JSC Georgian Railway

Condensed Consolidated Interim Financial Statements for the three-month period ended 31 March 2024

Contents

000 GEL	Note	31 March 2024	31 December 2023
Assets			
Property, plant and equipment	10	1,940,844	1,921,379
Investments	11	55,815	27
Other receivable	11	-	53,037
Other non-current assets	14	140,109	158,910
Non-current assets		**2,136,768**	**2,133,353**
Trade and other receivables	12	62,789	30,905
Inventories	13	36,527	37,330
Tax assets		-	7,265
Prepayments and other current assets		3,600	3,562
Cash and cash equivalents	15	286,626	283,547
Current assets		**389,542**	**362,609**
Total assets		**2,526,309**	**2,495,961**
Equity			
Share capital	16	1,055,119	1,055,031
Non-cash owner contribution reserve		100,601	100,601
Accumulated losses		(271,066)	(287,589)
Total equity		**884,654**	**868,043**
Liabilities			
Loans and borrowings	17	1,343,049	1,339,840
Advance received from the Government		46,593	46,593
Payables for non-current assets	18	34,715	36,714
Non-current liabilities		**1,424,357**	**1,423,147**
Loans and borrowings	17	50,606	36,298
Trade and other payables	18	135,525	142,117
Liabilities to the Government		4,712	4,712
Provisions		10,313	11,214
Tax liabilities		2,779	-
Other current liabilities		13,363	10,430
Current liabilities		**217,298**	**204,771**
Total liabilities		**1,641,656**	**1,627,918**
Total equity and liabilities		**2,526,309**	**2,495,961**

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

		For the three months ended 31 March	
'000 GEL	**Note**	**2024**	**2023**
Revenue	6	152,259	137,937
Other income		7,832	3,803
Employee benefits expense		(56,593)	(57,100)
Depreciation and amortization expense		(16,356)	(18,283)
Electricity, consumables and maintenance costs	7	(20,862)	(18,725)
Impairment (loss)/reversal on trade receivables		(209)	47
Other expenses	8	(35,122)	(29,069)
Results from operating activities		**30,950**	**18,610**
Finance income	9	6,333	8,788
Finance costs	9	(14,428)	(14,147)
Net foreign exchange loss	9	(6,279)	69,302
Net finance costs		**(14,374)**	**63,943**
Profit before income tax		**16,575**	**82,553**
Income tax expense		(52)	(231)
Profit and total comprehensive income for the period		**16,523**	**82,322**

These condensed consolidated interim financial statements were approved by Management Board on 08 July 2024 and were signed on its behalf by:

David Peradze
General Director

Irakli Titvinidze
Chief Financial Officer

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

'000 GEL	Share capital	Non-cash owner contribution reserve	Accumulated losses	Total equity
Balance at 1 January 2023	1,055,031	100,601	(374,364)	781,266
Profit and total comprehensive income for the period	-	-	86,777	86,777
Non-cash contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2023	**1,055,031**	**100,601**	**(287,589)**	**868,043**
Balance at 1 January 2024	1,055,031	100,601	(287,588)	868,043
Profit and total comprehensive income for the period	-	-	16,523	16,523
Non-cash contributions by and distributions to owners	88	-	-	88
Balance at 31 March 2024	**1,055,119**	**100,601**	**(271,066)**	**884,654**

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

	For the three months ended 31 March	
'000 GEL	**2024**	**2023**
Cash flows from operating activities		
Cash receipts from customers	150,967	138,780
Cash paid to suppliers and employees	(106,318)	(89,519)
Cash flows from operations before income taxes paid	44,648	49,261
Net cash from operating activities	**44,648**	**49,261**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(43,805)	(35,089)
Purchase of a company share	(4,343)	-
Interest received	6,137	8,767
Term deposit	-	(138)
Net cash used in investing activities	**(42,011)**	**(26,460)**
Cash flows from financing activities	**-**	**-**
Net decrease in cash and cash equivalents	**2,637**	**22,801**
Cash and cash equivalents at 1 January	283,547	274,629
Effect of exchange rate fluctuations on cash and cash equivalents	245	(959)
Effect of movements in ECL on cash and cash equivalents	196	21
Cash and cash equivalents at 31 March	**286,626**	**296,492**

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

1. Reporting entity

(a) Business environment

The Group's operations are primarily located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia.

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

(b) Organisation and operations

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

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

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

The ultimate controlling party of the Group is the Government of Georgia. As at 31 December 2021, the Company was wholly owned by JSC Partnership Fund, a wholly state-owned company. 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.

Related party transactions are disclosed in Note 21

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Standards, as issued by the International Accounting Standards Board (IFRS Standards).

3. Functional and presentation currency

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

4. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Measurement of fair values

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 19.

5. Operating segments

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

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

There are no inter-segment charges.

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

(i) Information about reportable segments

For the three months ended 31 March

	Freight transportation		Passenger transportation		Total	
'000 GEL	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
External revenues	139,571	128,378	7,608	8,091	147,179	136,469
Depreciation and amortization	(3,724)	(3,233)	(2,822)	(3,058)	(6,546)	(6,291)
Reportable segment profit/(loss) before infrastructure costs, net impairment, interest cost and income tax	89,587	80,804	(4,096)	(3,757)	85,491	77,047
Capital expenditure and other additions to non-current assets	3,748	4,935	137	20	3,885	4,955
	31-Mar-24	**31-Mar-23**	**31-Mar-24**	**31-Mar-23**	**31-Mar-24**	**31-Mar-23**
Reportable segment assets	184,687	196,423	90,619	97,853	275,603	294,276

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

	For the three months ended 31 March	
'000 GEL	**2024**	**2023**
Revenues		
Total revenue for reportable segments	147,179	136,469
Other revenue	5,080	1,468
Consolidated revenue	**152,259**	**137,937**

'000 GEL	For the three months ended 31 March 2024	2023
Profit		
Total profit for reportable segments before infrastructure costs, net impairment, interest cost and income tax	85,491	77,047
Employee benefits expense – infrastructure and headquarters	(24,537)	(24,605)
Depreciation expenses – infrastructure and headquarters	(9,810)	(11,992)
Net finance costs	(15,706)	63,944
Other net unallocated expenses*	(21,100)	(21,842)
Consolidated profit before income tax	**14,338**	**82,553**

* Other net unallocated expenses include logistic services expense of GEL 20,837 thousand (3 months ended 31 March 2023: GEL 13,409 thousand) which was not included in the freight transportation segment profit presented to the Group's Management Board.

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

(iii) Geographical information

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

6. Revenue

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

	For the three months ended	
'000 GEL	**2024**	**2023**
Freight traffic	82,322	81,254
Freight handling	19,774	18,681
Logistic services	33,604	23,997
Freight car cross-border charge	3,647	4,096
Rent of wagons and other rental income	1,285	1,003
Passenger traffic	7,608	8,091
Other	4,019	815
	152,259	**137,937**

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

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

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

(a) Performance obligations and revenue recognition policies

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

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

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

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

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

Rent of wagons and other rental income – Income represents operating lease.

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

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

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

7. Electricity, consumables and maintenance costs

	For the three months ended	
’000 GEL	**2024**	**2023**
Electricity	10,853	10,371
Materials	3,214	3,470
Fuel	1,873	2,598
Repair and maintenance	4,922	2,286
	20,862	**18,725**

8. Other expenses

	For the three months ended	
’000 GEL	**2024**	**2023**
Logistic services	20,837	13,409
Property and land tax	6,057	6,468
Freight car cross-border charge	2,412	1,307
Security	2,834	3,785
Other	2,982	4,100
	35,122	**29,069**

9. Finance income and finance costs

	For the three months ended	
'000 GEL	2024	2023
Recognised in profit or loss		
Interest income under the effective interest method	6,137	8,767
Impairment gain on other financial assets	196	21
Finance income	**6,333**	**8,788**
Interest expense on financial liabilities measured at amortised cost *	(14,428)	(14,147)
Finance costs	**(14,428)**	**(14,147)**
Net foreign exchange loss	(7,611)	69,302
Net finance costs recognised in profit or loss	**(15,706)**	**63,944**

* No borrowing costs were capitalized in 2023 and 2024.

10. Property, plant and equipment

(a) Acquisitions and disposals

During the three months ended 31 March 2024, the Group acquired property plant and equipment with a cost, of GEL 37,904 thousand (three months ended 31 March 2023: GEL 34,849 thousand)

Assets with a carrying amount of GEL 419 thousand were disposed of during the three months ended 31 March 2024 (three months ended 31 March 2023: GEL 1,804 thousand).

(b) Construction in progress

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

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

The Group commenced the initiation of the above projects in September 2010 and November 2010, respectively. The Group issued unsecured bonds in 2010 to partly finance the projects above. During 2012, the Group redeemed the bonds issued in 2010 by issuing new bonds for general corporate and liquidity management purposes. The bonds were further refinanced in 2021(see Note 17).

Main Line Modernization project is expected to be mostly finalised in 2024.

(c) Capital commitment

As at 31 March 2024, the Group had entered into contracts for the construction or purchase of property, plant and equipment of GEL 278,371 thousand (31 December 2023: GEL 302,330 thousand) mainly relating to the Main Line Modernization project of GEL 15,539 thousand (31 December 2023: GEL 20,985 thousand) and Tbilisi Bypass project of GEL 243,407 thousand (31 December 2023: GEL 261,150 thousand).

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

11. Investments

At the end of 2022 and 2023, the company converted a loan given to JSC "Development Fund of Georgia," (previously known as JSC Partnership Fund) into other receivable. In February 2024, Georgia Railway purchased 21.716% shares of Gardabani TPP using accounts receivable EUR 17.642 and an additional EUR 1.492 transferred to JSC “Development Fund of Georgia” in advance in January to supplement the total purchase amount, which amounted to EUR 19.135. After that amount previously recognized as an other receivable were recogised as an investments as of 31 March 2024.

12. Trade and other receivables

’000 GEL	31 March 2024	31 December 2023
Trade receivables	241,175	210,258
Impairment allowance on trade receivables	(178,680)	(179,646)
	62,495	**30,612**
Other receivables	294	293
	62,789	**30,905**

The Group’s exposure to credit and currency risks related to trade and other receivables are disclosed in Note 19.

13. Inventories

'000 GEL	31 March 2024	31 December 2023
Materials	29,000	29,086
Fuel	2,357	3,303
Rails	2,555	1,951
Other	4,342	4,724
	38,254	**39,064**
Write-down for inventory obsolescence	(1,727)	(1,734)
	36,527	**37,330**

14. Other non-current assets

'000 GEL	31 March 2024	31 December 2023
Receivable related to Tbilisi Bypass project*	101,052	109,843
Construction materials	26,112	38,818
Intangible assets	12,945	10,248
	140,109	**158,910**

* Tbilisi Bypass project was suspended as at 31 December 2021 and 31 December 2020. Per Management's assessment the prepayments are fully recoverable based on the performance guarantee from a foreign bank.

15. Cash and cash equivalents

'000 GEL	31 March 2024	31 December 2023
Current accounts in banks	169,327	145,085
Call deposits	117,607	138,980
Petty cash	52	38
Provision for cash and cash equivalents	(360)	(557)
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	**286,626**	**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.

The Group's exposure to interest rate risk is disclosed in Note 19.

16. Equity

(a) Share capital

Number of shares	Ordinary shares	
	31 March 2024	31 December 2023
In issue at 1 January	1,055,031	1,055,031
Net increase/(reduction) for property, plant and equipment	88	-
In issue at 31 March /31 December, fully paid	1,055,119	1,055,031
Authorised shares - par value	1	1

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

(b) Ordinary shares

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

17. Loans and borrowings

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

'000 GEL	31 March 2024	31 December 2023
Non-current liabilities		
Secured loan	-	-
Unsecured bonds	1,343,049	1,339,840
	1,343,049	**1,339,840**
Current liabilities		
Secured loan	35,141	34,241
Current portion of unsecured bonds	15,465	2,057
	50,606	**36,298**
	1,393,655	**1,376,138**

(a) Terms and debt repayment schedule

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

				31 March 2024		31 December 2023	
'000 GEL	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured bonds	USD	4.00%	2028	1,358,514	1,358,514	1,341,897	1,341,897
Secured loan	USD	SOFR +1.68%	2026	35,141	35,141	34,241	32,241
Total interest-bearing liabilities				**1,393,655**	**1,393,655**	**1,376,138**	**1,376,138**

The secured loan was obtained for the sole purpose of the acquisition of passenger trains.

The secured loan is collateralized by the underlying passenger trains, with a carrying amount of GEL 58,901 thousand as at 31 March 2024 (31 December 2023: GEL 59,898 thousand).

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

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

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

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

18. Trade and other payables

'000 GEL	31 March 2024	31 December 2023
Current		
Payables for non-current assets	28,658	33,900
Trade payables	81,489	88,746
Advances received from customers	25,378	19,471
	135,525	**142,117**
Non-current		
Payables for non-current assets	34,715	36,714
	34,715	**36,714**

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

19. Fair values and risk management

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

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans receivable and cash and cash equivalents. Credit risk is consistent with those disclosed in the last annual consolidated financial statements and the Group has not faced a significant financial loss during the three months period ended 31 March 2024.

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 March 2024

’000 GEL	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Secured loan	35,141	35,141	35,141	-	-	-	-
-Unsecured bonds	1,358,514	1,580,197	26,783	26,783	53,566	1,473,065	-
Trade payables*	135,858	141,989	103,032	283	38,674	-	-
	1,494,372	**1,757,327,**	**164,956**	**27,066**	**92,240**	**1,473,065**	**-**

31 December 2023

'000 GEL	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Secured loan	34,241	34,241	34,241	-	-	-	-
Unsecured bonds	1,341,897	1,586,746	26,894	26,894	53,788	1,479,170	-
Trade payables	159,360	163,089	122,480	270	40,339	-	-
	1,535,498	**1,784,076**	**183,615**	**27,164**	**94,127**	**1,479,170**	**-**

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

Market risk

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

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

Currency risk

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

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

Exposure to currency risk

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

'000 GEL	USD -denominated 31 March 2024	USD -denominated 31 December 2023
Cash and cash equivalents	112,884	92,789
Trade receivables	29,541	12,003
Secured loan	(35,141)	(34,241)
Unsecured bonds	(1,358,514)	(1,341,897)
Trade and other payables	(24,174)	(37,826)
Net exposure	**(1,375,218)**	**(1,309,172)**

The following significant exchange rates applied during the year:

in GEL	Average rate		Reporting date spot rate	
	three months ended 31 March 2024	three months ended 31 March 2023	31 March 2024	31 March 2023
USD 1	2.6712	2.6365	2.6953	2.5604

Interest rate risk

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

20. Subsidiaries

Subsidiary	Country of incorporation	Principal activities	2024 Ownership/ voting	2023 Ownership/ voting
GR Property Management LLC	Georgia	Property management and development	100%	100%
GR Logistics and Terminals LLC	Georgia	Container transportation and terminal services	100%	100%
Georgian Railway Construction JSC	Georgia	Construction and other projects	100%	100%
Georgia Transit LLC	Georgia	Transportation services	100%	100%
GR Transit Line LLC	Georgia	Transportation services	100%	100%
GR Trans Shipment LLC	Georgia	Transportation services	100%	100%
GR Transit LLC	Georgia	Transportation services	100%	100%

21. Related parties

(a) Transactions with key management personnel

(i) Key management remuneration

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

	For the three months ended 31 March	
'000 GEL	2024	2023
Salaries and bonuses	**323**	**323**

(b) Other related party transactions

(i) Transactions with the Government

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

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

(ii) Revenue, purchases and expenses

The Group purchases security services from a state agency, which amounted to GEL 929 housand for three months ended 31 March 2024 (31 March 2023: GEL 3,717 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.

22. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 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.

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*