



COMPANY PRESENTATION
FULL YEAR 2020



I. GR AT A GLANCE

II. STRATEGIC BUSINESS UNITS AND SUBSIDIARIES

III. MARKETS AND COMPETITIVE POSITION

IV. STRATEGY OF THE COMPANY AND FOCUS ON SUSTAINABLE DEVELOPMENT

V. ECONOMIC OVERVIEW AND RELATIONSHIP WITH THE STATE

VI. FINANCIAL PROFILE

APPENDIX New 2021 Eurobond

- **COMPANY FINANCIAL HIGHLIGHTS**

- **KEY OPERATING MEASURES**

- **CREDIT RATINGS**

- **GEORGIAN RAILWAY AT A GLANCE**

- **VERTICALLY INTEGRATED BUSINESS MODEL**

I. COMPANY FINANCIAL HIGHLIGHTS

GEL '000

Revenue

FY 2020 **489,370** +0% from FY 2019

Q4 2020 **125,896** -1% from Q4 2019
+6% from Q3 2020

GEL '000

EBITDA

218,962 -2% from FY 2019

46,529 -0% from Q4 2019
-20% from Q3 2020

EBITDA margin

44.7% -1 points from FY 2019

37.0% +0 points from Q4 2019
-12 points from Q3 2020

GEL '000

Adjusted EBITDA

FY 2020 **211,741** -2% from FY 2019

Q4 2020 **46,121** -5% from Q4 2019
-14% from Q3 2020

Adjusted EBITDA margin

43.3% -1 points from FY 2019

36.6% -2 points from Q4 2019
-9 points from Q3 2020

Net Debt to EBITDA

31 December 2020

6.35

31 December 2019

5.20

I. KEY OPERATING MEASURES

Total freight revenue per ton-km (in GEL)

FY 2020 **0.11** +3% from FY 2019

Q4 2020 **0.11** +11% from Q4 2019
+1% from Q3 2020

Passenger revenue per passenger- km (in GEL)

0.05 -1% from FY 2019

0.04 +9% from Q4 2019
-13% from Q3 2020

Revenue per average number of employees (in GEL '000)

39.09 +1% from FY 2019

10.10 +1% from Q4 2019
+15% from Q3 2020

Operating expenses per ton-km (in GEL)

FY 2020 **0.12** +0% from FY 2019

Q4 2020 **0.13** +11% from Q4 2019
-3% from Q3 2020

Ton-km per average number of Freight SBU employees in '000

544.38 +2% from FY 2019

143.90 -6% from Q4 2019
+20% from Q3 2020

Pass-km per average number of Passenger SBU employees '000

202.66 -63% from FY 2019

17.21 -85% from Q4 2019
-79% from Q3 2020

S&P Global Ratings

	Credit Rating	Date of assignment / review	Outlook
Long-term Issuer Rating – Foreign Currency	B+	May 2021	Negative
<ul style="list-style-type: none"> “We continue to believe that there is a very high likelihood that the Georgian government, the group's ultimate parent, would provide timely and sufficient extraordinary support to the company in case of emergency.” “We expect that Georgian Railway's leverage will remain high over the coming years” 			

Fitch Ratings

	Credit Rating	Date of assignment / review	Outlook
Long-term Issuer Rating – Foreign Currency	BB-	December 2020	Negative
<ul style="list-style-type: none"> “High strategic importance of the company to the Georgian economy.” “Close ties with the state are a key rating factor” “GR's liquidity buffer ... available committed credit lines ... fully offsets medium-term refinancing and negative cash flow risks.” 			

I. GEORGIAN RAILWAY AT A GLANCE

Brief overview

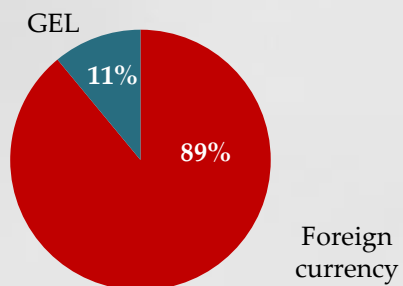
- Monopoly railway operator in Georgia, fully owned by the Government (through state-owned investment fund Partnership Fund)
- Vertically integrated railroad company with fully deregulated freight tariff policy
- 3 strategic business units (SBU): freight, passenger transportation and infrastructure
- Freight Transportation SBU is GR's key business segment with ca. 84% share in GR's 2020 revenue. Over 50% of freight volume is transit
- Unique strategic location. A key segment of the TRACECA corridor, the shortest route from the Caspian Sea and Central Asia to the Black Sea and the Mediterranean basin
- Total number of employees: 12,369 people

Strategic location

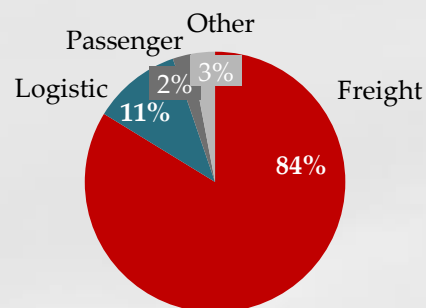


Revenue breakdown

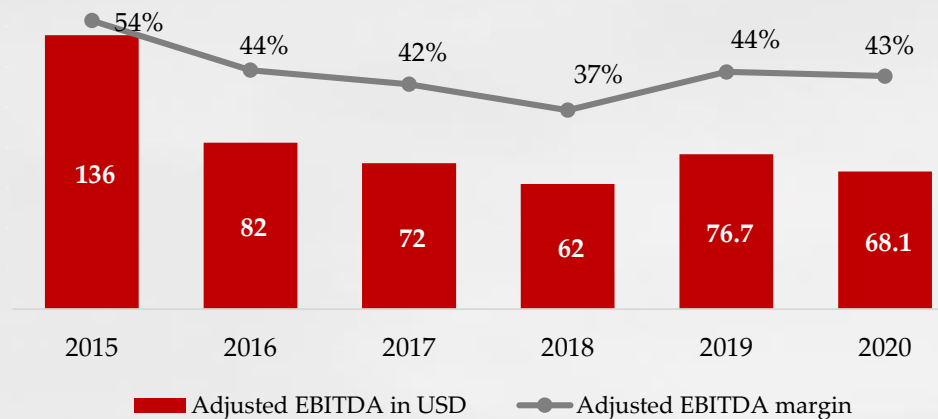
By currency



By business segment



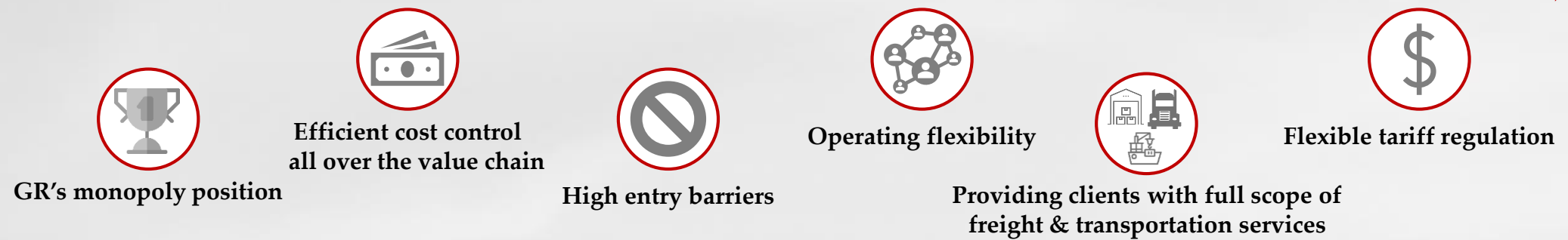
Adjusted EBITDA and Adjusted EBITDA margin



I. VERTICALLY INTEGRATED BUSINESS MODEL



Vertical integration provides resilient and flexible business model



- **INTEGRATED TRANSPORTATION AND LOGISTICS COMPANY**

- **FREIGHT TRANSPORTATION SEGMENT OVERVIEW**

- **PASSENGER TRANSPORTATION SEGMENT OVERVIEW**

- **WELL-INVESTED INFRASTRUCTURE & DIVERSIFIED RAILCAR FLEET**

- **FREIGHT FORWARDING & LOGISTICS SERVICES**

Freight transportation SBU

- Conducts all the Group's freight operations: freight traffic; freight transportation; freight handling; freight car cross-border charge
- Provides freight forwarding & logistics services - GR Transit, GR Transit Line, GR Logistics and Terminals, GR Trans Shipment
- 5,262 employees by the end of 2020



Passenger transportation SBU

- Conducts all the Group's passenger operations:
 - Transportation of passengers within Georgia and internationally
 - Routine maintenance repairs
- 1,195 employees by the end of 2020



Infrastructure SBU

- Operates, maintains and manages the Company's infrastructure assets
- Cost centre serving freight and passenger activities
- No service to external customers
- Implementation of Modernisation Project
- 4,806 employees by the end of 2020

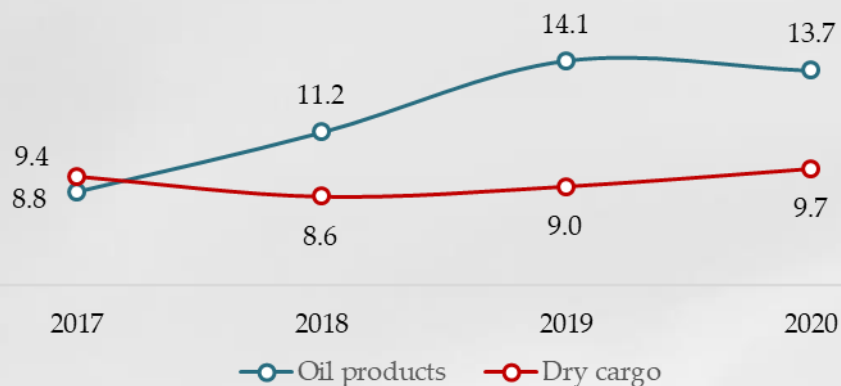


II. FREIGHT TRANSPORTATION SEGMENT OVERVIEW

Brief overview

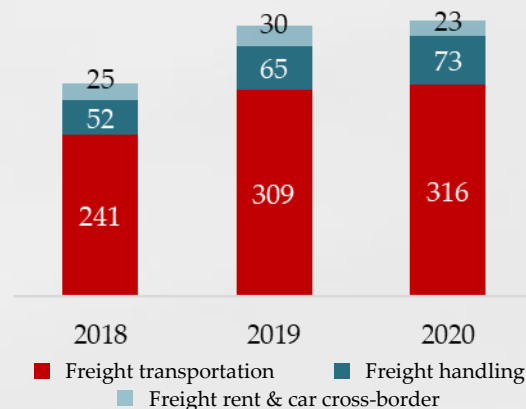
- Freight Transportation SBU is the Group's key business segment, accounted for 84% of the GR's revenue in 2020⁽¹⁾
- Conducts all the Group's freight operations: Freight Traffic; Freight Transportation; Freight Handling; Freight car cross-border charge
- Most of the freight is transported from Azerbaijan, Russia and Turkmenistan to Georgia and Black sea ports
- GR is mainly a transit railway and transports a large portion of its cargo using third-party rolling stock. In 2020, 51% of total cargo was transported by GR wagons
- This reduces the need to own rolling stock and limits CAPEX requirement to support future growth
- Number of employees 5,263 by the end of 2020

Revenue per ton-kilometer



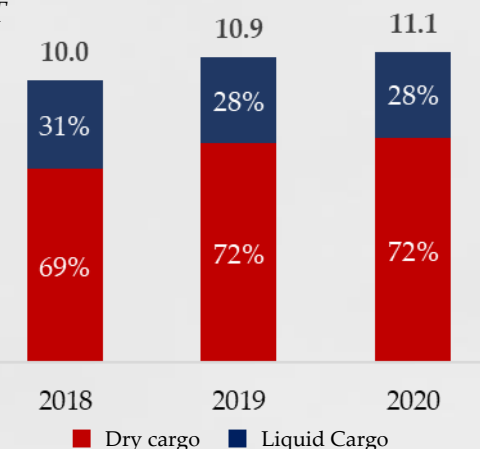
Revenue dynamics⁽¹⁾

GEL, mn



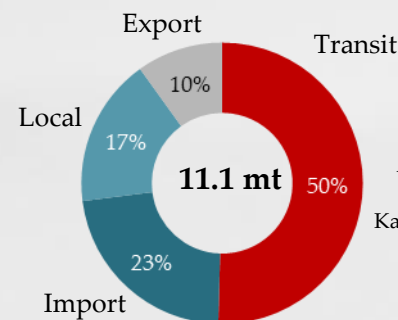
Volume dynamics

MT

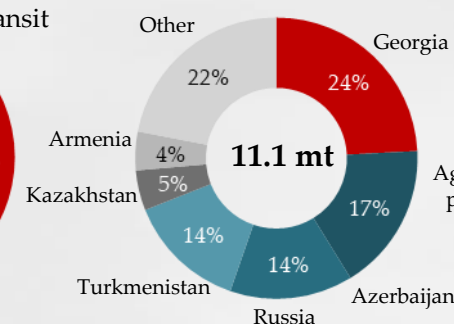


Freight volume structure, 2020

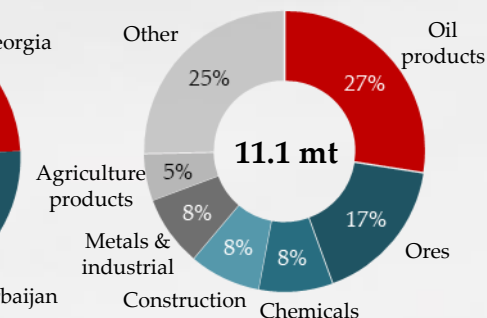
By destination



By countries⁽²⁾



By product type



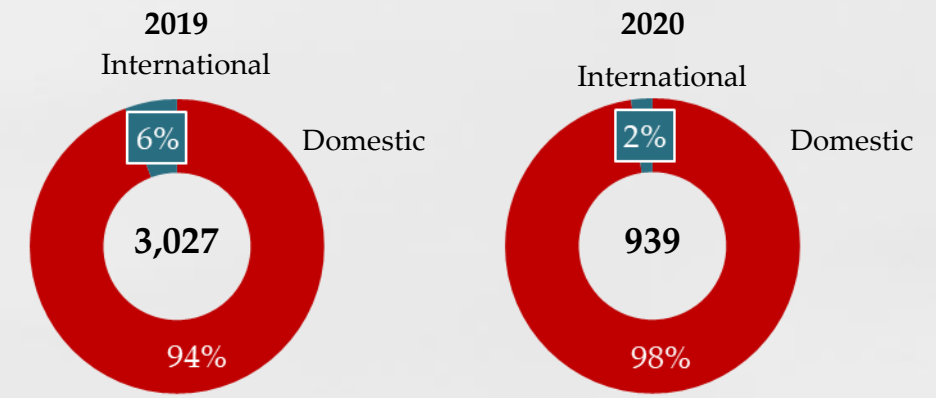
II. PASSENGER TRANSPORTATION SEGMENT OVERVIEW

Passenger SBU brief overview

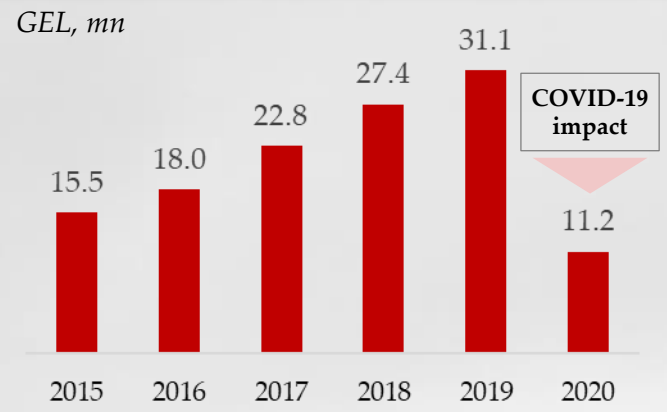
- GR is the national passenger railway of Georgia and has strategically important social function
- Passenger SBU transports passengers within Georgia and on international routes, connecting Georgia with Azerbaijan and Armenia
- According to the Euro directive, effective from 2018 the State is expected to subsidize the passenger SBU
- Due to Covid-19 pandemic, passenger transportation was canceled several times resulting lower number of passengers and revenues in 2020
- GR aims to increase segment's revenue by attracting more passengers that currently use cars. Key measures: introducing higher level of service, investing in new railcars, sales channels diversification etc.

Passenger turnover breakdown by route

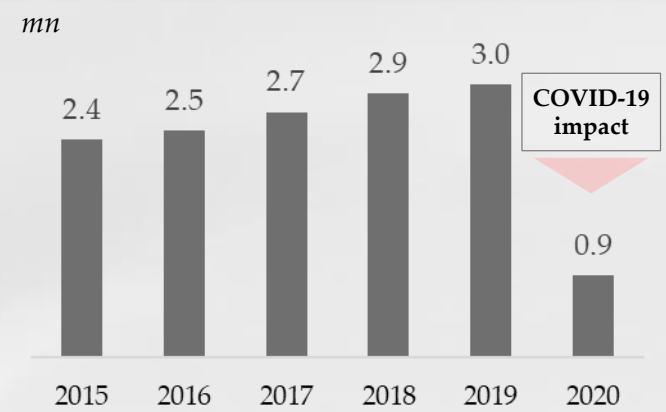
'000 passengers



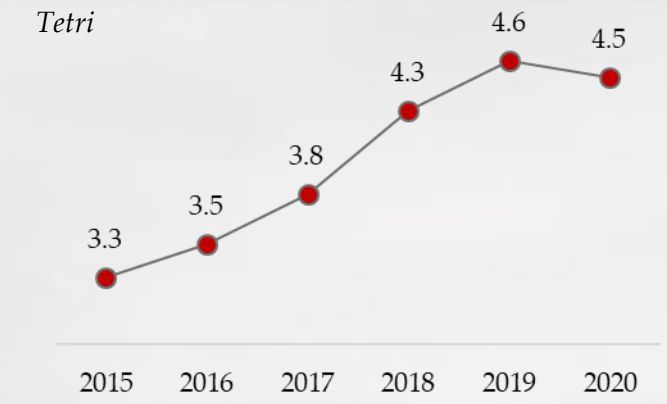
Passenger SBU revenues



Number of passengers transported



Revenue per passenger-km



Infrastructure SBU brief overview

- Infrastructure SBU operates, maintains and manages GR's principal infrastructure assets, incl. track, embankments, signaling, land, electric power lines etc.
- Georgian Railway is 100% owner and monopoly operator of all railway infrastructure in Georgia
- GR's rail network is connected to Azerbaijani, Armenian and Turkish railways (BTK route). It is also connected with the Russian railways through Abkhazia (unactive at the moment)
- Current railroad capacity: 27 mn tons of cargo annually. It would be extended to 48 mn t by the end of 2022 (Modernization project)
- GR's growth strategy is focused on the modernization of the existing infrastructure to facilitate freight growth and decrease operating expenses

Key numbers


1,436km

Network length


97%

Fully electrified


99

Freight stations


296km

Double-Track line length


40

Railroad tunnels


480

Containers


1,323

Railroad bridges


4,560

Number of rolling stock


31

Passenger stations

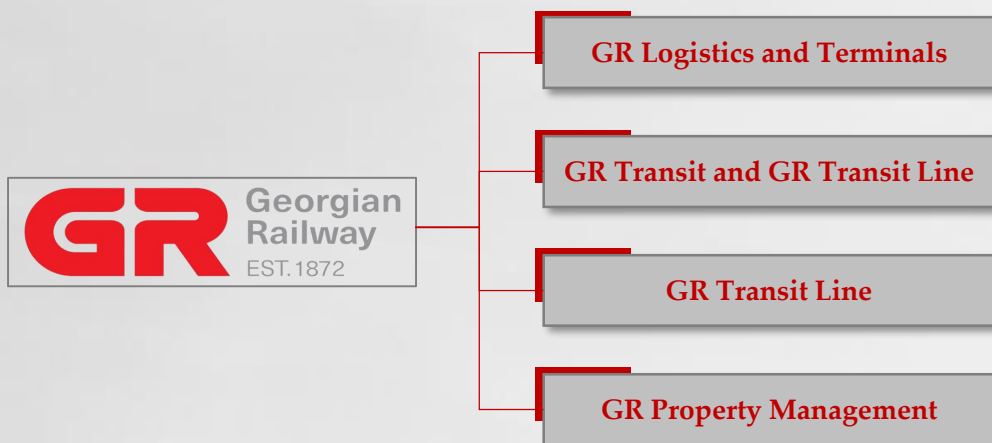
Rolling stock

As of 31 December 2020

Locomotives	153
<i>Electric</i>	90
<i>Diesel</i>	63
Railcars	4,407
<i>Grain hopper</i>	1,378
<i>Tank car</i>	1,038
<i>Box car</i>	1,027
<i>Open top box car</i>	554
<i>Platform car</i>	189
<i>Other</i>	106
<i>Refrigerator car</i>	81
<i>Cement hopper</i>	34
Total number of rolling stock	4,560



GR's key service subsidiaries

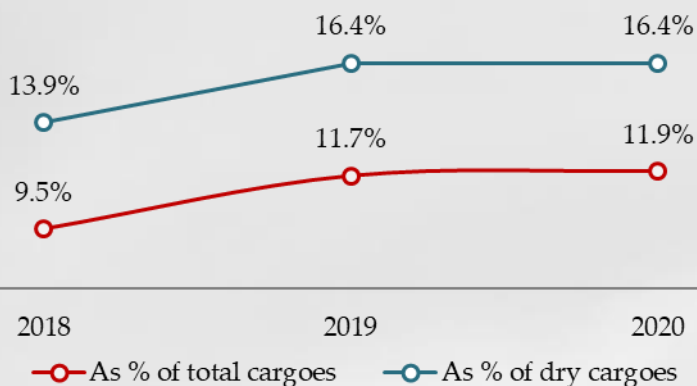


Brief overview

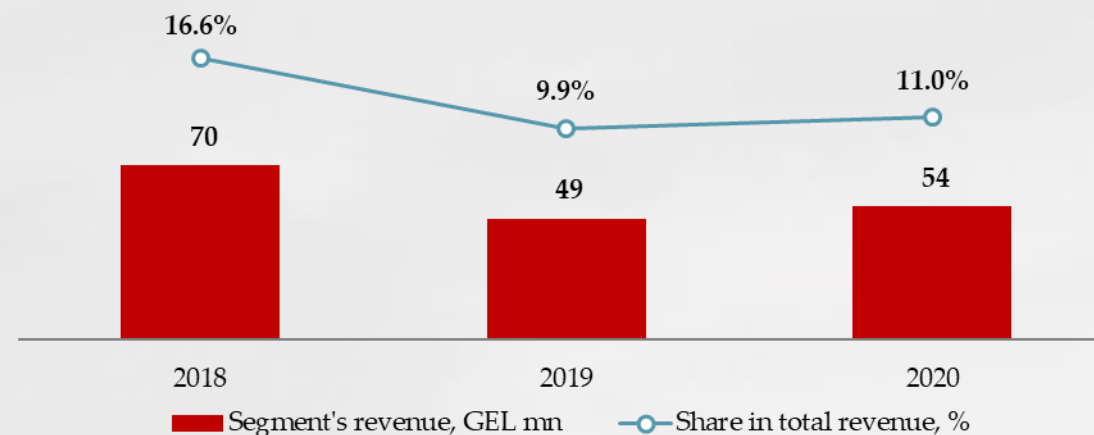
- GR Transit and GR Transit Line – freight forwarders, which serve crude oil and oil products transportation mainly from Azerbaijan, Kazakhstan and Turkmenistan
- GR Logistics and Terminals creates container terminals and other necessary infrastructure to develop presence in container transportation market
- GR Trans-Shipment manages the oil terminal operator in Batumi Port
- GR Property Management operates GR's railway-related assets such as land, depots and stations, and non-core assets

Share of containerized cargo

As percentage of freight volumes, %



Logistics services revenue evolution



- **INVESTMENT PROGRAMME WITH FOCUS ON MODERNISATION**

- **UNIQUE STRATEGIC LOCATION WITH WELL-DEVELOPED INFRASTRUCTURE AND
NUMBER OF INTERNATIONAL PROJECTS**

- **SOLID TRACK RECORD OF REVENUE GENERATION**

Brief overview

- GR's main investments support long run growth potential, through investments in infrastructure
- GR is mainly a transit railway, the Company transports a large portion of its cargo using third-party rolling stock, thus minimising its fleet CAPEX requirements
- Modernisation project is the key GR's CAPEX programmes aiming to increase transportation capacity of the gorge region in Central Georgia
- Another large CAPEX project is ByPass project (currently suspended). It was initiated by municipal authorities in 2010 aiming to relocate Tbilisi main railroad to the suburbs

Major active CAPEX projects

Modernisation Project

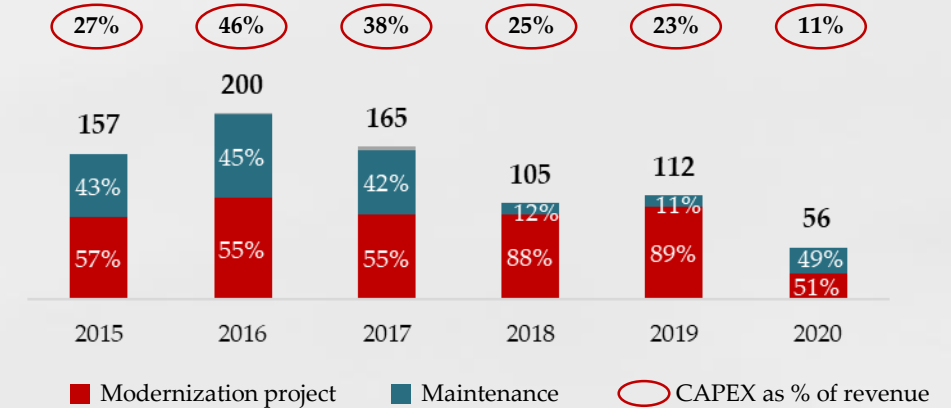
- Over **GEL 886m** invested (in 2010-2020)
- Key goal: increase transportation capacity from **27mn t** to **48mn t** with further expansion to **100mn t** per annual
- 93% completed** as of Dec. 2020
- Expected completion: **2022**

Kutaisi Airport Station Project

- Construction of a **new passenger rail station** near Kutaisi International Airport
- Socio-commercial project aimed to **increase passenger comfort**
- Short-term solution – shuttle bus service
- Suspended due to COVID-19

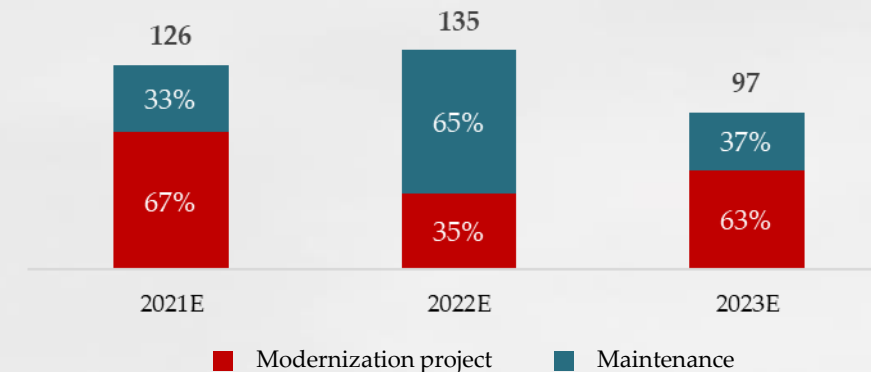
Historical CAPEX split

GEL, mn



Scheduled CAPEX

GEL, mn



III. UNIQUE STRATEGIC LOCATION...

Positioned to capitalise on increasing trade flows between Europe, the Caspian Region and Central Asia



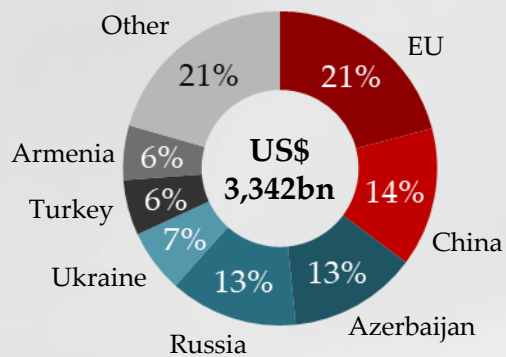
GR's transportation volume

MT



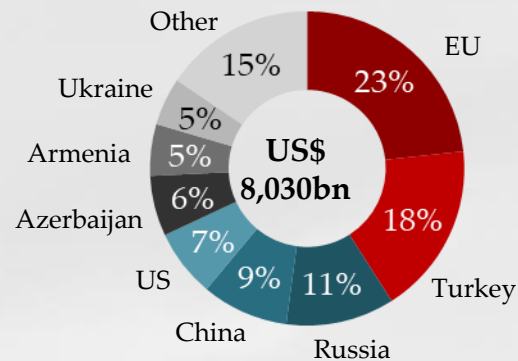
Georgia's total export

As of 2020



Georgia's total import

As of 2020



Georgia is a net importer

US\$, tn



GR's freight volume

As of 2020

5.6mt Transit
1.9mt Local
2.5mt Import
1.1mt Export

...WITH WELL-DEVELOPED INFRASTRUCTURE AND NUMBER OF INTERNATIONAL PROJECTS

Kulevi

- Liquid cargo
- Operated by Vitol, SOCAR
- Current capacity of 10mtn p.a.
- Expandable to 20mtn p.a.

Poti

- Liquid and dry cargo
- Free Economic Zone near Poti
- Current capacity of 600kTEU
- Planning to increase capacity with est. investment of US\$ 300mln

Batumi

- Liquid and dry cargo
- Owned by KazMunayGas
- Current capacity of ca. 15mtn p.a.
- Expandable to 28mtn p.a.

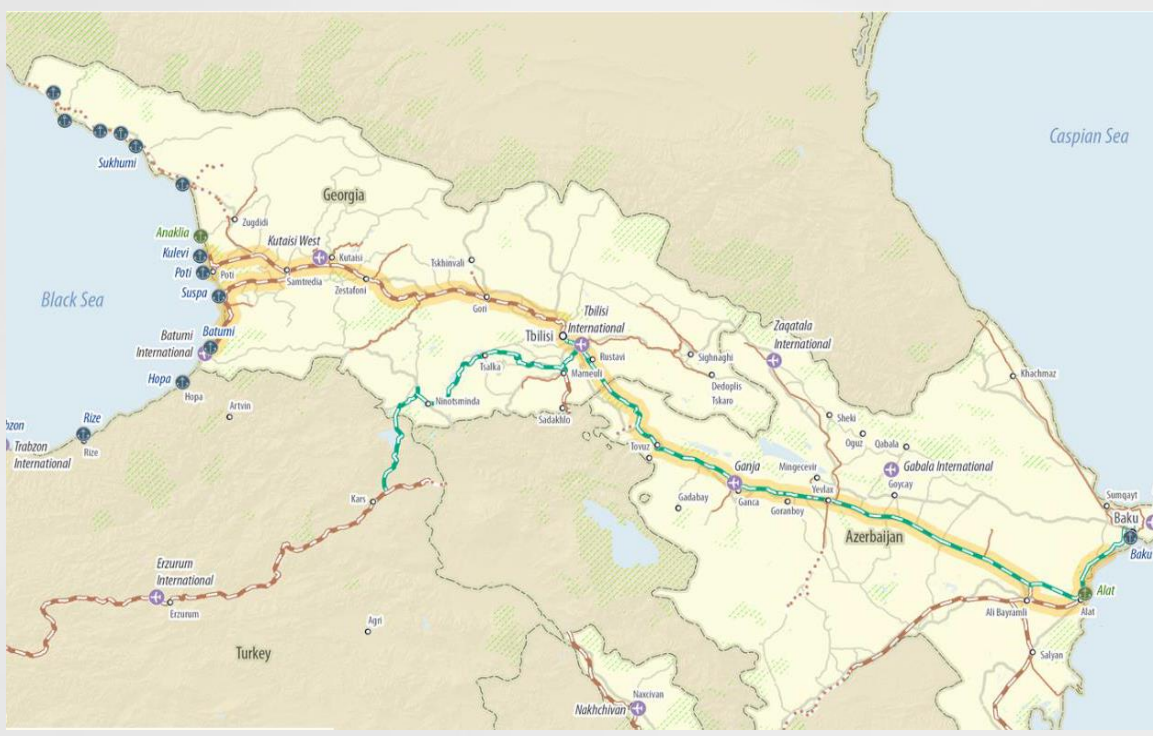
Rail Ferries

- Rail ferry connection to Bulgaria, Russia, Ukraine and Turkey
- Rail ferries connecting Azerbaijan ports with Central Asia

Deep-Sea Port

- Construction of a new Anaklia deep-sea port for handling large vessels with all required infrastructure
- Alternatively – reconstruction of Poti to make it a deep-sea port

Ports Supporting Infrastructure



Connecting Railways

Russia

- Inactive link through Abkhazian part of Georgian Railway

Azerbaijan

- Largest GR rail connection, originating or receiving well over half of GR tonnage

Turkey

- Active connection after Baku-Tbilisi-Kars Project
- Opening date – 28 October 2017
- Currently operating in test regime

Armenia

- Operated under concession to Russian Railways as South Caucasus Railways (SCR)
- Currently only other active GR rail connection

International projects and initiatives

BTK project

- Connecting Azerbaijan and Turkey with a railway link through Georgia
- Reconstruction of a 178-km-long railway in Georgia
- Start of the project in 2017, [safety works completed in 2020]

Feeders on Caspian and Black Sea

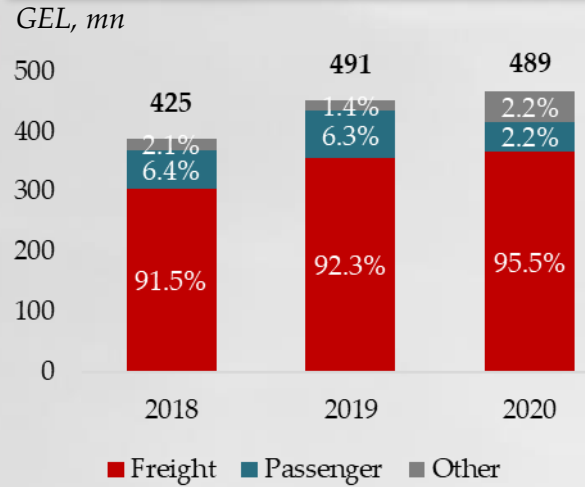
- Adding additional feeder in Caspian sea connecting Kazakhstan and Azerbaijan. Operating since 2019, capacity 225 TEU
- Additional feeder connecting Poti port with Ukraine (Odessa). Operating since 2019, capacity 1200 TEU

China-Turkey Route

- 2015 Georgia – a founding member of the Asian Infrastructure Investment Bank (AIIB). The parties agreed to organize container service from China to Turkey through Trans-Caspian transport route

III. SOLID TRACK RECORD OF REVENUE GENERATION

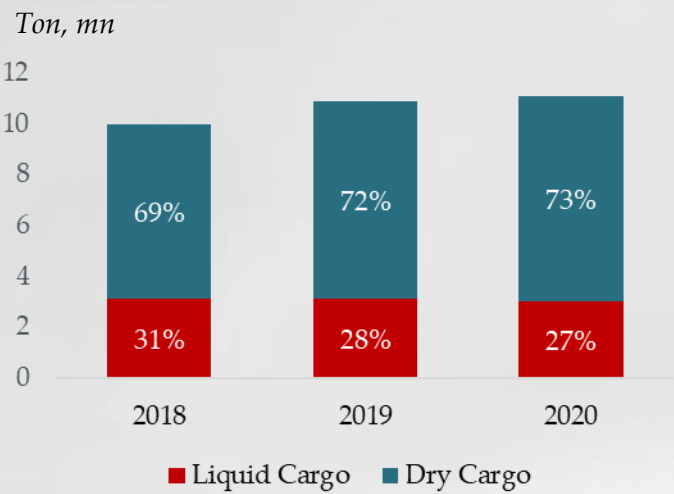
Revenue breakdown



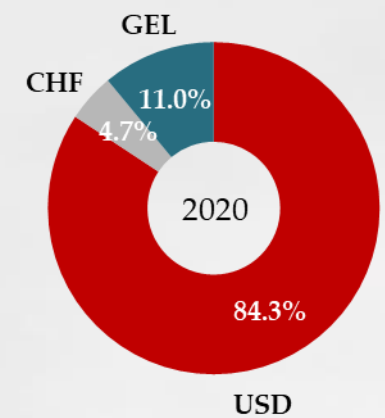
Revenue analysis

- Total Revenue remained stable during 2020, representing -0.3% change on a y/y basis. Freight revenue category increased by 3.1% in 2020. Due to Covid-19 related restrictions, passenger revenue is down significantly since it was not operational for couple of months during 2020.
- Most part of the Group's revenue is denominated in USD, representing natural hedge against national currency depreciation risk.
- Average revenue per passenger-km from 2015 to 2020 has increased from 3.3 to 4.5 Tetri which can be explained by the increased share of higher-priced seats sold, as new trains with improved services were added for long-distance routes.
- The main bottleneck of the infrastructure is a mountainous region located in the center of Georgia. De-bottlenecking of existing infrastructure and increasing the throughput capacity of the rail line from 27 million tons to 48 million tons annually will have a positive impact on the company's financials.

Volume



Revenue Split by Currencies



- **COMPANY'S STRATEGY**

- **CONTINUOUS FOCUS ON SUSTAINABLE DEVELOPMENT**

- **STRONG SOCIAL IMPACT AND COMMITMENT TO ENSURE SAFE WORKING ENVIRONMENT**

Continue to grow freight service business, increasing geographic diversification

- Georgia has free trade agreements (FTA) with European countries and China
- Baku-Tbilisi-Kars route (expected to be completed in 2022) will provide a new rail-only corridor from the Caspian Sea to Europe via Turkey
- Active development of Turkey – China trade route through Caucasus corridor

Maintain strong customer relations through flexible tariffs policy

- Long-term partnerships with existing freight customers and attracting new customers
- Offering competitive pricing thanks to flexible tariff policy and lever operational efficiencies
- Proving wide range of high-quality services (logistics, freight handling, cross-border car rental etc.)

Develop and modernize existing infrastructure

- Extend current transportation capacity from 27mn t to 48mn t per annual and achieving cost savings of ca. 10% thanks to Modernisation project completion in 2022
- Continuous focus on safety, operational efficiency and diminishing maintenance costs
- Extend life-cycle of current infrastructure

Extend containerization of the freight

- Focus on increasing containerized cargo transportation, as this facilitates the international freight operations when several transport options are used (e.g. railway + sea transport)
- 2 feeders constructed at Caspian sea and Black sea to increase container transportation in the corridor

Increase share of premium passenger services

- Passenger trains modernization. Opening Kutaisi airport high-speed railway station
- Promoting railway to attract tourists and new passengers. Highlighting benefits compared to automobile trips
- Extending the number of passenger services and continuous improvement of services quality

E

- ✓ Green transportation with low carbon emissions
 - 97% of the railway is electrified
- ✓ Responsible waste management:
 - All hazardous waste is disposed
 - 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 12,300 people employed
- ✓ The largest employer in Georgia, providing workplaces all over the country
- ✓ Established HSE policy
- ✓ GEL 350,000 employees' healthcare expenses in 2020
- ✓ Own Railway transportation college established in 2015

G

- ✓ Adherence to the best governance standards
- ✓ 2 out of 7 BoD members are independent
- ✓ 3 committees established on the BoD [need to check who heads each of them, highlight id INED]

IV. STRONG SOCIAL IMPACT AND COMMITMENT TO ENSURE SAFE WORKING ENVIRONMENT

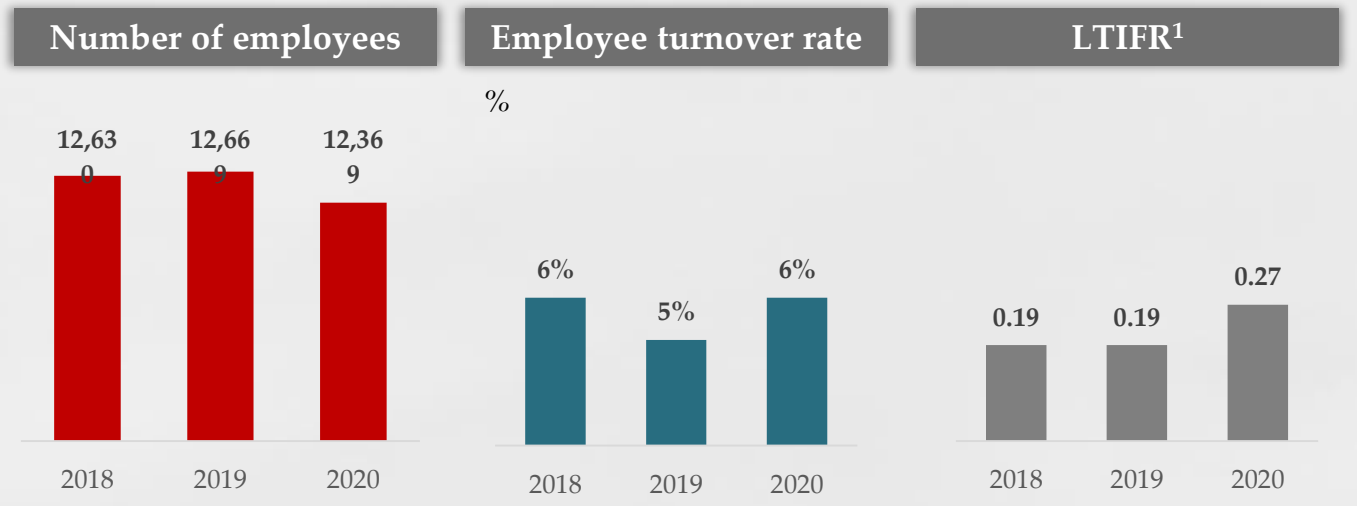


- GR is the largest employer and taxpayer in Georgia, providing workplaces to more than 12,360 people all over the country



- Providing passenger transportation with affordable tariffs are socially important and benefits regional development of the country
- Adherence to the best health & safety standards and management systems (ISO certification, SAP and 6 SIGMA programs)

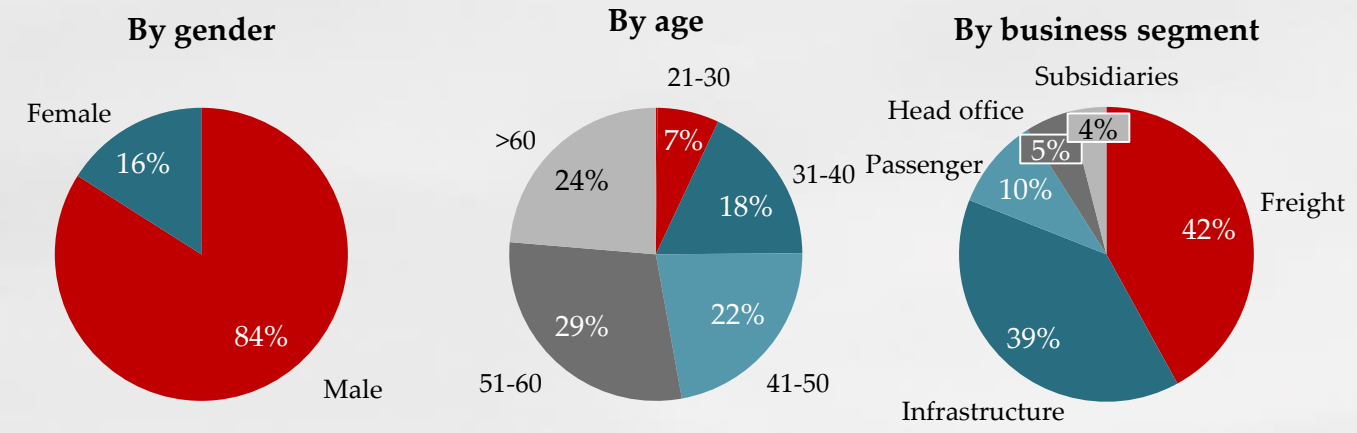
- Established Health & Safety Policy



Notes: (1) Lost time injury frequency rate

Employee structure

As of 2020



- **GEL EXCHANGE RATE**

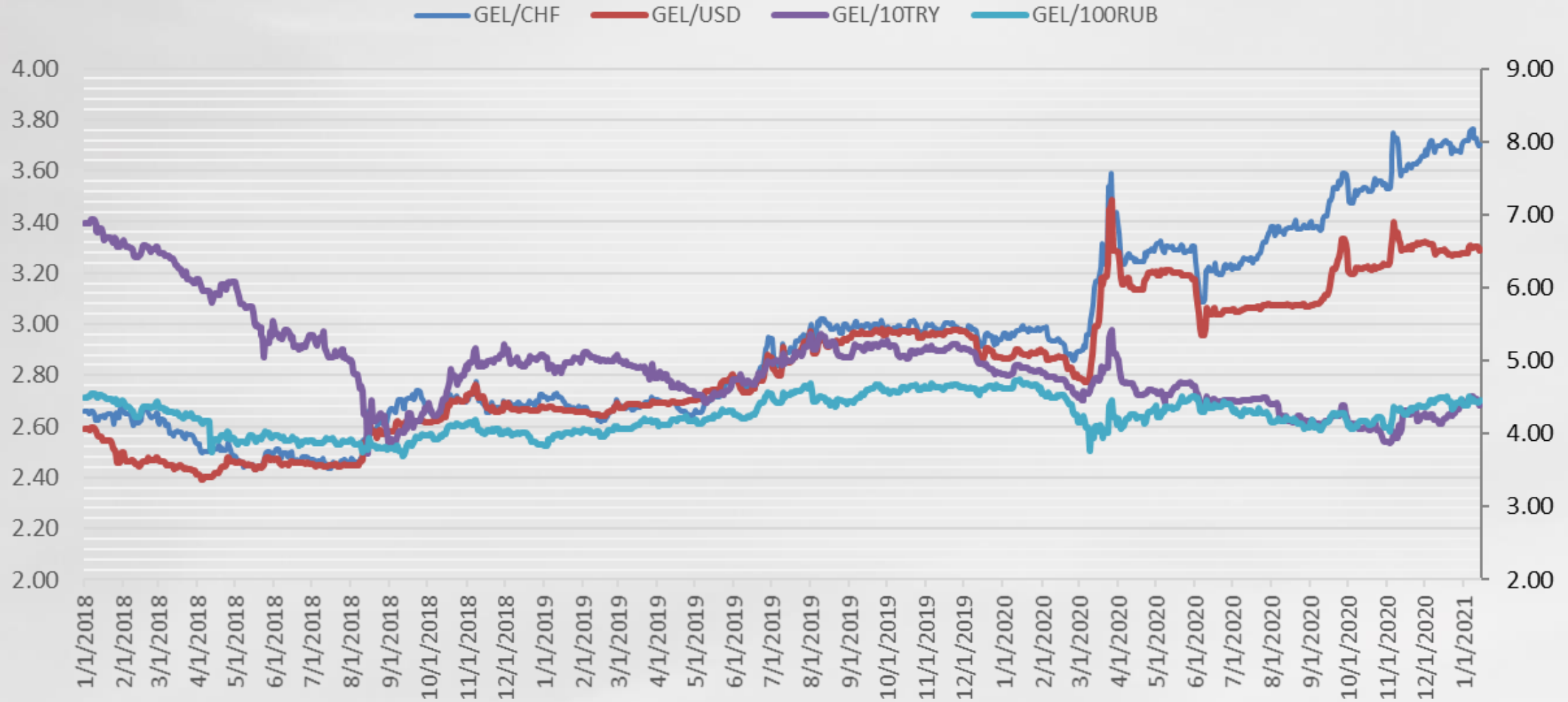
- **MACROECONOMIC ENVIRONMENT IN GEORGIA**

- **MACROECONOMIC ENVIRONMENT IN REGION**

- **GR – A STRATEGIC ASSET FOR THE GOVERNMENT OF GEORGIA**

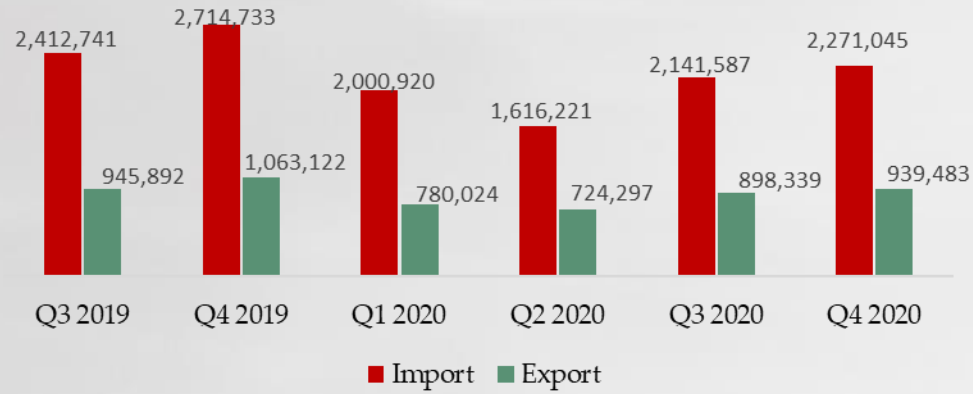
- **STRONG MACRO WITH RAILWAY BEING A MAJOR PLAYER IN COUNTRY'S TRANSPORTATION SECTOR**

V. GEL EXCHANGE RATE

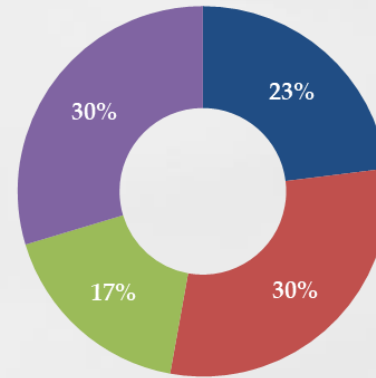


V. MACROECONOMIC ENVIRONMENT IN GEORGIA

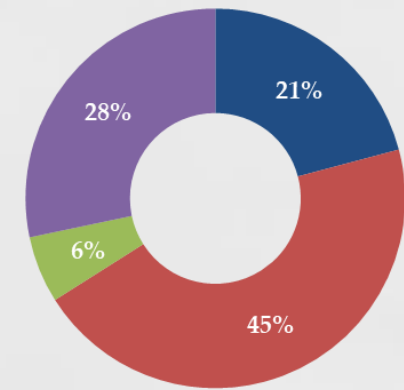
Georgian Trade Dynamics



Import by countries for FY 2020

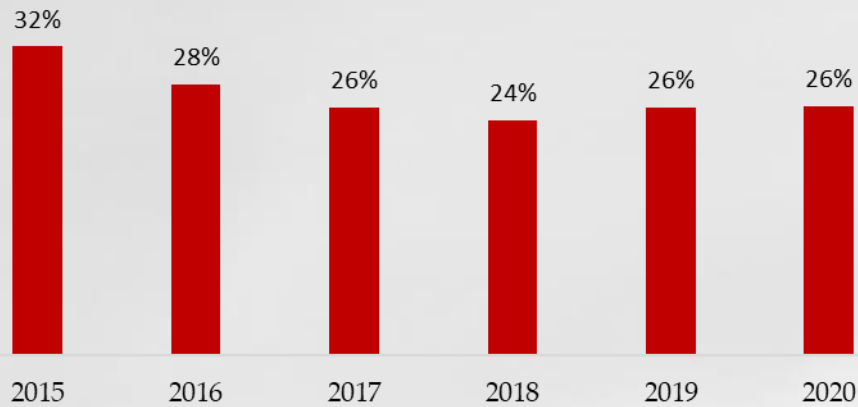


Export by countries for FY 2020

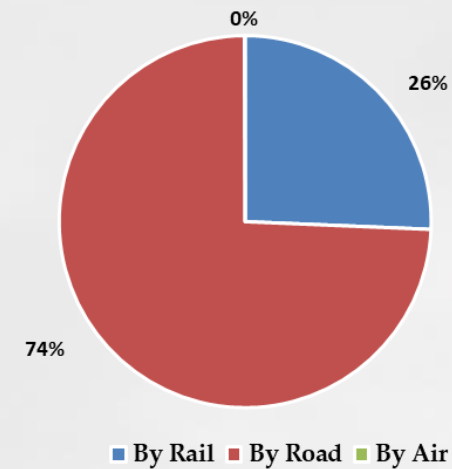


■ European Union ■ CIS Countries ■ Turkey ■ Other countries

Share of GR in Total Freight Transportation in Georgia



Freight transportation by types for 2020



■ By Rail ■ By Road ■ By Air

Global Commodity Prices (BLOOMBERG) Commodity	Price Q4 2020	% change		
		Q1 2021	Q2 2021	Q3 2021
ICE Brent (Crude oil)	56.2	0.36%	-1.35%	-1.70%
ICE Gasoil	459.0	0.33%	1.04%	0.52%
UK NBP Nat Gas	64.5	0.30%	-30.70%	1.33%
Grain	663.5	0.25%	-1.04%	-0.78%
Aluminum	2,019.5	-0.21%	0.62%	0.65%
Iron ores	170.9	-2.55%	-5.14%	-6.61%

Macroeconomic Measures of Partnering Countries for 2020 (IMF)	% Change from 2019			
	GDP	Inflation rate	Import	Export
Azerbaijan	-4.03%	3.00%	0.50%	0.27%
Turkey	-4.99%	11.94%	-6.40%	-17.81%
Kazakhstan	-2.69%	6.94%	-8.95%	-6.79%
Turkmenistan	1.78%	8.00%	-1.8%	-8.71%

Strategic importance for TRACECA

- Railway represents around 25% of total transported cargo in Georgia
- Transit shipment takes about 50% percent of the Group's freight transportation volume
- Trans-Caucasus corridor represents a viable option to increase resilience and diversity of shipment routes

Socially Important Transportation Segment

- GR provides essential passenger transportation services with considerably low tariffs to meet the Government's interest in transportation issues within Georgia
- Keeping affordable transportation tariffs are socially important and benefits regional development of the country

Grail's strategic importance for the State Government

- GR is a major tax and GDP contributor and one of the largest employers in the Georgian economy
- GR's revenue contributes to around 1% of Georgia's GDP
- GR plays a critical role in maintaining strong economic relations between Georgia and its partner countries such as Azerbaijan, Armenia, Kazakhstan, Tajikistan, Turkey and Turkmenistan



Capital support and financing from the Government

- The Group has critical role in the sustainable development of the country's economy
- Government supports GR with many initiatives such as share capital contributions, property tax exemption on railroads and transmission lines, land and infrastructure contribution, and subsidies
- Examples of Gov. Support: Subsidies on passenger SBU based on EU regulation 1370/2007 effective from 2018; Re-investment of dividend payable in 2015 and 2016 for the passenger station in Batumi

Monopoly position

- The Group is the sole Railway operator in Georgia
- Strategic enterprise is fully owned and controlled by the Government of Georgia through 100% owned Partnership Fund, providing dividends to the owner.

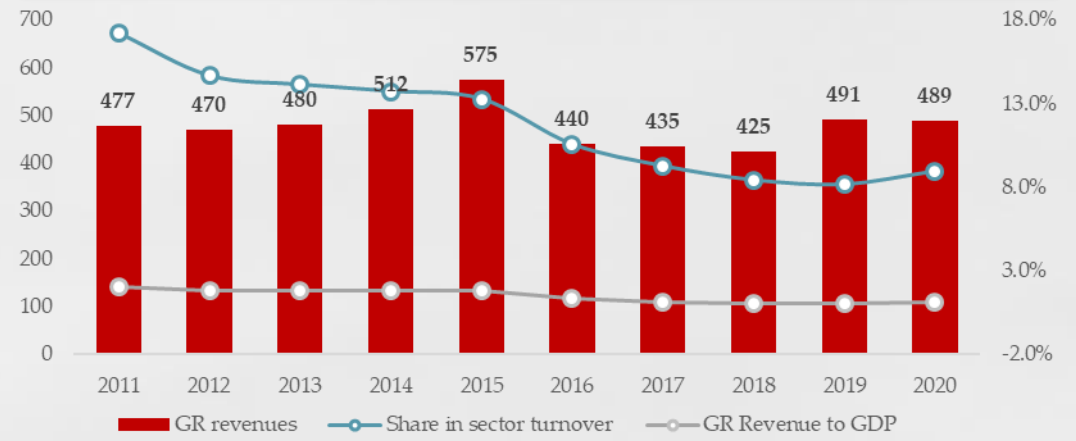
STRONG MACRO WITH RAILWAY BEING A MAJOR PLAYER IN COUNTRY'S TRANSPORTATION SECTOR



Transportation & storage value add and share in GDP (GEL bln)

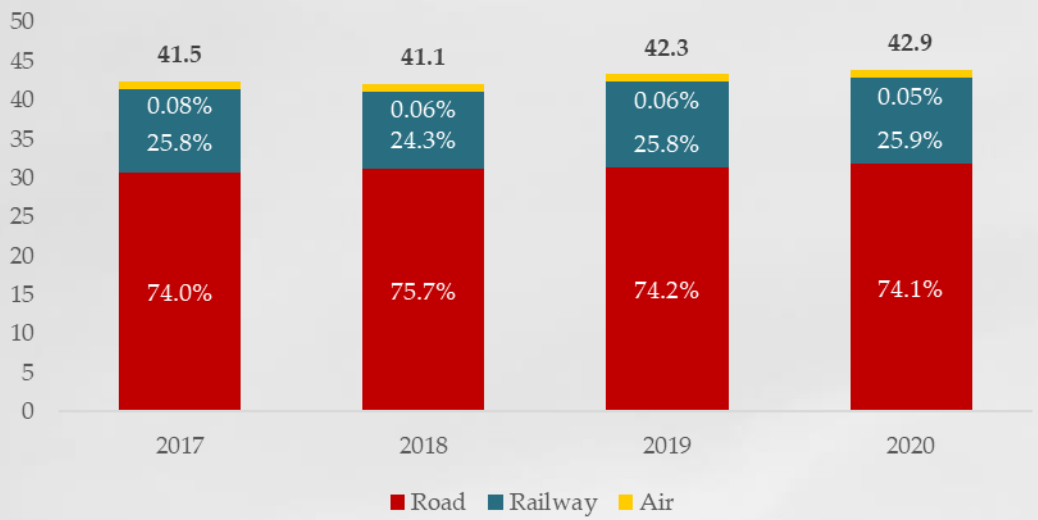


GR revenues and share in sector turnover (GEL mln)



Source: GeoStat, Georgian Railway

Transported cargo in Georgia (mln tons)



- Growth of value added in transportation and storage sector averaged 8.5% in nominal terms over 2010-19, accounting for c. 6% of GDP
- Georgian railway, as the most important player in the sector, made up 9% of transportation sector turnover in up by 1 pp compared to 2019
- Railway accounts for around 1/4th of total cargo turnover transported in Georgia
- With its 12,361 employees, railway stands as one of the largest employer in the country

- **REVENUE STRUCTURE**

- **FREIGHT REVENUE BREAKDOWN**

- **COST STRUCTURE**

- **OPERATING COSTS**

- **IMPROVING OPERATIONAL EFFICIENCY**

- **BEST-IN-CLASS EBITDA MARGIN**

- **MATURITY PROFILE AND DEBT STRUCTURE**

- **BORROWINGS OVERVIEW**

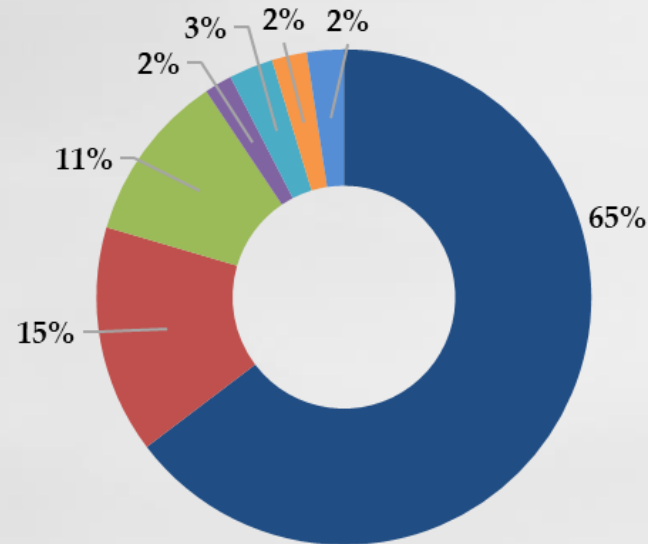
- **BALANCE SHEET OVERVIEW: LEVERAGE AND DEBT POSITION**

- **LIQUIDITY POSITION**

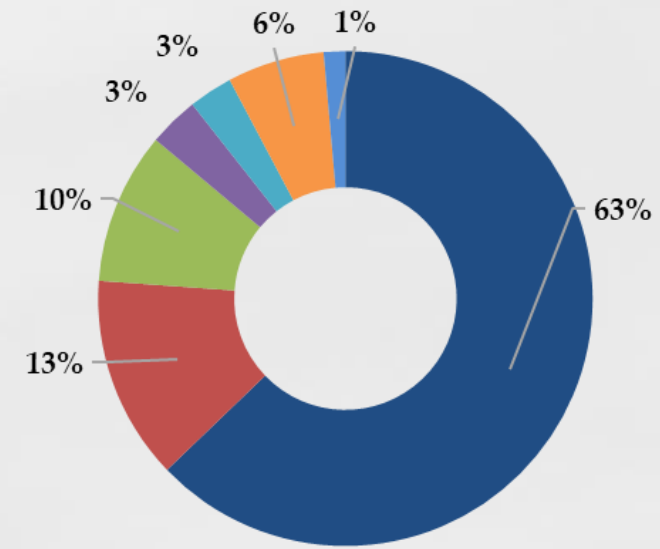
- **FINANCIAL TARGETS**

- **TARIFFS POLICY, INDUSTRY AND REGULATIONS**

Revenue breakdown for full year 2020



Revenue breakdown for full year 2019



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

<i>GEL '000 period ended 31 December</i>	2020	2019	% Change	Abs. Change
Freight transportation	316,452	308,515	2.6%	7,937
Freight handling	72,855	65,398	11.4%	7,457
Logistical service	54,106	48,814	10.8%	5,292
Rent of wagons and other rental income	8,838	16,090	-45.1%	-7,252
Freight car cross-border charge	14,147	14,156	-0.1%	-9
Passenger traffic	11,201	31,138	-64.0%	-19,937
Other	11,770	6,927	69.9%	4,843
Revenue	489,370	491,038	-0.3%	-1,668
Other income	12,547	15,560	-19.4%	-3,013

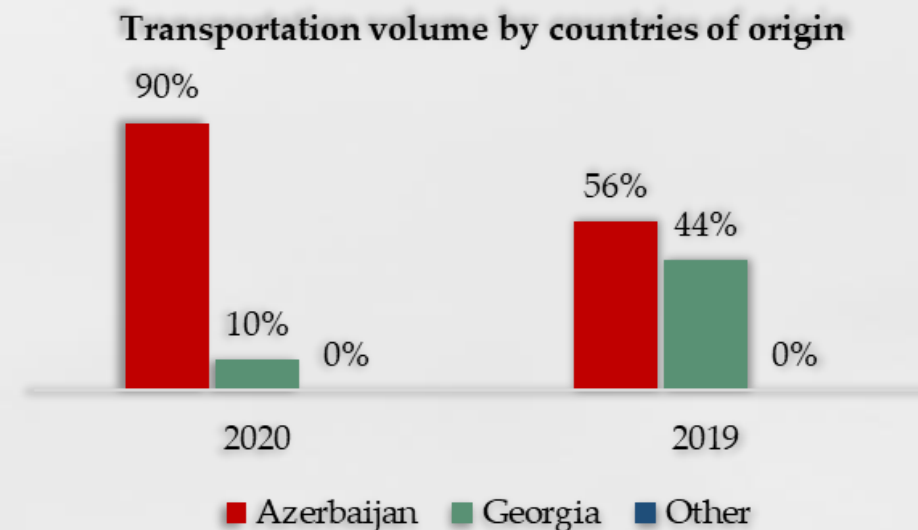
Significant Changes

- **Freight transportation:**
 - Tariffs denominated in USD;
 - The upturn in revenue caused by increased volumes;
 - Average revenue per ton-kilometer increased by 3.1%.
- **Freight handling:**
 - Increased freight handling revenue, mainly due to increased 24-hour services and station services.
- **Logistical service:**
 - Increased logistical revenue from oil product transportation of GR's subsidiary company.
- **Rent of wagons and other rental income:**
 - Decreased revenue due to expiration of some contracts.
- **Passenger transportation:**
 - Decreased passenger transportation revenue due to Government regulations against spread of Covid-19.
- **Other revenue:**
 - Increased other revenue mostly due to increased income from the sale of materials (scrap metal).
- **Other income:**
 - Decreased revenue from continuing operations due to decline in revenue from accrued penalties on creditors.
 - Increased revenue from non-continuing operations due to rise in revenue from surplus of inventory.

VI. FREIGHT REVENUE BREAKDOWN

<i>GEL '000 period ended 31 December</i>	2020	2019	% Change	% Change at constant currency	Abs. Change
Freight transportation	316,452	308,515	2.6%	-7.0%	7,937
Liquid cargoes	121,466	126,723	-4.1%	-13.1%	-5,257
Oil products	121,227	126,269	-4.0%	-13.0%	-5,042
Crude oil	239	454	-47.3%	-52.3%	-215
Dry cargoes	194,986	181,793	7.3%	-2.8%	13,194
Ores	33,209	39,169	-15.2%	-23.1%	-5,960
Grain	8,042	8,930	-9.9%	-18.4%	-888
Ferrous metals and scrap	11,484	9,683	18.6%	7.5%	1,802
Sugar	12,059	13,926	-13.4%	-21.5%	-1,867
Chemicals and fertilizers	22,860	16,416	39.3%	26.2%	6,444
Construction freight	6,994	8,531	-18.0%	-25.7%	-1,537
Industrial freight	6,173	7,557	-18.3%	-26.0%	-1,385
Cement	620	1,961	-68.4%	-71.3%	-1,341
Other	93,546	75,620	23.7%	12.1%	17,926
Freight turnover (million ton-km)	2,895	2,909	-0.5%	NA	-14
Revenue / ton-km (in Tetri)	10.93	10.61	3.1%	-6.6%	0

<i>For the year ended 31 December</i>	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	0.24	0.45	-47.3%	-52.3%
Freight volume (million ton)	0.01	0.01	-60.3%	NA
Freight turnover (million ton-km)	2.00	3.77	-47.0%	NA
Revenue / ton-km (in Tetri)	11.96	12.03	-0.6%	-9.9%

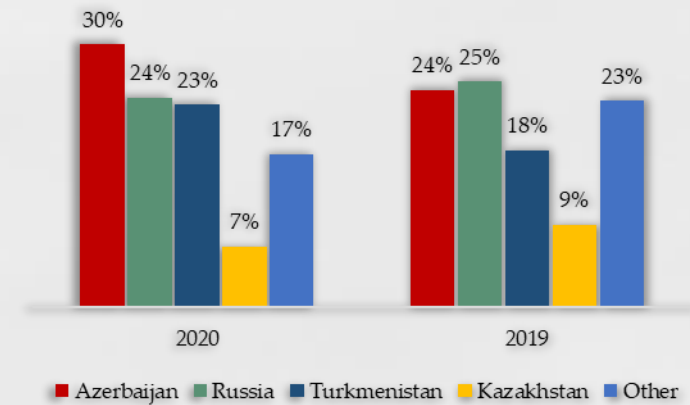


- Decrease (Down by -0.01 million tons, compared to 2019) in crude oil transportation volume from Azerbaijan and Georgia by 3,000 tons and 6,000 tons, respectively;
- Decrease in average revenue per ton-kilometer due to lower tariffs put on domestic transportation.

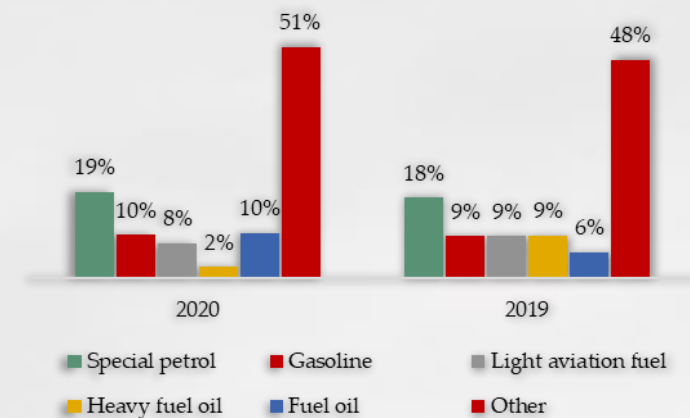
<i>For the year ended 31 December</i>	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	121.23	126.27	-4.0%	-13.0%
Freight volume (million ton)	3.04	3.06	-0.7%	NA
Freight turnover (million ton-km)	882.94	892.79	-1.1%	NA
Revenue / ton-km (in Tetri)	13.73	14.14	-2.9%	-12.0%

- Decreased volumes from Kazakhstan and Russia by 61,000 tons and 78,000 tons, respectively;
- Decrease in average revenue per ton-kilometer due to changes in product direction mix and in product category mix. The share of Russia (which is relatively more profitable direction) decreased, while the share of Turkmenistan (which is relatively less profitable direction) increased. As well as, the share of aviation light fuel (which is relatively more profitable products) has decreased, while the share of fuel oil (which is a relatively less profitable product) has increased in total oil products transported by Georgian Railway.

Transportation volume by countries of origin



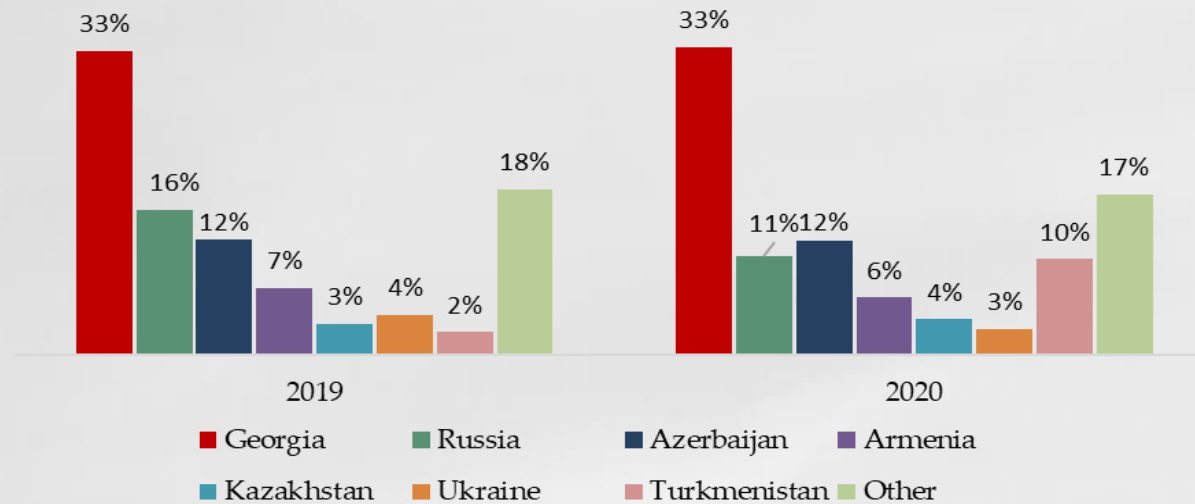
Product Category Mix



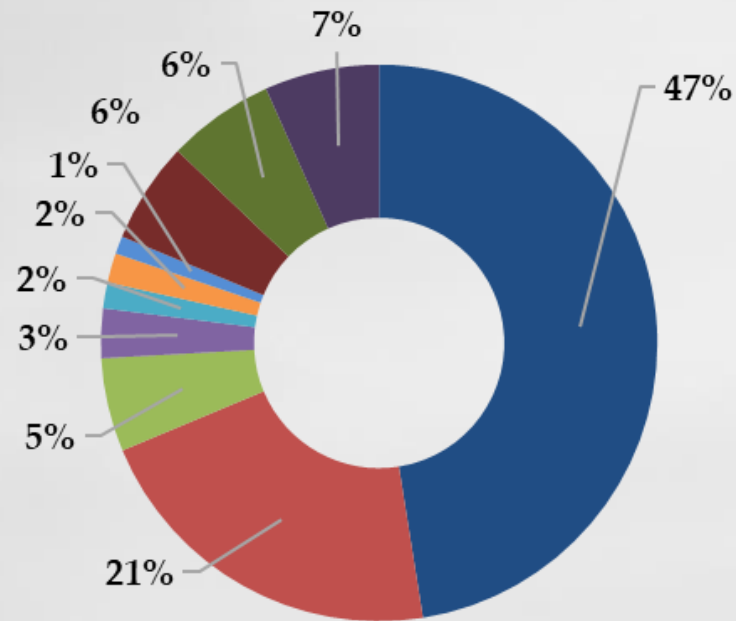
<i>For the year ended 31 December</i>	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	194.99	181.79	17.7%	5.0%
Freight volume (million ton)	8.02	7.78	3.0%	NA
Freight turnover (million ton-km)	2,010.36	2,012.42	-0.1%	NA
Revenue / ton-km (in Tetri)	9.70	9.03	7.4%	4.4%

- Increased transportation of ferrous metals and scrap (by 10,000 tons) and chemicals and fertilizers (by 221,000 tons);
- Decreased Transportation of construction freight (by 142,000 tons) and grain (by 116,000 tons);
- Increased revenue per ton-km by 7.4 percent, compared to 2019.

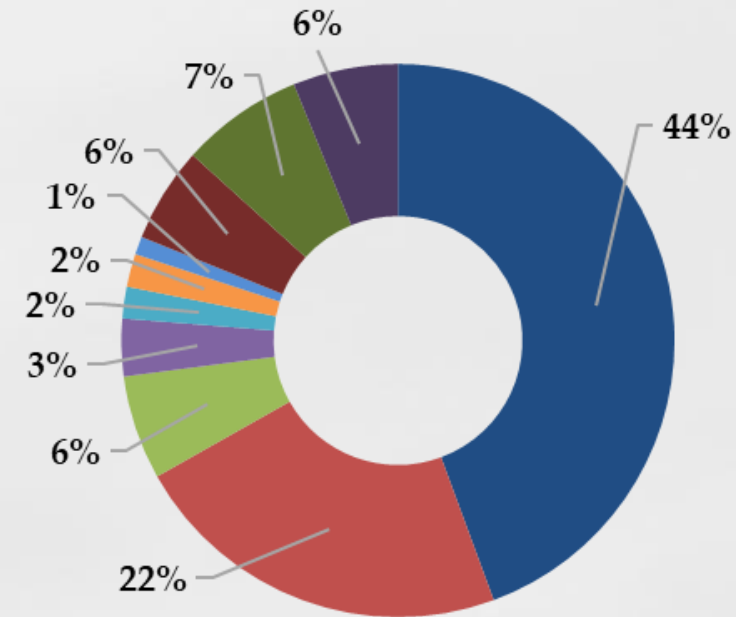
Transportation volume by countries of origin



Revenue breakdown for full year 2020



Revenue breakdown for full year 2019



- Employee benefits expense ■ Depreciation & amortization ■ Electricity ■ Materials ■ Repair and maintenance ■ Fuel
- Freight car cross-border charge ■ Logistical service ■ Security, other operating expenses ■ Taxes other than income tax

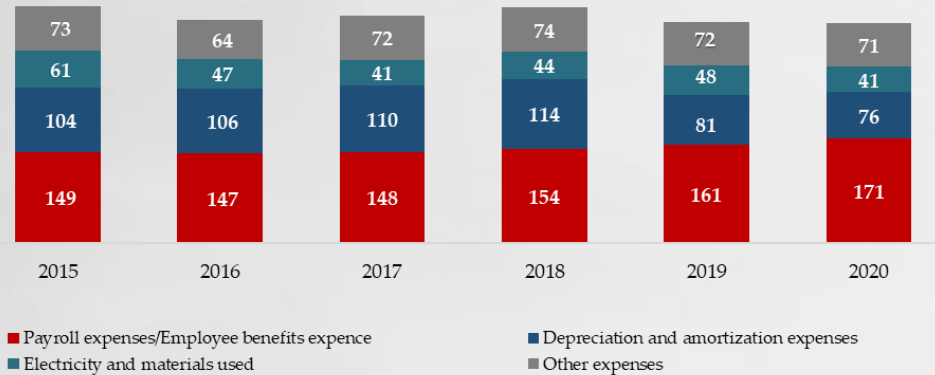
* Cost structure excludes impairment loss on property, plant & equipment and impairment loss on trade receivables

Significant Changes

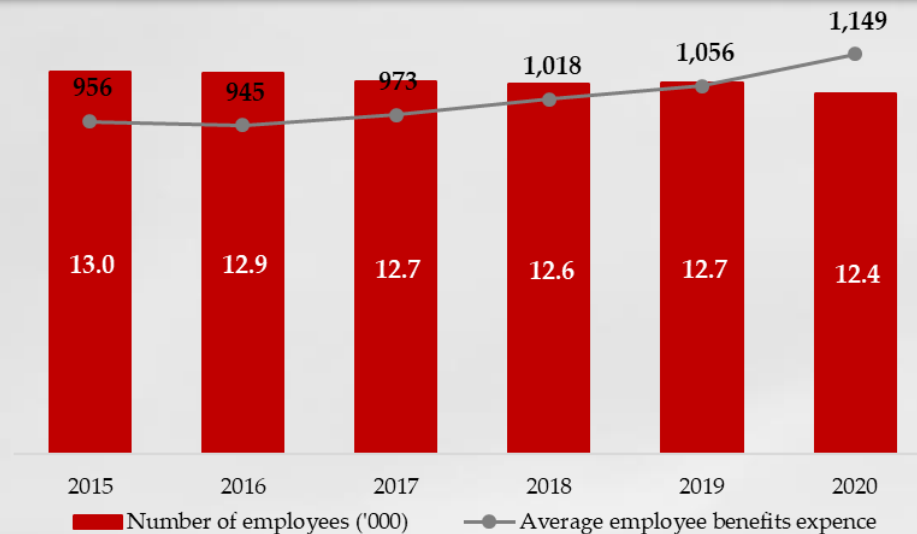
<i>GEL '000 period ended 31 December</i>	2020	2019	% Change	Abs. change
Employee benefits expense	170,502	160,561	6.2%	9,941
Depreciation and amortization expense	76,156	81,235	-6.3%	-5,079
Impairment loss on trade receivables	13,560	33,729	-59.8%	-20,169
Electricity	19,519	22,069	-11.6%	-2,550
Materials	10,306	12,135	-15.1%	-1,829
Repair and maintenance	5,402	6,694	-19.3%	-1,292
Fuel	6,184	7,023	-11.9%	-839
Freight car cross-border charge	3,688	3,780	-2.4%	-92
Logistical service	21,105	20,182	4.6%	923
Security, other op. expenses	22,311	25,941	-14.0%	-3,630
Taxes other than income tax	23,938	22,225	7.7%	1,713
Total	372,671	395,574	-5.8%	-22,903

- **Employee benefits expense:**
 - N of employees – 12,369;
 - Increased salary and bonus-reward expenses and increased expenses due to funded pension.
- **Depreciation and amortization expense:**
 - Decreased expenses due to decrease in Capex, related to Modernisation Project.
- **Electricity expenses:**
 - Decreased expenses caused by decreased passenger transportation due to regulations against spread of Covid-19.
- **Materials, repair and maintenance expenses:**
 - Decrease in materials, repair and maintenance expenses by less repair works of rolling stock, as a result of the Government-imposed Covid-19 pandemic regulations.
- **Fuel:**
 - Decrease in fuel prices.
- **Freight car cross-border charge expense:**
 - Decrease caused by the decline in usage of platform cars.
- **Logistical service:**
 - Increased expenses of GR's subsidiary that mainly provides crude oil and oil products transportation services. This was partially offset by decreased expenses of another subsidiary, which provides container transportation services.
- **Security and other operating expenses:**
 - Decrease mainly caused by a decline in other operating expenses, especially in law provision expenses, as well as decrease in membership fees;
 - Security expenses increased primarily due to increased security employees and scope of services.
- **Taxes other than income tax:**
 - Decrease in property tax mainly due to capitalized borrowing costs in relation to assets under construction.
 - Decrease in other taxes category, was mainly due to the decreased expenses of custom penalties.
- **Impairment loss on trade receivables:**
 - In 2020 impairment loss on trade receivables was caused by increase of gross receivables balance compared to 2019.

Operating Costs Breakdown (GEL million)



Number of Employees ('000) and Average employee benefits (GEL)



Cost drivers

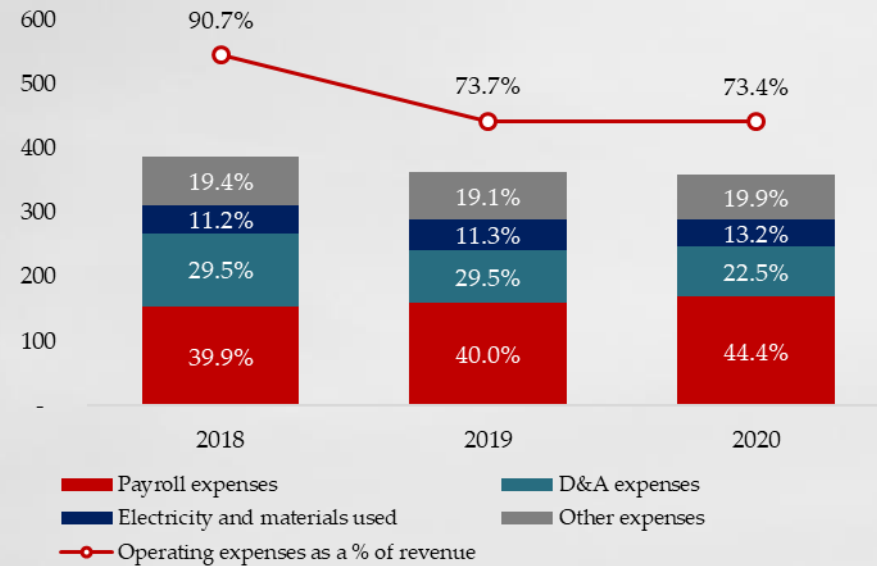
- **Salary expenses** are fixed (denominated in GEL) and are not related to changes in transportation volume;
- **Depreciation and amortization** expenses (denominated in GEL) are mainly affected by capital additions and property retirements from disposal, sale or abandonment;
- **Electricity expense** (denominated in GEL) is driven by transportation volume (gross ton-kilometers); GR has a ten-year contract (signed in 2011) securing a fixed price for more than 90% of its electricity needs (subject to certain circumstances in which these tariffs can be increased);
- **Fuel expense** is mainly driven by dry cargo and the regime of the cargo (import, export, local or transit). Affect of liquid cargo volume is less significant;
- **Freight car cross-border charge** (denominated in CHF) derives from the usage of foreign railways' railcars by Georgian Railway in its operations;
- **Materials, repair and maintenance expenses** are tied to its rolling stock equipment balance and subsequent utilization level.

Cost saving initiatives

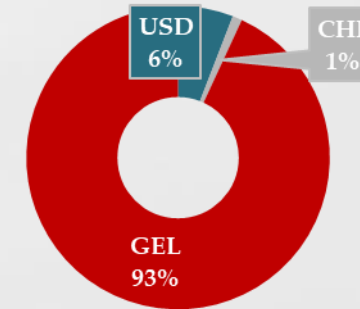
- No additional staff is expected to be hired after opening BTK. Existing staff is planed to be used for the operations of the new line;
- Reduce traction by Modernization project. Thus reducing depreciation of the railcars leading to the reduced material, repair and maintenance expenses and traction expenses.

Operating costs analysis

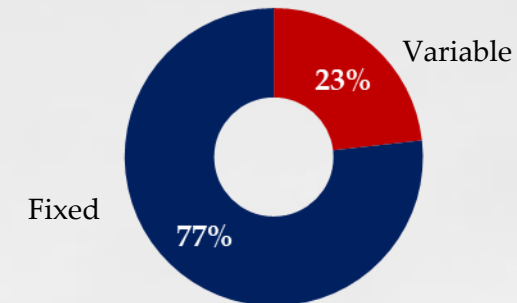
GEL, mn



Foreign currency share in operating costs, 2020



Fixed / variable costs split, 2020

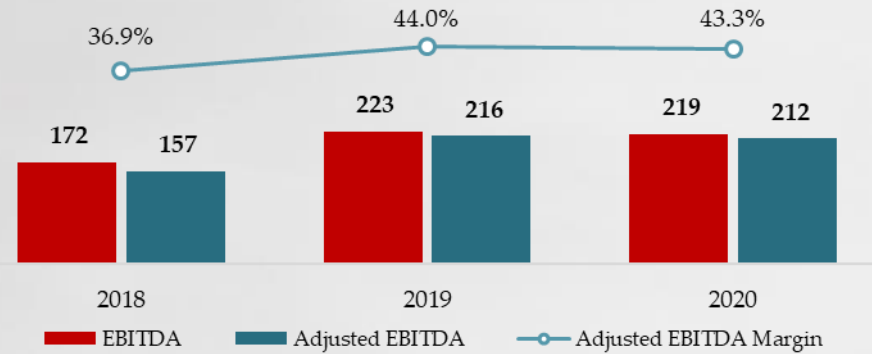


- The Company has improved its operational efficiency during recent years, decreasing OPEX as a % of Revenue from 90.8% in 2018 to 73.4% in 2020
- In 2020, the decrease incurred in expenses such as D&A by GEL 5.1 million, electricity and materials used decreased by GEL 6.5 million, and other expenses decreased by GEL 1.1 million
- These decreases were partially offset by an increase in payroll expenses by GEL 9.9 million reaching GEL 171 million in 2020. In 2019, the number of employees was 12,669, however, in 2020 the number decreased and to 12,361

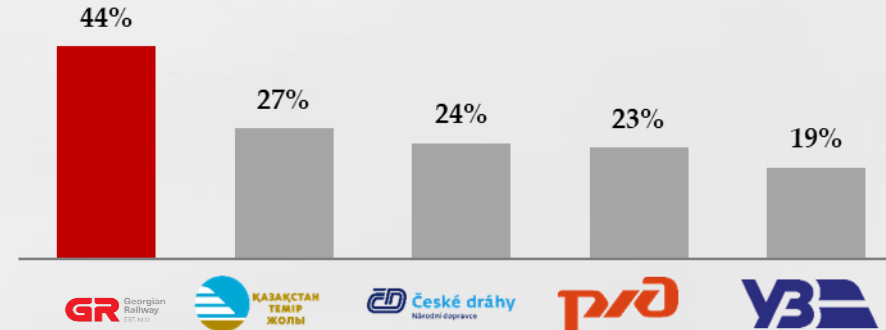
VI. BEST-IN-CLASS EBITDA MARGIN

Increasing Adjusted EBITDA margin

GEL, mn

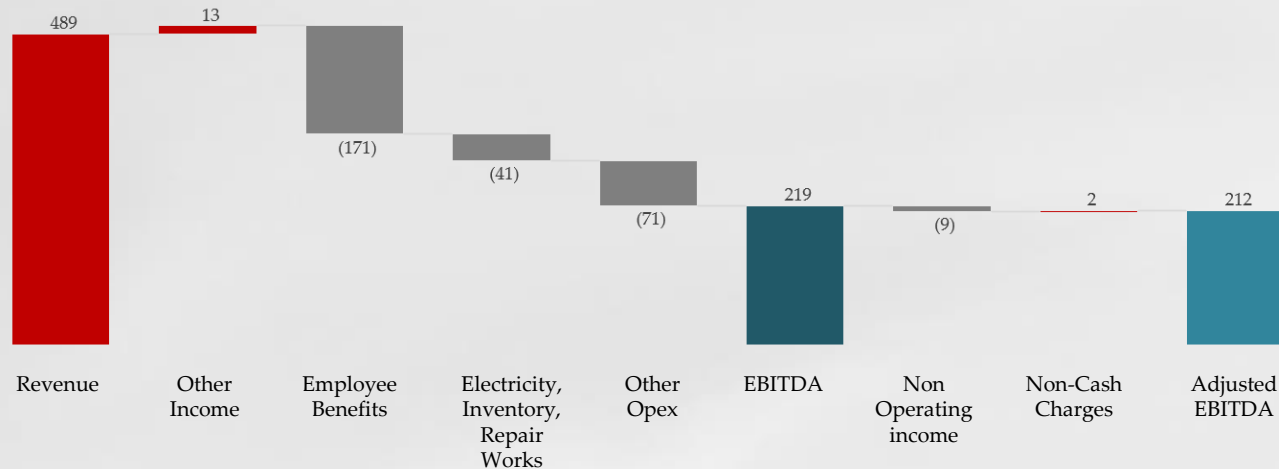


Outstanding EBITDA margin vs. peers¹



Notes: (1) 2019 numbers

Revenue to EBITDA and to Adjusted EBITDA bridge, 2020



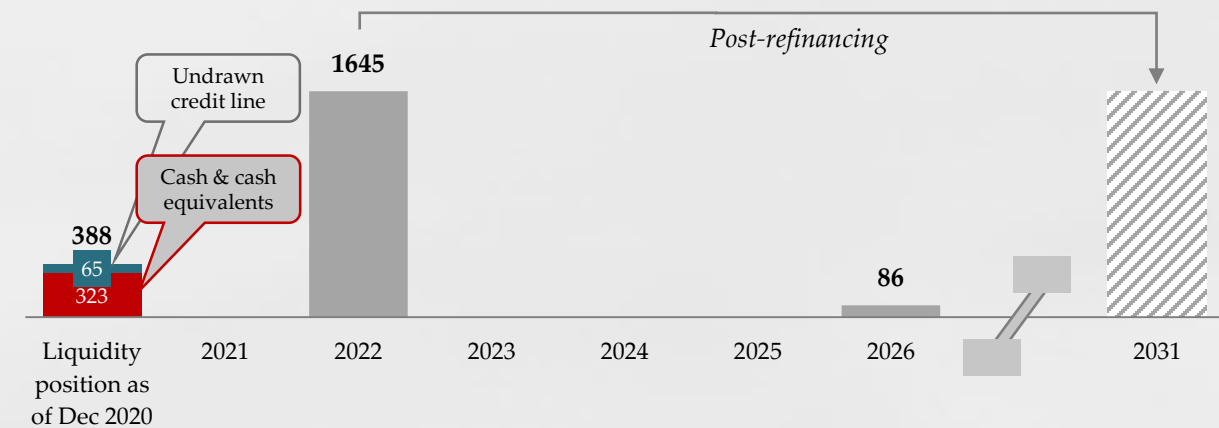
- Significant portion of operating expenses is fixed and denominated in GEL, which led to relatively stable Opex amid increasing total revenue (mostly denominated in USD) resulting increased EBITDA margin
- Adjusted EBITDA margin has significantly improved in the recent years and reached 43.3% of revenue in 2020, representing a leading position compared to regional peers

Brief overview

- GR's debt balances includes USD 500mn Eurobond issued in 2012 and additional borrowing from Credit Suisse drawn in 2016 and 2017
- Gross debt as at 31 December 2020 has increased by 14% compared to 31 December 2019, driven by the depreciation of GEL against USD
- Company's current liquidity position includes cash and cash equivalents, and undrawn credit facilities

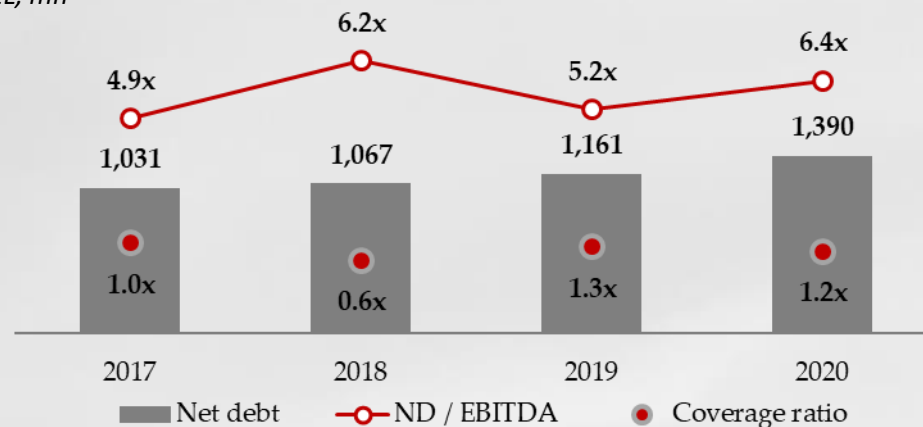
Liquidity position & debt maturity profile

As of 31 December 2020, GEL mn



Net Debt / EBITDA dynamics

GEL, mn

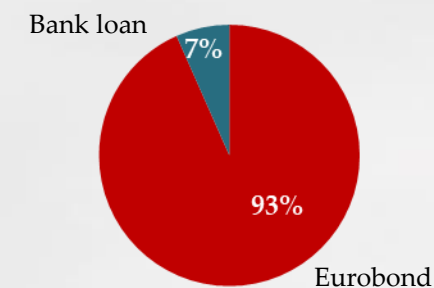


Total debt composition

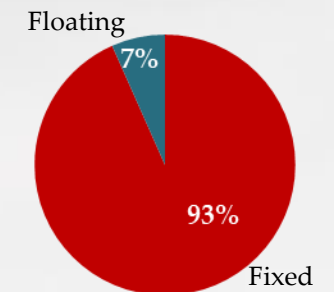
By currency



By type



By rate



Eurobonds

- Loan amount 500 mm
- Currency USD
- Issue date 07/05/2012
- Maturity date 07/11/2022
- Interest 7.75%
- Interest payment Semiannual
- Payment dates 11 Jan and 11 Jul
- Purpose Modernization and Bypass projects

Credit Suisse Debt

- Loan amount 43.6 mm
- Currency USD
- First utilization 07/15/2016
- Maturity date 11/10/2026
- Interest Libor + 1.25%
- Interest payments Semiannual
- Payment dates 10 May and 10 Nov
- Purpose New passenger trains

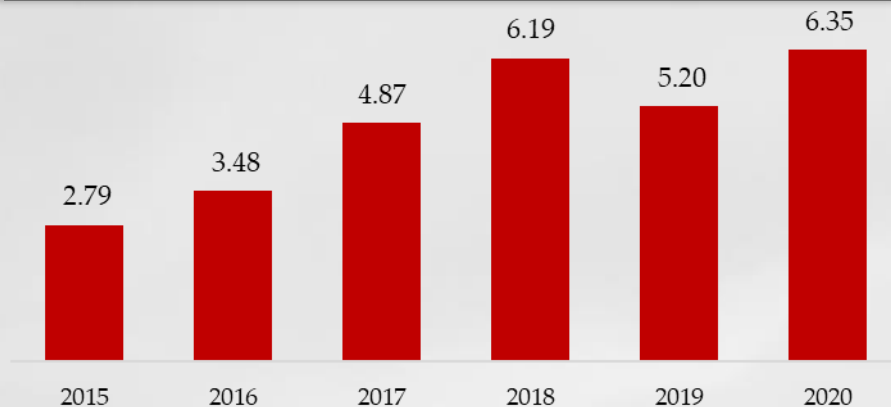
Eurobonds' Covenants

- Net Debt/EBITDA – below 3.5x (incurrence covenant)
- The maximum amount of cumulated dividend payments starting from 2013 is restricted to 50 per cent of the cumulated consolidated net income of the Company starting from 2013.

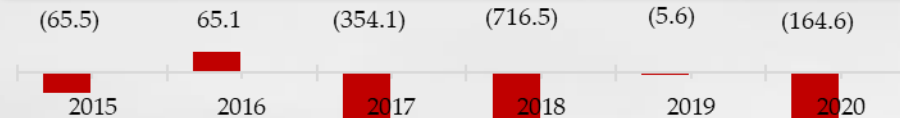
Credit Suisse Covenants

- Maintenance covenant Net Debt/EBITDA – below 4.0x
- Dividend payments limited to 50% of aggregate amount of the Company's consolidated profit and total comprehensive income for each financial year

Net Debt/EBITDA

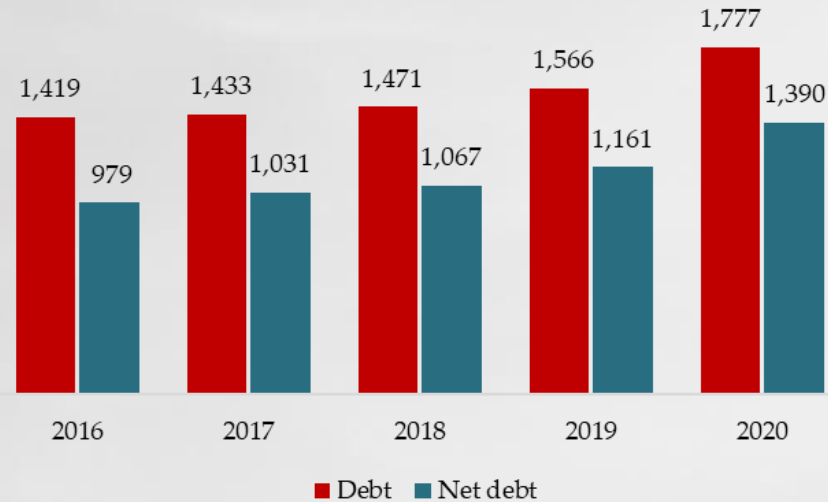


Dividends (GEL million)



■ Net income ■ Dividend

Debt (in GEL million) as for 31 December



(in GEL million) 31-Dec-20 Amount

Cash and Bank Deposits

Cash and Cash Equivalents	323.0
Available credit lines	64.8

Debt

Total Indebtedness	1 777.3
Net Debt	1,389.6

Risk Management

- Currency risk:
 - Natural hedge (Liabilities and revenue stream both are in USD);
 - To compensate for GEL expenses, GR holds relevant GEL balances;
- Interest Risk
 - Coupon rate on Eurobonds fixed;
 - Coupon rate on loan for passenger trains floating.
- Liquidity risk
 - Making deposits with maturity matching the debt service outflows for 1 year horizon.
 - Maintained flexibility in funding by keeping committed credit lines available.
- Credit risk
 - No significant concentration of credit risk as services are provided mostly on advance payments.

Current Net Debt Position

- GR's debt balances includes Eurobonds issued in 2012 and additional borrowing from Credit Suisse drawn in 2016 and 2017;
- Gross debt as at 31 December 2020 has increased by 14% compared to 31 December 2019, driven by the depreciation of GEL against USD.
- Cash balances and undrawn credit facilities offset Gross debt;

Non-current assets

<i>As at 31 December</i>	<i>In GEL '000</i>			
	2020	2019	% Change	Abs. change
Property, plant and equipment	1,829,561	1,865,352	-1.92%	-35,791
Other non-current assets	99,131	93,789	5.70%	5,342
Loan receivable	30,336	24,133	25.70%	6,203
Total	1,959,028	1,983,274	-1.22%	-24,246

Current assets

<i>As at 31 December</i>	<i>In GEL '000</i>			
	2020	2019	% Change	Abs. change
Inventories	38,399	40,224	-4.54%	-1,825
Tax assets	1,830	6,383	-71.33%	-4,553
Trade and other receivables	23,579	24,337	-3.11%	-758
Prepayments and other current assets	1,942	1,369	41.81%	573
Cash and cash equivalents	322,986	257,976	25.20%	65,010
Total	388,736	330,289	17.70%	58,447

Significant Changes

- **PPE:**
 - Mainly decreased due to the lower works mostly under the Modernization Project and respective suspension of borrowing costs, due to COVID-19.
- **Loan receivable:**
 - Increase mainly due to GEL depreciation against USD in 2020, compared to 2019.
- **Other non-current assets:**
 - Increase mainly due to the rise in construction materials and prepayments for non-current assets.
- **Trade and other receivables:**
 - Decrease was mainly attributable to decreased receivables from partnering railway representations in 2020.
- **Inventories:**
 - Decrease mainly due to the decrease in purchased materials, mainly used in construction and repair works, which was partially offset by an increase in rails.
- **Tax assets:**
 - Decrease mainly due to higher accrued property tax.
- **Prepayments and other current assets:**
 - Increase due to increased advances to suppliers.

Equity

<i>As at 31 December</i>	<i>In GEL '000</i>			
	2020	2019	% Change	Abs. change
Share capital	1,053,936	1,053,371	0.05%	565
Non-cash owner contribution reserve	100,322	100,322	0.00%	1
Retained earnings	-794,972	-630,328	26.12%	-164,644
Total	359,286	523,365	-31.35%	-164,079

Non-current liabilities

<i>As at 31 December</i>	<i>In GEL '000</i>			
	2020	2019	% Change	Abs. change
Loans and borrowings	1,702,980	1,500,687	13.48%	202,293
Advanced received from the Government	46,594	46,594	0.00%	0
Payables for non-current assets	53,535	21,551	148.41%	31,984
Total	1,803,109	1,568,832	14.93%	234,277

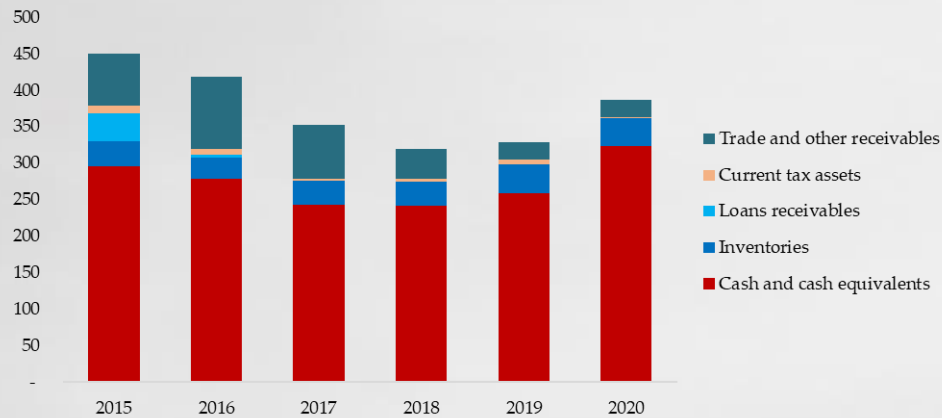
Current liabilities

<i>As at 31 December</i>	<i>In GEL '000</i>			
	2020	2019	% Change	Abs. change
Loans and borrowings	74,356	64,944	14.49%	9,412
Trade and other payables	82,331	128,313	-35.84%	-45,982
Liabilities to the Government	4,734	4,896	-3.31%	-162
Provisions	16,551	16,027	3.27%	525
Other current liabilities	7,397	7,186	2.93%	211
Total	185,369	221,366	-16.26%	-35,997

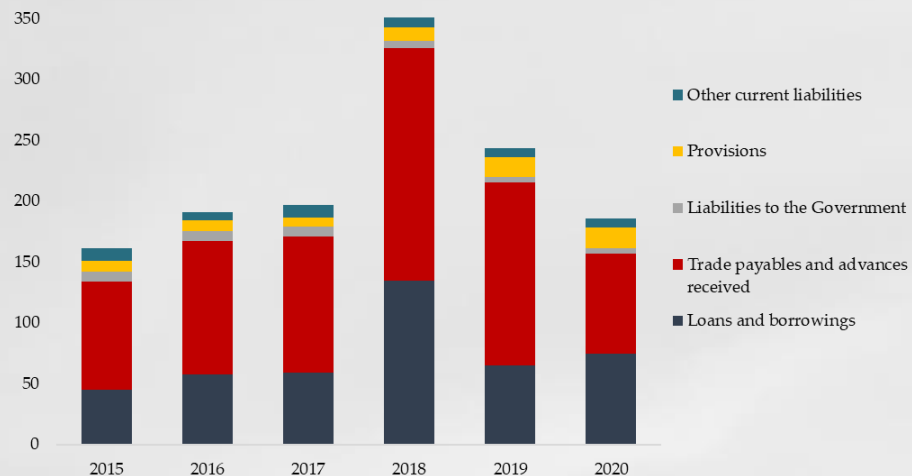
Significant Changes

- **Equity:**
 - Decrease was mainly due to change in retained earnings.
- **Loans and borrowings (LT):**
 - Increase mainly due to debt revaluation, as GEL depreciated against USD by about 14 percent and the Group's debts are denominated in USD.
- **Payables for non-current assets:**
 - During 2020 reconsidered right under the construction contract for Modernisation Project to defer the payment beyond 12 months. As at 31 December 2019 and 1 January 2019 the Group had an unconditional right to defer the payment of GEL 21.5 million and GEL 55.1 thousand, respectively, for over 1 year. The Group re-presented the balance sheets as at those dates to show these amounts as non-current liabilities.
- **Loans and borrowings (ST):**
 - Currently, the Group has two debts: Eurobonds and a secured loan, obtained for the sole purpose of the acquisition of passenger trains. As at 31 December 2020, current loans and borrowings include a secured loan of about GEL 14.3 million while the current portion of unsecured bonds is about GEL 60.1 million.
- **Trade and other payables:**
 - Decrease mainly related to contract extension to construction company for Modernization Project, which lead to reclassification current payables to non-current.

Current Assets



Current Liabilities (excl. Liability to Government and provisions)



Comments

- Significant balance of cash and cash equivalents is held in order to support existing and future capital expenditures;
- In its liquidity needs the Company can also rely on its available credit lines;
- Trade and other receivables are net of allowance;
- Loans and borrowings consists of current portion of long-term loans and interest payables;
- Trade and other payables mainly includes payments made to contractors and advance receivables from customers;
- Working capital not affected by seasonality.

	2016	2017	2018	2019	2020
Current ratio	2.2	1.8	0.9	1.4	2.1

VI. LIQUIDITY POSITION

In GEL '000

Cash Position as at 31 December 2020

	GEL	USD	CHF	EUR	GBP	RUB	Total
Cash and cash equivalent	127,699	194,521	1	764	1	0	322,986

Undrawn Credit Lines as at 31 December 2020

	GEL	USD	GEL eqv.
Credit Lines	32,000	10,000	64,766

Liquidity & Solvency Ratios

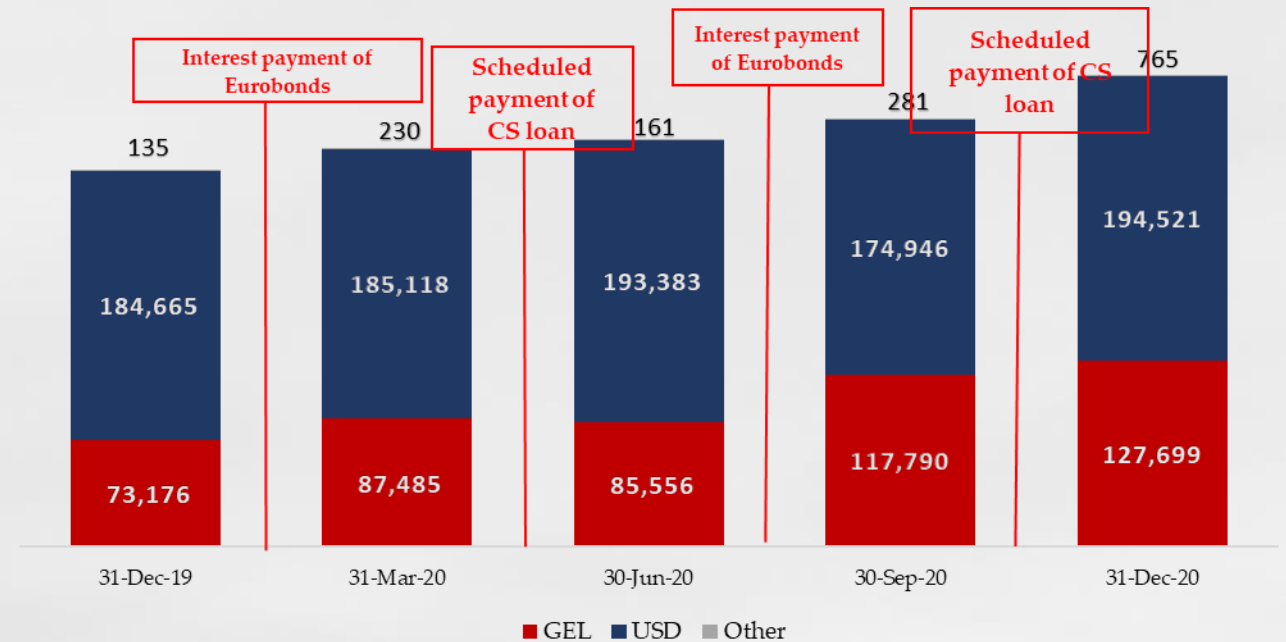
Solvency

<u>Net Debt to EBITDA</u>	6.35
<u>Debt to Equity</u>	4.95
<u>Debt to Assets</u>	0.76

Liquidity

<u>Current Ratio</u>	2.10
<u>Quick Ratio</u>	1.87
<u>Cash Ratio</u>	1.74

In GEL '000



Main financial policies

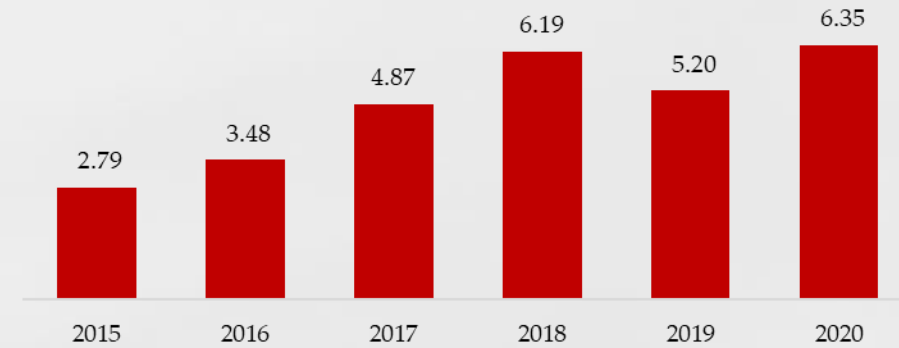
GR aims to achieve following financial parameters:

- Net Debt/EBITDA – under 3.1x (covenant of Eurobonds - 3.5x; CS maintenance covenant – 4.0x (6.2x in 2018))
- Gross Leverage/EBITDA – below 4.0x
- Fixed charge cover – over 2.5x
- EBITDA margin – maintain over 45%

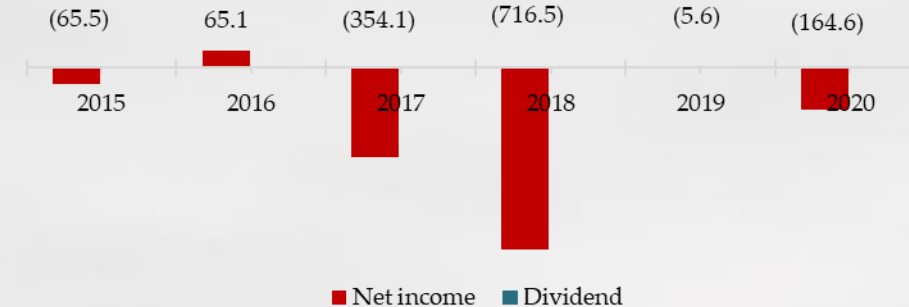
Dividend Policy

Eurobonds imposes restrictions on dividend payments. The covenants of bonds include the constraint according to which the maximum amount of cumulated dividend payments starting from 2013 is 50 per cent of the cumulated consolidated net income of the Company starting from 2013.

Net debt/EBITDA



Dividends



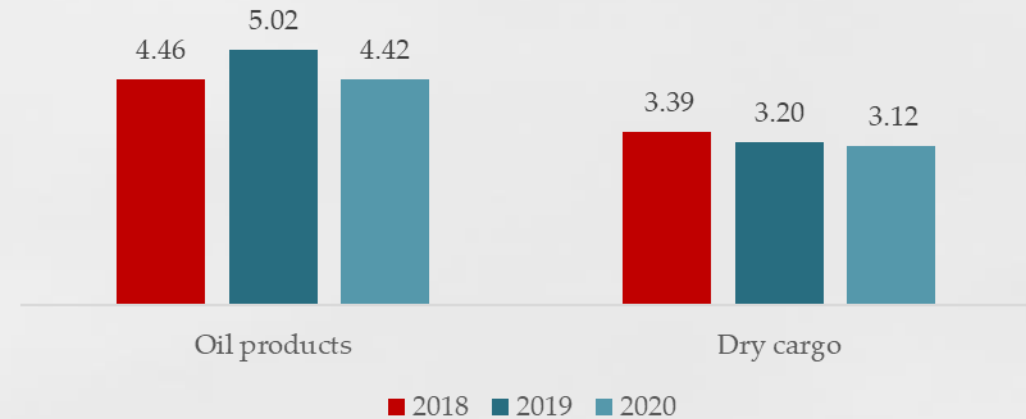
Changes in industry and regulatory environment

- Crude oil transportation redirected to pipelines
- Decreased crude oil transportation replaced by more profitable oil products and dry cargoes;
- Infrastructure developments in the region and in Georgia to attract and handle expected new cargoes from China and Iran;
- Governmental changes in Georgia having no impact on Georgian Railway's regulation and tariff setting policy;

Tariffs

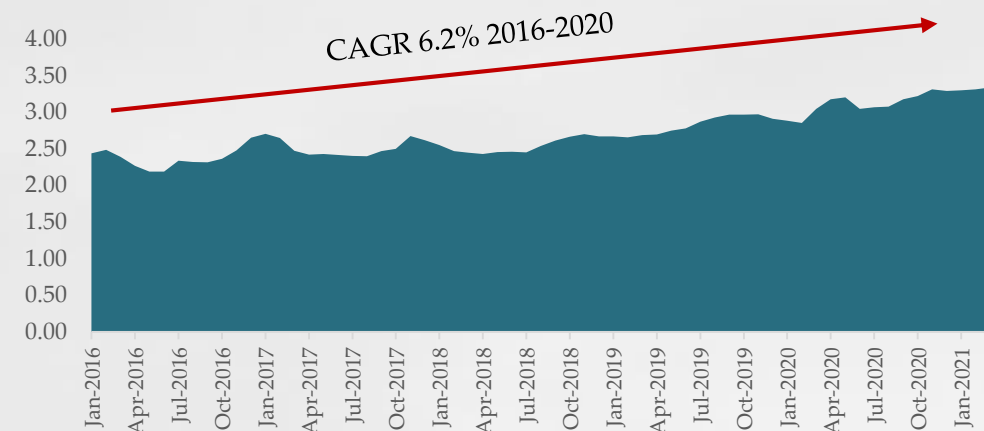
- Independent tariff setting - the Group has a monopoly on rail transportation within Georgia. However, its tariff policy is not subject to government regulation. Currently, the railway business is fully deregulated in Georgia and no changes in this regard are foreseeable. The Group sets its tariff policy independently for all services, including tariffs for freight transportation and related services. The Group can change its tariffs with one month's prior notice to its customers.
- Almost all tariffs are set in USD - GR can freely change the tariff currency with one month notice (e.g. switch from CHF to USD in February 2012)

Freight Transportation Revenue per ton-kilometer in USD (Cents)



Note: Tariffs were transformed from GEL to USD by average annual GEL/USD exchange rate

GEL / USD Foreign Exchange Rate



Income Statement

In thousand GEL	2018	2019	2020
Revenue	424,614	491,038	489,370
Other income	19,512	12,751	12,547
Payroll expenses/Employee benefits expense	(154,338)	(160,561)	(170,502)
Depreciation and amortization expenses	(113,804)	(81,235)	(76,156)
Electricity, consumables and maintenance costs	(43,708)	(47,921)	(41,411)
Impairment loss on property, plant and equipment	(691,387)	-	-
Impairment loss/gain on trade receivables	(12,017)	(33,729)	(13,560)
Other expenses	(73,758)	(72,128)	(71,042)
Results from operating activities	(644,886)	108,215	129,246
Finance income	14,534	14,849	26,508
Finance costs	(85,018)	(42,882)	(127,983)
Net foreign exchange loss		(85,249)	(191,901)
Net finance costs	(70,484)	(113,282)	(293,376)
Profit before income tax	(715,370)	(5,067)	(164,130)
Income tax expense	(1,169)	(519)	(514)
Profit and total comprehensive income for the year	(716,539)	(5,586)	(164,644)

KEY HISTORICAL FINANCIAL HIGHLIGHTS

Balance Sheet

In thousand GEL	2018	2019	2020
Non-current Assets			
Property, plant and equipment	1,826,591	1,865,352	1,829,561
Deferred tax Assets	-	-	-
Other non-current assets	118,005	117,922	129,467
Total Non-current Assets	1,944,596	1,983,274	1,959,028
Current Assets			
Inventories	32,882	40,224	38,399
Loans receivable	-	-	-
Current tax assets	3,899	6,383	1,830
Trade and other receivables	40,912	24,337	23,579
Prepayments and other current assets	415	1,369	1,942
Cash and cash equivalents	241,308	257,976	322,986
Total Current Assets	319,416	330,289	388,736
Total Assets	2,264,012	2,313,563	2,347,764
Equity			
Share capital	1,053,714	1,053,371	1,053,936
Non-cash owner contribution reserve	100,244	100,322	100,322
Retained earnings	-624,742	-630,328	-794,972
Total Equity	529,216	523,365	359,286
Non-current Liabilities			
Loans and borrowings	1,336,665	1,500,687	1,702,980
Advances received from the Government	46,594	46,594	46,594
Payables for non-current assets	-	21,551	53,535
Deferred tax liability	-	-	-
Total Non-current Liabilities	1,383,259	1,568,832	1,803,109
Current liabilities			
Loans and borrowings	134,194	64,944	74,356
Trade payables and advances received	191,610	128,313	82,331
Liabilities to the owners	5,317	4,896	4,734
Provisions	11,356	16,027	16,551
Other current liabilities	9,060	7,186	7,397
Total current Liabilities	351,537	221,366	185,369
Total Liabilities	1,734,796	1,790,198	1,988,478
Total Equity and Liabilities	2,264,012	2,313,563	2,347,764

Cash Flow Statement

In thousand GEL	2018	2019	2020
Net cash generated by operating activities	179,040	215,236	212,716
Net cash used in investing activities	-75,481	-85,663	-37,313
Net cash from financing activities	-112,349	-122,376	-131,610
NET CHANGE IN CASH AND CASH EQUIVALENTS	-8,790	7,197	43,793
Cash and cash equivalents at the beginning of period	243,018	241,308	257,976
Effects of exchange rate changes on the balance of cash held in foreign currencies	7,080	9,471	21,217
Cash and cash equivalents at the end of the period	241,308	257,976	322,986