

Financial and non-financial highlights

Revenue

<u>Q2 2021</u>	<u>6M 2021</u>
149,761	277,627
+21.5% from Q2 2020 +17.1% from Q1 2021	+13.2% from 6M 2020

Results from operating activities

<u>Q2 2021</u>	<u>6M 2021</u>
35,224	93,216
+56.1% from Q2 2020 +43.8% from Q1 2021	+28.4% from 6M 2020

Adjusted EBITDA

<u>Q2 2021</u>	<u>6M 2021</u>
71,116	128,700
+26.9% from Q2 2020 +23.5% from Q1 2021	+12.7% from 6M 2020

Adjusted EBITDA margin

<u>Q2 2021</u>	<u>6M 2020</u>
47.5%	46.4%
+2 points from Q2 2020 +2.2 points from Q1 2021	-0.2 points from 6M 2020

Net debt to adjusted EBITDA

30 Jun 2021
6.01

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1. Profit or Loss Statement

Profit and loss statement

6 month period ended 30 June

GEL '000	Q2 2021	Q2 2020	y-o-y	Q1 2021	q-o-q	6M 2021	6M 2020	y-o-y % change	y-o-y Abs. change
Revenue	149,761	123,308	21.5%	127,866	17.1%	277,627	245,332	13.2%	32,295
Other income	1,231	1,539	-20.1%	2,265	-45.7%	3,495	4,922	-29.0%	-1,427
Impairment loss on property, plant and equipment	0	0	0	0	0	0	0	0	0
Impairment loss on trade receivables	1,519	-1,543	-198.4%	-2,004	-175.8%	-485	-1,902	-74.5%	1,416
Employee benefits expense	-44,089	-42,580	3.5%	-40,537	8.8%	-84,626	-82,810	2.2%	-1,817
Depreciation and amortization	-17,653	-19,288	-8.5%	-17,346	1.8%	-34,999	-39,667	-11.8%	4,668
Electricity, consumables and maintenance costs	-11,049	-9,187	20%	-10,594	4.3%	-21,644	-20,720	4.5%	-923
Other expenses	-24,737	-17,026	45.3%	-21,416	15.5%	-46,152	-32,553	41.8%	-13,599
Result from operating activities	54,981	35,224	56.1%	38,234	43.8%	93,215	72,602	28.4%	20,613
Net finance income/loss	-32,508	81,648	-139.8%	-92,443	-64.8%	-124,951	-138,101	-9.5%	13,150
Profit before income tax	22,473	116,872	-80.8%	-54,209	-141.5%	-31,736	-65,499	-51.5%	33,763
Income tax expense(benefit)	-126	-116	9.3%	-172	-26.5%	-298	-337	-11.5%	39
Profit and total comprehensive income	22,347	116,757	-80.9%	-54,381	-141.1%	-32,034	-65,836	-51.3%	33,802
Adjusted EBITDA*	71,116	56,055	26.9%	57,584	23.5%	128,700	114,171	12.7%	14,529
Adjusted EBITDA Margin	47.5%	45.5%	NA	45.03%	NA	46.4%	46.5%	NA	-0.2%

*Adjusted EBITDA calculated as EBITDA as in previous reports

1.1 Revenue

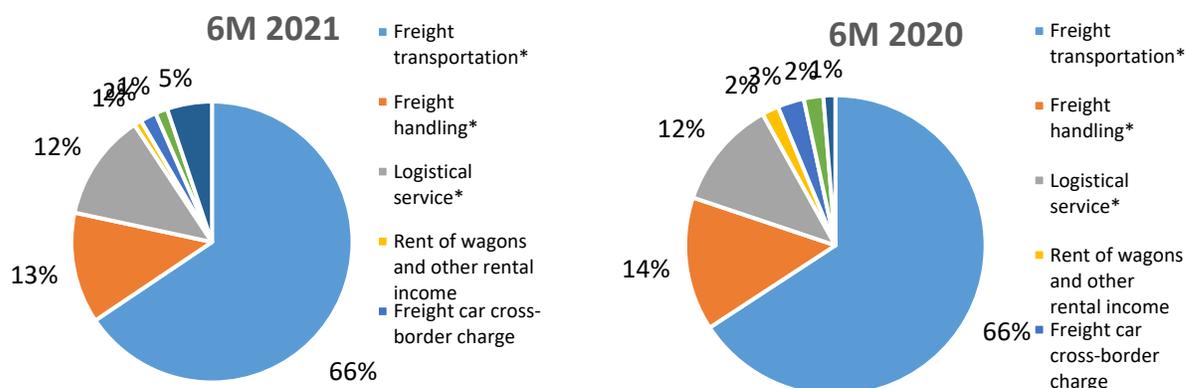
Revenue breakdown

6 month period ended 30 June

In GEL
'000

GEL '000	Q2 2021	Q2 2020	y-o-y	Q1 2021	q-o-q	6M 2021	6M 2020	% Change	% Change at constant currency	Abs. Change
Freight transportation*	97,857	85,415	14.6%	84,187	16.2%	182,044	161,361	12.8%	0.6%	20,683
Freight handling*	17,020	17,365	-2.0%	18,485	-7.9%	35,505	35,303	0.6%	-10.3%	202
Logistical service*	16,601	15,817	5.0%	17,690	-6.2%	34,291	28,931	18.5%	5.7%	5,360
Rent of wagons and other rental income	1,187	228	421.0%	1,219	-2.6%	2,406	4,423	-45.6%	-51.5%	-2,017
Freight car cross-border charge	221	2,055	-89.2%	4,930	-95.5%	5,151	6,999	-26.4%	-34.4%	-1,848
Passenger traffic	3,125	481	549.6%	767	307.4%	3,892	5,163	-24.6%	-32.8%	-1,271
Other	13,749	1,947	606.2%	588	2238.3%	14,337	3,152	354.9%	305.6%	11,185
Revenue	149,761	123,308	21.5%	127,866	17.1%	277,627	245,332	13.2%	0.9%	32,295
Other income	1,230	1,539	-20.1%	2,265	-45.7%	3,495	4,922	-29.0%	-36.7%	-1,427
Freight transportation	97,857	85,415	14.6%	84,187	16.2%	182,044	161,361	12.8%	0.6%	20,683
Liquid cargoes	44,081	31,105	41.7%	38,541	14.4%	82,622	59,149	39.7%	24.6%	23,473
Oil products	44,044	31,095	41.6%	38,509	14.4%	82,554	58,921	40.1%	24.9%	23,633
Crude oil	36	10	259.5%	32	13.5%	68	228	-70.2%	-73.4%	-160
Dry cargoes	53,776	54,311	-1.0%	45,646	17.8%	99,422	102,212	-2.7%	-13.3%	-2,790
Ores	9,247	9,537	-3.0%	7,084	30.5%	16,331	19,037	-14.2%	-23.5%	-2,706
Grain	1,216	2,470	-50.8%	872	39.5%	2,088	3,405	-38.7%	-45.3%	-1,317
Ferrous metals and scrap	3,344	3,103	7.8%	2,338	43.0%	5,681	6,958	-18.3%	-27.2%	-1,277
Sugar	5,643	4,196	34.5%	5,603	0.7%	11,246	4,183	168.8%	139.7%	7,063
Chemicals and fertilizers	5,907	5,245	12.6%	8,965	-34.1%	14,872	13,748	8.2%	-3.5%	1,123
Construction freight	1,743	1,952	-10.7%	1,354	28.7%	3,097	3,769	-17.8%	-26.7%	-672
Industrial freight	1,403	1,606	-12.7%	1,549	-9.5%	2,952	3,003	-1.7%	-12.4%	-51
Cement	122	29	316.8%	111	9.4%	233	247	-5.7%	-15.9%	-14
Other	25,152	26,173	-3.9%	17,771	41.5%	42,923	47,862	-10.3%	-20.0%	-4,939
Freight turnover (million ton-km)	819	679	20.7%	839	-2.4%	1,658	1,494	11.0%	-1.0%	164
Revenue / ton-km (in Tetri)	11.95	12.58	-5.0%	10.03	19.1%	10.98	10.80	1.6%	-9.4%	0.18

The following charts represent revenue breakdown for the six months ended 30 June 2021 and 2020:



Freight transportation revenue

Most of the Group's revenue (about 66 percent in first 6 months of 2021) 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 2021 was about 45 and 55 percent, respectively. Freight transportation revenue, has increased by 12.8% percent (GEL 20,683 million) during the six months ended 30 June 2021, compared to the same period of the previous year.

	Average rate			Reporting date spot rates				
	6M 2021	6M 2020	% Change	30-Jun-21	31-Dec-20	30-Jun-20	31-Dec-19	% Change
USD	3.32	3.03	9.51%	3.16	3.28	3.06	2.87	-3.55%
CHF	3.66	3.14	16.51%	3.43	3.71	3.23	2.95	-7.54%

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 expenses are denominated in GEL.

Despite COVID-19 global pandemic during second quarter of 2021, GR managed to continue freight operations and even increased transportation volumes.

Total freight volume transported by the Group during the six months ended 30 June 2021 has increased by 10.1 percent, compared to the same period of previous year. Transported volumes of liquid cargo has increased by 46.3 percent, at the same time transported volumes of dry cargo has decreased by 3.2 percent (see Appendix 1).

Oil Products

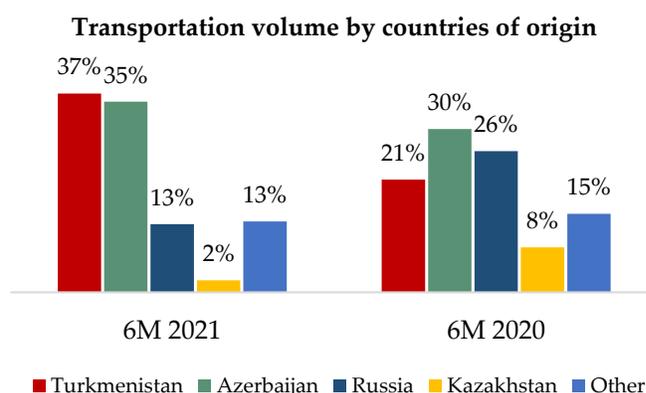
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	82,554	58,921	40.1%	27.9%
Freight volume (ton '000)	2,135.6	1,455.9	46.7%	NA
Freight turnover (million ton-km)	695.0	425.5	63.4%	NA
Revenue / ton-km (in Tetri)	11.88	13.85	-14.2%	-21.7%

Main directions of cargo

Oil products currently are the main component of liquid cargo (nearly 100 percent of the transportation volume of liquid cargo in 2021). They are mainly transported by rail, as there is practically no competition from pipelines.

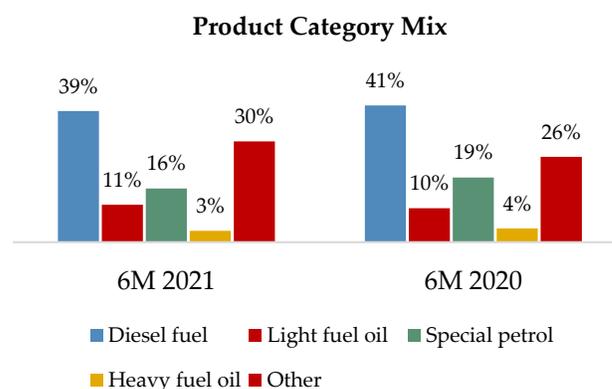
Oil products transported by the Group during six months period ended 30 June 2021 mainly originated from Azerbaijan, Russia, Kazakhstan and Turkmenistan with significant changes in transportation direction mix compared to the same period of 2020. The share of Kazakhstan was down to 2 percent from 8 percent, other countries to 13 percent from 15 percent, Russia 13 percent from 26 percent. While the share of Turkmenistan and Azerbaijan increased by about 16 and 5 percentage points, respectively in total oil products transported by the Group.



Factors influencing performance

Ton-kilometers – 63.4 percent increase in transportation turnover was mainly driven by increased transported volume by 46.7 percent, mainly caused by increased transportation from Turkmenistan by 481,821 tons and from Azerbaijan 313,599 tons.

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 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 light aviation fuel (which is relatively more profitable product) has decreased and the share of light fuel oil (which is relatively less profitable product) has increased in total oil products transported by Georgian Railway.



Crude Oil

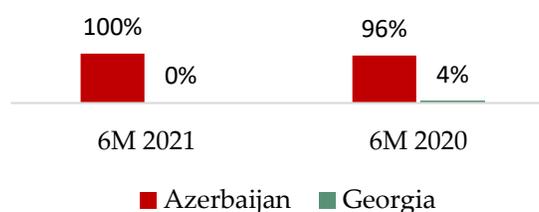
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	68	228	-70.2%	-72.8%
Freight volume (ton '000)	2.2	5.2	-58.0%	NA
Freight turnover (million ton-km)	0.9	1.9	-54.0%	NA
Revenue / ton-km (in Tetri)	7.88	12.13	-35.1%	-40.7%

Main directions of cargo

Within the six months ended 30 June 2021, the country of origin was Azerbaijan with approximately 2,200 tones and destination was turkey. In 2020 volume was approximately 5,000 tones with mostly originated from Azerbaijan and country of destination was Georgia.

Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – Transportation turnover decreased by 54 percent due to decreased volumes from Azerbaijan by approximately 3000 tons in the first six months of 2021.

Revenue/ton-km (in Tetri) – significant decrease in revenue per ton-kilometer was due to decreased average distance and average tariffs on Azerbaijanian direction in the first six months period of 2021, compared to the same period of 2020..

Ores

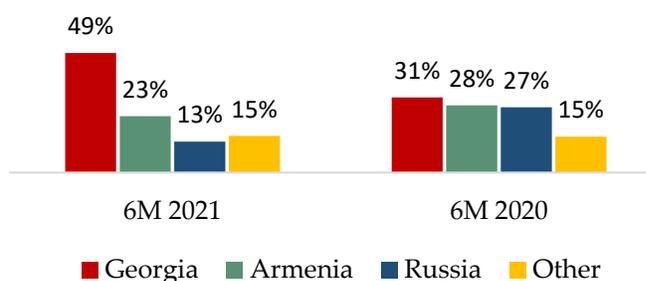
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	16,331	19,037	-14.2%	-21.7%
Freight volume (ton '000)	864.9	855.1	1.1%	NA
Freight turnover (million ton-km)	137.2	186.7	-26.5%	NA
Revenue / ton-km (in Tetri)	11.90	10.20	16.7%	6.6%

Main directions of cargo

Ore products transported by the Group during six months ended 30 June 2021, mainly originated from Georgia, Armenia and Russia. Main destination countries were Georgia, China, Azerbaijan and Bulgaria.

Transportation volume by countries of origin

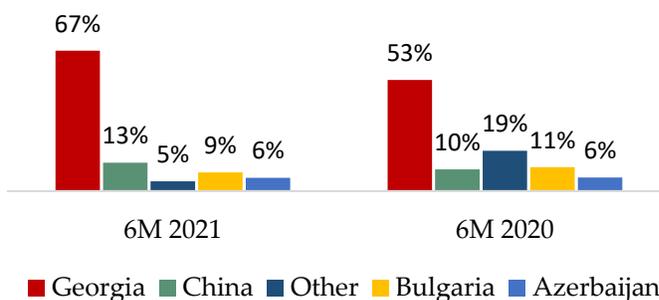


Factors influencing performance

Ton-kilometers – 26.5 percent decrease in transportation turnover was mainly driven by decreased transportation from Russia by 119,00 tons.

Revenue/ton-km (in Tetri) – 17 percent increase 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 direction, such as Georgia increased while the share of Cyprus (relatively less profitable direction) decreased. As well as, the share of manganese ores and concentrates (which is relatively more profitable product) increased significantly, while the share of bituminous coal (relatively less profitable product) decreased, in the first six months of 2021, compared to the same period of previous year.

Transportation volume by destination countries



Ferrous metals and scrap

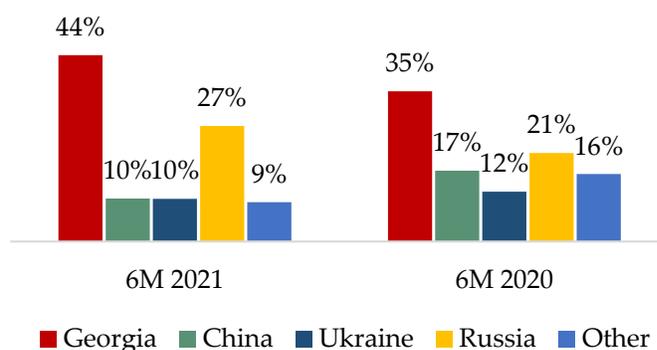
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	5,681	6,958	-18.3%	-25.4%
Freight volume (ton '000)	286.1	295.0	-3.0%	NA
Freight turnover (million ton-km)	62.1	72.9	-14.8%	NA
Revenue / ton-km (in Tetri)	9.15	9.54	-4.1%	-12.5%

Main directions of cargo

Ferrous metals and scrap transported by the Group during six months ended 30 June 2021, mainly originated from Georgia, China, Ukraine and Russia, while main destination countries were Georgia, Turkey, Russia and Azerbaijan.

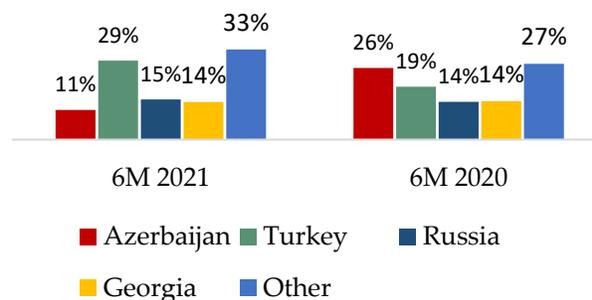
Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – 15 percent decrease in transportation turnover was mainly driven by decreased transportation of Ferrous metals and scrap originated from China by 20,000 tons.

Transportation volume by destination countries



Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was mainly due to change in product direction mix. The share of freight volumes transported to Russia (which is relatively more profitable direction) has decreased, while share of freight volumes to USA (which are relatively less profitable directions) has increased in total Ferrous metals and scrap transported by the Group.

Sugar

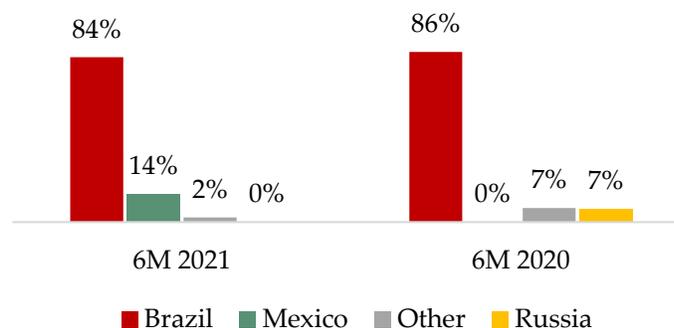
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	11,246	4,183	168.8%	145.5%
Freight volume (ton '000)	212.4	98.4	115.8%	NA
Freight turnover (million ton-km)	80.0	32.7	144.2%	NA
Revenue / ton-km (in Tetri)	14.06	12.77	10.1%	0.5%

Main directions of cargo

Product direction mix has significantly changed during six months ended 30 June 2021, with Brazil being main origin country with the share of 84 percent in first six month of 2021, compared to same period of 2020 86 percent. Mexico is represented with 14 percent share. The main destination countries in six months of 2021 were Azerbaijan and Georgia.

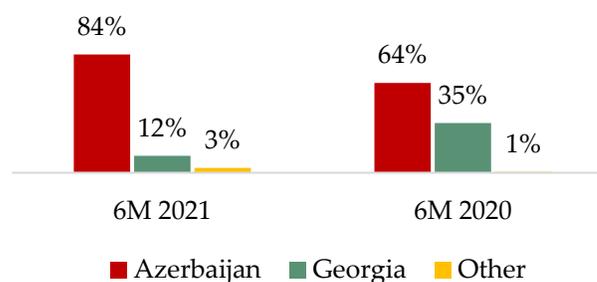
Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – 144 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by ceased volume transportation from Mexico 30,000 tons and increased volumes from Brazil by 93,000 tons in six months ended 30 June 2021.

Transportation volume by destination countries



Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was due to product direction mix, in addition increase of volumes transported to Azerbaijan which is more profitable destination.

Chemicals and fertilizers

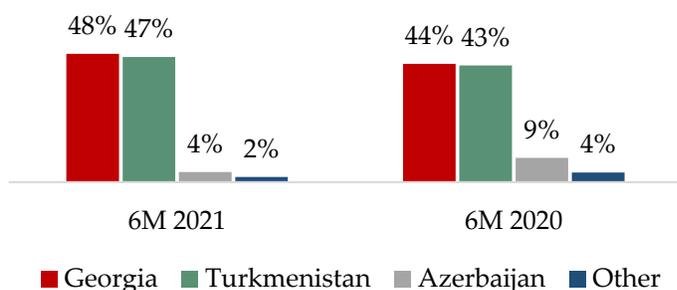
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	14,872	13,748	8.2%	-1.2%
Freight volume (ton '000)	546.2	578.4	-5.6%	NA
Freight turnover (million ton-km)	180.3	187.2	-3.7%	NA
Revenue / ton-km (in Tetri)	8.25	7.34	12.3%	2.5%

Main directions of cargo

Chemicals and fertilizers transported by the Group during six months ended 30 June 2021, mainly originated from Georgia and Turkmenistan (260,000 tons and 254,000 tons, respectively).

Transportation volume by countries of origin

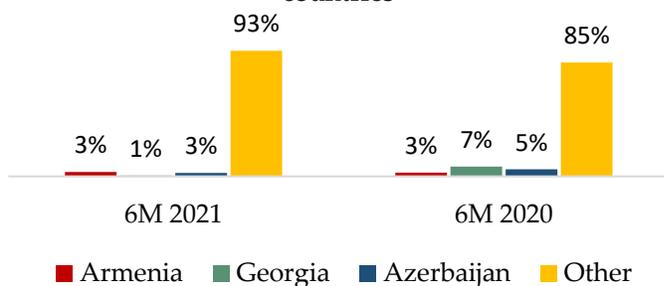


Factors influencing performance

Ton-kilometers – 4 percent decrease in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by decreased volumes from Turkmenistan by 32,000 tons and Russia by 8,000 tons.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was caused by change in product category mix. The share of Turkmenistan and Georgia (which are relatively more profitable direction) has increased, while the share of Azerbaijan (relatively less profitable direction) has decreased, in the first six months of 2021, compared to the same period of 2020.

Transportation volume by destination countries



Other products

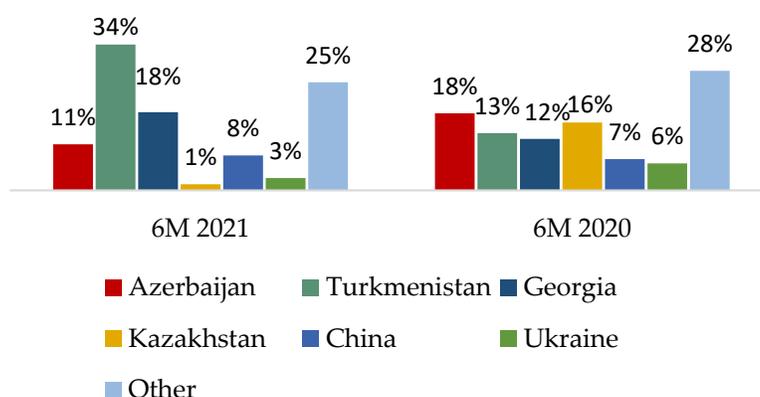
6 month period ended 30 June

	6M 2021	6M 2020	% Change	% Change at constant currency
Revenue (GEL '000)	42,923	47,862	-10.3%	-18.1%
Freight volume (ton '000)	1,271.0	1,431.7	-11.2%	NA
Freight turnover (million ton-km)	386.9	452.2	-14.4%	NA
Revenue / ton-km (in Tetri)	11.10	10.58	4.8%	-4.3%

Main directions of cargo

Freight from other products category in six months ended 30 June 2021 was mainly originated from Azerbaijan, Ukraine, Georgia, Turkmenistan and China (135,000 tons, 36,000 tons, 230,000 tons, 430,000 tons and 103,000 tons, respectively), while the main destination countries were Turkey, Azerbaijan, Georgia and Kazakhstan (140,000 tons, 118,000 tons, 132,000 tons and 78,000 tons, respectively).

Transportation volume by countries of origin

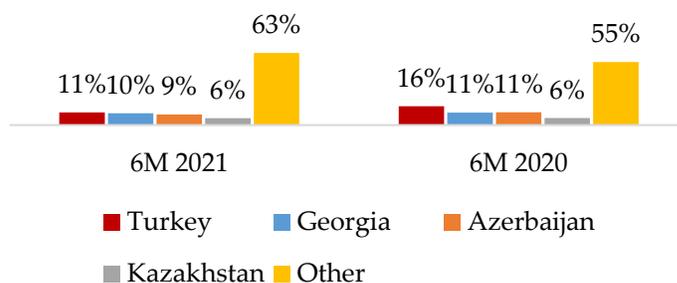


Factors influencing performance

Ton-kilometers – 14 percent decrease in transportation turnover was mainly driven by decreased volumes from Kazakhstan and Azerbaijan by 207,000 tons and 120,000 tons, respectively.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was mainly driven by product category mix. The share of Kazakhstan that is less profitable has decreased at the same time share of Turkey that is more profitable has increased.

Transportation volume by destination countries



Freight handling

Freight handling increased by GEL 0.2 million in the first six months of 2021 compared to the same period previous year. It was mainly driven by increased revenues from station services during departure and arrival.

Logistical services

Increase in logistical services by GEL 5.2 million during the six months ended 30 June 2021, compared to the same period of the previous year, was mostly caused by increased transportation of GR's subsidiary company, which mainly serves container transportation.

Freight car cross-border charge

The Group's revenue from freight car cross-border charges was GEL 5.2 million for the six months ended 30 June 2021, as compared to GEL 7.0 million, reflecting a decrease of 26,4% (or GEL 1.8 million), primarily due to a decrease in the usage of GR's wagons on foreign railway networks.

Rent of wagons and other rental income

The Group's revenue from rent of wagons and other rental income was GEL 2.4 million for the six months ended 30 June 2021, as compared to GEL 5.8 million for the corresponding period in 2020, reflecting a decrease of 50.8% (or GEL 3.4 million). This decrease was primarily due to the expiration of certain contracts.

Passenger transportation

6 month period ended 30 June

	6M 2021	6M 2020	% Change	Abs. change
Revenue	3,892	5,163	-24.6%	-1,271
Number of passengers	239	581	-58.9%	-342

In '000 GEL

Revenue from passenger transportation has decreased by 24.6 percent during the six months ended 30 June 2021, compared to the same period of the previous year and the number of passengers has decreased by the 58.9 percent.

The Passenger SBU were materially adversely impacted from the second half of March 2020, as well as in 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. This led the Company to significant decrease in passenger revenue, as well as in number of passengers, in the first two quarter of 2021, compared to the same period of 2020.

Other revenue

The increase in other revenue by GEL 11.2 million during the first two quarter of 2021, compared to the same period of 2020 was mostly attributable to increased revenue from sale of scrap.

1.2 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).

Other income

6 month period ended 30 June

In GEL '000

	6M 2021	6M 2020	% Change	Abs. change
Continuing operations	1,251	928	34.76%	323
Non-continuing operations	2,245	3,994	-43.80%	-1,749
Total	3,495	4,922	-28.98%	-1,427

Continuing operations increased by GEL 0.3 million during the six months ended 30 June 2021, compared to the same period of the previous year. The non-continuing operations decreased by GEL 1.7 million in six months' period ended 30 June 2021, compared to the same period of 2020.

1.3 Operating expenses

Total operating expenses for the six months ended 30 June 2020 decreased by GEL 12.3 million, compared to the same period of the previous year. The decrease was mainly caused by reduction in depreciation and amortization expenses.

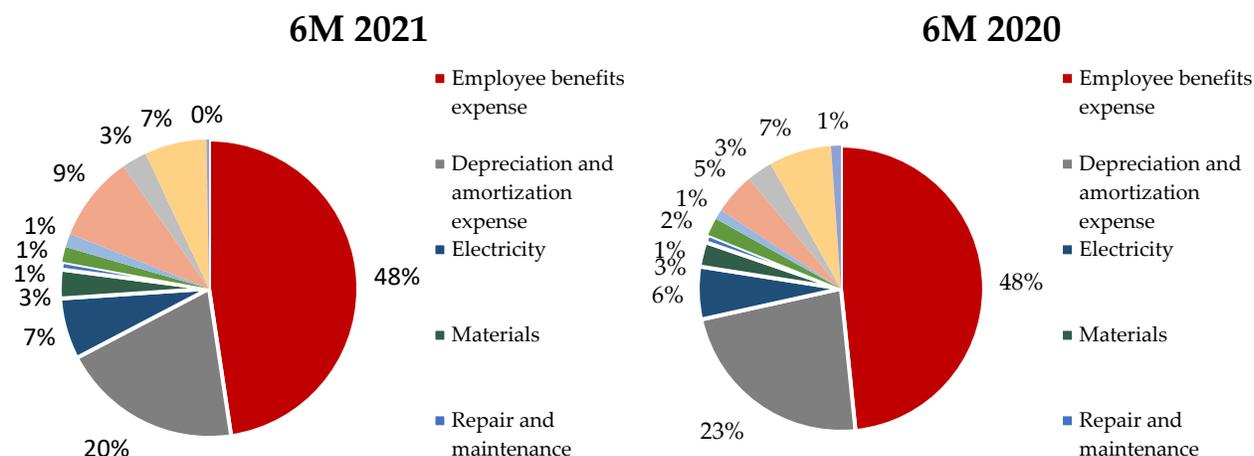
Operating expenses

6 month period ended 30 June

In GEL '000

	6M 2021	6M 2020	% Change	Abs. change
Employee benefits expense	84,626	82,810	2.19%	1,817
Depreciation and amortization expense	34,999	39,667	-11.77%	-4,668
Electricity	11,769	10,186	15.53%	1,582
Materials	5,529	4,773	15.84%	756
Repair and maintenance	1,484	1,480	0.25%	4
Fuel	2,862	3,380	-15.34%	-518
Freight car rental	2,627	1,925	36.48%	702
Logistical service	16,514	8,009	106.20%	8,505
Security, other op. expenses	4,846	4,971	-2.52%	-125
Taxes other than income tax	11,943	12,097	-1.27%	-154
Impairment loss/gain on trade receivables	485	1902	-74.48%	-1,416
Total	177,685	171,201	3.79%	6,484

The following charts represent the cost structure for the six months ended 30 June 2021 and 2020:

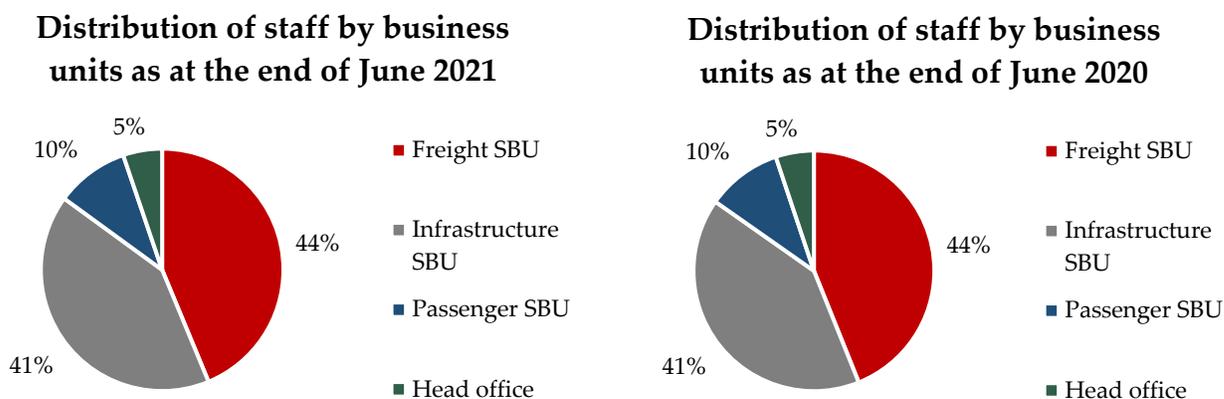


Employee benefits expense

The increase in employee benefits expense during the six months ended 31 March 2021, compared to the same period of the previous year, was mainly due to increase of wages as well as increase in aid.

Number of employees (excluding subsidiaries) by the end of June 2021 was equal to 11,941 and by the end of June 2020 was 12,148. Out of which 17% of employees are female.

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



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. During the six months ended 30 June 2021 transportation turnover increased compared to the same period of the previous year. Accordingly during this period material expenses increased by GEL 0.8 million, as for repair and maintenance difference was quite insignificant and had no essential effect on overall picture.

Electricity expenses

6 Month period ended 30 June

In GEL '000

	6M 2021	6M 2020	% Change	Abs. change
Electricity expense of traction	9,605	8,321	15.44%	1,284
Utility expenses	2,163	1,866	15.96%	298
Total	11,769	10,186	15.53%	1,582

There was a 16 percent increase in electricity expenses of utility during the six months ended 30 June 2021, compared to the same period of 2020, this is caused from the fact that Group actively responded to the risks that are coming from COVID-19 and allowed most of its employees to perform their duties from safe distance during 2020, in 2021 after improving epidemic condition in the country part of employees moved to office based activity. In addition, as long as freight transportation volume increased, electricity expenses on traction increased as well by GEL 1.3 million.

Purchased electricity and weighted average tariff

6 Month period ended 30 June

	6M 2021			6M 2020		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	9.9	479.6	0.155	13.2	543.7	0.131
February	9.3	452.0	0.155	11.1	434.1	0.130
March	12.1	585.1	0.156	11.1	468.9	0.130
April	10.0	489.8	0.153	9.1	436.6	0.130
May	10.9	537.9	0.153	9.6	459.8	0.130
June	10.0	461.1	0.153	9.7	442.8	0.130
Total	62.2	3,005.6	0.154	63.9	2,785.9	0.130

Note: The table above includes only electricity consumed of traction

Freight car rental expense

Freight car rental expense in the six months ended 30 June 2021, compared to the same period of the previous year, increased slightly by about GEL 702,000 mostly due to increased usage of various freight wagons owned by partnering railways on GR network, that was a result of increased freight volumes transportation.

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 2021 have increased by about 106.2 percent (GEL 8.5 million), compared to the same period of the previous year. The increase was mainly attributable to subsidiary, that serves liquid freight.

Taxes other than income tax

Taxes other than income tax

6 month period ended 30 June

In GEL '000

	6M 2021	6M 2020	% Change	Abs. change
Property tax	5,983	6,092	-1.8%	-109
Land tax	5,929	5,935	-0.1%	-7
Other taxes*	32	70	-54.2%	-38
Total	11,944	12,097	-1.3%	-154

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

During the six months ended 30 June 2021, compared to the same period of 2020, property tax has decreased by 1.8 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 under construction in progress. Also, minor decrease was in Land Tax that had no significant effect on overall picture of the company financial condition.

Other taxes category decreased due to VAT calculated according to proportion, during the first two quarter of 2021 compared to the same period of previous year.

1.4 Finance income and cost

Finance income and cost

6 month period ended 30 June

In GEL '000

	6M 2021	6M 2020	% Change	Abs. change
Interest income	11,600	8,826	31.4%	2,774
Impairment loss on loans	-2	-12	-84.0%	10
Interest expense	-183,791	-62,116	195.9%	-121,675
FX gain/loss	47,686	-85,112	-156.0%	132,798
Impairment gain on cash in bank	0	157	-100.0%	-157
Impairment loss on cash in bank	-24	157	-115.5%	-181
Unwinding of discount	-419	0	100.0%	-419
Net finance income/loss	-124,951	-138,101	-9.5%	13,150

In the six months ended 30 June 2021 the Group showed GEL 125 million net finance loss, compared to net finance loss of GEL 138 million in the same period of 2020. The positive difference of GEL 13.2 million was mainly due to the fluctuation of GEL against foreign currencies.

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost. Due to GEL appreciation against USD by 3.55 percent as at 30 June 2021 compared to 31 December 2020 (GEL/USD exchange rate 3.16 versus 3.28), the Group experienced net foreign exchange gain of GEL 47.7 million.

Higher interest expense during the six months ended 30 June 2021, compared to the same period of 2020, was mainly due to bond refinance process that took place in the second quarter of 2021, started by issue of new green bonds with 4% coupon rate. GR repurchased Eurobonds due 2022 by the end of June and repaid accrued interest amount of USD 18 million.

higher interest income by GEL 2.7 million in the six months ended 30 June 2021 compared to the same period of 2020, was mainly due to the higher average cash balances.

1.5 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 2021 income tax expense decreased by 11.5 percent (GEL 38,646) compared to the same period of previous year.

2. Balance Sheet

Balance sheet

6 Month period ended 30 June

	30-Jun-21	31-Mar-21	% Change	Abs. change	31-Dec-20	% Change	Abs. change
TOTAL ASSETS	2,187,337	2,338,948	-6.5%	(151,611)	2,347,764	-6.8%	(160,427)
<i>Changes are mainly due to:</i>							
Property, plant and equipment	1,813,433	1,818,710	-0.3%	(5,277)	1,829,561	-0.9%	(16,128)
Trade and other receivables	20,303	30,321	-33.0%	(10,018)	23,579	-13.9%	(3,276)
Cash and cash equivalents	184,270	319,065	-42.2%	(134,795)	322,986	-42.9%	(138,716)
TOTAL LIABILITIES	1,860,085	2,034,043	-8.6%	(173,958)	1,988,478	-6.5%	(128,393)
<i>Changes are mainly due to:</i>							
Loans and borrowings (LT)	1,634,584	1,773,868	-7.9%	(139,284)	1,702,980	-4.0%	(68,396)
Trade payables and other payables	42,186	49,977	-15.6%	(7,791)	53,535	-21.2%	(11,349)
Loans and borrowings (ST)	16,203	44,046	-63.2%	(27,843)	74,356	-78.2%	(58,153)

Significant changes in assets

Property, plant and equipment - GEL 16.1 million decrease in property, plant and equipment in the first three months of 2021, compared to 31 December 2021, was mainly due to the lower works mostly under the Modernization Project and lower costs on infrastructural projects.

Cash and cash equivalents have decreased by GEL 138.7 million in the six months ended 30 June 2021, which was mainly caused by fees and expenses that were incurred by bond refinance process. (See heading 3 "Cash Flow Statement").

Significant changes in liabilities

Decrease in Loans and Borrowing (long and short term) is caused by appreciation of GEL against USD by 3.55%, in addition in the process of refinance some short term liabilities has been paid out, as a result compared to 31 December 2020 Loans and borrowings (LT) Has decreased by GEL 68.3 million and Loans and borrowings (ST) by GEL 58,1 million.

3. Cash Flow Statement

Cash flow statement

6 Month period ended 30 June

In GEL '000

	6M 2021	6M 2020
Cash flows from operating activities		
Cash receipts from customers	270,700	232,047
Cash paid to suppliers and employees	-144,148	-134,731
Cash flows from operations before income taxes paid	126,552	97,316
Income tax paid		
Net cash from operating activities	126,552	97,316
Cash flows from investing activities		
Acquisition of property, plant and equipment	-21,361	-31,716
Proceeds from sale of property, plant and equipment	4,651	2,436
Interest received	10,082	7,564
Refund of the loan	-	-
Net cash used in investing activities	-6,628	-21,716
Cash flows from financing activities		
Proceeds from borrowings	1,577,389	0
Repayment of borrowings	-1,583,072	-6,990
Payment for debt issue cost	-115,686	
Interest paid	-121,271	-57,207
Net cash from used in financing activities	-242,640	-64,197
Net increase/(decrease) in cash and cash equivalents	-122,716	11,403
Cash and cash equivalents at 1 January	322,986	257,976
Effect of exchange rate fluctuations on cash and cash equivalents	-15,976	9,566
Cash Provision	-24	157
Cash and cash equivalents at the end of the period	184,270	279,101

Operating activities

Net cash from operating activities increased by GEL 29.2 million in the six months ended 30 June 2021, compared to the same period of the previous year. The change was driven by increase in cash receipts from customers by GEL 38.7 million, which was followed by the decrease in cash paid to suppliers and employees by 9.4 million.

Investing activities

Cash used in investing activities has decreased by GEL 15.1 million in the six months ended 31 June 2021, compared to the same period of the previous year. The decrease was mainly due to the decrease in acquisition of property, plant and equipment. This was mainly caused due to lower cash outflows on Modernization Project in first six months' period of 2021, compared to the same period of 2020.

Financing activities

Higher interest paid and Payment for debt issue cost in the six months ended 30 June 2021, compared to the same period of the previous year, was mainly caused by refinance process that took place in second quarter, by issuing new green bond and purchasing previously issued Eurobonds. GR repurchased Eurobonds due 2022 with tender offer with early consent method and payed around USD 36 million for repurchase fees as well as USD 18 million on accrued interest. This fact resulted overall decrease in company's cash balances.

Appendix 1

Breakdown of freight transportation in tons

6 Month period ended 30 June

In thousand tons

	6M 2021	6M 2020	% Change	Abs. Change
Liquid cargoes	2,138	1,461	46.3%	677
Oil products	2,136	1,456	46.7%	680
Crude oil	2	5	-58.0%	-3
Dry cargoes	3,875	4,001	-3.2%	-126
Ores	865	855	1.1%	10
Grain	72	136	-46.8%	-64
Ferrous metals and scrap	286	295	-3.0%	-9
Sugar	212	98	115.8%	114
Chemicals and fertilizers	546	578	-5.6%	-32
Construction freight	431	417	3.3%	14
Industrial freight	173	171	1.3%	2
Cement	18	19	-2.1%	0
Other	1,271	1,432	-11.2%	-161
Total	6,013	5,462	10.1%	550

Appendix 2

Breakdown of freight transportation in ton-kilometers

6 Month period ended 30 June

In million ton-kilometers

	6M 2021	6M 2020	% Change	Abs. Change
Liquid cargoes	696	427	62.8%	269
Oil products	695	425	63.4%	270
Crude oil	1	2	-54.0%	-1
				0
Dry cargoes	962	1,067	-9.8%	-104
Ores	137	187	-26.5%	-49
Grain	18	31	-42.3%	-13
Ferrous metals and scrap	62	73	-14.8%	-11
Sugar	80	33	144.2%	47
Chemicals and fertilizers	180	187	-3.7%	-7
Construction freight	64	68	-6.1%	-4
Industrial freight	30	32	-5.7%	-2
Cement	5	5	-2.0%	0
Other	387	452	-14.4%	-65
Total	1,658	1,494	11.0%	164

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 EBITDA (adjusted EBITDA) as at 30 June 2021 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 30 June 2021 is the Incurrence date (or “the date of determination”) as defined in Condition 3 of the “Terms and Conditions of the Notes”.

Calculations of ratio of Net Financial Indebtedness to EBITDA (adjusted EBITDA):

In 000 GEL

Net Financial Indebtedness as at:	30-Jun-2021	31-Mar-21
Financial indebtedness	1,650,787	1,817,914
less:		
Available credit facilities	63,603	66,118
Cash and cash equivalents	184,270	319,065
Net Financial Indebtedness:	1,402,914	1,432,731
The most recent 2 consecutive semi-annual period ended:	30-Jun-2021	31-Dec-20
Results from operating activities	149,858	129,246
Depreciation add-back	71,488	76,156
Impairment loss on property, plant and equipment add-back	0	0
Impairment loss on trade receivables	12,143	13,560
EBITDA (adjusted EBITDA)	233,490	218,962
Net Financial Indebtedness/EBITDA (adjusted EBITDA)	6.01	6.54