



**Management Discussion and Analysis
for the six months and Q2 ended
30 June 2022**



Financial and non-financial highlights

Revenue

Q2 2022

169,661

+13.3% from Q2 2021
+20.0% from Q1 2022

6M 2022

311,103

+12.1% from 6M 2021

Results from operating activities

Q2 2022

66,006

+20.1% from Q2 2021
+79.9% from Q1 2022

6M 2022

102,700

+10.2% from 6M 2021

Adjusted EBITDA

Q2 2022

81,417

+14.5% from Q2 2021
+60.4% from Q1 2022

6M 2022

132,179

+2.7% from 6M 2021

Adjusted EBITDA margin

Q2 2022

47.99%

+0.5 points from Q2 2021
+12.1 points from Q1 2022

6M 2022

42.49%

-3.9 points from 6M 2021

Net cash investment in PP&E

Q2 2022

-1,754

-113.9% from Q2 2021
-105.0% from Q1 2022

6M 2022

33,384

+99.8% from 6M 2021

Net debt to Adjusted EBITDA

6M 2022

5.35

5.95 as at 31 Mar 2022

6M 2021

6.01

Tons ('000)

Q2 2022

3,815

+25.9% from Q2 2021
+27.2% from Q1 2022

6M 2022

6,816

+13.4% from 6M 2021

TKM (in million)

Q2 2022

1,117

+36.4% from Q2 2021
+29.2% from Q1 2022

6M 2022

1,982

+19.5% from 6M 2021

N of Passengers ('000)

Q2 2022

386

+107.3% from Q2 2021
+62.1% from Q1 2022

6M 2022

624

+160.4% from 6M 2021

Passenger-kilometers (in million)

Q2 2022

117

+91.2% from Q2 2021
+63.9% from Q1 2022

6M 2022

189

+140.8% from 6M 2021

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Profit or Loss Statement

Profit and loss statement

6 month period ended 30 June

GEL '000	Q2 2022	Q2 2021	y-o-y	Q1 2022	q-o-q	6M 2022	6M 2021	y-o-y	y-o-y Abs. change
Revenue	169,661	149,761	13.3%	141,442	20.0%	311,103	277,627	12.1%	33,476
Other income	8,510	1,231	591.3%	2,138	298.0%	10,648	3,495	204.7%	7,152
Impairment gain/(loss) on trade receivables	3,940	1,519	159.4%	-242	-1728.1%	3,698	-485	-862.5%	4,183
Employee benefits expense	-51,141	-44,089	16.0%	-46,239	10.6%	-97,380	-84,626	15.1%	-12,754
Depreciation and amortization	-19,350	-17,653	9.6%	-13,827	39.9%	-33,177	-34,999	-5.2%	1,822
Electricity, consumables and maintenance costs	-18,025	-11,049	63.1%	-17,759	1.5%	-35,785	-21,644	65.3%	-14,141
Other expenses	-27,588	-24,737	11.5%	-28,819	-4.3%	-56,407	-46,153	22.2%	-10,254
Result from operating activities	66,006	54,981	20.1%	36,694	79.9%	102,700	93,215	10.2%	9,485
Net finance income/loss	71,999	-32,508	-321.5%	-13,057	-651.4%	58,942	-124,951	-147.2%	183,893
Profit before income tax	138,005	22,473	514.1%	23,637	483.9%	161,642	-31,736	-609.3%	193,378
Income tax expense(benefit)	-312	-126	147.6%	-90	246.7%	-402	-298	34.9%	-104
Profit and total comprehensive income	137,693	22,347	516.2%	23,547	484.8%	161,240	-32,034	-603.3%	193,274
Adjusted EBITDA	81,417	71,116	14.5%	50,762	60.4%	132,179	128,700	2.7%	3,479
Adjusted EBITDA Margin	47.99%	47.49%	NA	35.89%	NA	42.49%	46.36%	NA	-3.9%

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

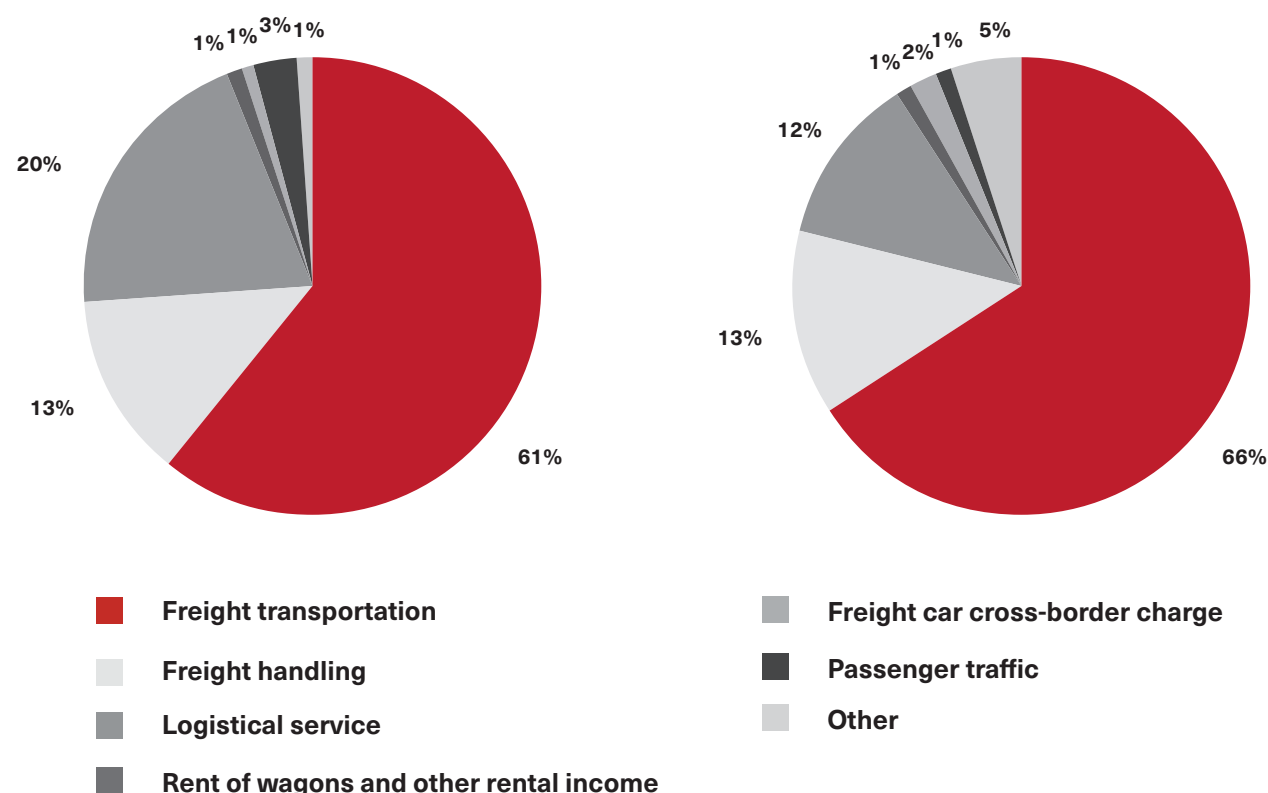
Revenue

Revenue breakdown

6 month period ended 30 June

GEL '000	Q2 2022	Q2 2021	y-o-y	Q1 2022	q-o-q	6M 2022	6M 2021	% Change	% Change at constant currency	Abs. Change
Freight transportation	104,002	97,857	6.3%	87,153	19.3%	191,155	182,044	5.0%	14.1%	9,111
Freight handling	23,019	17,020	35.2%	17,183	34.0%	40,201	35,505	13.2%	23.1%	4,696
Logistical service	35,187	16,601	112.0%	26,052	35.1%	61,240	34,291	78.6%	94.1%	26,949
Rent of wagons and other rental income	1,033	1,187	-13.0%	1,857	-44.4%	2,890	2,406	20.1%	30.6%	484
Freight car cross-border charge	-450	221	-303.6%	4,092	-111.0%	3,642	5,151	-29.3%	-23.1%	-1,509
Passenger traffic	6,145	3,125	96.6%	3,697	66.2%	9,842	3,892	152.9%	174.9%	5,950
Other	724	13,750	-94.7%	1,408	-48.6%	2,133	14,338	-85.1%	-83.8%	-12,205
Revenue	169,661	149,761	13.3%	141,442	20.0%	311,103	277,627	12.1%	21.8%	33,476
Other income	8,510	1,231	591.3%	2,138	298.0%	10,648	3,495	204.7%	231.2%	7,152
Freight transportation	104,003	97,857	6.3%	87,153	19.3%	191,155	182,044	5.0%	14.1%	9,111
Liquid cargoes	39,382	44,081	-10.7%	31,381	25.5%	70,763	82,622	-14.4%	-6.9%	-11,859
Oil products	35,936	44,044	-18.4%	31,358	14.6%	67,294	82,554	-18.5%	-11.4%	-15,259
Crude oil	3,446	36	9472.2%	23	14882.6%	3,469	68	5001.5%	5445.5%	3,401
Dry cargoes	64,620	53,776	20.2%	55,772	15.9%	120,392	99,422	21.1%	31.6%	20,970
Ores	7,086	9,247	-23.4%	7,431	-4.6%	14,518	16,331	-11.1%	-3.4%	-1,813
Grain	2,723	1,216	123.9%	1,407	93.5%	4,130	2,088	97.8%	115.0%	2,042
Ferrous metals and scrap	4,408	3,344	31.8%	1,834	140.3%	6,242	5,681	9.9%	19.4%	560
Sugar	9,138	5,643	61.9%	3,347	173.0%	12,485	11,246	11.0%	20.7%	1,239
Chemicals and fertilizers	9,274	5,907	57.0%	12,807	-27.6%	22,081	14,872	48.5%	61.4%	7,210
Construction freight	1,857	1,743	6.5%	1,355	37.0%	3,212	3,097	3.7%	12.7%	114
Industrial freight	1,352	1,403	-3.6%	1,203	12.4%	2,555	2,952	-13.4%	-5.9%	-397
Cement	65	122	-46.7%	54	20.4%	119	233	-48.9%	-44.5%	-114
Other	28,718	25,152	14.2%	26,334	9.1%	55,052	42,923	28.3%	39.4%	12,129
Freight turnover (million ton-km)	1,117	819	36.4%	865	29.1%	1,982	1,658	19.5%	29.9%	324
Revenue / ton-km (in Tetri)	9.31	11.95	-22.1%	10.08	-7.6%	9.65	10.98	-12.1%	-1.2%	-1.33

The following charts represent revenue breakdown for the six months ended 30 June 2022 and 2021:



Freight transportation revenue

Most of the Group's revenue (about 61 percent in first 6 months of 2022) is derived from freight transportation. GR's freight transportation revenue consists of liquid and dry cargoes. The split between liquid and dry cargo revenue in first 6 months of 2022 was about 37 and 63 percent, respectively. Freight transportation revenue, has increased by 5 percent (GEL 9.1 million) during the six months ended 30 June 2022, compared to the same period of the previous year.

Total freight volume transported by the Group during the six months ended 30 June 2022 has increased by 13.4 percent, compared to the same period of previous year. Transported volumes of liquid cargo have increased by 4.9 percent, at the same time transported volumes of dry cargo has increased by 18.0 percent (see Appendix 1).

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

	Average rate			Reporting spot rate					
	6M 2022	6M 2021	% Change	30 Jun 22	31 Dec 21	% Change	30 Jun 21	% Change	31 Dec-20
USD	3.05	3.32	-8.01%	2.93	3.10	-5.45%	3.16	-7.32%	3.28
CHF	3.24	3.66	-11.36%	3.08	3.38	-8.79%	3.43	-10.21%	3.71

Oil Products

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	67,294	82,554	-18.5%	-11.4%
Freight volume (ton '000)	2,041.3	2,135.6	-4.4%	NA
Freight turnover (million ton-km)	664.0	695.0	-4.5%	NA
Revenue / ton-km (in Tetri)	10.13	11.88	-14.7%	-7.3%

Main directions of cargo

Oil products currently are the main component of liquid cargo (nearly 91 percent of the transportation volume of liquid cargo in 2022).

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

The Group transported oil products mainly from Kazakhstan and Turkmenistan during the six-month period ended 30 June 2022, with significant changes in transportation direction mix compared to the same period of 2021.

The share of Kazakhstan increased to 26% from 2%, in the first six months of 2022, compared to the same period of 2021, while the share of Turkmenistan and Azerbaijan fell to 24% and 17 %, respectively.

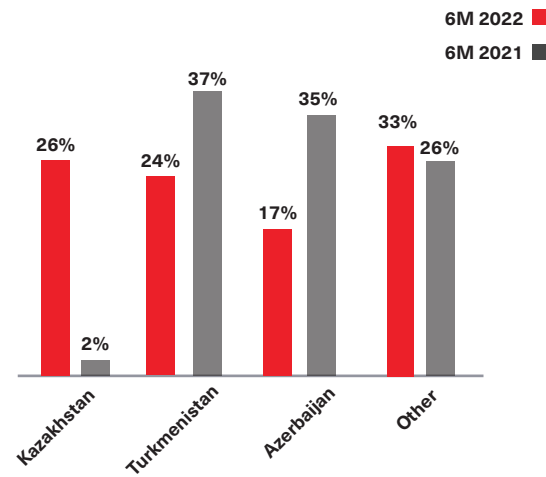
Factors influencing performance

Ton-kilometers – 4.5 percent decrease in transportation turnover was mainly driven by decreased transported volume by 4.4 percent, mainly caused by decreased transportation from Turkmenistan by 298,000 tons and from Azerbaijan 415,000 tons.

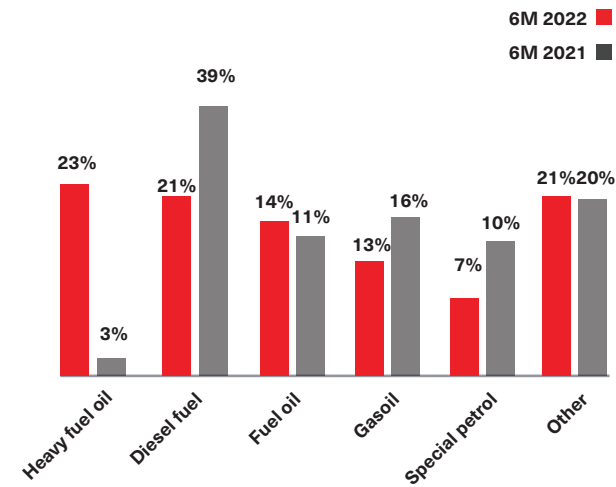
** The sharp fall in the transported oil products from Azerbaijan is related to the regular maintenance works of an oil refinery in Azerbaijan. Transportation will be restored once they are complete.*

Revenue/ton-km (in Tetri) - decrease in average revenue per ton-kilometer during the period under review, compared to the same period of the previous year, was mainly due to changes in product direction mix and product category mix. The share of Azerbaijan (which is relatively more profitable direction) decreased, while the share of Kazakhstan (which is relatively less profitable direction) increased. As well as the share of diesel fuel (which is relatively more profitable product) has decreased and the share of heavy fuel oil (which is relatively less profitable product) has increased in total oil products transported by Georgian Railway.

Transportation volume by countries of origin



Product category mix



Crude Oil

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	3,469	68	4998.2%	5441.9%
Freight volume (ton '000)	200.5	2.2	9094.7%	NA
Freight turnover (million ton-km)	76.4	0.9	8746.0%	NA
Revenue / ton-km (in Tetri)	4.54	7.88	-42.4%	-37.4%

Main directions of cargo

Within the six months ended 30 June 2022, the main country of origin was Kazakhstan with 81 % of total crude oil transportation, while in six months ended 30 June 2021 main country of origin was Azerbaijan. Crude oil faces competition from oil pipelines.

Factors influencing performance

Ton-kilometers – Transportation turnover increased by 75.5 million ton-km mainly due to increased transportation from Kazakhstan by 64.2 million ton-kilometers in the first six months of 2022.

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

Ores

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	14,517	16,330	-11.1%	-3.4%
Freight volume (ton '000)	802.6	864.9	-7.2%	NA
Freight turnover (million ton-km)	142.6	137.2	3.9%	NA
Revenue / ton-km (in Tetri)	10.18	11.90	-14.5%	-7.0%

Main directions of cargo

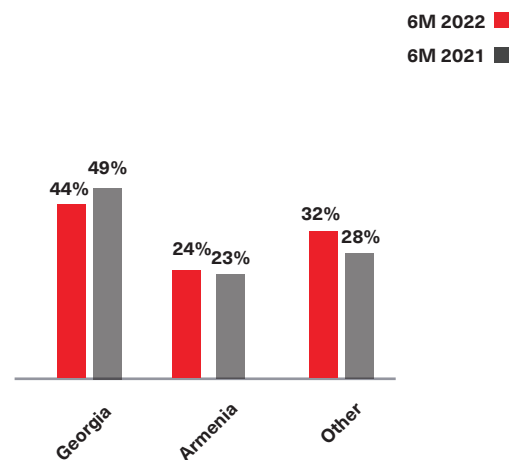
Ore products transported by the Group during six months ended 30 June 2022, mainly originated from Georgia and Armenia. Main destination countries were Georgia, China, and Bulgaria.

Ton-kilometers – 3.9 percent increase in transportation turnover was mainly driven by product direction mix. The share of transported volume from Australia (which covers relatively longer distance) increased, while the share of transported volume from Georgia (which covers relatively shorter distance) decreased.

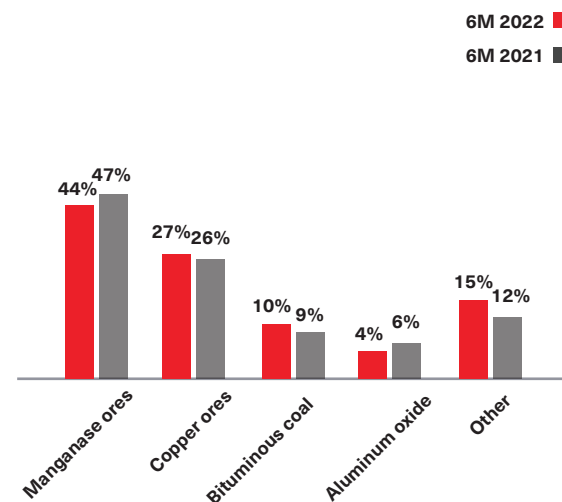
Revenue/ton-km (in Tetri) – 14.5 percent decrease in average revenue per ton-kilometer was mainly due to change in product direction mix and product category mix. The share of freight volumes to relatively more profitable directions, such as Georgia and Azerbaijan decreased, while the share of relatively less profitable direction, such as Turkey increased.

As well as the share of manganese ores and concentrates (which is relatively more profitable product) decreased significantly, while the share of bituminous coal (relatively less profitable product) increased, in the first six month of 2022, compared to the same period of previous year.

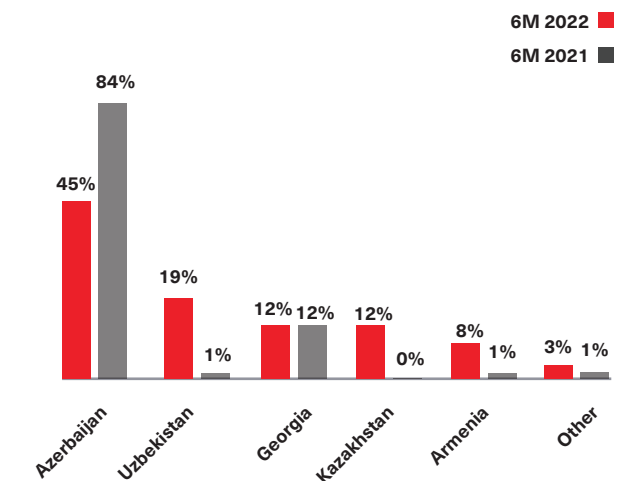
Transportation volume by countries of origin



Product category mix



Transportation volume by destination countries



Sugar

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	12,485	11,246	11.0%	20.7%
Freight volume (ton '000)	294.8	212.4	38.8%	NA
Freight turnover (million ton-km)	109.5	80.0	36.9%	NA
Revenue / ton-km (in Tetri)	11.40	14.06	-18.9%	-11.9%

Main directions of cargo

Within the six months ended 30 June 2022, the countries of origin were Brazil, and Mexico. Main destination countries were Azerbaijan, Uzbekistan, Georgia, Kazakhstan and Armenia.

Factors influencing performance

Ton-kilometers – 36.9 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by increased volume transportation from Brazil and Mexico by 51,000 tons and 31,000 tons, respectively, in the six months ended 30 June 2022.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was mainly due to product direction mix. The share of volume directed to Azerbaijan (which is relatively more profitable direction) decreased, while the share of volume directed to Uzbekistan (which is relatively less profitable direction) increased in total sugar transportation in the first six months of 2022, compared to the same period of 2021.

Chemicals and fertilizers

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	22,081	14,872	48.5%	61.4%
Freight volume (ton '000)	915.7	546.2	67.6%	NA
Freight turnover (million ton-km)	325.8	180.3	80.7%	NA
Revenue / ton-km (in Tetri)	6.78	8.25	-17.8%	-10.7%

Main directions of cargo

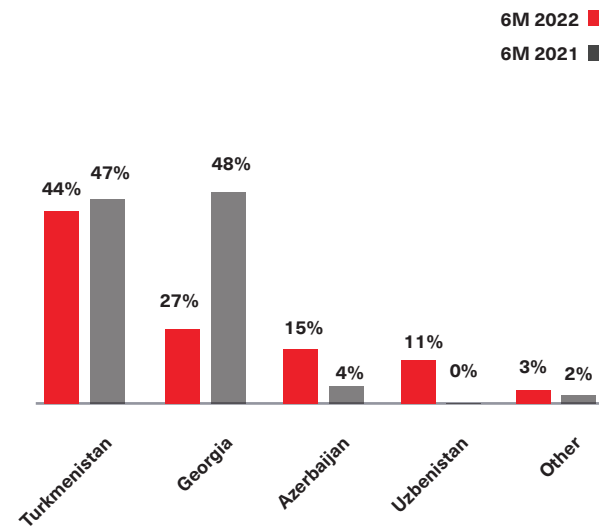
Chemicals and fertilizers transported by the Group during six months ended 30 June 2022, mainly originated from Turkmenistan, Georgia, Azerbaijan and Uzbekistan (404,000 tons, 244,000 tons, 139,000 tons and 104,000 tons, respectively).

Factors influencing performance

Ton-kilometers – 80.7 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by increased volumes from Turkmenistan, Azerbaijan and Uzbekistan by 150,00, 118,000, and 104,000 tons, compared to same period of 2021.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was caused by change in product direction mix. The share of Georgia (which is relatively more profitable direction) decreased, while the share of Azerbaijan (which is relatively less profitable direction) increased in the first half of 2022, compared to the same period of 2021.

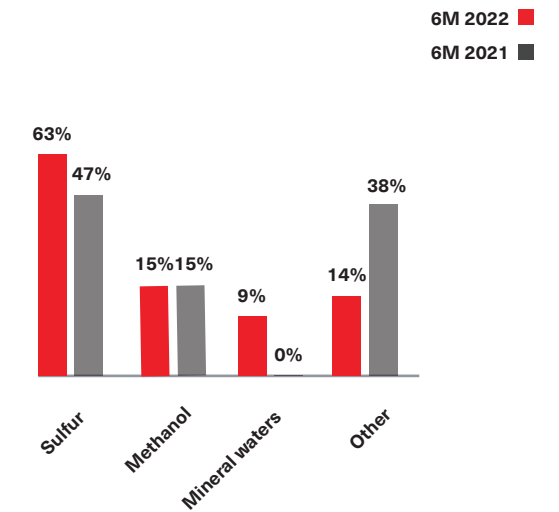
Transportation volume by countries of origin



Transportation volume by destination countries



Product category mix



Grain and grain products

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	4,130	2,088	97.8%	115.0%
Freight volume (ton '000)	112.03	72.35	54.8%	NA
Freight turnover (million ton-km)	34.5	17.8	93.6%	NA
Revenue / ton-km (in Tetri)	11.98	11.73	2.2%	11.1%

Main directions of cargo

Grain and grain products transported by the Group during the six months ended 30 June 2022, mainly directed to Armenia, Georgia, and Italy (43,000 tons, 27,000 and 21,000 tons, respectively).

Factors influencing performance

Ton-kilometers – 93.6 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by increased volumes to Armenia and Italy by 36,000 tons and 21,000 tons respectively.

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

Other products

6 month period ended 30 June

	6M 2022	6M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	67,179	54,886	22.4%	33.0%
Freight volume (ton '000)	2,448.8	2,179.2	12.4%	NA
Freight turnover (million ton-km)	629.1	547.2	15.0%	NA
Revenue / ton-km (in Tetri)	10.68	10.03	6.5%	15.7%

Main directions of cargo

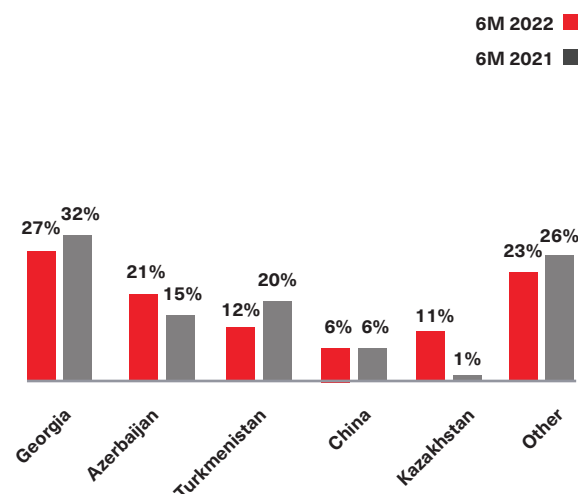
Freight from other products category in six months ended 30 June 2022 was mainly originated from Georgia, Azerbaijan, Turkmenistan, Kazakhstan and China (651,000 tons, 515,000 tons, 306,000 tons, 277,000 tons, and 137,000 tons, respectively), while the main destination countries were Georgia, Turkey, Azerbaijan, Romania and Kazakhstan (884,000 tons, 213,000 tons, 118,000 tons, 114,000 tons, and 113,000 tons, respectively).

Factors influencing performance

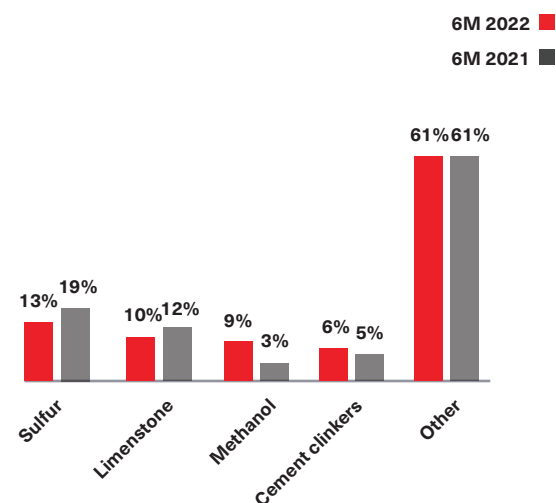
Ton-kilometers – 15.0 percent increase in transportation turnover was mainly driven by increased volumes from Kazakhstan and Azerbaijan by 248,000 tons and 199,000 tons, respectively.

Revenue/ton-km (in Tetri) – relatively lower increase in average revenue per ton-kilometer was caused by change in product direction mix. The share of products under other product category, directed to Azerbaijan (which is relatively more profitable direction) decreased, while the share of transported volume directed to Georgia (which is relatively less profitable direction) increased.

Transportation volume by countries of origin



Product category mix



Freight handling

Freight handling increased by GEL 4.7 million in the first six months of 2022 compared to the same period previous year. It was mainly driven by increased revenues from station services and 24-hours services due to significant increase in transported volume.

Freight handling

6 month period ended 30 June		In GEL '000		
	6M 2022	6M 2021	% Change	Abs. change
Station services	30,793	29,573	4.1%	1,221
24-hour service	8,809	4,403	100.0%	4,406
Other	599	1,529	-60.8%	-930
Total	40,201	35,505	13.2%	4,696

Logistical services

6 month period ended 30 June		In GEL '000		
	6M 2022	6M 2021	% Change	Abs. change
Revenue from logistical services	61,240	34,291	78.6%	26,948

Increase in logistical services by GEL 26.9 million during the six months ended 30 June 2022, compared to the same period of the previous year. Significant increase in revenue from logistic services was primarily due to increased revenue from railcar transportation by one of the GR's subsidiary company, as well as other subsidiary providing services for crude oil and oil product transportation.

Freight car cross-border charge

6 month period ended 30 June		In GEL '000		
	6M 2022	6M 2021	% Change	Abs. change
freight car cross-border charge	3,642	5,151	-29.3%	-1,509

The Group's revenue from freight car cross-border charges was GEL 3,6 million for the six months ended 30 June 2022, as compared to GEL 5.2 million, reflecting a decrease of 29,4% (or GEL 1.5 million), primarily due to a decrease in the usage of GR's tank cars, as well as boxcars on foreign railway networks.

Passenger transportation

6 month period ended 30 June		In GEL '000		
	6M 2022	6M 2021	% Change	Abs. change
Revenue in GEL '000	9,842	3,892	152.9%	5,950
Number of passengers '000	624	240	160.4%	384

Revenue from passenger transportation has increased by 152.9 percent (GEL 6.0 million) during the six months ended 30 June 2022, compared to the same period of the previous year and the number of passengers has increased by 0.4 million for the same comparable period.

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

Other revenue

Other revenue, in the first six months of 2022 has decreased by GEL 12.2 million, compared to the same period of 2021. This change was mainly due to revenue from realization of scrap with GEL 13.1 million in the first half of 2021.

Other income

In order to better illustrate the operational profitability of the Group, other income is split into two categories: continuing operations (such as income from services of heavy equipment, penalties on creditors and debtors, etc.) and non-continuing operations (such as gain or loss from sale of fixed assets and other items which are not expected to reoccur in the following periods).

6 month period ended 30 June In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Continuing operations	2,084	1,251	66.6%	833
Non-continuing operations	8,563	2,244	281.6%	6,319
Total	10,648	3,495	204.6%	7,153

Total other income has increased by GEL 7.2 million in the six months period ended 30 June 2022, compared to the same period of 2021. The increase was mainly due to increase in non-continuing operations by GEL 6.3 million, which in turn was due to realization of fixed assets.

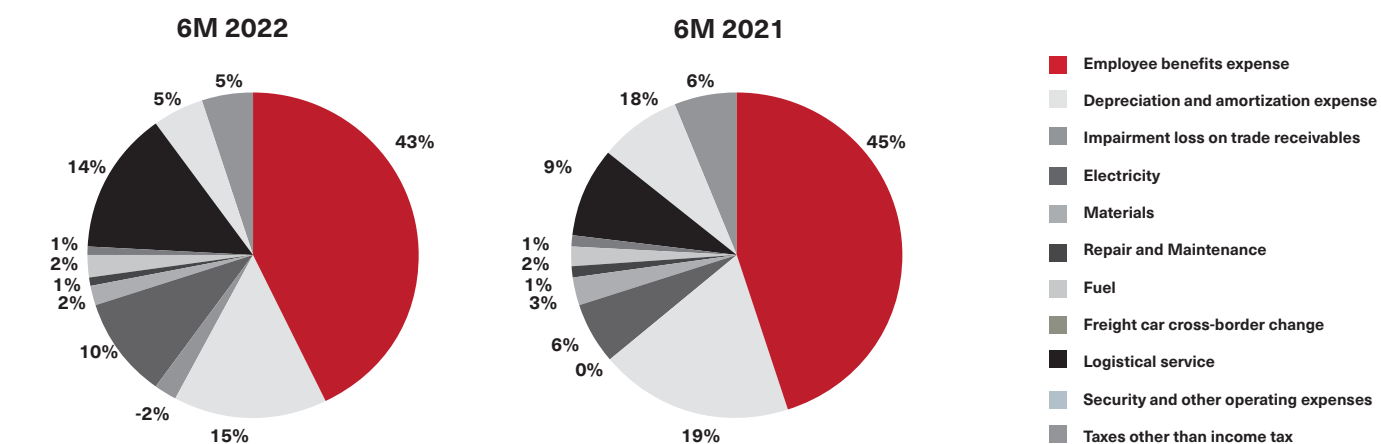
Operating expenses

Total operating expenses for the six months ended 30 June 2022 increased by GEL 31.1 million, compared to the same period of the previous year. The increase was mainly caused by employee benefits expense, electricity expense and logistical services.

6 month period ended 30 June In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Employee benefits expense	97,380	84,626	15.1%	12,754
Depreciation and amortization expense	33,177	34,999	-5.2%	-1,822
Impairment loss/(gain) on trade receivables	-3,698	485	-861.8%	-4,183
Electricity	22,361	11,769	90.0%	10,592
Materials	5,397	5,530	-2.4%	-133
Repair and maintenance	3,557	1,484	139.8%	2,074
Fuel	4,470	2,861	56.2%	1,608
Freight car cross-border charge	2,599	2,627	-1.1%	-28
Logistical service	30,841	16,515	86.7%	14,325
Security and other operating expenses	11,015	15,067	-26.9%	-4,052
Taxes other than income tax	11,952	11,944	0.1%	9
Total	219,051	187,907	16.6%	31,144

The following charts represent the cost structure for the six months ended 30 June 2022 and 2021:



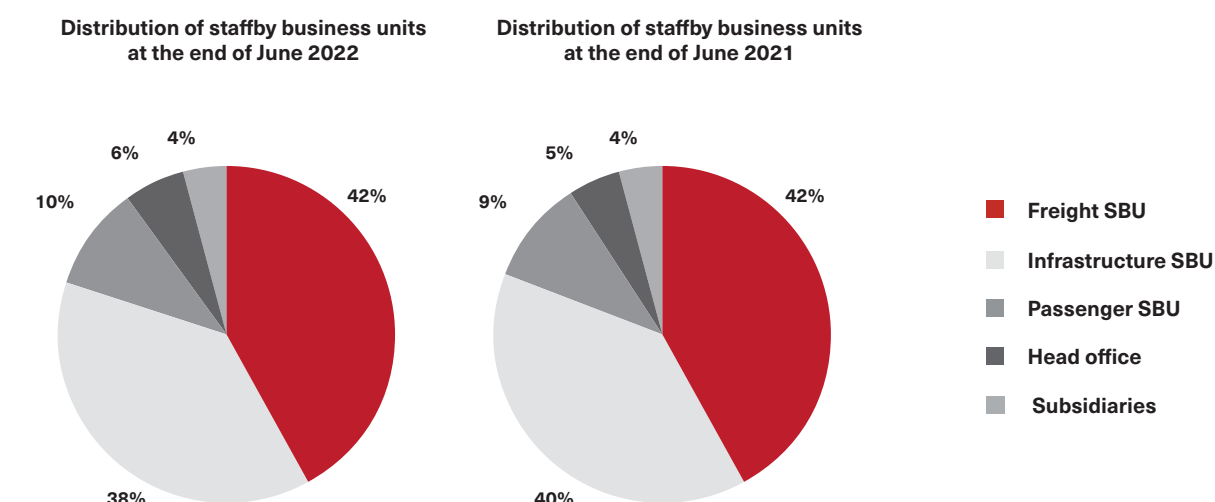
Employee benefits expense

6 month period ended 30 June In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Salary	77,422	65,599	18.02%	11,823
Bonus-reward	4,051	3,636	11.42%	415
Other benefits	15,907	15,391	3.35%	516
Total	97,380	84,626	15.1%	12,754

The increase in employee benefits expense during the six months ended 30 June 2022, compared to the same period of the previous year, was mainly due to increase in salary expenses by GEL 11.8 million. The Management of the Group increased wages for over 11,000 employees in the third quarter of 2021. Number of employees (excluding subsidiaries) by the end of June 2022 was equal to 11,881 and by the end of June 2021 was 11,941.

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



Impairment gain/(loss) on trade receivables

6 month period ended 30 June

In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Impairment gain/(loss) on trade receivables	3,698	-485	-861.81%	4,183

The Group showed impairment gain on trade receivables of GEL 3.7 million, in the first 6 months of 2022. This was primarily influenced by GEL appreciation against USD (FX effect of GEL 2.4 million), in the period under re-view. As well as, GEL 1.0 million reversal of previously impaired account receivables.

Materials, repair, and maintenance expenses

The Group's materials, repair and maintenance expenses are influenced by its rolling stock equipment balance and subsequent utilization level. In the first six months of 2022, materials and repair and maintenance expenses increased by about GEL 1.9 million, primarily due to more repair works in the period under review.

Electricity expenses

6 month period ended 30 June

In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Electricity expense of traction	18,710	9,605	94.8%	9,104
Utility expenses	3,651	2,163	68.8%	1,488
Total	22,361	11,769	90.0%	10,592

There was about a 90.0 percent (GEL 10.6 million) increase in total electricity expenses during the six months ended 30 June 2022, compared to the same period of 2021.

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

In September 2011, the Company entered into an agreement for the purchase and sale of electricity with the provider, which fixed tariffs for electricity for ten years (the "Electricity Agreement"), securing a price for more than 90% of the Company's needs for electricity on traction, the rest of the electricity was procured on open market. Mentioned agreement expired in September 2021, therefore, as of July 2021, the Company purchases electricity on an open market.

Purchased electricity and weighted average tariff

6 month period ended 30 June

	6M 2022			6M 2021		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	10.8	472.4	0.276	9.9	479.6	0.155
February	11.3	546.4	0.290	9.3	452.0	0.155
March	11.6	536.3	0.275	12.1	585.1	0.156
April	12.8	647.2	0.262	10.0	489.8	0.153
May	13.8	707.3	0.218	10.9	537.9	0.153
June	13.3	673.2	0.218	10.0	461.1	0.153
Total	73.6	3,582.8	0.257	62.2	3,005.6	0.154

Logistical services

Expenses for logistical services represent operating expenses of Georgian Railway's logistical subsidiaries. The expenses for logistical services in the six months ended 30 June 2022 have increased by about 86.7 percent (GEL 14.3 million), compared to the same period of the previous year. This change was primarily due to increased freight forwarding expenses of GR's subsidiaries in Azerbaijan and Kazakhstan.

Security and other operating expenses

6 month period ended 30 June

In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Security	4,863	4,846	0.4%	17
Other operating expenses	6,152	10,222	-39.8%	-4,070
Total	11,015	15,068	-26.9%	-4,053

GEL 4.1 million decrease in security and other operating expenses in the six months of 2022, compared to the same period of 2021, was mainly caused by a decrease in other operating expenses. Higher operating expenses in the 6 months of 2021 was due to legal fees, rating fees and expenses for consulting paid for the issuance of new Green Eurobond, in June of 2021.

Taxes other than income tax

6 month period ended 30 June

In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Property tax	5,855	5,983	-2.1%	-127
Land tax	5,920	5,929	-0.1%	-8
Other taxes*	176	32	448.3%	144
Total	11,952	11,944	0.1%	8

*Other taxes also include all subsidiaries' taxes (other than income tax).

In the six months ended 30 June 2022, compared to the same period of 2021, total taxes other than income tax remained at about the same level.

During the period under review, compared to the same period of 2021, property tax has decreased by 2.1 percent (GEL 0.1 million), which was mainly caused by decrease in book value of applicable assets. Property tax will be reduced after putting the Modernization project into operation, as railway infrastructure related assets are free of property tax and assets under the project are taxed by property tax while construction is in progress.

Finance income and cost

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost for the Group. Due to GEL appreciation against USD by 5.5 percent as at 30 June 2022 compared to 31 December 2021 (GEL/USD exchange rate 2.93 versus 3.10), the Group experienced unrealized net foreign exchange gain of GEL 79.1 million. Unrealized foreign currency translation gain and losses are included in net income when the balance sheet date falls between the transaction and settlement dates. Implicit assumption underlying this accounting requirement is that unrealized gain or loss as of balance sheet date reflects the company's ultimate net gain or loss. In reality, though, ultimate net gain or loss may vary dramatically because of possibility for changes in trend and volatility of currency prices.

6 month period ended 30 June

In GEL '000

	6M 2022	6M 2021	% Change	Abs. change
Interest income	12,121	11,600	4.5%	521
Impairment loss on issued loans	-90	-2	5456.5%	-88
Impairment gain/loss on cash in bank	-27	-24	12.9%	-3
Premium on early redemption of issued bonds	-44	-115,734	-100.0%	115,690
Unwinding of discount	0	-419	-100.0%	419
Interest expense	-32,162	-68,057	-52.7%	35,895
FX gain/loss	79,145	47,685	66.0%	31,458
Net finance income/loss	58,942	-124,950	-147.2%	183,891

In the six months ended 30 June 2022 the Group showed GEL 58.9 million net finance income compared to the net finance loss of GEL 125.0 million in the same period of 2021. The positive difference of GEL 183.9 million was mainly due to the appreciation of GEL against foreign currencies. As well as, mentioned change was impacted by the payment of Premium on early redemption of issued bonds in June 2021.

Lower interest expense during the six months ended 30 June 2022, compared to the same period of 2021, was due to lower coupon rate on new Green Eurobonds issued in 2021.

Income tax expense/benefit

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code of Georgia. The new tax code is effective from 1 January 2017. According to the new tax code, previously active profit tax regulation was changed to so-called "tax on distributed profits" model. During the first six months of 2022 income tax expense increased by 35 percent (GEL 0.1 million) compared to the same period of previous year.

Balance sheet

6 month period ended 30 June

GEL '000	30 Jun 2022	31 Mar 2022	% Change	Abs. change	31 Dec 21	% Change	Abs. change
TOTAL ASSETS	2,354,527	2,298,490	2.4%	56,037	2,259,732	4.2%	94,794
<i>Changes are mainly due to:</i>							
Loans receivable	51,539	53,716	-4.1%	-2,177	31,282	64.8%	20,257
Other non-current assets	155,351	142,024	9.4%	13,327	130,961	18.6%	24,390
Trade and other receivables (ST)	29,146	19,101	52.6%	10,045	13,965	108.7%	15,181
Cash and cash equivalents	252,383	213,330	18.3%	39,053	212,224	18.9%	40,159
TOTAL LIABILITIES	1,779,912	1,861,596	-4.4%	-81,684	1,846,603	-3.6%	-66,691
<i>Changes are mainly due to:</i>							
Loans and borrowings (LT)	1,499,050	1,593,387	-5.9%	-94,337	1,590,817	-5.8%	-91,767
Trade and other payables (ST)	122,817	86,617	41.8%	36,200	105,873	16.0%	16,944

Significant changes in assets

Loans receivable (LT) – GEL 20.2 million increase in loan receivable, in the first six months of 2022, compared to 31 December 2021 was mainly due to additional loan in the amount of USD 7.0 million issued to the Parent company.

As a result of the mentioned change, the Group derecognized previous financial asset and recognized a new financial asset. This did not have a material effect on the amounts recognized in profit or loss or on the consolidated statement of financial position.

Other non-current assets - increase by GEL 24.4 million in trade and other receivables during the six months period ended 30 June 2022 compared to the period for 31 December 2021, was mainly due to inventory reclassification.

Trade and other receivables (ST) – increase by GEL 15.1 million in six month period ended 30 June 2022, was due to increase in trade receivables from non-primary operations of GR's subsidiary with GEL 9.8 million, as well as the decrease in provision for accounts receivable by GEL 7.6 million.

**For cash and cash equivalents see "Cash Flow Statement".*

Significant changes in liabilities

Loans and borrowings (LT) – GEL 91.8 million decrease, during the second quarter of 2022 was due to appreciation of GEL against USD.

Trade and other payables (ST) - GEL 16.9 million increase in short term trade and other payables was mainly due to in-creased advances received from customers by GEL 40.7 million, which was partially offset due to repayment of trade payables as of 31 December of 2021 by about GEL 23.0 million.

Cash Flow Statement

6 month period ended 31 March

GEL '000	6M 2022	6M 2021
Cash flows from operating activities		
Cash receipts from customers	313,347	270,700
Cash paid to suppliers and employees	-188,994	-144,148
Cash flows from operations before income taxes paid	124,353	126,552
Income tax paid	-	-
Net cash from operating activities	124,353	126,552
Cash flows from investing activities		
Acquisition of property, plant and equipment	-67,864	-21,361
Proceeds from sale of property, plant and equipment	34,480	4,651
Interest received	10,506	10,082
Decrease(Increase) in term deposits	-214	0
Issuance of the loan	-21,568	0
Net cash used in investing activities	-44,660	-6,628
Cash flows from financing activities		
Proceeds from borrowings	0	1,577,389
Repayment of borrowings	-6,620	-1,583,072
Premium on early redemption of issued bonds	0	-115,686
Interest paid	-30,176	-121,271
Net cash used in financing activities	-36,796	-242,640
Net increase/(decrease) in cash and cash equivalents	42,897	-122,716
Cash and cash equivalents at 1 January	212,224	322,986
Effect of exchange rate fluctuations on cash and cash equivalents	-2,711	-15,976
Cash Provision	-27	-24
Cash and cash equivalents at the end of the period	252,383	184,270

Operating activities

Net cash from operating activities decreased by GEL 2.2 million in the six months ended 30 June 2022, compared to the same period of the previous year. The change was driven by higher cash paid to suppliers and employees GEL 44.8 million as well as increased trade receivable balance, which was partially offset by the increase in cash receipts from customers by 42.6 million.

Investing activities

Cash used in investing activities has increased by GEL 38.0 million in the six months ended 30 June 2022, compared to the same period of the previous year. The increase was mainly due to the increase in acquisition of property, plant, and equipment by GEL 46.5 million, mostly under the Modernization Project. As well as, due to issued loan of USD 7.0 million to Parent company in the first quarter of 2022.

Financing activities

Cash used in investing activities decreased by GEL 205.8 million. Group has paid interest on 2012 Eurobond, as well as Premium on early redemption on existing Eurobond to issue Green Eurobond in June 2021.

Appendix 1

Breakdown of freight transportation in tons

6 month period ended 30 June

In thousand tons

	6M 2022	6M 2021	% Change	Abs. change
Liquid cargoes	2,242	2,138	4.9%	104
Oil products	2,041	2,136	-4.4%	-94
Crude oil	200	2	9094.7%	198
Dry cargoes	4,574	3,875	18.0%	699
Ores	803	865	-7.2%	-62
Grain	112	72	54.8%	40
Ferrous metals and scrap	343	286	19.7%	56
Sugar	295	212	38.8%	82
Chemicals and fertilizers	916	546	67.6%	369
Construction freight	431	431	0.0%	0
Industrial freight	214	173	23.8%	41
Cement	9	18	-50.2%	-9
Other	1,452	1,271	14.3%	181
Total	6,816	6,013	13.4%	803

Appendix 2

Breakdown of freight transportation in ton-kilometers

6 month period ended 30 June

In million ton-kilometers

	6M 2022	6M 2021	% Change	Abs. change
Liquid cargoes	740	696	6.4%	45
Oil products	664	695	-4.5%	-31
Crude oil	76	1	8746.0%	76
Dry cargoes	1,241	962	29.0%	279
Ores	143	137	3.9%	5
Grain	34	18	93.6%	17
Ferrous metals and scrap	80	62	29.3%	18
Sugar	109	80	36.9%	30
Chemicals and fertilizers	326	180	80.7%	145
Construction freight	64	64	-0.1%	0
Industrial freight	27	30	-8.0%	-2
Cement	2	5	-47.5%	-2
Other	455	387	17.7%	68
Total	1,982	1,658	19.5%	324

Appendix 3

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

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

Appendix 3.1

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

In GEL '000

Net Financial Indebtedness as at:	30-Jun-22
Financial indebtedness	1,514,142
<i>less: Available credit facilities</i>	<i>(32,000)</i>
<i>less: Cash</i>	<i>(252,383)</i>
Net Financial Indebtedness:	1,229,760

	Second half of 2021	First half of 2022	Adjusted EBITDA for the most recent 2 consecutive semi-annual period
Results from operating activities	72,173	102,700	174,872
<i>add: Depreciation add-back</i>	<i>23,398</i>	<i>33,177</i>	<i>56,575</i>
<i>add: Impairment loss on trade receivables</i>	<i>2,305</i>	<i>-3,698</i>	<i>-1,393</i>
Adjusted EBITDA	97,876	132,179	230,055

Net Financial Indebtedness/Adjusted EBITDA 5.35

Appendix 3.2

Calculations of ratio of Net Financial Indebtedness to adjusted EBITDA for 6 months of 2021:

In GEL '000

Net Financial Indebtedness as at:	30-Jun-21
Financial indebtedness	1,650,787
<i>less: Available credit facilities</i>	<i>(63,603)</i>
<i>less: Cash</i>	<i>(184,270)</i>
Net Financial Indebtedness:	1,402,914

	Second half of 2020	First half of 2021	Adjusted EBITDA for the most recent 2 consecutive semi-annual period
Results from operating activities	56,644	93,215	149,858
<i>add: Depreciation add-back</i>	<i>36,489</i>	<i>34,999</i>	<i>71,488</i>
<i>add: Impairment loss on trade receivables</i>	<i>11,658</i>	<i>485</i>	<i>12,143</i>
Adjusted EBITDA	104,791	128,700	233,490

Net Financial Indebtedness/Adjusted EBITDA 6.01

Appendix 3.3

Calculations of ratio of Net Financial Indebtedness to adjusted EBITDA for 3 months of 2022:

In GEL '000

Net Financial Indebtedness as at:	31-Mar-22
Financial indebtedness	1,625,005
<i>less: Available credit facilities</i>	<i>(63,013)</i>
<i>less: Cash</i>	<i>(213,330)</i>
Net Financial Indebtedness:	1,348,662

	First half of 2021	Second half of 2021	Adjusted EBITDA for full year of 2021
Results from operating activities	93,215	72,173	165,388
<i>add: Depreciation add-back</i>	<i>34,999</i>	<i>23,398</i>	<i>58,397</i>
<i>add: Impairment loss on trade receivables</i>	<i>485</i>	<i>2,305</i>	<i>2,791</i>
Adjusted EBITDA	128,700	97,876	226,576

Net Financial Indebtedness/Adjusted EBITDA 5.95

Appendix 3.4

Calculations of ratio of Net Financial Indebtedness to adjusted EBITDA (excluding available credit facilities)

In GEL '000

Net Financial Indebtedness as at:	30-Jun-22	30-Jun-21	31-Mar-22
Financial indebtedness	1,514,142	1,650,787	1,625,005
<i>less: Available credit facilities</i>	0	0	0
<i>less: Cash</i>	(252,383)	(184,270)	(213,330)
Net Financial Indebtedness:	1,261,759	1,466,517	1,411,675

The most recent 2 consecutive semi-annual period ended:

Results from operating activities	174,872	149,858	165,388
add: Depreciation add-back	56,575	71,488	58,397
add: Impairment loss on trade receivables	-1,393	12,143	2,791
Adjusted EBITDA	230,054	233,490	226,576

Net Financial Indebtedness/Adjusted EBITDA	5.48	6.28	6.23
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