordination and reinforce GR's position in the South Caucasus Transit Corridor.

Through its commitment to digitalization, GR is not only enhancing its operations and customer service but also positioning itself for long-term success in the competitive and rapidly changing transportation sector.

MAINTAIN LIQUIDITY AND FINANCIAL RESILIENCE

Georgian Railway maintains a robust liquidity position with a current ratio averaging 2.04 and a cash ratio of 1.53 both well above industry standards. These strong ratios reflect the Company's consistent ability to meet short-term liabilities while preserving a solid financial buffer. Maintaining these liquidity levels is a core priority to ensure operational stability and provide the flexibility necessary to respond to unforeseen challenges or market fluctuations.

Liquidity management is integrated into GR's overall financial strategy. The Company follows strict internal benchmarks and maintains sufficient reserves to safeguard uninterrupted service delivery timely fulfillment of obligations and sustained trust from customers investors financial institutions and government stakeholders.

CAPITAL INVESTMENT DISCIPLINE: GR pursues a disciplined and strategic approach to capital investments carefully aligning expenditures with its financial capacity and long-term development goals. Priority investments focus on modernizing rolling stock upgrading rail infrastructure and advancing digital transformation initiatives. These projects aim to improve safety operational efficiency and service quality while generating sustainable returns that support the Company's growth and resilience.

WORKING CAPITAL MANAGEMENT: GR's business model typically involves receiving payments before service delivery which supports a strong liquidity position. However the Company actively manages receivables to accelerate cash inflows and reduce outstanding balances ensuring efficient use of resources. Inventory levels are optimized to match operational needs and accounts payable are managed within agreed terms to balance cash retention with supplier relationships supporting overall financial flexibility.

INTEGRATED FINANCIAL PLANNING: Liquidity management is closely linked to comprehensive budgeting forecasting and risk management processes. GR adopts a conservative financial approach regularly reviewing internal controls and monitoring macroeconomic trends to maintain adaptability and financial discipline. This proactive stance helps mitigate risks associated with economic uncertainties and regulatory changes.

Through this integrated financial management framework Georgian Railway ensures it can meet its operational commitments invest strategically in infrastructure modernization and deliver long-term value to its stakeholders. The Company's focus on liquidity discipline capital investment efficiency and risk-aware planning positions it well for sustainable growth and continued leadership within the regional transportation sector.

SUSTAINABLE DEVELOPMENT

Georgian Railway's commitment to sustainable development is fundamental to its operational principles and long-term strategic vision. At the core of this strategy is a robust focus on minimizing environmental impact, advancing social responsibility and fostering governance excellence.

ENVIRONMENTAL SUSTAINABILITY: GR takes pride in its distinction as one of the few fully electrified railway networks globally, underscoring its leadership in sustainable transportation. By employing the IPCC 2006 methodology, the Group has achieved significant environmental milestones, opting for rail over alternative transport modes to avoid 178,772 tons of CO2 emissions in 2024 alone. Over the past seven years, the total avoided emissions have reached 1.0 million tons, contributing to the reduction of greenhouse gas emissions and supporting Georgia's national and global climate commitments. *(see 4.2 Environmental focus)*.

To further its sustainability objectives, the Company has allocated funds from its 2021 Green Eurobond to the Railway Modernization Project *(see 4.1 Continuous focus on sustainable development)*. This project enhances the efficiency of rail operations, minimizes energy consumption and further reduces CO2 emissions. GR has also implemented an extensive Waste Management Plan aligned with sanitary-hygienic and epidemiological standards, ensuring safe collection, transportation, disposal and utilization of waste. This plan incorporates waste separation, temporary storage, recycling and reusing materials to minimize waste generation. Dedicated containers with clear labeling and compliance with Georgia's waste management hierarchy—prevention, preparation for reuse, recycling, recovery and disposal—are integral to these efforts. Hazardous waste, including oils, batteries and mercury-containing items, is managed with stringent safety measures to prevent environmental and health risks. GR's commitment extends to the training of personnel, enforcement of regulations and utilization of modern technologies for sustainable waste treatment and final disposal.

Additionally, waste recycling and reuse rates are targeted to increase annually, reflecting GR's commitment to sustainable waste management practices. Under the PCB-Free Electricity Distribution in Georgia project, the Company planned laboratory testing of PCB-containing oils and equipment labeling to ensure proper removal, recycling and reduction of hazardous pollutantsin its electricity supply network As a Wasteless association member, it transferred 4,039 electronic devices for recovery by 2024, as well as replacing operational materials with eco-friendly alternatives, like water-based or concrete sleepers instead of creosote-treated ones. *(see 4.2 Environmental focus)*.

SOCIAL RESPONSIBILITY: The Company's social responsibility strategy extends beyond operational mandates, emphasizing employee welfare and community development. Recognizing its workforce as its most valuable asset, GR tries competitive wages with a commitment to equal or surpass the national average salary and the provision of safe working environments. from 2019 to 2025 salaries salaries increased four times. The Railway Transport College, established in collaboration with educational institutions, plays a pivotal role in equipping employees with modern skills and knowledge, reinforcing GR's dedication to workforce excellence *(see 4.3 Social focus)*.

The Company actively supports a loyalty program that rewards long-term employees for their dedication and service. Additionally, GR's community engagement includes financial support for sports initiatives, promoting a healthy lifestyle and creating recreational opportunities. Social tariffs for passenger transportation ensure accessibility for all, underscoring GR's commitment to social equity.

Key performance indicators include the current average employee salary of GEL 1,630 with a target to surpass the national average of GEL 2,059. In 2024, insurance coverage funding reached GEL 465,000, supporting employee and family healthcare. Additionally, loyalty program funding was GEL 1.1 million in 2024. Social tariffs ensured for passengers, promoting accessibility for all *(see 4.3 Social focus)*.

GOVERNANCE AND CONTINUOUS IMPROVEMENT: Georgian Railway is committed to transparent and accountable governance, guided by ESG principles. In 2024, the Company revised its corporate charter and established key board-level committees, including the Audit, Remuneration and Risk Management Committee and the Nomination and Governance Committee. Both committees are fully staffed and operational, strengthening oversight and promoting responsible decision-making across the organization.

The Group's governance framework supports ethical conduct and rigorous risk management, helping to create long-term value for investors and society. By aligning its strategy with environmental, social and governance priorities, Georgian Railway contributes to innovation in the railway sector and supports Georgia's broader socio-economic and environmental goals. This approach reinforces the Company's role as a responsible corporate leader committed to sustainable development.

7. FOCUS ON CORE BUSINESS ACTIVITIES

The Group principally provides freight and passenger transportation services, while also operating its own railway infrastructure. Since 2013, the Group has engaged in freight forwarding services through its subsidiaries. Its main operations are organized into three strategic business units (SBUs).

JSC GEORGIAN RAILWAY

Freight Transportation SBU	Passenger Transportation SBU	Infrastructure SBU	WBS	Freight Forwarding & Handling Subsidiaries	Property Management Subsidiary	Borjomi-Bakuriani Railway

Each SBU represents a separate business segment, with its own mission, governance bodies and operating and administrative personnel. Each SBU is led by a director and a member of the Management Board, who reports directly to the Chief Executive Officer/General Director of the Company.

The Company's subsidiaries support the SBUs to increase the quality of services by concentrating on their specific operations and creating a complete logistics chain for the client.

7.1 FREIGHT TRANSPORTATION STRATEGIC BUSINESS UNIT (FREIGHT SBU)

The Group's Freight SBU generates revenue from three main sources: freight transportation; freight handling; and freight car cross-border charges.

Freight transportation services encompass the transportation of cargo along with GR's railway network within Georgia. Meanwhile, freight handling services, including railcar marshaling and the delivery of freight to and from customer facilities, are provided at the stations running commercial freight services. Finally, freight car cross-border charge revenue is generated from foreign railways using GR's railcars in the transportation process.

The Freight SBU is the principal source of the Group's revenue, accounting for 71% of its total revenue in 2024. Meanwhile, 77% of the Freight SBU's revenue in 2024 was generated from freight transportation.

Responsibility for train dispatching, one of the key operations in any railway business, lies with the Freight SBU. This entails devising the dispatch personnel schedule and, in the event of a delay, rescheduling all freight and passenger trains. Although dispatching covers both freight and passenger services, the Group's management believes that placing the dispatching function under the Freight SBU promotes efficiency given the importance of freight transportation to the Group. At the same time, it understands the drawbacks of the structure and, to minimize conflicts of interest, it is planned to move this function under the Infrastructure SBU. This approach is in line with EU directives related to railway transport.

FREIGHT COMPOSITION

The Freight SBU transports both dry and liquid cargoes. The cargo mix is highly diversified and includes ores, construction freight, grains, ferrous metals and scrap, chemicals and fertilizers, cement, sugar, industrial freight and other dry cargoes, with no dominant concentration of any single type of freight. Dry cargo is more diversified than liquid cargo among local, export, import and transit shipments, although, as is the case with liquid cargo, transit shipments also make up the largest component of dry cargo transportation volumes.

The following table outlines the breakdown of the Freight SBU's freight transportation volumes by thousand tons:

FREIGHT TRANSPORTATION VOLUME

	'000 tons			% of total		
For the year ended 31 December	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
LIQUID CARGOES	5,268	4,805	4,771	*38.5%*	*35.5%*	*32.3%*
OIL PRODUCTS	5,268	4,805	4,771	*38.5%*	*35.5%*	*32.3%*
DRY CARGOES	8,406	8,747	10,002	*61.5%*	*64.5%*	*67.7%*
ORES	1,465	1,758	1,925	*10.7%*	*13.0%*	*13.0%*
GRAIN AND GRAIN PRODUCTS	150	163	329	*1.1%*	*1.2%*	*2.2%*
FERROUS METALS AND SCRAP	507	506	625	*3.7%*	*3.7%*	*4.2%*
SUGAR	539	517	719	*3.9%*	*3.8%*	*4.9%*
CHEMICALS AND FERTILIZERS	1,820	1,644	1,859	*13.3%*	*12.1%*	*12.6%*
CONSTRUCTION FREIGHT	944	1,129	1,072	*6.9%*	*8.3%*	*7.3%*
INDUSTRIAL FREIGHT	676	683	594	*4.9%*	*5.0%*	*4.0%*
CEMENT	71	80	44	*0.5%*	*0.6 %*	*0.3%*
OTHER	2,234	2,268	2,834	*16.3%*	*16.7%*	*19.2%*
TOTAL	13,674	13,551	14,773	*100.0%*	*100.0%*	*100.0%*

The Group's management intends to increase its profitability and at the same time decrease concentration risk by further diversifying the types of cargo that it transports both internationally and within Georgia. In this respect, the Group has entered into and renewed contracts with other participants in the TRACECA, including the national railway companies of Azerbaijan, Kazakhstan, Türkiye and Ukraine, as well as with Caspian and Black Sea ports and carriers. As a result of these contracts, the Group has been able to offer seamless shipping conditions to customers, which is important for a transit corridor in which the single transportation of cargo routinely involves many different carriers. Of note, this format encompasses both container and wagon shipments.

The Group is upgrading its container and multimodal shipping services. Furthermore, container transportation is conducted on the following routes: (i) China-Europe (connecting through Black Sea ports and Türkiye); (ii) Black Sea ports-Azerbaijan; (iii) Black Sea ports-Armenia; and (iv) Black Sea ports-Tbilisi.

FREIGHT TRANSPORTATION BY WAGON OWNERSHIP

For the year ended 31 December	**2024**	**2023**	**2022**
GEORGIA RAILWAYS WAGONS	108,750	110,935	115,649
OTHER RAILWAYS WAGONS	57,945	57,036	64,840
THIRD-PARTY WAGONS	111,881	107,528	109,588
TOTAL	278,576	275,499	290,077

GR is primarily a transit railway and relies heavily on third-party rolling stock for cargo transport. On average during 2022–2024, around 37% of total freight was transported using about 40% of the Company's own wagon fleet, reflecting consistent utilization of its internal resources.

The following table sets out the primary directions of certain types of cargo transported by the Freight SBU:

LIQUID CARGOS	
OIL PRODUCTS	From Kazakhstan, Russia, Azerbaijan and Turkmenistan to Georgia, Netherlands, Armenia and Türkiye;
DRY CARGOS	
ORES	From Kazakhstan, Georgia, Armenia and Russia to Georgia, China, Azerbaijan and Bulgaria;
CONSTRUCTION FREIGHT	From Georgia, Azerbaijan and Spain to Georgia, Armenia and Turkmenistan;
FERROUS METALS AND SCRAP	From Russia, Georgia and Kazakhstan to Georgia, Italy, Turkmenistan and Azerbaijan;
GRAIN	From Russia, Ukraine and Romania to Georgia, Armenia, Azerbaijan and Turkmenistan;
CHEMICALS AND FERTILIZERS	From Turkmenistan, Georgia, Azerbaijan and Uzbekistan to Georgia, Ukraine, Romania and Brazil;
CEMENT	From Georgia, Azerbaijan and Greece to Georgia and Azerbaijan;
INDUSTRIAL FREIGHT	From Azerbaijan, Georgia and Russia to Georgia, Armenia and Japan;
SUGAR	From Brazil and France to Azerbaijan, Uzbekistan, Georgia and Armenia.

The following table details the primary directions for import, export, domestic and transit transportation:

IMPORT	From Russia, Azerbaijan, Bulgaria, Romania and Türkiye;
EXPORT	To Russia, Kazakhstan, Armenia, China and Azerbaijan;
DOMESTIC	From Dedoplistskaro to Rustavi, from Chiatura to Zestaponi, from Kaspi to Rustavi, from Dedoplistskaro to Kaspi, from Chiatura to Chiatura;
TRANSIT	From Kazakhstan, Azerbaijan,Turkmenistan, Russia and Brazil to Netherlands, Azerbaijan, Türkiye, Armenia and China.

The following table breaks down the Freight SBU's freight transportation volumes by direction of freight transported for the years indicated:

FREIGHT VOLUME BY DIRECTION

	Mln tons			*% of total*		
For the year ended 31 December	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
LIQUID CARGOES	5.3	4.8	4.8	*38.5%*	*35.5%*	*32.3%*
TRANSIT	3.6	3.2	3.4	*26.7%*	*23.7%*	*22.8%*
EXPORT	0.0	0.0	0.0	*0.2%*	*0.2%*	*0.3%*
IMPORT	1.4	1.4	1.2	*10.0%*	*10.0%*	*8.1%*
LOCAL	0.2	0.2	0.2	*1.7%*	*1.5%*	*1.1%*
DRY CARGOES	8.4	8.7	10.0	*61.5%*	*64.5%*	*67.7%*
TRANSIT	4.5	4.5	5.3	*32.7%*	*33.1%*	*35.7%*
EXPORT	1.0	1.1	1.2	*7.6%*	*8.3%*	*8.3%*
IMPORT	1.7	1.7	1.8	*12.4%*	*12.6%*	*11.9%*
LOCAL	1.2	1.4	1.7	*8.8%*	*10.5%*	*11.7%*
TOTAL	13.7	13.6	14.8	*100.0%*	*100.0%*	*100.0%*

The following table presents data about the number of railcars and containers operated by the Freight SBU:

NUMBER OF RAILCARS TRANSPORTED AND SHARE OF CONTAINERIZED CARGO IN TOTAL FREIGHT

For the year ended 31 December	2024	2023	2022
NUMBER OF WAGONS	212,325	203,552	221,719
% change	4%	*-8%*	*23%*
SHARE OF CONTAINERIZED CARGO IN TOTAL CARGO FLOWS	10.2%	10.4%	9.5%
NUMBER OF CONTAINERS	66,251	71,947	68,358
% change	*-8%*	*5%*	*20%*
NUMBER OF CONTAINERS IN TEU	92,947	97,602	88,363
% change	*-5%*	*10%*	*19%*

The following table sets out data with respect to the volumes of freight transported in containers for the periods indicated:

CONTAINERIZED FREIGHT

'000 tons

For the year ended 31 December	2024	2023	2022
DRY CARGO	8,406	8,747	10,002
of which: container cargoes	*1,253*	*1,392*	*1,498*
TOTAL CARGO	13,674	13,551	14,773
Containers as % of total cargo (%)	*10%*	*10%*	*9%*
Containers as % of dry cargo(%)	*15%*	*16%*	*15%*

To foster containerization, GR Logistics and Terminals, the Company's wholly owned subsidiary *(see 7.4 Subsidiaries and Affiliates)*, has built and currently operates Tbilisi Container Terminal (capacity: 25,000 TEUs).

A primary strategic goal of the Group is to enhance efficiency in both cost management and core operations. Consequently, the Group is eager to raise containerization rates within the Caucasus Railway Corridor. Container traffic holds considerable importance for freight operators because container transport services offer cost-effectiveness and greater flexibility compared to standard wagon transport.

To boost containerization efforts, the Company established a subsidiary named GR Logistics and Terminals LLC in 2009. The primary objective of this subsidiary was to establish and develop container infrastructure along the route connecting the Black Sea and Central Asia. Subsequently, the subsidiary has established container terminals in the port cities of Georgia along the Black Sea as well as a container terminal in Tbilisi. In 2014, the Group acquired 480 containers with the aim of facilitating cargo transportation through the Georgian segment of the Caucasus Railway Corridor, aiming to enhance the limited movement of containers to Central Asia via sea routes. The Group's management asserts that the availability of adequate infrastructure would elevate containerization rates and potentially introduce entirely new cargo streams to the Corridor.

The Group owns and operates various types of railcars, that are essential to carry out business operations.

PRODUCT TYPES	PLATFORM CAR	BOX CAR	OPEN TOP BOX CAR	CEMENT HOPPER	TANK CAR	GRAIN HOPPER	CONTAINER	OTHER
CRUDE OIL					✓			
OIL PRODUCTS		✓	✓		✓		✓	
GRAIN		✓				✓	✓	✓
ORES		✓	✓			✓	✓	✓
INDUSTRIAL FREIGHT	✓	✓	✓				✓	
CONSTRUCTION FREIGHT	✓	✓	✓				✓	✓
CHEMICALS AND FERTILIZERS	✓	✓			✓			
FERROUS METALS AND SCRAP	✓	✓	✓				✓	✓
SUGAR		✓				✓	✓	
CEMENT				✓			✓	
OTHER	✓	✓	✓	✓	✓	✓	✓	✓

FREIGHT CAR CROSS-BORDER CHARGE

Courtesy of having its own freight railcars and locomotive fleet, the Group is able to offer wagons to its clients for rental. Accordingly, the Group generates revenue from freight car rental to its customers, including foreign railway companies who may utilize the Group's railcars on freight routes through the country in which they operate. Payment for these services is based on agreement with the relevant railway companies and carriers.

STATION SERVICES

The Freight SBU also provides a cargo/railcar delivery service to and from private sidings via locomotives owned by the Group. In addition, the Group offers terminal services through its subsidiaries.

CUSTOMERS

The Freight SBU accepts freight from both direct cargo owners and freight forwarders. It works with freight forwarders in order to expand its marketing reach and to increase and diversify its customer and product base. As the Freight SBU does not generally enter into long-term contracts with the customers it serves through freight forwarders, it is able to maintain operational flexibility and set prices in accordance with market conditions. All of the Freight SBU's customers, whether direct or through freight forwarders, are required to pay for transportation and station services in advance. Only demurrage is paid in arrears, thus keeping credit risk to a minimum.

To provide better service to its customers and increase its competitiveness, GR entered the freight forwarding business in 2013. The Group also negotiates with neighboring railways to ensure competitive pricing for the TRACECA.

Its top five liquid cargo customers accounted for 46% of total liquid freight transported in 2024. Meanwhile, in terms of dry cargo, its top five customers accounted for 34% of total dry freight transportation in 2024. Furthermore and crucially, 90% of the cargo volume transported during the last five years were through repeat business from the same companies, which indicates stability with regard to the list of customers.

The Freight SBU generally does not enter into binding long-term contracts with its customers, allowing it to maintain operational flexibility and set its prices in accordance with market conditions.

TARIFFS

INDEPENDENT TARIFF SETTING - Although rail transportation in Georgia is a statutory monopoly, the Group's pricing policies are not subject to direct government regulation. Currently, the railway business is fully deregulated in Georgia. Thus, the Group sets its tariff policy independently for all services, including tariffs for freight transportation and related services. In addition, the Group can change its tariffs with one month's prior notice to its customers.

The Group has a written tariff policy (published on its website) specifying the methods and formulas used to determine the various tariffs applicable to its services. The main tariffs and charges for its services are laid out below:

- Transportation tariffs for transportation from one station to another;
- Station charges for the provision of services, railcars, or locomotives to support the loading or unloading of cargo at a relevant station, as well as for services such as documentation, rolling stock usage and rail-track occupation if third-party railcars are used; and
- Additional station charges, such as:
  - Storage fees, incurred in 24-hour increments, referred to as "demurrage," if customers fail to unload a railcar within 24 hours of arrival at its agreed destination;
  - Fees for providing additional locomotives for maneuvering, if necessary, for cargo loading/unloading; and
  - Fees for cargo loading and unloading operations.

The tariff policy is reviewed and modified annually in light of changes in the Group's strategic goals, the market environment and industry fluctuations, as well as domestic and global economic developments.

TARIFF CURRENCY – The Group's freight transportation tariffs are set in USD except for container transportation for domestic routes and import/export from/to Azerbaijan, which comprised only 2% of total transportation revenue in 2024 (before May 2017, when this tariff policy change was made, these services were also charged in USD). As a result, the Group received most of its total revenue (about 65.5%) in USD in 2024, about 2.5% of total revenue was in Swiss Francs (CHF) and 32.0% was in GEL. Before 2012, the Group's freight tariffs were quoted in CHF. However, in 2012, before Eurobonds were issued in USD, the Group switched its tariffs from CHF to USD as a hedge against foreign exchange risk.

AVERAGE TARIFF PER THOUSAND TON-KILOMETERS

'tetri

For the year ended 31 December	**2024**	**2023**	**2022**
Oil products	9.2	9.8	10.0
Dry cargo	9.2	8.7	9.1

Average tariffs are calculated as freight traffic revenue (excluding any handling charges) per thousand ton-kilometer. The Group uses a detailed formula for each individual transportation order that takes into consideration factors including the type and weight of freight and the distance over which the cargo is carried. Amounts stated are in Tetri per ton-kilometer, unless otherwise indicated.

The Group offers a discount on its freight tariffs to customers who transport cargo using their own railcars and are basically charged only for infrastructure usage and locomotive traction. Looking ahead, the Group is carefully considering offering other discounted tariffs to its customers who provide guaranteed volumes for railcar and container transportation.

7.2 PASSENGER TRANSPORTATION STRATEGIC BUSINESS UNIT (PASSENGER SBU)

The Passenger SBU's primary activity is the transportation of passengers, while it also transports unaccompanied luggage within Georgia and on international routes to Azerbaijan and Armenia. The passenger transportation segment accounted for 6% of the Group's total revenue for the year ended 31 December 2024.

Among the Group's medium-term strategic objectives are to optimize expenses and boost the revenue of the Passenger SBU by increasing the number of passengers and revenue per passenger. To achieve these objectives, the Group aims to introduce a higher level of service by investing in new railcars (or improving existing railcars) and to provide quicker speed and greater comfort when using the Group's passenger transportation services. The Group aims to do so by taking the following measures:

- Adjusting passenger train timetables to optimize utilization;
- Easing the accessibility of tickets via different sales channels; and
- Launching a marketing campaign to attract new customers.

In line with Georgia's commitments under the EU Association Agreement, which require harmonizing national laws with EU standards, major reforms have been implemented in the railway sector. One key change was the 2020 amendment to the Railway Code, which formally recognized passenger rail services as a public service obligation (PSO). These changes prohibit using profits from freight operations to subsidize passenger losses, ensuring financial transparency and aligning with social market economy principles.

As a continuation of these reforms, in June 2024, JSC Georgian Railway and the Railway Transport Agency signed the first Public Service Contract (PSC) in accordance with EU Passenger Transportation Regulation (Regulation (EC) No 1370/2007). This contract establishes the terms for state compensation for operating unprofitable but socially necessary passenger services. Under the PSC, Georgian Railway received GEL 8.7 million for the period from July to December 2024, with an annual compensation of GEL 8.0 million from 2025 onward.

This funding plays a crucial role in ensuring the sustainability of passenger services, allowing the Company to invest in improving service quality, punctuality, reliability and safety, while supporting Georgia's broader goals of transportation reform.

(see 6. The Company's Strategy for a Sustainable Future)

REPORTABLE SEGMENT LOSS BEFORE INFRASTRUCTURE COSTS, NET IMPAIRMENT, INTEREST AND INCOME TAX

GEL '000

For the year ended 31 December	**2024**	**2023**	**2022**
	5,422*	9,955	15,533

** Amount include GEL 8.7 million grant received from Public Service Contract.*

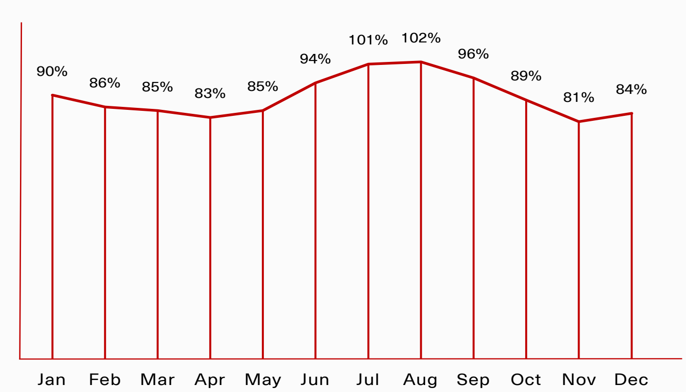
CUSTOMERS

The Passenger SBU provides domestic and international transportation services.

As GR's lines are linked to Azerbaijan and Armenia and international rail transportation is offered to both of these countries. After the completion of the BTK project *(see 8.3 Infrastructure Developments in Georgia)*, it will be possible to transport passengers to Türkiye and onward to Europe.

The Passenger SBU provides domestic transportation within Georgia as well as regional and long-distance transportation. Domestic transportation is most popular in summer when the number of passengers traveling to the Black Sea peaks.

PASSENGER OCCUPANCY RATE ON THE MAINLINE IN 2024

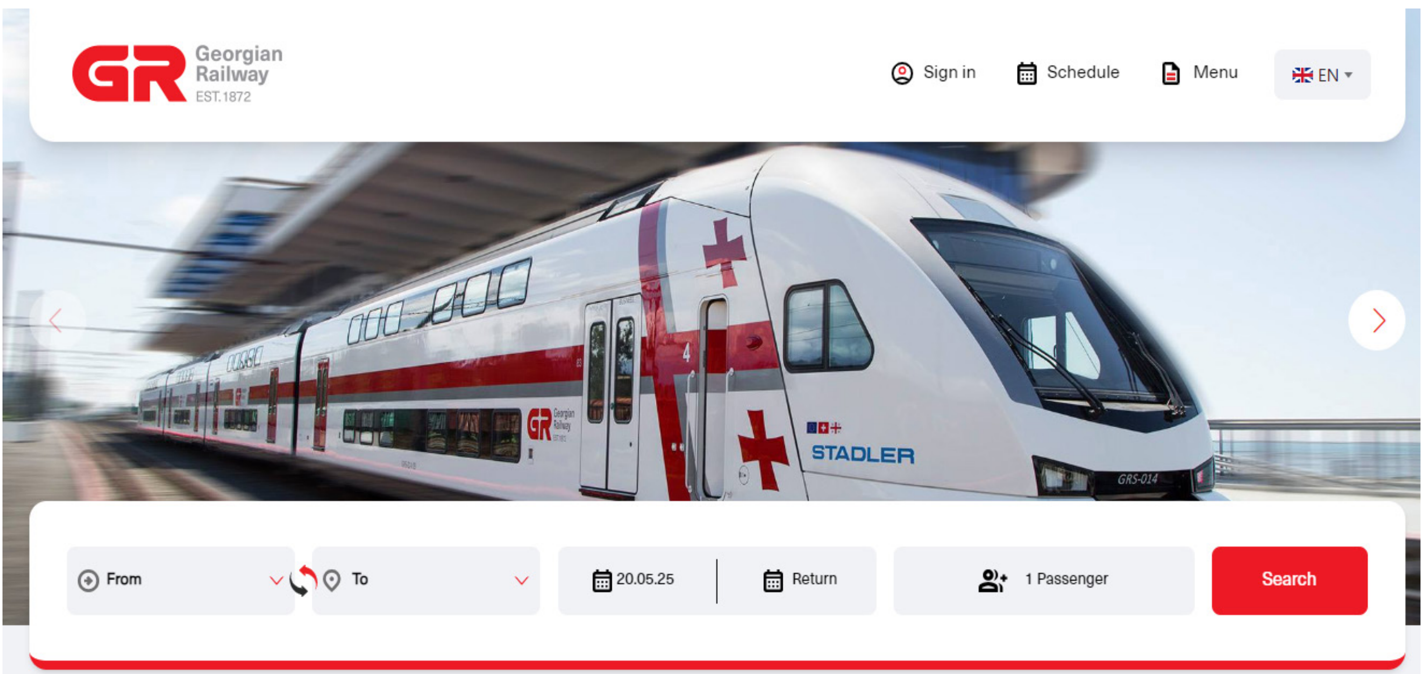


VALUE CREATION FOR CUSTOMERS

In July 2016, Georgian Railway purchased two double-decker EMUs from the Swiss company Stadler Bussnang AG. In 2017, the Company acquired two more trains from the same company. These trains are equipped with all necessary modern equipment and security systems, are in full compliance with European safety standards and have been completely adjusted to meet the needs of PwDs.

The Passenger SBU adjusts its train schedules to meet customers' needs, so trains are added when the demand is sufficiently high.

In 2017, GR set out to repair a passenger railway station near Kutaisi International Airport in order to offer more comfortable travel to people traveling from and to the airport. In 2022, the station opened and received about 11,000 passengers in that year, followed by about 57,000 in 2024.



Georgian Railway has launched a new ticketing website designed to make the ticket purchase process faster and more convenient. The platform is currently in test mode. A mobile application is also being developed and will soon be available on the App Store and Google Play, providing passengers with even greater flexibility when planning their journeys.

The following table shows the revenue, number of passengers and number of trips for the years indicated:

For the year ended 31 December	2024	2023	2022	
REVENUE				*GEL '000*
MAINLINE	35,057	39,349	25,854	
REGIONAL	537	559	319	
INTERNATIONAL	1,075	1,311	1,250	
TOTAL	36,669	41,219	27,423	
NUMBER OF PASSENGERS				*'000*
MAINLINE	1,355	1,528	1,161	
REGIONAL	693	715	395	
INTERNATIONAL	28	41	48	
TOTAL	2,077	2,283	1,605	
NUMBER OF COURSES*				
MAINLINE	2,598	2,762	2,407	
REGIONAL	3,570	3,908	2,491	
INTERNATIONAL	182	180	233	
TOTAL	6,349	6,850	5,131	

**A course means the train movement from one station to another in the same direction.*

When it comes to customer relations as well as sales and marketing, points of sale for tickets are the primary element for the Passenger SBU. Passengers can buy tickets directly at stations before travel, aboard certain trains, through tourist agencies, or via the internet. However, because only a relatively small percentage of the Georgian population uses credit cards to make internet purchases, the Group has also established points of sale at so-called "Pay Boxes," where customers can buy tickets and find detailed information about prices, availability and classes of travel. In addition, the Group has installed ticket machines on certain trains.

The Group also has a customer call center that handles approximately 11,000 calls per month.

TARIFFS

Similar to freight transportation tariffs, the Group is not subject to government regulation with regard to establishing prices for passenger transportation and luggage services. However, in many cases, passenger transportation tariffs are not determined by market forces and are instead kept stable to reflect the significant social importance to the State of providing affordable passenger transportation services. As electricity, train maintenance, materials and other costs have significantly increased, the Group raised the tariff on the Tbilisi-Batumi-Tbilisi Stadler trains by 40% on 25 July 2022, but prices for other services have remained unchanged. It should be noted here that tariffs for travel by alternative transport have been increasing systematically. Despite the rise in tariffs to partially offset the company's costs, rail tariffs are still cheaper than alternative modes of transportation.

The following table presents data on the Group's passenger tariffs for the years indicated:

AVERAGE TARIFF PER PASSENGER-KILOMETRE

Tetri

For the year ended 31 December	**2024**	**2023**	**2022**
Average revenue per passenger-km	7.7	7.7	6.8

**Average tariffs are calculated as passenger traffic revenue per passenger-kilometre.*

Average revenue per passenger-km increased by around Average revenue per passenger-km increased by 6.1% in 2024, compared to 2023. This rise was driven largely by an increased share for more profitable routes and services (such as the mainline) and increased demand for business class tickets. The number of passengers on the mainline represented 65% of total passengers transported by the Group in 2024, compared to 67% in 2023. The main reason for the decrease in the share of the main route in 2024 was the share of regional transport, which was 1.1 times higher than in 2023.

AVERAGE REVENUE PER PASSENGER

GEL

For the year ended 31 December	**2024**	**2023**	**2022**
MAINLINE	25.9	25.8	22.3
REGIONAL	0.8	0.8	0.8
INTERNATIONAL	37.9	32.2	25.8
AVERAGE TARIFF	17.7	18.1	17.1

**Average revenue per passenger is calculated as passenger traffic revenue divided by the number of passengers.*

Tariffs for domestic transportation of passengers and luggage are approved by the Company's Board of Directors and are denominated in GEL. Meanwhile, tariffs for international transportation of passengers and luggage services within the CIS are determined at the CIS Rail Transport Tariffs Conference and are denominated in CHF.

The Company offers discounts to various types of passengers (including veterans, students, Ukrainian IDPs and Group employees). In 2024, the total discounted amount was GEL 2.4 million, compared to GEL 2.3 million in 2023.

The Group offers three classes of passenger service with tariffs further differentiated between modern and older trains. Tickets in the lowest class are generally less expensive than bus transportation. It is the intention of the Group's management that any increases in tariffs be made in line with improvements in its services, the provision of new trains and inflation. Moreover, it endeavors to make the Group's tariffs competitive with those for bus transportation and other passenger transportation services in Georgia, such as minibuses. With regard to regional passenger traffic, where the majority of passengers are from low-income households and are thus sensitive to price increases, the Group's management intends to consider price increases only when new modern trains have been commissioned by the Group and even then such tariffs should still be in line with the cost of travelling on alternative modes of transport.

7.3 INFRASTRUCTURE STRATEGIC BUSINESS UNIT (SBU)

The Infrastructure SBU operates, maintains and manages the Group's principal infrastructure assets, including its track, embankments, signaling, land, electric power lines and other equipment. Effectively, it is a cost center providing services to the Freight and Passenger SBUs.

The primary aims of the Infrastructure SBU are to ensure safety, promote the efficient use of the Group's infrastructure assets and decrease maintenance costs. The Infrastructure SBU increases safety by setting speed limits and loading standards on lines and at stations. It is also in charge of controlling signaling and blocking systems.

The main infrastructure assets comprise a railway network of 1,408 km of track (293 km of which is double-track line), 98% of which is electrified, including a 527-km-long electrified mainline from the Azerbaijani and Armenian borders to the Black Sea, 42 railroad tunnels, 21 pedestrian tunnels, 26 railroads and 1,322 bridges serving various functions, as well as signal equipment and other assets related to ensuring the safety of its operations. The Company's rail network is now connected to the Turkish railway network as well after the BTK railway line became operational in 2017 *(see 8.3 Infrastructure Developments in Georgia).*

The Infrastructure SBU focuses on keeping the Group's infrastructure assets in good working condition. Of note, capacity varies across the Group's different lines. As of 31 December 2023, the estimated annual capacity of the gorge section, which is the main bottleneck on the mainline, was 27 million tons of cargo. In 2024, in connection with the Modernization Project, the Infrastructure SBU made capital repairs (not including minor, non-technical repairs) to, or renovated, approximately 12.0 km of track, as compared to capital repairs or renovations of approximately 34.1 km in 2023. In total, 36.3 km and 12.0 km of railway tracks were repaired in 2023 and 2024, respectively. During the year ended 31 December 2024, the Group paid GEL 150.7 million on the acquisition of property and plant and equipment, including rolling stock and equipment and the rehabilitation of important infrastructure assets, including rail tracks, electric power supply lines, bridges and tunnels compared to GEL 139.3 million in 2023 and GEL 135.0 million in 2022, respectively.

INFRASTRUCTURAL PROJECTS

COMMERCIAL PROJECT

The Railway Modernization Project is designed as a profitable project seeking to improve existing infrastructure, increase safety, reduce operational expenses and significantly boost the throughput capacity from about 27 million tons of cargo per annum to 48 million, with the possibility of further expansion to a potential 100 million tons per annum *(see 8.2 Ongoing Projects of the Company).*

SOCIO-COMMERCIAL PROJECT

The Kutaisi Airport Station Project is serving passengers traveling from/to Kutaisi International Airport since its completion in 2022.

7.4 SUBSIDIARIES AND AFFILIATES

The Company carries out its other activities through its freight forwarding and handling subsidiaries, as well as its property management subsidiary.

The share of revenue from logistics services (i.e. revenue generated by GR's subsidiaries) in total revenue amounted to 19.6% in 2024, compared to 21.1% in 2023.

LOGISTICS REVENUE

GEL '000

For the year ended 31 December	2024	2023	2022
REVENUE FROM LOGISTICS SERVICES	129,534	132,213	123,071
% share in total revenue	*20%*	*21%*	*18%*

LOGISTICS REVENUE FROM SUBSIDIARIES

GEL '000

For the year ended 31 December	2024	2023	2022
GR LOGISTICS AND TERMINALS LLC	79,243	83,038	58,409
% share in total revenue from logistics services	*61%*	*63%*	*48%*
GR TRANSIT LINE LLC	26,087	23,828	23,993
% share in total revenue from logistics services	*20%*	*18%*	*19%*
GR TRANSIT LLC	24,204	25,348	40,668
% share in total revenue from logistics services	*19%*	*19%*	*33%*
TOTAL REVENUE FROM LOGISTICS SERVICES	129,534	**132,213**	**123,071**

GR LOGISTICS AND TERMINALS LLC

GR Logistics and Terminals LLC (formerly Railway TransContainer LLC) is a Georgian limited liability company, wholly owned by the Company, established in October 2009 to promote the containerization of the Caucasus Railway Corridor. Its corporate objectives are to help strengthen the Group's presence in the container transportation market, primarily by creating the necessary infrastructure (such as container terminals) and to promote the containerization of the Caucasus Railway Corridor. To foster greater containerization, GR Logistics and Terminals has built and currently operates two terminals, one in Poti and the other in Tbilisi. The share of revenue from GR Logistics and Terminals LLC in the total logistics revenue amounted to 61.2% in 2024, compared to 62.8% in 2023.

For the year ended 31 December	2024	2023	2022
NUMBER OF CONTAINERS TRANSPORTED	39,685	44,808	47,391
NUMBER OF CONTAINERS IN TEUS	60,539	64,449	63,531

GR TRANSIT LLC

In 2013, the Company acquired Georgia Transit LLC (later renamed GR Transit LLC) to integrate liquid cargo logistics services into its business operations. This subsidiary engages in freight forwarding and serves crude oil and oil product transportation mainly from Azerbaijan, Kazakhstan and Turkmenistan. The share of revenue from GR Transit LLC in the total logistics revenue amounted to 18.7% in 2024, compared to 19.2% in 2023.

'000 tons

For the year ended 31 December	**2024**	**2023**	**2022**
CRUDE OIL	0	21.8	266.9
OIL PRODUCTS	2,804	2,447	2,466

GR TRANSIT LINE LLC

In 2014, GR established GR Transit Line LLC, another freight forwarder that carries oil products mainly to Azerbaijan and Armenia. The share of revenue from GR Transit Line LLC in the total logistics revenue amounted to 20.1% in 2024, compared to 18.0% in 2023.

'000 tons

For the year ended 31 December	**2024**	**2023**	**2022**
AZERBAIJANIAN DIRECTION	213.0	46.9	49.3
ARMENIAN DIRECTION	438.1	462.8	439.4

PROPERTY MANAGEMENT

GR Property Management LLC (formerly Railway Property Management LLC) was established in 2009 to determine the best way of using railway-related assets such as land, depots and stations, as well as to utilize non-core assets and to ensure the commercialization of these assets.

BORJOMI-BAKURIANI RAILWAY

Borjomi-Bakuriani Railway LLC is a subsidiary of GR Property Management LLC. It owns a 40-km-long narrow-gauge railway network that runs between the two resort towns. Borjomi-Bakuriani Railway LLC first entered into operation between 1898 and 1902 and the line has been fully electrified since 1966.

Some of the infrastructure and related assets owned and operated by the Company, such as rolling stock, are relatively old. Although the infrastructure is in sufficient condition to carry out the Group's current and scheduled railway operations, the Company is planning to carry out significant works to maintain and improve it.

7.5 WORLD BUSINESS SOLUTIONS (WBS)

HISTORY OF DIGITALIZATION

1996 Wagon and Container Park Management System

2000 Driver Route Accounting Module

2002 Automated Mutual Settlement of Wagon/Container Usage between Railway Administrations

2006 Automation of train movement and its accompanying commercial documents recording, technical condition of rolling stock - RAPL

2006 Digitalized Passenger Transportation System

2006 International Cargo Transportation Planning (AC Mesplan)

2006 Freight Transportation Billing System

2006 Cargo Transportation Order Formation Module - Single Window Service of Freight Operations for Clients - cargo.railway.ge

2009 Document Circulation System - Docflow

2012 Deadlock and Agreement Management System

2014 Live monitoring and Wagon Tracking Service – Freight.railway.ge

2014 Digitization of Archive Documents

2014 Infrastructure Electronic Systems Implementation - Warning & Electronic Issuance, Technological Windows, Rail Temperature Mode Control, Warning Management Electronic Systems

2015 Data Exchange within GR and Custom Agency

2017 Fully Qualified and Approved by Georgian Legislature Electronic Signature of Client

2018 Enterprise Resource Planning (ERP) Program - SAP

2022 Electronic system for organizing train and station operations

2022 Digital Formation of International Freight Transportation (SMGS/СМГС)

2022 Exchange of train and international consignment note data with Azerbaijan Railways

2024 Automatic accounting of wagon delays – Digital Automatic formation of Act of Charge

2024 Train Traffic Management and Control System with Microscopic Model of the GR Infrastructure

GR has gained a lot of experience in IT solutions and serving clients both locally and internationally. In 2016, the IT division was renamed World Business Solutions (WBS) to become more flexible. Today, WBS is one of the Company's key divisions.

INFORMATION TECHNOLOGY

The Group uses advanced IT systems and custom software to manage logistics, dispatch and tracking for rolling stock and freight. Most of their software is developed in-house to fit their specific needs. This includes:

- A central system for billing and managing freight documents;
- Real-time monitoring and control for rolling stock;
- Software to track container, railcar and train movements at stations;
- An electronic ticketing and accounting system for passenger transport;
- Multi-purpose software for handling initial accounting documents, electronic signatures, financial and tax accounting, budgeting and treasury tasks.

The Group also uses enterprise resource planning software SAP S/4HANA, which incorporates the main business functions comprised of fourteen modules. All such modules are fully deployed and customized in accordance with the specific requirements of the Group.

HARDWARE

The Group uses top hardware providers like Hewlett-Packard Enterprise, Dell Technologies, F5 Inc. and Cisco Systems. Its setup includes two connected data centers: the main one and a backup, located 360 kilometers apart for safety and data recovery. Both centers have Blade servers, data storage and network security equipment.

Servers are managed through a central system, ensuring smooth operation between the main and backup centers. Data transfer from the main center to the backup takes between seven and twenty-seven seconds. GR regularly backs up data with Dell EMC Data Domain. If there's a problem, data can be restored from the backup center within two to three hours.

The Group's network, which spans 636 kilometers and uses fiber optic cables alongside railway tracks, is entirely owned by the Group. Security is enhanced with Next-Generation and Web Application Firewalls to keep IT networks and services secure.

CYBERSECURITY

GR is committed to ensuring the protection and integrity of its information infrastructure through well-defined technical and organizational measures. Recognizing the strategic importance of its operations, the Group has steadily strengthened its internal processes and policies over the years to ensure high standards of information security.

In 2014, it started implementing policies for managing security, protecting networks and backing up data to keep sensitive information safe.

In 2018, the Group set up an information security council to oversee new policies and improve security. This council also developed an internal framework in line with ISO/IEC 27001 standards, showing the Group's strong commitment to high security standards.

In 2022, the Group launched projects to strengthen its information security and comply with the Law on Information Security, adding processes for regular and ongoing security monitoring and response.

In March 2023, the Group, in collaboration with UGT, implemented a Containerized Data Center. This migration was smooth and the new data center meets international standards for security, temperature control and humidity.

GR applies a multi-layered approach to cybersecurity to protect its digital assets and services from external threats. These efforts are guided by both internal policies and national directives *(see Regulatory Framework of Infromation Security and Cybersecurity).*

The Group uses multiple layers of security to protect its services and IT networks from cyber threats. Here's how it works:

- NETWORK DEFENSE: The Group uses a Next-Generation Firewall to block unauthorized access and external threats.

- WEB TRAFFIC PROTECTION: Web Application Firewalls are in place to filter and monitor incoming web traffic, catching threats that target application vulnerabilities.

- REGULAR UPDATES: The Group updates its network devices weekly, including threat information, virus signatures and security certificates, to keep defenses current.

- INCIDENT RESPONSE: If a cyberattack or security breach occurs, the Group follows a strong incident response plan based on ITIL best practices and internal policies to quickly address and contain the issue.

Additionally, GR applies advanced threat mitigation tools, including DDoS protection systems, to secure its most critical websites and customer-facing platforms.

NEW PASSENGER TRANSPORTATION MANAGEMENT SYSTEM "ORION 2"

The existing passenger transportation management system was no longer capable of meeting the requirements of modern operations. In response, the Group implemented a new system named Orion 2, which is based on a microservice architecture. This system supports wagon registration, train formulation and management, schedule administration, ride generation, ticket sales and crew management.

Key enhancements introduced in Orion 2 include:

- SUBURBAN TRAIN MANAGEMENT MODULE: Previously, ticket sales for suburban trains were managed outside the system using strict accountability documents. This process has now been fully digitized. The new module enables the scheduling of suburban trains, timetable creation, train composition management and ticket sales. Additionally, integration with POS terminals allows for full ticket information to be printed directly on receipts.

- INTEGRATION WITH AZRY COMPANY SERVICES: Ticket vending machines installed on suburban trains are now fully integrated with Orion 2, enabling centralized billing and streamlined financial operations.

- WAGON REGISTRATION: All active wagons within the passenger division have been registered in the system. Detailed seat diagrams have been added and wagon management is now conducted individually for each train.

- REPLACEMENT OF STRICT ACCOUNTABILITY DOCUMENTS: For long-distance routes, the use of strict accountability documents has been discontinued. A unified ticket database has been introduced, ensuring continuous accessibility and reducing the risk of service denial due to lost tickets. Passengers are no longer required to present a physical ticket during travel.

- CREW MANAGEMENT MODULE: New digital interfaces have been developed for train attendants and chief conductors, providing real-time access to sold ticket data. Passenger boarding is tracked within the system. Crew members can now sell additional services directly through the platform, replacing the outdated GU-57 paper forms. All crew operations are fully digitized and managed using tablet devices.

TRAIN TRAFFIC MANAGEMENT AND CONTROL SYSTEM

Building on its solid foundation of technological advancement and internal expertise, GR continues to invest in the digital transformation of its core operations.

In 2024, the Company launched the deployment and installation of a modern Train Traffic Management and Control System designed to digitize and optimize the scheduling and control processes of both passenger and freight train traffic. This initiative is pivotal in enhancing operational efficiency, supporting real-time decision-making and significantly improving the safety of railway operations.

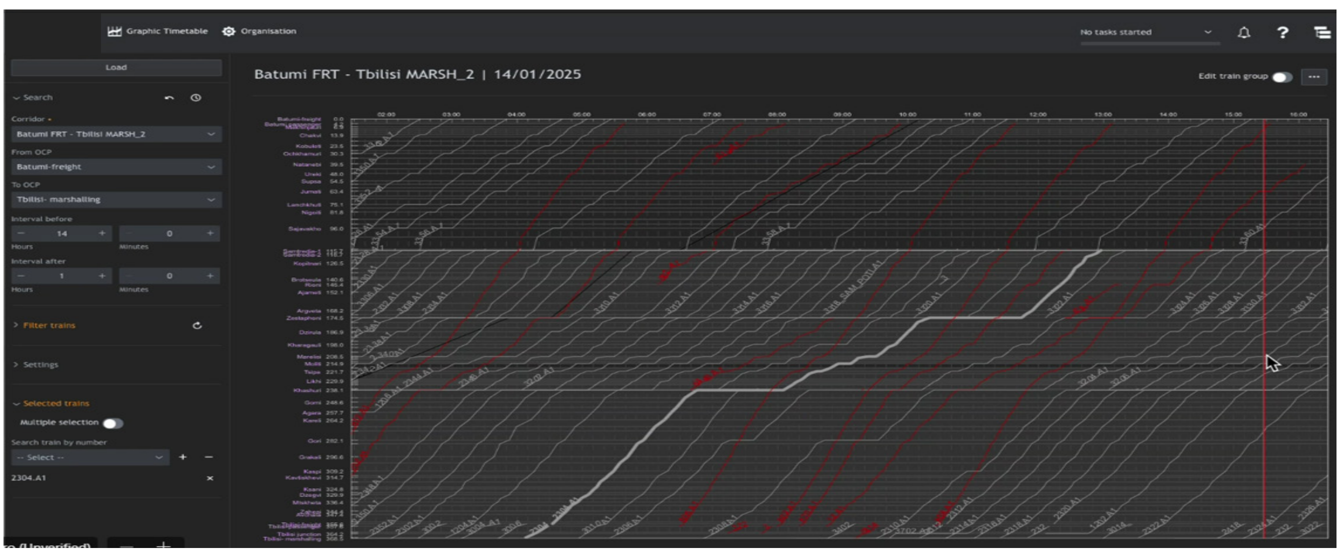
The primary objective of the system is to streamline and digitize the process of creating train schedules and managing rail traffic on the GR network. It supports dispatchers in operational control, ensures fast and accurate real-time decision-making and offers scalability for future functionality expansion.

The system offers a wide range of features that cover the full cycle of train traffic planning and monitoring:

- SCHEDULE PLANNING: Enables the creation of passenger and freight train schedules based on initial data input by dispatchers, with automatic generation of a plan-schedule.
- TRAIN MOVEMENT RECORDING: Dispatchers input train entry and exit times at stations, allowing the system to generate a real-time traffic schedule and reflect any traffic restrictions along specific sections.
- ANALYSIS AND REPORTING: Monitors train movements, performs plan-vs-actual schedule analysis and determines station track occupancy.

Following the introduction of the system, the project has now progressed to an active implementation phase, including training and operational support tailored to the Company's specific requirements.

The image below illustrates a train schedule generated through the system.



The initial version of the Train Traffic Management and Control System provides essential functionalities for planning train schedules. It enables the creation of train schedules by specifying key characteristics such as the train number, type, departure and destination stations and scheduled times. The system also offers visualizations that inform dispatchers of track availability and potential conflicts in train traffic. Additionally, the system supports multiple users operating simultaneously within the same environment, ensuring effective coordination and flexibility in operational execution.

The Train Traffic Management and Control System includes a comprehensive set of features that support dispatchers in real-time operations:

- Display of actual train movement data, including station entry and exit times;
- Generation of real-time train traffic schedules based on dispatcher inputs;
- Comparison of planned and actual train schedules, with options for simultaneous or separate visualization;
- Creation of both planned and unplanned train schedules by specifying relevant parameters such as train type, number, origin and destination stations, departure date and train length;
- Display and visualization of current restrictions, including speed limits, track occupancy and train length constraints;
- Real-time monitoring of station track occupancy.

INFORMATION TECHNOLOGY PROJECTS

In addition to the initiatives outlined above, the Group implemented several key information technology projects in 2024:

TRACECA E-CIM/ SMGS DIGITALIZATION PROJECT

This project aims to develop an electronic version of the international rail freight transport document "CIM/SMGS," in collaboration with the railway administrations of participating countries.

DEVELOPMENT OF AN ELECTRONIC DELAY RECORDING SYSTEM

A new system was introduced to automatically record delays caused by cargo recipients at intermediate stations.

PLANNING OF INTERNATIONAL FREIGHT TRANSPORTATION – MONTH PLAN

This project aims to develop an electronic version of the international rail freight transport document "CIM/SMGS," in collaboration with the railway administrations of participating countries.

IMPLEMENTATION OF VIRTUAL DESKTOP INFRASTRUCTURE (VDI)

Virtual Desktop Infrastructure was rolled out for sensitive users within the organization.

IT INFRASTRUCTURE UPGRADES

Several projects were undertaken to update and enhance the Group's IT infrastructure, ensuring greater system reliability, scalability and performance.

8.BUILDING A VALUABLE SUPPLY CHAIN

Another of the Group's key strategic objectives is building a valuable supply chain through vertical integration and establishing suitable connections. The Group forms part of the Caucasus Railway Corridor, a key segment of the TRACECA. Therefore, the Group's projects are also in line with other planned or implemented projects in Georgia and the Caspian Sea region, such as the building of a deep-water sea port on the Black Sea shore, the modernization of Azerbaijan's railway network and the development of ports on the Caspian Sea in Kazakhstan. Pertinently, a valuable supply chain cannot be created without other participants' efforts in the Corridor.

8.1 INTERNATIONAL AGREEMENTS

International agreements play an important role in the elimination of trade barriers, the reduction of tariffs and the implementation of infrastructure projects. Below are listed several agreements believed to have helped GR to better fulfill its transit potential and attract new types of cargo.

TRANS-CASPIAN INTERNATIONAL TRANSPORT ROUTE (TITR)

The Middle Corridor, also known as the Trans-Caspian International Transport Route (hereinafter referred to as TITR), starts from Southeast Asia and China, runs through Kazakhstan, the Caspian Sea, Azerbaijan and Georgia and then on to European countries.

Objectives of the TITR Association:

- Attraction of transit and foreign trade cargo;
- Development of integrated logistics products;
- Development of an integrated solution (technology) for the transportation process;
- Promotion of the TITR's competitiveness against alternative routes;
- Operation of an effective tariff policy, optimization of costs and reduction of prices for an integrated service; and
- Reduction of administrative barriers related to the border and customs procedures and as well as to the shipment processing.

Middle Corridor
Trans-Caspian International Transport Route

- Regular Members - 8 companies;
- Associate Members - 17 companies;
- Partners - 5 companies.

REGULAR MEMBERS OF THE ASSOCIATION

THE RIGHTS OF REGULAR MEMBER

- Participate in the administration of the Association with voting rights;
- Make decisions in scheduled and special Common Meetings;
- Form the Common Meeting agenda;
- Elect the Managing Board;
- Offer suggestions to the Managing Board and join discussions;
- Propose candidates and be elected to the Managing Board;
- Convene of an extraordinary Common Meeting;
- Receive consultations on various matters;
- Appoint representatives for meetings and working groups.

THE RIGHTS OF ASSOCIATE MEMBER

- Attend Common Meetings with an advisory vote;
- Participate in discussions about Association activities;
- Submit proposals to the Managing Board;
- Receive updates on Association activities;
- Follow Association guidelines and decisions in their work;
- Appoint representatives for meetings and working groups.

PARTNERS OF THE ASSOCIATION

**The partners of the TITR consist of logistics companies essential for cargo transportation and facilitating trade along the Corridor connecting Europe and Asia.*

In 2016, GR signed an agreement with Azerbaijan Railways and Kazakhstan Railways to create the Trans-Caspian International Transport Route (TITR). By 2017, the Association Coordination Committee was formed and now eight countries are involved: Kazakhstan, Azerbaijan and Georgia (the founding members), plus China, Türkiye, Ukraine, Poland and Romania. In 2023, Singapore, Bulgaria and Lithuania also joined.

The TITR aims to improve the Middle Corridor, attract more freight to the Caucasus Corridor, reduce administrative barriers and streamline cargo processing across different locations.

Starting in 2016, Georgia, Azerbaijan, Kazakhstan and Ukraine agreed on standardized competitive tariffs for the route. This agreement, signed in Baku, sets competitive rates for transporting goods between China, Central Asia, the Black Sea region, Ukraine and Europe. Regular transport services are provided at these approved rates, which are reviewed and set for the coming freight year and must be followed by all operators.

FREE TRADE AGREEMENTS (FTAs)

The Free Trade Regime entails the liberalization of trade, eliminating customs import taxes among participating nations with specific mutually accepted exceptions.

Georgia has established a Free Trade Regime with several: entities, including all the Commonwealth of Independent States (CIS) countries, Türkiye, the European Union (EU), China and the European Free Trade Association (EFTA)[1].

1994

COMMONWEALTH OFINDEPENDENT STATES

The Multilateral Free Trade Agreement on a Free Trade Area among the CIS countries (for Georgia entered into force in 1999 and continues to be used in trade with CIS countries except Russia and Turkmenistan)

1994

RUSSIA

The Bilateral Free Trade Agreement between Georgia and Russia (entered into force in 1994)

1995

UKRAINE AND ARMENIA

The Bilateral Free Trade Agreement between Georgia and Ukraine and Georgia and Armenia (in force from 1996 to 2002)

1996

AZERBAIJAN

The Bilateral Free Trade Agreement between Georgia and Azerbaijan (in force from 1996 to 2002)

1996

TURKMENISTAN

The Bilateral Free Trade Agreement between Georgia and Turkmenistan (entered into force in 2000)

1997

KAZAKHSTAN

The Bilateral Free Trade Agreement between Georgia and Kazakhstan (in force from 1999 to 2002)

2002

UKRAINE, AZERBAIJAN AND MOLDOVA

The GUAM (Georgia, Ukraine, Azerbaijan and Moldova) Free Trade Agreement (entered into force in 2003)

2007

TÜRKIYE

The Free Trade Agreement between Georgia and Türkiye (entered into force in 2008)

2014

EUROPEAN UNION

The agreement establishing a deep and comprehensive free trade area (DCFTA) between Georgia and the EU (entered into force in 2016)

2014

CHINA

The Free Trade Agreement between Georgia and China (entered into force in 2018)

2016

EUROPEAN FREE TRADE ASSOCIATION

The Free Trade Agreement between Georgia and the EFTA (entered into force in 2017 for Iceland and Norway and in 2018 for Switzerland and Liechtenstein)

2016

HONG KONG

The Free Trade Agreement between Georgia and Hong Kong (entered into force in 2019)

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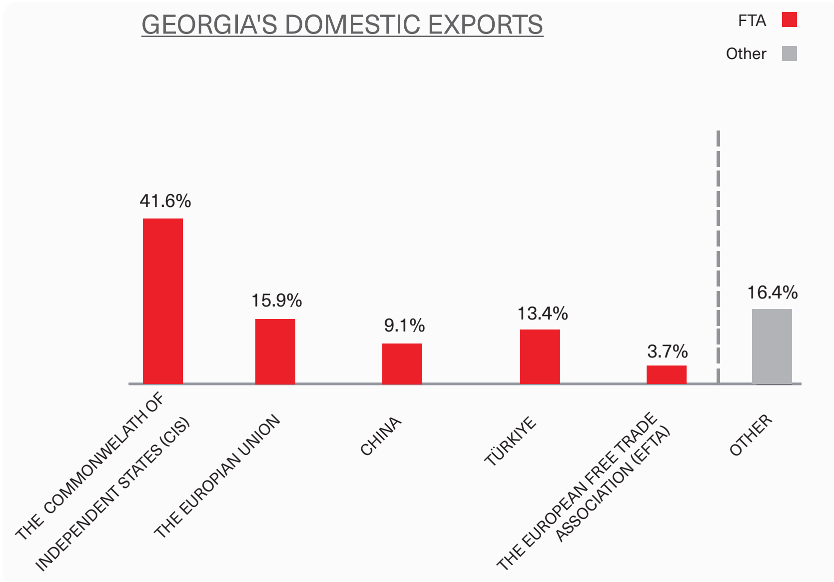
[1] Intergovernmental organization comprising Iceland, Liechtenstein, Norway and Switzerland, established in 1960.

More than 83% of Georgia's domestic exports[1] in 2024 were sent to countries with which it has an FTA. In 2024, significant shares of its domestic exports were distributed as follows:



Source: National Statistics Office of Georgia (Geostat)

JOINT VENTURE (JV)

On October 26, 2023, at the Tbilisi Silk Road Forum, JSC NC Kazakhstan Temir Zholy, JSC Georgian Railway and CJSC Azerbaijan Railways signed an agreement to establish a Joint Venture (JV) — Middle Corridor Multimodal LTD. In June 2024, JV was registered as a single transport operator. Its aim is to advance multimodal services along the TITR, by eliminating operational obstacles that hinder the flow of goods along this route. This includes streamlining cargo regulations, standardizing tariffs and simplifying customs procedures. These efforts underscore the collaboration of the three countries' railway networks to promote the transportation of goods across the region. Middle Corridor Multimodal LTD is headquartered in the Astana International Financial Center (AIFC).

The following activities are to be carried by this business-oriented JV:

- Organization of freight transportation at domestic and international levels;
- Provision of multimodal and transportation and logistics services on the TITR;
- Transportation and expediting services;
- Implementation of construction, reconstruction and renewal of fixed assets;
- Implementation of intermediary, trade and procurement and supply activities;
- Tariff formation, calculations and sales systems of relevant transportation and logistics services.

China Railway Container Transport Corporation (CRTC) is set to join the JV, marking a key milestone in China's efforts to strengthen trade routes with Europe and Central Asia. The decision was confirmed during the 8th International Silk Road Expo in Xi'an in September 2024. CRTC's involvement aligns with China's broader initiative to modernize infrastructure along the route, including projects in Xi'an and the Georgian port of Poti.

[1] Domestic exports include exports of goods produced in the country, as well as imported from abroad, the value of which has significantly changed or increased as a result of domestic processing.

8.2 ONGOING PROJECTS OF THE COMPANY

RAILWAY MODERNIZATION PROJECT

The Group launched its Modernization Project in 2010, aiming to modernize its infrastructure and increase the capacity of the mainline. Completed in 2024, the Project is expected to bring the following important benefits to the Group:

- Increased capacity of the Group's infrastructure;
- Elimination of the need for extensive capital expenditure on the maintenance of existing tracks;
- Faster transportation speed along the line and thus improved services for freight and passenger customers;
- Improved transportation safety; and
- Reduced operational expenses.

The Project was divided into two main parts. The first part focused on improving the Group's mainline, while the second aimed debottlenecking the line, thereby increasing its capacity.

The main bottleneck was in a mountainous region in central Georgia, referred to as the gorge section which is 40 km long. The topography of this region complicated rail operations, leading to delays, accelerating the depreciation of tracks and rolling stock and increasing the need for additional pulling locomotives.

One of the most significant aims of the Project was thus to decrease the track gradient in the gorge section, which is expected to reduce electricity expenses. In addition, a gentler gradient is expected to decelerate wear and tear on wheels and tracks, which would in turn lower maintenance expenses, decrease the need for extra locomotives in that section and reduce the measures and time needed to cool brakes. Specifically, the Project envisaged the building of a tunnel in the gorge section, thereby simplifying operations and increasing throughput capacity from 27 million tons of cargo per annum to 48 million, with the possibility of further expansion to 100 million tons per annum courtesy of relatively small capital expenditure. The Project will also enhance passenger train speed to 120 km/h, thereby reducing travel time to Batumi by one hour.

The Modernization Project was financed by the Group's operations and the proceeds from its Eurobond placements in 2010 and 2012. Since the beginning of 2021, the Group has been carrying out some of the works using its own personnel for railway track construction, signaling, centralization and blocking, as well as power and electric traction lines.

As a result of the Project, the following infrastructure improvements were completed in the gorge section:

- 6 tunnels totaling 14,556 meters, including the region's longest railway tunnel at 8,300 meters;
- A land embankment spanning 24,540 meters;
- 10 railway bridges with a combined length of 1,185 meters;
- 3 new railway stations, along with the construction of a new substation and the rehabilitation of 2 existing substations.

Full operation is expected to commence once the remaining fire safety works are completed, which is crucial for ensuring passenger safety.

PROCEEDS ALLOCATED TO THE RAILWAY MODERNIZATION PROJECT

MLN GEL

For the year ended 31 December	2024	2023	2022	2021	2020	2019	2018
	69.6	70.5	44.6	38.7	24.8	38.7	98.5

***Source** https://www.railway.ge/en/eurobonds/*

8.3 INFRASTRUCTURE DEVELOPMENTS IN GEORGIA

BAKU-TBILISI-KARS

POTI SEA PORT

BATUMI SEA PORT

ANAKLIA DEEP WATER SEA PORT

These ongoing projects in Georgia are also in line with the strategic goals of the Group.

BAKU-TBILISI-KARS

The Baku-Tbilisi-Kars (hereinafter referred to as BTK) Project was established in 2007 under the directive of the Ministry of Economic Development of Georgia with the State having a 100% share. The Project, which includes the rehabilitation of the Marabda-Kartsakhi railway section and the construction of the railway line from Akhalkalaki to the border with Türkiye, is designed to connect Azerbaijan and Türkiye via Georgia through a railway link. This railway corridor thus reaches Europe courtesy of the Marmaris Project (a railway tunnel under the Bosporus), providing a safe, fast and relatively short route through which to transport goods from Asia to Europe and vice versa. Once completed, this will represent a new rail-only corridor from the Caspian Sea to Europe via Türkiye, potentially replacing sea transportation.

The BTK Project comprises two stages. In the first stage, the cargo capacity on the route will reach 5 million tons per year with a potential increase to 15 million tons upon infrastructure modernization in the second stage. Passenger transportation is also earmarked under the Project, with an initial maximum annual throughput capacity estimated at 1 million passengers.

The Georgian segment of the new Baku-Tbilisi-Kars railway line features 22 bridges, 13 stations, 24 overpasses, 4 snow protection galleries and a border railway tunnel connecting Georgia and Türkiye. The tunnel's total length is 4,400 meters with 1,840 meters situated on the Georgian side. The line comprises two different gauge types: the broad gauge (1,520mm) from Baku to Akhalkalaki; and the standard gauge (1,435mm) from Akhalkalaki to Kars. A lift-off-lift-on service is already operational to facilitate the gauge change.

According to the Project's credit agreement, USD 775.0 million from Azerbaijan was divided into tranches A and B. Tranche A, amounting to USD 200.0 million, was fully utilized by the end of 2011, while Tranche B amounted to USD 575.0 million.

Construction of the BTK line commenced in 2009 and was managed by Marabda-Kartsakhi Railway LLC with two primary contractors: JSC Azerbaijan Railways on the Marabda-Akhalkalaki railway section and Azer Insaat Service LLC on the Akhalkalaki-Kartsakhi section.

BAKU-TBILISI-KARS LINE

For the year ended 31 December	2024	2023	2022
Revenue *(GEL '000)*	997	1,715	8,084
% change	-42%	-79%	-15%
Volumes *('000 Tons)*	53	92	430
% change	-42%	-79%	-11%
Number of containers in TEU	2,797	5,264	19,739
% change	-47%	-73%	-4%
Number of containers transported	1,891	3,540	13,911
% change	-47%	-75%	9%
Number of railcars transported	84	121	1,982
% change	-31%	-94%	-46%

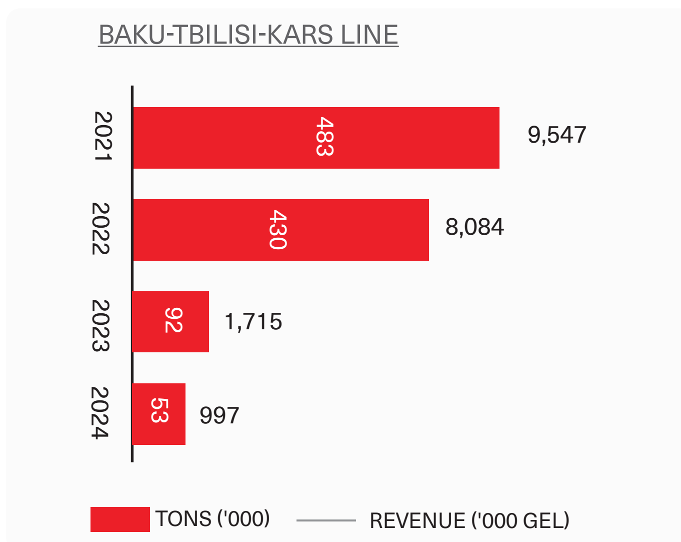
The test regime on BTK line commenced on October 30, 2017. Since then, the volume of cargo transported on the line has increased considerably, reaching around 500,000 tons in 2021. However, in 2022, there was a decline of 53,000 tons (11%), compared to the previous year.

In 2023, transportation on the line was temporarily stopped due to the acceleration of construction works aimed at finalization of the BTK Project by 2024.

The Project reached a pivotal milestone in May 2024, with the completion of the 183-kilometer section from Akhalkalaki to Tbilisi and the construction of a large logistics complex near Akhalkalaki.

Following these enhancements, freight operations officially resumed on May 20, 2024, with the first train, consisting of 20 containers, departing from the Absheron Logistics Center in Baku towards Georgia. In June 2024, test shipments began from the Chinese ports of Xi'an and Lianyungang. However, the five-month suspension, along with the focus on initial test shipments, led to a decrease in cargo volume in 2024, compared to 2023.

The completion of the first stage of BTK Project has significantly boosted the railway's annual handling capacity from 1 million tons to 5 million tons, thereby enhancing its role in regional transportation. As improvements continue, the BTK route is expected to experience a strong recovery in cargo volumes, with increased throughput anticipated as full-scale operations resume. Additionally, the Project will provide Georgian Railway with access to a new geographical market, facilitating smoother rail operations with Türkiye.



BLACK SEA PORTS

Currently, three ports are operational in Georgia: Poti Sea Port, Batumi Sea Port (hereinafter BSP) and Parto Tskali (Kulevi). In addition, there is also a liquid cargo terminal in Supsa. Poti Sea Port is under the ownership of APM Terminals[1] (hereinafter APMT), whereas BSP is managed and was established by Kazakh Kaztransoil. Poti Sea Port is the largest of Georgia's ports and a major hub for container handling, bulk cargo and other cargo. Meanwhile, BSP primarily handles bulk cargo, including oil, oil products and fertilizers, as well as other cargo. Parto Tskali (Kulevi) serves as an oil terminal, handling the storage and transshipment of crude oil and refined petroleum products. Elsewhere, the liquid cargo terminal in Supsa specializes in handling liquid bulk cargo, particularly crude oil.

COMPARATIVE ANALYSIS OF POTI SEA PORT AND BATUMI SEA PORT

	POTI SEA PORT	BATUMI SEA PORT
ANNUAL CAPACITY, TEU	650,000	200,000
PROJECTED CAPACITY, TEU	1,000,000	-
BREAKWATER LENGTH	1,800 m	-
THROUGHPUT CAPACITY	13 mln tons	18-20 mln tons
BERTHS	15	11
TERMINALS	4	5

The Georgian State's pivotal role predominantly centers on policymaking and creating regulatory mechanisms within the maritime sector, encompassing a broad array of vital responsibilities that are crucial for the effective and safe operation of maritime activities within the country. These responsibilities include:

- Vessel traffic management;
- Maritime safety and security;
- Search and rescue at sea;
- Marine pollution response; and
- Control of the national merchant fleet and seafarers.

POTI SEA PORT

Poti Sea Port is a major seaport located on the eastern Black Sea coast in Poti, Georgia. It is one of the largest and busiest ports in the country, serving as a key gateway for international trade between Europe and Georgia, Armenia and Azerbaijan and is connected by railway to the main cities of Georgia. The port's operations have a substantial impact on the local and national economy.

In April 2011, APM Terminals acquired the Port and undertook extensive renovations, investing a total of USD 80.0 million in upgrading infrastructure and service facilities. This included the development of new rail and truck loading facilities, as well as the construction of a new customs center. In May 2013, the Company established a grain processing terminal (Ltd Potis Marcvleulis Terminali) capable of handling 500,000 tons annually. This terminal offers a new export route for wheat from Central Asia to the Mediterranean and the Black Sea region.

[1] A port operating company based in the Netherlands, which serves as a branch of the Transport and Logistics Division of the Danish shipping company Maersk.

THE POTI EXPANSION PROJECT

Georgia is building up its port capacity and aims to become the main gateway connecting Central Asia to Europe

In 2020, APMT Poti presented the Poti Expansion Project to the Government of Georgia in two phases. The first phase entails the extension of a 6.8-hectare container yard, construction of a 1.5 km breakwater and a 330-meter quay and installation of two Ship-To-Shore (STS) cranes, as well as dredging the access channel, turning basin and berthing pocket.

In 2024, APMT Poti proposed an investment of at least USD 200 million for the Expansion Project. The investment is contingent upon the GoG issuing a decree authorizing the signing of an agreement between the Government of Georgia and APM Terminals Poti.

The expanded port will be able to accommodate vessels with a draft of up to 13.5 meters, which are the largest vessels capable of entering the Black Sea. This development is expected to significantly boost the annual container capacity at Poti Sea Port by at least 400,000 TEU, resulting in a total capacity exceeding 1 million TEU.

The first phase of the Project is scheduled to commence in 2025, with completion anticipated in 2027.

APM TERMINALS POTI’S MULTI-MILLION-DOLLAR INVESTMENT PLAN

In 2021, APMT announced a new strategy - "Safer, Better, Bigger". In line with its strategy, APMT Poti initiated a Multi-Million-Dollar Investment Plan aimed at modernizing the current infrastructure and equipment at Georgia's largest port. The main objectives of the plan are to increase capacity, improve safety and efficiency and reduce the adverse environmental impact.

As part of the multi-million-dollar investment, APMT Poti accomplished the reconstruction of Poti Port's 150-year-old, 1850-meter-long main breakwater, which is critical to protect the Port from maritime forces and ensure safer conditions for vessels. Commencing in April 2021, APMT Poti undertook the reconstruction efforts and completed the Project within two years. The breakwater was constructed using rubble mound rock and 7,200 concrete blocks produced in Georgia. Overall, the Project cost around USD 25 million.

In 2023, APMT Poti’s investment in its “Safer, Better, Bigger” operations was demonstrated through the following:

Poti Port’s most recent purchase of two 40m3 Hydraulic Bulk Discharge Hoppers enables more efficient discharge of bulk cargo while minimizing dust and cargo loss. Additional investments have involved procuring equipment such as an Excavator, a Front-End Wheel Loader and a Skid Steer Loader.

The abovementioned hoppers also enhance cargo handling and environmental performance by significantly decreasing spillage onto the quay through controlled cargo release.

A substantial investment has been made in 80 rotainers, offering one of the most eco-friendly and effective methods for transporting and loading bulk cargo. These rotainers ensure no spillage and a significant decrease in dust emissions during vessel loading processes.

To enhance efficiency throughout APMT Poti's berths, two new 12 m3 Grabs were purchased for use in conjunction with the new hoppers, enabling the simultaneous discharge of bulk cargo at two berths. Furthermore, APMT Poti has procured a material handler for efficient unloading and loading of smaller vessels. This equipment will also be utilized to enhance cargo reception and dispatch operations at the port. Additionally, to address increasing volumes of imported cars, two 16 Ton Forklifts have been integrated into the current fleet to expedite operations and ensure their safety.

The Multi-Million-Dollar Investment Plan was completed in 2023.

NEW MULTIMODAL TERMINAL AT POTI SEA PORT

The terminal could significantly address the transportation demand in the Middle Corridor

In June 2022, a joint venture named “JSC Poti Transterminal” was established by PTC Holding, a transportation and logistics investment firm based in Kazakhstan, in collaboration with Georgian partners. This venture initiated the construction of an 8-hectare terminal.

In August 2023, construction of the mentioned terminal started with an estimated investment of USD 15.0-20.0 million. The terminal is projected to achieve an annual capacity of 450,000 TEU, thereby assisting in meeting the transport demand along the Middle Corridor.

CAUCASUS GEORGIA EXPRESS (CGX) SERVICE

The service establishes a direct connection between the Middle Corridor and Georgia

In February 2023, CMA CGM, a French shipping and logistics company, launched the Caucasus Georgia Express (CGX) Service, utilizing APMT Poti as a key hub for cargo aggregation and distribution. The Service establishes direct railway links from the Middle Corridor to Georgia, streamlining maritime transportation to and from Greece and Türkiye, thus presenting an alternative to conventional routes impeded by Russian sanctions.

The CGX Service operates cargo transportation from APMT Poti to Piraeus, Greece and Ambarli Port in Istanbul, Türkiye with transit times of three and seven days, respectively. The service conducts about three roundtrips per month. According to CMA CGM, transit from Poti to Armenia and Azerbaijan takes five to six days, while to Kazakhstan it takes 35 days, Turkmenistan 25 days, Kyrgyzstan and Tajikistan 45 days and approximately 50 days to Uzbekistan, contingent upon Caspian Sea vessel availability.

The CGX Service remained operational throughout 2024.

NEW OCEAN-RAIL ROUTE VIA APT TERMINALS POTI

The route provides seamless cargo transportation from Georgia to Central Asia

In September 2023, Maersk launched a new ocean-rail route from APM Terminals Poti. This route seamlessly transports cargo via rail from Poti to Baku in Azerbaijan, across the Caspian Sea to Aktau and finally to destinations in Central Asia, such as Almaty, Astana and Tashkent. Maersk ensures last-mile connections in Georgia, Azerbaijan, Uzbekistan and Kazakhstan through a dedicated trucking pool, enhancing logistics efficiency and reliability.

The route remained operational throughout 2024.

IMPROVED OPERATIONAL EFFICIENCY OF POTI SEA PORT

In 2024, APM Terminals Poti has successfully reduced vessel port stays by 15 hours, thereby enhancing operational efficiency. Drawing on best practices from other APM terminals, such as those in Rijeka, Croatia and Aarhus, Denmark, as well as the Suez Canal Container Terminal (SCCT) in Egypt, APMT Poti collaborated with shipping lines to optimize vessel berthing schedules. Instead of berthing two ships simultaneously, they adopted a consecutive berthing approach, boosting productivity without additional costs. This change, along with optimized pre-stacking areas, resulted in significant time savings, cost reductions and enhanced berth capacity, improving customer satisfaction and environmental outcomes by reducing emissions.

BATUMI SEA PORT

Batumi Sea Port, located on the Black Sea coast of Georgia, plays a crucial role as a gateway for international trade, serving as a link between Europe and Asia. Handling a diverse range of cargo, including containers, ferries and other cargo, the Port facilitates seamless connectivity between regions. Along with the presence of the Batumi Fertilizer Terminal, the Port emphasizes its importance in the efficient processing of fertilizers, which significantly contributes to regional trade and economic development.

BATUMI FERTILIZER TERMINAL

In 2017, the Development Project for a logistics corridor facilitating the transportation of dry cargo from Central Asia to Black Sea ports via Azerbaijan and Georgia was initiated. In January 2019, Wondernet Express Investment Group and Trammo Inc. entered into a Shareholders' Agreement on a Joint Venture dedicated to constructing and managing a fertilizers terminal at BSP. The Batumi Fertilizer Terminal is connected by railway to the Baku International Marine Trade Port on the Caspian Sea coast, providing connectivity to Turkmenistan, Uzbekistan and Kazakhstan. This new logistics corridor is the shortest and most convenient route from Central Asia to the Black Sea.

In March 2021, the initial shipment comprising 47 carriages loaded with carbamide originated from Turkmenistan and was transported to the recently established Batumi Fertilizers Terminal, which officially opened in June 2021. The Terminal has the capability to handle and transport more than 1.5 million tons of mineral fertilizers annually with storage capacity reaching up to 70,000 tons. The cost of the Project amounted to USD 25.0 million.

Since its opening, the Terminal has continued to play a pivotal role in facilitating the transit of mineral fertilizers from Central Asia to global markets.

BATUMI OIL TERMINAL

The Batumi Oil Terminal (BOT), situated on Georgia's Black Sea coast, has a rich history intertwined with the development of the Caspian oil industry. In 1883, the Nobel brothers established an oil terminal in Batumi, coinciding with the completion of the Baku–Tbilisi–Batumi railway line, facilitating the transportation of Caspian oil to European markets. In 1906, the Baku–Batumi pipeline was completed, which became the world's longest kerosene pipeline at that time, further enhancing Batumi's role as a critical oil transit hub. During the Soviet era, the terminal continued its operations, adapting to the evolving energy landscape.

In 2008, Kazakhstan's national oil company, KazTransOil, acquired the Batumi Oil Terminal, marking Kazakhstan's first significant investment in a foreign oil transport asset.

Spanning 81 hectares, BOT features five tank farms and an oil loading complex. The terminal's technological center includes main rail estacades, a quality control laboratory and a boiler facility designed for steam generation and heating of dark oil products. BOT's flexibility allows it to handle up to 22 types of oil and oil products, supporting both rail and tanker transport. With six discharge railway estacades, it can manage up to 180 rail tank cars daily. The terminal's storage capacity is 527,000 m^3, offering services such as oil reception, storage and shipment to tankers, trucks and railcars.

Since 2008, the Terminal has focused its development strategy on enhancing operational efficiency, expanding capacity and maintaining high environmental and safety standards. BOT aims to provide comprehensive services for the transshipment of crude oil, oil products and liquefied petroleum gas (LPG), catering to clients from Kazakhstan, Azerbaijan, Turkmenistan, Georgia and other countries.

In October 2024, Batumi Oil Terminal has upgraded its infrastructure by commissioning a new Aist-type crane with a lifting capacity of 40 tons at the Batumi Sea Port. This enhancement aims to improve the Terminal's efficiency, particularly in handling bulk cargo and to service larger vessels such as Handysize and Handymax types. Additionally, as part of its expansion strategy, BOT is investing in projects to increase transshipment volumes of liquefied hydrocarbon gas (LHG) and light oil products, further modernizing its infrastructure to meet growing market demand.

ECOPORTS CERTIFICATION PROCESS

In April 2023, Batumi Sea Port LLC and the ECO Sustainable Logistics Chain Foundation (ECOSLC) jointly announced the start of the EcoPorts Certification Process. The certification process has been facilitated by the ECOSLC with support from the Organization for Security and Co-operation in Europe (OSCE), as part of the latter's Promoting Green Ports and Connectivity Project.

EcoPorts, a Global Environmental Management System (GEMS), is specifically designed to help ports and terminals in improving their environmental sustainability, as well as handling and transport operations. The goal here is to enhance sustainability, prevent risks and continuously mitigate environmental impacts throughout the processes. This approach is expected to increase efficiency, further solidifying the port's position as a key player in the ports, transport and logistics network. Achieving the EcoPorts certification will not only establish a sustainability quality mark for BSP but also foster stronger relationships with port-city communities and other stakeholders. Moreover, the certification will lead to membership in the Global Network of EcoPorts certified ports, thus facilitating the sharing of best practices and experiences.

In October 2024, BSP received a certificate confirming its compliance with the GEMS according to the requirements of the EcoPorts standard. Batumi Sea Port became the first port in Georgia to be awarded this certification.

In addition to the existing capacities of Poti and Batumi, the Georgian authorities have also decided to resume the construction of the Deep Sea Port in Anaklia, located 70 km from Poti.

ANAKLIA DEEP WATER SEA PORT

The depth of the operational ports in Georgia is not sufficient for mid-sized cargo ships or large crude carriers. To overcome this issue, in 2016, the GoG and the Anaklia Development Consortium (hereinafter referred to as ADC) signed an investment agreement on the construction and operation of the Deep Sea Port in Anaklia.

The ADC was jointly established by the Georgian company TBC Holding and USA-based Conti International. The investment area (340 hectares of land and 225 hectares of sea) was granted to the Consortium for 52 years. The total cost of the construction and development of Anaklia Deep Sea Port is expected to be around USD 2.5 billion.

The new port is expected to become one of the main logistics centers in the South Caucasus and one of the main maritime gateways for Georgia. Due to its strategic location, the GoG has considered the Project a high priority. In 2016, at the 9th annual CG/LA Forum held in Washington, the Project was named "Top Strategic Project of the Year".

An 18-km-long railway line will be constructed to connect Anaklia Deep Sea Port with the existing railway network

In 2017, to oversee the investment agreement signed in 2016 between the GoG and the ADC, the Anaklia Development Agency was established. Its principal function is to supervise the fulfillment of the investor's contractual obligations to the Georgian State.

In the same year, the ADC has finalized a conceptual design for the Anaklia Deep Sea Port and has submitted a comprehensive master plan encompassing all 9 phases. According to its design, the Port is poised to outperform its regional counterparts courtesy of its exceptional connectivity to existing rail and road networks, advanced equipment and cutting-edge communications infrastructure.

In the first phase, a total of 60 hectares of land will be utilized to construct a container terminal capable of handling up to 900,000 TEUs and a dry bulk cargo facility with a capacity of 1.5 million tons. Following this phase, the Port is anticipated to accommodate 600 thousand containers (7.8 million tons) with an estimated cost of USD 600.0 million. The first phase is scheduled for completion by 2029 with subsequent phases planned to follow.

PHASE 1 SPECIFICATIONS:

- Total Quay Wall Length – 825 meters;
- Depth – 16 meters;
- Berths – 3;
- Ship-to-Shore (STS) Cranes – Initially 4 with a potential increase to 6;
- Rubber-Tired Gantry Cranes (RTGs) – Initially 12 with a potential increase to 18;
- Breakwater – Extending 1,600 meters;
- Intermodal Yard – Comprising 10 Tracks, each spanning 800 meters.

According to the Project's specifications, the total capacity of the Port upon completion of all 9 phases is anticipated to be 100 million tons and it will accommodate container vessels with a capacity of 10,000 TEUs.

CAPACITY INCREASE ACCORDING TO PHASES:

PHASE 1:	7,800,000 tons[1]
PHASE 2:	14,000,000 tons
PHASE 3:	21,000,000 tons
PHASE 4:	30,000,000 tons
PHASE 5:	40,000,000 tons
PHASE 6:	55,000,000 tons
PHASE 7:	70,000,000 tons
PHASE 8:	85,000,000 tons
PHASE 9:	100,000,000 tons

PROJECT'S FINAL DESIGN OVERVIEW:

- Quay Wall Length - 2,250 meters;
- Breakwater Length - 2,940 meters (divided into North and South);
- Container Berths - 7 (capacity of 59 million tons per year);
- Dry/Break Bulk Berths - 2 (capacity of 5 million tons per year);
- Liquid Bulk Berths - 1 (capacity of 36 million tons per year).

The construction of Anaklia Deep Sea Port began at the end of 2017. However, at the beginning of 2020, the GoG ceased the agreement with TBC Holding due to the latter's failure to meet contractual terms. The primary focus of the Anaklia Development Agency then shifted from monitoring the investment agreement to actively executing the Anaklia Deep Sea Port Development Project and coordinating associated measures. The oversight of the Anaklia Development Agency's operations in accordance with its revised functions is facilitated by the Ministry of Economy and Sustainable Development of Georgia.

Commencing in February 2023, the selection process for a private partner/investor for the development of the Anaklia Deep Sea Port Development Project was initiated. In September of the same year, two companies have expressed their intention to participate in the tender process: Terminal Investment Limited (TIL), a Swiss-Luxembourg company and a Chinese-Singaporean consortium, comprising China Communications Construction Company Limited (CCCC) and China Harbour Investment Pte. LTD. However, only the Chinese-Singaporean consortium submitted a final proposal by the extended deadline of May 20, 2024. Consequently, in May 2024, the GoG announced this consortium as the selected private partner for the Project.

The Georgian State and the company selected through the tender process will form the joint company that will manage

1 Assuming 13 tons per TEU.

the construction of the Anaklia Deep Sea Port. This joint venture will be structured with 51% State ownership and the other 49% being held by the private investor.

The GoG designated GEL 20.0 million for the development of the Anaklia Deep Sea Port in 2023 and is planning to invest an additional GEL 50.0 million.

In August 2024, an agreement for the construction of the marine infrastructure at the Anaklia Deep Sea Port was reached with Jan De Nul, a leading Belgian marine construction company. The signing ceremony took place on August 30, 2024, at the Georgian Ministry of Economy and Sustainable Development. Jan De Nul is set to begin the work outlined in the contract shortly.

TBILISI DRY PORT

The Tbilisi Dry Port Project was conceived as part of Georgia's long-term strategy to enhance its role as a key logistics hub along the Middle Corridor trade route between Asia and Europe. Recognizing the growing demand for efficient freight handling, the Government of Georgia, in collaboration with Inveco LLC[1] and Wilhelmsen[2], initiated the development of the Tbilisi Dry Port to improve cargo movement efficiency, reduce transportation costs and strengthen international connectivity. The Project was designed to ensure seamless intermodal freight transfers between rail, road and maritime transport.

The initial feasibility studies and planning, conducted between 2021 and 2022, identified a strategic location with access to major railway lines and road networks. In 2023, AD Ports[2] signed an agreement with Inveco for a 60% ownership in the Port.

The Tbilisi Dry Port is set to officially begin operations in 2025. The project will be completed in three phases, with the initial phase expected to handle 96,500 TEUs, featuring a 10,000 sqm warehouse and a car storage yard. Upon completion of the third phase, the capacity will expand to 286,000 TEUs, with 100,000 sqm of warehouse space and a significantly expanded car storage area, alongside secured land for future expansion. The facility will be managed by Noaum Logistics, a subsidiary of AD Ports, supported by Inveco and Wilhelmsen.

BENEFITS OF THE PORJECT:

Sustainability and Environmental Benefits

- 50% reduction in emissions through block train operations, decreasing the number of trucks on the road;
- Implementation of energy-efficient warehouses and eco-friendly logistics solutions;

Operational Efficiency and Cost Savings

- 10% reduction in cargo transport costs from Poti and Batumi ports;
- Use of real-time tracking, automated customs processing and AI-driven logistics management for minimal delays;
- Supports just-in-time deliveries, ensuring smooth supply chain operations;

Economic Impact

- Expected to boost trade and attract foreign investment in Georgia's logistics sector;
- Creates new job opportunities in transportation, warehousing and logistics services;
- Strengthens Georgia's position as a reliable transit corridor for Eurasian trade.

1 A Georgian company, founded in 2015 and based in Tbilisi, engaged in logistics, infrastructure development and trade facilitation.
2 A leading global maritime company, founded in 1861 in Norway, specializing in shipping, logistics, port services and marine solutions, with a strong presence in vessel management, ship agency services and offshore support.

THE EUROPEAN UNION PLEDGES TO INVEST EUR 3.4 BILLION IN GEORGIA'S TRANSPORT SECTOR

The European Commission and the World Bank collaborated to develop the "Trans-European Transport Network (TEN-T) Indicative Capital Investments Implementation Program", which defines the implementation of priority projects in Azerbaijan, Belarus, Moldova, Georgia, Armenia and Ukraine in order to stimulate connectivity and economic growth in Eastern Partnership countries.

According to the Program, investment of EUR 3.4 billion will be made in Georgia's transport sector by 2030, distributed as follows:

- Road transport: ten projects totaling EUR 2,087 million;
- Railway transport: two projects totaling EUR 349 million;
- Aviation transport: one project worth EUR 63 million;
- Maritime transport: two projects totaling EUR 767 million;
- Logistics center: one project costing EUR 144 million;
- Border checkpoint: one project costing EUR 6 million.

As part of the Project, the Ubisa-Shorapani segment of Georgia's East-West Highway opened on 28 October 2023. It is among the seven segments supported by the EU through European Investment Bank (EIB) loans totaling around EUR 1 billion, complemented by over EUR 42 million in EU grants overall. The finalization of this particular section of the highway represents a notable advancement in the Project, improving connectivity within Georgia and with its neighboring countries, which is an integral component of the extended TEN-T.

Furthermore, EIB loans aid in funding various other sections of the East-West Highway, facilitating the construction of more than 150 kilometers of roadway infrastructure in Georgia.

In 2024, the EIB provided an additional EUR 106.7 million to the Government of Georgia for upgrades to the East-West Highway, focusing on sections between Algeti and Sadakhlo and between Rustavi and the Red Bridge. This investment aims to improve connectivity and road safety, facilitating faster movement of people and goods. Additionally, the EU announced a EUR 16 million grant to improve road safety along the East-West Highway through engineering upgrades, awareness campaigns and safety enhancements.

The Project's implementation up until 2030 is expected to cost a total of EUR 12.8 billion through the planned construction and modernization of 4,800 km of road and railway lines, six ports and 11 logistics centers.

In addition to investments in infrastructure, the presented investment program foresees the implementation of fundamental transportation reforms and an increase in the level of safety on the region's highways.

8.4 INFRASTRUCTURE DEVELOPMENTS IN THE CORRIDOR

A significant number of projects are being carried out in the Middle Corridor to expand into new geographical locations and markets and to improve the efficiency and profitability of the route.

The Middle Corridor links container rail freight networks between Asia and Europe, spanning Central Asia, the Caucasus, Türkiye and Eastern Europe. It connects the ferry terminals of the Caspian Sea and Black Sea with the railway systems of China, Kazakhstan, Azerbaijan, Georgia, Türkiye, Ukraine and Poland. The Corridor accelerates cargo flow, fostering trade between China, Türkiye and Europe. In particular, through this route, it takes 20-25 days for goods to be delivered from China to Europe.

KAZAKHSTAN'S INFRASTRUCTURE IMPROVEMENTS

Kazakhstan plays a pivotal role as a Middle Corridor player in regional transportation and logistics networks. Accordingly, it intends to enhance its transit capabilities to handle a larger volume of trade between Europe and China. Therefore, Kazakhstan plays a key part in the formation of the so-called New Silk Road[1].

Projects such as the development of Kuryk Port and Aktau Sea Port, as well as the construction of a second track on the Dostyk-Moiynty Railway Section and the Bakhty–Ayagoz Railway Line, will help Kazakhstan to achieve its transit goals.

DEVELOPMENT OF KURYK PORT

Kuryk Port is located 90 km from the regional center Aktau, covering an area of 67.4 hectares. It features four berths with a total berthing line length of 466 meters and can accommodate vessels with maximum parameters of up to 170 meters in length, 17.5 meters in width and a draft of 4.5 meters. The depth of the water area at the Port extends up to 7 meters. Moreover, Kuryk Port is situated in a natural bay, offering favorable weather conditions for loading and unloading operations, especially for wagon roll-on and roll-off activities. It demonstrates consistent proficiency in handling car and rail ferries throughout the year.

The Kuryk Port Development Project, initiated in 2011, aims to improve transport and logistics capabilities along the Silk Road route between Europe and China via the Caspian Sea, utilizing its strategic location to reduce cargo transportation time and increase transportation volumes to neighboring and distant countries. The Project encompasses the following five key facilities:

1 Also known as the Belt and Road Initiative (BRI), this is a vast infrastructure and economic development project initiated by China, which aims to enhance connectivity, promote trade and foster economic cooperation among participating countries through the construction of roads, railways, ports and other infrastructure projects.

FERRY COMPLEX	The Ferry Complex, developed jointly with Kazakhstan Temir Zholy National Company, comprises railway and car ferry berths with an overall transshipment capacity of 6 million tons annually (railway berth - 4 million tons per year and car berth - 2 million tons per year). The vertical planning and construction of facilities for the Complex commenced in 2015, after which it was put into service in 2016 and has been operating since March 2017.
UNIVERSAL RELOADING TERMINAL	The Universal Reloading Terminal is designed for handling general, bulk and container cargo. Located on a territory of 32 hectares, the Terminal features three berths, each with a depth of 7 meters. The capacity of general and bulk cargoes is projected to be 1,650,000 tons per year and the capacity of containers is earmarked to be 150,000 TEUs per year.
LIQUID CARGO TERMINAL	The Liquid Cargo Terminal, intended for the transshipment of oil, bulk oil cargo and LPG (Liquefied Petroleum Gas) covers an area of 26 hectares and will be fitted out with two berths. The depth at the berths will be 7 meters and the anticipated capacity for oil and oil products is 2,600,000 tons per year, while for LPG it is 300,000 tons per year.
TRANSPORT AND LOGISTICS CENTER (TLC)	The Transport and Logistics Center (TLC) concentrates on managing cargo flows at Kuryk Port and delivering logistics services to the following port users: TLC Sarzha LLP, Khazar Petroleum Logistics LLP and Semurg Express FZC. Construction of the TLC commenced in 2017 with the completion of the first phase realized in 2018.
PRODUCTION COMPLEX	• Ship repairing yard - The first phase entails establishing a ship repairing yard to address the shortage in production capacity for repairing medium-sized and large vessels. Thereafter the second phase will establish the first shipbuilding yard in Kazakhstan. • Production of metal structures and caissons – Planned within the Kuryk Port Production Complex and will be dedicated to oil and gas projects in the Caspian Sea region.

Besides the abovementioned developments, in April 2023, as part of the Kuryk Port Development Project, Semurg Invest[1] announced the construction of a new oil terminal. The Project aims to increase the amount of oil shipped through the Middle Corridor, which involves sending tankers across the Caspian Sea and feeding the oil into the Baku-Tbilisi-Ceyhan (BTC) pipeline for delivery to Europe. The Project will increase the Port's export transport capacity to 15-20 million tons per year.

In August 2023, Semurg Invest also signed an agreement with AD Ports Group, a leading facilitator of global trade, logistics and industry, to develop the Kuryk Port's grain terminal. This partnership aims to enhance Kazakhstan's grain export potential and will transform the Sarzha Multifunctional Marine Terminal into a multipurpose terminal. The completion of the Project is expected by 2025, with a planned capacity increase from 12 to 60 pairs of trains. As part of these broader development efforts, the Sarzha Multifunctional Marine Terminal at Kuryk Port officially opened in September 2023.

In response to Kazakhstan's growing need to enhance its grain export capacity and streamline logistics, the Kaspi Grain Way Terminal at Kuryk Port was commissioned in 2024. The Terminal officially opened in April 2024, with an annual capacity of 1 million tons. It includes 18 silos with a total storage capacity of 28,000 tons. The first shipment of 3,500 tons of barley was dispatched shortly after its launch. This new facility aims to capitalize on Kazakhstan's position as Central Asia's leading grain producer, with wheat dominating its output. For 2024-25, the country is projected to produce 15.8 million tons of wheat and a total grain harvest exceeding 26 million tons.

DEVELOPMENT OF AKTAU SEA PORT

The Aktau Sea Port, located on the eastern coast of the Caspian Sea, is a pivotal hub for numerous international transport routes, enabling continuous transportation of dry cargo, crude oil and oil products between diverse destinations such as Iran, Türkiye, Russia, Azerbaijan and Turkmenistan in both east-west and north-south directions throughout the year, 24 hours a day. Aktau Sea Port comprises 11 terminals, encompassing an expansive 79,700 m2 of open space, along with a roofed transit warehouse spanning 2,000 m2. Notably, the Port currently possesses a cargo transshipment capacity of 11.8 million tons.

Due to its importance and the expected increase in traffic, the Government of Kazakhstan decided to expand the Port's capacity. Since 2015, three new dry cargo terminals have been built there. In 2017, works on its northern expansion

1 The owner and developer of Sarzha Multifunctional Marine Terminal in Kuryk Port, was established in 2008 with the purpose of advancing and managing infrastructure projects in Western Kazakhstan.

started which eventually doubled the Port's cargo capacity from 10 million tons to about 20 million tons per year.

To further strengthen its role as a key logistics hub, Kazakhstan has integrated the Aktau and Kuryk ports into the Seaport Aktau Special Economic Zone (SEZ), following a presidential decree in June 2023. This integration was further extended to include the Bautino cargo area. The strategic move aims to attract investments to the Mangystau Region, transforming it into a major international transport corridor and drawing globally recognized logistics companies to capitalize on the advantages of the SEZ. As part of this initiative, the ports will be equipped with advanced transshipment units, reinforcing Kazakhstan's transport and logistics sector.

Meanwhile, plans are underway to create a USD 28.9 million container hub in Aktau Sea Por,t set to be completed by 2025. This Project, under the name of Sarzha, will significantly boost the Port's capacity, increasing container traffic from 40,000 TEUs to an expected 240,000 TEUs annually. Additionally, the Project involves the construction of a transport and logistics center, as well as grain, liquid and general cargo terminals. As a result, the overall capacity of Kazakhstan's ports will rise from 20 million tons to 30 million tons.

In September 2024, Kazakhstan and China signed an agreement to establish a joint venture for the development of this container hub. Under this agreement, the two countries will work together to upgrade and expand the port's facilities, which will include new container terminals, transport infrastructure and logistical services. This partnership aligns with China's Belt and Road Initiative, aimed at enhancing trade routes between Asia, Europe and beyond. Construction activities for the container hub began in 2024, with the first stage of construction scheduled for completion by mid-2025.

CONSTRUCTION OF A SECOND TRACK FOR THE DOSTYK-MOIYNTY RAILWAY SECTION

The Dostyk-Moyinty Railway Section, spanning from the China-Kazakhstan border to the Kazakhstan-Russia border, is a vital link in Eurasian trade, facilitating the efficient transportation of goods between Asia and Europe. As part of the New Silk Road Initiative, it drives economic growth and regional integration and elevates Kazakhstan's role in global trade.

The construction of a second track on the Dostyk-Moiynty Railway Section, spanning 836 kilometers, was initiated in 2022. This Project also includes plans to erect 419 artificial structures, comprising five large bridges, 87 small and medium-sized bridges, 288 culverts and 14 road overpasses, alongside energy and communications facilities.

In addition, the construction of the second tracks on the Dostyk-Moyinty railway section and the Almaty bypass line (74 kilometers) is ongoing, with construction work on both lines being 75% complete. Furthermore, the construction of the Darbaza-Maktaaral (152 kilometers) and Bakhty-Ayagoz (272 kilometers) railway lines started in 2024.

CONSTRUCTION OF THE BAKHTY–AYAGOZ RAILWAY LINE

In December 2023, Kazakhstan commenced the construction of the 272-kilometer "Bakhty–Ayagoz" railway line, officially launching the project in 2024. This initiative aims to enhance trade connectivity with China and is expected to increase cargo transportation by an additional 20 million tons annually. The total investment for the project is 577.5 billion tenge (approximately USD 1.2 billion). Scheduled for completion in 2027, the new railway line will significantly strengthen Kazakhstan's position as a key transit hub between China and Europe.

WORLD BANK APPROVED NEW PROJECT TO ENHANCE MIDDLE CORRIDOR DEVELOPMENT AND TRANSPORT CONNECTIVITY IN KAZAKHSTAN

In 2024, the World Bank approved USD 650 million in financing for the Transport Resilience and Connectivity Enhancement Project (TRACE) in Kazakhstan. This initiative targets the Jezkazgan-Karagandy section of the TITR and marks the first partnership between the World Bank and the Asian Infrastructure Investment Bank (AIIB) in Kazakhstan.

The initiative focuses on creating climate-resilient and safer roads, featuring advanced construction materials, flood prevention systems and snow barriers. The project also promotes gender equality by providing employment and internships for women in the road sector, aiming to reduce occupational segregation and ensure fair opportunities through a grievance mechanism.

In addition to infrastructure upgrades, TRACE aims to strengthen governance in Kazakhstan's transport sector, reform contracting and maintenance processes and encourage private sector participation. Implemented by the "KazAvtoZhol National Company," TRACE is expected to conclude by June 30, 2032.

AZERBAIJAN'S INFRASTRUCTURE IMPROVEMENTS

Azerbaijan is one of the key players in the Middle Corridor, linking Europe and Asia. Its strategic location and investment in infrastructure facilitate trade, enhancing regional connectivity and cooperation.

Moreover, Azerbaijan's investments in infrastructure, such as the development of the Port of Baku, construction of Astara Cargo Terminal, Rash-Astara railway link and Kars-Nakhchivan railroad, are addressing the needs associated with increased trade and traffic along the Middle Corridor.

NEW BAKU INTERNATIONAL SEA PORT AT ALYAT

In 2009, the Ministry of Transport of Azerbaijan awarded Royal HaskoningDHV[1] a contract to provide complete design and engineering services for the relocation of the International Sea Port to Alyat. This included initial site investigations, port master planning, tendering and construction support.

A masterplan was developed accordingly, which envisaged a three-phase development as follows:

- Phase 1
  10 million tons of cargo and 40 thousand TEUs;
- Phase 2
  17 million tons of cargo and 150 thousand TEUs;
- Phase 3
  21-25 million tons of cargo and 1 million TEUs.

The port design for phase one has been carried out, including site investigation works involving:

- Bathymetry, topography and geotechnical soil investigations;
- Dredging and reclamation works;
- Marine structures; and
- Onshore facilities.

By 2019, the development of the first phase had been completed and the total handling capacity of the Port of Baku increased to 15 million tons of general cargo and up to 100,000 TEU containers.

After concluding the first phase, in 2019, the Ministry of Economy of Azerbaijan appointed Royal HaskoningDHV to conduct a market study and develop a masterplan for the Port's expansion (phase two). Following the Russian invasion of Ukraine, the market study was updated to reflect the changes in circumstances and the increased demand for transit cargo through Baku.

1 Royal HaskoningDHV is an independent company dating from 1881 integrating engineering, design, consultancy, software and technology.

The revised masterplan for phase two subsequently included the following:

BRIDGE TYPE	NUMBER OF BRIDGES	TOTAL LOAD CAPACITY
FERRY TERMINAL	2	6.2 million tons
CONTAINER BRIDGE	2	10 million tons
RO-RO BRIDGE	2	1.8 million tons
TOTAL CARGO BRIDGE	7	7 million tons
SERVICE BRIDGE	1	

In November 2024, an agreement was signed between Azerbaijan, Kazakhstan and China to construct a new intermodal cargo terminal within the Port. This terminal, spanning an initial 40 hectares, is designed to bolster container traffic along the TITR. The project aims to streamline cargo transshipment between maritime, rail and road transport, thereby reducing delivery times and transportation costs.

In December 2024, 20 million Azerbaijani manats (approximately USD 11.8 million) were allocated to facilitate phase two, aiming to enhance the Port's annual cargo handling capacity from 15 million to 25 million tons and to increase container throughput to 500,000 TEUs. The second phase will primarily focus on enhancing infrastructure for container cargo.

The implementation of the second phase is in the decision-making stage, with further clarifications expected in the near future.

BARDA-AGHDAM RAILWAY CONSTRUCTION

The Barda-Aghdam Railway Project marks a significant step in restoring rail connectivity in the Karabakh region, following decades of inactivity due to regional conflicts. Originally part of Azerbaijan's Soviet-era railway network, the line was non-operational for nearly 30 years after the First Karabakh War. In recent years, efforts to rebuild transport infrastructure have accelerated, aiming to support regional economic development and connectivity.

A major milestone was reached with the completion of the 47.1-kilometer single-track Barda-Aghdam railway in 2023, ahead of the initially planned 2024 schedule. This railway is expected to facilitate both passenger and freight movement, enhancing logistical links within the region. Additionally, the Aghdam city railway and bus terminal complex is progressing toward full operational status, accommodating the daily transportation needs of 1,000 to 1,500 passengers. The terminal complex is scheduled for full commissioning by August 2025, further strengthening mobility and accessibility in the area.

AZERBAIJAN'S SUSTAINABILITY AGENDA

Azerbaijan Railways (ADY) has been actively modernizing its infrastructure to enhance sustainability and operational efficiency as well as to support Azerbaijan's sustainability agenda. By electrifying its network and introducing more energy-efficient trains, ADY aligns with the country's broader goals of reducing CO2 emissions and transitioning to greener transport. Currently, ADY operates 2,140 km of rail lines, with 1,151 km electrified, a key component in its sustainability strategy.

In addition, ADY is undergoing a digital transformation to become a leader in modern rail logistics. With a recent USD 47 million loan from the Asian Development Bank, ADY is optimizing operations through automation, enhanced safety .measures, data analytics and paperless systems. The strategy also focuses on integrating with international logistics platforms, aligning ADY with global trade flows.

ADY has set an ambitious target to reduce emissions by 40% by 2050. Beyond electrification, the company is advancing solar power projects at its Bilajari and Ganja depots, contributing to an impressive 9% reduction in emissions in 2023. These efforts are integral to ADY's long-term sustainability and its role in Azerbaijan's green transition.

CHINA'S INFRASTRUCTURE IMPROVEMENTS

China plays a pivotal role in the Middle Corridor, which is recognized as the shortest route between China and the European Union. Indeed, Chinese investments have significantly contributed to the fortification of trade connectivity along this corridor enhancing infrastructure and facilitating smoother transportation of goods. China's involvement underscores its commitment to fostering economic ties and promoting efficient trade routes with the EU.

THE BELT AND ROAD INITIATIVE (BRI)

The Belt and Road Initiative (hereinafter BRI), unveiled by China in 2013, aims to enhance connectivity and cooperation across continents. It consists of two main components: the Silk Road Economic Belt (the "Belt") and the New Maritime Silk Road (the "Road"). The Belt focuses on overland routes linking China to Central and South Asia, then extending into Europe. Meanwhile, the Road emphasizes maritime routes connecting China to Southeast Asia, the Gulf states, East and North Africa and eventually Europe.

The following six overland economic corridors have been identified within the BRI framework:

- China-Mongolia-Russia Economic Corridor;
- New Eurasian Land Bridge;
- China-Central Asia-West Asia Economic Corridor;
- China-Indochina Peninsula Economic Corridor;
- China-Pakistan Economic Corridor;
- Bangladesh-China-India-Myanmar Economic Corridor.

BRI projects and investments have indeed been widespread, covering various regions across Asia, Africa, Europe and even reaching South America. The initiative has seen significant international engagement with over 200 cooperation agreements signed involving more than 150 countries and 30 international organizations. Notably, cumulative BRI engagement since its announcement in 2013 has surpassed the USD 1.0 trillion mark. This includes approximately USD 634.0 billion in construction contracts and USD 419.0 billion in non-financial investments.

In 2015, the first transit train from the Chinese port terminal of Lianyungang arrived in Tbilisi, marking the official re-opening of "The Silk Road."

A new transport route, the BTK railway, is connecting China to Georgia and extending further to Türkiye, Europe and the Mediterranean Basin. This route aims to provide a viable alternative to traditional sea transport, facilitating new trade opportunities and attracting various types of cargo from emerging markets.

The growing trade volumes between China, Türkiye and EU member states in recent years underscore the increasing demand for efficient logistics solutions and this trend is expected to continue in the future. Therefore, the Group sees strong potential in the Route's development, especially in light of the BTK rail line's opening *(see 8.3 Infrastructure Developments in Georgia)*.

At the same time, the Middle Corridor has also seen substantial improvements. In 2023, the delivery time for goods from China to Black Sea ports through the TITR was reduced from 38-53 days to 19-23 days.

In January 2024, the first container train from China's Xi'an port to Baku, Azerbaijan was delivered in just 11 days, significantly reducing the transit time compared to traditional shipping routes. The pace of improvement continued and by September 2024, block trains were reaching Azerbaijan in 8-10 days and Georgian ports in 12 days.

The efficiency of the Corridor was further demonstrated in November 2024, when the first return container train from Baku, Azerbaijan to Xi'an, China was launched. Carrying 62 containers of petroleum coke, the train completed its journey in just 12 days, reaffirming the route's reliability and efficiency. This service was organized by KTZ Express, a subsidiary of Kazakhstan Temir Zholy, in collaboration with Xi'an Free Trade Port, Absheron Logistics and ADY Express.

Additionally, container cargo volumes along the Middle Corridor have experienced substantial growth, with container transit from China increasing by more than 20 times in 2024, compared to the previous year.

Furthermore, China has committed to increasing its block train dispatches from China to Azerbaijan and Europe. By 2025, the number of block trains is expected to reach 1,000 annually, further boosting the connectivity of the Corridor.

BULGARIA'S INFRASTRUCTURE IMPROVEMENTS

Bulgaria's efforts to modernize its railways and participate in the projects related to the Silk Road will likely have significant impacts on its transportation infrastructure and economic connectivity. The EU's support for such modernization is crucial to Bulgaria's integration into regional and international trade networks. Joining the TITR in 2023 further underlined Bulgaria's commitment to enhancing its rail connectivity and promoting regional cooperation.

PLOVDIV-BURGAS RAILWAY LINE SECOND STAGE REHABILITATION PROJECT

The Plovdiv-Burgas Railway Line is a crucial element of Bulgaria's part of the TEN-T and the Eastern Mediterranean Corridor, spanning 292 kilometers of which 139 kilometers is single track and 153 kilometers is double track. The TEN-T encompasses various infrastructure projects across the EU, including airports, roads, railways and waterways, with the Eastern Mediterranean Corrido being a key component of the network.

The renovation of the Plovdiv-Burgas railway line is being executed in two phases. The first phase, conducted between April 2011 and December 2016, focused on upgrading the Mykhailovo-Kaloyanovec, Stara Zagora-Zavoi and Tserkovski-Karnobat sections, extending the track length by 263 kilometers.

The second phase aims to enhance operational speed and safety along the renovated sections. By increasing maximum speeds to 130 km/h in the Ortozovo, Stralzha and Tserkovsky districts and to 160 km/h on the Oryovo-Mikhailov and Yambol-Zymnica sections, the Project sets out to achieve a 42% decrease in incidents and a reduction in travel time of up to 70 minutes. Furthermore, the Project is expected to reduce emissions by 35,000 tons of CO2 annually and to improve accessibility for people with reduced mobility.

As of 2021, Bulgaria’s National Railway Infrastructure Company (NRIC) initiated the installation of modern signaling and telecommunication systems, including the European Train Control System (ETCS) Level 1[1], on the 293 km Plovdiv-Burgas line. This upgrade is intended to improve safety and interoperability for international rail services. The project also includes upgrading signaling at 18 stations, installing electronic interlockings and deploying ETCS Level 1 on the Manole-Burgas section.

Currently, the project is being evaluated for financing by the European Investment Bank (EIB), which has already approved financing of approximately EUR 43 million for the second phase. The total estimated cost for this phase is EUR 345 million.

EUROPEAN COMMISSION APPROVED EUR 32.0 MILLION BULGARIAN SCHEME UNDER RECOVERY AND RESILIENCE FACILITY TO SUPPORT RAIL TRANSPORT

In 2023, the European Commission approved a EUR 32.0 million (BGN 63.0 million) Bulgarian scheme to encourage shifting freight and passenger transport from road to rail. Funded through the EU’s Recovery and Resilience Facility (RRF)[2], the scheme aims to remove technical barriers to rail interoperability and promote rail transport, which is more environmentally friendly and helps reduce road congestion.

The support will be provided in the form of direct grants to rail companies for integrating the ETCS Level 2[3] into their rolling stock, thereby supporting the implementation of the European Rail Traffic Management System (ERTMS). The scheme will run until April 30, 2026 and is considered a necessary and proportionate step toward supporting interoperability and promoting rail transport.

The Commission concluded that the scheme aligns with the EU objectives of sustainable and smart mobility, as well as the European Green Deal, without unduly distorting competition in the Single Market.

The project is still progressing. Important developments in 2024 were:

1 A trackside-based system that sends movement authorities to the train via fixed balises, displaying them in the cab.
2 A temporary instrument that is the centerpiece of NextGenerationEU -the EU’s plan to emerge stronger and more resilient from the current crisis.
3 A radio-based system that continuously transmits movement authorities to the train via GSM-R, displaying them in the cab.

STADLER TO SUPPLY 35 ELECTRIC TRAINS TO BULGARIA

As part of Bulgaria's efforts to modernize its railway network and enhance transport efficiency, the government has launched multiple initiatives aimed at upgrading rolling stock and improving service quality.

In April 2024, Stadler was selected to supply seven double-deck electric trains, with an option for three more. This was part of Bulgaria's broader plan to modernize its transport system, boosting efficiency and supporting economic growth through sustainable development.

To further accelerate rail modernization, the Ministry of Transport and Communications initiated a competitive bidding process for the supply of 35 additional electric trains under the country's national recovery and sustainable development plan. In June 2024, the contract, valued at 642.5 million levs (EUR 328.4 million), was awarded to the Polish branch of Swiss company Stadler, with major manufacturers like PESA, Alstom and Škoda Group also in the running. Stadler Polska was set to deliver 35 single-deck electric trains, along with a 15-year technical maintenance commitment. The trains were expected to be delivered within 28 months, playing a key role in improving passenger comfort, reliability and service quality.

However, in July 2024, Stadler withdrew from the contract, citing concerns over short delivery times and high penalties for non-compliance. Following this withdrawal, the Bulgarian Ministry of Transport awarded the contract to Pojazdy Szynowe PESA Bydgoszcz SA, the second-ranked bidder in the tender process. PESA is now responsible for delivering the trains, continuing Bulgaria's efforts to modernize its railway system.

Additionally, in September 2024, the Bulgarian Ministry of Transport and Communications signed a contract with Škoda Group to supply 20 electric multiple units (EMUs) for long-distance services. These four-car EMUs, designed for routes such as Sofia – Burgas, Sofia – Varna and Sofia – Ruse, will further contribute to the modernization of Bulgaria's railway infrastructure. The contract includes a 15-year maintenance plan and staff training, with an option for five additional units.

SERBIA-BULGARIA RAILWAY PROJECT

As part of broader efforts to enhance railway connectivity in the Balkans, Bulgaria and Serbia are undertaking major rail infrastructure projects to modernize their networks and improve cross-border transport. One key initiative is the reconstruction and electrification of the Niš–Dimitrovgrad railway, a crucial link between the two countries and an integral part of the Pan-European Corridor X.

Construction on the Niš–Dimitrovgrad railway section near Pirot, Serbia, began in April 2024. The project involves the reconstruction and modernization of the unelectrified single-track line from Sićevo to Dimitrovgrad, along with a northern rail bypass around Niš, electrification and signaling upgrades. The modernization of up to 104 km of railway is expected to improve safety, reduce journey times and enhance regional connectivity while promoting environmentally friendly transport. Funded under the EU's Economic and Investment Plan, the project is supported by over EUR 108 million in EU grants and a EUR 134 million loan from the EIB. Additionally, technical assistance grants have been provided for project preparation and design. The electrified section of Corridor X will reduce reliance on diesel-powered trains, increase speeds from 50 km/h to 120 km/h and significantly boost passenger and freight traffic.

The project is scheduled for completion by the end of 2027, at which point travel times between Belgrade and Niš are expected to decrease to approximately 130 minutes, while the journey from Belgrade to Pirot will take around three hours, significantly improving connectivity toward Istanbul and benefiting both Serbia and Bulgaria's transport networks.

PROJECT LINKING NORTH MACEDONIA TO BULGARIA BY RAIL

North Macedonia is advancing a key rail project to complete the missing link in a historic route connecting northern Germany to Bulgaria's Black Sea coast. The rail section from Kumanovo to the Bulgarian border is being developed in phases and is expected to be fully completed by the end of the decade.

The project is structured into three phases:

- First Phase (Kumanovo to Beljakovce, 31 km): Completed in January 2025, marking a major milestone;
- Second Phase (Beljakovce to Kriva Palanka, 34 km): Currently under construction, with completion targeted for 2026;
- Final Phase (Kriva Palanka to Deve Bair, 23 km): Includes electrification, with construction expected to begin in 2025.

Under the Global Gateway Initiative, the European Union (EU), European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) have provided a EUR 560.0 million financial and technical support package for the construction and electrification of key railway infrastructure in North Macedonia, with significant implications for Bulgaria. The financing package includes: a EUR 175 million loan from EIB Global, a EUR 175 million loan from the EBRD, a EUR 150 million EU grant channeled through the Western Balkans Investment Framework, up to EUR 60 million in an Instrument for Pre-accession Assistance grant Additionally, the project benefits from EU and EIB technical support, including through the JASPERS program, for preparation, tendering and implementation.

Once completed, this rail link will enhance transport efficiency, reduce costs and strengthen North Macedonia's connectivity with Europe. It is projected to have an annual capacity of 500,000 tons of freight and half a million passengers. Additionally, the project aligns with EU sustainability goals, promoting greener travel and reducing reliance on road transport.

VIDIN-SOFIA RAIL MODERNIZATION PLAN

The Vidin-Sofia Rail Modernization Plan is a significant initiative to enhance rail connectivity between Vidin and Sofia in Bulgaria. The project is being developed in three phases, aiming to upgrade existing railway infrastructure, improve efficiency and ensure better safety standards along the route. The overall project is expected to be completed by the end of the decade (around 2030).

- First Phase: Focuses on the Vidin-Medkovets section near the border with Romania and involves the reconstruction of 45 kilometers of track. Construction for this section began in 2023 and it is expected to be completed by 2026;
- Second Phase: Focuses on modernizing additional segments of the railway, including the Medkovets-Sratsimir section. Construction is expected to begin following the completion of the tendering process and the expected completion is by 2028.
- Final Phase: includes the upgrade of the Mezdra-Medkovets section, along with additional civil engineering works. Construction for this phase is expected to begin in 2025, with a projected completion by 2030.

The project will also involve significant civil engineering works, including two tunnels, six bridges and 11 viaducts and flyovers.

The Modernization Plan has received significant financial backing from the European Union (EU) and other funding bodies. EUR 224.6 million was allocated by the EU in July 2022 to support the modernization of the Medkovits-Sratsimir section, marking the largest EU co-financing ever provided for a Bulgarian rail project. Additionally, the EU awarded EUR 4.9 million for technical assistance to support the upgrade of the Mezdra-Medkovets section. The Connecting Europe Facility (CEF) will fund 85% of the construction cost for the Vidin-Medkovets section, with a total budget of EUR 613.5 million.

Once completed, the Vidin-Sofia Rail Modernization Plan will offer significant improvements in both transport efficiency and capacity. The new rail route will shorten the travel time between Vidin and Sofia by 14 km, allow passenger trains to reach speeds of up to 160 km/h and freight trains up to 120 km/h and align the railway with EU safety and interoperability standards, integrating it into the TEN-T network.

The project also includes upgrades to existing stations and the construction of new stations. Additionally, noise reduction measures will be implemented to minimize the impact on surrounding communities, using advanced software modeling to mitigate train operation noise.

A major milestone was reached in December 2024, when the National Railway Infrastructure Company (NRIC) issued a tender for the modernization of the Medkovets-Sratsimir section. The tender, valued at approximately EUR 522.6 million, closed in January 2025, marking a significant step in the project's implementation.

OTHER PROJECTS IN THE MIDDLE CORRIDOR

VIKING CONTAINER TRAIN PROJECT

The Viking Container Train Project is a joint initiative involving Lithuania, Ukraine, Belarus, Bulgaria and Romania. The route connects the Baltic Sea and the Black Sea by rail and is considered one of the most impressive European projects in freight transportation, according to the Transport Commission of the European Union.

In 2015, the Group joined the Viking Container Train Project whereby Georgia would become the connecting knot between this Project and the TRACECA. In May 2016, Azerbaijan Railways also joined the Project, bolstering its competitiveness even further.

The Viking Intermodal Train Service, operating on the Viking Container Train Route, can carry 20 and 40 feet of standard and specialized containers and can complete the full route (1,734 km) in 52 hours. The train is also an environmentally friendly form of transport.

Due to the ongoing conflict between Russia and Ukraine, the Intermodal Train Service has been suspended and efforts are underway to redirect cargo flows from Ukraine through Poland.

NEW INTERMODAL CONNECTION IN POLAND

Following the suspension of the Viking Intermodal Train Service, LTG Cargo, the freight transport division of the Lietuvos Geležinkeliai Group (Lithuanian Railways Group), initiated a new intermodal freight train service to restore cargo transportation between Ukraine and Poland. The service, which commenced in February 2023, operates between the Kaunas Intermodal Terminal in Lithuania and Sławków in Poland, covering a 740 km route with a freight capacity of up to 93 TEUs per journey. It connects railway lines between Lithuania, Poland and Ukraine, facilitating regular freight train routes to destinations including Schwarze in Germany, Maddaloni in Italy, Koper in Slovenia and Gdansk in Poland.

This service, designed to enhance cargo transportation between Ukraine, Poland and Lithuania, also has the potential to positively influence the Middle Corridor by facilitating smoother freight flows towards Central Asia, the Caucasus,and China. The new intermodal connection remained operational throughout 2024.

EUROPEAN GAUGE RAILWAY EXPANSION PROJECT

In April 2023, Ukrainian Railways (Ukrzaliznytsia) successfully conducted a test run on the 1,435 mm gauge line from Warsaw, Poland to Rava-Ruska, Ukraine, with plans to establish a transfer hub in Rava-Ruska for seamless connections to Lviv. This development is part of broader efforts to integrate Ukraine's railway system with the European network, reducing transit times and enhancing trade routes.

In November 2023, the United States Agency for International Development (USAID) signed a memorandum with Ukrzaliznytsia to support the development of this standard gauge line. This partnership unlocked USD 225 million in funding and technical assistance for the Project.

The European Union also committed nearly EUR 43 million under the Connecting Europe Facility (CEF) program to further develop the European gauge in Ukraine. This funding is designated for projects including the design and electrification of the Lviv-Chernivtsi-Vadul-Siret section and the reconstruction of the Chop-Lviv line to standard gauge.

The Project was initially planned to begin in 2020. However, due to delays, it officially commenced in 2024. The new line aims to enhance Ukraine's connectivity with the European rail network, facilitating both freight and passenger transport between Ukraine and EU countries.

MIDDLE CORRIDOR UPDATE: ANOTHER VESSEL ADDED TO THE CASPIAN SEA FLEET

In 2023, the number of vessels on the Caspian Sea serving Central Asia doubled from three to six, with a seventh service subsequently added. This increase in capacity is significant for the Middle Corridor, as additional space is needed due to limited capacity. The Caspian Sea crossing, whether between Baku and Aktau/Kuryk in Kazakhstan or Turkmenbashi in Turkmenistan, is a lengthy procedure, with the Baku-Aktau journey taking seven days to complete.

The six vessels in September 2023 had a collective capacity of 1,200 TEUs, providing ten departures per week and handling around 6,000 TEUs per week, with a transit time of 3-4 days per vessel. The addition of a seventh service increased the fleet's capacity, potentially accommodating 1,550 TEUs. With one additional departure per week, the fleet could handle 6,600 TEUs weekly, supporting around 70 trains.

The fleet's capacity remained steady at around 1,550 TEUs throughout 2024, with no further increases in the number of vessels. However, the regularity of departures has ensured the stability of freight transport between Central Asia, the Caucasus and Europe. Furthermore, efforts are ongoing to streamline port operations, with continued investments in infrastructure at Caspian Sea ports expected to enhance future capacity and reduce transit times. These developments are expected to further support the Middle Corridor's role in facilitating regional and international trade.

9. COMPETITION

GR's Freight SBU faces competition from alternative transportation providers. Meanwhile, its Passenger SBU competes with other forms of transport, such as buses, minibuses, passenger automobiles and airplanes *(see 7. Focus on Core Business Activities).*

To increase competitiveness and thus provide a better service to customers, GR entered the freight forwarding business in April 2013. Moreover, to reduce the threat from competition, the Group is trying to diversify the markets in which it operates, as well as the kinds of goods it transports. In 2023, about 35% of total goods transported by the Group were liquid goods and the remainder were dry goods. To reduce risks and increase capacity, the Group launched the Modernization Project in 2010, which was completed by the end of 2024. The project will increase the capacity of the main transportation line from the current 27 million tons per year to 48 million tons, with further potential to expand up to 100 million tons.

9.1 COMPETITION FROM PIPELINES

GENERAL DESCRIPTION

In crude oil transportation, the Group faces direct competition from the following:

- The Caspian Pipeline Consortium (CPC), which transports crude oil from the Tengiz oil field, Kazakhstan (on the coast of the Caspian Sea) to Novorossiysk, Russia (on the coast of the Black Sea);
- The Baku-Tbilisi-Ceyhan (BTC) Pipeline, which transports crude oil from Baku, Azerbaijan (on the coast of the Caspian Sea) to Ceyhan, Türkiye (on the coast of the Mediterranean Sea) *(see 2.2. Transport Sector in Georgia);*
- The Baku-Novorossiysk Pipeline, which transports crude oil from Baku, Azerbaijan (on the coast of the Caspian Sea) to Novorossiysk, Russia (on the coast of the Black Sea);
- The West Route Export Pipeline (WREP), which transports crude oil from Baku, Azerbaijan (on the coast of the Caspian Sea) to Supsa, Georgia (on the coast of the Black Sea *(see 2.2. Transport Sector in Georgia);*
- The North-South Main Gas Pipeline (NSMP), which transports natural gas from Russia to Armenia *(see 2.2. Transport Sector in Georgia);* and
- The South Caucasus Pipeline (SCP), which transports natural gas from the Shah Deniz field, Azerbaijan (on the coast of the Caspian Sea) to Türkiye *(see 2.2. Transport Sector in Georgia).*

Since 2012, the Group's freight volumes have generally declined, primarily due to competition from alternative routes and from oil pipelines for the transportation of crude oil, with the Group now only transporting minimal quantities of crude oil.

The share of crude oil transported by the Group in terms of total transportation volume dropped to 1.86% in 2022, compared to 32%in 2010. The decrease in the Group's liquid cargo volumes can be mainly explained by the fact that some crude oil was redirected to the CPC and the BTC pipeline, especially after the expansion of the former.

STRENGTHS

Low cost for large volumes - Pipelines often have lower transport and operational costs, particularly for large oil producers that participate in their construction and are more cost-efficient than rail when transporting large volumes of crude oil.

WEAKNESSES

Various quality of crude oil - Pipelines do not generally carry all grades of crude oil as different grades are mixed in the pipeline and this affects the quality. Therefore, pipelines are best suited for average-grade oil, while for high-quality and low-quality crude oil, other modes of transportation are preferable.

No pipelines for oil products - It should be mentioned that pipelines are only competing with railways over the transportation of crude oil itself and not refined oil products.

COMPETITIVE DEVELOPMENTS

Although oil pipelines are the Group's competitors when it comes to crude oil transportation in CIS countries, as they mostly transport oil in high volumes, small players can be left excluded. They have limited access to pipelines, as they may experience difficulties in meeting the minimum quotas required to use the pipelines, or the pipelines might be inefficient for small volume transportation. This opens up a niche for the railway business in crude oil transportation.

9.2 COMPETITION FROM ALTERNATIVE RAIL TRANSIT ROUTES

GENERAL DESCRIPTION

The Group faces substantial competition from alternative rail transit routes and providers of other methods of transportation, which has increased in recent years and may continue to do so in the future. In particular, the existence of alternative railway routes through Russia and Iran, including those providing access or onward transportation to or from Aktau Port in Kazakhstan, Turkmenbashi Port in Turkmenistan, Makhachkala and Novorossiysk Ports in Russia, Bandar Anzali Port in Iran and the Sea of Azov Ports could compete with the Group's Freight SBU *(see 7.1 Freight SBU)*.

In addition, Azerbaijan is considering establishing a direct rail connection with Türkiye after regaining control over Nagorno-Karabakh, following its conflict with Armenia. The Group's management does not expect this route to be finalized in the short term but, once finalized, it would offer additional competition to the Group's freight transportation services. In addition, any improvement in political relations between Iran and western jurisdictions could increase the volume of freight traffic on routes through Iran rather than Georgia.

In particular, at this point, these alternative routes include:

- The Russian routes going from Central Asia through Russia to the Baltic Sea and the Black Sea basins; and
- The Central Asian route through Iran.

RUSSIAN ROUTES

STRENGTHS

Capacity - The rail lines and ports on these routes have a higher capacity for transportation than those on the Georgian route.

Unimodal transportation - Routes in Russia offer unimodal transportation, while cargo transported from Central Asia via Georgia must use several modes of transport to reach its destination.

WEAKNESSES

Reliability - The Russian rail routes have a competitive disadvantage compared to GR as Novorossiysk Port is typically frozen in winter and operations are frequently delayed.

Political tensions - The war between Russia and Ukraine has damaged Russia's relations with most of the rest of the globe. Due to the strong economic sanctions the West imposed on Russia for invading Ukraine, the Russian economy, transportation network and logistics system have all been weakened.

Weather - In Russia the climate is extremely cold, hindering railway transportation at certain times of year. Northern Russia's railway infrastructure faces substantial challenges during the winter.

Longer distance - The Russian routes are significantly longer than the Georgian route, which increases costs, risks and transportation time.

COMPETITIVE DEVELOPMENTS

The implementation of the Modernization Project should increase the Group's capacity and its competitiveness against Russian routes. It should also increase transportation speed, safety and service quality, which will allow the Group to attract new customers. In addition, the war with Ukraine may halt economic activity via the Russian railway system, potentially increasing demand on the Georgian route *(see 8.2 Ongoing Projects of the Company)*.

IRANIAN ROUTE

STRENGTHS

Good location for certain cargo - The Iranian route is strategically well-positioned to compete for certain cargoes, which flow from China and Central Asia to Türkiye and other destinations.

WEAKNESSES

Political tensions - The railway route running through Iran is less attractive than the Georgian route due to the tense political relations between Iran and the West.

Longer distance - The Iranian route is significantly longer than the Georgian route, which increases costs, risks and transportation time.

COMPETITIVE DEVELOPMENTS

After the lifting of international sanctions on Iran, the country's high potential in trade is expected to be fulfilled in terms of both liquid and dry cargo. The alleviation of sanctions is anticipated to unlock opportunities in terms of transporting goods between Iran and Europe through Armenia, Azerbaijan and subsequently Georgia, thereby opening a completely new south-north corridor.

NEW PROJECTS INCLUDING RUSSIAN AND IRANIAN ROUTES

DEVELOPMENT OF INSTC

The International North-South Transport Corridor (INSTC) is a strategic initiative designed to enhance connectivity and facilitate trade across Eurasia, linking Russia, Iran, Kazakhstan, Turkmenistan and beyond. The Corridor provides a vital alternative to traditional maritime routes, such as the Suez Canal, by utilizing a combination of rail, road and water transportation. Key developments, including joint ventures and comprehensive roadmaps, aim to increase the Corridor's capacity and streamline logistics processes, with a focus on reducing delivery times and improving efficiency.

In February 2024, Russia, Kazakhstan and Turkmenistan announced plans to establish a joint venture to further develop the INSTC. This initiative aims to:

- Enhance transportation services across the Corridor;
- Reduce cargo delivery times and improve efficiency;
- Streamline customs procedures through standardized systems, such as Kazakhstan's "single window".

In July 2024, Russia and Iran, in collaboration with Kazakhstan and Turkmenistan, crafted a comprehensive roadmap to enhance the INSTC. The collective objective is to bolster the Corridor's capacity to 15.0 million tons by 2027. This proposed strategy entails a departure from the conventional circular route through the Suez Canal, favoring instead a direct route via the Caspian region, utilizing rail, water and road transportation. The incorporation of mixed transportation methods is also part of this initiative. The Project is expected to involve not only Russia, Iran, Kazakhstan and Turkmenistan but also nations in South Asia, particularly India and those in the Persian Gulf.

In addition to these strategic developments, in November 2024, Azerbaijan Railways and the Asian Development Bank (ADB) signed a USD 131.5 million loan agreement to support the rehabilitation of 166 kilometers of the Sumgayit-Yalama double-track railway, a critical segment of the Corridor. The total project cost is USD 160.5 million, with USD 29.0 million provided by the Azerbaijani government. The loan, repayable over a 22-year period, will be used to complete the rehabilitation works, including civil structures and railway crossings.

ASTARA CARGO TERMINAL

In 2023, Iran and Azerbaijan initiated the construction of a cargo terminal in Astara, a pivotal connection point between the two countries along the shores of the Caspian Sea. The Terminal's objective is to streamline the handling of 5.0 million tons of cargo annually and serve as a crucial hub for cross-border traffic within the INSTC. Therefore, this project encompasses both Russian and Iranian routes.

The construction of the Astara Cargo Terminal is progressing steadily, with core infrastructure largely in place, including rail connections, customs facilities and modern cargo handling systems. Initial operational testing commenced in 2024. However, according to the latest agreements between Azerbaijan and Iran, final completion of the terminal is expected by the end of 2025, with full operational readiness anticipated in early 2026.

Once completed, the Terminal will significantly enhance transit efficiency along the INSTC, strengthening multimodal connectivity between the Caspian region, the Persian Gulf and South Asia.

RASHT-ASTARA RAILWAY LINK

Concerns have emerged regarding the construction of Astara Cargo Terminal due to the absence of a functional rail line extending from the border to Iran. To address this issue, Iran and Russia signed an agreement in May 2023 for the joint construction of the 162-kilometer Rasht-Astara Railway. Russia has committed to providing an intergovernmental loan of EUR 1.3 billion towards the project's estimated total cost of EUR 1.6 billion

The Rasht-Astara Railway will seamlessly connect Rasht, a coastal city in Iran near the Caspian Sea, with Astara. By integrating into this strategic corridor, the railway will unlock considerable competitive advantages, leading to notable reductions in travel duration and costs. This railway link is expected to decrease travel time by four days and plays a significant role in the North-South transport artery, a specialized transportation network aimed at diversifying global traffic flows.

Construction of the railway is expected to progress after the finalization of a trilateral agreement between Iran, Russia and Azerbaijan, with land acquisition in Iran scheduled for completion by early 2026.

KARS-NAKHCHIVAN RAILWAY

STRENGTHS

Direct Connection - The Kars-Nakhchivan railway would provide a direct rail link between Türkiye and the Nakhchivan Autonomous Republic, potentially improving trade and transportation efficiency.

Regional Connectivity - This railway could enhance connectivity between Türkiye, Azerbaijan and other countries in the region, facilitating regional trade and economic development.

WEAKNESSES

Political sensitivities - The construction and operation of the railway could be affected by political tensions in the region, potentially leading to delays or disruptions.

Longer distance - The Iranian route is significantly longer than the Georgian route, which increases costs, risks and transportation time.

COMPETITIVE DEVELOPMENTS

The opening of the Kars-Nakhchivan railway route would lead to improved connectivity and economic growth in the region, facilitating trade and transportation between Türkiye and the Nakhchivan Autonomous Republic. It would also enhance regional integration, potentially leading to increased cooperation and development opportunities. The direct rail link could boost tourism and provide a strategic alternative route that bypasses Armenia, impacting regional geopolitics.

CONSTRUCTION OF KARS- NAKHCHIVAN RAILROAD

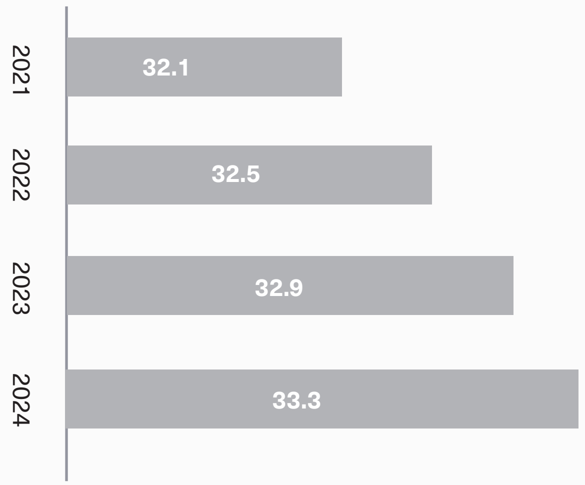
In September 2023, an agreement of intent was signed for the Kars-Nakhchivan Railway Project. The planned construction encompasses a 224 km railway linking the Turkish city of Kars with Nakhchivan, Azerbaijan with a targeted completion timeline of the next five years. This endeavor is significant as the railway, facilitating trains operating at speeds of 160 km per hour, will establish a crucial link between Central and South Asia and Europe. It will operate as a branch of the Middle Corridor, aligning with the interests of Azerbaijan, Türkiye and other participating countries. Active construction is scheduled to begin in 2025.

9.3 COMPETITION FROM ROAD TRANSPORTATION

GENERAL DESCRIPTION

Competition from road transportation is generally only relevant to container transportation. In most countries, railway transportation is usually cheaper than road transportation only if the cargo is transported in bulk and over long distances. In Georgia, which is a relatively small country, domestic transportation of non-bulk cargo is usually cheaper by road.

TRANSPORTED VOLUME BY ROAD *(MLN TONS)*



Source: Ministry of Economy and Sustainable Development of Georgia

STRENGTHS

Cheaper, short-distance transportation - In Georgia, short-distance transportation is cheaper by road, especially for containerized cargo. Accordingly, this route becomes especially competitive when international prices on oil products are low, considering the low excise on oil products and low taxes on road transport in Georgia.

Flexibility - Door-to-door transportation is an inherent advantage of road transportation.

WEAKNESSES

Safety concerns - Railway transportation is considered safer than road transportation.

Environmental factors - Deterioration of air quality, GHG emissions, exacerbation of climate change, depletion of water resources, noise and habitat loss and fragmentation are all characteristics of road transportation.

Expensive in-bulk transportation – In cases of transportation in bulk, railway is considered cheaper than road.

Fuel price – The price of transportation depends on diesel prices, which fluctuate considerably.

COMPETITIVE DEVELOPMENTS

In order to react to the increased levels of competition from trucking companies, the Group plans to market transportation by rail as a more eco-friendly and socially responsible choice, given its lower carbon dioxide emissions, decreased risk of traffic delays and lesser threat of accidents on the route, as well as requiring less government maintenance and repair costs, compared to the maintenance and investment required on Georgia's road network. Furthermore, in 2017, the Group changed the currency in which its tariffs are denominated for its domestic trains from USD to GEL, which matches the charging currency of domestic trucking companies.

PASSENGER SBU

The passenger railway transportation services offered by the Group face competition from other modes of domestic transportation, principally buses, minibuses and passenger automobiles, as well as, to a lesser degree, airplanes.

One intrinsic benefit of road transportation, whether by bus or minibus, over rail is that it is frequently more direct and may be faster. As bus and minibus fares are comparable to the cost of passenger rail tickets, a passenger's choice is mostly determined by personal travel preferences and individual needs rather than variables under the Group's control *(see 7.2 Passenger SBU).*

COMPETITION FROM BUS, MINIBUS AND AUTOMOBILE TRANSPORTATION

Passenger rail services compete directly with bus, minibus and automobile transportation for domestic travelers. Buses and minibuses, in particular, offer competitive fares and more direct routes for short to medium-distance travel, appealing to passengers looking for efficient and cost-effective options.

FACTORS INFLUENCING PASSENGER CHOICE

The choice between rail and road transportation is often influenced by factors such as travel time, cost, comfort and convenience. While rail travel may offer scenic routes and a more relaxed travel experience, road transportation can be faster and more flexible, especially for passengers with specific travel needs *(see 7.2 Passenger SBU).*

9.4 COMPETITION FROM SEA TRANSPORTATION

STRENGTHS

Cost-effective for bulk shipments - Sea transportation is often more cost-effective than other modes of transportation, especially for bulk or large-volume shipments.

Global reach - Sea routes connect major ports worldwide, offering extensive global coverage for shipping goods.

WEAKNESSES

Speed and timeliness - Sea transportation is generally slower than air or rail transportation, which can be a disadvantage for time-sensitive shipments.

Infrastructure and accessibility - Sea transportation requires access to ports and maritime infrastructure, which may limit its accessibility for certain locations.

COMPETITIVE DEVELOPMENTS

To address competition from sea transportation, GR could focus on providing efficient and reliable inland transportation services to and from ports, offering competitive pricing for combined sea and rail transportation services and leveraging its existing infrastructure and expertise to streamline the logistics process for customers.

10. STRENGTHS

The Group believes that it has numerous key competitive strengths that will enable it to capitalize on its leading position in the Georgian and Caucasus transportation markets

STRONG GOVERNMENT SUPPORT

Georgian Railway is a state-owned enterprise, with 100% ownership held through the Partnership Fund. The Government of Georgia provides active support, including land contributions, tax exemptions and financial backing for strategic projects. Under the Public Service Contract signed in June 2024, the state compensates the company for loss-making passenger routes in line with EU Regulation 1370/2007—allocating GEL 8.7 million in 2024 and GEL 8.0 million a year thereafter. Georgian Railway also contributes significantly to the national economy, accounting for around 1.0% of Georgia's GDP in 2023. This level of involvement highlights the company's strategic importance and the government's commitment to its long-term stability.

MONOPOLY IN RAILWAY OPERATIONS

Georgian Railway holds a statutory monopoly as the sole operator of the railway network in Georgia. This vertically integrated structure grants the company exclusive control over infrastructure, freight and passenger operations. As a result, GR can independently set tariffs without prior approval from regulatory authorities. The monopoly status ensures unified operational planning, optimized asset utilization and consistent service delivery across the network. It also provides a stable environment for long-term infrastructure investment and development.

STRATEGIC GEOGRAPHIC LOCATION

Georgia's geographic location places it at the crossroads of Europe and Asia, positioning Georgian Railway as a key component of the TRACECA corridor (Transport Corridor Europe-Caucasus-Asia). This international route facilitates trade between Eastern Europe, the South Caucasus and Central Asia, with Georgia serving as a critical land bridge. Georgian Railway enables efficient movement of goods across the Caspian and Black Sea basins to European markets. Its integration within the TRACECA network enhances regional connectivity and supports diversified transit options. The corridor's growing significance reinforces Georgian Railway's role in advancing East-West trade.

NATURAL HEDGE

Georgian Railway earns nearly all of its freight revenue in US dollars, providing a natural hedge against flucuations in the Georgian Lari. This USD-denominated income helps protect the company's financial stability by reducing foreign exchange risk. The company also issued a USD 500 million Green Eurobond, which aligns its debt obligations with its revenue currency, further minimizing currency risk. This structure supports more predictable cash flows and strengthens financial planning.

STRONG LIQUIDITY POSITION

As of 2024, Georgian Railway demonstrated excellent liquidity, with a strong current ratio averaging 2.08 and a cash ratio of 1.53, both well above industry benchmarks. This robust liquidity position ensures the company can comfortably meet its short-term obligations and maintain smooth operations. The strong cash reserves allow for uninterrupted funding of ongoing projects and quick adaptation to market changes. Overall, these liquidity metrics reflect the company's financial stability and operational resilience.

LONG-TERM CUSTOMER RELATIONSHIPS

Georgian Railway has built strong long-term relationships with its customers, contributing to steady and reliable freight volumes. Over the past 10 years, approximately 34% of all cargo transported was handled for the same core group of customers, including key freight forwarders and industrial companies. Maintaining close partnerships helps ensure consistent demand and supports revenue stability. This customer loyalty also allows Georgian Railway to better anticipate market needs and tailor its services accordingly.

FLEXIBLE TARIFF POLICY

Georgian Railway maintains a flexible tariff policy that allows it to adjust freight rates quickly in response to changing market conditions. This independence helps the company stay competitive and meet the diverse needs of its customers. Unlike many regulated industries, Georgian Railway sets its own tariffs without requiring government approval. This agility supports efficient pricing strategies and timely responses to demand fluctuations. Detailed information about current tariffs is publicly available on the company's official website:

SOCIAL RESPONSIBILITY

The Railway Transport College (RTC) trains skilled professionals to meet the railway sector's needs, with 660 students enrolled, including increasing female participation. It offers inclusive programs for people with disabilities and continuously updates training to match labor market demands. Beyond education, Georgian Railway supports social sustainability through community engagement, employee welfare programs and gender equality initiatives. The company promotes safe working conditions and invests in staff development to ensure a motivated workforce. These efforts contribute to a stronger, more inclusive and socially responsible organization.

WIDE CARGO DIVERSITY

Georgian Railway transports a diverse range of cargo - dry, liquid and containerized freight. This variety helps reduce reliance on any single commodity or sector, enhancing revenue stability. The railway serves multiple industries across Georgia and the region, supporting both exports and domestic trade. Containerized freight is a growing segment, reflecting increasing demand for efficient, multimodal logistics solutions. This cargo diversity positions Georgian Railway to adapt to changing market conditions and capture new business opportunities.

ENVIRONMENTAL FOOTPRINT

Georgian Railway is committed to reducing its environmental impact through a range of sustainability initiatives. Its network is 98% electrified, covering 1,408 km of track. This not only reduces operating costs and enhances service reliability but also significantly contributes to carbon dioxide (CO_2) emission reductions. This high level of electrification has enabled estimated CO_2 savings of approximately 1.0 million tons from 2018 to 2024.

11. OPPORTUNITY AND RISK

The Group's risk management policies were established to identify and analyze the risks it faces, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Moreover, risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Descriptions are given below of the risks and uncertainties that the Company believes are material, but these may not be the only ones faced by the Group. Further risks and uncertainties of which the Company is currently not aware, or which the Company currently deems immaterial, may also have a material adverse effect on the Group.

RISK MAP OF JSC GEORGIAN RAILWAY

MACROECONOMIC RISKS	POLITICAL, ECONOMIC and RELATED CONSIDERATIONS PANDEMIC
MARKET RISKS	ECONOMIC CONDITIONS IN THE CAUCASUS REGION AND GEORGIA ALTERNATIVE RAIL TRANSIT ROUTES LIMITED NUMBER OF CUSTOMERS REGIONAL TENSIONS AND DISRUPTIONS IN GEORGIA'S NEIGHBORING MARKETS CAPACITY OF REGIONAL RAIL OPERATORS OPERATIONS AT SEA PORTS AND TERMINALS
REGULATORY RISKS	HARMONIZATION WITH CERTAIN EU LEGISLATION STATE OWNERSHIP ENVIRONMENTAL AND HEALTH AND SAFETY REQUIREMENTS STRICTER LEGISLATION AND REGULATIONS
TECHNOLOGICAL AND INTERNAL CONTROLS	INFORMATION TECHNOLOGY SYSTEMS ACCOUNTING SYSTEMS AND INTERNAL CONTROLS
HUMAN RESOURCES	QUALIFIED AND KEY PERSONNEL
SPECIFIC RISKS	AGING INFRASTRUCTURE AND ROLLING STOCK LOSS-MAKING PASSENGER TRANSPORTATION BUSINESS A MAJOR ACCIDENT, DERAILMENT, OR OTHER INCIDENTS INSUFFICIENT SUPPLY AND RISE IN THE PRICE OF ROLLING STOCK DECLINE IN FREIGHT VOLUME AND TARIFF-SETTING SYSTEM DISRUPTION ON THE GROUP'S MAINLINE SELF-INSURANCE STRIKES, LOCKOUTS and LABOR LEGISLATION
FINANCIAL RISKS	CREDIT RISK LIQUIDITY RISK FOREIGN CURRENCY EXCHANGE RISK ENERGY COSTS

MACROECONOMIC RISKS

The Group's operations are primarily conducted within Georgia. Accordingly, the Group is affected by political, economic and other events in the country. Factors such as GDP growth, inflation, interest and currency exchange rates, as well as unemployment, personal income and corporate finance, can all have a material impact on customer demand for GR's products and services.

POLITICAL INSTABILITY IN GEORGIA

Likelihood: Medium
Severity: High
Risk Category: Medium

Political instability in Georgia poses significant risks to the country's economy overall. For Georgia, political turmoil can lead to market uncertainty, economic deterioration and a decline in consumer spending. This can have adverse effects on the country's growth prospects, potentially impacting industries reliant on stable economic conditions, including the transportation and infrastructure sectors.

Specifically for Georgian Railway, political instability could directly impact its operations and business environment. Changes in government policies or regulations may affect the Company's investment plans, pricing structures and access to funding. In addition, political unrest can lead to disruptions in supply chains, affecting the timely delivery of goods and materials essential for railway operations. Fluctuations in demand for transportation services due to economic uncertainties can also impact upon GR's revenue and profitability.

The principle to major economic and fiscal policies are designed to liberalize and improve the national economy.

ECONOMIC INSTABILITY IN GEORGIA

Likelihood: Medium
Severity: High
Risk Category: Medium

In recent years, Georgia's economy has been affected by numerous external shocks, including increasing inflation and currency devaluations in its trading partner countries, namely Russia, Azerbaijan and Armenia, as well as the war between Russia and Ukraine *(see 2.1 Country Profile).*

In 2023, Georgia's economy nevertheless exhibited resilience and stability, with GDP growth reaching 9.4% and inflation easing to 1.1%. Despite challenges like disruptions in trade routes and supply chains, the country has maintained macroeconomic and fiscal stability. At the same time, FDI decreased by 30%, amounting to USD 1.3 billion, affecting sectors such as real estate and water management. Remittance inflows also decreased by 19%, largely influenced by an outflow of migrants and RUB depreciation.

The railway sector experienced a growth in 2024, with a 4.7 percent increase in revenue from freight transportation. However, risks such as currency depreciation and reduced FDI persist. Meanwhile, inflation in Georgia dropped to 1.1% in 2024, well below the 3% target, driven by lowered demand and falling prices in sectors like food, beverages and housing. The NBG has gradually reduced the interest rate since May 2023. In February 2024, the interest rate was again lowered by 0.5 percentage points to 9.00% and in March 2024 it was further reduced by 0.75 percentage points to 8.25%. In May 2024, the rate was further reduced by 0.25 percentage points, reaching 8.00%. The GEL has generally weakened against foreign currencies, negatively impacting the economy.

Despite global inflation dropping to 5.7%, Georgia's inflation stood at 1.1% in 2024. The GEL depreciated against the USD by 3.5% on average and by 5.7% against the CHF in 2024. As a result, GR's revenue from freight transportation at constant currency in 2024 would have been 3.6% lower than in actual currency.

These factors increase the vulnerability of GR to economic downturns and currency devaluation, potentially impacting its operations and revenue.

GLOBAL ECONOMIC VOLATILITY

Likelihood: Medium
Severity: High
Risk Category: Medium

Global economic volatility, including factors such as changes in global economic conditions, trade policies and geopolitical events, poses a significant risk to Georgia's economy. This risk is amplified by the ongoing Russia-Ukraine War, which has led to uncertainties and disruptions in the wider region. Despite Georgia's currently relatively low inflation and the appreciation of the GEL, global challenges and the aforesaid regional conflict could further impact the country's economy through impeding trade and investment channels.

The possibility of changes in global economic conditions affecting Georgia's economy is high. Indeed, the combined impact of global economic volatility and the Russia-Ukraine War could lead to shifts in trade patterns, investment flows and economic stability in Georgia overall. This could in turn have an impact on businesses operating in the country, including GR and their access to global markets.

Despite the outbreak of the Russia-Ukraine War, Georgia's economy experienced a boost in 2022, followed by stabilization in 2023. The country's economy has demonstrated resilience and stability, with robust economic activity and effective maintenance of macroeconomic and fiscal stability. Irrespective of ongoing geopolitical disputes and disruptions in trade routes, Georgia's key macroeconomic trends normalized, leading to sustainable growth and price stability. Furthermore, in December 2023, Georgia attained candidacy for EU membership, indicating positive prospects in its future. In 2024, Georgia continued to demonstrate resilience by maintaining strong GDP growth at 9.4 percent, while inflation declined further from 2.5 percent to 1.1 percent.

ADVERSE IMPACT OF THE COVID-19 PANDEMIC

Likelihood: Low
Severity: High
Risk Category: Low

The COVID-19 pandemic, together with government measures aimed at mitigating the further spread of the coronavirus, such as the imposition of quarantines, business closures and travel restrictions, had a significant adverse effect on the global economy and international financial markets, harming the Group's business activities, financial condition, operations and prospects.

The temporary restrictions imposed by the GoG in 2020 and in 2021 on air and land transportation however positively impacted the freight volumes transported by the Group, whose freight transportation segment accounted for 92.7% of total revenue for the year ended 31 December 2021, compared to 95.3% for the year ended 31 December 2020. However, there can be no guarantee that, in the event of another pandemic, the Group would not experience a decrease in demand for some of its freight products, or that its revenue from freight transportation would not otherwise be adversely affected. During the COVID-19 pandemic, passenger transportation was suspended for certain periods.

After the complete lifting of COVID-19 regulations, the freight transportation segment accounted for 91.1% of total revenue in 2022, while the share of the passenger transportation segment in the total revenue increased at the same time. In 2023 and 2024, the pandemic had no effect.

There can also be no guarantee that the demand for the key commodities transported by the Group and their production volumes will not decrease in the future and that no further restrictive measures will be introduced as a result of any pandemic, which could, amongst other things, decrease the Group's revenue. Such steps may also push up its operating expenses such as staff costs and exacerbate its foreign exchange losses due to depreciation of the GEL against the USD, which, in turn, would impair the Group's ability to both comply with the terms of its financing arrangements and service its debts in general.

Furthermore, some of the Group's customers may be particularly vulnerable to the macroeconomic slowdown arising from the pandemic and may not be in a position to continue or resume their business as usual after a prolonged interruption.

MARKET RISKS

DETERIORATION OF ECONOMIC CONDITIONS IN THE CAUCASUS REGION AND GEORGIA

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group's railway network is a key segment of the TRACECA and a large portion of its revenue comes from freight transportation, which involves transporting goods through Georgia from or to neighboring countries. The Group's financial condition and the results of its operations are thus affected by the economic and political conditions in both Georgia and its neighboring countries.

Because nearly all of the Group's revenues are derived from freight transportation, its results are particularly sensitive to trade flows of commodities transported by the Group. Specifically, transit freight volumes are affected by trade between Europe and the TRACECA member states, while intra-territorial cargo volumes are exclusively affected by economic activity within Georgia.

Moreover, several countries in the region have in the recent past experienced or are currently experiencing political, social and economic instability or even war. Such unrest could reduce transportation volumes along the TRACECA, in turn potentially diminishing demand for the Group's services. Lower demand for the Group's services could also have an adverse material effect on the Group's business activities, financial condition, operations and prospects.

To mitigate these risks, the Group keeps a diversified cargo portfolio, including liquid and dry products. Moreover, its ownership of a range of wagon types also allows for greater diversification. The Group's management regularly seeks to diversify further as well. In this respect, it has entered into and renewed contracts with other participants in the TRACECA. Indeed, the Group has been able to offer uniform shipping conditions to customers, which is important for a transit corridor in which a single shipping chain consists of many carriers. Notably, this format includes both container and wagon transportation *(see 10. Strengths).* *On 26 October 2023, JSC NC Kazakhstan Temir Zholy, JSC Georgian Railway and CJSC Azerbaijan Railways signed an agreement to establish Middle Corridor Multimodal Ltd., a joint venture designed to enhance multimodal services along the TRACECA and promoting goods transportation across the region* *(see 8.1 International Agreements).*

COMPETITION FROM ALTERNATIVE RAIL TRANSIT ROUTES

Likelihood: Medium
Severity: Significant
Risk Category: Medium

The Group has significant competition from alternative rail transit routes and other transportation modes, a trend that has intensified recently and may continue. Competitors often possess greater resources and better customer access. The Freight SBU faces competition from oil pipelines and trucks, especially for smaller domestic cargo loads where transportation by truck can be more efficient. In recent years, trucking companies have posed a growing competitive threat to the Freight SBU. Meanwhile, the Passenger SBU competes with buses, minibuses, automobiles and airplanes for passenger transportation services.

The Kars-Nakhchivan Railway Project, aimed at enhancing regional connectivity and trade, is currently impeded by the conflict between Azerbaijan and Armenia over Nagorno-Karabakh. This deep-rooted historical conflict presents significant challenges to the project and regional stability in general. The railway, which would link Türkiye with the Nakhchivan Autonomous Republic could potentially bypass Armenia, thus having an impact on regional geopolitics. However, the conflict's unresolved nature and sporadic violence in the area make the prospect of the railway opening soon uncertain. If realized, the project could compromise GR's position.

The Russian routes offer higher transportation capacity, unimodal transportation and lower tariffs, but they are hampered by the conflict between Russia and Ukraine. In addition, economic sanctions on Russia have weakened its transportation network, leading many companies to avoid Russian railways and increasing demand for the Georgian route.

To mitigate the risks outlined here, the Group has fostered strong relationships with key customers and freight forwarding companies. Furthermore, modern technologies and a flexible tariff policy enable the Company to compete effectively against alternative rail transit routes. The Railway Modernization Project *(see 8.2 Ongoing Projects of the Company)**, initiated in 2010, is poised to significantly enhance GR's competitive advantage by modernizing infrastructure and increasing mainline capacity from 27 million to 48 million tons. The Project aims to boost operational efficiency, improve customer service, reduce operational expenses and enhance safety. Moreover, by addressing bottlenecks, particularly in the challenging gorge section, the Project will enable faster transportation speed, lower maintenance costs and higher throughput capacity, making GR a more attractive option for freight and passenger transportation in the region.*

The Baku-Tbilisi-Kars (BTK) railway line *(see 8.3 Infrastructure Developments in Georgia)* *offers a fast and short route for the transportation of goods between Asia and Europe, primarily focusing on increasing container transportation. This project could open up a new geographical market for GR through simplified rail operations with Türkiye, enhancing trade and connectivity between the regions. In addition, ongoing and planned projects at Georgia's Black Sea ports — including Poti, Batumi and the upcoming Anaklia Deep Sea Port — are expected to bring significant benefits to GR. Furthermore, the Tbilisi Dry Port is set to officially commence operations in 2025* *(see 8.3 Infrastructure Developments in Georgia)**. TThese projects, featuring expanded and modernized facilities, new terminals and cutting-edge technologies, will substantially increase port capacities and enhance overall operational efficiency. In turn, these developments will help to improve GR's connectivity to regional and global trade routes, augmenting its role as a vital player in Georgia's transportation sector and enhancing its competitiveness in the region. The ongoing infrastructure projects in Azerbaijan* *(see 8.4 Infrastructure Developments in the Corridor)**, including the development of the new Baku International Sea Port at Alyat and the Astara Cargo Terminal, are set to enhance the competitiveness of the TRACECA. In particular, these projects will improve connectivity and efficiency, making the TRACECA, which of course includes GR's network, a more efficient and cost-effective option for freight transportation between Europe and Asia.*

DECREASED NUMBER OF CUSTOMERS

Likelihood: Medium
Severity: Significant
Risk Category: Medium

The Group relies heavily on a small group of large customers for a significant portion of its revenues. Concerningly, factors such as pricing and market demand could lead to the loss of these customers and this risk could be exacerbated by unforeseeable circumstances. Furthermore, in its liquid cargo transportation services, the Group works with freight forwarders who aggregate volumes, but it has no long-term contracts in place with the actual cargo owners. Therefore, uncertainty exists regarding the Group's services continuing to be used through these relationships. Further challenges could arise from digitalization, including due to weaknesses in data flows and operational inefficiencies. Stakeholders ultimately see digitalization as a solution, but effective inter-country coordination, data autonomy, standardization and political will are also crucial to success.

Furthermore, the Passenger SBU's reliance on seasonal domestic travel and the limited availability of credit card facilities for internet purchases in Georgia pose risks with regard to customer numbers. While the Group has various sales channels, including ticket machines and a customer call center, these may not fully mitigate the risk of losing customers due to other factors beyond its control. Any significant loss in the number of customers could have a detrimental impact on the Group's revenue and financial performance *(see 7.1 Freight SBU)*.

Nonetheless, it should be emphasized that 60% of the freight volume transported over the last five years has come from regular customers, indicating a high level of stability in the Group's customer list.

DECISIONS AND LIMITATIONS AFFECTING THE CAPACITY OF OTHER REGIONAL RAIL OPERATORS

Likelihood: High
Severity: High
Risk Category: High

The Group's mainline rail network comprises a key segment of the TRACECA and, together with Azerbaijan Railways, forms the Caucasus Railway Corridor. As the rail networks of TRACECA members are interlinked, the capacity or other limitations of certain rail networks, particularly Azerbaijan Railways, can constrain the Group's operations. Transit represents a significant portion of the Group's transportation volumes, accounting for 59.4% and 56.9% of its total transportation volumes in the years ended 31 December 2024 and 2023, respectively.

Operational decisions of other regional rail networks resulting in incapacity or other limitations could have an adverse material effect on the Group's business activities, financial condition, operations and prospects.

To prevent such risks, the Group permanently monitors the condition and utilization level of its railcars *(see 5. The Group's Infrastructure)**. In addition, railcars not owned by the Group may be used on the Group's rail network, as parties to the Tariff Agreement have the right to use their railcars on freight routes throughout the rail networks of the member states.*

INTERRUPTION AT SEA PORTS AND TERMINALS

Likelihood: HIgh
Severity: High
Risk Category: High

Georgian sea ports are an essential part of the national logistics chain. As a result, numerous significant cargo owners invest in port infrastructure in Georgia on a regular basis, particularly the ports of Batumi, Kulevi, Poti and the forthcoming Anaklia, which are all served by the Group's rail lines *(see 8.3 Infrastructure Developments in Georgia).*

Three of the Group's railway lines terminate at cargo or oil terminals at one of the Black Sea ports, through or at which the majority of the freight transported by the Group is received, stored, or on-shipped.

Accordingly, the Group's freight operations are vulnerable to the risk of interruption at the ports or terminals, which may prevent the Group from delivering or receiving cargo to be transported at ports or stored at terminals.

Poti Sea Port has undergone extensive renovations and expansions, including the Poti Expansion Project, which is designed to increase its capacity and efficiency, as well as APMT Poti's multi-million dollar investment plan to modernize infrastructure and equipment. Meanwhile, Batumi Sea Port (BSP) places an emphasis on environmental sustainability and efficiency, exemplified by its EcoPorts certification process, as well as upgrade of Batumi Oil Terminal. Elsewhere, Anaklia Deep Sea Port, which is under construction, is hoped to become a major logistics center in the South Caucasus, with an expected total capacity of 100 million tons upon completion. In 2025 Tbilisi Dry Port begun to operate. *(see 8.3 Infrastructure Developments in Georgia).*

REGULATORY RISKS

HARMONIZATION WITH CERTAIN EU LEGISLATION

Likelihood: Medium
Severity: High
Risk Category: Medium

In June 2014, the GoG signed the Association Agreement with the EU, which entered into force on 1 July 2016. In addition, Georgia announced in January 2021 its intention to apply for EU membership in 2024 (later brought forward to 2022 in the wake of the outbreak of the Russia-Ukraine War). As a result, the GoG is in the process of harmonizing certain business and other standards in Georgia with those of the EU to begin the process of integrating Georgia into the EU. Georgia has also previously announced its intention to join NATO and contributes to NATO-led operations as well as co-operating with NATO-led reform efforts in pursuit of its goal of Euro-Atlantic integration.

Georgia has undertaken several commitments under the Association Agreement. Of note, the directives and regulations defined in the Association Agreement provide a framework for the creation of common rules for the internal market in the rail transportation sector, which are expected to have a significant impact on the Group and how it conducts its business. In particular, Georgia has pledged to implement certain provisions of Directive 2012/34 of the European Parliament and of the Council of 21 November 2012, establishing a single European rail area (recast) ("Directive 34"). This directive sets rules applicable to the management of railway infrastructure and rail transport activities of railway undertakings. Potentially, at a later date, a new holding company may be established and the SBUs may be separated into different wholly owned subsidiaries.
If the Group becomes subject to increased regulation as a result of such EU harmonization efforts, whether through tariff setting, licensing, required restructuring, or otherwise, the Group would likely need to change how it operates its business.

This risk is influenced by factors such as the degree to which Georgia makes progress in its EU harmonization, changes in EU legislation and the Group's ability to adapt to new regulatory requirements.

At this point, the present regulations serve the Company's best interests, work on which has already begun. For example, to comply with Directive 34, the Group in 2022 started preparing and publishing independent financial reports for each of the Company's SBUs. These reports are to be published annually on the Company's website.

The EU-funded twinning project "Support to approximation of Georgian legal and institutional framework to the Union Acquis in the field of railway transport" (ENI/2020/421-013, GE18 ENI TR 04 19) was implemented from 1 March 2021 to 15 July 2023, under the leadership of the Polish Ministry of Infrastructure. The project aimed to revise and upgrade the national regulatory framework on railway transport in Georgia to align it with the EU acquis.

Operations at GR are regulated by the "Code of Ethics and Conduct for JSC "Georgian Railway" Employees." This document is published on the Company's website.

INCREASED ENGAGEMENT FROM STATE IN GR'S OPEARTIONS

Likelihood: Medium
Severity: Medium
Risk Category: Medium

The Company is wholly owned by the state (i.e. the Republic of Georgia). As a result of the Company's ownership structure, the state, as the sole shareholder, has the power to replace members of the Supervisory Board and elect new members, to influence the Group's operational and financial decisions and to control the outcome of all matters decided by shareholder vote. As a consequence of its role as controlling shareholder, the state is effectively able to overturn any decision of the Supervisory Board or its committees. The state may also influence the Group's operations in other ways. For example, the Company is required to obtain approval from the GMS for certain matters such as signing off its annual accounts, borrowings in excess of 1.0% of the Company's authorized capital and capital-related matters (such as dividend payments) *(see Corporate Governance).*

As a state-owned entity, the Company is subject to laws and legal requirements that do not usually pertain to private corporations. For example, procurement laws in Georgia are applicable to the state and, accordingly, the respective procedures and approvals are also applicable to the purchase of goods and services by the Group. Moreover, due to the Group's importance with respect to Georgia's overall economy and, in particular to its transport sector, when important actions are to be undertaken by the Group, it coordinates closely with the GoG, even in the areas of its business that do not formally require government approval. The most important such actions are discussed and vetted by senior government officials. Even in circumstances where the Company may consider that its actions do not warrant prior discussion with the GoG, the state may overturn certain decisions of the Supervisory Board by passing a shareholder resolution.

In addition, the state may require the Group to engage in business practices that could materially affect the latter's ability to operate on a commercial basis, or in a way that is inconsistent with the best interests of the Company.

This risk is influenced by the Company's ownership structure and its legal obligations as a state-owned entity.

In the mitigation of the risks associated with the state's control over the Company as a state-owned entity, the Law of Georgia on Control of Entrepreneurial Activity plays a crucial role. This law establishes a framework for regulating and overseeing entrepreneurial activities, including those of state-owned entities, to ensure compliance with legal requirements and prevent undue interference by the state.

ENVIRONMENTAL AND HEALTH AND SAFETY LAWS AND REGULATIONS

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group is subject to various environmental protection and occupational health and safety laws and regulations in Georgia. These set various standards concerning certain aspects of health, safety, security and environmental quality and they provide for civil and criminal penalties and other liabilities in the event of violations.

The Group may need to address environmental or safety issues at current or former sites, which could lead to significant costs. Compliance with regulations and liability for any damage or violations could negatively impact its operations.

This risk is influenced by the effectiveness of the Group's compliance measures and the stringency of environmental and health regulations in Georgia.

In Georgia, risk assessment is regulated by the following government-approved workplace risk assessment rule: "Ministry of Internally Displaced Persons from the Occupied Territories, Health, Labour and Social Affairs of Georgia, Order No. 01-15/N, January 30, 2020." Meanwhile, environmental risk assessment is carried out during the Environmental Impact Assessment (EIA) process, which monitors the impact of a project on the environment. At this point, there have been no official sanctions and/or penalties imposed against the Group.

The Group regularly conducts risk assessment procedures in the workplace, the main purpose of which is to identify the potential dangers and risks associated with the working environment and to develop ways of mitigating them. Moreover, the risk assessment process is based on the recognized methodology of the International Labor Organization (ILO) and includes the identification of hazards, as well as the analysis of potential solutions and an evaluation of the efficacy thereof.

Mitigation actions performed by the Group here include the following:

- Employee awareness trainings;
- Monitoring of various components of the environment;
- 24/7 geological monitoring;
- Biodiversity monitoring;
- Technical inspection of heavy equipment and provision of periodic certification of lifting mechanisms;
- Checking for drugs and alcohol consumption in employees.

LEGISLATIVE, REGULATORY, TAX AND JUDICIAL CONSIDERATIONS

Likelihood: Medium
Severity: High
Risk Category: Medium

Georgia is still developing its legal framework to ensure the proper functioning of a market-based economy. Indeed, several fundamental Georgian civil, criminal, tax, administrative and commercial laws have only recently come into effect. In addition, since 27 June 2014 and the signing of the Association Agreement as well as the establishment of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, Georgia has been required to update its legislation to conform to EU trade-related and sector-specific legislation. Accordingly, it has been gradually harmonizing its trade legislation in line with EU standards and practices. The rapid pace at which changes have been made to the Georgian legal system has put the quality and enforceability of some laws in doubt, with ambiguities and inconsistencies detected already in their application.

Tax laws have been in force in Georgia for a significant shorter period of time compared to those of more developed market economies. This relatively limited experience creates challenges when it comes to compliance, as such laws are often unclear or subject to different interpretations. Moreover, tax law enforcement can also be unpredictable. Indeed, Georgian tax laws are subject to frequent amendments, which can result in unusual complexities for the Group and its business in general. On 1 January 2011, a new Tax Code of Georgia was adopted. However, differing opinions thereafter emerged regarding the interpretation of many of its provisions, both among and within governmental ministries and organizations, including the tax authorities. This created uncertainties, inconsistencies and areas of conflict. Earlier, in December 2010, the Constitution of Georgia was amended to prohibit the introduction of new statewide taxes or increases in existing tax rates (other than excise taxes) without a public referendum initiated by the GoG (except in certain limited circumstances). In January 2011, the Parliament passed the Organic Law on Economic Liberty enshrining the same constitutional guarantee. The Organic Law came into effect on 31 December 2013. However, in October 2017, the Constitution was further amended to retract the provision prohibiting the introduction of new taxes and tax increases along with a guarantee that the prohibition would remain in place until at least December 2030.

In May 2016, the Parliament adopted changes to the Tax Code of Georgia related to corporate profit tax, whereby an enterprise is not liable for the payment of profit tax until the enterprise distributes its profits to shareholders or incurs such costs or supplies goods/services or makes payments that are subject to corporate profit tax.

As tax legislation in Georgia will continue to evolve, it is not certain that new taxes and duties or new tax rates will not be introduced at some point in the future, or that any future tax legislation will not have an adverse material effect on the Group's business, prospects, financial condition, cashflow, or operations.

TECHNOLOGICAL AND INTERNAL CONTROLS

INFORMATION TECHNOLOGY SYSTEMS

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group's business is dependent on the successful and uninterrupted functioning of its IT systems. Specifically, it relies on these systems for complex logistical, dispatching and tracking tasks, which are critical to its customers' transportation needs and central to the Group's business in general. The Group's information management systems do not compensate for offsite system redundancy.

Hardware and software used by the Group may be damaged by human error, natural disasters, power loss, sabotage, cyber-security breaches and other activities that undermine cyber security, as well as computer viruses and other internal or external events. If any such events occur in the future, they could result in the loss of material data and the disruption of the Group's automated systems, which could have an adverse material effect on the Group's operations. Such operations may also be vulnerable to system failures of other companies with whom such operations are closely linked, such as utility providers and telecommunication service providers.

System-related problems could lead to increased expenses and decreased revenues, which, in turn, may have an adverse material effect on the Group's business, operations, financial condition and prospects. Failures of, or interruptions to, the Group's IT systems may compromise its ability to provide value-added transportation, logistics and tracking services, as well as resulting in costly delays in the shipment of customer cargo. It could also lead to a significant loss of customer business, which may in turn have an adverse material effect on the Group's business.

THE GROUP'S ACCOUNTING SYSTEMS AND INTERNAL CONTROLS

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group's management information system, financial reporting function and system of internal controls relating to the preparation of IFRS-compliant financial statements may not be fully developed in certain respects. Pertinently, it may not provide management with sufficiently detailed or accurate information compared to rail companies in more developed markets. Meanwhile, crucially, there is a shortage of qualified personnel with IFRS accounting experience in Georgia. Nevertheless, the Group's management believes that its staff are sufficiently equipped for the Company to comply with its obligations as a listed company.

This risk is influenced by the Group's ability to address staffing shortages, enhance its accounting systems and improve internal controls to meet IFRS requirements effectively.

Transactions within accounting operations are meticulously documented through a two-tiered control system. The lower level is responsible for generating approximately 99% of all transactions, while managerial oversight focuses on validating debit and credit card transactions.

The Accounting Department comprises nine sectors, collectively overseeing all of the Company's transactions. Each sector is assigned a monthly instruction/checklist for the respective accounts they are responsible for, to be completed by the sector head.

Following the sector heads, the deputy chief accountant of the Company reviews the aforementioned checklists and oversees the financial statements prepared by the consolidation sector.

Annually, an external audit is carried out by a top-tier auditing firm, selected through a competitive tender process. The Company's financial director oversees this external audit procedure.

Upon the signing of a contract, a work plan and a document checklist are established, with the chief accountant responsible for systematically supplying the auditors with the requested information at the commencement of the audit. Simultaneously, the external auditor compiles a management letter and presents key findings discovered during the audit within one month of its conclusion, encompassing both consolidated and individual aspects. Furthermore, a presentation is made to the Company's Supervisory Board, summarizing the audit's outcomes.

HUMAN RESOURCES

LEGISLATIVE, REGULATORY, TAX AND JUDICIAL CONSIDERATIONS

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group's success depends to a significant extent on the services of its senior management and skilled engineering team. There can be no guarantee, however, that these individuals will remain with the Group long term. The Group's ability to achieve its business objectives hinges, to a large degree, on the services of its senior management team. Accordingly, the loss or prolonged unavailability of these personnel could have an adverse material effect on the Group's business, financial condition, operations and prospects. Meanwhile, the Group also does not have "key-man" insurance in place with respect to its senior managers.

Competition for qualified and experienced executives and other staff in Georgia is tough. This means the Group might struggle to keep its current senior management and engineers or hire new skilled workers in the future. The Group's ability to do so largely depends on offering competitive wages, good incentives and effective strategies to keep key employees.

To mitigate HR risks, JSC Georgian Railway focuses on fostering a common understanding of the Company's strategic objectives and business principles across all levels of the organization. This is achieved through promoting business education among mid-level technical staff and involving lower-level managers in decision-making processes. The Company provides medical insurance for employees and their families, covering some healthcare costs not included in the standard insurance. In 2024, they spent GEL 465,000 on employee healthcare. The average pay and benefits are similar to the national average. Despite strong competition for skilled workers in Georgia, the Company's good work environment, competitive pay and career opportunities help keep employee turnover low. About 60% of employees are in labor unions, which allows them to discuss and resolve issues together in line with Georgian law. (see 4.3 Social Focus).

Elsewhere, establishing the Railway Transport College (RTC) in 2015 marked a strategic move by JSC Georgian Railway to mitigate HR risks and address the need for skilled labor in the railway sector. The RTC offers a total of 17 professional educational programs and already 551 people has graduated from RTC. it contributes significantly to skills development and gender equality in the railway sector. In addition, initiatives like the machine operator vocational training program and short-term training for PwDs enhance workforce competitiveness and inclusivity.

SPECIFIC RISKS

AGING INFRASTRUCTURE AND ROLLING STOCK

Likelihood: High
Severity: High
Risk Category: HIgh

The Group owns and operates various freight and passenger transportation assets, including locomotives, railcars, EMUs and other equipment. A substantial portion of the infrastructure owned and operated by the Group, including its track network and related engineering technology (e.g. signaling and rolling stock maintenance depots), dates back to the Soviet era.

Although the condition of this infrastructure is sufficient for the Group's current and planned railway operations, it is having to carry out extensive maintenance and improvement works on much of its network.

The Group is continuing to carry out refurbishment works and as its rolling stock and related assets reach the end of their useful operating life (which has already been extended thanks to capital repairs), they will soon require replacement (see 7.2 Passenger SBU).

The Group has already made and intends to continue making, substantial investments to modernize its infrastructure, including through the Railway Modernization Project. Its cashflow was used in the acquisition of property, plant and equipment (capital expenditures) amounting to GEL 150.7 million and GEL 139.1 million in the years ended 31 December 2024 and 2023, respectively (see 5.1 Railway Property and 7.3 Infrastructure SBU).

HISTORICALLY GENERATED NET LOSSES FROM THE GROUP'S PASSENGER SERVICE

Likelihood: High
Severity: High
Risk Category: High

One of the Group's medium-term strategic objectives is to reduce expenses and increase the revenue of the Passenger SBU by adding to the number of passengers and yielding greater revenue per passenger.

Historically, however, the Group's passenger transportation services have generated net losses. The Passenger SBU reported a loss before infrastructure costs, net impairment, interest costs and income tax of GEL 5.7 million in 2024, compared to losses of GEL 10.0 million and GEL 15.5 million in 2023 and 2022, respectively. It cannot be assumed that the Group's planned investment in new rolling stock to increase speed, decrease maintenance expenses and improve passenger comfort will definitely enable it to raise passenger transportation tariffs or generate a profit from its passenger rail operations. Traditionally, passenger tariffs have been kept relatively low due to the high social importance attached by the GoG to the Group's provision of affordable passenger transportation services. With that in mind, the Group may be constrained from removing or reducing services on certain passenger routes, even where such routes are not profitable.

In June 2024, in line with the principles established under Regulation (EC) No 1370/2007 (the "EU Passenger Transportation Regulation"), the Railway Transport Agency and JSC Georgian Railway entered into an initial Public Service Contract (PSC). The agreement aims to ensure compliance with EU railway safety standards, support sector reforms and promote European integration by improving service quality, transparency and accountability.

For the period from July to December 2024, compensation under the contract amounted to GEL 8.7 million. Starting in 2024, the Government will provide annual compensation of GEL 8.0 million to cover losses incurred on unprofitable passenger routes.

INSUFFICIENT SUPPLY OR INCREASES IN THE PRICE OF ROLLING STOCK

Likelihood: High
Severity: High
Risk Category: High

The number of high-quality rolling stock manufacturers in Georgia and the region is relatively limited and their output is limited. In addition, the capacity of these manufacturers' production facilities to handle different types of railcars is limited. Furthermore, a significant proportion of the rolling stock fleet operated by the Group is aging and may require replacement. In this regard, even though the Group conducts an annual renovation and repair program with respect to its rolling stock with the aim of ensuring the availability of sufficient locomotives and railcars to service its ongoing operations, it has still experienced occasional rolling stock shortages. The Group currently uses private rolling stock for about 50% of its transportation services and it is not clear whether the Group will continue to be able to source sufficient supplies of new rolling stock for its fleet. It is also not certain whether it will be able to rent private rolling stock on commercially acceptable terms, or indeed at all. Failure to maintain or procure the requisite amount of rolling stock at affordable expense could have an adverse material effect on the Group's business activities, financial condition, operations and prospects.

MAJOR ACCIDENTS, DERAILMENT, OR OTHER INCIDENTS

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group is largely "self-insured," meaning that it does not carry external liability insurance or business interruption insurance. The occurrence of significant event for which it is not insured would burden the Group with possibly substantial additional expenses *(see 5.2 Railway Safety Practices and Incident Analysis).*

The Group owns and operates rolling stock, tracks, stations and other infrastructure that together make up Georgia's entire national rail network. Its infrastructure and transportation operations may thus be adversely affected by many factors including accidents, derailments, the breakdown or failure of equipment or processes, or natural disasters. In particular, a major incident could result in fatalities, damage to or loss of the Group's infrastructure or rolling stock and/or disruption to the Group's services. This in turn could give rise to potential claims against the Group by freight shippers, injured passengers and others. Meanwhile, a major rail accident or derailment involving oil or oil products cargo could also carry substantial environmental remediation costs. In addition, negative publicity concerning any accident or derailment, even if caused by rolling stock not owned by the Group, could also have an adverse material effect on the Group's reputation and the attractiveness of its services in the future.

JSC Georgian Railway has undertaken several initiatives to mitigate traffic safety risks. The Company conducts regular inspections and investigations, focusing on various aspects such as adherence to technological processes during repair work, compliance with train management rules and maintenance of infrastructure devices and rolling stock. These efforts have led to the detection of thousands of irregularities, allowing the Company to address issues promptly and prevent potential safety hazards.

Moreover, the Company has developed a comprehensive safety management system (SMS) as part of the aforementioned twinning project with Polish colleagues. This SMS helps to ensure that the organization safely controls risks arising from business objectives and fulfills all security obligations. By following the plan-do-check-act (PDCA) cycle, the Company can continuously enhance its safety practices and minimize the likelihood of safety incidents.

Furthermore, JSC Georgian Railway promotes a safety culture within the organization, emphasizing the importance of ensuring traffic safety as a priority goal for all employees. This involves running initiatives on the part of department heads and other leaders to ensure that all members of the organization understand the importance and social responsibility of traffic safety. By instilling this sort of safety culture at all levels of the organization, the Company aims to create a work environment where safety is paramount and where employees are committed to upholding corresponding standards in all aspects of their work *(see 5.2 Railway Safety Practices and Incident Analysis).*

POTENTIAL IMPACT OF A DECLINE IN FREIGHT VOLUMES

Likelihood: Medium
Severity: High
Risk Category: Medium

The Group frequently modifies its tariffs in accordance with market conditions. As the Group is not currently subject to any statutory or regulatory restrictions in this regard, it may increase the tariffs it sets with respect to freight operations to offset any declines in freight volumes. However, such tariff increases may not fully compensate such decreases. In addition, the Group's ability to offset lower volumes by increasing prices is limited by its need to remain competitive vis-a-vis alternative transit routes, including oil pipelines. There can be no guarantee that the Group's freight volumes will continue to grow as they have in previous years. Similarly, if volumes decrease, it cannot be assumed that the Group will be able to increase its freight tariffs to offset any such drops. Moreover, any resulting declines in revenue could have an adverse material effect on the Group's business, financial condition, operations and prospects.

To mitigate this risk, GR entered into and renewed contracts with other participants in the TRACECA. Indeed, the Group has been able to offer uniform shipping conditions to customers, which is important for a transit corridor in which a single shipping chain consists of many carriers. This format includes both container and wagon transportation *(see 10. Strengths).* *Moreover, on 26 October 2023, JSC NC Kazakhstan Temir Zholy, JSC Georgian Railway and CJSC Azerbaijan Railways signed an agreement to establish Middle Corridor Multimodal Ltd. - a joint venture designed to enhance multimodal services along the TRACECA and promoting goods transportation across the region* *(see 8.1 International Agreements).*

POTENTIAL DISRUPTION ON THE GROUP'S MAINLINE

Likelihood: Medium
Severity: High
Risk Category: Medium

In the course of operating its business and particularly freight transportation, the Group depends on its ability to provide a continuous service along the Group's rail tracks. The Group's mainline is 1408-km long and fully electrified (of which 293 km is double-track line). The electricity supply along this route runs parallel with the Group's rail track. In addition, an important section of this line is single-track, running through a gorge in mountainous terrain (known as the "gorge section"). The Group's ability to provide services along this mainline could be affected by various natural disasters or other unforeseen events such as flooding, disruption of the electricity supply, fires, sabotage and human error. The gorge section is also subject to the additional risk of falling rocks and other geological incidents in the mountains surrounding the rail track, which could block the track, interrupt the electricity supply, or otherwise prevent the Group from running its services along this line. Any disruption or lasting damage caused to the Group's rail track, particularly its mainline route, could have an adverse material effect on its business, financial condition, operations and prospects.

To mitigate the risk of potential disruptions on the Group's mainline, the Railway Modernization Project has entailed a multifaceted approach aimed at significantly enhancing the infrastructure and operational resilience of the railway network. This comprehensive initiative, launched in 2010 and ended in 2024, has encompassed various strategic measures designed to improve mainline capacity and functionality.

One of the key focal points of the Railway Modernization Project has been the reduction of the track gradient in the challenging 40-km-long gorge section in central Georgia. The aim of this reduction is not only to enhance operational efficiency, but also to alleviate the impact of natural disasters on the railway infrastructure, thus mitigating potential disruptions. Moreover, the construction of a tunnel in this section is expected to streamline operations, increase throughput capacity and pave the way for future expansion with minimal additional capital expenditure.

By modernizing its infrastructure and implementing these strategic improvements, the Group aims to achieve several critical objectives. These include increasing the capacity of its infrastructure, eliminating the need for extensive capital expenditure on maintenance, enhancing transportation speed along the line, improving services for both freight and passenger customers and ensuring the safety of transportation operations.

ABSENCE OF INSURANCE

Likelihood: High
Severity: High
Risk Category: High

The Group understands that the insurance available to it would be prohibitively expensive and, as such, does not believe it would be cost-effective to purchase insurance for its infrastructure assets. Accordingly, in common with other state-owned enterprises in Georgia, the Group does not have any insurance coverage for its infrastructure and other assets, business interruption, or third-party liability with regard to property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Nevertheless, the Group's customers typically purchase insurance to cover cargo transported by the Group. Furthermore, GR also does not take out insurance for risks related to terrorism or war. Relatedly, it cannot be assumed that losses of that nature will not increase in the future, or that insurance coverage (if any) acquired by the Group may be sufficient to cover exposures thereto. The Group's failure to acquire business interruption insurance also means that if it suffers such an interruption hindering, its income would be reduced and its capacity to pay its obligations would be compromised.

The insurance industry in Georgia is not yet fully developed and many forms of insurance protection common in other parts of the world are not available in the country. Moreover, based on statistics relating to past incident on the railway, the Group does not believe the insurance available to it would be cost-effective.

Nonetheless, the Group keeps a close eye on the insurance market and potential risks on a regular basis. Accordingly, after completing a cost-benefit analysis, the Group may decide to purchase insurance coverage in the future.

STRIKES, LOCKOUTS AND LABOR LEGISLATION

Likelihood: Medium
Severity: Medium
Risk Category: Medium

The Company's business interests may be adversely affected by strikes, lockouts and/or other labor disputes.

As the Company is considered one of the largest corporate employers in Georgia, (11,740 employees), the above-mentioned activities would bring commercial risks and may trigger paralysis of GR's business activities.

For instance, in 2017, members of the NNLE New Railway Trade Union ("NNLE Union") participated in a strike in response to the relocation of members of staff to a workplace in southeastern Georgia. The strike related to two employees who refused to give consent to their relocation and took place even though the NNLE Union had not been granted permission to hold a large-scale rally. The strike continued for several days and did not have any material impact on the Company's operations. However, had the strike continued or escalated, it was possible that the Company would have suffered irreparable damages.

To reduce this business risk, the Company takes effective actions to impede strikes, lockouts and other labor disputes.

In 2019, a collective labor dispute initiated against the Company by the NNLE Union was resolved by a mediation agreement struck on 30 August 2019. Under the agreement, the NNLE Union agreed to suspend the strike until June 2021 and the Group undertook an obligation to hold annual negotiations with the NNLE Union to reconsider employee remuneration.

Since 2019, the Company has also enhanced the labor conditions, providing staff with higher remuneration, while it is also preparing a package of incentives.

In terms of reducing the threat of strikes, lockouts and other labor disputes, the Company developed a mechanism for submitting claims related to the working conditions of employees – "Rules for receiving and considering complaints on Georgian Railway." In addition, the Company is currently working on a draft collective agreement with the NNLE Union, providing certain guarantees to diminish the risk of strikes, lockouts and other labor disputes.

To sum up, the risk reduction measures have substantially reduced the prevalence of labor disputes affecting the Company, which have been reduced to a minimum.

FINANCIAL RISKS

CREDIT RISK

Likelihood: Medium
Severity: Medium
Risk Category: Medium

The Group's exposure to credit risk is heavily influenced by the individual characteristics of each of its customers. However, the Group's management also takes into consideration the factors that may influence the credit risk presented by the Group's customer base, including the default risk of the industry and country in which the given customer operates.

Credit risk is managed mostly by requesting prepayments from freight and passenger transportation customers. Accordingly, the Group's trade receivables largely consist of receivables from foreign railway companies. In addition, credit risk related to receivables from foreign railway companies is managed through the monthly monitoring of receivable balances and requiring the immediate repayment of a debt when the balance approaches a specific limit set for the individual counterparty.

More than 90% of the Group's foreign railway customers have been working with the Group for several years and losses have occurred therefrom infrequently. In monitoring their credit risk, customers are grouped according to their credit characteristics, including age, profile, maturity and the existence or otherwise of previous financial difficulties.

LIQUIDITY RISK

Likelihood: Medium
Severity: Medium
Risk Category: Medium

Liquidity risk refers to a situation where the Group encounters difficulty in meeting the obligations associated with its financial liabilities settled by cash or other financial assets. 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 its reputation. The Group aims to have sufficient cash as required to meet its expected operational expenses for a period of three 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 a pandemic.

FOREIGN CURRENCY EXCHANGE RISK

Likelihood: High
Severity: High
Risk Category: Medium

The Group's reporting currency is the GEL. However, there is a disparity in the denomination of the Group's revenues, which are mainly in foreign currencies and expenses, which are largely in GEL. For example, the Group enters into transactions denominated in USD and, to a lesser extent, CHF, while carrying a portion of its liabilities and assets in such currencies and the remainder in GEL. Therefore, variations among the USD/GEL, CHF/GEL and CHF/USD exchange rates have and will continue to have some effect on the Group's operations.

The Group quotes its freight tariffs in USD and a significant proportion of its capital expenditures are also denominated in USD. Meanwhile, some operating expenses, including rental charges for railcars of other national railway operators, continue to be denominated in CHF. As of 31 December 2024, the Group's outstanding current and non-current loans and borrowings, which stood at GEL 1,425.7 million, were denominated in USD. Meanwhile, a portion of the Group's trade payables incurred are denominated in USD.

To mitigate the impact of foreign currency fluctuations, the Group has a natural hedging system in place. This system leverages the fact that if liabilities increase due to depreciation of the GEL against the USD, revenues in USD also increase, thereby providing a natural hedge against currency risk. This strategy helps to reduce the Group's vulnerability to exchange rate fluctuations and minimizes the impact thereof on its financial performance.

INCREASE OF ENERGY COST

Likelihood: High
Severity: Medium
Risk Category: Medium

The Group faces a significant risk related to energy costs, especially electricity, which constitutes a substantial portion of its operating expenses. With approximately 98% of its railway network electrified, the Group heavily relies on electricity for the functioning of its locomotives, vehicles and buildings.

Changes in energy prices, particularly when significant, could adversely affect the Group's operating expenses and results. Factors such as tightened regulation or higher taxation on GHG emissions could contribute to cost escalation here.

Historically, the Group previously had a fixed tariff agreement for electricity with JSC EnergoPro Georgia, securing prices for more than 90% of its electricity needs. However, this agreement expired in September 2021 and the Group now purchases electricity on the open market. This shift was influenced by structural changes in the Georgian electricity market, leading to uncertainties as market participants have had to adapt to the new rules.

Further increases in energy prices, especially electricity, could significantly impact the Group's financial performance, affecting profitability and competitiveness. Higher energy costs could also hinder the Group's ability to maintain and expand its infrastructure and rolling stock, which is crucial for its operations.

Moreover, the Group's repair and maintenance expenses have been significantly affected by inflation, resulting in substantial increases. These costs are closely tied to the Group's rolling stock equipment balance, its utilization rate and transportation volume. Higher repair and maintenance costs could strain the Group's financial resources, potentially leading to increased downtime for both equipment and infrastructure, thereby impacting service reliability and potentially compromising customer satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FY 2024 AND Q4 2024

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

REVENUE
('000 GEL)

Q4 2024	FY 2024
157,857	648,337
+8.1% from Q4 2023 -9.5% from Q3 2024	+3.4% from FY 2023

RESULTS FROM OPERATING ACTIVITIES
('000 GEL)

Q4 2024	FY 2024
35,035	141,736
+482.9% from Q4 2023 +10.4% from Q3 2024	+46.2% from FY 2023

ADJUSTED EBITDA
('000 GEL)

Q4 2024	FY 2024
50,567	220,576
+732.8% from Q4 2023 -18.8% from Q3 2024	+31.4% from FY 2023

ADJUSTED EBITDA MARGIN

Q4 2024	FY 2024
32.03%	34.02%
+27.9 points from Q4 2023 -3.7 points from Q3 2024	+7.3 points from FY 2023

NET CASH INVESTMENT IN PP&E
('000 GEL)

Q4 2024	FY 2024
38,709	150,725
+24.8% from Q4 2023 +42.5% from Q3 2024	+8.2% from FY 2023

NET DEBT TO ADJUSTED EBITDA

31 Dec 2024	31 Dec 2023
5.0	6.5
5.8 as at 30 September 2024	

TONS
('000)

Q4 2024	FY 2024
3,274	13,674
-0.6% from Q4 2023 -8.5% from Q3 2024	+0.9% from FY 2023

TKM
('million)

Q4 2024	FY 2024
934	3,922
+1.9% from Q4 2023 -9.0% from Q3 2024	+3.1% from FY 2023

NUMBER OF PASSENGERS
('000)

Q4 2024	FY 2024
410	2,077
-18.9% from Q4 2023 -39.4% from Q3 2024	-9.0% from FY 2023

PASSENGER-KILOMETERS
('million)

Q4 2024	FY 2024
90	478
-20.5% from Q4 2023 -44.5% from Q3 2024	-11.2% from FY 2023

MAIN DEVELOPMENTS IN 2024

- In December 2024, Fitch affirmed the Company's long-term outlook to "Stable" and verified its "BB-" rating. In December 2024, "S&P" maintained the rating at "BB-" with "Stable" outlook.
- Following a change in the company's shareholder in December 2022, the Supervisory Board's composition was revised. Two members left their roles in the Board and three new members were appointed.

CONTENTS OF MANAGEMENT DISCUSSION AND ANALYSIS

I. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December		TOTAL		CHANGE		
GEL '000	*Note*	**2024**	**2023**	**%**	**% constant currency**	**Absolute**
Revenue	*1*	648,337	627,173	*3.4*	*(0.2)*	*21,164*
Other income	*2*	22,807	8,993	*153.6*	*144.9*	*13,815*
Employee benefits expense	*3*	(233,224)	(239,056)	*(2.4)*	*(5.8)*	*5,831*
Electricity, consumables and maintenance costs	*4*	(87,654)	(74,722)	*17.3*	*13.3*	*(12,932)*
Other expenses	*5*	(145,428)	(154,566)	*(5.9)*	*(9.1)*	*9,138*
Adjusted EBITDA		220,576	167,821	*31.4*	*26.9*	*52,754*
Adjusted EBITDA margin		*34.02%*	*26.76%*	*NA*	*NA*	*7.26*
Depreciation and amortization expense	*6*	(59,325)	(76,895)	*(22.8)*	*(25.5)*	*17,570*
Impairment gain/(loss) on trade receivables	*7*	(3,777)	6,016	*(162.8)*	*(160.6)*	*(9,793)*
EBIT		141,736	96,943	*46.2*	*41.2*	*44,794*
Share of results of equity accounted investees	*8*	15,738	-	*100.0*	*100.0*	*15,738*
Net finance income/(cost)	*9*	(89,290)	(10,166)	*778.3*	*748.3*	*(79,124)*
Profit and total comprehensive income		68,184	86,776	*(21.4)*	*(24.1)*	*(18,592)*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (QUARTERLY)

For the period ended

GEL '000	*Note*	**Q4 2024**	**Q4 2023**	**y-o-y %**	**Q3 2024**	**q-o-q %**
Revenue	*1*	157,857	145,970	*8.1*	*174,507*	*(9.5)*
Other income	*2*	12,262	2,419	*406.9*	*724*	*1,593.6*
Employee benefits expense	*3*	(61,550)	(63,312)	*(2.8)*	*(55,211)*	*11.5*
Electricity, consumables and maintenance costs	*4*	(24,598)	(18,256)	*34.7*	*(21,218)*	*15.9*
Other expenses	*5*	(36,839)	(60,748)	*(39.4)*	*(48,824)*	*(24.5)*
Adjusted EBITDA		50,567	6,072	*732.8*	*62,280*	*(18.8)*
Adjusted EBITDA margin		*32.03%*	*4.16%*	*NA*	*35.69%*	*NA*
Depreciation and amortization expense	*6*	(11,114)	(22,112)	*(49.7)*	*(16,612)*	*(33.1)*
Impairment gain/(loss) on trade receivables	*7*	(983)	6,889	*(114.3)*	*(1,641)*	*(40.1)*
EBIT		35,035	(9,151)	*(482.9)*	*31,725*	*10.4*
Share of results of equity accounted investees	*8*	3,436	-	*100.0*	*12,302*	*(72.1)*
Net finance income/(cost)	*9*	(45,669)	(6,626)	*589.2*	*29,193*	*(256.4)*
Profit and total comprehensive income		(7,199)	(15,777)	*(54.4)*	*73,220*	*(109.8)*

1. REVENUE

Most of the Group's revenue (about 55% in 2024) is derived from freight transportation. Thus, its results are particularly sensitive to cargo flows. These mainly comprise transit shipments, which accounted for around 71% of freight transportation revenue in 2024. A substantial proportion of GR's transit transportation comes from trade between Europe and Central Asia.

REVENUE BREAKDOWN

For the year ended 31 December

GEL '000	Note	TOTAL 2024	TOTAL 2023	CHANGE %	CHANGE % constant currency	CHANGE Absolute
Freight transportation	1.1	363,203	346,537	4.8	1.2	16,666
Freight handling	1.2	86,491	82,729	4.5	1.0	3,762
Logistical service	1.3	129,534	132,213	(2.0)	(5.4)	(2,679)
Rent of wagons and other rental income	1.4	3,829	4,158	(7.9)	(11.1)	(329)
Freight car cross-border charge	1.5	15,609	15,705	(0.6)	(4.0)	(96)
Passenger traffic	1.6	36,669	41,219	(11.0)	(14.1)	(4,550)
Grant revenue*	1.6	8,726	0	100.0	100.0	8,726
Other	1.7	4,276	4,612	(7.3)	(10.5)	(336)
Revenue		648,337	627,173	3.4	(0.2)	21,164
Other income	2	22,807	8,993	153.6	144.9	13,815

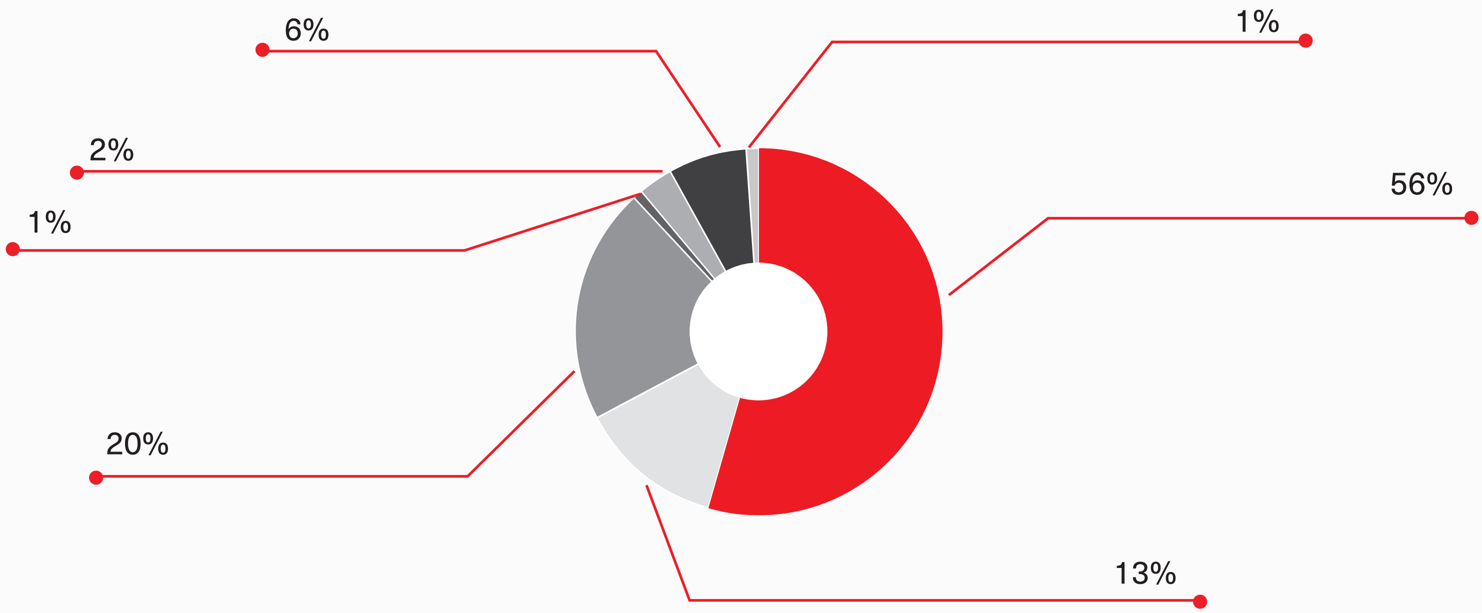
REVENUE BREAKDOWN (QUARTERLY)

For the period ended

GEL '000	Note	Q4 2024	Q4 2023	y-o-y	Q3 2024	q-o-q
Freight transportation	1.1	93,385	85,055	9.8	96,395	(3.1)
Freight handling	1.2	23,618	19,565	20.7	20,899	13.0
Logistical service	1.3	30,699	26,993	13.7	32,072	(4.3)
Rent of wagons and other rental income**	1.4	(34)	1,028	(103.3)	1,285	(102.6)
Freight car cross-border charge	1.5	3,667	4,215	(13.0)	4,035	(9.1)
Passenger traffic	1.6	6,616	8,335	(20.6)	13,298	(50.2)
Grant revenue*	1.6	6,159	0	100.0	2,567	139.9
Other**	1.7	(6,253)	780	(901.7)	3,956	(258.1)
Revenue		157,857	145,970	8.1	174,507	(9.5)
Other income	2	12,262	2,419	406.9	724	1,593.6

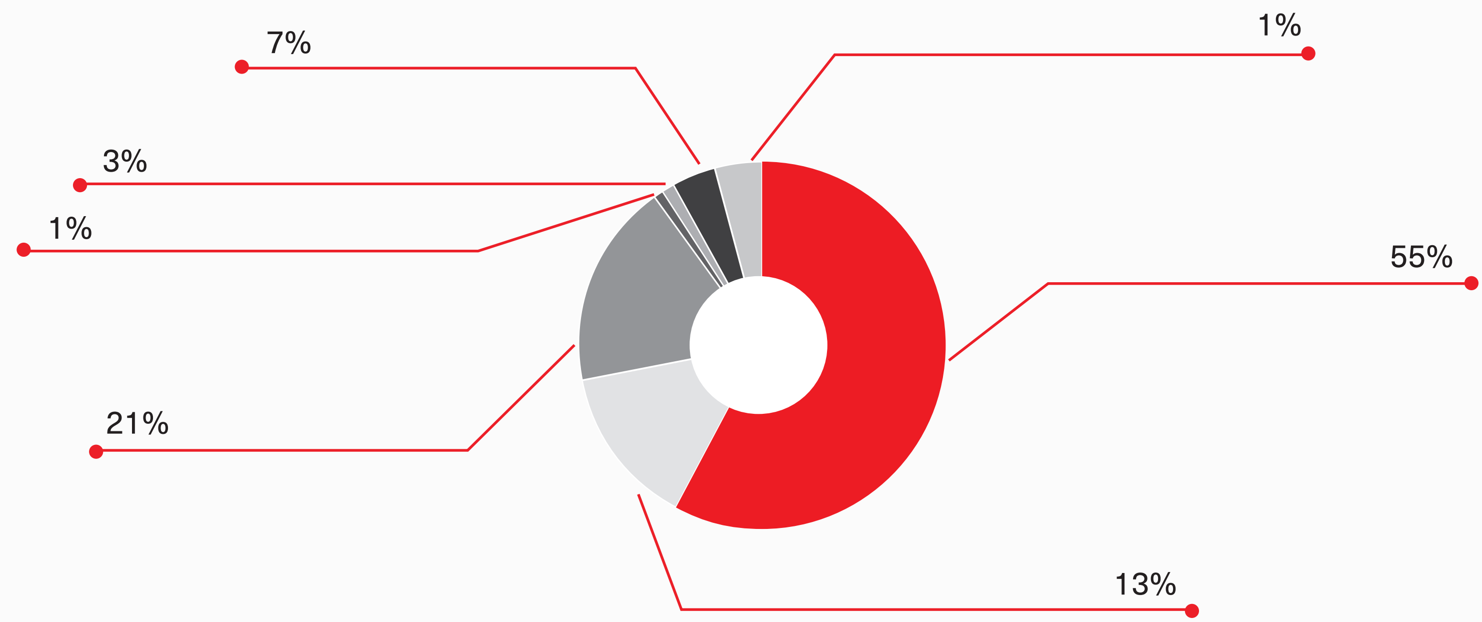
**In June 2024, the Railway Transport Agency and JSC Georgian Railway signed an initial Public Service Contract (PSC) to ensure compliance with EU railway safety regulations, supporting sector reform and European integration by enhancing service quality, transparency and accountability.*
*** As a consequence of accounting adjustments in the classification of operations, in Q4 2024 a negative revenue was recorded in the category of "Rent of wagons and other rental income" and "other".*

REVENUE BREAKDOWN FOR 2024



FREIGHT TRANSPORTATION
FREIGHT HANDLING
LOGISTICAL SERVICE
RENT OF WAGONS AND OTHER RENTAL INCOME
FREIGHT CAR CROSS-BORDER CHARGE
PASSENGER TRAFFIC
OTHER

REVENUE BREAKDOWN FOR 2023

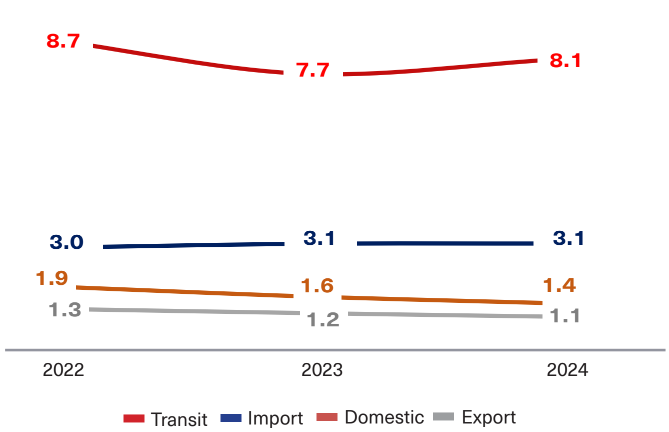


1.1 FREIGHT TRANSPORTATION

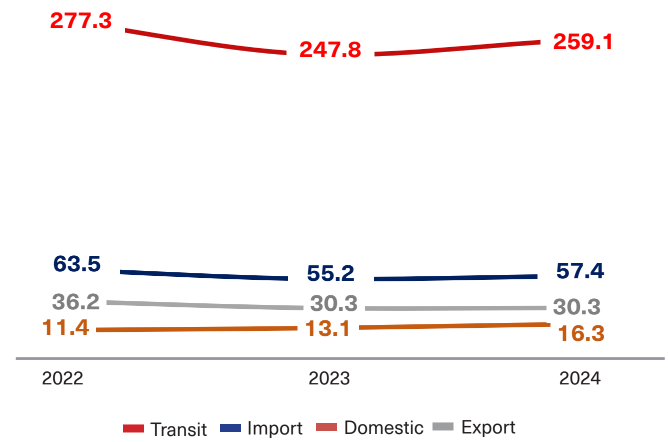
The Group's freight transportation consists of transit, import, export and domestic transportation. The split by tons between above-mentioned directions in 2024 was about 59%, 22%, 8% and 10%, respectively. 99.9% of revenue from freight transportation is denominated in USD.

The following charts represent the freight transportation breakdown by directions:

TRANSPORTED TONS *(MLN)*



REVENUE FROM FREIGHT TRANSPORTATION *(GEL MLN)*



The revenue generated from transportation services is influenced by several key factors:

Transportation volume – Expressed in tons.

Transportation turnover – Calculated by multiplying the transported tons by the distance traveled, expressed in ton-kilometers.

Revenue per ton-kilometer – This metric indicates the average revenue received per ton-kilometer, which varies based on cargo type and transportation direction.

GEL/USD exchange rate – As the Group's tariffs are mostly denominated in USD, fluctuations in the exchange rate between USD and GEL can significantly impact profitability, since revenues are reported in GEL and most operating expenses are in Georgian Lari.

AVERAGE RATES

	Q4 2024	**Q4 2023**	*% Change*	**Q3 2024**	*% Change*	**2024**	**2023**	*% Change*
USD	2.76	2.69	*2.4*	2.71	*1.6*	2.72	2.63	*3.5*
CHF	3.15	3.04	*3.6*	3.13	*0.5*	3.09	2.93	*5.7*

REPORTING DATE SPOT RATES

	31-Dec-24	**31-Dec-23**	*% Change*	**30-Sep-24**	*% Change*	**31-Dec-22**
USD	2.81	2.69	*4.4*	2.73	*2.8*	2.70
CHF	3.11	3.21	*(3.0)*	3.23	*(3.8)*	2.93

TRANSPORTATION BY DIRECTIONS

TRANSIT TRANSPORTATION

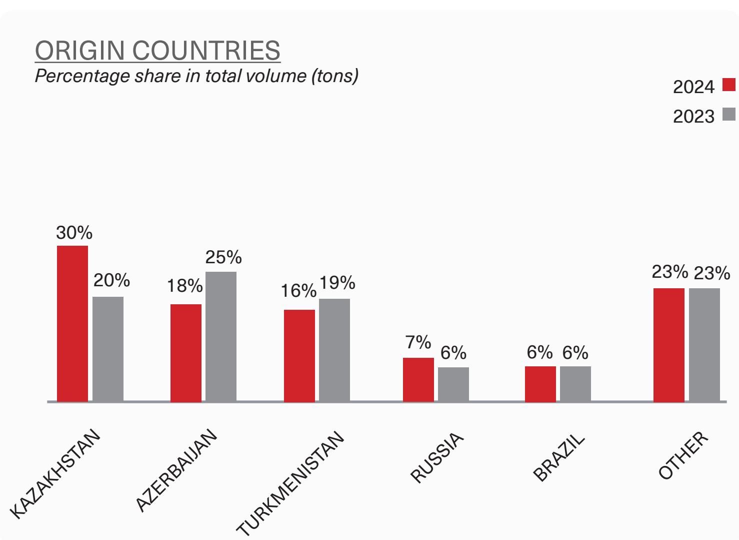
Transit represents the movement of cargo from one foreign county to another one, through Georgia. The share of transit transportation in total transported volume was 59% in 2024, compared to 57% in the previous year.

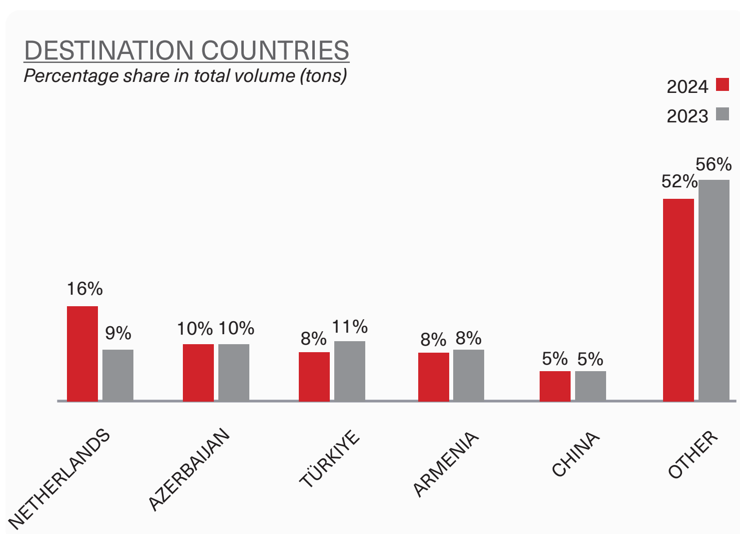
	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	**%**	**% constant currency**
Revenue (million GEL)	259.1	247.8	*4.6*	*1.0*
Freight Volume (million tons)	8.1	7.7	*5.3*	*NA*
Freight Turnover (million ton-km)	3,045.1	2,885.8	*5.5*	*NA*
Revenue / ton-km (in Tetri)	*8.51*	*8.59*	*(0.9)*	*(4.3)*

MAIN FACTORS INFLUENCING PERFORMANCE

Freight volume – 5% increase in freight volume primarily was driven by increased transportation from Kazakhstan, by 730.5 thousand tons in 2024, compared to 2023. However, this reduction was partially offset by decreased transportation from Azerbaijan by 435.3 thousand tons.

Revenue / tkm (in Tetri) – 4% decrease in constant currency in 2024 was driven by a lower share of transportation on Azerbaijan-Türkiye route, which is relatively more profitable direction. Meanwhile, the share of transported cargo on Kazakhstan-Netherland route and Kazakhstan-China route, which are relatively less profitable directions, increased compared to the previous year.





MAIN DIRECTIONS OF CARGO FLOW IN 2024

Petroleum products include heavy fuel oil, light fuel oil, diesel fuel, gas oil, special petrol and motor fuel.

Heavy fuel oil – is primarily transported along the Kazakhstan-Netherlands route (73%) and the Kazakhstan-Black Sea Ports route (17%), specifically Batumi Sea Port, Poti Sea Port and Parto Tskali.

Light fuel oil – is mainly transported via the Turkmenistan-Black Sea Ports route (85%), followed by the Turkmenistan-Italy route (8%) and the Azerbaijan-Black Sea Ports route (6%).

Diesel fuel – is primarily transported along the Russia-Armenia route (57%), the Azerbaijan-Black Sea Ports route (33%) and the Turkmenistan-Black Sea Ports route (9%).

Gas oil – is mainly transported on the Kazakhstan-Netherlands route (32%), the Uzbekistan-USA route (28%) and the Azerbaijan-Black Sea Ports route (26%).

Special petrol – is primarily transported on the Russia-Armenia route, accounting for 57% of the total product.

Motor fuel – is mainly transported along the Russia-Azerbaijan route (51%), the Romania-Azerbaijan route (24%) and the Latvia-Azerbaijan route (18%).

Carbamide – is mainly transported along the Turkmenistan-Black Sea Ports route (61%) and the Azerbaijan-Ukraine route (10%).

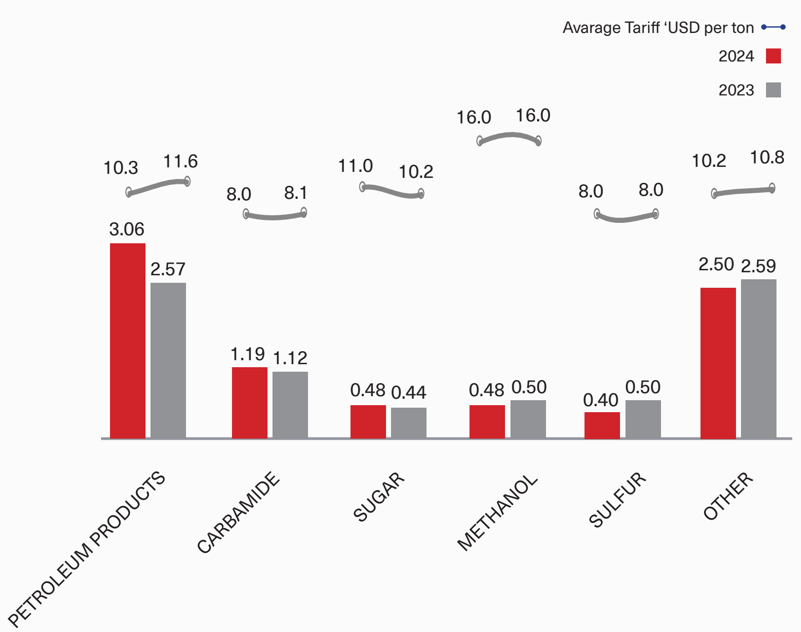
Sugar – is primarily transported along the Brazil-Azerbaijan route (57%), the Brazil-Uzbekistan route (27%) and the Brazil-Armenia route (12%).

Methanol – is primarily transported on the Azerbaijan-Netherlands route (24%), the Azerbaijan-Türkiye route (21%), the Azerbaijan-Italy route (15%) and the Azerbaijan-Romania route (11%).

Sulfur – is transported almost entirely on the Kazakhstan-Poti Sea Port route, accounting for 96% of the total product.

MAIN TRANSIT PRODUCT TYPES

Mln tons



IMPORT TRANSPORTATION

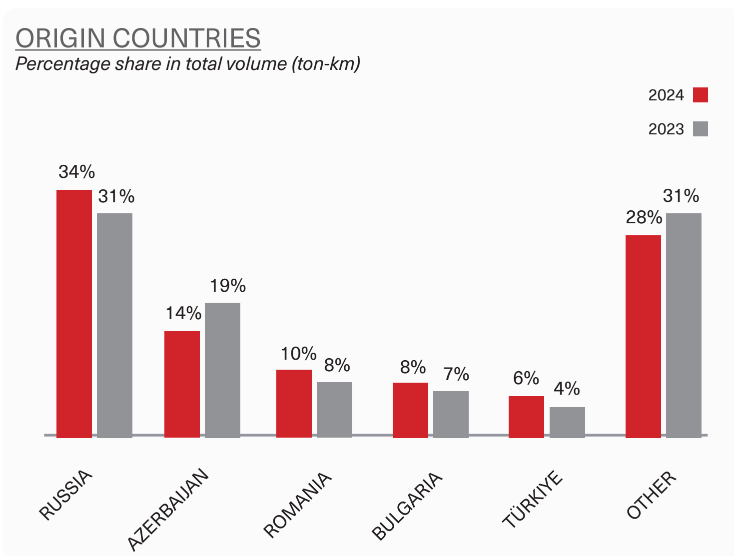
Import represents the movement of cargo from foreign countries into Georgia. The share of imported cargo in total transported volume was around 22% in 2024, compared to 23% in the previous year.

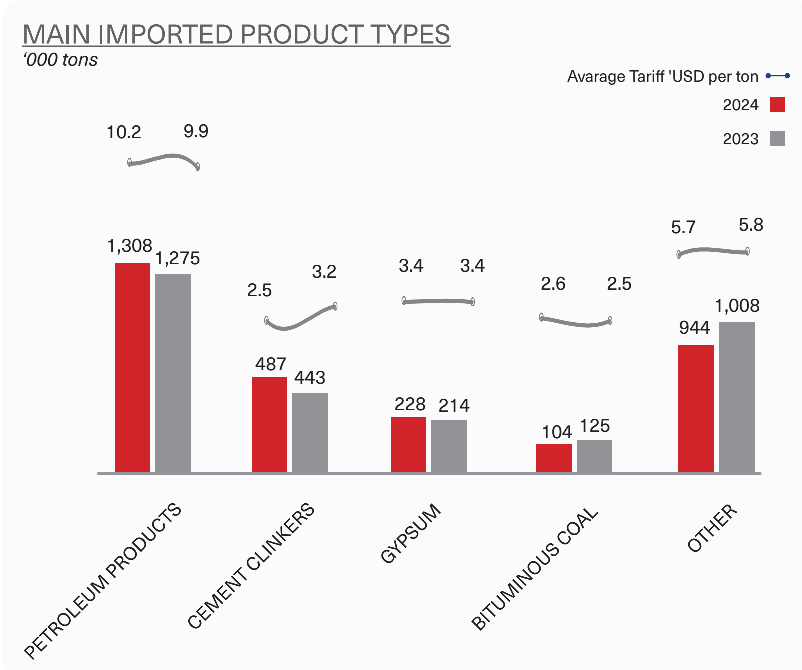
	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	**%**	**% constant currency**
Revenue (million GEL)	57.4	55.2	*4.0*	*0.4*
Freight Volume (million tons)	3.1	3.1	*0.3*	*NA*
Freight Turnover (million ton-km)	424.4	412.8	*2.8*	*NA*
Revenue / ton-km (in Tetri)	*13.53*	*13.38*	*1.1*	*(2.3)*

MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – 3% increase in freight turnover primarily was driven by increased transportation from Russia, Türkiye, Bulgaria, China and Romania by 16.0 million tkm, 9.1 million tkm, 8.0 million tkm, 7.2 million tkm and 7.1 million tkm, respectively, in 2024, compared to 2023. However, this increase was partially offset by decreased transportation from Azerbaijan and Armenia by 20.0 million tkm and 16.5 million tkm, respectively.

Revenue / ton-km (in Tetri) – 2% decrease in constant currency in 2024 was driven by an increased share of transportation from Türkiye, which is relatively less profitable direction. Meanwhile, the share of transported cargo from Azerbaijan, which is relatively more profitable direction, decreased compared to the previous year.





MAIN DIRECTIONS OF CARGO FLOW IN 2024

Petroleum products include motor fuel, bitumen, diesel fuel, aviation fuel and special petrol.

Motor fuel - imported from Russia (65%) and Belarus (22%), mostly intended to meet the domestic demand.

Bitumen - imported from Russia (64%) and Turkmenistan (36%), is mainly distributed to Rustavi (99%) and is primarily used in the production of construction materials.

Diesel fuel - is sourced mainly from Russia (79%) and Azerbaijan (12%) to fulfill local demand.

Aviation fuel - imported from Türkiye (34%), Greece (20%) and Egypt (17%), is predominantly used by domestic aviation companies in Georgia.

Special petrol - primarily imported from Bulgaria (50%) and Romania (33%), is intended for domestic use.

Cement clinkers - sourced from Azerbaijan, are mostly distributed to Rustavi (63%) and Kaspi (21%), where local cement factories are located.

Gypsum - imported from Azerbaijan and is allocated to Kaspi (40%) and Rustavi (29%), while 30% is sent to Tbilisi, where plasterboards are produced.

Bituminous coal - is imported from Russia and distributed to Kaspi and Rustavi, with distribution shares of 61% and 39%, respectively.

EXPORT TRANSPORTATION

Export refers to the transportation of goods from Georgia to international directions. The share of exported cargo in the total transported volume was around 8% in 2024, compared to 9% in the previous year.

	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	**%**	**% constant currency**
Revenue (million GEL)	30.3	30.3	*(0.0)*	*(3.4)*
Freight Volume (million tons)	1.1	1.2	*(8.7)*	*NA*
Freight Turnover (million ton-km)	299.1	334.2	*(10.5)*	*NA*
Revenue / ton-km (in Tetri)	*10.14*	*9.07*	*11.8*	*7.9*

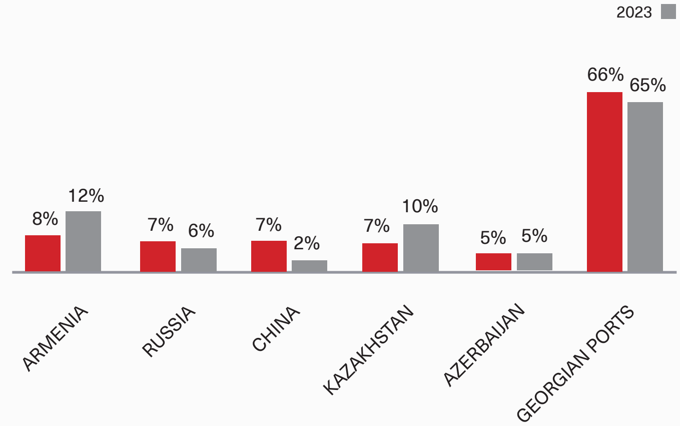
MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – In 2024, a 11% decrease in freight turnover primarily was driven by reduced transportation to Armenia and Kazakhstan down by 15.3 million tkm and 14.0 million tkm, respectively, compared to 2023.

Revenue / ton-km (in Tetri) – 8% increase in constant currency in 2024 was driven by a higher share of transportation to Russia, which is relatively more profitable direction. Meanwhile, the share of transportation to Armenia, which is relatively less profitable direction, decreased compared to the previous year.

DESTINATION COUNTRIES

Percentage share in total volume (ton-km)



MAIN DIRECTIONS OF CARGO FLOW IN 2024

Ammonium nitrate – is transported from Rustavi, where the fertilizer factory is located and is transported to Poti Sea Port (97%).

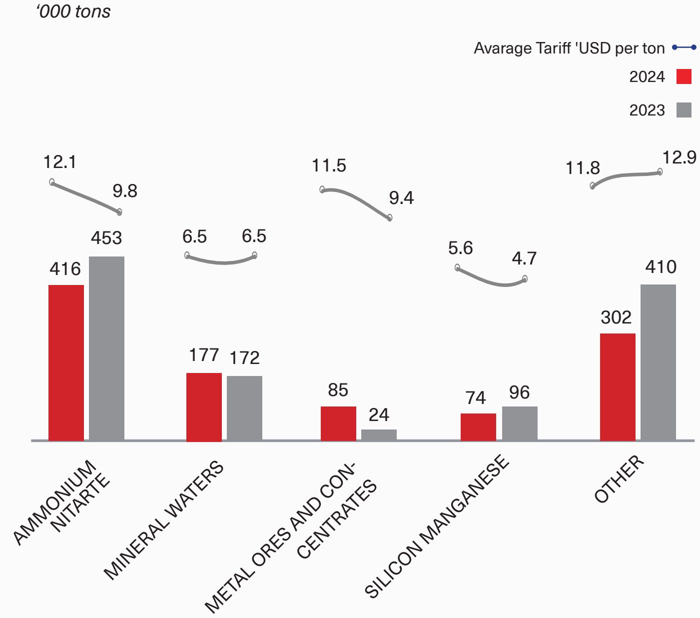
Mineral waters – mainly sourced from Borjomi, where one of the largest bottlers is located and are distributed to Russia (56%), Kazakhstan (32%) and Uzbekistan (9%).

Metal ores and concentrates – are fully transported from Tbilisi to China (76%) and Bulgaria (23%).

Silicon manganese – is sourced from Zestaponi, where the ferroalloys plant is located and is transported to Batumi Sea Port (99%).

MAIN EXPORTED PRODUCT TYPES

'000 tons



DOMESTIC TRANSPORTATION

Domestic transportation represents the movement of cargo from one station to another, within Georgia. The share of domestic transportation in total transported volume was 10% in 2024, compared to 12% in the previous year.

	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	**%**	**% constant currency**
Revenue (million GEL)	16.3	13.1	*24.2*	*20.0*
Freight Volume (million tons)	1.4	1.6	*(11.8)*	*NA*
Freight Turnover (million ton-km)	153.4	171.6	*(10.6)*	*NA*
Revenue / ton-km (in Tetri)	*10.64*	*7.66*	*38.9*	*34.1*

MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – A 11% decrease in freight turnover was primarily attributed to a reduction in transportation along the Dedoplistskaro-Kaspi, internal Chiatura and Rustavi-Parto Tskali routes in 2024, compared to 2023.

Revenue / ton-km (in Tetri) – 39% increase in 2024 was mostly driven by increased average tariff on limestone (by 68%) and cement clinkers (by 27%) transportation.

MAIN DIRECTIONS OF CARGO FLOW IN 2024

Limestone – is sourced from Dedoplistskaro, where open quarries are located and is distributed to Rustavi (90%) and Kaspi (10%), where cement factories are situated.

Manganese ores and concentrates - are sourced from Chiatura, home to a manganese mine and are distributed to Zestaponi (88%) and Chiatura (12%), where ferroalloy factories are located.

Petroleum products include motor petrol, diesel fuel, special fuel and aviation fuel.

Motor petrol – is distributed primarily to Tbilisi (79%) and Samtredia (16%) for domestic use.

Diesel fuel – is distributed to Tbilisi (58%), Samtredia (22%) and Batumi (14%) for domestic use.

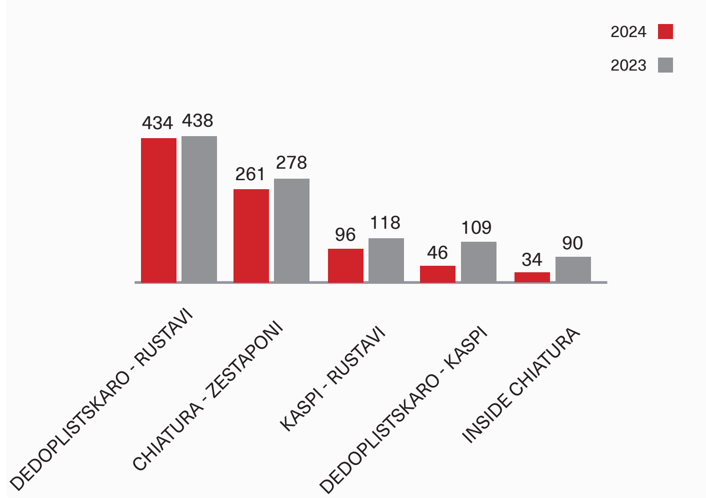
Special fuel - is distributed to Tbilisi (44%), Samtredia (27%) and Dzegvi (23%) primarily for domestic use.

Aviation fuel - is distributed to Tbilisi (55%) and Kutaisi (45%) for use by aviation companies located in those areas.

Cement clinkers - was transported from Kaspi to Rustavi, where cement factories are located.

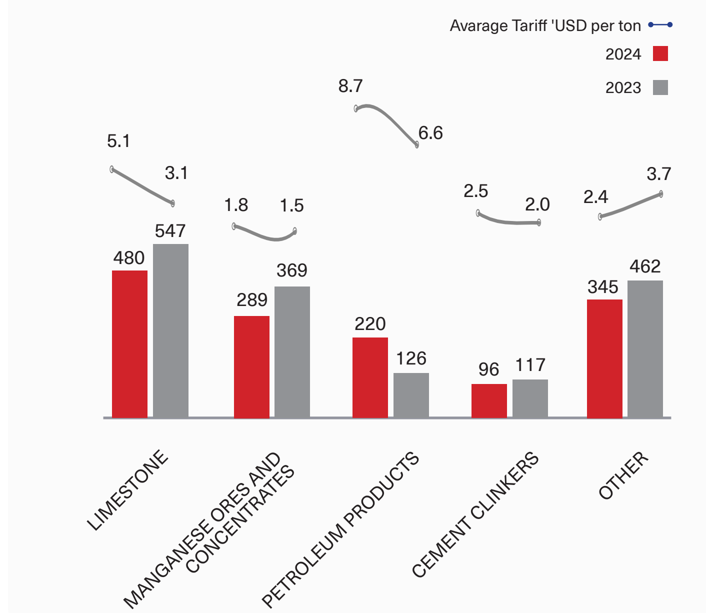
MAIN ROUTES OF DOMESTIC TRANSPORTATION

'000 tons



MAIN DOMESTIC PRODUCT TYPES

'000 tons



TRANSPORTATION BY BORDER CROSSING

RAIL FREIGHT VOLUMES BY BORDER CROSSING

The JSC Georgian Railway operates three railway border crossings that link Georgia with its neighboring countries – Azerbaijan, Armenia and Türkiye. The Beyuk-Kyasik station connects the Company to Azerbaijan and its corresponding border crossing station in Georgia is Gardabani. The Sadakhlo station links Georgia to Armenia, while the Akhalkalaki station connects it to Türkiye. Additionally, the Company is linked to Black Sea Ports, including Poti Sea Port, Batumi Sea Port and Parto Tskali (Kulevi) Port.

The provided freight data indicates the points of entry and exit for cargo into and out of the country. Notably, 74% of incoming freight arrives through land border crossings, underscoring the significance of the East-West transportation axis. On the other hand, 74% of outgoing cargo is shipped from ports, emphasizing the role of maritime transport via the Black Sea. This data highlights that the primary route or freight volumes in Georgia is from the East, primarily through Azerbaijan, with a subsequent departure from the country via maritime transport.

** The Company also has a rail line connection with Russia through Abkhazia, which is currently not operational.*

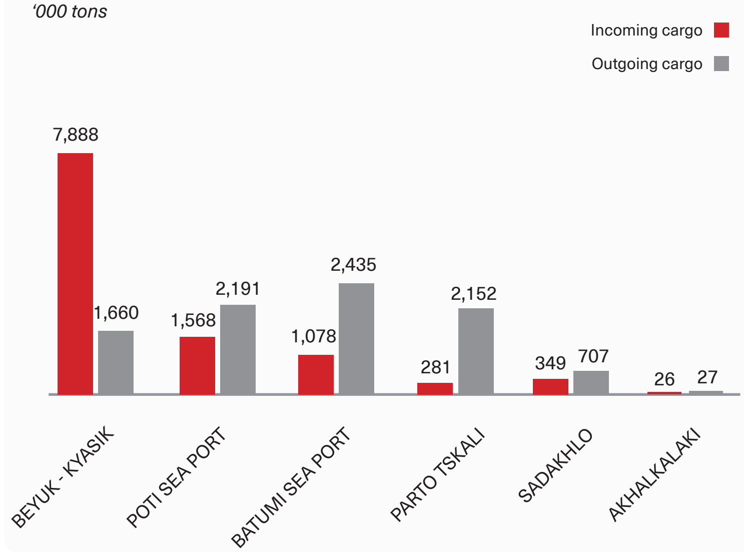
RAILWAY FREIGHT VOLUMES BY THE BORDER CROSSINGS

Incoming rail volume - The main entry point for incoming cargo was the Beyuk-Kyasik station, which accounted for 70% of the total incoming cargo and 95% of the cargo arriving from land border crossings. A relatively smaller proportion of the overall incoming cargo, with shares of 14% and 10%, was transported from the Poti Sea Port and Batumi Sea Port, respectively.

Outgoing rail volume – 74% of outgoing cargoes leave the country through Batumi Sea Port, Poti Sea Port and Parto Tskali. Conversely, Beyuk-Kyasik serves as the primary land departure point, representing 18% of the total volume leaving the country and facilitating 69% of the entire volume departing via land borders.

FREIGHT BY BORDER CROSSINGS

'000 tons



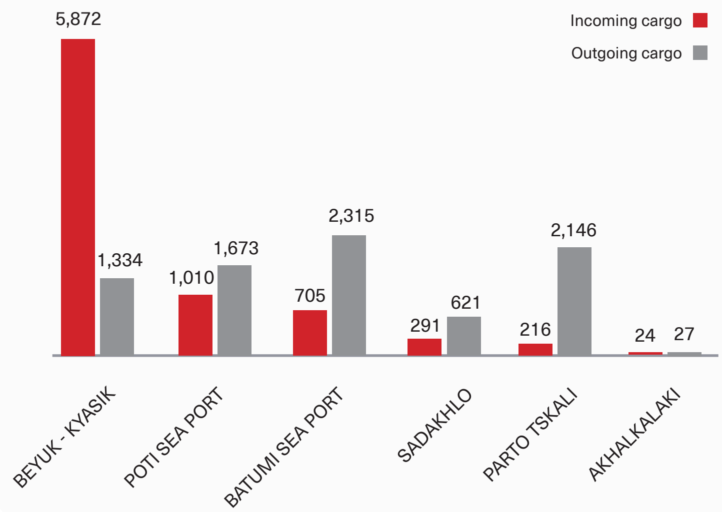
BORDER CROSSINGS OF TRANSIT PRODUCTS

In 2024, Beyuk-Kyasik station received the largest portion of incoming volume, accounting for 72%, up slightly from 70% in 2023. The primary countries of origin for these cargoes were Kazakhstan (2,416 thousand tons), Azerbaijan (1,477 thousand tons) and Turkmenistan (1,314 thousand tons).

Meanwhile, Black Sea Ports handled the majority of outgoing volume comprising 76% of the total in 2024, up from 73% in 2023. The main destinations for these cargoes were Netherlands (1,310 thousand tons), Turkey (669 thousand tons) and China (416 thousand tons).

TRANSIT BORDER CROSSING

'000 tons



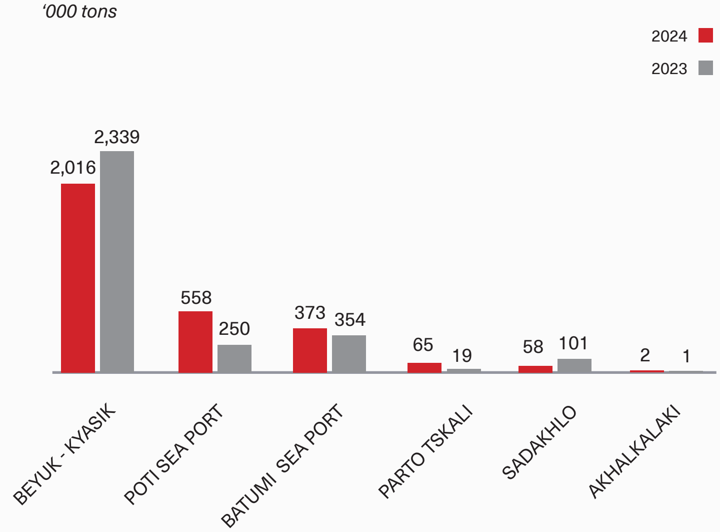
BORDER CROSSINGS OF IMPORTED PRODUCTS

In 2024, Beyuk-Kyasik station handled 66% of total imports, down from 76% in 2023. This 11% drop was mainly due to a decrease in imports from Russia by 426 thousand tons. Russia was the main origin country of the station, primarily transporting petroleum products (953 thousand tons), while Azerbaijan mainly transported cement clinkers (832 thousand tons).

Meanwhile, Black Sea Ports accounted for 32% of total imports in 2024, up from 20% in 2023. This 12% increase was mainly due to higher imports from Russia, Bulgaria, Romania and Türkiye. These countries primarily used Black Sea Ports for transporting petroleum products, with volumes of 339 thousand tons from Russia, 154 thousand tons from Bulgaria, 126 thousand tons from Romania and 108 thousand tons from Türkiye.

IMPORT BORDER CROSSING

'000 tons



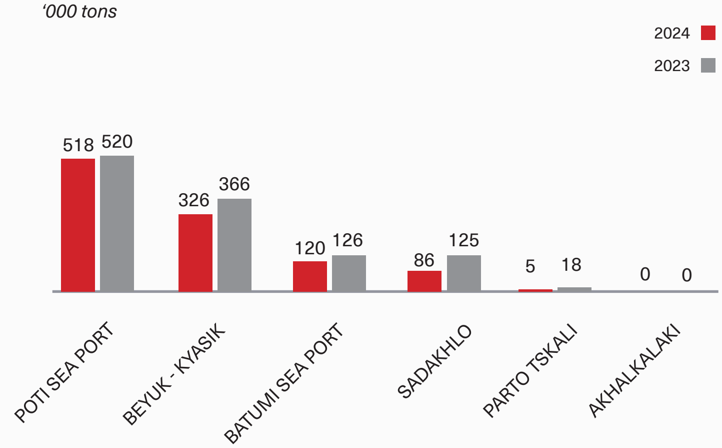
BORDER CROSSINGS OF EXPORTED PRODUCTS

In 2024, Black Sea Ports handled 58% of total exports, slightly up from 57% in 2023. The main exported goods were ammonium nitrate (405 thousand tons) and silico manganese (74 thousand tons).

Beyuk-Kyasik station accounted for 31% of total exports in 2024, down from 32% in 2023. The main destinations for cargo exported through this station were Russia (108 thousand tons) and Kazakhstan (107 thousand tons), mainly consisting of mineral water.

EXPORT BORDER CROSSING

'000 tons



CONTAINER TRANSPORTATION

Approximately 9% of the total transported volume in 2024 was for the containerized goods and the rest was for bulk and breakbulk. Although container transport has a relatively low share, its volumes has been increasing slowly but steadily over the recent years.

For the year ended 31 December		2024	2023	2022
NUMBER OF CONTAINERS				
20 feet		39,555	46,292	48,351
40 feet		26,696	25,655	20,006
	TOTAL	66,251	71,947	68,357
	% Change	*(7.9)*	*5.3*	19.7
NUMBER OF CONTAINERS IN TEU		92,947	97,602	88,363
	% Change	*(4.8)*	*10.5*	19.1
TONS '000		1,293.2	1,415.6	1,502.6
	% Change	(8.6)	(5.8)	25.1

For the year ended 31 December		2024	2023	2022
REVENUE (GEL '000)				
20 feet containers		19,857	19,762	21,046
40 feet containers		11,958	13,565	13,156
	TOTAL	31,814	33,327	34,202
	% Change	*(4.5)*	*(2.6)*	*15.0*
AVERAGE TARIFF IN GEL				
20 feet containers		502.0	426.9	435.3
40 feet containers		447.9	528.7	657.6
AVERAGE TARIFF IN GEL		480.2	463.2	500.3
	% Change	*3.7*	*(7.4)*	*(4.0)*

**Average tariff represents revenue divided by number of containers*

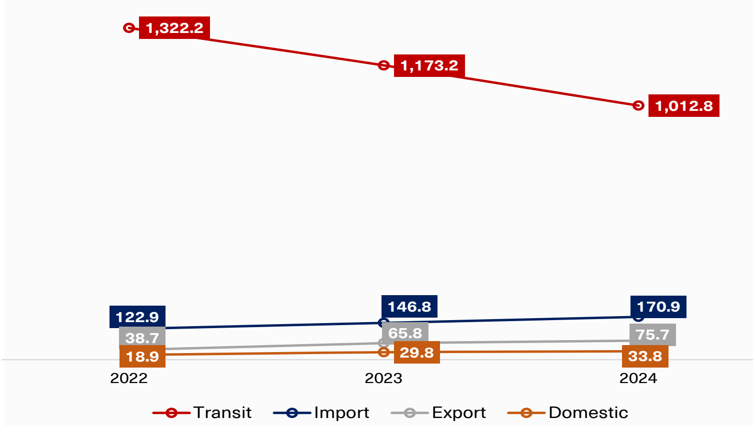
The Group's container transportation consists of transit, import, export and domestic transportation routes. The split between mentioned directions in 2024 was about 78%, 13%, 6% and 3%, respectively, compared to 83%, 10%, 5% and 2%, respectively, in 2023.

Number of containers – 8% decrease was due to a reduction in the number of containers transported to Azerbaijan by 5.0 thousand units and to Kazakhstan by 1.1 thousand units in 2024 compared to 2023.

Average tariff on containers (in GEL) - 4% increase was mainly due to increased number of containers transported from Armenia to Bulgaria, which is relatively more profitable direction, while the number of containers transported to Kazakhstan, which is relatively less profitable direction, decreased in 2024, compared to 2023.

CONTAINERS BY TRANSPORTATION TYPE

'000 tons



1.2 FREIGHT HANDLING

General description

Freight handling revenue stems from the following sources:

- Revenue from station services, such as railcar marshaling, freight pick-up, delivery at customer facilities and other related services;
- Revenue from 24-hour railcar delays, for which a fee is paid by customers for the return of GR's own railcar after an initial 24 hours following its delivery at an agreed destination; and
- Revenue from other services, such as cargo loading/unloading, storage and accelerated service fees.

Currency and tariff setting

Most of the freight handling revenue (about 68% in 2024) was denominated in USD, while the rest was denominated in GEL. The Group sets its tariffs independently.

Drivers

The revenue from this source largely changes in line with transportation volumes (in tons). The correlation, however, is not perfect as there are many other influential factors.

FREIGHT HANDLING

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
STATION SERVICES	59,034	57,161	*3.3*	*1,873*
24-HOUR SERVICE	25,533	23,082	*10.6*	*2,451*
OTHER	1,924	2,487	*(22.6)*	*(562)*
TOTAL	86,491	82,729	*4.5*	*3,762*

Revenue from freight handling for Q4 2024 increased by 20.7%, compared to Q4 2023 and by 13.0%, compared to Q3 2024.

Factors influencing performance

A 4.5% increase during 2024, compared to the previous year, was mainly driven by increase in revenue from station services and 24-hour services by GEL 1.9 million and GEL 2.5 million, respectively.

1.3 LOGISTICAL SERVICES

General description

Revenue from logistical services is generated by GR's subsidiaries.

Currency and tariff setting

Almost 100% of revenue from logistical services is in USD.

Drivers

Revenue from this source mainly fluctuates based on transportation turnover and volumes measured in tons.

LOGISTICAL SERVICE REVENUE

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
LOGISTICAL SERVICE REVENUE	129,534	132,213	*(2.0)*	*(2,679)*

Revenue from logistical services for Q4 2024 increased by 13.7%, compared to Q4 2023, but decreased by 4.3% compared to Q3 2024.

Factors influencing performance

Revenue from logistical services declined due to reduced transportation by GR's subsidiary, which provides container transportation. The decrease was primarily driven by decline in carbamide transportation.

**Logistical revenue and expenditures should be taken into consideration jointly (See pg. 189 Logistical Service Expenses).*

1.4 RENT OF WAGONS AND OTHER RENTAL INCOME

General description

The Group rents out wagons not used in its transportation operations and other property in order to accommodate greater utilization of its assets.

Currency and tariff setting

Revenue from the rent of wagons and other operating leases is mostly denominated in USD.

Drivers

Rent of wagons and other rental income changes in accordance with the availability of the Group's wagons not being used in transportation operations as well as demand for that specific type of wagon in the region.

RENT OF WAGONS AND OTHER RENTAL INCOME

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
RENT OF WAGONS AND OTHER RENTAL INCOME	3,829	4,158	*(7.9)*	*(329)*

Rent of wagons and other rental income for Q4 2024 decreased by 103.3%, compared to Q4 2023 and by 102.7%, compared to Q3 2024.

Factors influencing performance

Rent of wagons and other rental income decreased by 7.9% (GEL 0.3 million) in 2024, compared to 2023. This decrease was due to lower income generated from rent of wagons.

1.5 FREIGHT CAR CROSS-BORDER CHARGES

General description

Freight car cross-border charge revenue is derived when the Group's railcars are used by other railways.

Currency and tariff setting

Revenue from freight car cross-border charges is denominated in CHF and tariffs are set by the Council for Rail Transport of CIS States (CRT CIS).

Drivers

Freight car cross-border charge revenue changes in line with the number of days the Group's railcars are used by other railway companies, which in its turn depends on the cargo mix and the availability of freight cars in the region.

FREIGHT CAR CROSS-BORDER CHARGES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
FREIGHT CAR CROSS-BORDER CHARGES	15,609	15,705	*(0.6)*	*(96)*

Freight car cross-border charge revenue for Q4 2024 decreased by 13.0%, compared to Q4 2023 and by 9.1%, compared to Q3 2024.

Factors influencing performance

In 2024, the revenue from freight car cross-border charges saw a slight decrease of GEL 0.1 million compared to 2023.

1.6 PASSENGER TRAFFIC

General description

Passenger transportation comprises domestic and international services. Domestic transportation includes regional and long-distance transportation. Long-distance traffic accounts for the majority of the Group's passenger traffic, while the regional services, in particular suburban services, typically serve the low-income segments of society, with symbolic/minimal ticket fares. Georgian rail lines are linked to Azerbaijan and Armenia and international transportation services are provided to both countries.

Currency and tariff setting

Tariffs for domestic trains are set independently by the Group, in GEL. As a social partner to the Government of Georgia, the Group's maintains affordable passenger transportation services by setting tariffs much below its market prices. At the same time, GR maintains certain passenger trains even when such routes are not economically feasible. In June 2024, the Railway Transport Agency and JSC Georgian Railway signed an initial Public Service Contract (PSC) to ensure compliance with EU railway safety regulations, supporting sector reform and european integration by enhancing service quality, transparency and accountability. The compensation for the period from July to December, 2024, reached up to GEL 8.7 million.

Tariffs for international transportation are set through negotiations between countries and are denominated in CHF.

Drivers

Passenger revenue changes in line with the tariffs and the number of passengers transported.

PASSENGER TRANSPORTATION

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
REVENUE FROM PASSENGER TRANSPORTATION	36,669	41,219	*(11.0)*	*(4,550)*
GRANT REVENUE	8,726	0	*100.0*	*8,726*
NUMBER OF PASSENGERS '000	2,077	2,283	*(9.0)*	*(206)*
Revenue per passenger *(GEL)*	17.65	18.05	*(2.2)*	*(0.4)*

Revenue from passenger transportation for Q4 2024 decreased by 20.6% compared to Q4 2023 and decreased by 50.3% compared to Q3 2024.

Factors influencing performance

Revenue from passenger transportation fell by 11.0% in 2024 compared to 2023. This decline was primarily due to a reduction in the number of passengers transported, especially on mainline and international routes, which are the more profitable segments. Additionally, the average tariff per passenger fell by 2.2% in 2024 compared to the previous year, further impacting overall revenue.

In 2024, JSC Georgian Railway received compensation of GEL 8.7 million under the Public Service Obligation (PSO) contract, which is an agreement between JSC Georgian Railway and the Government of Georgia to compensate for losses incurred on unprofitable passenger routes.

1.7 OTHER REVENUE

General description

Other revenue is mostly denominated in GEL and comprises items such as revenue from the sale of scrap, communication services, electricity transportation and repair services for third parties.

OTHER REVENUE

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
REVENUE FROM SALE OF MATERIALS (SCRAP)	1,461	-	*100.0*	*1,461*
OTHER	2,815	4,612	*(39.0)*	*(1,796)*
TOTAL	4,276	4,612	*(7.3)*	*(336)*

Other revenue for Q4 2024 decreased by 901.7% compared to Q4 2023 and decreased by 258.1% when compared to Q3 2024.

Factors influencing performance

Other revenue decreased by GEL 0.3 million in 2024 compared to 2023, mainly due to a reduction in income from the sale of materials (excluding scrap metal). This was partially offset by an increase in income from scrap metal sales.

2. OTHER INCOME

General description

Other income mainly includes profit generated from an associate entity. In February 2024, Georgia Railway purchased 21.716% shares of Gardabani Thermal Power Plant (TPP), using accounts receivable from a former shareholder JSC "Development Fund of Georgia".

Other income also coincides penalties from clients and suppliers, sales of fixed assets, provision reversals and etc. To better illustrate the operational profitability of the Group, other income is split into two categories: continuing operations (such as clients' and suppliers' penalties) and non-continuing operations (such as provision reversals or sale of fixed assets), which are not recurring part of the business.

OTHER INCOME

GEL '000	**TOTAL**		**CHANGE**	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
CONTINUING OPERATIONS	10,097	5,717	*76.6*	*4,380*
NON-CONTINUING OPERATIONS	12,710	3,276	*288.0*	*9,434*
TOTAL	22,807	8,993	*153.6*	*13,814*

Other income for Q4 2024 increased by 406.9% compared to Q4 2023 and increased by 1,593.6% compared to Q3 2024.

Factors influencing performance

Other income increased by GEL 13.8 million in 2024 compared to 2023, primarily due to the increased revenue from realization of scrap, as well es proceeds from successful litigation.

OPERATING EXPENSES

General description

In 2024, total operating expenses decreased approximately by GEL 9.8 million, compared to the previous year. The decline was mainly caused by a decrease in depreciation and amortization expenses and logistical service expenses.

OPERATING EXPENSES BREAKDOWN

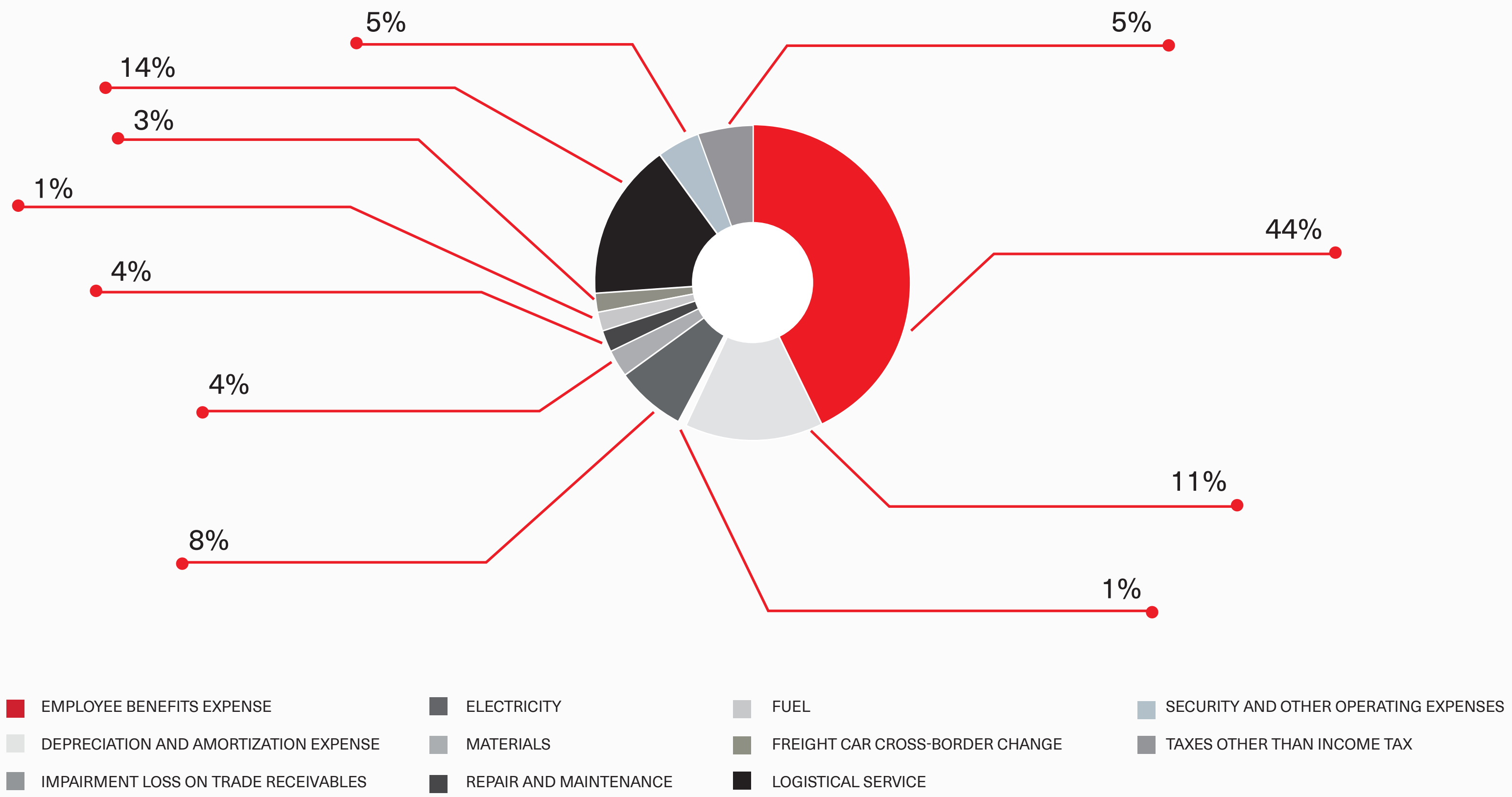
GEL '000		TOTAL		CHANGE		
For the year ended 31 December	*Note*	**2024**	**2023**	**%**	**% Constant Currency**	*Absolute*
EMPLOYEE BENEFITS EXPENSE	*3*	233,224	239,056	*(2.4)*	*(5.8)*	*(5,831)*
DEPRECIATION AND AMORTIZATION EXPENSES	*6*	59,325	76,895	*(22.8)*	*(25.5)*	*(17,570)*
IMPAIRMENT (GAIN)/LOSS ON TRADE RECEIVABLES	*7*	3,777	(6,016)	*(162.8)*	*(160.6)*	*9,793*
ELECTRICITY	*4.1*	40,418	38,677	*4.5*	*0.9*	*1,741*
MATERIALS	*4.2*	20,999	14,482	*45.0*	*40.0*	*6,518*
REPAIR AND MAINTENANCE	*4.2*	18,967	12,824	*47.9*	*42.9*	*6,144*
FUEL	*4.3*	7,269	8,739	*(16.8)*	*(19.7)*	*(1,471)*
FREIGHT CAR CROSS-BORDER CHARGES	*5.1*	15,177	8,325	*82.3*	*76.1*	*6,852*
LOGISTICAL SERVICES	*5.2*	76,614	88,461	*(13.4)*	*(16.3)*	*(11,847)*
SECURITY AND OTHER OPERATING EXPENSES	*5.3*	27,519	32,558	*(15.5)*	*(18.4)*	*(5,039)*
TAXES OTHER THAN INCOME TAX	*5.4*	26,119	25,223	*3.6*	*0.0*	*896*
TOTAL		529,408	539,224	*(1.8)*	*(5.2)*	*(9,815)*

OPERATING EXPENSES BREAKDOWN (QUARTERLY)

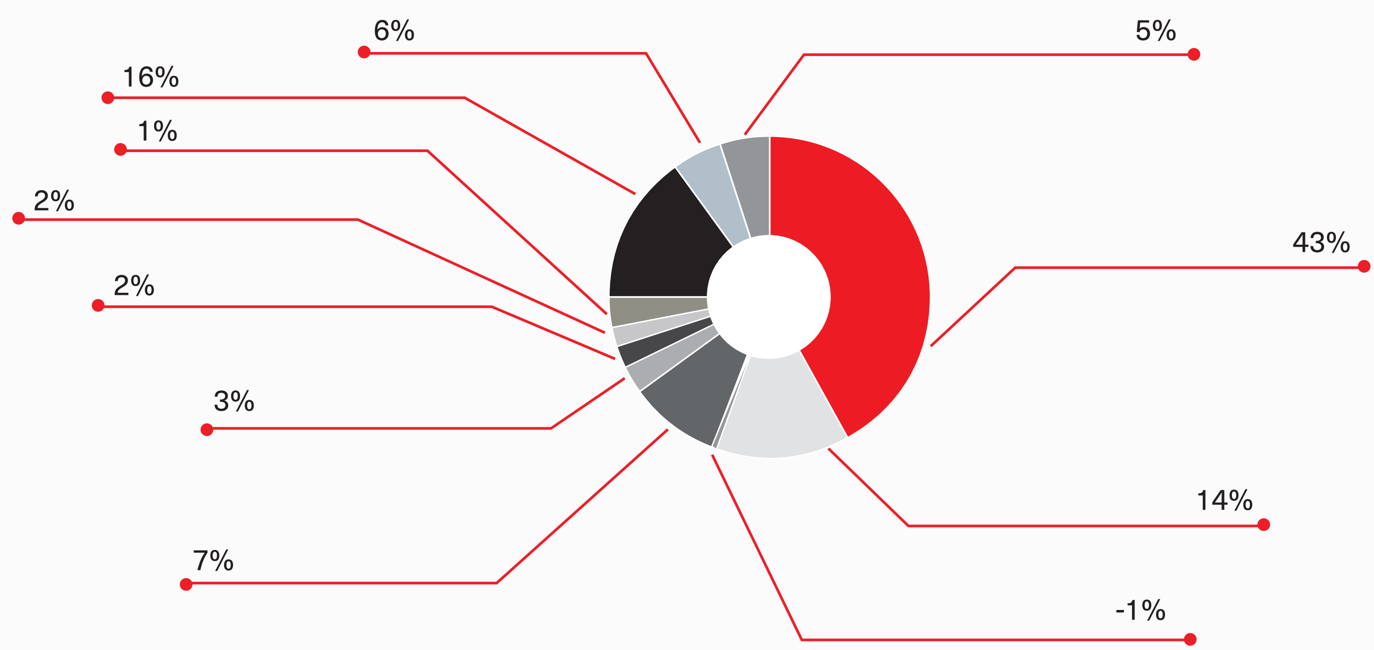
GEL '000

For the year ended 31 December	*Note*	**Q4 2024**	**Q4 2023**	*y-o-y*	**Q3 2024**	*q-o-q*
EMPLOYEE BENEFITS EXPENSE	*3*	61,550	63,312	*(2.8)*	55,211	*11.5*
DEPRECIATION AND AMORTIZATION EXPENSES	*6*	11,114	22,113	*(49.7)*	16,612	*(33.1)*
IMPAIRMENT (GAIN)/LOSS ON TRADE RECEIVABLES	*7*	983	(6,889)	*(114.3)*	1,641	*(40.1)*
ELECTRICITY	*4.1*	10,195	10,393	*(1.9)*	9,924	*2.7*
MATERIALS	*4.2*	5,757	3,214	*79.1*	7,602	*(24.3)*
REPAIR AND MAINTENANCE	*4.2*	6,914	2,604	*165.5*	1,869	*270.0*
FUEL	*4.3*	1,732	2,046	*(15.3)*	1,823	*(5.0)*
FREIGHT CAR CROSS-BORDER CHARGES	*5.1*	4,989	3,232	*54.4*	4,138	*20.6*
LOGISTICAL SERVICES	*5.2*	16,392	44,352	*(63.0)*	31,427	*(47.8)*
SECURITY AND OTHER OPERATING EXPENSES	*5.3*	8,103	6,613	*22.5*	7,089	*14.3*
TAXES OTHER THAN INCOME TAX	*5.4*	7,356	6,551	*12.3*	6,170	*19.2*
TOTAL		135,085	157,540	*(14.3)*	143,506	*(5.9)*

COST STRUCTURE FOR 2024



COST STRUCTURE FOR 2023



3. EMPLOYEE BENEFITS EXPENSES

General description

JSC Georgian Railway is one of the largest corporate employers and taxpayers in Georgia. This highlights the Company's significance for the country, along with the other important economic and social benefits it provides to the nation and it's employees.

The Group's salary cost is fixed and denominated in GEL. Therefore, it is not affected by changes in transported volume or the number of passengers, nor by fluctuations in foreign exchange rates.

EMPLOYEE BENEFITS EXPENSES

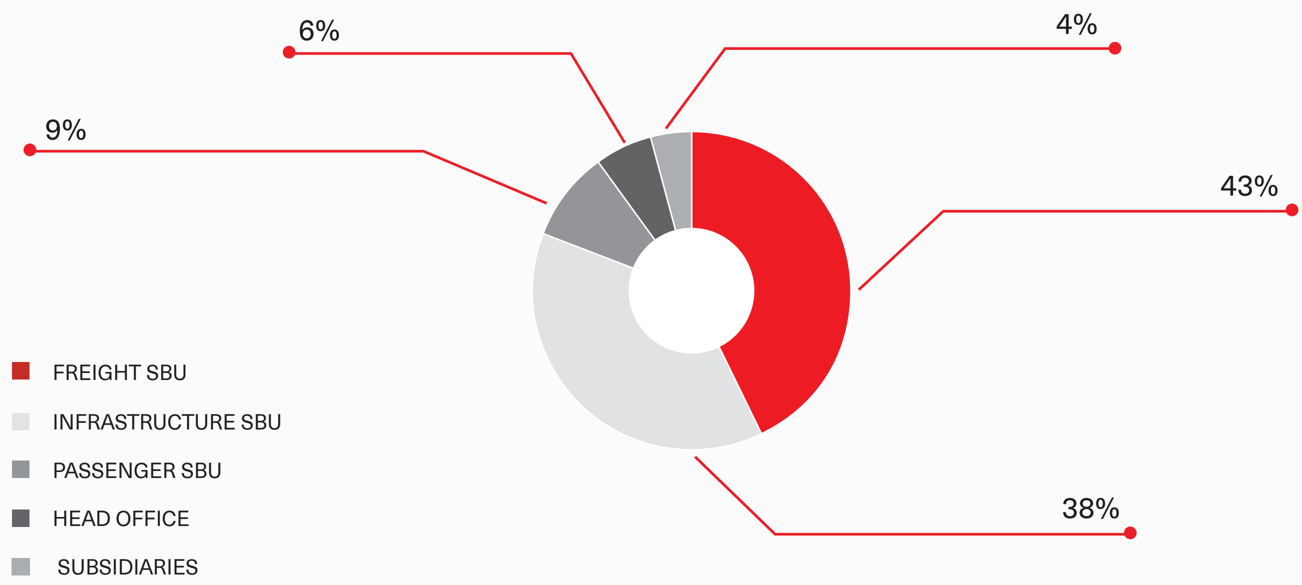
GEL '000	**TOTAL**		**CHANGE**	
For the year ended 31 December	**2024**	**2023**	**%**	*Absolute*
SALARY	180,102	185,424	*(2.9)*	*(5,321)*
BONUS-REWARD	10,346	10,858	*(4.7)*	*(511)*
OTHER BENEFITS	42,776	42,774	*0.0*	*2*
TOTAL	233,224	239,056	*(2.4)*	*(5,831)*

Employee benefits expenses for Q4 2024 decreased by 2.8% compared to Q4 2023 and increased by 11.5% compared to Q3 2024.

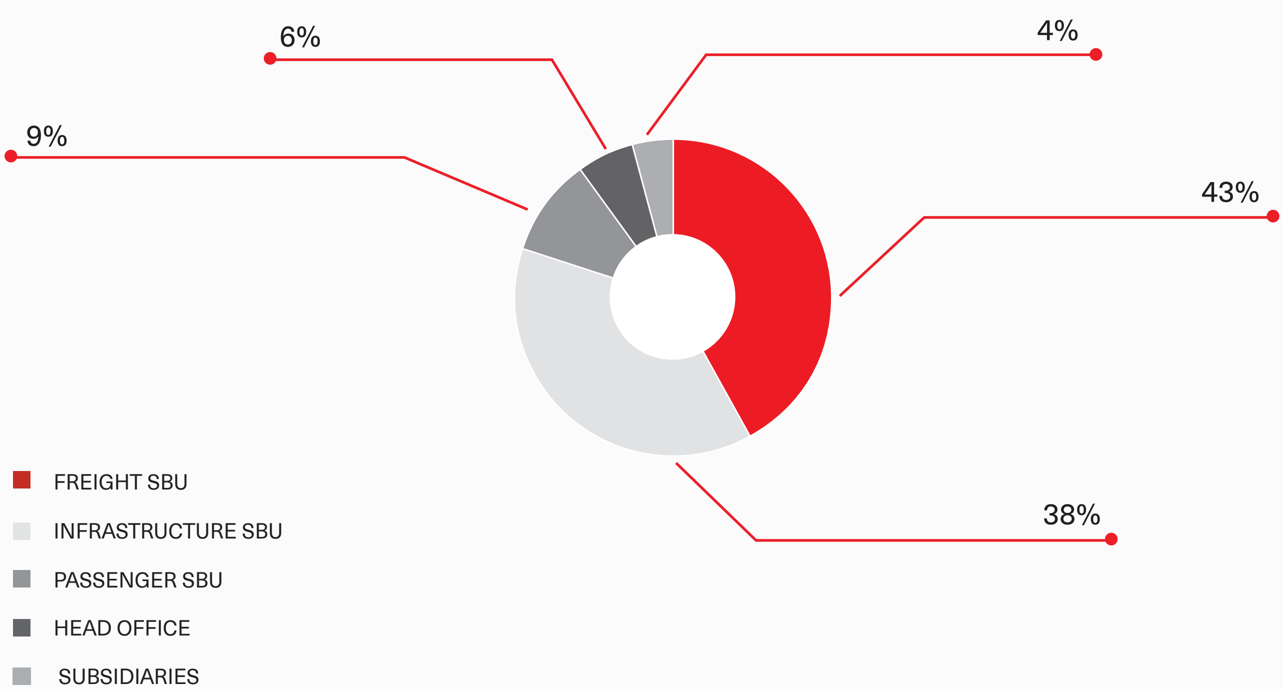
Factors influencing changes

In 2024, employee benefits expenses fell by 2.4 percent (GEL 5.8 million) compared to the previous year. This reduction was primarily driven by a 2.9 percent decrease in total salary costs, mainly due to a 3.1 percent reduction in the number of employees.

DISTRIBUTION OF STAFF BY BUSSINESS UNITS AS AT THE END OF DECEMBER 2024



DISTRIBUTION OF STAFF BY BUSSINESS UNITS AS AT THE END OF DECEMBER 2023



4.1 ELECTRICITY EXPENSES

General description

Approximately 98% of GR's railway network is electrified. Before September 2011, the Company purchased most of its electricity on the open market in Georgia. However, in September 2011, the Company entered into a 10-year agreement for the purchase of electricity with fixed tariffs (the "Electricity Agreement"), securing a price for more than 90% of the Company's needs. The remaining amount was procured on the open market. The Electricity Agreement expired in September 2021 however and since then the Company has been purchasing electricity on the open market with tariffs denominated in GEL.

Electricity expenses are split into two categories: electricity expenses for traction, which is driven by transportation turnover (the Group uses electric locomotives for freight transportation, EMUs for passenger transportation and diesel locomotives for shunting operations); and utility expenses, which are not related to transportation volume and are normally considered to be fixed.

ELECTRICITY EXPENSES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
ELECTRICITY EXPENSES FOR TRACTION	34,997	33,451	*4.6*	*1,545*
UTILITY EXPENSES	5,422	5,226	*3.7*	*196*
TOTAL	40,418	38,677	*4.5*	*1,741*

Electricity expenses in Q4 2024 decreased by 1.9% compared to Q4 2023, however increased by 2.7%, compared to Q3 2024.

Factors influencing changes

Total electricity expenses increased by approximately 4.5% (GEL 1.7 million) in 2024, compared to 2023. This rise was mainly driven by 2% increase in electricity consumption, which in term was due to increase in cargo transportation, as well as 2% higher average electricity tariff in 2024, compared to 2023. (see table: "Purchased Electricity and Weighted Average Tariff").

PURCHASED ELECTRICITY AND WEIGHTED AVERAGE TARIFF

GEL '000	2024			2023		
For the year ended 31 December	**GWh**	**Gross ton-km *(million)***	**Weighted av. tariff (GEL)**	**GWh**	**Gross ton-km *(million)***	**Weighted av. tariff (GEL)**
JANUARY	12.5	551.6	0.232	12.4	532.7	0.234
FEBRUARY	12.6	592.9	0.235	11.2	495.5	0.233
MARCH	13.2	599.8	0.235	12.8	581.8	0.225
APRIL	12.3	580.8	0.232	11.7	522.3	0.223
MAY	13.6	665.8	0.199	13.5	653.3	0.158
JUNE	13.6	664.0	0.218	13.4	632.4	0.193
JULY	13.9	644.1	0.218	14.0	642.3	0.205
AUGUST	13.8	657.6	0.220	13.9	633.9	0.211
SEPTEMBER	12.8	604.5	0.228	12.9	587.5	0.234
OCTOBER	12.4	593.7	0.224	13.0	602.9	0.243
NOVEMBER	12.3	565.8	0.233	11.7	510.0	0.240
DECEMBER	12.8	561.7	0.225	12.6	552.9	0.233
TOTAL	155.9	7,282.4	0.225	153.2	6,947.4	0.219

Note: The table above includes only electricity consumed for traction

4.2 MATERIALS, REPAIR AND MAINTENANCE EXPENSES

General description

The Group purchases inventory and uses these materials for repair works performed internally by its employees. This consumption is presented under "materials expenses." However, some repair works are outsourced and are presented under "repair and maintenance expenses".

The Group's materials, repair and maintenance expenses are all tied to its rolling stock equipment balance, its utilization level and its transportation volume. When transportation by the Group's rolling stock increases, so too do the expenses for materials, repairs and maintenance. However, this expense can also decreased when there is an increase in capital expenditures on the fleet and infrastructure, which thus reduces the need for repairs and maintenance.

MATERIALS, REPAIR AND MAINTENANCE EXPENSES

GEL '000	**TOTAL**		**CHANGE**	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
MATERIALS EXPENSES	20,999	14,482	*45.0*	*6,518*
REPAIR AND MAINTENANCE EXPENSES	18,967	12,824	*47.9*	*6,144*
TOTAL	39,967	27,305	*46.4*	*12,661*

Materials, repair and maintenance expenses for Q4 2024 increased by 117.8% compared to Q4 2023 and by 33.8% compared to Q3 2024.

Factors influencing changes

In 2024, the GEL 12.7 million increase was primarily due to a GEL 6.1 million increase in repair and maintenance expenses, primarily due to more repair works for machinery and rolling stock and a GEL 6.5 million rise in material expenses, mainly driven by a higher volume of purchased materials, particularly related to the track superstructure compared to the previous year.

4.3 FUEL EXPENSES

General description

The Group's fuel consumption principally relates to diesel locomotives carrying out shunting operations. It should be noted that the main driver for these operations is dry cargo. In everyday business processes, diesel locomotives are used for railcar marshaling, freight pick-up and delivery at customer facilities.

Another factor affecting fuel expenses is the nature of the cargo (i.e. import, export, local, or transit). While transit cargo is mainly served at one of the Group's stations, most local, export and import cargoes are served in two stations (i.e. the origin and destination stations).

FUEL EXPENSES

GEL '000	**TOTAL**		**CHANGE**	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
FUEL EXPENSES	7,269	8,739	*(16.8)*	*(1,471)*

Fuel expenses for Q4 2024 decreased by 15.3% compared to Q4 2023 and by 5.0% compared to Q3 2024.

Factors influencing changes

Total fuel expenses decreased by 16.8% (GEL 1.5 million) in 2024, compared to 2023. This reduction was mainly due to a decrease in fuel consumption, as well as decrease in avarage fuel tarriff.

FUEL CONSUMPTION

	2024	2023	2022
CONSUMPTION ('000 TONS)	*2,614*	*3,047*	*3,532*
FUEL EXPENSES ('000 GEL)	*7,269*	*8,739*	*10,486*
AVG. TARIFF	*2.78*	*2.87*	*2.97*

5.1 FREIGHT CAR CROSS-BORDER CHARGE EXPENSES

General description

Freight car cross-border charge expenses represent short-term rent expenses derived from the usage of other railways' railcars on the Group's network, for which it is charged a daily fee. This expense counters the freight car cross-border charge revenue. The expense is based on CHF tariffs and thus is tied to the GEL/ CHF exchange rate and the amount of cargo GR transports using other railways companies' railcars.

FREIGHT CAR CROSS-BORDER CHARGE EXPENSES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
FREIGHT CAR CROSS-BORDER CHARGE	15,177	8,325	*82.3*	*6,852*

Freight car cross-border charge expenses for Q4 2024 increased by 54.4% compared to Q4 2023 and by 20.6% compared to Q3 2024.

Factors influencing changes

Freight car cross-border charge expenses increased by 82.3% (GEL 6.9 million). The lower cost in 2023 was mainly due to certain discount from the neighboring railway, as well as the reversal of some historically incurred costs.

5.2 LOGISTICAL SERVICE EXPENSES

General description

Expenses for logistical services refer to costs incurred by the Group's logistics business for international transportation and/or for other modes of transport.

LOGISTICAL SERVICE EXPENSES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
LOGISTICAL SERVICE EXPENSES	76,614	88,461	*(13.4)*	*(11,847)*

Expenses for logistical services for Q4 2024 decreased by 63.0% compared to Q4 2023 and by 47.8% compared to Q3 2024.

Factors influencing changes

Expenses for logistical services in 2024 decreased by 13.4% (GEL 11.8 million), compared to 2023. This decline was primarily driven by a reduction of GEL 5.8 million in freight forwarding expenses of GR's subsidiary, which provides oil product transportation. Additionally, in 2023 tariff adjustment of GEL 5.6 million was made to the expenses of GR's subsidiary responsible for container transportation.

**Logistical revenue and expenditure should be taken into consideration jointly (see pg. 178 Logistical Service Revenue).*

5.3 SECURITY AND OTHER OPERATING EXPENSES

General description

Security expenses mainly comprise the Group's buildings, depots and railway station protection expenses. Other operating expenses consist of items such as communication, legal costs, consulting services, membership fees, rent expenses and advertising expenses.

Security and other operating expenses are mostly denominated in GEL and are mainly fixed.

SECURITY AND OTHER OPERATING EXPENSES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
SECURITY	13,166	12,364	*6.5*	*802*
OTHER OPERATING EXPENSES	14,353	20,193	*(28.9)*	*(5,840)*
TOTAL	27,519	32,558	*(15.5)*	*(5,039)*

Security and other operating expenses for Q4 2024 increased by 22.5% compared to Q4 2023 and by 14.3% compared to Q3 2024.

Factors influencing changes

Security and other operating expenses decreased by GEL 5.0 million in 2024 compared to 2023. This reduction was primarily due to higher expenses related to software and hardware services in 2023.

5.4 TAXES OTHER THAN INCOME TAX

General description

Land tax is determined by the municipalities in which the land is located, while property tax is calculated at 1% of the average book value of the asset. Railway infrastructure assets, such as rail and transmission lines, are exempt from property tax.

TAXES OTHER THAN INCOME TAX

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
PROPERTY TAX	12,357	12,469	*(0.9)*	*(112)*
LAND TAX	11,474	10,980	*4.5*	*493*
OTHER TAXES	2,288	1,774	*29.0*	*515*
TOTAL	26,119	25,223	*3.6*	*896*

Taxes other than income tax for Q4 2024 increased by 12.3% compared to Q4 2023 and by 19.2% compared to Q3 2024.

Factors influencing changes

Taxes other than income tax increased by 3.6% (GEL 0.9 million) in 2024, compared to the previous year. This increase was primarily driven by increased taxes related to customs services, as well as increased land tax.

6. DEPRECIATION AND AMORTIZATION EXPENSES

General description

The Group's depreciation and amortization expenses are mainly affected by capital additions and property retirements from disposal, sale, or abandonment. The expenses are denominated in GEL and thus are not affected by fluctuations in foreign exchange rates.

DEPRECIATION AND AMORTIZATION EXPENSES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
DEPRECIATION AND AMORTIZATION	59,325	76,895	*(22.8)*	*(17,570)*

Depreciation and amortization expenses for Q4 2024 decreased by 49.7% compared to Q4 2023 and by 33.1% compared to Q3 2024.

Factors influencing changes

The Group's depreciation and amortization expense was GEL 59.3 million in 2024, as compared to GEL 76.9 million in 2023. In 2024, the useful life of certain assets was reassessed and adjusted, leading to a GEL 17.6 million reduction in depreciation and amortization expenses.

7. IMPAIRMENT LOSS/(GAIN) ON TRADE RECEIVABLES

General description

The allowance account with respect to trade receivables is used to record impairment losses until all possible opportunities for recovery have been exhausted; once that point has been reached, the relevant amounts are written off directly against the given financial asset.

IMPAIRMENT GAIN/LOSS ON TRADE RECEIVABLES

GEL '000	**TOTAL**		**CHANGE**	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
IMPAIRMENT LOSS/(GAIN) ON TRADE RECEIVABLES	3,777	(6,016)	*(162.8)*	*9,793*

Factors influencing changes

In 2024, the Group recognized a GEL 3.8 million impairment loss on trade receivables, primarily due to the impairment of certain receivables from partnering railways.

8. SHARE OF RESULTS OF EQUITY ACCOUNTED INVESTEES

The loan issued to the former shareholder, JSC Development Fund of Georgia (formerly JSC Partnership Fund), has been recovered through the exchange of a 21.7% ownership stake in Gardabani Thermal Power Plant (Gardabani TPP). As a result, the loan amount has been reclassified from the other receivables to the investments account. Additionally, as of 31 December 2024

SHARE OF RESULTS OF EQUITY ACCOUNTED INVESTEES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
Share of results of equity accounted investees	15,738	0	*100.0*	*15,738*

Factors influencing changes

Profit from the associate entity amounted to GEL 15.7 million in 2024.

9.FINANCE INCOME AND COST

General description

The finance income of the Group mainly consists of interest accrued on the Group's cash balances and foreign exchange gains.

Finance cost mainly entails interest expenses on the Group's debt and foreign exchange losses.

The main source of FX gains or losses is the Group's Eurobonds, which are denominated in USD. This is, however, partially offset by the Group's USD cash balances and receivables in foreign hard currencies. It must be noted that such FX gains or losses on Eurobonds are not monetary and will not be realized until maturity. The Group's revenues are mostly denominated in hard currencies (USD and CHF). As most of the tariffs are set in USD, the Group's revenue creates a natural economic hedge against foreign exchange fluctuations.

FINANCE INCOME AND COST

GEL '000	TOTAL		CHANGE	
	2024	**2023**	*%*	*Absolute*
INTEREST INCOME	24,318	37,229	*(34.7)*	*(12,911)*
IMPAIRMENT GAIN/(LOSS) ON FINANCIAL ASSETS	(681)	265	*(357.0)*	*(946)*
GAIN ON MODIFICATION OF FINANCIAL INSTRUMENTS	4,051	1,365	*196.8*	*2,686*
UNWINDING OF DISCOUNT ON PROVISIONS	(2,544)	0	*(100.0)*	*(2,544)*
INTEREST EXPENSE	(58,765)	(61,090)	*(3.8)*	*2,325*
NET FOREIGN EXCHANGE GAIN/(LOSS)	(55,669)	12,065	*(561.4)*	*(67,734)*
NET FINANCE INCOME/(COST)	(89,290)	(10,166)	*778.3*	*(79,124)*

Factors influencing changes

In 2024, the Group reported a GEL 89.3 million net finance loss, compared to a GEL 10.2 million net finance loss in 2023. The difference of GEL 79.1 million was primarily due to fluctuation of GEL against foreign currencies.

The Group showed a net foreign exchange loss of GEL 55.7 million in 2024 due to the depreciation of GEL against USD by 4.4 percent as of December 31, 2024, compared to December 31, 2023 (GEL/USD exchange rate of 2.8068 versus 2.6894). Conversely, in 2023 the Group experienced a net foreign exchange gain of GEL 12.1 million due to GEL appreciation against the USD by 0.5 percent as of December 31, 2023, compared to December 31, 2022 (GEL/USD exchange rate of 2.6894 versus 2.7020).

Interest income in 2024 decreased by 12.9 million GEL compared to 2023, mainly due to lower interest rates on GEL denominated deposits, as well as increased share of USD denominated deposits, which naturally have lower interest rates.

II. BALANCE SHEET

NON- CURRENT ASSETS

GEL '000	TOTAL		CHANGE	
As at 31 December	**2024**	**2023**	*%*	*Absolute*
PROPERTY, PLANT AND EQUIPMENT	1,971,748	1,921,379	*2.6*	*50,369*
OTHER NON-CURRENT ASSETS	46,537	158,909	*(70.7)*	*(112,373)*
OTHER RECEIVABLE	0	53,037	*(100.0)*	*(53,037)*
INVESTMENTS	73,607	27	*100.0*	*73,580*
TOTAL	2,091,892	2,133,352	*(1.9)*	*(41,461)*

Factors influencing changes

Property, plant and equipment – The increase of GEL 50.4 million in property, plant and equipment was primarily due to the construction of a new rail network and other engineering works, mostly associated with the Modernization Project.

Other non-current assets – GEL 112.4 million reduction in other non-current assets as of 31 December 2024 was primarily driven by the reclassification of receivables ralated the Tbilisi Bypass project to other current assets *(see page 195 current assets)*. The Project remained suspended during both 2024 and 2023. Initially recognized as prepayments for non-current assets, the related balance was reclassified as a financial asset in light of management's expectation of cash recovery. According to the agreement terms, if the buyer formally suspends the Project, the construction service provider is required to refund the prepayment. Although formal cancellation had not occurred as of 31 December 2024, management anticipates it will take place in 2025.

Investments – The loan issued to the former shareholder, JSC Development Fund of Georgia (formerly JSC Partnership Fund), has been recovered through the exchange of a 21.7% ownership stake in Gardabani Thermal Power Plant (Gardabani TPP). As a result, the loan amount has been reclassified from the other receivables to the investments account. Additionally, as of 31 December 2024, initial cost of an investment increased by GEL 15.7 million of profit generated by the entity.

CURRENT ASSETS

GEL '000	TOTAL		CHANGE	
As at 31 December	**2024**	**2023**	*%*	*Absolute*
INVENTORIES	39,506	37,330	*5.8*	*2,175*
TRADE AND OTHER RECEIVABLES	27,870	30,905	*(9.8)*	*(3,035)*
CURRENT TAX ASSETS	2,896	7,265	*(60.1)*	*(4,369)*
OTHER CURRENT ASSETS	103,480	0	*100.0*	*103,480*
PREPAYMENTS AND OTHER CURRENT ASSETS	898	3,562	*(74.8)*	*(2,664)*
CASH AND CASH EQUIVALENTS	318,300	283,547	*12.3*	*34,753*
TOTAL	492,950	362,609	*35.9*	*130,341*

Factors influencing changes

Inventories – GEL 2.2 million increase in inventories was largely due to increased construction and repair works in 2024, compared to 2023.

Trade and other receivables – GEL 3.0 million decrease was primarily driven by lower trade and other receivables, mainly due to increased receivables from one of the Company's subsidiaries.

**For the information on cash and cash equivalents, please refer to page 197 Cash Flow Statement.*

EQUITY

GEL '000	TOTAL		CHANGE	
As at 31 December	**2024**	**2023**	*%*	*Absolute*
CHARTER CAPITAL	1,055,121	1,055,031	*0.0*	*90*
NON-CASH OWNER CONTRIBUTION RESERVES	100,602	100,602	*0.0*	*0*
RETAINED EARNINGS	(219,405)	(287,589)	*(23.7)*	*68,184*
TOTAL	936,318	868,044	*7.9*	*68,274*

In 2024, total equity increased by GEL 68.3 million compared to 2023, primarily driven by a net income of GEL 68.2 million. This resulted in a reduction of retained earnings loss from GEL 287.6 million to GEL 219.4 million.

NON-CURRENT LIABILITIES

GEL '000	TOTAL		CHANGE	
As at 31 December	**2024**	**2023**	*%*	*Absolute*
LOANS AND BORROWINGS	1,411,083	1,339,840	*5.3*	*71,243*
ADVANCED RECEIVED FROM THE GOVERNMENT	46,593	46,593	*0.0*	*0*
TRADE AND OTHER PAYABLES	34,992	36,714	*(4.7)*	*(1,722)*
TOTAL	1,492,668	1,423,147	*4.9*	*69,521*

Factors influencing changes

Loans and borrowings – As of 31 December 2024 loans and borrowings increased by GEL 71.2 milliom due to the GEL depreciation against foreign currencies, as well as the temporary reclassification of a secured loan from long-term to short-term loans and borrowings as of 31 December 2023.

CURRENT LIABILITIES

GEL '000	TOTAL		CHANGE	
As at 31 December	**2024**	**2023**	*%*	*Absolute*
LOANS AND BORROWINGS	14,593	36,298	*(59.8)*	*(21,705)*
TRADE AND OTHER PAYABLES	117,610	142,117	*(17.2)*	*(24,507)*
LIABILITIES TO THE GOVERNMENT	4,712	4,712	*0.0*	*0*
PROVISIONS	9,571	11,214	*(14.6)*	*(1,643)*
OTHER CURRENT LIABILITIES	9,370	10,429	*(10.2)*	*(1,059)*
TOTAL	155,856	204,770	*(23.9)*	*(48,914)*

Factors influencing changes

Trade and other payables – The GEL 24.5 million decrease was mainly due to the payment of GEL 26.8 million to supplier for constructing and designing signaling, centralization and blocking systems on the Kashuri-Zestafoni segment.

III. CASH FLOW STATEMENT

By the end of 31 December, 2024, the Group held GEL 318.3 million of cash and cash equivalents. These cash resources are held to support working capital and fixed capital expenditures. Fixed capital expenditures mainly entail the costs related to Modernization Project, which was finalized in 2024.

The Group mainly relies on its cash generated from operating activities for funding its current and future cash requirements.

OPERATING ACTIVITIES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	%	*Absolute*
CASH RECEIPTS FROM CUSTOMERS	634,857	620,993	*2.2*	*13,864*
CASH PAID TO SUPPLIERS AND EMPLOYEES	(416,028)	(444,178)	*(6.3)*	*28,149*
NET CASH FROM OPERATING ACTIVITIES	218,829	176,815	*23.8*	*42,013*

Factors influencing changes

Net cash from operating activities increased by GEL 42.0 million in 2024 compared to 2023. This change was primarily driven by an increase in cash receipts from customers due to increased revenue from freight transportation and related services, which in turn was positively influenced by USD appreciation against GEL, as the most of the Group's revenue is denominated in USD.

Additionally, there was a decrease in cash paid to suppliers and employees, primarily due to lower logistic expenses and employee benefit expenses, which also contributed to the rise in net cash from operating activities (see pg. 185 Employee benefit expenses).

INVESTING ACTIVITIES

GEL '000	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	%	*Absolute*
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(150,725)	(139,342)	*8.2*	*(11,383)*
PURCHASE OF A COMPANY SHARE	(4,343)	0	*(100.0)*	*(4,343)*
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT	11,129	262	*(4142.6)*	*10,867*
INTEREST RECEIVED	24,426	34,133	*(28.4)*	*(9,707)*
INCREASE/DECREASE IN TERM DEPOSITS	0	4,071	*(100.0)*	*(4,071)*
INVESTMENT IN SUBSIDIARIES	(462)	0	*(100.0)*	*(462)*
NET CASH USED IN INVESTING ACTIVITIES	(119,975)	(100,876)	*18.9*	*(19,098)*

Factors influencing changes

Cash used in investing activities increased by GEL 19.1 million in 2024 compared to 2023. This increase was mainly due higher capital expenditures related to the Modernization Project and lower interest received mainly due to lower rates on deposits.

FINANCING ACTIVITIES

GEL '000	**TOTAL**		**CHANGE**	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
REPAYMENT OF BORROWINGS	(11,829)	(11,346)	*4.3*	*(483)*
INTEREST PAID	(58,903)	(55,511)	*6.1*	*(3,391)*
NET CASH USED IN FINANCING ACTIVITIES	(70,732)	(66,858)	*5.8*	*(3,874)*

Factors influencing changes

Cash used in financing activities increased by GEL 3.9 million in 2024, compared to 2023, mainly due to the GEL depreciation against foreign currencies.

NOTES TO MANEGEMENT DISCUSSION AND ANALYSIS

NOTE 1

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

'000 tons	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	%	*Absolute*
LIQUID CARGOES	5,268	4,805	*9.6*	*474*
OIL PRODUCTS	5,268	4,805	*9.6*	*474*
DRY CARGOES	8,406	8,747	*(3.9)*	*(341)*
ORES	1,465	1,758	*(16.6)*	*(292)*
GRAIN	150	163	*(7.5)*	*(12)*
FERROUS METALS AND SCRAP	507	506	*0.1*	*1*
SUGAR	539	517	*4.4*	*23*
CHEMICALS AND FERTILIZERS	1,820	1,644	*10.7*	*176*
CONSTRUCTION FREIGHT	944	1,129	*(16.4)*	*(185)*
INDUSTRIAL FREIGHT	676	683	*(1.1)*	*(7)*
CEMENT	71	80	*(11.0)*	*(9)*
OTHER	2,234	2,268	*(1.5)*	*(34)*
TOTAL	13,674	13,551	*0.9*	*122*

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

'000 tons	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	%	*Absolute*
IMPORT	3,073	3,065	*0.3*	*8*
EXPORT	1,054	1,155	*(8.7)*	*(101)*
DOMESTIC	1,430	1,621	*(11.8)*	*(192)*
TRANSIT	8,117	7,710	*5.3*	*407*
TOTAL	13,674	13,551	*0.9*	*122*

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS (QUARTERLY)

'000 tons

For the year ended 31 December	**Q4 2024**	**Q4 2023**	***y-o-y %***	**Q3 2024**	***q-o-q %***
LIQUID CARGOES	1,292	1,104	*17.0*	1,436	*(10.0)*
OIL PRODUCTS	1,292	1,104	*17.0*	1,436	*(10.0)*
DRY CARGOES	1,982	2,190	*(9.5)*	2,144	*(7.5)*
ORES	264	440	*(40.0)*	347	*(24.0)*
GRAIN	53	18	*195.9*	36	*47.5*
FERROUS METALS AND SCRAP	157	131	*20.0*	135	*16.8*
SUGAR	73	18	*299.0*	243	*(70.1)*
CHEMICALS AND FERTILIZERS	463	531	*(13.0)*	385	*20.3*
CONSTRUCTION FREIGHT	232	293	*(20.8)*	234	*(0.9)*
INDUSTRIAL FREIGHT	167	200	*(16.3)*	200	*(16.6)*
CEMENT	15	16	*(9.1)*	14	*4.1*
OTHER	558	542	*2.9*	549	*1.7*
TOTAL	3,274	3,295	*(0.6)*	3,579	*(8.5)*

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS (QUARTERLY)

'000 tons

For the period ended	**Q4 2024**	**Q4 2023**	***y-o-y %***	**Q3 2024**	***q-o-q %***
IMPORT	851	792	*7.4*	840	*1.3*
EXPORT	256	291	*(12.0)*	253	*1.4*
DOMESTIC	280	427	*(34.5)*	360	*(22.3)*
TRANSIT	1,886	1,784	*5.7*	2,126	*(11.3)*
TOTAL	3,274	3,295	*(0.6)*	3,579	*(8.5)*

NOTE 2

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

In million ton-kilometers	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
LIQUID CARGOES	1,670	1,464	*14.1*	*206*
OIL PRODUCTS	1,670	1,464	*14.1*	*206*
DRY CARGOES	2,252	2,341	*(3.8)*	*(88)*
ORES	386	452	*(14.5)*	*(66)*
GRAIN	28	40	*(30.8)*	*(12)*
FERROUS METALS AND SCRAP	108	100	*7.7*	*8*
SUGAR	199	188	*5.9*	*11*
CHEMICALS AND FERTILIZERS	652	588	*10.9*	*64*
CONSTRUCTION FREIGHT	126	166	*(24.3)*	*(40)*
INDUSTRIAL FREIGHT	62	84	*(25.8)*	*(22)*
CEMENT	14	20	*(30.7)*	*(6)*
OTHER	678	703	*(3.6)*	*(25)*
TOTAL	3,922	3,804	*3.1*	*118*

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

In million ton-kilometers	TOTAL		CHANGE	
For the year ended 31 December	**2024**	**2023**	*%*	*Absolute*
IMPORT	424	413	*2.8*	*12*
EXPORT	299	334	*(10.5)*	*(35)*
DOMESTIC	153	172	*(10.6)*	*(18)*
TRANSIT	3,045	2,886	*5.5*	*159*
TOTAL	3,922	3,804	*3.1*	*118*

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS (QUARTERLY)

In million ton-kilometers

For the period ended	**Q4 2024**	**Q4 2023**	***y-o-y***	**Q3 2024**	***q-o-q***
LIQUID CARGOES	416	339	*22.6*	457	*(8.9)*
OIL PRODUCTS	416	339	*22.6*	457	*(8.9)*
DRY CARGOES	517	577	*(10.3)*	569	*(9.1)*
ORES	69	121	*(43.2)*	86	*(19.8)*
GRAIN	8	3	*159.0*	8	*3.6*
FERROUS METALS AND SCRAP	29	23	*23.8*	33	*(14.0)*
SUGAR	26	5	*423.5*	89	*(70.9)*
CHEMICALS AND FERTILIZERS	168	190	*(11.4)*	139	*21.1*
CONSTRUCTION FREIGHT	31	39	*(18.4)*	31	*1.7*
INDUSTRIAL FREIGHT	16	24	*(34.7)*	15	*4.2*
CEMENT	2	3	*(22.6)*	3	*(3.9)*
OTHER	168	169	*(0.6)*	165	*1.6*
TOTAL	934	916	*1.9*	1,026	*(9.0)*

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS (QUARTERLY)

In million ton-kilometers

For the year ended 31 December	**Q4 2024**	**Q4 2023**	***y-o-y***	**Q3 2024**	***q-o-q***
IMPORT	123	116	*5.7*	118	*4.3*
EXPORT	74	86	*(14.1)*	72	*3.0*
DOMESTIC	33	43	*(23.1)*	39	*(14.7)*
TRANSIT	704	671	*4.9*	797	*(11.8)*
TOTAL	934	916	*1.9*	1,026	*(9.0)*

NOTE 3

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

'000 tons	2024				2023			
For the period ended	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
LIQUID CARGOES	1,144	1,397	1,436	1,292	1,155	1,287	1,259	1,104
OIL PRODUCTS	1,144	1,397	1,436	1,292	1,155	1,287	1,259	1,104
DRY CARGOES	2,094	2,186	2,144	1,982	1,996	2,214	2,346	2,190
ORES	490	364	347	264	404	452	463	440
GRAIN	40	22	36	53	76	44	25	18
FERROUS METALS AND SCRAP	122	92	135	157	120	123	133	131
SUGAR	49	174	243	73	103	210	186	18
CHEMICALS AND FERTILIZERS	480	493	385	463	378	282	452	531
CONSTRUCTION FREIGHT	249	227	234	232	259	269	308	293
INDUSTRIAL FREIGHT	133	176	200	167	83	202	198	200
CEMENT	22	20	14	15	16	26	21	16
OTHER	509	618	549	558	559	607	561	542
TOTAL	3,238	3,583	3,579	3,274	3,151	3,501	3,604	3,295

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

'000 tons	2024				2023			
For the period ended	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IMPORT	660	721	840	851	683	773	816	792
EXPORT	275	270	253	256	279	319	266	291
DOMESTIC	390	400	360	280	338	376	480	427
TRANSIT	1,913	2,192	2,126	1,886	1,851	2,033	2,043	1,784
TOTAL	3,238	3,583	3,579	3,274	3,151	3,501	3,604	3,295

NOTE 4

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

In million ton-kilometers	2024				2023			
For the period ended	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
LIQUID CARGOES	351	446	457	416	347	393	384	339
OIL PRODUCTS	351	446	457	416	347	393	384	339
DRY CARGOES	573	593	569	517	534	602	627	577
ORES	142	90	86	69	92	127	112	121
GRAIN	8	3	8	8	17	13	6	3
FERROUS METALS AND SCRAP	24	22	33	29	22	25	30	23
SUGAR	20	64	89	26	39	77	66	5
CHEMICALS AND FERTILIZERS	169	176	139	168	136	99	163	190
CONSTRUCTION FREIGHT	35	29	31	31	41	42	45	39
INDUSTRIAL FREIGHT	15	17	15	16	12	24	24	24
CEMENT	4	4	3	2	4	7	5	3
OTHER	157	188	165	168	171	187	176	169
TOTAL	924	1,039	1,026	934	881	996	1,011	916

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

In million ton-kilometers	2024				2023			
For the period ended	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
IMPORT	86	99	118	123	80	99	118	116
EXPORT	76	77	72	74	78	94	77	86
DOMESTIC	40	41	39	33	36	44	49	43
TRANSIT	722	822	797	704	688	760	768	671
TOTAL	924	1,039	1,026	934	881	996	1,011	916

NOTE 5

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".

CALCULATIONS OF THE RATIO OF NET FINANCIAL INDEBTEDNESS TO ADJUSTED EBITDA:

GEL '000	**31-Dec-24**	**31-Dec-23**
NET FINANCIAL INDEBTEDNESS AS AT:		
FINANCIAL INDEBTEDNESS	1,425,676	1,376,138
LESS:		
AVAILABLE CREDIT FACILITIES	0	0
CASH	318,300	283,547
NET FINANCIAL INDEBTEDNESS:	1,107,376	1,092,591

	2024	**2023**
RESULTS FROM OPERATING ACTIVITIES	141,736	96,943
DEPRECIATION ADD-BACK	59,325	76,895
IMPAIRMENT (GAIN)/LOSS ON TRADE RECEIVABLES	3,777	(6,016)
SHARE OF RESULTS OF EQUITY ACCOUNTED INVESTEES	15,738	0
ADJUSTED EBITDA	220,576	167,821
NET FINANCIAL INDEBTEDNESS/ADJUSTED EBITDA	5.0	6.5

ASSUMPTIONS

Adjusted EBITDA is calculated by adding back depreciation and amortization as well as impairment losses on financial and non-financial assets to the results from operating activities. Financial result variances at constant currency are obtained by converting the comparable period of the current-year results, denominated into GEL at the average foreign exchange rates for the prior period.

SUPERVISORY BOARD

KONSTANTINE GUNTSADZE

Chairman of Supervisory Board | Since 2012

Main field of competence | Jurisprudence
23 years of working experience in the industry
With GR Group for over 14 years

GIORGI MUSKHELISHVILI

Supervisory Board Independent Member | Since 2022
Member of Audit and Remuneration and Risk Management Committee
Member of Nomination and Governance Committee
Main field of competence | Engineering
32 years of working experience in the industry
With GR Group for 3 years

DAVID SAMKHARASHVILI

Supervisory Board Member Independent | Since 2020
Member of Nomination and Governance Committee

Main field of competence | Jurisprudence
19 years of working experience in the industry
With GR Group for over 18 years

GIORGI KAKAURIDZE

Supervisory Board Non-independent Member | since 2024
Chairman of Audit and Remuneration and Risk Management Committee

Main field of competence | Finance and Banking
25 years of working experience in the industry
With GR Group for 1 year

AKAKI SAGHIRASHVILI

Supervisory Board Non-independent Member | since 2024
Member of Audit and Remuneration and Risk Management Committee

Main field of competence | Jurisprudence
18 years of working experience in the industry
With GR Group for 1 year

VASIL VASHAKIDZE

Supervisory Board Member | since 2024
Chairman of Nomination and Governance Committee
Main field of competence | Jurisprudence
15 years of working experience in the industry
With GR Group for 1 year

MANAGEMENT
BOARD

DAVID PERADZE

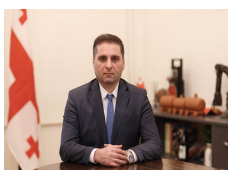
Chief Executive Officer* | since 2017

22 years of working experience in the industry
With GR Group for over 7 years

IRAKLI TITVINIDZE

Chief Financial Officer | since 2013

21 years of working experience in the industry
With GR Group for over 11 years



GIORGI GOMARELI

Freight Transportation SBU Director | since 2024

24 years of working experience in the industry
With GR Group for over 5 years

DAVIT BABUNASHVILI

Infrastructure SBU Director | since 2024

19 years of working experience in the industry
With GR Group for over 19 years

DACHI TSAGURIA

Passenger SBU Director | since 2018

12 years of working experience in the industry
With GR Group for over 11 years

**Mr. Lasha Abashidze succeeds Mr. David Peradze, who has decided to step down from his role from May 2025.*

COMPANY'S ORGANIZATIONAL STRUCTURE

- **JSC GEORGIAN RAILWAY**
  - **SUPERVISORY BOARD**
  - **BOARD OF DIRECTORS**
    - **INTERNAL AUDIT SERVICE**
  - **CEO - Chairman of the Board of Directors**

INFRASTRUCTURE SBU
- Office of the Director
- Monitoring, Analysis and Prevention Center
- Legal Service
- Service(s) Development Center
- Technical Development and Design Service
- Emergency Management Department
- Power Supply Department
- Rail Department
- Signaling, Centralization and Blocking (SCB) Department

FREIGHT TRANSPORTATION SBU
- Office of the Director
- Department of Analysis and Monitoring
- Revenue Service Administration For Freight Transportation
- Statistics and Inter-Railway Payment Service
- Management Accounting and Non-profile Revenue Administration Service
- Tariff Formation Center
- Legal Service
- Marketing Analysis and Sales Service
- Dispatching Service
- Locomotive Department
- Wagon Department
- Freight Transportation Department

World Business Solutions (WBS)
- Department of Development
- Operations Department
- Project Management Department
- Agency for Information and Telecommunication Technologies

Central Management Office
- **Subordination to The CEO**
  - Human Resources (HR) Department
  - Procurement and Logistics Department
- **General Inspection of Traffic Safety**
- **Corporate Governance Department**
  - Legal Service
  - International Relations Service
  - Public Relations Service
  - Construction Project Administration Service
  - Medical Service
  - Office of the Supervisory Board
  - Organizational Service
  - International Consulting Projects and Quality Management Systems Administration Service
  - Property Management Service
  - Labour Safety Service
  - Environmental Protection Service
  - Center for Relations to State Structures and Subsidiaries
- **Department of Control, Monitoring and Inspection**

SUBORDINATION to The CFO
- Department of Economics
- Department of Financial Accounting and Control
  - Budget Tax Administration Service
  - Financial Control Service
  - Cost Accounting Service
  - Accounting and Reporting Service
- Treasury Service

PASSENGER TRANSPORTATION SBU
- Operations Management Department
- Financial Department
- The Field of Rolling Stock and Infrastructure
  - Expenses, Analysis and Planning Service
  - Technical Department
- **Ongoing Quality Service**
  - Department of Passenger Service
  - Passenger Information Service (Call Center)
  - Traffic Planning and Analysis Center
  - Service Quality Development Sector
  - Rolling Stock Cleaning Service

SUBSIDIARIES:
- LTD GR Property Management
- LTD GR Logistics and Terminals
- JSC Georgian Railway Constructions
- LTD GR Transit
- LTD GR Transit line
- LTD GR Transshipment

CORPORATE GOVERNANCE

THE COMPANY'S CORPORATE GOVERNANCE MODEL

Georgian Railway as a state-owned enterprise is subject to the national legal framework and corporate governance regulations applicable to SOEs. The Company operates in accordance with the Corporate Governance Code for State-Owned Enterprises adopted by the Government of Georgia under Decree N1618 in 2021. This Code defines the standards and principles that govern the structure, responsibilities and operational conduct of SOEs in Georgia.

The Corporate Governance Code sets out mandatory guidelines aimed at ensuring transparency, efficiency, accountability and long-term sustainability in state-owned enterprises. It regulates the allocation of functions between governing bodies, the qualifications and independence of board members, the formation and operation of board committees, the establishment of internal controls and the standards of public disclosure. The Code is aligned with internationally recognized principles developed by the OECD and other global institutions.

The Code requires that SOEs define and formalize the roles and responsibilities of the General Meeting of Shareholders, the Supervisory Board and the Management Board. It also obliges enterprises to adopt performance evaluation systems for both boards and executives, establish mechanisms for risk management and internal audit, prepare a Statement of Corporate Intent outlining strategic priorities and performance targets and ensure the publication of comprehensive financial and non-financial reports.

The governance model of Georgian Railway is structured in line with these principles. The General Meeting of Shareholders constitutes the supreme governing body, wherein two entities are represented: the LEPL "National Agency of State Property" and the Ministry of Finance of Georgia, the latter of which has been entrusted with the authority to manage 50% of the company's shares.. The Supervisory Board is responsible for strategic oversight, supervision of executive activities and monitoring compliance with laws and policies. The Management Board (Board of Directors) carries out the Company's operational and executive functions. Each body has clearly defined powers and duties as established in the Company's Charter and internal regulations.

Georgian Railway has established and fully staffed two board-level committees to support the Supervisory Board: the Audit, Remuneration and Risk Management Committee and the Nomination and Governance Committee. Each committee currently comprises two members and is fully operational. These committees are responsible for monitoring internal audit and risk functions, reviewing executive compensation and nomination matters and strengthening board-level decision-making.

The Company continuously reviews its corporate governance framework to ensure compliance with applicable legislation and the requirements of the Corporate Governance Code for State-Owned Enterprises. Governance documents, policies and structures are updated to reflect evolving standards and best practices. At the end of 2024, a new Charter of Georgian Railway was approved by the Company's General Meeting of Shareholders, introducing a number of structural and procedural amendments designed to ensure compliance with the new Law on Entrepreneurs and to further align the Company's governance framework with the requirements of the Corporate Governance Code for State-Owned Enterprises. These changes included the formal establishment of Supervisory Board committees and the clarification of internal roles and responsibilities. The implementation of the Code contributes to improved transparency, enhanced internal controls and more effective oversight of Georgian Railway's operations. The governance framework supports the Company's long-term development objectives and its role as a key component of Georgia's national transport infrastructure.

BELOW IS A SUMMARY OF THE KEY AMENDMENTS INTRODUCED IN THE 2024 CHARTER:

The Charter was revised to fully align with the new Law on Entrepreneurs, the Corporate Governance Code for State-Owned Enterprises and international best practices in governance.

The Supervisory Board was composed in accordance with the Corporate Governance Code, ensuring a well-rounded mix of expertise across key sectors relevant to the Company's strategic objectives.

Two board-level committees—the Audit, Remuneration and Risk Management Committee and the Nomination and Governance Committee—have been formally established and are now fully constituted with appointed members.

The Statement of Corporate Intent (SCI) is a five-year strategic plan developed by Georgian Railway. It outlines the company's strategic objectives, key performance indicators and accountability framework.

The Corporate Secretary's responsibilities were clarified to reinforce independence, transparency and effective coordination among governance bodies

The rules for appointment, reappointment and term limits were clearly established for Supervisory Board members

OVERVIEW OF THE COMPANY'S GOVERNING BODIES

Georgian Railway's governance structure consists of three key bodies: the General Meeting of Shareholders, the Supervisory Board and the Board of Directors.

THE GENERAL MEETING OF SHAREHOLDERS (GMS)

The General Meeting of the Shareholders is the highest decision-making authority, where shareholders vote on critical issues such as electing Supervisory Board members, approving annual reports and making major business decisions. It is convened annually, with the option for extraordinary meetings as necessary.

THE SUPERVISORY BOARD

The Supervisory Board oversees the management of the Company, ensuring that strategies and policies align with the Company's goals. It is responsible for approving the Company's overall direction, establishing committees (such as Audit and Nomination Committees) and ensuring compliance with governance standards. The Board is composed mainly of independent members.

THE BOARD OF DIRECTORS (MANAGEMENT BOARD)

The Board of Directors manages the day-to-day operations of the Company. It is responsible for executing the strategies approved by the Supervisory Board and overseeing the Company's operational and financial performance.

Each of these bodies plays a distinct but complementary role in ensuring the Company's effective governance and management.

SHAREHOLDER

The sole shareholder of the Company is the State of Georgia represented by the National State Property Agency. The Ministry of Finance of Georgia has been entrusted with the management rights to 50% of the Company's shares.

THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders (GMS) is the highest decision-making body of Georgian railway, playing a critical role in shaping the Company's governance and ensuring that shareholder rights are protected in line with Georgian law and the Company's charter. Shareholders exercise their rights as outlined in the charter and in accordance with the Law of Georgia on Entrepreneurs.

The General Meeting can either be ordinary or extraordinary and is convened following the procedures specified in the Company's charter and in compliance with georgian legislation. The Supervisory Board is responsible for calling the General Meeting. The meeting shall be convened at least once annually. An extraordinary meeting may be convened upon written request of shareholders holding at least 5% of shares, in accordance with the procedures specified in the Charter.

In accordance with Georgian law, the published information for calling the General Meeting must include essential details, such as the agenda, date, time and location of the meeting, ensuring shareholders have the necessary information to make informed decisions. If the procedure for calling the General Meeting is not followed, the meeting can still be held and decisions can be made, provided that all shareholders are present and agree to proceed despite the procedural breach. A shareholder is deemed to have agreed if they do not request that the meeting be reconvened due to the procedural violation.

Both the Company's management and the Supervisory Board are required to participate in the General Meeting, ensuring that the key stakeholders are present to answer questions and provide necessary clarifications.

The General Meeting is chaired by the Chairman of the Supervisory Board and in the Chairman's absence, by the Chairman of the Board of Directors. In case both are unavailable, the General Meeting shall elect a chairperson by a majority vote of those present. For a decision to be valid, a majority of shareholders with voting rights must be present. However, certain issues outlined in the charter or Georgian Law may require a larger number of voting shareholders for approval. If the General Meeting cannot make a decision due to a lack of quorum, the meeting can be reconvened following the same procedure with the same agenda. If the General Meeting lacks quorum, a new meeting shall be convened with the same agenda. The new meeting shall be deemed to have quorum if attended by or representing at least 25% of voting shareholders. If quorum is still not achieved at the second meeting, a third meeting may be called where decisions can be made regardless of the number of participating shareholders.

Decisions at the General Meeting are made by a majority vote of shareholders present at the meeting, except for issues that require a higher majority according to Georgian Law. These issues include changes to the charter, reorganization, liquidation, or other significant matters, where a supermajority or a quorum set by law is required.

The General Meeting is empowered to make decisions on a wide range of critical issues within its competence, as outlined in the Law of Georgia and the Company's Charter. The General Meeting cannot make decisions on matters that fall under the competence of other governing bodies unless those bodies specifically request the General Meeting to resolve the issue within their jurisdiction.

If the Company has a sole shareholder, that shareholder exercises all the rights and powers of the General Meeting and decisions taken under this authority are executed in writing.

RESPONSIBILITIES OF THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting is responsible for making key decisions that impact the strategic direction and financial health of Georgian Railway. These duties include:

- Appointment, dismissal and compensation of members of the Supervisory Board.
- Approval of the reports of the management body and the Supervisory Board, including financial reports.
- Profit distribution, including dividend approval or refusal, as proposed by the Supervisory Board and management.
- Amending the Incorporation Agreement and the Charter, or Adopting a new version of the Charter.
- selection, replacement, or dismissal of the auditor and approval of the audit report.
- Decisions related to changes in the Company's capital structure, including the number of shares, their nominal value and associated rights.
- Decisions regarding changes to the Company's capital, including issuing new shares, changes in share nominal value and complete or partial cancellation of shareholders' pre-emptive rights to acquire new shares in case of capital increase.
- The reorganization of the Company, including mergers, acquisitions, or structural changes.
- The dissolution and liquidation of the Company, including appointment of a liquidator and approval of interim and final liquidation balance sheets.
- Participation in legal actions against the Management Body or Supervisory Board members, including appointing representatives for such trials.
- Making decisions on any other matter requiring shareholder approval according to Georgian law and which is not otherwise delegated to another governing body.

By ensuring that shareholders have a direct influence on key decisions, the General Meeting of Shareholders helps maintain a transparent and accountable governance structure, reinforcing Georgian Railway's commitment to corporate responsibility and good governance practices.

CORPORATE SECRETARY

The Corporate Secretary at Georgian Railway plays a crucial role in ensuring the smooth operation of the Company's governance structure. This individual is responsible for providing organizational, informational and procedural support to the Supervisory Board, management and shareholders, ensuring that all governance processes are conducted efficiently and in compliance with legal requirements. The Corporate Secretary facilitates communication between various governance bodies and helps maintain transparency and accountability within the Company.

MAIN RESPONSIBILITIES AND FUNCTIONS OF CORPORATE SECRETARY

ORGANIZATIONAL SUPPORT - Assists the Supervisory Board and the Management with the logistics of meetings, including agenda preparation, scheduling and distribution of relevant documents.

LEGAL AND PROCEDURAL ADVICE - Provides ongoing advice on corporate documentation and procedural issues, ensuring that all governance activities are in line with legal and regulatory requirements.

TRAINING AND ORIENTATION - Plans and organizes necessary orientation and training sessions for new or existing members of the Supervisory Board and the Management to ensure they are aligned with the Company's governance practices.

DOCUMENT AND RECORDS MANAGEMENT - Ensures that all corporate documents, including meeting minutes, reports and other official records, are properly stored and retained for a minimum of six years, in compliance with Georgian law.

FACILITATING COMMUNICATION - Acts as the main point of contact for communication between shareholders, the Supervisory Board and the Management, facilitating transparency and information exchange.

SECRETARIAL FUNCTION - Attends meetings of the Supervisory Board and the Management, ensuring that accurate minutes are taken and distributed to the relevant parties.

PARTIALITY AND INDEPENDENCE - The Corporate Secretary is not involved in decision-making processes and must remain impartial and independent to ensure that their duties are performed objectively.

REPORTING LINE - Reports directly to the Supervisory Board, ensuring that the position remains independent from the management body.

APPOINTMENT AND EMPLOYMENT TERMS - The Corporate Secretary is appointed by the Supervisory Board, which also determines the terms of their employment. The appointment process ensures that the individual possesses the necessary qualifications and experience.

INTERNAL REGULATIONS - The Supervisory Board approves the internal regulations governing the Corporate Secretary's role, detailing their powers, obligations and required qualifications.

DEVIATION FROM THE CODE

Georgian Railway JSC is committed to aligning its governance practices with the Corporate Governance Code. While the Company has made significant strides, certain areas are still under development to ensure full compliance.

Below is an overview of the key focus areas, their current status and the next steps Georgian Railway is undertaking to enhance its governance framework:

Topic	Description	Next steps
Performance Evaluation	While not explicitly mandated by National Legislation, performance evaluation is a key component of the Comprehensive Reform Strategy for State Enterprises of Georgia (2023–2026). It reflects international best practices, as outlined in the OECD Guidelines on Corporate Governance of State-Owned Enterprises and supports accountability, strategic oversight and continuous improvement. Georgian Railway is reviewing global models to develop a tailored evaluation framework.	Implement structured performance evaluations for Board and management
Gender Diversity	According to Code, at least 25% of board members must be women. Georgian Railway will ensure compliance with this requirement in upcoming appointments.	Introduce qualified female candidates to governance bodies with the goal of appointing them to the Supervisory Board and the Board of Directors
Related Party Transactions and Conflict of Interest Policy	The Corporate Governance Code for State-Owned Enterprises require SOEs to have documented internal policies and procedures. These ensure transparency, accountability and alignment with governance standards. Currently, these issues are governed by the Code of Ethics, as no separate policy document exists	Develop and formalize a separate Related Party Transactions and Conflict of Interest Policy
Remuneration Policy	The Corporate Governance Code for State-Owned Enterprises require SOEs to have documented internal policies and procedures. These ensure transparency, accountability and alignment with governance standards. Currently, these matters are addressed within the general governance framework, as no separate policy document exists.	Develop and formalize a separate Remuneration Policy
Deputy Chairman	While the appointment of a Deputy Chairman is not explicitly mandated, best practices suggest that having a Deputy Chairman can support the Chairman and enhance governance operations. Therefore, it is advisable to elect a Deputy Chairman for the Supervisory Board to assist the Chairman and ensure more effective governance operations.	Appoint a Deputy Chairman for the Supervisory Board
Self-Assessment	In line with best practices in corporate governance for State-Owned Enterprises, a formalized self-assessment procedure should be conducted annually to allow the Supervisory Board to evaluate its own performance and identify areas for improvement if necessary.	Implement an annual self-assessment procedure by the Supervisory Board.
Environmental, Social and Governance (ESG) Compliance	It is advisable to formalize and publish a dedicated ESG document each year to clearly define the Company's compliance with these standards, providing more transparency and structure beyond the annual report. There is no separate document; otherwise, ESG-related information is mentioned in the annual report.	Publish a separate document annually defining compliance with environmental protection, social responsibility and governance standards

SUPERVISORY BOARD AND COMMITTEE MEMBERS

KONSTANTINE GUNTSADZE

CHAIRMAN OF THE SUPERVISORY BOARD

Mr. Guntsadze holds a Doctoral degree in Philosophy from Ivane Javakhishvili Tbilisi State University, Georgia.

He began his political career in 2002 as Chairman of a political organization and served as a member of the 6th Convocation Parliament of Georgia from 2004 to 2008, where he participated in the Legal Issues Committee.

Since 2012, he has been Chairman of the Supervisory Board of Georgian Railway. Earlier in his tenure, the Company achieved major milestones, including the expansion of its freight forwarding services in 2013, strengthening its position in the regional logistics market. Georgian Railway also earned the ISO 9001:2008 International Certificate of Quality Management, reflecting its commitment to high service standards. During his leadership, the arrival of the first freight train from China marked the revival of the Silk Road corridor, reinforcing the Company's position in transcontinental transport.

Mr. Guntsadze has been instrumental in advancing the large-scale Modernization Project of railway infrastructure. Under his leadership, Georgian Railway also aligned its governance with international standards, introducing key board-level committees and adopting a revised Charter in line with the OECD guidelines.

GIORGI KAKAURIDZE

MEMBER OF THE SUPERVISORY BOARD

CHAIRMEN OF THE AUDIT AND REMUNERATION AND RISK MANAGEMENT COMMITTEE

Mr. Giorgi Kakauridze holds a Bachelor's Degree in Finance and Banking from Ivane Javakhishvili Tbilisi State University, Georgia (2004) and a Master's Degree in Business Administration from Gori University, Georgia (2010). He has also completed various professional courses on fiscal policy, budget classification and economic management, including programs organized by the Joint Vienna Institute, the European Commission and the Academy of the Ministry of Finance.

He began his career in 2002 as a Financial Adviser at "Computer World" LLC. From 2005 to 2008, he held various positions within the State Budget Division of the Budget Department at the Ministry of Finance of Georgia. In 2008, he was appointed as a Deputy Head of the Budget Department and later served as a Head of the Department from 2008 to 2014.

Since 2014, Mr. Kakauridze has served as a Deputy Minister of Finance of Georgia and Parliamentary Secretary of the Ministry. In this role, he has been actively involved in public finance reform, fiscal planning and coordination with legislative bodies.

Since 2024, he has been serving as a member of the Supervisory Board of Georgian Railway, bringing his extensive experience in public finance and governance to support the Company's strategic direction.

AKAKI SAGHIRASHVILI

MEMBER OF THE SUPERVISORY BOARD
MEMBER OF THE AUDIT AND REMUNERATION AND RISK MANAGEMENT COMMITTEE

Mr. Saghirashvili graduated in 2001 from Ivane Javakhishvili Tbilisi State University, Georgia, with a diploma in Jurisprudence (Civil Law) and earned an LLM in Civil Law from Rheinische Friedrich-Wilhelms University of Bonn in 2006.

From 2007 to 2015, he held various leadership roles at Georgian Railway JSC, including Head of Legal Department, Deputy Infrastructure Director and Head of Corporate Management. During this time, he contributed to strengthening the Company's legal and infrastructure functions and supported improvements in corporate governance.

From 2015 to 2018, he served as a Chief Operating Officer, leading major infrastructure projects such as the Modernization Project and Tbilisi Bypass Project. In parallel, he managed a vocational education initiative at the Railway Transport College (2016–2018), supported by the Millennium Challenge Corporation.

From 2018 to 2021, Mr. Saghirashvili served as Deputy Minister of Economy and Sustainable Development of Georgia, where he also acted as TRACECA National Secretary and chaired the Supervisory Boards of United Airports of Georgia and Sakaeronavigatsia. From 2021 to 2022, he held the position of Deputy Minister of Justice.

Since 2022, he has been First Deputy CEO of the Business Association of Georgia, as well as a local Expert at the Georgian Center for Strategy and Development and PMC and Claim Manager for the Green Riyadh Project at ILF Georgia. Since 2023, he serves as a Chief Coordinator of the Maritime Single Window & Port Community System Projects.

Since 2024, Mr. Saghirashvili has been a member of the Supervisory Board of Georgian Railway, bringing extensive institutional knowledge and experience in infrastructure, legal affairs and public-private development.

VASIL VASHAKIDZE

MEMBER OF THE SUPERVISORY BOARD
CHAIRMEN OF NOMINATION AND GOVERNANCE COMMITTEE

Mr. Vashakidze holds a Bachelor's Degree in Law from Ivane Javakhishvili Tbilisi State University, Georgia (2004–2009) and a Master's Degree in Private Law from the Business Engineering Faculty of Georgian Technical University (2009–2011). In 2016, he completed the Certified Business Administration (CBA) program at ESM Business School, Free University of Tbilisi, Georgia.

He began his public sector career in 2019 as a Director of the Analytical Department at the National Agency of State Property. In 2020, he was appointed as a Head of the Department for Relations with State-Owned Enterprises, overseeing the protection of the state's interests.

From 2019 to 2024, Mr. Vashakidze served as a Director of LLC Tbilisi State Concert Hall, where he supervised the planning and execution of cultural and public events.

Prior to joining the public sector, Mr. Vashakidze held various legal and managerial positions in the private sector. These include Head of the Legal Department at MAGI Style Development Company (2012–2018), Project Manager and Legal Advisor at Canschool Georgia (2015–2016), Commercial Director at Tubosider Gruppo Ruscala (2013–2014) and Director of Geo Real Group (2010–2016).

Since 2024, Mr. Vashakidze has been a member of the Supervisory Board of Georgian Railway.

GIORGI MUSKHELISHVILI

MEMBER OF THE SUPERVISORY BOARD
MEMBER OF THE AUDIT AND REMUNERATION AND RISK MANAGEMENT COMMITTEE
MEMBER OF NOMINATION AND GOVERNANCE COMMITTEE

Mr. Muskhelishvili holds a degree in Civil Engineering from the Georgian Technical University.

From 2014 to 2017, he served as a member of the Tbilisi City Council (5th Convocation), acting as the Chairman of the faction and majoritarian member of the Vake district.

From 2017 to 2021, Mr. Muskhelishvili was a member of the Tbilisi City Council (6th Convocation), where he held several roles, including Deputy Chairman of his faction and was a majoritarian member of the Vake district. He was also a member of the Sports and Youth Affairs Committee and the Health and Social Affairs Committee.

Since 2021, he has been serving as the Advisor to the Director of the Georgian Oil and Gas Corporation.

Since 2022, Mr. Muskhelishvili has been a member of the Supervisory Board of Georgian Railway. His extensive experience spans public administration, private sector management and social services, contributing to his active involvement in the ongoing reforms and modernization efforts within Georgian Railway.

DAVIT SAMKHARASHVILI

MEMBER OF THE SUPERVISORY BOARD
MEMBER OF NOMINATION AND GOVERNANCE COMMITTEE

Mr. Samkharashvili holds a Master's degree in Law from Ivane Javakhishvili Tbilisi State University, Georgia.

He began his career at Georgian Railway in 2006 as a Senior Lawyer and later advanced to Deputy Director from 2009 to 2010, before becoming Head of the Legal Department of the Freight Transportation Strategic Business Unit.

From 2009 to 2012, Mr. Samkharashvili also lectured in law at Caucasus University. He worked as a Deputy Director of Corporate Governance at LLC Vagonmshenebeli between 2012 and 2014. Following this, he served as Director of LLC Vagonmshenebeli from 2014 to 2020.

In 2020, Mr. Samkharashvili was appointed as a member of the Supervisory Board of the Georgian Railway, where he continues to contribute to the organization's strategic development.

SUPERVISORY BOARD

The Supervisory Board of Georgian Railway is responsible for overseeing the corporate governance of the Company, ensuring effective control over the activities of the Board of Directors and cooperating with them on key company matters. The Board consists of 4 independent members and 2 non-independent members, with the possibility of increasing this number to a maximum of 10 members. Each member serves a 3-year term, with a maximum of two consecutive terms. If members are not reappointed or recalled following the expiration of their term, their authority continues until replaced or recalled by the General Meeting. Members of the Supervisory Board are elected by a majority vote at the General Meeting and they are obligated to act in good faith and represent the Company when necessary.

The Supervisory Board is vested with the authority to appoint and dismiss both the General Director and all members of the Board of Directors, approve policies and review the Company's financial documents and strategies. They may also convene extraordinary General Meetings of shareholders when necessary. Additionally, the Board has established two key committees: the Audit, Compensation and Risk Management Committee and the Nomination and Governance Committee, which assist in fulfilling the Board's duties and report their conclusions and recommendations to the Supervisory Board.

Meetings of the Supervisory Board are held at least quarterly, with the Chairman coordinating the meetings and representing the Board in official matters. In case of absence, the Deputy Chairman takes over the responsibilities. In 2024, the Supervisory Board held 11 meetings, exceeding the required minimum of four meetings per year. All decisions of the Supervisory Board are made by a simple majority vote, with the Chairman having a casting vote in the case of a tie.

COMPETENCIES OF THE SUPERVISORY BOARD

- REQUEST ON REPORTING - Request the Board of Directors to submit reports on the Company's activities at any time.
- APPOINTMENTS AND DISMISSALS - Appoint and dismiss the General Director and other members of the Board of Directors.
- SUPERVISION - Supervise the activities of the Board of Directors and each member of the Board.
- ORGANIZATIONAL STRUCTURE - Adopt the organizational structure and approve the salary scale.
- REVIEW AND INSPECTION - Request, review, inspect and examine the Company's business documentation, including accounting documents, assets and cash register.
- APPROVAL - Approve the annual reports of the Board of Directors, proposals for profit distribution and activity reports for the General Meeting.
- LEGAL REPRESENTATION - Represent the Company in relations with the management, including in court.
- APPEAL DECISIONS - Appeal the decisions of the General Meeting, when permitted by law.
- CHARTER DEVELOPMENT -Develop and approve the Charter of the Board of Directors, the Code of Ethics and various regulations related to the Company's activities.
- COMMITTEE ESTABLISHMENT - Establish committees, approve their regulations and make amendments when necessary.
- CORPORATE SECRETARY - Appoint and oversee the corporate secretary, develop the regulation for this role and determine the terms of their employment.
- INTERNAL AUDIT - Appoint and dismiss the head of the internal audit service, approve regulations related to the internal audit and review reports from internal and external audits.

ACTIVITIES REQUIRING SUPERVISORY BOARD CONSENT

- The acquisition of property and property rights, alienation, write-off and encumbrance, if the value of such a transaction exceeds 2% of the Company's issued capital.
- Investments, the value of which, individually or in total, does not exceed 1% of the Company's issued capital.
- Taking out and issuing credits and loans in an amount not exceeding 1% of the Company's authorized capital.
- Securing credits and loans taken out by the Company or another person, issuing guarantees or other types of security, with a value not exceeding 1% of the Company's authorized capital.
- Starting new activities and suspending or terminating existing activities. Adopting the long-term strategy of the Company and approving the appropriate policy for its implementation.
- Determining the remuneration and/or additional benefits of the Company's management body, including the General Director and other members of the Board of Directors.
- In addition, the Supervisory Board must fulfill other obligations stipulated by the current legislation of Georgia.

SUPERVISORY BOARD MEETINGS

Meetings of the Supervisory Board are held at least once per quarter, though additional meetings may be convened upon request by a member of the Supervisory Board or the Board of Directors. Notices of meetings, along with the proposed agenda, must be sent to members at least 8 days in advance. The Supervisory Board makes decisions based on a majority vote and if a vote is tied, the Chairman has the deciding vote. Minutes of each meeting are recorded, signed by the Chairman or Deputy Chairman and include details on the meeting time, members present, discussion summary and decisions made, ensuring proper documentation and accountability.

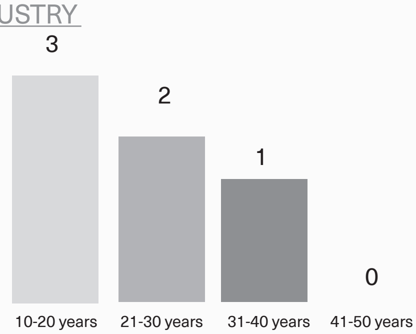
In 2024, 11 meetings were held with full attendance by the Supervisory Board members

SUPERVISORY BOARD AND COMMITTEES

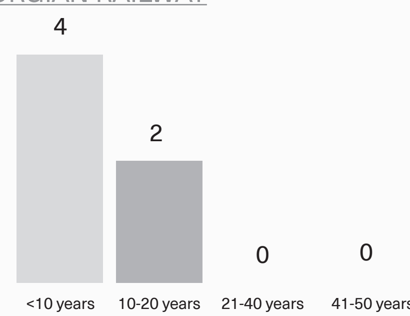
	SUPERVISORY BOARD	AUDIT AND REMUNERATION AND RISK MANAGEMENT COMMITTEE	NOMINATION AND GOVERNANCE COMMITTEE
KONSTANTINE GUNTSADZE	✓		
GIORGI MUSKHELISHVILI	✓	✓	✓
DAVID SAMKHARASHVILI	✓		✓
GIORGI KAKAURIDZE	✓	✓	
AKAKI SAGHIRASHVILI	✓	✓	
VASIL VASHAKIDZE	✓		✓

WORKING EXPERIENCE OF SUPERVISORY BOARD MEMBERS

IN THE INDUSTRY

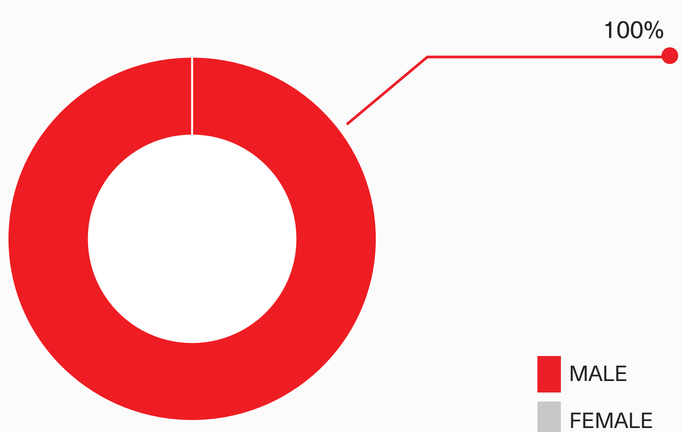


AT JSC GEORGIAN RAILWAY



SUPERVISORY BOARD GENDER SPLIT

As at December 31, 2024



COMMITTEES

Georgian Railway currently has two fully functioning committees: the Audit, Remuneration and Risk Management Committee and the Nomination and Governance Committee, each composed of two appointed members.

The Audit, Remuneration and Risk Management Committee of Georgian Railway is an essential body established by the Supervisory Board, overseeing various critical aspects of the Company's operations. It is composed of three members elected by the Supervisory Board, each serving a three-year term, with the possibility of two consecutive terms. The committee's role is to ensure effective oversight in several key areas, including financial reporting, risk management and the implementation of the remuneration policy.

AUDIT, REMUNERATION AND RISK MANAGEMENT COMMITTEE

The Nomination and Governance Committee of Georgian Railway is a vital body established by the Supervisory Board to oversee the Company's governance practices and ensure effective management and succession planning. Composed of three members elected by the Supervisory Board, each serving a three-year term, with the possibility of being reappointed for no more than two consecutive terms, the Committee plays a crucial role in shaping the governance framework of Georgian Railway.

NOMINATION AND GOVERNANCE COMMITTEE

COMMITTEES AND THEIR MEMBERS

	AUDIT AND REMUNERATION AND RISK MANAGEMENT COMMITTEE	NOMINATION AND GOVERNANCE COMMITTEE
KONSTATNTINE GUNTSADZE		
GIORGI MUSKHELISHVILI	✓	✓
DAVID SAMKHARASHVILI		✓
GIORGI KAKAURIDZE	✓	
AKAKI SAGHIRASHVILI	✓	
VASIL VASHAKIDZE		✓

OPERATIONAL GUIDELINES FOR COMMITTEES

The committee meets at least twice annually, with additional extraordinary sessions held if requested by any committee member or the Supervisory Board. Prior to each meeting, all members are provided with notice, agenda and materials at least three days in advance. However, if all members agree, the committee can proceed with the meeting without strict adherence to this notice period. Meetings can be conducted via telecommunication tools such as video or phone calls, with all sessions properly archived.

A quorum for the committee to discuss issues requires the presence of at least two members and decisions are made by a simple majority vote. In the case of a tie, the chairman casts the deciding vote. Committee members are required to vote on issues and cannot abstain. All decisions, instructions and recommendations made by the committee are formally documented in meeting minutes, which are signed by the present members and the committee's secretary.

Confidentiality is a core principle for the committee. All members, along with any individuals attending the meetings, must protect sensitive information shared during meetings, including discussions, deliberations and assessments. This ensures that the Company's confidential matters are safeguarded. The committee is provided with sufficient resources to effectively carry out its responsibilities and report to the Supervisory Board annually. If necessary, the Supervisory Board may amend the committee's regulations, subject to approval. In the event of any inconsistency between the committee's regulations and Georgian law, the applicable law will prevail. It must have sufficient resources to effectively perform its duties and report on its activities to the Supervisory Board annually. If necessary, the Supervisory Board can make adjustments to the committee's regulations, subject to approval and in cases where there is a conflict between the regulation and Georgian law, the applicable law will prevail.

AUDIT, REMUNERATION AND RISK MANAGEMENT COMMITTEE

KEY RESPONSIBILITIES

MONITORING FINANCIAL REPORTING

The committee supervises the financial reporting process, ensuring the accuracy and transparency of the financial statements before they are submitted to the Supervisory Board. It also monitors the publication of annual financial statements.

SUPERVISION OF INTERNAL AND EXTERNAL AUDITORS

The committee collaborates closely with internal and external auditors, ensuring the independence and effectiveness of the internal audit service. It reviews audit findings and ensures that management responds appropriately to audit recommendations.

RISK MANAGEMENT AND STRATEGY

The committee plays a critical role in managing the Company's risk strategy. It monitors various risks, including financial, credit, market and cybersecurity risks and ensures that they align with the Company's overall strategy. The committee also oversees the Company's compliance with internal regulations and legal requirements.

REMUNERATION POLICY OVERSIGHT

The committee is responsible for reviewing and approving the remuneration policies of the Company, ensuring they are fair, transparent and aligned with the Company's goals. It oversees the implementation of these policies and advises on compensation and benefits for the management and employees.

REPORTING

The committee submits an annual report to the Supervisory Board, including recommendations on management remuneration, human resources strategies, risk management and financial matters such as profit distribution and dividends.

NOMINATION AND GOVERNANCE COMMITTEE

KEY RESPONSIBILITIES

GOVERNANCE AND ETHICAL OVERSIGHT

The committee is responsible for monitoring and ensuring compliance with the Company's Code of Ethics. It also provides the Supervisory Board with updates on significant changes in both legislation and corporate governance practices, ensuring that Georgian Railway remains aligned with best practices.

DEVELOPMENT AND APPROVAL

The committee is tasked with developing various policies related to the nomination and appointment of key management and supervisory positions. These policies include procedures for the appointment, dismissal and replacement of persons authorized to manage and represent the Company. The committee submits these policies to the Supervisory Board for approval, ensuring transparency and fairness in the selection process.

SELF-ASSESSMENT AND BOARD COMPOSITION

The committee is responsible for developing self-assessment procedures for the Supervisory Board and its committees. It also develops and submits proposals for selecting new members for the Supervisory Board and the Board of Directors. These procedures ensure that the leadership structure is always equipped with the right people to support the Company's strategic goals.

RECOMMENDATIONS

The committee provides recommendations to the Supervisory Board on the appointment of new management members and authorized representatives of the Company. It also reviews and advises on the adequacy of internal regulatory documents and suggests training and educational programs for employees to promote effective governance.

REPORTING

Each year, the committee submits a detailed report to the Supervisory Board outlining its activities, the effectiveness of the current governance framework and any necessary changes to ensure continued governance excellence.

INDEPENDENCE AND CONFLICT OF INTERESTS

The committee plays a critical role in ensuring the independence of Supervisory Board members. If any member violates their independence status, the committee is responsible for notifying the Supervisory Board promptly.

MANAGEMENT BOARD MEMBERS

DAVIT PERADZE

CHIEF EXECUTIVE OFFICER*, GEORGIAN RAILWAY JSC

Mr. Peradze holds dual bachelor's degree in Mechanics and Mathematics and Finance and Banking from Ivane Javakhishvili Tbilisi State University, Georgia. He also holds the ACCA (Association of Chartered Certified Accountants) qualification in Professional Accountancy.

Mr. Peradze began his career at the Center of European Languages in the United Kingdom (2003–2004). He joined Georgian Railway in 2004 as a consultant for a Booz Allen Hamilton/USAID project, contributing to modernization efforts until 2007. From 2007 to 2011, he held leadership roles in the banking sector, managing design and construction projects. He then worked with the Georgian Industrial Group from 2011 to 2014, overseeing thermal power plant and renewable energy projects. Between 2014 and 2017, he served as Director of Mtkvari HPP LLC under the Georgian Co-Investment Fund, managing energy infrastructure projects.

Since 2017, Mr. Peradze has served as the Chief Executive Officer of Georgian Railway JSC. Under his leadership, the Company has experienced a consistent upward trend, with freight transportation volumes showing steady annual growth from 2018 onwards. This growth reflects his strategic direction and the successful implementation of key initiatives aimed at expanding the company's capacity and enhancing operational efficiency. He also led the successful completion of Georgian Railway's Modernization Project, which involved significant infrastructure upgrades and capacity improvements.

During the COVID-19 pandemic, Mr. Peradze's leadership ensured the continuity of operations, maintaining essential freight services and adapting to the challenges posed by the global health crisis.

During his leadership, a joint venture was established with Kazakhstan Railways and Azerbaijan Railways, known as a Middle Corridor Multimodal Ltd. This initiative aimed to enhance the Trans-Caspian International Transport Route (TITR) by offering integrated multimodal transport services.

** Mr. Lasha Abashidze succeeds Mr. David Peradze, who has decided to step down from his role from 2025.*

IRAKLI TITVINIDZE

CHIEF FINANCIAL OFFICER

Mr. Titvinidze holds a bachelor's degree in Business Administration from the Caucasus Business School, Georgia.

Mr. Titvinidze began his career at Ernst & Young, where he worked from 2006 to 2013, specializing in customer consultation, financial advisory and corporate finance.

Since December 2013, he has served as the Chief Financial Officer of Georgian Railway JSC. During his tenure, he has overseen significant financial achievements. In 2018, under his leadership, the Company implemented SAP as its Enterprise Resource Planning (ERP) system, significantly enhancing its accounting systems, financial controls and overall operational efficiency. This integration streamlined processes, improved data accuracy and enabled more efficient financial management and reporting. In 2021, he led the successful refinancing of Georgian Railway's Green Eurobond, which enhanced the Company's financial stability.

Since 2021, under Mr. Titvinidze's leadership, the Group fulfilled its obligations under the Association Agreement, leading to the separation of financial reports for each Strategic Bussines Unit in line with EU Directive 2012/34/EU. This restructuring has enhanced the transparency of the Company's operations, providing a clearer picture through distinct financial reporting for transport services and infrastructure.

During Mr. Titvinidze's leadership, the Company's credit ratings have been positively revised, reflecting improved financial performance. In addition, the Company has maintained a strong liquidity position, supported by effective and responsible financial management.

GIORGI GOMARELI

DIRECTOR OF THE FREIGHT TRANSPORTATION STRATEGIC BUSINESS UNIT

Mr. Gomareli holds a Bachelor's degree in Economics (Macroeconomics) from Ivane Javakhishvili Tbilisi State University, Georgia (1995-1999) and a Bachelor's degree in Law from the same university (1997-2000). He also completed a Business Administration program at the Free University of Tbilisi, Georgia (2017-2018), as well as an International Accounting course in 2000.

Mr. Gomareli began his career at Liberty Bank JSC, where he worked from 2006 to 2019 in various managerial positions.

In 2020, he joined Georgian Railway as Deputy Director for Marketing and Communications at the Passenger Transportation Strategic Business Unit, where he contributed to service development, customer engagement and process optimization.

Since 2024, Mr. Gomareli has served as Director of the Freight Transportation Strategic Business Unit, where he leads strategic initiatives focused on increasing freight volumes, enhancing service reliability and improving customer experience.

DACHI TSAGURIA

DIRECTOR OF THE PASSENGER TRANSPORTATION STRATEGIC BUSINESS UNIT

Mr. Tsaguria holds both a bachelor's and master's degree in History from the Faculty of History at Ivane Javakhishvili Tbilisi State University, Georgia.

Mr. Tsaguria began his career at Georgian Railway in 2015 as the Head of the Department of Sales and Service Development within the Passenger Transportation Strategic Business Unit. In 2016, he was appointed as a Deputy Director and then served as the Head of the Public Relations Department. In 2018, he was appointed as a Director of the Passenger Transportation Strategic Business Unit, overseeing strategic planning, operational management and the development of passenger transportation services.

Mr. Tsaguria played a key role in managing passenger transportation during the COVID-19 pandemic, successfully overseeing the safe and phased resumption of operations while prioritizing health protocols and service reliability. His leadership was essential in restoring passenger stabilizing railway services in post-pandemic situation.

During his leadership, Public Service Obligation (PSO) contract was signed, which formalized the Government's support for passenger services, ensuring the affordable, safe and accessible rail transportation across Georgia.

DAVIT BABUNASHVILI

DIRECTOR OF THE INFRASTRUCTURE STRATEGIC BUSINESS UNIT

Mr. Babunashvili graduated from the Georgian Polytechnic Institute in 1992, specializing in Automotive Transport Operation. He also holds a degree in Foreign Relations Management from the Georgian Diplomatic Academy, earned in 1997.

Mr. Babunashvili joined Georgian Railway JSC in 2006 as a Deputy Head of the General Director's Office. From 2007 to 2010, he served as a Head of the General Director's Office, contributing to the company's strategic direction. Between 2010 and 2012, he headed the Office and Organizational Service and later in 2012 briefly held the position of Head of the Operations Management Department. From 2012 to 2017, he served as Deputy Head of the same department, where he supported operational streamlining efforts. Between 2017 and 2023, he worked as Deputy Head of the Corporate Governance Department, playing an important role in enhancing transparency and governance standards.

Since 2024, Mr. Babunashvili has served as the Director of the Infrastructure Strategic Business Unit at Georgian Railway. In this role, he oversees strategic planning and the implementation of major infrastructure projects, focused on modernization and long-term development. His continued leadership supports Georgian Railway's growth and competitiveness through improved infrastructure capabilities.

BOARD OF DIRECTORS

The Board of Directors of Georgian Railway plays a critical role in the Company's day-to-day operations, overseeing a wide range of activities within the authority granted by the Company's Charter. The Board is composed of the General Director and at least three other members, all elected by the Supervisory Board. Each director serves a term of three years, with the possibility of reappointment for one additional term.

As of 31 December 2024, the Board of Directors consists of five members: the CEO, CFO, Freight Transportation SBU Director, Infrastructure SBU Director and Passenger Transportation SBU Director. These positions are integral in ensuring the effective management and operation of Georgian Railway, particularly in overseeing the different sectors of the Company.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

- Managing Day-to-Day Operations: The Board of Directors is responsible for the daily activities of the Company, ensuring that operations align with the Company's goals and strategy.
- Business Planning and Budgeting: The Board prepares and submits a business plan and budget to the Supervisory Board within the specified deadlines, ensuring the financial health of the Company.
- Supervising SBU's and Subsidiaries: The Board oversees the performance of subsidiaries and SBUs, ensuring compliance with Company policies and performance standards.
- Developing Company Policies and Strategies: It is responsible for creating policies, strategies and regulatory documents for approval by the Supervisory Board.
- Human Resource Decisions: The Board makes decisions regarding the selection, dismissal and remuneration of personnel.
- Implementing Decisions: The Board of Directors ensures the implementation of decisions made by the General Meeting and the Supervisory Board within its scope of authority.

DECISION-MAKING PROCESS

The Board of Directors is required to make decisions collectively, with the General Director presiding over meetings. A meeting is considered quorate if a majority of its members are present. If the General Director is not present, the Board members will elect a chairperson for the meeting. Decisions are made by a majority vote, with the General Director's vote being decisive in the case of a tie.

The Board can make decisions without holding formal meetings, provided that all members agree in writing. Additionally, each member of the Board is authorized to request the convening of a meeting of the Supervisory Board if necessary and they may attend the meetings to provide input on issues under discussion.

DIRECTOR'S APPOINTMENT AND DISMISSAL

All decisions of the Board of Directors are made collectively, following a majority vote during quorate meetings. In the absence of the General Director, a temporary chairperson is elected by the Board. In case of a tie, the General Director or acting chairperson casts the deciding vote.

The Board can make decisions without holding formal meetings, provided that all members agree in writing. Additionally, each member of the Board is authorized to request the convening of a meeting of the Supervisory Board if necessary and they may attend the meetings to provide input on issues under discussion.

INFORMATION TRANSPARENCY

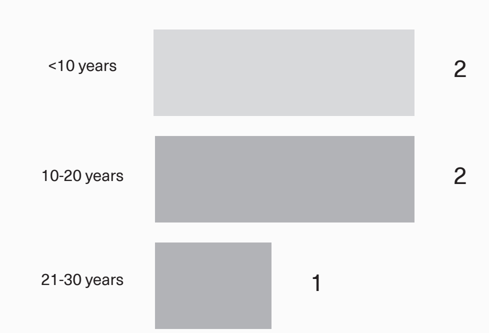
The Board of Directors is responsible for ensuring that any changes to the composition of the Supervisory Board, the election of the Chairman and other significant events are promptly disclosed. This information must be made available through the Company's electronic portal and published on the official Company website to ensure transparency.

BOARD OF DIRECTORS

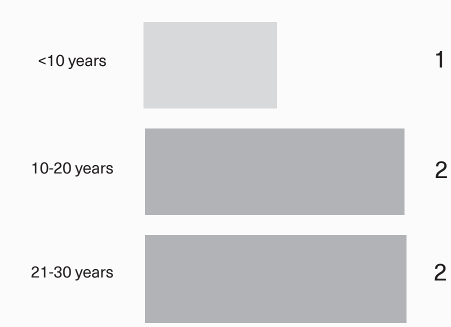
	CEO	CFO	FREIGHT TRANSPORTATION SBU DIRECTOR	PASSENGER TRANSPORTATION SBU DIRECTOR	INFRASTRUCTURE SBU DIRECTOR
DAVID PERADZE	✓				
IRAKLI TITVINIDZE		✓			
GIORGI GOMARELI			✓		
DACHI TSAGURIA				✓	
DAVIT BABUNASHVILI					✓

WORKING EXPERIENCE OF DIRECTORS

AT JSC GEORGIAN RAILWAY

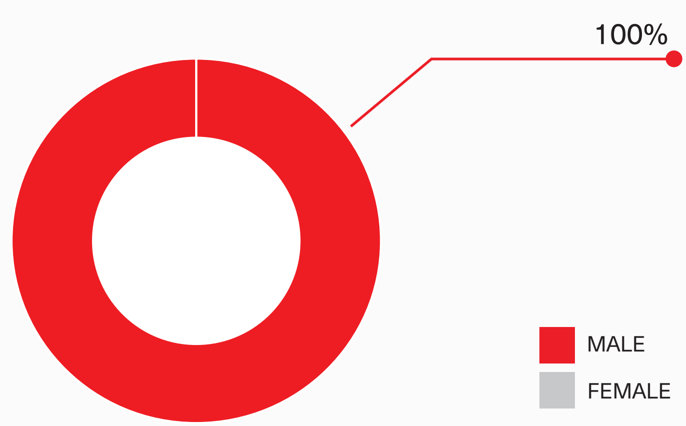


IN THE INDUSTRY



BOARD OF DIRECTORS GENDER SPLIT

As at December 31, 2024



INTERNAL REGULATORY POLICIES AND ETHICAL STANDARDS

CODE OF ETHICS AND CONDUCT

JSC Georgian Railway is a company of strategic importance, operating in full compliance with Georgian legislation and guided by a strong sense of public responsibility.

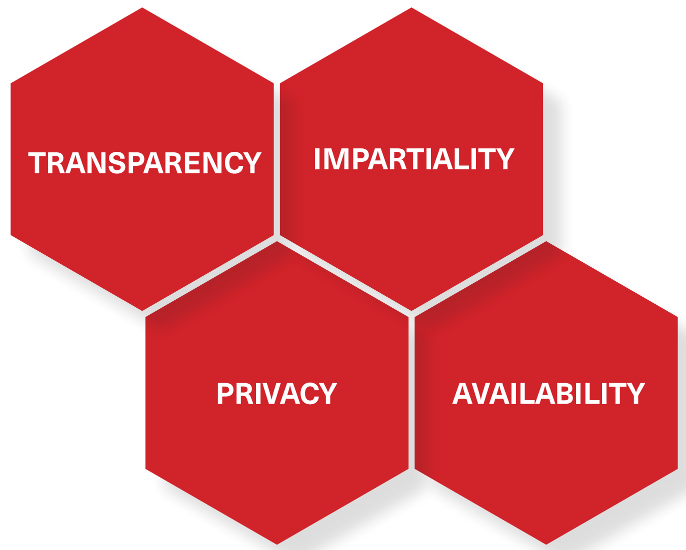
The Company's primary objective is to ensure safe and comfortable passenger transportation, while also enhancing its leadership in regional freight transit through the comprehensive modernization of railway infrastructure.

By developing transit corridors and maintaining affordable passenger fares, GR contributes meaningfully to the country's security and sustainable economic development.

Furthermore, the Company is committed to environmental stewardship, striving to manage the social and ecological impacts of its activities responsibly and to minimize any potential harm to the natural environment.

To reinforce its commitment to ethical excellence, GR has adopted a comprehensive Code of Ethics and Conduct, applicable to all employees across its organizational structure. The Code reflects the Company's vision to offer secure, high-quality and environmentally responsible transport services while maintaining a workplace rooted in fairness, safety and trust.

CORE PRINCIPLES OF GR'S CODE OF ETHICS AND CONDUCT



For this reason, we are committed to:

- Acting transparently, professionally and in good faith, ensuring alignment with legal requirements and internal regulations, while upholding honesty and integrity in all actions;
- Respecting personal dignity and maintaining a safe, inclusive environment free from discrimination or harassment;
- Fostering social responsibility by promoting a supportive workplace and collaborating with educational institutions to develop qualified professionals;
- Encouraging open and effective communication to enhance transparency, engagement and collaboration across all organizational levels.

Under its Code of Ethics and Conduct, GR complies with the following professional standards:

- ADHERENCE TO LEGISLATION AND INTERNAL CORPORATE ACTS OF THE COMPANY:

The Company remains fully committed to compliance with all applicable local and international laws governing railway operations. This includes strict adherence to regulations related to labor safety, environmental protection and operational procedures. Non-compliance with legal or regulatory requirements may result in significant consequences, including legal sanctions, financial penalties and reputational harm. Employees are required to be familiarized about relevant legislation and internal corporate policies and to report any observed irregularities to their immediate supervisors or the relevant monitoring service. It is imperative that no actions are undertaken which contravene applicable laws, regulations, or internal procedures, thereby ensuring the protection of both corporate and public interests.

- INDEPENDENCE AND IMPARTIALITY:

Business activities are carried out with full transparency and in alignment with legal and ethical standards. Employees are expected to conduct themselves with honesty and fairness in all professional interactions, whether internal or external. This includes the accurate and timely disclosure of relevant information, in accordance with applicable legislation and internal regulations. Upholding integrity in all aspects of operations strengthens stakeholder trust and helps preserve the Company's reputation. All decisions must be made impartially and in accordance with the highest ethical standards.

ENSURING PROTECTION OF PERSONAL AND OTHER CONFIDENTIAL INFORMATION:

Safeguarding personal and confidential information is essential to maintaining trust and protecting the interests of the Company and its stakeholders. GR handles a wide range of sensitive data, including that of customers, employees and business partners. Employees are required to manage such information responsibly, ensuring that access is limited to what is necessary for the performance of official duties. Any breach of confidentiality, whether through improper handling or unauthorized disclosure, may result in serious legal and reputational consequences. Each employee is accountable for maintaining confidentiality and complying with all applicable information security requirements.

CONFLICT OF INTEREST

Based on the Code of Ethics and Conduct, preserving the integrity and credibility of decision-making processes requires the consistent avoidance of conflicts between personal and professional interests. Impartiality is upheld as a core principle, with GR committed to the highest standards of ethical conduct, accountability and transparency. Particular emphasis is placed on identifying, disclosing and avoiding situations that may compromise integrity or objectivity.

A conflict of interest arises when an employee's personal interests or those of individuals closely connected to them may be fulfilled at the expense of the Company, its shareholders, or third parties with whom the Company has a business relationship. Such circumstances can interfere with professional judgment and erode trust in the organization.

Conflicts of interest may arise in situations such as:

- Relations with third parties;
- Receiving or giving gifts;
- Disclosure and issuance of information.

GR takes a proactive approach to identifying and managing such risks. Each employee is responsible for recognizing and avoiding any potential conflicts of interest. In carrying out their professional responsibilities, they are expected to exercise appropriate care, maintain objectivity and preserve professional independence and discretion.

Note: Furthermore, GR identifies ethical and operational issues and strives to resolve them within a reasonable timeframe, with responsibility appropriately shared between employees at all levels, including both staff and management.

OUR VALUES

TEAMWORK

Our ambitious plans are achieved through mutual support

PROFESSIONALISM

We take responsibility for our own actions

CUSTOMER SATISFACTION

Ensuring customer satisfaction is our priority and we believe that proper care is essential to achieving it

> "Ambitious plans are achieved through mutual support, taking responsibility for our actions and applying the proper care to ensure customer satisfaction, all while fostering a commitment to excellence and continuous improvement.

GR's commitment to its communities is evidenced through:

FAIR ATTITUDE TOWARDS CLIENTS:

The provision of high-quality services is conducted with transparency and respect. All interactions with clients are guided by the principle that their needs are of primary importance. In addressing these needs, ethical and responsible conduct is consistently maintained, with the objective of fostering enduring and trustworthy relationships.

MUTUAL RESPECT:

A respectful and dignified work culture is upheld, where fairness, cooperation and the recognition of individual differences are core values. This approach promotes a working environment that respects personal privacy and embraces diversity. The Company remains firmly committed to preventing all forms of discrimination and harassment, thereby supporting an inclusive atmosphere in which every employee is valued and empowered to contribute to shared objectives.

CARING FOR EACH OTHER'S SAFETY:

The safety and well-being of employees are considered fundamental priorities. To support this commitment, a secure working environment is maintained through strict adherence to occupational health and safety measures. Employees are expected to comply with all safety protocols and report any concerns that could affect others, thereby reinforcing a culture of shared responsibility and mutual care.

SAFE CUSTODY OF COMPANY ASSETS:

Employees are entrusted with the responsible management and protection of company assets. Safeguarding physical and financial resources from theft, loss, or misuse is essential to preserving organizational integrity. By using assets appropriately and securely, employees contribute to the Company's operational efficiency and long-term stability.

CORPORATE SOCIAL RESPONSIBILITY:

GR remains committed to contributing positively to society through structured corporate social responsibility initiatives. These efforts include supporting local communities, promoting environmentally sustainable practices and ensuring that operations generate value not only for the Company but also for broader society. Through these initiatives, a long-term commitment to ethical conduct and stakeholder well-being is demonstrated.

CRIME RISK MANAGEMENT:

Effective management of crime-related risks is critical to preserving the Company's integrity. To address this, preventive measures have been established to protect against threats such as fraud, theft and other unlawful actions. Employees are encouraged to remain alert and report any suspicious activities, thereby supporting a secure and trustworthy environment for both personnel and company assets.

OCCUPATIONAL SAFETY AND ENVIRONMENTAL MANAGEMENT SYSTEM

JSC Georgian Railway has implemented a comprehensive Occupational Safety and Environmental Management System designed to uphold the highest standards of employee health protection and environmental sustainability. Developed in alignment with national legislation, the international standard ISO 45001 and the principles outlined in ILO-OSH 2001, the system constitutes a fundamental component of the Company's integrated management framework.

The principal objective of the system is to ensure the well-being of employees and to mitigate the environmental risks associated with the Company's operations. This is achieved through the systematic identification and evaluation of hazards, application of preventive and control measures and continuous monitoring of compliance with applicable environmental and occupational safety regulations. By fostering a culture of prevention and accountability, the system enables Georgian Railway to effectively manage operational risks while contributing to long-term organizational resilience and sustainable development.

For this reason, we are committed to:

- Conducting operations safely and reliably in compliance with Georgian and international laws;
- Investigating incidents to identify root causes and prevent recurrence;
- Encouraging proactive incident reporting from employees and contractors;
- Minimizing environmental impact through sustainable practices and efficient emergency responses;
- Promoting the slogan "Green is our choice," contributing to national environmental initiatives.

ORGANIZATIONAL STRUCTURE OF OCCUPATIONAL SAFETY AND ENVIRONMENTAL MANAGEMENT SYSTEM

In organizational terms, the Occupational Safety and Environmental Management System is structured across three levels. The procedures governing occupational safety and environmental protection are outlined in the Company's internal regulations, employee job descriptions and the provisions of this Management System.

FIRST LEVEL	SECOND LEVEL	THIRD LEVEL
Director General & Branch Directors	Head of the Occupational Safety and Environmental Service of the Corporate Management Department	Sectoral Departments Heads

The effective functioning of the Occupational Safety and Environmental Management System at JSC Georgian Railway relies on clearly defined responsibilities across all organizational levels. In accordance with internal corporate acts and national legislation, each structural unit and functional group is assigned specific duties to ensure systematic risk management, regulatory compliance and the continuous improvement of workplace safety and environmental protection practices.

- Employer (JSC Georgian Railway) is obliged to assess risks, ensure training, provide personal protective equipment (PPE), investigate incidents and fund all occupational safety and environmental measures;
- Department Heads and Supervisors must enforce internal regulations, supervise fire and intoxication safety measures and provide continuous training and monitoring;
- Technical and Engineering Staff are responsible for maintaining safe machinery, assessing risk and implementing occupational and environmental guidelines;
- Human Resources ensures pre-employment medical checks and compliance with regulatory hiring conditions;
- Occupational Safety and Environmental Service oversees policy implementation, conducts internal audits, organizes training and manages risk assessment and incident reporting.

TRAINING AND EMPLOYEE PARTICIPATION

Training and employee involvement are essential components of Georgian Railway's Occupational Safety and Environmental Management System. These measures aim to reduce occupational risks and promote a strong safety culture, where all employees are actively engaged in maintaining safe and environmentally compliant operations.

INTRODUCTORY TRAINING*

- General information about the Company's activities and associated hazards;
- Overview of harmful and hazardous workplace factors;
- Employee rights and responsibilities in occupational safety;
- Internal regulations and safety instructions;
- Basic occupational safety legislation and applicable normative acts;
- Sequence and structure of safety training and instruction;
- Emergency response procedures, including fire, accident and explosion protocols;
- Control mechanisms for monitoring safety compliance.

ON-THE-JOB TRAINING*

- Primary Training;
- Repetitive Training;
- Unscheduled Training;
- Ongoing Training;
- Targeted Training.

All training sessions are documented in the appropriate logbooks (IR-2 or IR-2¹), signed by both the instructor and participant. For unscheduled training, the reason must also be recorded.

PROFESSION-SPECIFIC INSTRUCTION*

- Instruction on safe methods of task execution tailored to specific job roles;
- First aid and emergency response training (at least once annually);
- Technical safety briefings held monthly, based on approved thematic plans;
- Training for employees in hazardous roles or returning from extended leave;
- Safety onboarding within one month for all newly hired or reassigned staff;
- Specialized instruction for workers engaged in harmful or high-risk environments;
- Option to involve external instructors or qualified professionals for specific topics.

**Introductory training is the initial occupational safety instruction provided to individuals entering the Company's working environment for the first time. It serves as the foundational step in familiarizing them with the general principles of workplace safety and the Company's safety culture. On-the-job training is a structured process of instruction carried out in the actual work setting. It is aimed at ensuring employees can perform their assigned tasks safely and in accordance with established safety protocols. Profession-specific instruction is targeted training developed in accordance with the particular duties, functions and risk profiles of individual job roles within the organization.*

In addition to these core occupational safety training formats GR also places significant emphasis on environmental education. In line with Article 18(1)(c) of the Waste Management Code of Georgia, employees involved in hazardous waste handling must undergo biannual training. The environmental training program includes:

- Safe handling, packaging and disposal of hazardous waste;
- General environmental protection principles;
- Logbook maintenance (hazardous waste registry);
- Identification and mitigation of environmental risks in dangerous zones.

EMERGENCY AND RISK MANAGEMENT

GR prioritizes employee safety through a robust emergency and risk management system. The system provides clear procedures for:

- EMERGENCY RESPONSE PLANNING AND EVACUATION: The Company has an emergency action plan that includes fire safety, evacuation routes, assembly points and staff responsibilities during emergencies. Structural unit managers appoint responsible persons for fire safety and the most hazardous sites are identified with specific emergency plans. The action plan outlines roles, notification procedures and fire-fighting equipment.
- FIRST AID: Employees are trained in first aid, with selected individuals from each subdivision having specialized training. First aid kits are strategically located near work areas and the location is communicated to all staff during training.
- ACCIDENT INVESTIGATION AND REPORTING: A formal process is in place to investigate accidents and report them to the relevant authorities. Supervisors are responsible for documenting accidents and ensuring that corrective actions are implemented.
- ENVIRONMENTAL INCIDENT MANAGEMENT: The Company adheres to procedures for managing environmental incidents, identifying hazardous conditions and developing plans to mitigate environmental risks.

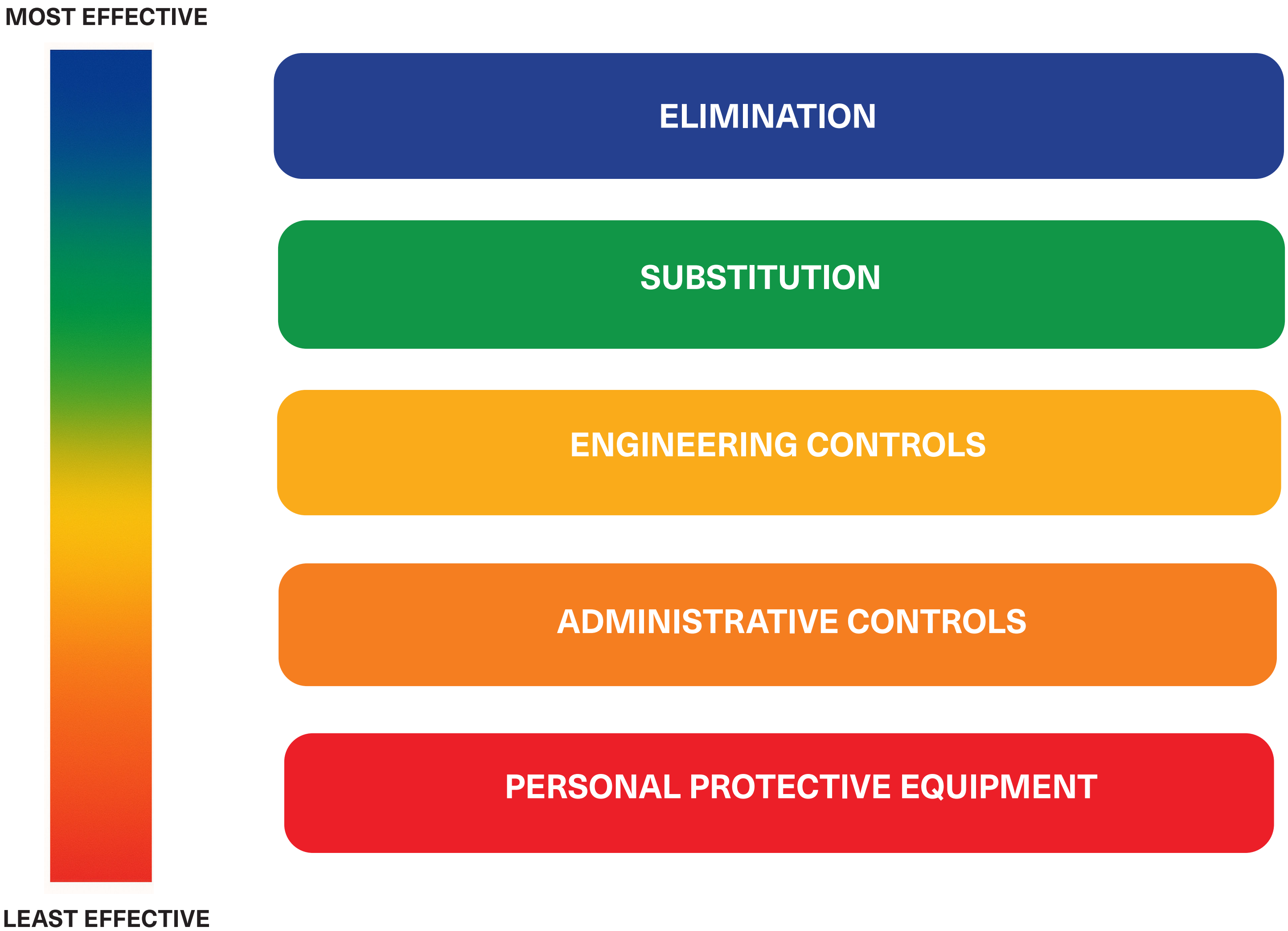
GR follows the Occupational Risk Assessment Order №01-15/n (February 18, 2020) issued by the Minister of Labour, Health and Social Affairs of Georgia. This order outlines a structured approach to identifying and mitigating occupational risks:

- RISK IDENTIFICATION AND HIERARCHY OF CONTROLS: High-risk sites are identified through risk assessments and operational plans are developed to reduce these risks. Preventive measures are implemented using a structured approach, as outlined in the hierarchy below *(see Hierarchy of Occupational Risk Prevention Measures below).*
- PPE ISSUANCE AND CONTROL: PPE, including special clothing, footwear, respiratory protection and more, is provided free of charge based on the risk assessment document. Employees are trained on the proper use of PPE and are responsible for maintaining its condition. Regular inspections ensure compliance and safety standards are upheld.

In the event of an emergency, the following steps are followed:

- NOTIFICATION AND REPORTING: The Company has a clear hierarchy for notifying emergency services, including fire-rescue services, site managers and relevant internal departments.
- EVACUATION AND ASSEMBLY POINTS: All staff are required to evacuate to designated assembly points, where they are registered and their safety is monitored.
- ROLES AND RESPONSIBILITIES: Site managers and supervisors are responsible for coordinating emergency actions, including the evacuation and rescue operations. Firefighting equipment is available for small fires, with staff trained in using it when necessary.

HIERARCHY OF OCCUPATIONAL RISK PREVENTION MEASURES



As outlined above, a hierarchy of occupational risk prevention measures is implemented to effectively mitigate identified risks. The following measures are prioritized to ensure the maximum reduction of risk :

- ELIMINATION OF HAZARD: Removing the hazard from the work environment;
- SUBSTITUTION OF HAZARD: Replacing the hazardous source with a safer alternative;
- ENGINEERING CONTROLS: Implementing engineering solutions and collective protection equipment;
- ADMINISTRATIVE CONTROLS: Enforcing safe work practices and internal regulations;
- PERSONAL PROTECTIVE EQUIPMENT (PPE): Providing necessary PPE to employees based on the risk assessment.

ANTI-CORRUPTION AND ANTI-BRIBERY POLICY

JSC Georgian Railway is committed to upholding the highest ethical standards and ensuring full compliance with applicable laws and regulations in all its operations. As a state-owned enterprise, GR recognizes its responsibility to lead by example in the fight against corruption and bribery. The Anti-Corruption and Anti-Bribery Policy serves as the Company's primary framework for preventing and addressing corruption, bribery and related offenses, ensuring transparent and ethical conduct throughout the organization.

The Company adopts a zero-tolerance approach toward corruption and bribery, including any attempts to engage in such actions. GR is committed to establishing and maintaining robust preventive mechanisms and a strong system for detecting and responding to corrupt practices. Corruption, the acceptance or offering of bribes and any attempt to do so are regarded as serious offenses that may lead to criminal liability, significant material and reputational harm.

The policy applies to all areas of GR's operations and covers all levels of the Company, including supervisory board members, directors, employees, contractors and business partners.

Currently, the policy is in the final stages of approval, with internal coordination and formal adoption procedures ongoing. Its key objectives are:

- Defining the responsibilities of GR personnel in ensuring compliance with anti-corruption principles;
- Providing guidelines for identifying and responding to corruption and bribery risks;
- Ensuring that the Company's activities comply with Georgian legislation and international best practices.

CORE INTEGRITY STANDARDS AND COMPLIANCE MEASURES

Under its Anti-Corruption and Anti-Bribery Policy, GR complies with the following anti-corruption standards:

- BRIBERY: Employees are strictly prohibited from offering, accepting, or attempting to engage in bribery, directly or indirectly, including through third parties. This includes any gifts, payments, or benefits given to obtain a business advantage. Retaliation against employees who refuse to offer or report bribery is also prohibited.
- FACILITATION PAYMENTS: Any payments made to expedite or simplify routine procedures are prohibited, regardless of amount or local practice.
- CONFLICTS OF INTEREST: Employees must avoid situations where personal interests conflict with the Company's interests. Any potential conflicts must be declared immediately following the Company's procedures.
- HIDDEN COMMISSIONS: The payment or receipt of hidden commissions, in any form, is prohibited. All financial transactions within GR must be transparent and properly documented.
- MONEY LAUNDERING: Participation in money laundering activities, including concealing the origins or ownership of property, is prohibited. GR ensures the legality and transparency of all financial transactions.

To ensure transparency and avoid any appearance of impropriety, the Company regulates both the giving and receiving of gifts and hospitality.

- PAYMENT: GR regulates gifts and entertainment expenses through its internal policy. For Group companies, souvenirs should not exceed GEL 1,000 and any purchase above this amount requires prior approval. Hospitality expenses are limited to GEL 160 (excluding VAT) per person for a single event.
- ACCEPTANCE: Employees cannot accept gifts or hospitality that could influence decisions or lead to improper benefits, including monetary gifts.
- REPORTING: Gifts or hospitality worth more than GEL 500 must be reported within three working days. Directors must submit details for personal gifts above this value. The Compliance Department reviews the notifications and takes necessary actions.

GR upholds integrity in all external dealings. The Company conducts risk-based checks before forming new partnerships, particularly in high-risk situations, evaluating reputation and potential risks. Employees must avoid engaging with entities suspected of corruption or misconduct. Political donations using Company resources are prohibited and charitable contributions require prior approval, ensuring verification of the recipient's identity and legitimacy.

HIGH-RISK INDICATORS

Employees of GR must remain alert to situations that may present increased corruption risks. Recognizing key risk indicators is essential for preventing misconduct and ensuring the integrity of operations. Key high-risk areas include:

FINANCIAL OPERATIONS	PROCUREMENT AND CONTRACTS	RAILWAY OPERATIONS
Payments made without appropriate documentation; Invoices that exceed the contractually agreed amounts; Use of non-standard or unauthorized bank accounts.	Breaches in procurement procedures; Unjustified preference for specific suppliers; Splitting of contracts to bypass established procedures; Engagement in large-scale corporate or infrastructure projects, which may pose a higher risk.	Manipulation of shipping or transport documentation; Falsification of accounting records; Unauthorized benefits or advantages.

Note: To address these risks effectively, GR emphasizes the importance of informing employees about the Anti-Corruption and Anti-Bribery Policy and internal controls. The Company plans regular training to ensure employees understand corruption risks, prevention mechanisms, their responsibilities and reporting procedures.

REMUNERATION POLICY

The Remuneration Policy of JSC Georgian Railway is aimed at establishing a fair, transparent and sustainable salary system that reflects the relative value of positions, supports internal equity and promotes employee motivation and retention. The policy is grounded in the principles of meritocracy, objectivity and consistency and is aligned with GR's strategic goals and organizational structure.

The core objective of the Remuneration Policy is to ensure that remuneration decisions are based on the value of the position within the Company, determined through a standardized and methodologically sound position evaluation system. This system enables the classification and comparison of roles across the organization and serves as the foundation for forming a unified, equitable and performance-supportive salary framework.

REMUNERATION STRUCTURE AND SALARY MATRIX MODEL

The Company applies a salary matrix model to ensure consistency, fairness and transparency in compensation. The matrix consists of 15 vertical hierarchical ranks and five standard horizontal qualification ranks, with an additional sixth category designated for exceptional cases. All positions within the Company (except those governed by a separate contractual remuneration system) are assigned a rank that reflects their relative value to the organization. Accordingly, positions with higher ranks, which have a greater potential to generate significant benefits (or losses) for the Company, are associated with higher salary levels.

Hierarchical ranks are determined through a structured evaluation methodology, which assesses positions based on four main criteria, as defined in the Position Evaluation Methodology: competencies, problem-solving, responsibility and working conditions. The relevant structural unit and the Human Resources Management and Development Service conduct the evaluation, after which the proposed scores and rank ranges are reviewed and approved by the Board of Directors. Each hierarchical rank corresponds to a defined salary range, setting both minimum and maximum levels of compensation.

Within the qualification rank range, there are horizontal steps that divide the range into specific salary levels. The higher the step, the higher the salary rate. An employee's salary is therefore determined by these two factors.

POSITION EVALUATION METHODOLOGY

COMPETENCIES

- **Competence:** Required knowledge, education, skills and experience;
- **Management Span:** Scope and complexity of managerial responsibilities;
- **Communication:** Complexity and sophistication of interactions beyond direct supervision.

PROBLEM SOLVING

- **Thinking Environment:** Degree of standardization and flexibility in decision-making;
- **Complexity of Thinking Process:** Nature, variety and depth of tasks and required thought processes.

RESPONSIBILITY

- **Freedom of Action:** Degree of independence in task execution and decision-making;
- **Influence:** Volume and importance of resources/functions influenced and the position's contribution to results.

WORKING CONDITIONS

- **Physical Demands:** Level of physical effort required;
- **Work Environment:** Exposure to hazardous or discomforting conditions.

SALARY ADJUSTMENT PRINCIPLES AND PROCEDURES

GR's approach to salary management is built on a structured and transparent framework that supports fairness, consistency and alignment with organizational changes and individual performance. The Company has defined specific principles and procedures for adjusting employee salaries in response to career development, position changes, or updates to the value of roles within the organization.

Employee salary adjustments may occur in the following cases:

- CHANGE OF QUALIFICATION RANK (HORIZONTAL STEP): When an employee meets the qualification criteria outlined in the internal guidelines, they may advance to a higher step, which results in a revised salary.
- CHANGE OF POSITION: In case of promotion, the employee's salary is adjusted to the first step of the new rank if it exceeds their current pay, or rounded up to the nearest applicable step. For demotion, the salary is reduced to the closest lower step, unless further reduction is warranted. Position changes follow internal procedures, including competition, restructuring, or disciplinary measures.
- CHANGE OF POSITION RANK: If a position's responsibilities are redefined and documented accordingly, a re-evaluation of the position's rank is conducted. Salary is subsequently adjusted based on whether the rank increases or decreases.

Final decisions regarding salary changes are approved by the Board of Directors, based on the recommendations of the commissions. Adjustments to the salary matrix may be made by the Board of Directors in response to internal changes or market trends. Position values are reviewed regularly and any regulatory updates require approval from the Board of Directors in coordination with the Supervisory Board. This ensures GR's compensation system remains fair and adaptive.

APPROXIMATION WITH EU RAILWAY DIRECTIVES

In recent years, Georgia has undertaken significant steps toward integrating with European structures, particularly in the transport sector. As part of its broader European integration efforts, Georgia signed the Association Agreement (AA) with the European Union in 2014, marking a key milestone in its political and economic development. The signing of the AA was driven by Georgia's desire to strengthen its relationship with the EU, aiming to enhance political stability, improve economic prospects and align more closely with European values and standards. The agreement reflected Georgia's commitment to the principles of democracy, rule of law and a market-driven economy, while also focusing on the modernization of key sectors.

The Association Agreement committed Georgia to harmonize its legal and regulatory frameworks with EU standards, ensuring greater integration into the European market and infrastructure networks. As part of this alignment, Georgia was tasked with significant reforms in various sectors, with a particular focus on the transport sector. This included the adoption of EU's single market regulations, which aimed not only at improving infrastructure but also at liberalizing and modernizing services to boost efficiency and competition within the sector.

In 2016, the AA fully came into force, formally marking the beginning of Georgia's legal obligation to adopt EU standards. One of the key areas under the agreement was the railway sector, where Georgia was required to implement substantial reforms. Starting in 2017, Georgia was tasked with aligning its railway legislation with eight core EU legal acts related to railway operations, safety, infrastructure and market access, following the timelines specified in the agreement.

Directive 2016/798/EC on Railway Safety

Georgian Railway is aligning with directive of the European Parliament and the Council of May 11, 2016, Directive (EU) 2016/798 - on railway safety. This includes conducting risk assessments to identify and mitigate hazards, ensuring compliance with safety standards for rail infrastructure and rolling stock. Safety audits are conducted to assess risks and improve performance, while continuous monitoring ensures long-term alignment with EU safety standards.

STATUS: **UNDER IMPLEMENTATION**

Directive 2007/59/EC on the certification of train drivers driving locomotives and trains in the Union's rail system

To comply with Directive 2007/59/EC, GR is implementing a certification process for train drivers, including EU-compliant training programs to develop theoretical knowledge and practical skills for operating various types of rolling stock. The process also includes medical and psychological fitness checks. GR's structured qualification procedure involves written exams and practical assessments, with regular competency evaluations to ensure safety and compliance with regulations.

STATUS: **UNDER IMPLEMENTATION**

Directive 2008/68/EC on the inland transport of dangerous goods

In line with Directive 2008/68/EC, GR follows the RID (Regulations concerning the International Carriage of Dangerous Goods by Rail) to ensure hazardous materials are handled according to international safety standards. This includes applying technical standards for rolling stock and infrastructure, along with providing ongoing staff training to ensure compliance with safety protocols, emergency procedures and operational requirements.

STATUS: **LARGELY IMPLEMENTED**

Regulation 913/2010 on the competitiveness of freight transport in the European rail area*

Georgian Railway is aligning with Regulation (EU) No 913/2010 to create a European rail network for competitive freight. GR is enhancing cross-border freight services and improving rail connectivity with neighboring countries like Türkiye, Azerbaijan and Armenia. To increase competitiveness, GR is upgrading its freight services with new rolling stock, optimizing logistics and developing new freight terminals to handle higher volumes of goods.

STATUS: **IMPLEMENTED**

**Although the directive does not require formal legislative approximation, its provisions are effectively implemented in practice.*

Directive 2012/34/EC establishing a single European railway area

Georgian Railway is aligning with Directive 2012/34/EC to establish a single European railway area by promoting open access and enhancing competition. GR has separated accounts for transportation services and railway infrastructure management, in line with Section 2, Article 6 of the directive. Since 2021, GR has published independent Activity Reports for each business segment, ensuring transparency. These reports cover passenger transport and freight services and reflect GR's commitment to non-discriminatory access to infrastructure. GR has also implemented reforms to encourage the participation of private operators in rail transport services within the country.

STATUS: **UNDER IMPLEMENTATION**

Directive 2008/57/EC on the interoperability of the railway system within the Union

Georgian Railway is modernizing its signaling systems, safety technologies and rolling stock to comply with Directive 2008/57/EC on interoperability. This includes upgrading signaling infrastructure to be compatible with European Train Control System (ETCS) and improving train control and communication systems. GR is collaborating with neighboring countries to integrate these systems for seamless cross-border operations and adopting the Technical Specifications for Interoperability (TSIs) to support its integration into the European network.

STATUS: **UNDER IMPLEMENTATION**

Regulation (EC) 1371/2007 on the rights and obligations of rail passengers

On December 29, 2017, the Minister of Economy and Sustainable Development of Georgia adopted Decree No. 1-1/586, which defines the rights and obligations of rail passengers. In accordance with this decree, Georgian Railway developed the Instruction "On determination of compensation procedures in case of train delays". Additionally, GR has implemented a Computerized Information and Reservation System, a complaint handling mechanism and service quality standards.

STATUS: **IMPLEMENTED**

Regulation (EC) 1370/2007 on public passenger rail and road transport services (PSO)

The Government of Georgia adopted Resolution No. 266 on May 24, 2022, establishing the rules and conditions for public service contracts (PSCs) and determining public service compensation. On June 14, 2024, a PSC was signed between the Rail Transport Agency of Georgia and Georgian Railway, formalizing public transport service delivery and ensuring compensation structures and operational efficiency in line with EU standards.

STATUS: **IMPLEMENTED**

The implementation of railway-related reforms progressed slowly in the years following the agreement. Until 2023, several critical aspects of Georgia's railway operations remained without effective regulation. For many years, the country's passenger railway services were provided without a formal contractual or financial framework to ensure public service obligations. This regulatory gap presented challenges in service quality, long-term planning and financial sustainability.

In response to these longstanding issues and in accordance with its commitments under the Association Agreement, the Government of Georgia (GoG) launched a comprehensive Railway Transport Reform. The reform aims to modernize the railway sector, improve service delivery and ensure alignment with EU railway standards and practices. Its key objectives include:

- Reorganizing the institutional framework of the railway sector;
- Introducing competition, transparency and regulatory oversight;
- Ensuring the provision of socially necessary services, especially in regions with limited commercial viability.

The reform is structured in three phases:

PHASE I (2023–2024)

- Implementation of directives on railway safety, certification of locomotive and train drivers and transportation of dangerous goods by road and rail;
- Signing and administering the Public Service Contract (PSC) with the railway operator.

PHASE II (2024–2025)

- Establishment of a new legislative framework for rail transport addressing passenger rights and obligations, as well as railway safety.

PHASE III (2026–2027)

- Establishment of a regulatory body or expansion of the RTA's responsibilities;
- Introduction of requirements for the separation and independence of railway operators and infrastructure managers;
- Creation of a registry for drivers, rolling stock and infrastructure components;
- Implementation of licensing criteria for railway operators, focusing on reputation, financial stability and professional expertise;
- Development of public infrastructure financing mechanisms (MAIC);
- Introduction of rules governing infrastructure usage, path allocation and charges;
- Adoption of standards and regulations to ensure railway interoperability.

Expected outcomes of Railway Transport Reform include:

- Enhanced levels of railway safety and more effective safety management practices;
- Strengthened accountability among entities operating within the railway sector;
- Greater transparency across sectoral operations;
- Elevated qualifications and professional standards for personnel involved in railway operations;
- Expanded prospects for private sector engagement in the industry;
- Improved quality of passenger transport services through the implementation of the Public Service Obligation (PSO) model, leading to higher standards of accountability, transparency and service delivery.

ESTABLISHMENT OF THE RAILWAY TRANSPORT AGENCY (RTA)

A major institutional step in the reform process was the creation of the Railway Transport Agency (RTA) on July 1, 2023, under the Ministry of Economy and Sustainable Development. The RTA serves as Georgia's national railway safety authority and the primary regulatory body overseeing the railway sector. Its establishment addressed the need for a dedicated institution to implement and enforce the three-stage railway reform process. As the first competent state authority in this field, the RTA is tasked with creating a robust institutional and legal framework for regulating railway transport, ensuring safety and aligning with international and European standards.

The RTA's formation also positions railway policy within the broader context of Georgia's unified transport strategy, alongside road, sea and air transport. The Ministry of Economy and Sustainable Development retains responsibility for overall transport policy, ensuring that the railway sector is fully integrated into the country's multimodal transport framework.

Note: As part of the Railway Transport Reform, the Railway Accident and Incident Investigation Bureau was also established, whose main function is to conduct independent investigations into accidents and incidents within the railway sector.

PUBLIC SERVICE CONTRACT (PSC) BETWEEN THE RAILWAY TRANSPORT AGENCY AND JSC GEORGIAN RAILWAY

Following the adoption of Decree No. 1-1/586 and the implementation of various passenger service enhancements, Georgian Railway has continued to progress with reforms aimed at improving service quality and aligning with international standards. A significant milestone in these efforts was the signing of the initial Public Service Contract (PSC) between the Railway Transport Agency and JSC Georgian Railway in June 2024. This contract is a cornerstone of the first phase of Georgia's railway reform, ensuring compliance with Regulation (EC) No. 1370/2007 on public passenger transport services *(see Approximation with EU Railway Directives).* It supports sector reform and European integration through improvements in service quality, transparency and accountability. The compensation for the period from July to December 2024 amounted to GEL 8.7 million. Starting in 2025, the Government plans to provide an annual compensation of GEL 8 million to GR in the following years *(see 7.2 passenger transportation strategic bussines unit (passenger SBU)).*

This agreement is expected to lead to significant improvements in passenger experiences, including enhanced service quality, increased punctuality and better customer satisfaction. Furthermore, it sets the stage for the second phase of the railway reform, which will focus on passenger rights and further safety regulations.

RAILWAY TRANSPORT AGENCY'S REGULATIONS

In 2024, as part of the first phase of the Railway Transport Reform, the RTA introduced a new legislative framework that includes four key regulations, designed to enhance the safety, efficiency and accountability of the railway system in Georgia.

RAILWAY SAFETY RULES

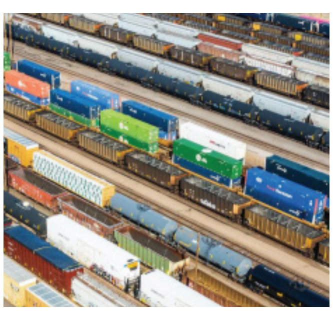
These rules are aimed at ensuring the safety of Georgia's railway system. They set out the requirements for safety management systems, define the roles and responsibilities of various entities within the railway sector and establish procedures for safety certification, monitoring and supervision. The regulations apply to railway undertakings, infrastructure managers and other entities that impact railway safety, requiring them to cooperate for effective risk management. Railway safety rules cover aspects such as safety standards, common safety methods and certification processes.

CERTIFICATION OF RAILWAY UNDERTAKING AND AUTHORIZATION OF INFRASTRUCTURE MANAGERS

To access railway infrastructure, a railway undertaking must hold a safety certificate. These undertakings, which include those involved in cargo and passenger transportation, are responsible for the operation of trains. Similarly, infrastructure managers, who are responsible for the design, management and maintenance of the railway infrastructure, must be authorized by the RTA. This authorization covers traffic management, signaling, rolling stock control and other systems essential for the safe operation of the railway network.

ISSUANCE OF DRIVING LICENSES AND CERTIFICATES TO TRAIN DRIVERS

Train drivers must possess both a driver's license and a driver's certificate to operate trains. The license is issued by the RTA, confirming that the driver meets the necessary legal requirements, while the certificate, issued by the railway enterprise or infrastructure manager, specifies the areas and rolling stock the driver is authorized to operate. In March 2025, the RTA began the process of registering these documents in its electronic database (eTDS). This system consolidates all train driver licenses and certificates, ensuring a centralized registry and higher standards of safety and accountability. The registry includes all issued, renewed, changed, expired and revoked licenses and certificates.



NEW RULES FOR THE TRANSPORTATION OF DANGEROUS GOODS BY RAIL

The transportation of dangerous goods is regulated by Decree No. 17, issued on 22 January 2025. This decree establishes the legal framework for the transportation of hazardous materials by rail, including requirements for classification, packaging and hazard markings. It also outlines the responsibilities of the parties involved in the transportation process, safety measures and the conditions for loading, unloading and handling dangerous goods. The decree further stipulates the procedures for reporting any incidents related to dangerous goods, ensuring proper oversight and safety in this critical area.

Georgian Railway is designated as a First Category critical information system entity under the Law of Georgia on Information Security, as outlined in Resolution No. 646 of December 31, 2021. This resolution, issued by the Government of Georgia, approves the list of critical information system subjects categorized into three tiers, as defined by the law. The classification is a cornerstone of the national cybersecurity framework, identifying entities whose information systems are vital to national security and public welfare.

The classification system is structured as follows:

- FIRST CATEGORY: Subjects in this category include state bodies, institutions, legal entities under public law and state enterprises. Their information systems are crucial for the defense and/or economic security of the country, as well as for maintaining state power and/or public life. The continuous operation of these systems is vital for the functioning of the state and its institutions, making them integral to national security and public welfare (e.g., GR).

- SECOND CATEGORY: This category includes electronic communications providers whose information systems are essential for the defense and/or economic security of the country. The continuous operation of these systems is necessary to ensure the stability of the state government and the maintenance of public life.

- THIRD CATEGORY: Subjects in this category are private legal entities, excluding electronic communications companies. Their information systems are crucial for the defense and/or economic security of the country, as well as for the maintenance of the state government and/or public life. These entities may include banks, financial institutions and other private organizations that play a key role in national security and the economy.

As a First Category entity, GR is subject to enhanced cybersecurity standards and regulatory oversight. This designation highlights the strategic importance of the Company's information systems and requires compliance with strict measures designed to protect critical national infrastructure.

Key Obligations for First-Category entities include:

- APPOINTMENT OF AN INFORMATION SECURITY MANAGER: Each entity must designate an Information Security Manager (ISM) responsible for overseeing the organization's information security framework. The ISM is tasked with daily monitoring of information security policies, managing internal documentation and coordinating responses to information security incidents.

- COMPLIANCE WITH NATIONAL AND INTERNATIONAL STANDARDS: Entities are required to align their information security policies with minimum standards set by the Digital Governance Agency, in accordance with international standards such as ISO and ISACA.

- INCIDENT IDENTIFICATION AND REPORTING: First-category entities must promptly identify and report any computer incidents to the Computer Incident Support Group of the Operational-Technical Agency. They are also obligated to implement emergency measures to store and protect information related to such incidents.

- IMPLEMENTATION OF INTERNAL SECURITY POLICIES: Entities must adopt internal rules for information security usage, ensuring enforcement of the provisions outlined in the Law on Information Security. This includes procedures for identifying and responding to computer incidents, as well as maintaining documentation of information assets and access controls.

GR's cybersecurity initiatives are aligned with the National Cybersecurity Strategy and Action Plan (2021–2024), which constitutes Georgia's principal framework for enhancing national cyber resilience. The Group's efforts are directed toward strengthening the resilience of essential services against evolving cyber threats and ensuring that the Company's operations remain consistent with the broader objectives of the national cybersecurity agenda.

GRIEVANCE MECHANISM (WHISTLE BLOWER POLICY)

The purpose of the JSC Georgian Railway Employee Grievance Mechanism (hereinafter referred to as "the Mechanism" or "the Rule") is to prevent the violation of the rights of the Company's employees and the timely, comprehensive and objective investigation/evaluation of actions/inactions taken or not by the relevant person(s), as well as peaceful resolution of disputes.

The Mechanism establishes the methods and processes applied to resolve a given complaint, regulates the procedures for submitting complaints, consideration of said complaint, as well as investigation of the identified violations. In addition, it determines the rights, duties and responsibilities of the parties engaged in the review process.

DATA PRIVACY/SECURITY POLICY

This policy is intended to ensure the protection of human rights and freedoms, including the right to privacy, in the course of personal data processing.

Here, the Company abides by the following principles:

- Data must be processed fairly and lawfully, without impinging on the dignity of a data subject;
- Data may be processed only for specific, clearly defined and legitimate purposes, while further processing of data for purposes that are incompatible with the original purpose shall be inadmissible;
- Data may be processed only to the extent necessary to achieve the respective legitimate purpose and data must be adequate and proportionate to the purpose for which they are processed;
- Data must be valid and accurate and must be updated, if necessary and data that are collected without legal grounds and irrelevant to the processing purpose must be blocked, deleted, or destroyed; and
- Data may be kept only for the period necessary to achieve the purpose of data processing. After the purpose of data processing is achieved, the data must be locked, deleted or destroyed, or stored in a form that excludes identification of a person, unless otherwise determined by law.

Glossary

AA	Association Agreement
ADB	Asian Development Bank
Alstom SA	French multinational rolling stock manufacturer operating worldwide in rail transport markets
BTC	Baku-Tbilisi-Ceyhan
BTK	Baku-Tbilisi-Kars
CAPEX	Capital expenditure
CENELEC	Commission Européenne de Normalisation Électrique (EU standards organization for electrical goods)
CEO	Chef Executive Officer
CFO	Chief Financial Officer
CG/LA Forum	Global Infrastructure Leadership
CHF	Swiss Franc
CIS	Commonwealth of Independent States
CPC	Caspian Pipeline Consortium
CPU	Central Processing Unit
CRT	Council for Rail Transport
DB	Deutsche Bahn
DCFTA	Deep and Comprehensive Free Trade Areas
DWDM	Dense wavelength-division multiplexing
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EMU	Electric Multiple Unit
ESG	Environmental, Social and Governance
EU	European Union
FEZ	Free Economic Zone
FTA	Free Trade Agreement
FX	Foreign Exchange. The value of Georgian Lari relative to the US Dollar or any other currency.
GBP	British pound sterling
GBP	Green Bond Principles
GDP	Gross Domestic Product
GEL	Georgian Lari
GMS	General Meeting of Shareholders
GR	Georgian Railway

GSP	Generalized System of Preferences
ICMA	Institute of Cost and Management Accountants
IEC	International Electrotechnical Commission
IFB	INSTITUT FÜR BAHNTECHNIK GmbH
IGC	The Intergovernmental Commission
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
ITIL	Information Technology Infrastructure Library
JSC	Joint-stock Company
LLC	Limited Liability Company
LT	Long-term
MPS	Multiprocessor Specification
NATO	North Atlantic Treaty Organization
NBG	National Bank of Georgia
NNLE	Non-entrepreneurial Non-commercial Legal Entity
OPEC	The Organization of the Petroleum Exporting Countries. OPEC
OPEX	Operational expenditure
PP&E	Property, plant and equipment
Revenue per ton-kilometer	The term refers to the average revenue that the Group receives per ton-kilometer
RTC	Railway Transport College
SAP	System Applications and Products in Data Processing
SBU	Strategic business unit
SEZ	Special Economic Zone
SIL	Safety Integrity Level
ST	Short term
Tetri	Minor unit of Georgian national currency
TEU	Twenty-foot equivalent unit
TFI	Task Force on National Greenhouse Gas Inventories
The Company	Georgian Railway
The Government	The Government of Georgia
The Group	Georgian Railway and its subsidiaries
The State	Republic of Georgia
TITR	Trans-Caspian International Transport Route

Ton-kilometer	Unit of measurement representing the movement over a distance of one kilometer of one ton of contents (also referred as tkm or ton-km)
TRACECA	Transport Corridor Europe Caucasus Asia Transportation
ULCC	Ultra-large crude carrier
US	United States
USD	United States Dollar
VAT	Value-added tax
VLCC	Class of large oil tanker, larger than Suezmax and smaller than ULCC
WBS	World Business Solutions
WTO	World Trade Organization

GEORGIAN RAILWAY GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2024

CONTENTS

Independent Auditor's Report

To the Shareholder and the Supervisory Board of JSC Georgian Railway

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of JSC Georgian Railway (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2024, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and with the disclosure requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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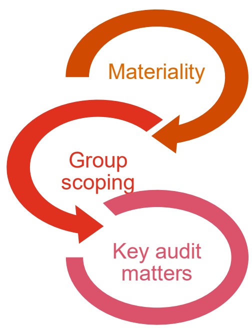
Our audit approach

Overview



- Overall Group materiality: GEL 5,300 thousand, which represents 2.5% of Group's profit from operating activities adjusted with depreciation and amortization expense and share of results of equity accounted investees (adjusted profit from operating activities).

- We conducted audit work at 5 reporting units.
- Our audit scope addressed 99.8% of the Group's revenues and 98.9% of the Group's absolute value of underlying profit before tax.

- Impairment of Property, Plant and Equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	GEL 5,300 thousand
How we determined it	2.5% of benchmark
Rationale for the materiality benchmark applied	We chose adjusted profit from operating activities as the benchmark because, in our view, this benchmark adequately reflects the performance and profitability of the Group. We chose 2.5% to be applied to a chosen benchmark as this is consistent with quantitative materiality thresholds used for public interest companies.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment Due to the Group's 2024 financial results not meeting the projections from the 2023 impairment analysis, alongside the sensitivity of that test to variations in key assumptions and the general materiality of the Group's property, plant, and equipment balance, including current year additions, management concluded that there was a need to perform an impairment test as of 31 December 2024. As a result of the impairment test conducted, it was concluded that the recoverable amount of the Group's property, plant, and equipment was approximately equal to its carrying value, and thus, no additional impairment loss or reversal was recognized in 2024. The impairment of property, plant, and equipment is identified as a Key audit matter due to the substantial level of judgment required in management's impairment analysis, as well as the inherent uncertainties associated with estimating and discounting future cash flows related to this impairment evaluation.	To address the identified key audit matter, we executed the following primary audit procedures: - Conducted inquiries with management to understand the impairment analysis process. - Reconciled historical and budget data by aligning the list of assets and liabilities presented in the impairment test model with corresponding accounting records. We verified the accuracy of historical financial data and ensured alignment of forecast projections with the Group's business plan. - Evaluated the sensitivity of the impairment model outcomes by considering downside scenarios against plausible changes to key assumptions. - Assessed the adequacy of disclosures in Note 10 of the consolidated financial statements, ensuring compliance with the requirements of IAS 36 "Impairment of Assets" and IAS 1 "Presentation of Financial Statements". We engaged our valuation experts to assist us in our audit of this area. Our internal experts performed the following procedures: - Assessed the adequacy and reasonableness of the methodology and assumptions used in the impairment testing model. Key assumptions assessed included growth rates of transported goods and passengers, weighted average tariff, inflation rate, discount rate, cash flow projection, net working capital projection, annual maintenance capital expenditure and payments related to the Main Line Modernization project. - Reviewed the mathematical accuracy of calculations. We ensured that calculations adhered to the adopted methodology. - Verified the reasonableness of the forecast projections and corroborated third-party data used in the calculations.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

Management is responsible for the other information. The other information comprises the Management Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the Management Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements;
- the information given in the Management Report complies with the requirements of paragraph 6 and paragraph 7 (c), (g) of article 7 of the Law of Georgia on Accounting, Reporting and Auditing;
- the information given in the Management Report includes the information required by paragraph 7 (a), (b), (d) – (f) and paragraph 8 of article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and with the disclosure requirements of the Law of Georgia on Accounting, Reporting and Auditing, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lasha Janelidze.

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Lasha Janelidze (Reg.#SARAS-A-562091)

30 May 2025

Tbilisi, Georgia

'000 GEL	Note	31 December 2024	31 December 2023
Assets			
Property, plant and equipment	12	1,971,748	1,921,379
Other non-current assets	14	46,537	158,909
Other receivable	13	-	53,037
Investments in equity accounted investees	13	73,607	27
Non-current assets		2,091,892	2,133,352
Inventories	15	39,506	37,330
Tax assets		2,896	7,265
Prepayments	16	898	3,562
Other current assets	17	103,480	-
Trade and other receivables	18	27,870	30,905
Cash and cash equivalents	19	318,300	283,547
Current assets		492,950	362,609
Total assets		2,584,842	2,495,961
Equity			
Share capital	20 (a)	1,055,121	1,055,031
Non-cash owner contribution reserve	20 (b)	100,602	100,602
Accumulated losses		(219,405)	(287,589)
Total equity		936,318	868,044
Liabilities			
Borrowings	22	1,411,083	1,339,840
Advance received from the Government	20 (e)	46,593	46,593
Payables for non-current assets	23	34,992	36,714
Non-current liabilities		1,492,668	1,423,147
Borrowings	22	14,593	36,298
Trade and other payables	23	117,610	142,117
Liabilities to the Government	20 (c)	4,712	4,712
Provisions	24	9,571	11,214
Other current liabilities	25	9,370	10,429
Current liabilities		155,856	204,770
Total liabilities		1,648,524	1,627,917
Total equity and liabilities		2,584,842	2,495,961

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 261 to 297.

'000 GEL	Note	2024	2023
Revenue	6	648,337	627,173
Other income	7	22,807	8,993
Employee benefit expenses	8	(233,224)	(239,056)
Depreciation and amortisation expense		(59,325)	(76,895)
Electricity, consumables and maintenance costs	9	(87,654)	(74,722)
Net (charge)/recovery for expected credit losses on financial assets	26(b)(ii)	(3,777)	6,016
Other expenses	10	(145,428)	(154,566)
Profit from operating activities		141,736	96,943
Finance income	11	28,369	38,859
Finance costs	11	(61,990)	(61,090)
Net foreign exchange (loss)/gain	11	(55,669)	12,065
Share of results of equity accounted investees	13	15,738	-
Profit before income tax		68,184	86,776
Income tax expense		-	-
Profit and total comprehensive income for the year		68,184	86,776

These consolidated financial statements were approved by the Management Board on 29 May 2025 and were signed on its behalf by:

Lasha Abashidze
General Director

Irakli Titvinidze
Financial Director

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 261 to 297.

'000 GEL	Share capital	Non-cash owner contribution reserve	Accumulated losses	Total equity
Balance at 1 January 2023	1,055,031	100,602	(374,365)	781,268
Profit and total comprehensive income for the year	-	-	86,776	86,776
Balance at 31 December 2023	1,055,031	100,602	(287,589)	868,044
Balance at 1 January 2024	1,055,031	100,602	(287,589)	868,044
Profit and total comprehensive income for the year	-	-	68,184	68,184
Non-cash contribution from owner	90	-	-	90
Balance at 31 December 2024	1,055,121	100,602	(219,405)	936,318

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 261 to 297.

'000 GEL	*Note*	2024	2023
Cash flows from operating activities			
Cash receipts from customers		634,857	620,993
Cash paid to suppliers, employees and tax authorities		(416,028)	(444,178)
Net cash from operating activities		218,829	176,815
Cash flows from investing activities			
Acquisition of property, plant and equipment		(150,725)	(139,342)
Acquisition of associate	*13*	(4,343)	-
Proceeds from sale of property, plant and equipment		11,129	262
Interest received		24,426	34,133
Investment in joint venture		(462)	-
Decrease in term deposit		-	4,071
Net cash used in investing activities		(119,975)	(100,876)
Cash flows from financing activities			
Repayment of borrowings	*22 (b)*	(11,829)	(11,346)
Interest paid	*22 (b)*	(58,903)	(55,511)
Net cash used in financing activities		(70,732)	(66,858)
Net increase in cash and cash equivalents		28,122	9,081
Cash and cash equivalents at 1 January		283,547	274,629
Effect of exchange rate fluctuations on cash and cash equivalents		7,314	(424)
Effect of movements in ECL on cash and cash equivalents		(682)	261
Cash and cash equivalents at 31 December	*19*	318,300	283,547

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 261 to 297.

1. REPORTING ENTITY

(a) GEORGIAN 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 Georgia.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of the two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry. The Group is exposed to additional risks arising from disruptions in the supply of spare parts and maintenance services from Russia, Ukraine, and Belarus due to the ongoing conflict. The Group continues to purchase only from entities in these regions that maintain active operations and are compliant with applicable laws and regulation. It has also identified alternative suppliers from other countries to mitigate these risks. Management continually monitors these risks and takes measures to ensure the uninterrupted supply of critical components.

Despite global factors, the economy grew by 9.4%, inflation rate resulted in 1.1% for 2024 in Georgia. The real GDP growth is mainly driven by the increased export, tourism revenues and acceleration of remittances related to the inflow of migrants/tourists from Israel, Iran and Azerbaijan. Georgian Lari depreciated against the USD on balance by 3.2% in 2024 (2023: 9.87%). Sources: www.geostat.ge; www.nbg.gov.ge.

The consolidated 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 is registered by Tbilisi Chugureti District Court. 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, logistic administrative services, maintenance and development of railway infrastructure and construction of railway lines within Georgia.

On 29 November 2022, following the Decree of the Government of Georgia #2167, 100% of the Company's shares was transferred to the Government of Georgia. The ultimate controlling party of the Group as at 31 December 2024 and 31 December 2023 is the Government of Georgia.

Related party transactions are disclosed in Note 26.

2. BASIS OF ACCOUNTING

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards") and with the disclosure requirements of the Law of Georgia on Accounting, Reporting and Auditing, under the historical cost convention. These policies have been consistently applied to all the periods presented, unless otherwise stated (Refer to Note 33).

3. FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these consolidated 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

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 12 (c) – impairment of property, plant and equipment;
- Note 33 (h) (iii) – useful lives and residual values of property, plant and equipment;
- Notes 17, Note 23 and Note 26 (b) (ii) – classification and measurement of advances paid and retention fees for Tbilisi Bypass and Main Line Modernization projects (including recoverability of the advances paid for Tbilisi Bypass project, classified as "receivable related to Tbilisi Bypass project" as at 31 December 2024).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 12 (c) – sensitivity of impairment of property, plant and equipment;
- Note 12 (g) – sensitivity of residual values of property, plant and equipment.

Measurement of fair values

All financial assets and financial liabilities are measured at amortized cost, with their fair values disclosed in the financial statements. 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).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 26 (a) – fair value of financial assets and liabilities;

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. Total profit for reportable segments before infrastructure costs, net impairment, interest cost and income tax is used to measure performance as management believes that such information is 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

'000 GEL	Freight transportation		Passenger transportation		Total	
	2024	2023	2024*	2023	2024	2023
External revenues	594,837	577,184	45,395	41,219	640,232	618,403
Depreciation and amortization	(13,523)	(15,658)	(9,944)	(11,811)	(23,468)	(27,469)
Reportable segment profit/(loss) before infrastructure costs, net impairment, interest cost and income tax	313,825	290,655	(5,422)	(9,955)	308,403	280,700
Reportable segment assets	244,609	194,099	85,186	94,203	329,795	288,302
Capital expenditure and other additions to non-current assets	6,414	23,214	49,615	366	56,029	23,580

*2024 passenger transportation revenue includes grant revenue amounting GEL 8,726 thousand (2023: 0).

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

'000 GEL	2024	2023
Revenues		
Total revenue for reportable segments	640,232	618,403
Rent of wagons and other rental income	3,829	4,158
Other revenue	4,276	4,612
Consolidated revenue	648,337	627,173

Profit or loss		
Total profit for reportable segments before infrastructure costs, net impairment, interest cost and income tax	308,403	280,700
Employee benefits expense – infrastructure and headquarters	(101,153)	(103,163)
Depreciation expenses – infrastructure and headquarters	(35,858)	(49,426)
Net finance (costs) /income	(89,290)	(10,166)
Other net unallocated expenses	(13,918)	(30,550)
Consolidated profit before income tax	68,184	87,395
Assets		
Total assets for reportable segments	329,795	288,302
Property, plant and equipment - infrastructure and head quarters	1,672,984	1,666,201
Other unallocated assets, principally cash and non-current assets	582,063	541,458
Consolidated total assets	2,584,842	2,495,961

(iii) Other material items in 2024

'000 GEL	Reportable segment totals	Infrastructure and headquarters	Consolidated totals
Capital expenditure and other additions to non-current assets	56,029	56,816	112,845
Depreciation and amortization	23,467	35,858	59,325

(iv) Other material items in 2023

'000 GEL	Reportable segment totals	Infrastructure and headquarters	Consolidated totals
Capital expenditure and other additions to non-current assets	23,580	130,542	154,122
Depreciation and amortization	27,469	49,426	76,895

(v) 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

'000 GEL	2024	2023
Revenue from contracts with customers		
Freight traffic	449,694	429,266
Logistic administrative services	129,534	132,213
Passenger traffic	36,669	41,219
Freight car cross-border charge	15,609	15,705
Other revenue	4,276	4,612
	635,782	623,015
Grant Revenue	8,726	-
Rent of wagons and other rental income	3,829	4,158
	648,337	627,173

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.

Timing of revenue with contracts with customers recognition is as follows:

'000 GEL	2024	2023
At a point in time	1,461	2,253
Over time	634,321	620,762
Total revenue from contracts with customers	635,782	623,015

(a) REVENUE FROM CONTRACTS WITH CUSTOMERS: 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.

i) PROCESS INITIATION PRICING

Georgian Railway has a defined pricing policy for all transportation services. Additionally, information regarding transportation fees is publicly available on the company's official website (cargo.railway.ge).

6. REVENUE (CONTINUED)

The Government of Georgia does not interfere in tariff determination. The Company is a member of the Trans-Caspian International Transport Route (TITR) association, where pricing policies for transportation services are discussed during meetings. These pricing decisions are subsequently approved at the regional level by the company's Board of Directors.

ii) DISCOUNTS

Customer qualify for a discount based on freight volume, which is regulated per the agreement tariff policy. The discounted rate is calculated for a specific cargo volume.

iiI) PAYMENT TERMS

The Company requires full prepayment for transportation in the form of advance payments.

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

Logistical administrative services business process and recognition terms are mainly the same as Freight traffic.

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

Entity sells individual tickets for Passenger Traffic Revenue. Tickets are sold in cash desks located on train stations or online, via tourist agencies, Payboxes and the Company's own website. Entity has fixed price list for transportation. Entity offers discounts on Passenger traffic tickets only to Group's own employees, veterans and students.

Sale of tickets are initially recorded as advances received. Revenue is recognized only after the train arrives in final destination.

Freight traffic, logistic administrative 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.

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. The Group has operational monitoring system, which performs tracking of the Freight Cars. All the information regarding the Freight Cars being outside the Country is recorded by the Gorup. The Group later shares this information with other Country's railways. Railway administrations such as Information and Computing Center of Railway Administrations ("IVC ZHA") has central calculating station that calculates and reconciles all the time that Freight Cars of each Country's railway within the region have spent in another neighbouring Country and calculates the charge amount.

Cross-border Charges are recorded on a gross basis, with Revenue and Expense recognized in the Profit and Loss statement separately. Freight car cross-border charge revenue is recognized over time.

OTHER REVENUE - Revenue is predominantly comprised of sale of scrapped inventory. Sale of scrap is recognised at the point in time when control over the goods is transferred to the customers. The Company sells scrap via EX Works incoterm, which means that the control is passed to the customers when the Group makes the goods available at the Group's warehouses which are located in Georgia.

(b) RENT OF WAGONS AND OTHER RENTAL INCOME RECOGNITION POLICY

Income represents operating lease and is accounted for under IFRS 16, see Note 28.

(c) GRANT INCOME RECOGNITION POLICY

Revenue represents compensation of the losses generated by passenger transportation unit by the Government of Georgia.

Passenger transportation holds strategic importance and is priced affordably to ensure accessibility for individuals across all economic capabilities. Consequently, this service has historically been loss-making.

In 2024, the Government of Georgia issued Decree #608 "On the establishment of the inter-agency monitoring commission on the public service contract and the approval of its regulations." According to this decree, a special commission was appointed to provide compensation to the Company for passenger transportation for which the service agreement was signed between the Company and the Commission. The compensation is based on the fulfilment of transportation services measured in various predetermined quantitative and qualitative metrics.

The threshold compensation for the financial year ending 31 December 2024 equals 9,000,000 Georgian Lari (max annual compensation) from which Company has received compensation amount of GEL 8,725,922. Annual maximum compensation is equally allocated on monthly basis (i.e. monthly threshold).

The total amount of monthly compensation, which is equivalent to the net financial effect, represents the difference between the costs incurred and income generated by the Company in connection with the fulfilment of the public service obligation, including reasonable profit, representing 2% of the said difference.

If the sum of the income from tickets and other sources provided for in the clause exceeds the costs incurred for the performance of the contractual obligation, compensation will not be paid. Maximum amount of compensation is limited by allocations from the state budget and signed amendments to agreement.

7. OTHER INCOME

'000 GEL	2024	2023
Gain from sale of fixed assets	9,523	900
Litigation gains	5,598	-
Penalties	2,081	2,072
Changes in provisions for legal claims	1,640	893
Other	3,965	5,128
	22,807	8,993

8. EMPLOYEE BENEFIT EXPENSES

'000 GEL	2024	2023
Salaries and bonuses	213,749	219,546
Insurance	10,527	8,373
Pension	2,378	2,373
Business trips	1,861	1,992
Other	4,709	6,772
	233,224	239,056

9. ELECTRICITY, CONSUMABLES AND MAINTENANCE COSTS

'000 GEL	2024	2023
Electricity	40,418	38,677
Materials	20,999	14,482
Repair and maintenance	18,968	12,824
Fuel	7,269	8,739
	87,654	74,722

10. OTHER EXPENSES

'000 GEL	2024	2023
Logistic services	76,614	88,461
Taxes, other than on income	26,118	25,223
Freight car cross-border charge	15,177	8,325
Security	13,166	12,364
Expenses relating to short-term leases	1,332	2,564
Other *	13,022	17,630
	145,429	154,567

* Included in Other above are fees paid to audit firms of about GEL 689 thousand for the provision of audit and other professional services (2023: GEL 611 thousand).

11. FINANCE INCOME AND FINANCE COSTS

'000 GEL	2024	2023
Recognised in profit or loss		
Interest income under the effective interest method	24,318	37,229
Gain on modification of financial instruments*	4,051	835
Gain on fair value change of financial instruments	-	530
Impairment reversal on other financial assets	-	265
Finance income	28,369	38,859
Impairment loss on cash in bank	(681)	-
Interest expense on borrowings	(58,765)	(57,362)
Interest expense on other financial liabilities measured at amortized cost	(2,544)	(3,728)
Finance costs	(61,990)	(61,090)
Net foreign exchange (loss)/gain	(55,669)	12,065
Net finance (costs)/ income recognised in profit or loss	(89,290)	(10,166)

*Gain on modification relates to change in timing of repayment of retention fee related to Modernization project (Note 23).

12. PROPERTY, PLANT AND EQUIPMENT

'000 GEL	Land	Buildings and constructions	Rail track infrastructure	Transport, machinery, equipment and other	Construction in progress	Total
Cost						
Balance at 1 January 2023	547,431	148,958	1,098,504	964,637	1,347,778	4,107,307
Additions	2	120	13	13,995	155,764	169,894
Disposals and write offs	(67)	(764)	(3,687)	(904)	(1,151)	(6,573)
Transfers	28	51	76,490	32,961	(109,530)	-
Balance at 31 December 2023	547,394	148,365	1,171,320	1,010,689	1,392,861	4,270,628
Balance at 1 January 2024	547,394	148,365	1,171,320	1,010,689	1,392,861	4,270,628
Additions*	137	548	364	5,509	103,148	109,706
Disposals and write offs	(7)	(71)	(2,057)	(37,384)	-	(39,519)
Transfers**	-	15,685	30,719	64,695	(111,099)	-
Balance at 31 December 2024	547,524	164,527	1,200,346	1,043,509	1,384,910	4,340,816
Depreciation and impairment loss						
Balance at 1 January 2023	171,484	72,554	689,057	742,901	600,213	2,276,209
Depreciation for the year	-	2,545	39,435	33,598	-	75,578
Disposals and write offs	-	(405)	(1,431)	(702)	-	(2,538)
Reallocation of depreciation and impairment	-	-	2,079	132	(2,211)	-
Balance at 31 December 2023	171,484	74,694	729,140	775,929	598,002	2,349,249
Balance at 1 January 2024	171,484	74,694	729,140	775,929	598,002	2,349,249
Depreciation for the year	-	2,085	22,473	32,684	-	57,242
Disposals and write offs	-	(10)	(1,063)	(36,350)	-	(37,423)
Reallocation of depreciation and impairment	-	-	210	-	(210)	-
Balance at 31 December 2024	171,484	76,769	750,760	772,263	597,792	2,369,068
Carrying amounts						
At 1 January 2023	375,947	76,404	409,447	221,736	747,565	1,831,098
At 31 December 2023	375,910	73,671	442,180	234,760	794,859	1,921,379
At 31 December 2024	376,040	87,758	449,586	271,246	787,118	1,971,748

*Significant additions during 2024 are primarily related to the large, capital overhauls of locomotives works related to Main Line Modernisation project, Khashuri electrosystem centralization project and construction of railway tracks on Khashuri -Kvishkheti -Moliti territory.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**During 2024, the Group transferred significant assets from Construction in Progress (CIP) to respective category within Property, Plant, and Equipment, primarily involving capital repairs and enhancements on its wagons. Additionally, the completion of the Moliti Railway Station and Dzirula Railway Station led to its reclassification from CIP.

(a) CONSTRUCTION IN PROGRESS

In 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. The bonds were further refinanced in 2021 (Note 22).

Prior to 2023, starting from 2020, the construction was in a passive stage primarily due to the COVID-19 pandemic situation in Georgia, which led to the suspension of borrowing cost capitalization. No borrowing costs were capitalized in 2024 and 2023, since at the beginning of 2023, most of the work related to the Modernization project was substantially complete. The Main Line Modernization project is expected to be finalized in 2025.

(b) 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 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 2024 and 2023 no event or change in circumstances occurred which would result in a revision of accumulated impairment.

(C) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT (EXCLUDING TBILISI BYPASS PROJECT)

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. The Group allocates all its non-financial assets to one cash-generating unit ("CGU") for impairment test purposes.

As at 31 December 2018, impairment testing was carried out by the Group due to the significant decline in the volumes transported cargo (from 5,899 million metric-ton per kilometer of cargo in 2012 to 2,747 million metric-ton per kilometer of cargo in 2018) and revenue in freight transportation (from GEL 350,749 thousand in 2012 to GEL 241,572 thousand in 2018). As a result of the impairment testing, the Group recognized an impairment loss of GEL 691,387 thousand in 2018 and the impairment loss was allocated to items of property, plant and equipment on a pro-rata basis, while ensuring that individual asset's carrying amount after impairment is not reduced to less than its fair value less costs to sell.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The recoverable amount of the CGU was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the CGU.

As at 31 December 2024, the Management analysed impairment indicators (external and internal) according to IAS 36 and concluded that there is a need to perform an impairment test because the Group's 2024 financial results not meeting the projections from the 2023 impairment analysis, alongside the sensitivity of that test to variations in key assumptions. As a result, neither additional impairment, nor reversal of previously recognized impairment losses was recognized.

The following main key assumptions are used in the estimation of the recoverable amount:

- Cash flows are projected based on actual operating results and cash flows for five years and a terminal growth rate thereafter. A long-term growth rate for the terminal period is determined as approximate long-term economy growth forecast for Georgia and the region affecting the Group's operations.
- Volumes are projected based on the budgeted quantities during 2025, adjusted for the growth rates for Georgia and other relevant countries in the region of around 8% (31 December 2024: 5% - 6%) during the projected years. No volume growth is projected from 2028. Tariffs to be applied to the quantities above are projected based on the budgeted tariff per metric-ton per kilometre for 2025, adjusted for the changes in the US CPI forecast. The forecast resulted in an increase of 5% during the remaining projected period.
- Cash flows include annual maintenance capital expenditures and payments for the finalization of the Main Line Modernization project. Projected cash flows include USD 18 million (GEL 50 million) (31 December 2023: USD 27 million (GEL 72.6 million) associated with the Modernization project above.
- An after-tax discount rate of 13.3% (31 December 2023: 14.6%) is applied in determining the recoverable amount of the CGU. The discount rate reflects the required rate of return for the cash flows on the invested capital of similar companies denominated in USD. The long-term growth rate for the terminal period approximates to the long-term inflation forecast for USD, which is 2.1% (31 December 2023: 2.1%). Relevant pre-tax rate is 14.14% (2023: 14.94%).

The key assumptions to which the impairment indicator analysis is most sensitive include:

- DISCOUNT RATE – An increase of 1% point in the discount rate used would have resulted in an impairment loss of approximately GEL 73 million (31 December 2023: GEL 173 million) (1% point decrease in discount rate would have result in an impairment reversal of approximately GEL 237 million (31 December 2023: GEL 203 million));
- VOLUME GROWTH – A decrease of 5% in the transported volumes projection used would have resulted in an impairment loss of approximately GEL 331 million (31 December 2023: GEL 302 million) (5% point increase in the transported volumes projections used would have resulted in impairment reversal of GEL 433 million (31 December 2023: GEL 302 million));
- TERMINAL GROWTH – A decrease of 1% point in the terminal growth rate used would have resulted in impairment loss of approximately GEL 96 million (31 December 2023: GEL 118 million) (1% point increase in the terminal growth rate used would have resulted in impairment reversal of approximately GEL 210 million (31 December 2023: GEL 139 million)).

(d) CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS

The Government of Georgia contributes and distributes certain property, plant and equipment in the form of an increase or decrease in share capital. In 2024 the share capital was increased by the fair value of assets contributed of GEL 90 thousand (Note 20 (a)). There were no contributions from Government of Georgia during 2023.

(e) PLEDGED PROPERTY

At 31 December 2024, property with a carrying amount of GEL 48,955 thousand (31 December 2023: GEL 53,673 thousand) is pledged in respect of the secured borrowing (Note 22).

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(f) CAPITAL COMMITMENT

As at 31 December 2024, the Group was part of contracts for the construction or purchase of property, plant and equipment of GEL 330,012 thousand (2023: GEL 314,538 thousand) mainly relating to the Main Line Modernization project of GEL 48,901 thousand (2023: GEL 21,360 thousand) and Tbilisi Bypass project of GEL 253,280 thousand (2023: GEL 261,150 thousand). The Management does not expect the Tbilisi Bypass project to continue and, therefore anticipates cessation of the agreement with the counterparty responsible for the completion of the project; consequently, does not foresee the payment of the committed amount or any additional investment in the project.

(g) CHANGE IN ESTIMATE ON RESIDUAL VALUES OF PROPERTY, PLANT AND EQUIPMENT

During 2024, the Group conducted a review of residual values of property, plant and equipment referring to the scrap value based on the price of ferrous metal. The scrap value of transportation equipment equalled to GEL 450 per ton compared to GEL 400 during prior year, resulting in decrease in depreciation expense of GEL 1,541 thousand for 2024 year.

(h) SENSITIVITY OF CHANGES IN RESIDUAL VALUES OF PROPERTY, PLANT AND EQUIPMENT

The key assumptions to which the depreciation is most sensitive include:

- Residual Values – Decrease of 5% point in the scrap price used would have resulted in an increase of depreciation expense of approximately GEL 620 thousand.

13. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) INVESTMENT IN ASSOCIATE

On 1 February 2024, Gardabani TPP shares (21.716%) were transferred to the Group as settlement of ‘Other receivable’ balance which originated as a result of derecognition of loan issued to JSC Development Fund of Georgia (thereafter "DFG”, former JSC Partnership Fund) on 29 November 2022.

On 18 January 2023 the Company entered into a conditional agreement with DFG, under which the purchase price for 21.716% of Gardabani TPP shares was established as EUR 19,135 thousand. Additionally, parties agreed that in case Option 2 of original agreement is materialized, purchase price of Gardabani TPP shares will be settled as follows:

- Receivables from DFG will be settled via delivery of 21.716% shares of Gardabani TPP to the same counterparty.
- A payment of EUR 1,492 thousand will be made to DFG within 5 days after the transfer of 21.716% of Gardabani TPP shares to the Company.

DFG failed to sell its 100% indirect shareholding of Gardabani TPP in 2023, hence, pursuant to conditional agreement with DFG, the Company recognised receivable from DFG at its fair value. As at 31 December 2023 the Group estimated the fair value of the investment in Gardabani TPP by discounting future cash flows expected from the operations of the thermal power plant, owned by Gardabani TPP, by discount rate of 15.07% (in GEL), and adjusting the total business value by minority and liquidity discounts of 22.1% to derive the value of 21.716% investment. The valuation is included in Level 3 measurement. The movement in the financial asset at FVTPL represents GEL 530 thousand in 2023.

During 2024 the Group transferred an additional amount of EUR 1,492 thousand (GEL 4,343 thousand) to JSC “Development Fund of Georgia” to supplement the total purchase amount of the equity interest, which amounted to EUR 19,135 (GEL 56,850 thousand equivalent).

(b) INVESTMENT IN JOINT VENTURE

During 2023 the Group, alongside with - JSC "National Company Kazakhstan Temir Zholy", a legal entity registered in accordance with the laws of the Republic of Kazakhstan and Closed JSC "Azerbaijan Railways", a legal entity registered in accordance with the legislation of the Republic of Azerbaijan, established "Middle Corridor Multimodal LLC", a private company. The Group invested additional amount of USD 150 thousand (GEL 462 thousand) in the joint venture during 2024.

13. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

The table below summarizes the movements in the carrying amount of the Group's investments in associates and joint ventures.

	2024		2023	
'000 GEL	Associates	Joint Ventures	Associates	Joint Ventures
Carrying amount at 1 January	-	27	-	-
Acquisition of associates and joint ventures	57,380	-	-	27
Additional investments	-	462	-	-
Share of profit of associates and joint ventures	15,738	-	-	-
Carrying amount at 31 December	73,118	489	-	27

14. OTHER NON-CURRENT ASSETS

'000 GEL	31 December 2024	31 December 2023
Construction materials*	30,361	38,818
Intangible assets	11,302	10,248
Prepayments for non-current assets	4,875	3,147
Receivable related to Tbilisi Bypass project (Note 17)	-	106,696
	46,537	158,909

*Construction materials comprise items utilized by the Group for the capital repair of the existing property, plant, and equipment. These materials are not allocated to any specific construction in progress project.

The Group's exposure to credit and currency risks and impairment losses related to receivables are disclosed in Note 26.

Movements in the carrying amount of intangible assets were as follows:

'000 GEL	Internally developed software	Acquired software licenses	Trade-marks	Other	Total
Cost at 1 January 2023	9,759	3,659	1	4	13,423
Accumulated amortisation	(4,976)	(1,197)	-	(1)	(6,174)
Carrying amount at 1 January 2023	4,783	2,462	1	3	7,249
Additions	2,002	2,221	-	-	4,223
Disposals	-	(2)	-	-	(2)
Amortisation charge	(885)	(339)	-	-	(1,224)
Carrying amount at 31 December 2023	5,900	4,342	1	3	10,246
Cost at 31 December 2023	11,761	5,878	1	4	17,644
Accumulated amortisation	(5,861)	(1,536)	-	(1)	(7,398)

14. OTHER NON-CURRENT ASSETS (CONTINUED)

'000 GEL	Internally developed software	Acquired software licences	Trade-marks	Other	Total
Carrying amount at 31 December 2023	5,900	4,342	1	3	10,246
Additions	3,139	-	-	-	3,139
Amortisation charge	(1,469)	(614)	-	-	(2,083)
Carrying amount at 31 December 2024	7,570	3,728	1	3	11,302
Cost at 31 December 2024	14,900	5,878	1	4	20,783
Accumulated amortisation	(7,330)	(2,150)	-	(1)	(9,481)
Carrying amount at 31 December 2024	7,570	3,728	1	3	11,302

15. INVENTORIES

'000 GEL	31 December 2024	31 December 2023
Spare parts	22,377	24,187
Raw materials	5,971	4,413
Fuel	2,853	3,303
Rails	3,805	2,044
Other	6,388	5,117
	41,394	39,064
Write-down for inventory obsolescence	(1,887)	(1,734)
	39,507	37,330

16. PREPAYMENTS

Movements in prepayments are as follows:

'000 GEL	Prepayments for Inventory	Prepayments for services	Prepaid expense	Other prepayments	Total
Carrying value at 1 January 2023	-	1,703	20	34	1,757
Additions	1,409	5,475	21	1,200	8,105
Prepayments derecognized on receipt of related goods or services	-	(5,259)	(11)	(1,030)	(6,300)
Total prepayments at 31 December 2023	1,409	1,919	30	204	3,562
Additions	437	1,927	422	912	3,698
Prepayments derecognized on receipt of related goods or services	(1,846)	(3,694)	(20)	(802)	(6,362)
Total prepayments at 31 December 2024	-	152	432	314	898

17. OTHER CURRENT ASSETS

'000 GEL	31 December 2024	31 December 2023
Receivable related to Tbilisi Bypass project	103,480	-
	103,480	-

Tbilisi Bypass project was suspended as of 31 December 2024 and 2023 (see Note 12).

Initially, the related balance was recorded as prepayments for non-current assets. However, following the suspension, management anticipates the recovery of this balance through cash settlement. According to the terms outlined in the agreement with the counterparty, should the project be officially suspended by the buyer, the construction service provider is obligated to return the prepayment to the seller. Although the project had not been officially cancelled as of 31 December, 2024, management expects formal cancellation to occur during 2025. In light of this expectation and the anticipated cash recovery, the amount is classified as a financial asset as at 31 December 2024. For the measurement of the receivable related to Tbilisi Bypass project, see Note 17 and Note 26 (b)(ii).

Comparative balance is disclosed under 'Other non-current assets' (Note 14).

18. TRADE AND OTHER RECEIVABLES

'000 GEL	31 December 2024	31 December 2023
Trade receivables	217,569	235,462
Impairment allowance on trade receivables*	(189,996)	(204,850)
	27,573	30,612
Other receivables	297	293
	27,870	30,905

*As of 31 December 2024, approximately 88% (2023: 87%) of the total trade receivables balance has been impaired, largely due to receivables over 365 days past due. These long-outstanding balances have been fully impaired. However, management is actively pursuing recovery through legal and other strategic measures.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 26 (b).

19. CASH AND CASH EQUIVALENTS

'000 GEL	31 December 2024	31 December 2023
Current accounts in banks	75,567	145,085
Call deposits*	243,942	138,980
Petty cash	28	38
Provision for cash and cash equivalents	(1,238)	(556)
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	318,300	283,547

*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. These deposits are primarily held to be used for cash management purposes.

The Group's exposure to interest rate risk is disclosed in Note 21.

20. EQUITY AND LIABILITIES TO THE GOVERNMENT

(a) SHARE CAPITAL

Number of shares	Ordinary shares	
	2024	2023
In issue at 1 January	1,055,030,995	1,055,030,995
New shares issued	90,289	-
In issue at 31 December, fully paid*	1,055,121,284	1,055,030,995
Authorised shares - par value	1	1

In 2024, the Group issued 90,289 new shares at par value, which were fully paid. The Owner has transferred the title of the land to the Group as consideration for newly issued shares, with the land's fair value equivalent to the par value of the shares.

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

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.

(b) NON-CASH OWNER CONTRIBUTION RESERVE

The difference between the nominal amount of registered share capital for non-cash assets contributed by the owner and the fair value of the contributed assets is recognised in the non-cash owner contribution reserve.

(c) LIABILITIES TO THE GOVERNMENT

Liabilities to the Government of Georgia represent liabilities in the form of property, plant and equipment which are withdrawn as a reduction in share capital but not yet transferred formally to the Government. These liabilities are recorded at the carrying amount of assets to be transferred to the owner.

'000 GEL	31 December 2024	31 December 2023
Liabilities to the Government	4,712	4,712

(d) DIVIDENDS AND OTHER DISTRIBUTION TO OWNER

No dividends were declared or paid in 2024 or 2023.

(e) ADVANCE RECEIVED FROM THE GOVERNMENT

In April 2012, the Group and the Government of Georgia entered into the Bypass Project Memorandum. According to the Bypass Project Memorandum the Government of Georgia is interested and aims to purchase from the Group approximately 701,281 square meters of land plots with attached constructions which would be freed up as a result of the removal of railway infrastructure from Tbilisi city center and construction of a new bypass railway route for the purposes of further development of the land plots. The Government of Georgia agreed to pay to the Group CHF 138 million (GEL 231,592 thousand) equivalents in national currency through the reduction in the amount of dividends payable to the Government of Georgia.

In 2012, the Group declared dividends of GEL 231,592 thousand. Subsequently, the Group agreed with the Government of Georgia that the declared dividend amount would represent a consideration due from the Government of Georgia for the future sale of the land plots in accordance with the Bypass Project Memorandum. As a result, the dividend payable was classified as an advance received from the Government of Georgia for the sale of land. Land plots with the value of GEL 184,999 thousand were transferred in prior periods (2012-2017). The advance received from the Government of of Georgia of GEL 46,593 thousand, as shown in the Consolidated Statement of Financial Position, represents value of land plots to be transferred to the Government of Georgia. As of the date these consolidated financial statements were authorized for issue, there is no decision by the Government of Georgia about these advances and no indication from the Government of Georgia that this amount is due on demand. No transfer of the aforementioned land plots to the Government of Georgia took place up to date of these consolidated financial statements.

21. CAPITAL MANAGEMENT

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows and unsecured bonds. With these measures the Group aims for steady profits growth.

The amount of capital that the Group managed as of 31 December 2024 was GEL 936,318 thousand (2023: GEL 868,044 thousand).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing 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 26 (b).

'000 GEL	31 December 2024	31 December 2023
Non-current liabilities		
Secured borrowing	11,625	-
Unsecured bonds	1,399,458	1,339,840
	1,411,083	1,339,840
Current liabilities		
Secured borrowing	12,434	34,241
Current portion of unsecured bonds	2,159	2,057
	14,593	36,298
	1,425,676	1,376,138

22. BORROWINGS (CONTINUED)

(a) TERMS AND DEBT REPAYMENT SCHEDULE

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

'000 GEL	Currency	Nominal interest rate 2024	Nominal interest rate 2023	Year of maturity	31 December 2024 Face value	31 December 2024 Carrying amount	31 December 2023 Face value	31 December 2023 Carrying amount
Unsecured bonds	USD	4.00%	4.00%	2028	1,403,400	1,401,617	1,346,837	1,341,897
Secured borrowing	USD	SOFR + 1.25% + 0.42826%	SOFR + 1.25%+ 0.42826%	2026	24,451	24,059	35,142	34,241
Total interest-bearing liabilities					1,427,851	1,425,676	1,381,979	1,376,138

The secured borrowing was obtained for the sole purpose of the acquisition of passenger trains.

The secured borrowing is collateralized by the underlying passenger trains, with a carrying amount of GEL 48,955 thousand as at 31 December 2024 (31 December 2023: GEL 53,673 thousand) (Note 12 (e)).

The Group is subject to certain covenants related primarily to its secured borrowing. The Group was in compliance with covenants at 31 December 2024. As at 31 December 2023 a financial covenant related to Net debt to EBITDA ratio on the secured borrowing above was breached. allowing the lender to request repayment on demand. The Group obtained waiver from the lender in the subsequent period to the reporting date of 31 December 2023, regardless, the Group classified the borrowing as current liability as at 31 December 2023.

Effective from 30 June 2023, the Libor rate, a widely utilized benchmark by banks in Georgia and globally for interest rate calculations, ceased publication. In its place, a new benchmark called Term SOFR (The Secured Overnight Financing Rate) was adopted. Following this the interest rate of secured borrowing of the Group was changed to SOFR + 1.25% (Margin) + 0.42826% (Credit Adjustment Spread). In July 2012, the Group carried out the issuance, placement and registration (listing) of unsecured bonds of USD 500 million (GEL 822.5 million) on the London Stock Exchange with an interest rate of 7.75% due in 2022. A part of the above bonds was used for an early redemption of the unsecured bonds of USD 250 million (GEL 455 million) issued by the Group in 2010. In June 2021 the Group has successfully issued USD 500 million (GEL 1,582.4 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. Part of the transaction costs were deducted directly from the proceeds from green bonds and are presented netted off with the proceeds from bonds in the consolidated statement of cash flows.

22. BORROWINGS (CONTINUED)

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (EXCLUDING PAYMENTS OF OTHER DISTRIBUTION TO OWNER (NOTE 20(d))

'000 GEL	2024	2023
Balance at 1 January	1,376,138	1,392,420
Repayment of secured borrowings	(11,829)	(11,346)
Interest paid	(58,903)	(55,511)
Total change from financing cash flows	(70,732)	(66,857)
The effect of changes in foreign exchange rates	61,505	(6,787)

Other changes

'000 GEL	2024	2023
Interest expense recognised in finance costs	58,765	57,362
Total liability-related other changes	58,765	57,362
Balance at 31 December	1,425,676	1,376,138

23. TRADE AND OTHER PAYABLES

'000 GEL	31 December 2024	31 December 2023
Current		
Payables for non-current assets	69,533	87,725
Trade payables	32,043	34,921
Advances received from customers*	16,034	19,471
	117,610	142,117
Non-current		
Payables for non-current assets**	34,992	36,714
	34,992	36,714

*Management expects that 100% (GEL 16,034 thousand) of the transaction price allocated to the unsatisfied contracts as at 31 December 2024 will be recognised as revenue during the next reporting period.

**The management determined that as at 31 December 2024 it had an unconditional right to defer the payment related to the construction contract for the Modernisation Project for over 1 year. Based on the agreements signed between the Company and the construction company responsible for the Tbilisi Bypass and Modernization projects, 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 each of the contract. Such retention fee is due to pay within two years through and after the completion of the project. As of 31 December 2024, the Group reassessed its payable settlement towards its supplier due to a project prolongation, resulting in the project remaining incomplete at the end of the year. Consequently, the payment schedule to the supplier was modified to accommodate the delay, resulting in gain on modification (Note 11). In accordance with the reassessment, the Group accounted for the modified payable schedule using the market interest rate that was in effect prior to the modification. There were no contractual changes in neither payable nor receivable from the construction company for Tbilisi Bypass project during 2024.

23. TRADE AND OTHER PAYABLES (CONTINUED)

In 2022, on the basis of the legal analysis performed by the independent expert, the Company and the construction company agreed, that the retention fee payable for the Modernization project shall be denominated in CHF, rather than in GEL. Furthermore, on 12 August 2022, contractual terms of the Modernization project was amended to commence repayment of the retention fee from 2022, instead of 2023.

Taking into account the above legal analysis performed by the independent expert for the Modernization project, and further internal legal analysis of the contractual terms of Tbilisi Bypass project, management retranslated the retention fee payable and receivable from the construction company for Tbilisi Bypass project from GEL to CHF, as it is expected that those funds will be settled in CHF.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26 (b).

24. PROVISIONS

'000 GEL	2024	2023
Balance at 1 January	11,214	13,981
Additional provision during the year	-	599
Provision used	-	(2,654)
Reversal of provision during the year	(1,640)	(1,198)
Unwinding of provision	-	497
Net foreign exchange (loss)/gain	(3)	(11)
Balance at 31 December	9,571	11,214

LEGAL CLAIMS. The Group recognised a provision for the estimated cash outflow required to settle legal cases against the Group as well as to settle the legal obligations towards the employees injured during the performance of their duties. As of the year ended 31 December 2024, JSC Georgian Railway is involved in a legal case with 74 claimants seeking increased compensation for properties expropriated under the Tbilisi Bypass Project, with the claim amounting to approximately GEL 5 million. The timing of any potential economic outflows is contingent on the resolution of ongoing legal proceedings. Uncertainties exist regarding both the amount and timing of these outflows, as they depend on court decisions.

25. OTHER CURRENT LIABILITIES

'000 GEL	2024	2023
Liabilities to employees*	9,170	10,223
Other liabilities	200	206
Balance at 31 December	9,370	10,429

*Employee liabilities encompass obligations related to payroll and associated expenses.

26. FAIR VALUES AND FINANCIAL RISK MANAGEMENT

(a) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

All financial assets and financial liabilities are measured at amortized cost, with their fair values disclosed in the financial statements.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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, other than bonds, are a reasonable approximation of their fair values.

The average market quotation as at 31 December 2024 of green bonds is 87.91% (31 December 2023: 92.15%) of par value (Level 1).

(b) FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

(i) Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) 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 and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

26. FAIR VALUES AND FINANCIAL RISK MANAGEMENT (CONTINUED)

'000 GEL	Carrying amount 31 December 2024	Carrying amount 31 December 2023
Cash and cash equivalents	318,271	283,509
Trade receivables	27,870	30,905
Receivables related to Tbilisi Bypass project	103,480	106,696
Receivable from JSC Development Fund of Georgia	-	53,037
Balance at 31 December	449,621	474,147

CASH AND CASH EQUIVALENTS

As at 31 December 2024, 100% (31 December 2023: 100%) of the bank balances (current accounts and call deposits) are held with the largest Georgian banks with short-term default rating of B, rated by Fitch Ratings. All balances are categorized under Stage 1. The Group does not expect any counterparty to fail to meet its obligations.

TRADE RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base including the default risk of the industry and country in which customers operate. As at 31 December 2024 and 2023 there is no concentration of credit risk for Trade receivables.

Credit risk is managed mostly by requesting prepayments from freight and passenger transportation customers. Accordingly, the Group's trade receivables mainly consist of receivables from foreign railway companies. Credit risk related to receivables from foreign railway companies is managed through the monthly monitoring of receivable balances and requiring immediate repayment of a debt when the balance approaches specific limits set for each individual counterparty.

More than 90% of the Group's foreign railway customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including aging profile, maturity and existence of previous financial difficulties.

No collateral in respect of trade receivables is generally required.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 GEL	Carrying amount 31 December 2024	Carrying amount 31 December 2023
Foreign countries	10,905	8,813
Domestic	16,965	22,092
	27,870	30,905

EXPECTED CREDIT LOSS ASSESSMENT FOR CORPORATE CUSTOMERS

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement regarding customer behaviour. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

26. FAIR VALUES AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The following tables provides information about the exposure to credit risk and ECLs for trade receivables for customers as at 31 December 2024 and 31 December 2023:

'000 GEL	31 December 2024	31 December 2024	31 December 2024
Customer Credit risk grade	Not credit-impaired	Credit-impaired	Total
Low risk	21,955	-	21,955
Medium risk	-	-	-
High risk*	-	195,911	195,911
Total Gross carrying amount	21,955	195,911	217,866
Loss allowance	-	(189,996)	(189,996)
	21,955	5,915	27,870

'000 GEL	31 December 2023	31 December 2023	31 December 2023
Customer Credit risk grade	Not credit-impaired	Credit-impaired	Total
Low risk	16,979	-	16,979
Medium risk	-	-	-
High risk*	-	218,776	218,776
Total Gross carrying amount	16,979	218,776	235,755
Loss allowance	(193)	(204,657)	(204,850)
	16,786	14,119	30,905

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, information on potential financial difficulties of the counterparties and information on past due days) and applying experienced credit judgement. ECL rate is calculated for based on delinquency status, external credit rating and actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

* The Group has a receivable from the Government of Georgia of GEL 25,205 thousand recognized as a result of the transfer of property to the GoG, according to the Bypass Project Memorandum of Understanding (MoU).

Due to uncertainties associated with the reimbursement of the above receivable, total balance of GEL 25,205 thousand is impaired since 2017 (Note 20 (e)).

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

'000 GEL	2024	2023
Balance at 1 January	204,850	206,092
Net charge for the year	3,777	(6,016)
Effect of movements in foreign exchange rates	(6,775)	11,193
Write off of allowance	(11,856)	(6,419)
Balance at 31 December	189,996	204,850

26. FAIR VALUES AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The allowance account in respect of trade receivables is used to record impairment losses until all possible opportunities for recovery have been exhausted; at that point the amounts are written off against the financial asset directly.

*The management of the Group has written off accounts receivable balances that were long overdue and fully provisioned, following court decisions or the liquidation of customers.

RECEIVABLE RELATED TO TBILISI BYPASS PROJECT

As at 31 December 2024, the Group expects to recover the receivable related to Tbilisi Bypass project through cash settlement (Note 17). Per Management's assessment the receivable related to Tbilisi Bypass project is fully recoverable based on the performance guarantee from a commercial bank, which can be settled upon the discretion of the Company. The effect of guarantee protection was considered in assessing impairment of the receivable as at 31 December 2024. The asset is classified as Stage 1 and no material ECL is estimated as at 31 December 2023.

(iii) 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 three 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.

31 December 2024

'000 GEL	Carrying amount	Contractual cash flows	On demand	0-6 months	6-12 months	1-2 years	2-5 years
Secured borrowing	24,059	26,426	-	6,898	6,711	12,817	-
Unsecured bonds	1,401,617	1,599,876	-	28,068	28,068	56,136	1,487,604
Trade and other payables	136,568	141,526	-	101,576	-	33,292	6,658
	1,562,244	1,767,828	-	136,542	34,779	102,245	1,494,262

31 December 2023

'000 GEL	Carrying amount	Contractual cash flows	On demand	0-6 months	6-12 months	1-2 years	2-5 years
Secured borrowing	34,241	34,241	34,241	-	-	-	-
Unsecured bonds	1,341,897	1,586,746	-	26,894	26,894	53,788	1,479,170
Trade and other payables	159,360	163,089	-	122,480	270	40,339	-
	1,535,498	1,784,076	34,241	149,374	27,164	94,127	1,479,170

26. FAIR VALUES AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) 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 optimising the return.

CURRENCY RISK

TThe 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. The Company requires full prepayment for transportation in the form of advance payments. The transportation tariffs are set in USD; however, in accordance with Georgian legislation, the payment must be made in GEL. To mitigate the risks associated with currency fluctuations, the Group requests that the amount be paid in advance using the current exchange rate, which is usually at a higher rate than the market rate at the time of payment. If the exchange rate at the time of invoicing is lower than the rate at which the advance payment was made, any excess amount resulting from the difference between the contractual and actual exchange rates is returned to the customer. This ensures that if there are fluctuations in the exchange rate, the Company is protected from any potential loss, and third parties will not have to pay additional amounts due to unfavourable rate changes when the revenue is recognized.

Exposure to currency risk

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

'000 GEL	USD - denominated 31 December 2024	CHF - denominated 31 December 2024	EUR - denominated 31 December 2024	USD - denominated 31 December 2023	CHF - denominated 31 December 2023	EUR - denominated 31 December 2023
Cash and cash equivalents	151,705	52	146	92,789	1,599	-
Trade receivables	16,610	143	-	12,003	1,763	-
Receivable related to Tbilisi Bypass project (Note 17)	-	105,075	-	-	106,696	-
Secured borrowing	(24,059)	-	-	(34,241)	-	-
Unsecured bonds	(1,401,617)	-	-	(1,341,897)	-	-
Trade and other payables (Note 23)	(30,219)	(89,771)	-	(37,826)	(94,811)	-
Other receivable	-	-	-	-	-	53,037
Net exposure	(1,287,580)	15,499	146	(1,309,172)	15,247	53,037

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate 31 December	
in GEL	2024	2023	2024	2023
USD 1	2.7208	2.6279	2.8068	2.6894
CHF 1	2.9254	2.9254	3.1118	3.2085
EUR 1	2.8416	2.8416	2.9306	2.9753

26. FAIR VALUES AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A reasonably possible weakening of the GEL, as indicated below, against all other currencies at 31 December 2024 would have affected the measurement of financial instruments denominated in a foreign currency and profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 GEL	Profit or loss (after tax) and equity
2024	
USD (10% weakening)	(128,758)
CHF (10% weakening)	1,550
EUR (10% weakening)	15
2023	
USD (10% weakening)	(131,248)
CHF (10% weakening)	1,525
EUR (10% weakening)	5,303

A strengthening of the GEL against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(v) Interest rate risk

Changes in interest rates impact primarily 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 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.

Exposure to interest rate risk

At the reporting date the Group's exposure to interest rate risk was as follows:

'000 GEL	Carrying amount	
Variable rate instruments	31 December 2024	31 December 2023
Financial liabilities	(24,059)	(34,241)
Cash and cash equivalents	243,942	138,980
	219,883	104,739

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial instruments as FVTPL or FVOCI. Changes in interest rates at the reporting date does not have a material effect in profit or loss or in equity.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 base points in interest rates as at 31 December 2024 would have affected profit or loss as follows: increase in interest rates would resulted in additional loss by GEL 221 thousand (31 December 2023: GEL 356 thousand), and decrease in interest rates would resulted in additional gain with the same amount. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27. SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEES

	Country of incorporation	Principal activities	2024 Ownership/ voting	2023 Ownership/ voting
Subsidiaries				
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%
Associate				
Gardabani TPP	Georgia	Thermal Power Plant	21.716%	21.716%
Joint venture				
Middle Corridor Multimodal LLC	Kazakhstan	Transportation services	33.33%	33.33%

28. OPERATING LEASES

The Group leases out its wagons, other land and buildings, containers, locomotives and fittings. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The portion of land and buildings that is rented out cannot be sold separately or leased under a finance lease. As these assets are partially used by the Group for service provision or administrative purposes, they are fully classified as property, plant, and equipment.

Rental income recognised by the Group during 2024 was GEL 3,829 thousand (2023: GEL 4,158 thousand) and included in revenue.

The following table sets out a maturity analysis of lease payments under non-cancellable period of lease contracts entered into as at 31 December 2024, showing the undiscounted lease payments to be received after the reporting date.

'000 GEL	
2024 – Operating leases under IFRS 16	
Less than one year	3,580
Between one and five years	4,861
More than five years	11,294
Total	19,736

'000 GEL	
2023 – Operating leases under IFRS 16	
Less than one year	2,670
Between one and five years	5,809
More than five years	11,451
Total	19,930

29. CONTINGENCIES

(a) INSURANCE

The insurance industry in Georgia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its property, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) TAXATION CONTINGENCIES

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) LITIGATION

In the ordinary course of business, the Group is subject to legal actions, litigations and complaints. Management believes that the ultimate liability not already provided for, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

30. RELATED PARTIES

(a) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in employee benefit expenses:

'000 GEL	2024	2023
Salaries and bonuses	1,792	1,734
Business trips	212	204
Pension	29	27
Insurance	12	10
Other	88	87
	2,133	2,062

(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.

Related party transactions are disclosed in Note 20 of these consolidated financial statements. The Group's other related party transactions are disclosed below.

30. RELATED PARTIES (CONTINUED)

(ii) Revenue, purchases and expenses

The Group purchases security services from a state agency, which amounted to GEL 3,840 thousand for 2024 (2023: GEL 7,060 thousand). In 2024, the Group purchased electricity service from a state-owned entity, which amounted to GEL 14,549 thousand (2023: GEL 16,222 thousand). In 2024, the Group purchased water from a state-owned entity, which amounted to GEL 233 thousand (2023: GEL 255 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.

31. SUBSEQUENT EVENTS

Change in key Management. Based on the shareholder's decision Lasha Abashidze was appointed as General Director of JSC Georgian Railway on 7 May 2025. The former General Director of the Company, Davit Peradze, has left JSC Georgian Railway, effective from the same date.

32. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis.

33. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments did not result in any changes to the accounting policies disclosed in Note 33 (a-n).

(a) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in an associate and a joint venture.

ASSOCIATES are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

A JOINT VENTURE is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated for consolidation purposes.

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) REVENUE

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

(c) FINANCE INCOME AND COSTS

The Group's finance income and finance costs include:

- interest income on bank deposits and other receivable;
- interest expense on financial liabilities;
- the foreign currency gain or loss on financial assets and financial liabilities.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(d) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the National Bank of Georgia ('NBG') at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBG are recognised in profit or loss. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'Net foreign exchange (loss)/gain'.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss.

(e) EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

(f) INCOME TAX

Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017.

The new system of corporate income taxation does not im-

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

ply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholder as a dividend. Dividends paid to resident Companies are not considered as distributed profit under the Tax Code of Georgia, therefore are not subject to CIT taxation.

However, some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution. Set off the tax payable on dividends declared and paid is available for the corporate income tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The Group considers the taxation of such transaction as outside of the scope of IAS 12 Income Taxes and accounts for the tax on such items as taxes other than on income.

(g) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2007, the date of transition to IFRS, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Maintenance and repair expenses are recognised as follows:

- Rolling stock:
  - current maintenance expenses during the useful life of equipment (repair work and replacement of unusable and missing parts) are recognised as operating expenses in profit or loss as incurred;
  - expenses under multi-year major overhaul programmes are capitalised as a separate overhaul component and depreciated separately from the main asset;
  - overhauls performed near the end of the useful life of an asset, together with refurbishment, are capitalised when they extend the useful life of the underlying asset.
- Fixed installations:
  - current maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recognised as operating expenses in profit or loss as incurred;
  - labour, materials and other costs (associated with the installation of rails, sleepers and ballast) under multi-year major building or infrastructure maintenance programmes are capitalised through the partial or total replacement of each component concerned;
  - costs associated with infrastructure improvements are capitalized to the extent that they increase the functionality (traffic working speed) of the asset.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Residual values for rails, wagons and locomotives are assessed based on the estimated market price of scrap metal and the estimated weight of rails, wagons and locomotives less deinstallation costs.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated. Major scheduled capital repairs for wagons and locomotives, estimated at 16% of the cost or more, are considered as major components and depreciated separately for an average remaining useful life of 7 to 15 years based on the expected timing of the capital repairs.

The estimated average useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

- buildings and constructions 30-44 years;
- rail track infrastructure 13-25 years;
- transport, machinery, equipment and other 10-16 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) INTANGIBLE ASSETS

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, trademarks and licences. Acquired computer software licences, and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee benefits expense of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives. The estimated average useful lives of significant items of Intangible Assets for the current and comparative periods are as follows:

- Internally developed software 1-11

Software licenses are amortized over their contractual periods.

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Trade and other receivables' and 'Cash and cash equivalents' are carried at amortised cost.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value. 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 significant penalties or loss of interest.

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(k) SHARE CAPITAL

Ordinary shares - Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Increase of share capital - Share capital increase is affected through the issuance of new shares. When share capital is increased, any difference between the registered amount of share capital and the fair value of the assets contributed is recognized as a separate component of equity in Non-cash owner contribution reserve.

Reduction of share capital - Share capital reductions and non-cash distributions are recognized at the carrying amount of the assets distributed. Non-cash distributions of the Group are out of scope of IFRIC 17 Distributions of Non-cash Assets to Owners since the ultimate controlling party controls the assets before and after the distribution.

(l) IMPAIRMENT

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

PRESENTATION OF ALLOWANCE FOR ECL IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis based on carrying amount of each item.

An impairment loss recognised in prior periods, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

33. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

The Group does not have significant lease agreements where it acts as a lessee as at 31 December 2024 and 2023. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term and are presented in Note 10.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

(o) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Management Board to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Management Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly railway infrastructure, corporate assets (primarily the Group's headquarters), head office expenses, financial income and expenses, tax expenses and tax assets and liabilities. Items related to infrastructure are not allocated as the Group has not implemented systems for such allocations. The Group's Management Board does not monitor segment liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets.

(p) CASH FLOW STATEMENT

In the consolidated cash flow statement, the amounts presented in "Cash receipts from customers" and "Cash paid to suppliers, employees, and tax authorities" include the Value Added Tax (VAT) related to respective sales and purchase transactions. Additionally, "Cash paid to suppliers, employees, and tax authorities" encompasses other tax payments to tax authorities, such as property tax.

34. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following new standards and the amendments became effective from 1 January 2024:

- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).*
- *Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).*
- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).*

The application of the amendments had no significant impact on the Group's consolidated financial statements.

35. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).*
- *IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).*
- *Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026).*
- *Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).*
- *Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).*
- *IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).*