

9M 2018



CSNO 636426
45G1

MAX. GROSS
32,500 KG
71,850 LBS
3,000 KG
6,600 LBS

28,750 KG
63,270 LBS
76.3 CUM.
2,897 CUFT.

中远海运集团

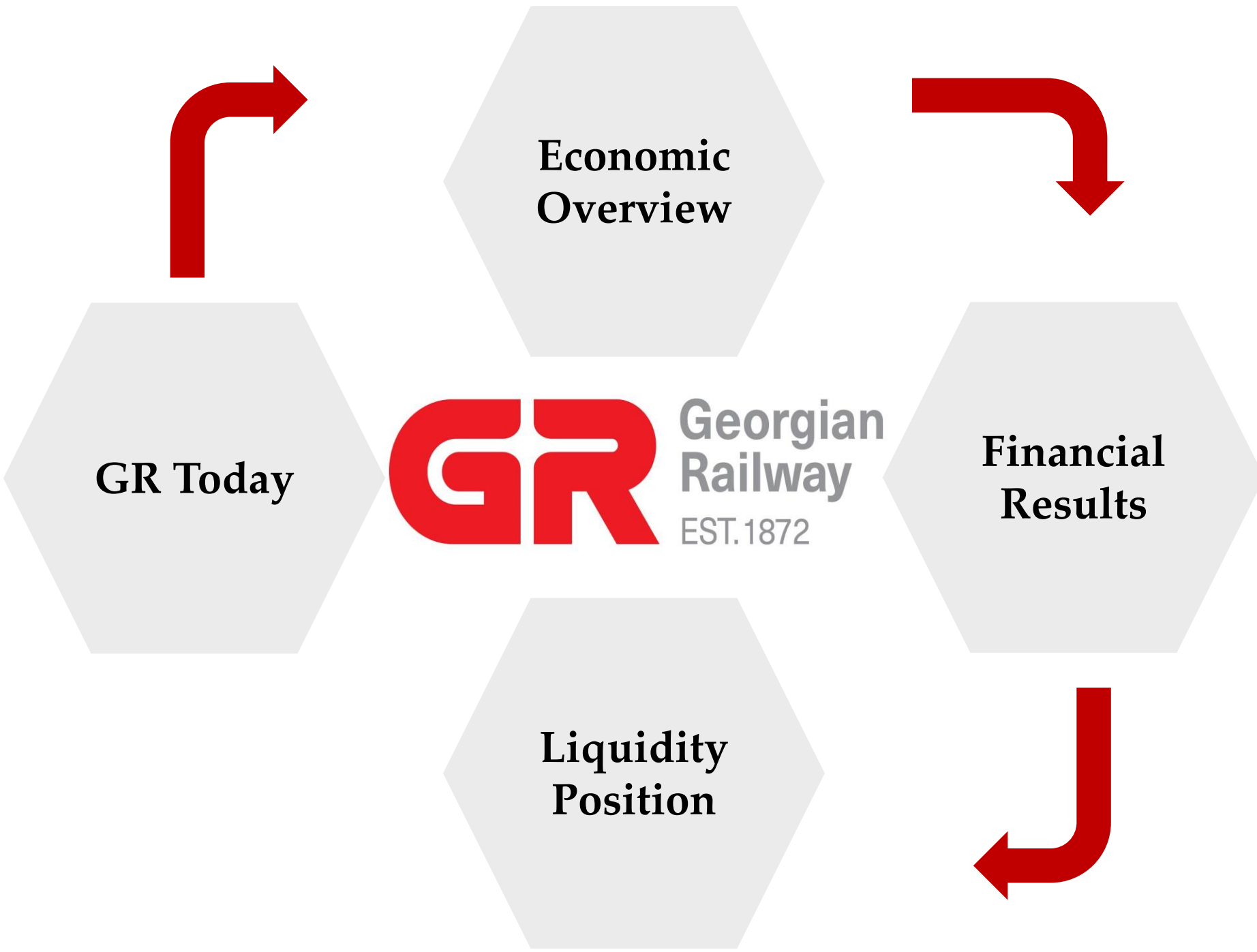
COSCO
SHIPPING

CSNO

中远海运集团

COSCO
SHIPPING

94346764



GR Today



Economic
Overview

Financial
Results

Liquidity
Position

Company Financial Highlights

Revenue

Q3 2018

115,627

+6% from Q3 2017
+13% from Q2 2018

9M 2018

314,219

+4% from 9M 2017

EBITDA

Q3 2018

58,117

+19% from Q3 2017
+42% from Q2 2018

9M 2018

136,248

+8% from 9M 2017

EBITDA margin

Q3 2018

50.26%

+5 points from Q3 2017
+10 points from Q2 2018

9M 2018

43.36%

+2 points from 9M 2017

Adjusted EBITDA

Q3 2018

51,994

+11% from Q3 2017
+42% from Q2 2018

9M 2018

122,610

+4% from 9M 2017

Adjusted EBITDA margin

Q3 2018

45.97%

+2 points from Q3 2017
+9 points from Q2 2018

9M 2018

39.02%

0 points from 9M 2017

Net Debt to EBITDA

30 September 2018

4.82

3.59 as at 30-Sep-2017
4.51 as at 30-Jun-2018

Key Operating Measures



Total freight revenue per ton-km (in GEL)

Q3 2018

0.15

+12% from Q3 2017
+7% from Q2 2018

9M 2018

0.14

+13% from 9M 2017

Passenger revenue per passenger-km (in GEL)

Q3 2018

0.05

+8% from Q3 2017
+162% from Q2 2018

9M 2018

0.04

+11% from 9M 2017

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

Q3 2018

8.12

+7% from Q3 2017
+13% from Q2 2018

9M 2018

24.80

+5% from 9M 2017

Operating expenses per ton-km (in GEL)

Q3 2018

0.15

+111% from Q3 2017
+102% from Q2 2018

9M 2018

0.14

+18% from 9M 2017

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

Q3 2018

117.65

-7% from Q3 2017
-2% from Q2 2018

9M 2018

354.57

-11% from 9M 2017

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

Q3 2018

194.02

+12% from Q3 2017
+63% from Q2 2018

9M 2018

409.97

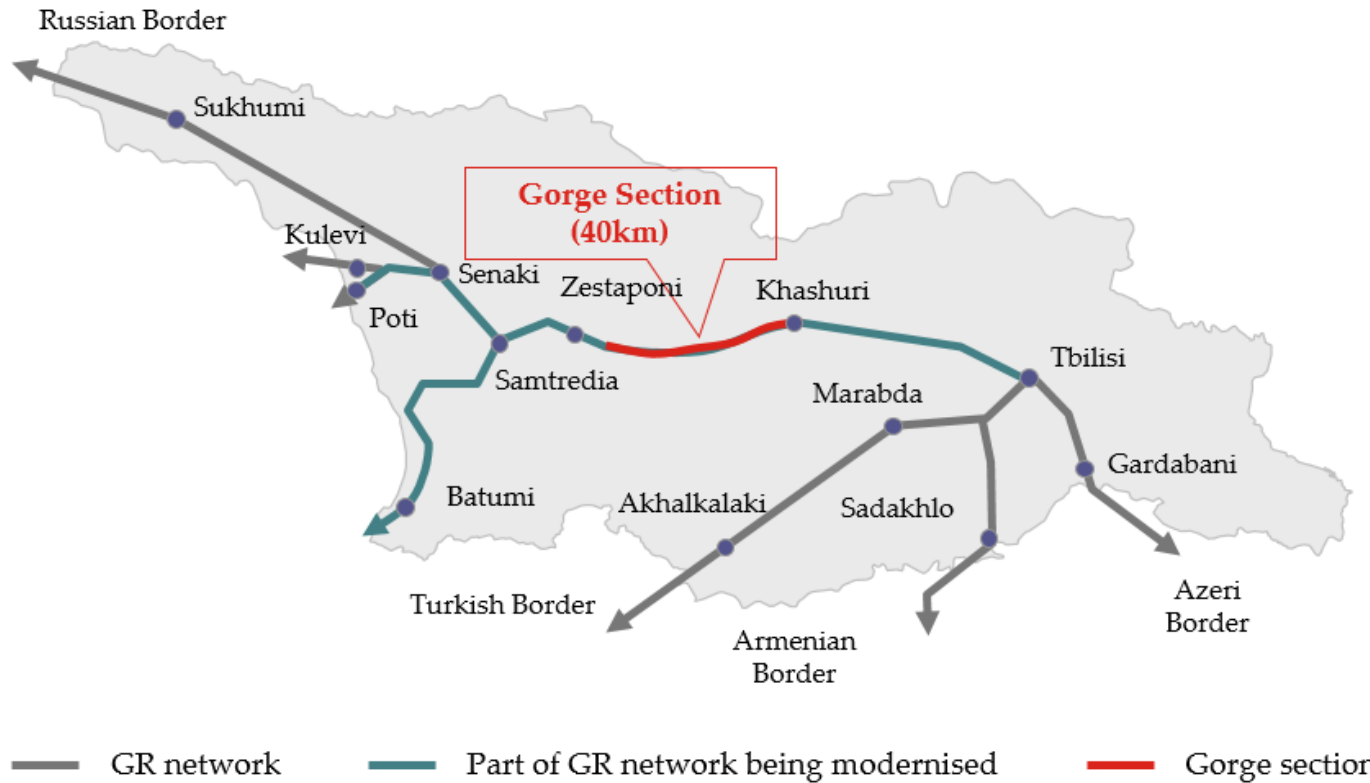
+12% from 9M 2017

Fitch Ratings

B+, Outlook Positive

S&P Global

B+, Outlook Stable



1,443km Operational network length

97% Electrified

92 Freight stations

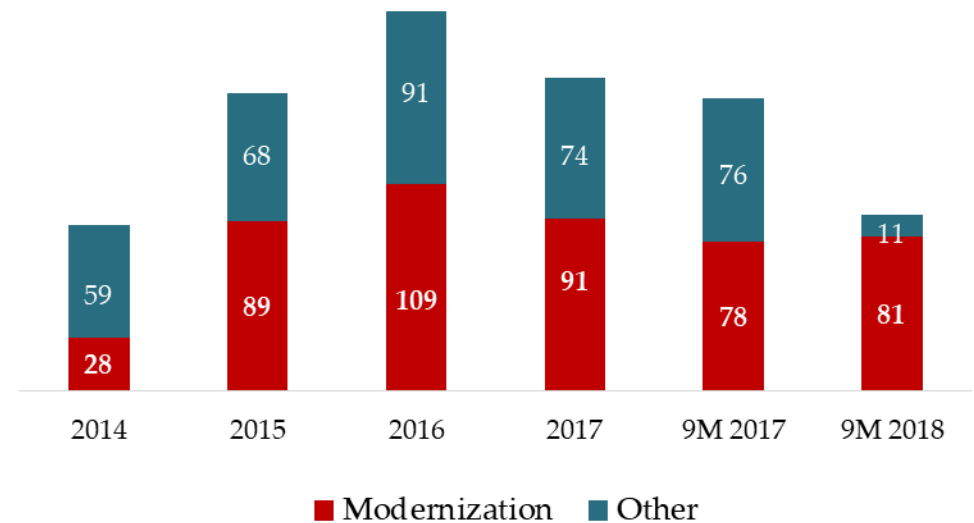
32 Railroad tunnels

1,325 Railroad bridges

Modernization

- Expected to be completed by 2019;
- Designed to increase transportation capacity of infrastructure from the current annual 27 million tons to 48 million, with the possibility of further expansion to a potential 100 million per annum;
- Supports future corridor developments: Anaklia Deep Sea port, Poti Port expansion, etc.;
- Reduced operational expenses;
- Improved operational safety;
- Increased train speeds;
- From 2010 till 30 September 2018 the Company invested GEL 749m in Modernization project.

Cash Flow used for acquisition of PP&E (GEL million)



Baku-Tbilisi-Kars (“BTK”)

- New corridor from the Caspian Sea to Europe via Turkey;
- Opening day – 30 October 2017;
- Will transport both goods and passengers between Central Asia and Europe;
- Expected to increase cargo transportation capacity of existing line by up to 15mtn;
- GR has been granted the right to operate the Georgian portion of the new line;
- GR expects this line to attract cargo transportation businesses which may currently use the alternative routes offered through Iran;
- If cargo switches to BTK line, profitability will increase.



**Economic
Overview**

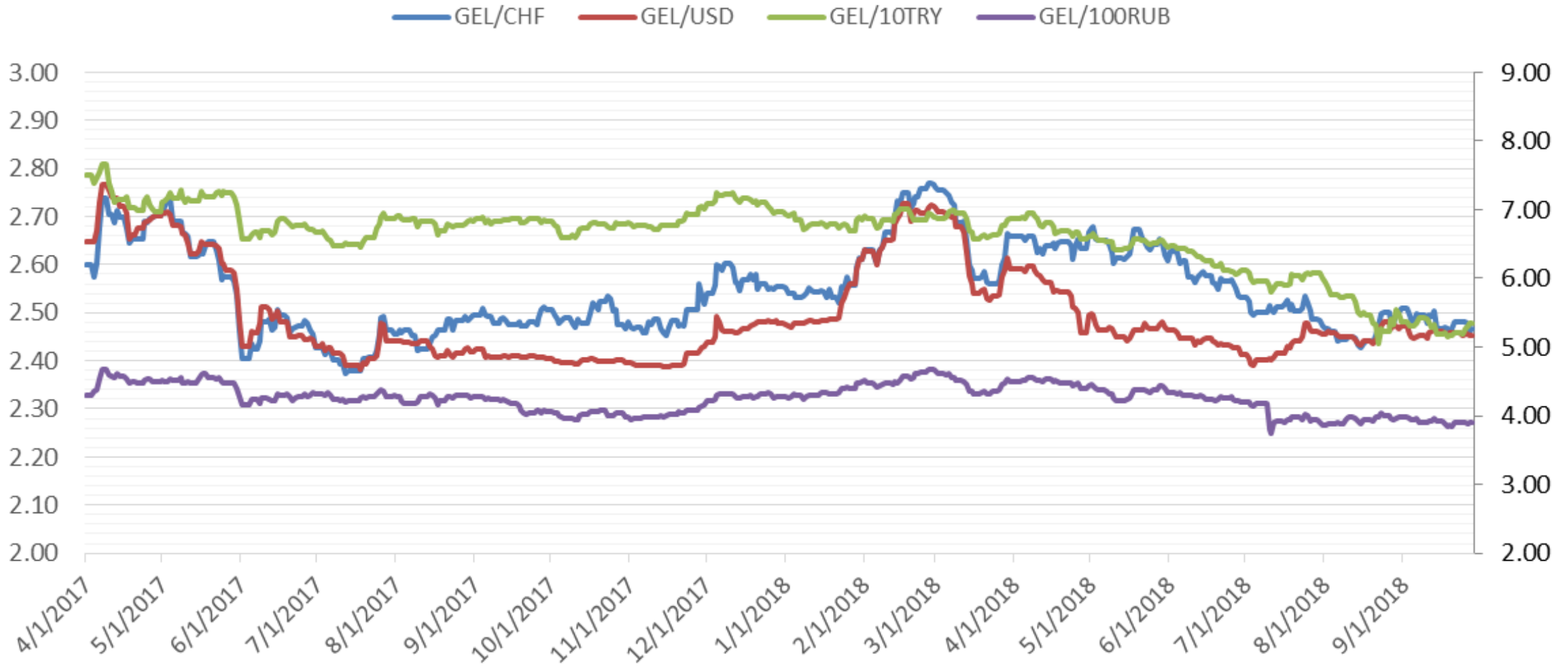
GR Today



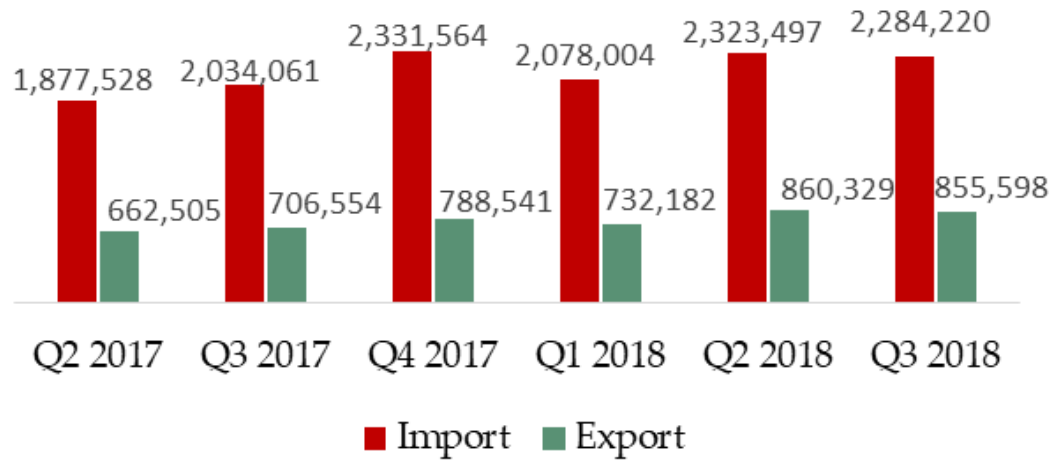
**Financial
Results**

**Liquidity
Position**

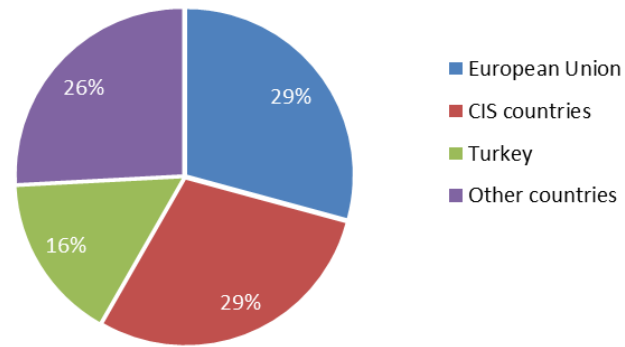
GEL Exchange Rate



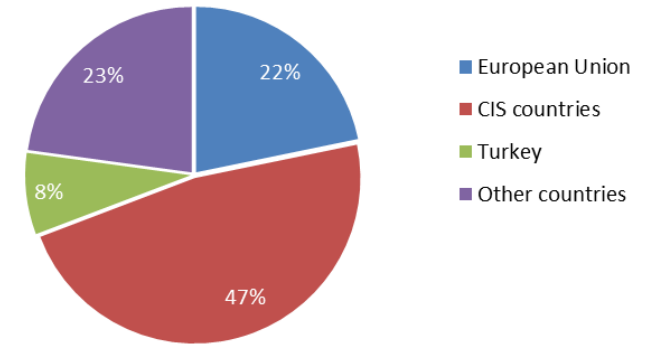
Georgian Trade Dynamics



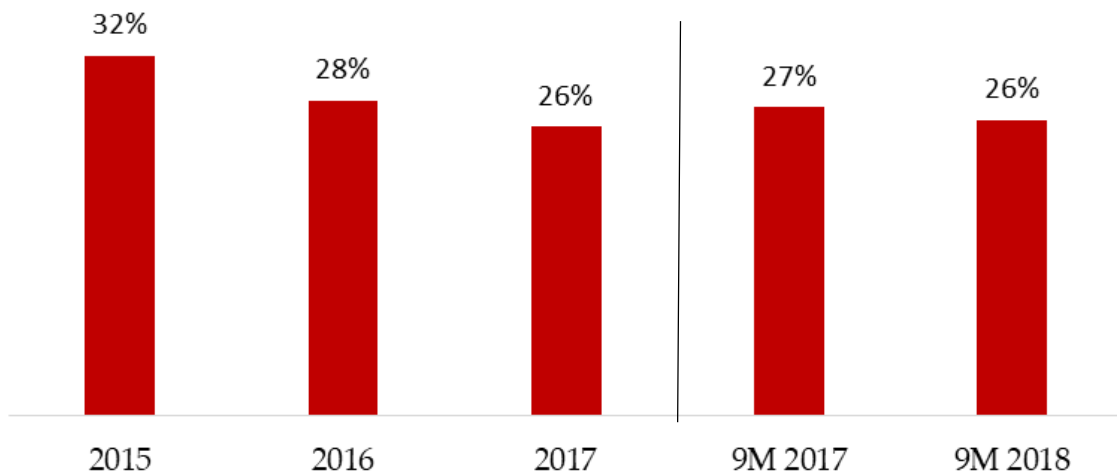
Import by countries for 9M 2018



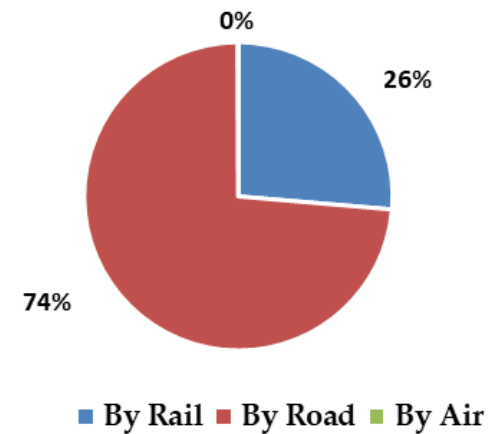
Export by countries for 9M 2018



Share of GR in Total Freight Transportation in Georgia



Freight transportation by types for 9M 2018



Macroeconomic Environment in Region

Global Commodity Prices (BLOOMBERG)	Price	% change			
		Q3 2018	Q4 2018	Q1 2019	Q2 2019
Commodity					
ICE Brent (Crude oil)	84.95	-0.42%	-1.04%	-1.00%	
ICE Gasoil	746.5	-0.58%	-0.81%	-0.55%	
UK NBP Nat Gas	71.2	4.51%	-3.38%	-14.36%	
Grain	515	0.63%	3.66%	2.22%	
Aluminum	2056	0.28%	0.07%	0.62%	
Iron ores	62.5	-1.28%	-1.44%	-0.83%	

Macroeconomic Measures of Partnering Countries for 2017 (IMF)

	% Change from 2016			
	GDP	Inflation rate	Import	Export
Azerbaijan	0.07%	13.00%	-4.36%	-7.3%
Turkey	7.44%	11.14%	8.89%	12.27%
Kazakhstan	3.98%	7.43%	0.30%	8.82%
Turkmenistan	6.47%	8.04%	-22.3%	-9.00%

Economic
Overview

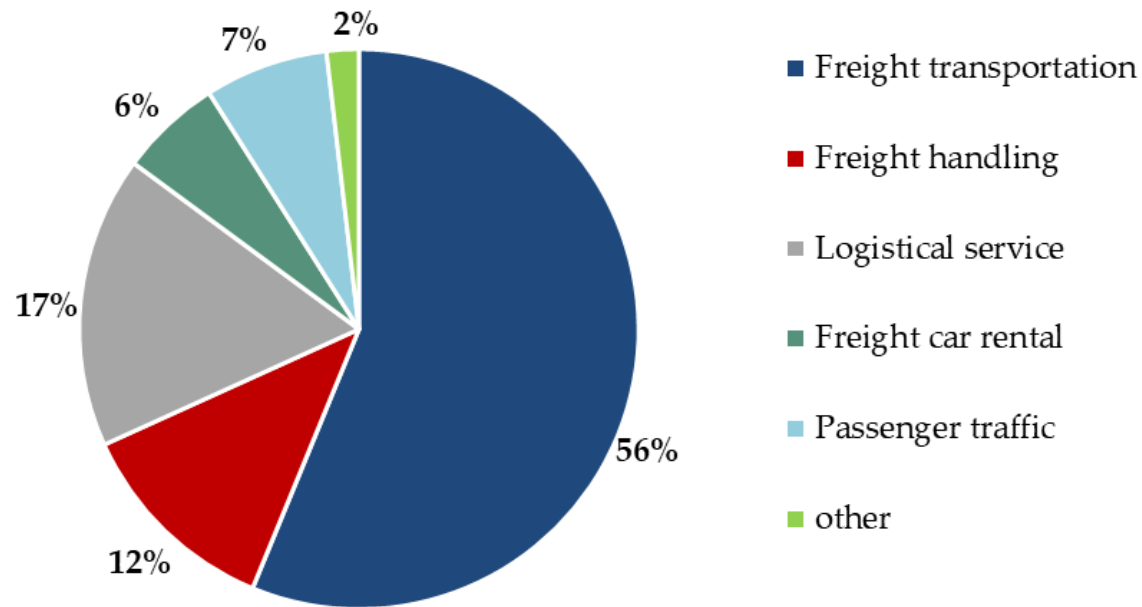
GR Today



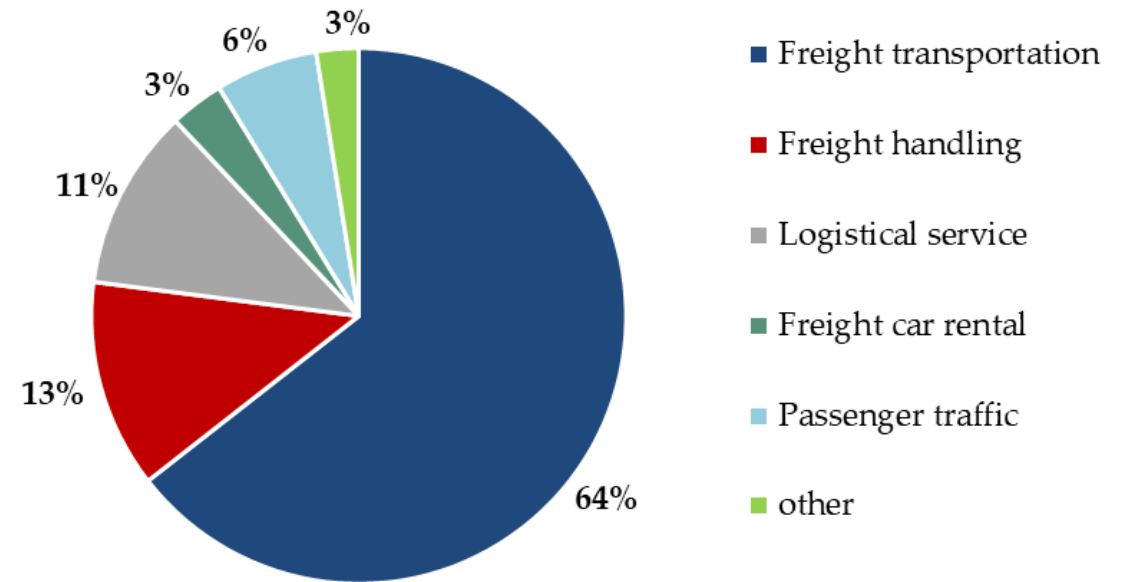
**Financial
Results**

Liquidity
Position

Revenue Breakdown 9M 2018



Revenue Breakdown 9M 2017



Revenue Breakdown

<i>GEL '000 period ended 30 September</i>	9M 2018	9M 2017	% Change	Abs. Change
Freight transportation	176,620	195,474	-9.6%	-18,854
Freight handling	37,795	38,174	-1.0%	-379
Logistical service	52,983	33,203	59.6%	19,780
Freight car rental	18,523	9,910	86.9%	8,612
Passenger traffic	22,463	18,787	19.6%	3,676
Other	5,835	7,749	-24.7%	-1,914
Revenue	314,219	303,297	3.6%	10,922
Other income	17,449	13,478	29.5%	3,971

Significant Changes

- **Freight transportation:**
 - Tariffs denominated in USD;
 - The downturn in revenue caused by decreased volumes;
 - Average revenue per ton-kilometer increased by 2.3%.
- **Logistical service:**
 - Increased logistical revenue from oil products;
 - Increased volumes of container transportation.
- **Freight car rental:**
 - Increased usage of semi-wagons and grain carriers by Kazakhstan railway organization.
- **Passenger transportation:**
 - Increased number of passengers on the main line.
- **Other income:**
 - Continuing operations decreased by about 44%, due to the decrease of accrued penalties on debtors by GEL 2.3 million.
 - Increase in non-continuing operations by about 75% due to the revenue from sales of fixed assets.

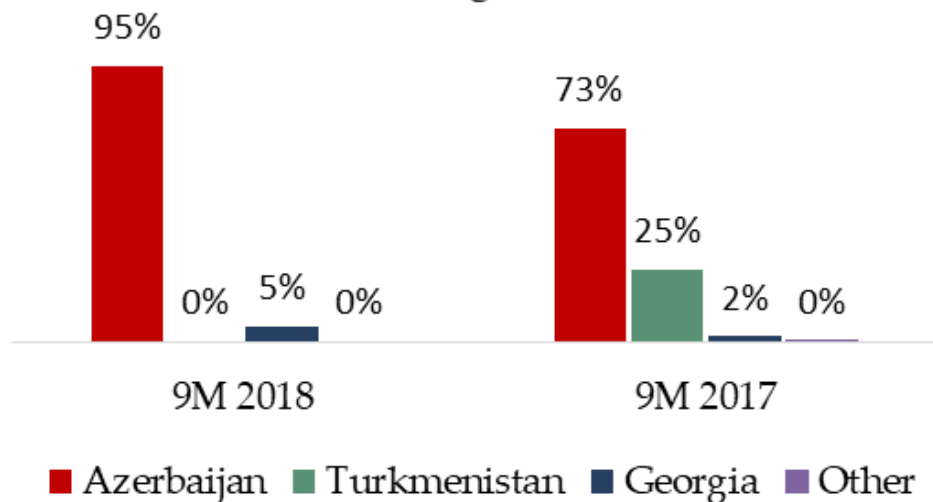
Freight Revenue Breakdown

<i>GEL '000 period ended 30 September</i>	9M 2018	9M 2017	% Change	% Change at constant currency	Abs. Change
Freight transportation	176,620	195,474	-9.6%	-9.9%	-18,854
Liquid cargoes	74,414	86,586	-14.1%	-14.3%	-12,172
Oil products	71,627	80,134	-10.6%	-10.9%	-8,506
Crude oil	2,787	6,453	-56.8%	-56.9%	-3,666
Dry cargoes	102,206	108,887	-6.1%	-6.4%	-6,682
Ores	20,591	19,779	4.1%	3.8%	811
Grain	5,624	5,959	-5.6%	-5.9%	-334
Ferrous metals and scrap	6,928	8,291	-16.4%	-16.7%	-1,362
Sugar	6,994	10,833	-35.4%	-35.6%	-3,838
Chemicals and fertilizers	10,330	8,900	16.1%	15.7%	1,429
Construction freight	4,708	5,312	-11.4%	-11.6%	-604
Industrial freight	3,927	3,733	5.2%	4.9%	194
Cement	1,262	1,050	20.2%	19.9%	212
Other	41,842	45,030	-7.1%	-7.3%	-3,189
Freight turnover (million ton-km)	1,960	2,218	-11.6%	-11.9%	-258
Revenue / ton-km (in Tetri)	9.01	8.81	2.3%	2.0%	0.20

Crude oil

9 month period ended 30 September	9M 2018	9M 2017	% Change	% Change at constant currency
Revenue (GEL million)	2.79	6.45	-56.8%	-56.9%
Freight volume (million ton)	0.12	0.32	-61.2%	NA
Freight turnover (million ton-km)	49.43	125.94	-60.7%	NA
Revenue / ton-km (in Tetri)	5.64	5.12	10.0%	9.7%

Transportation volume by countries of origin

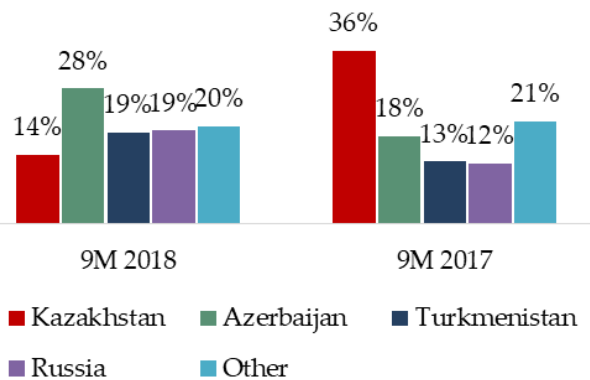


- Sharp fall (Down by about 61 percent, compared to first 9 months of 2017) mainly due to decreased transported volume of crude oil from Azerbaijan and Turkmenistan;
- Increase in average revenue per ton-kilometer due to the changes in transportation direction mix;

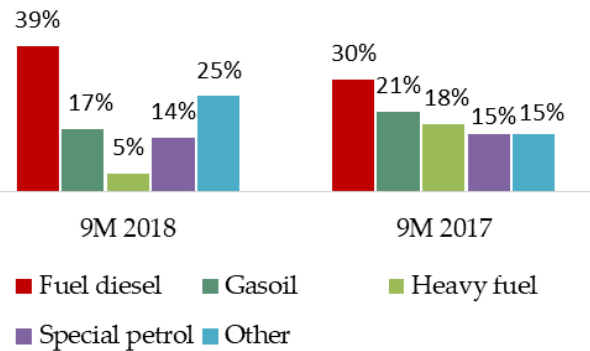
Oil products

9 month period ended 30 September	9M 2018	9M 2017	% Change	% Change at constant currency
Revenue (GEL million)	71.63	80.13	-10.6%	-10.9%
Freight volume (million ton)	2.34	2.97	-21.4%	NA
Freight turnover (million ton-km)	686.49	932.78	-26.4%	NA
Revenue / ton-km (in Tetri)	10.43	8.59	21.5%	21.1%

Transportation volume by countries of origin



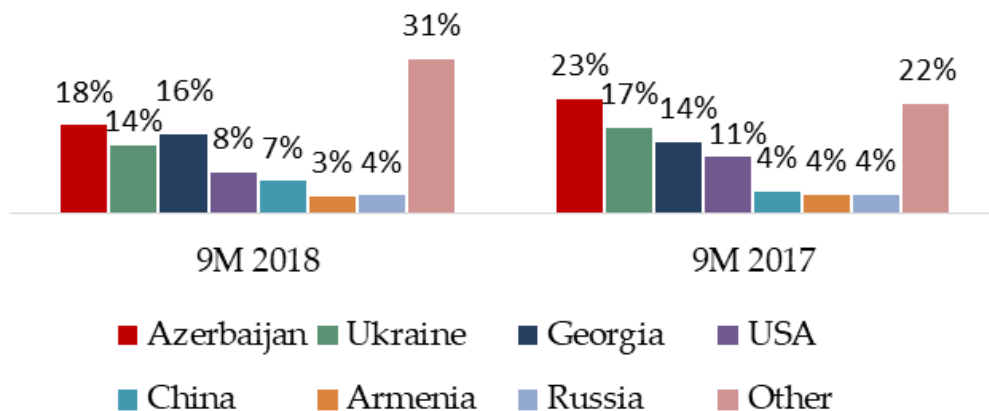
Product Category Mix



- Decreased transportation of heavy fuel and gasoil from Kazakhstan by 361,000 tons and 369,000 tons, respectively;
- Decreased average transportation distance caused by changes in transportation direction mix;
- Product category mix. The shares of fuel diesel and aviation light fuel (which are relatively more profitable products) have increased and shares of gasoil and heavy fuel (which are relatively less profitable products) have decreased in total oil products.

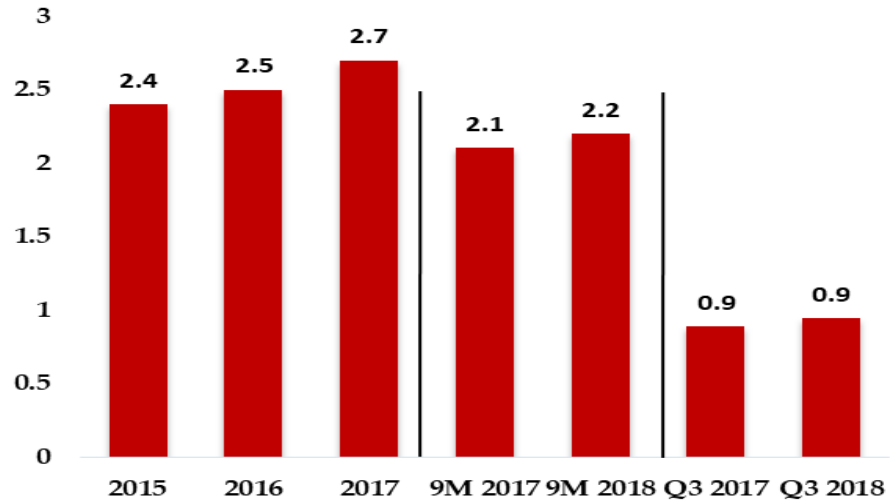
9 month period ended 30 September	9M 2018	9M 2017	% Change	% Change at constant currency
Revenue (GEL million)	102.21	108.89	-6.14%	-6.33%
Freight volume (million ton)	5.04	4.65	8.36%	NA
Freight turnover (million ton-km)	1,224	1,160	5.58%	NA
Revenue / ton-km (in Tetri)	8.35	9.39	-11.09%	-11.28%

Transportation volume by countries of origin

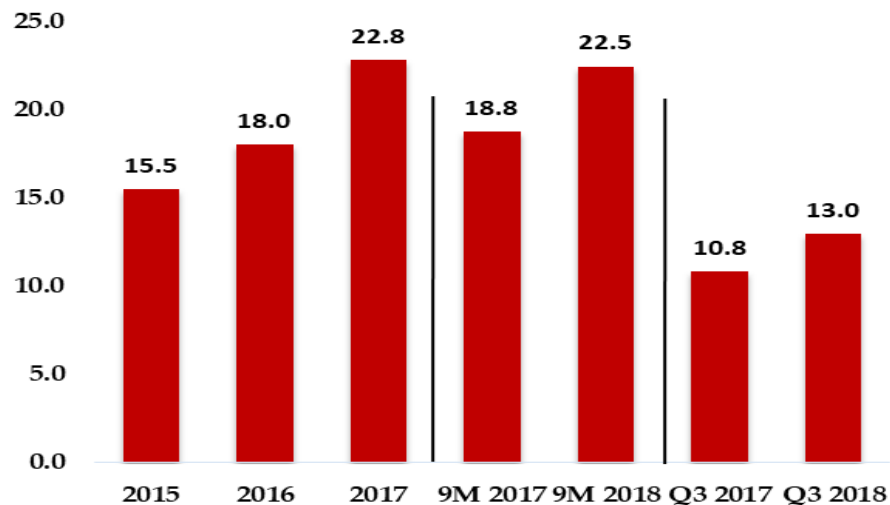


- Increased transportation of grain (by 130,000 tons), ores (by 127,000 tons), industrial freight (by 87,000 tons) and chemicals and fertilizers (by 31,000 tons);
- Decreased transportation of sugar (by 55,000 tons) and construction freight (by 33,000 tons);
- Reduced revenue per ton-km was mainly caused by change in product category mix and transportation direction mix.

Passenger Transported (in million)



Passenger Revenues (GEL million)



Overview

- The Passenger SBU is the only provider of passenger railway transportation of Georgia;
- The medium-term aim is to achieve break even for Passenger SBU;
- Supported by GR's railway infrastructure and rolling stock base;
- Expected subsidy of passenger SBU from the state budget as per Euro directive, effective from 2018.

Roadmap to Profitability

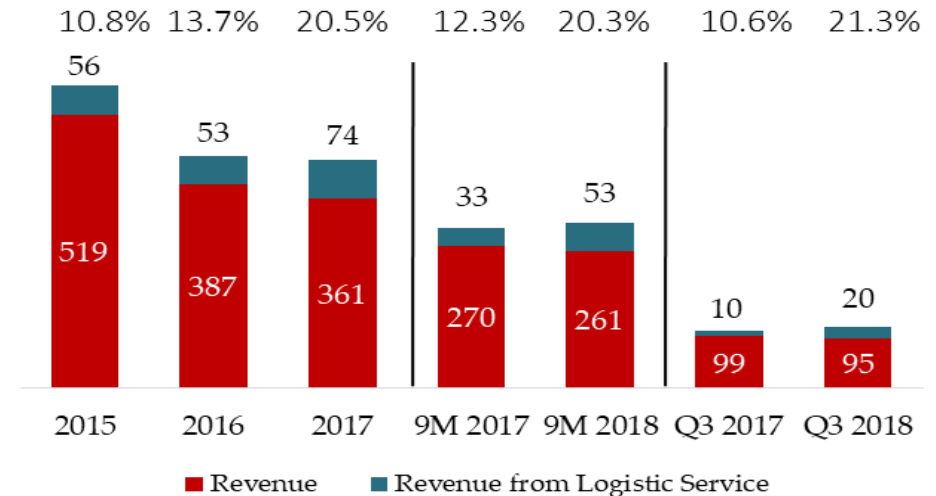
- Medium-term strategic objective to achieve break even :
 - Increasing revenue per passenger by attracting new higher paying customers willing to switch from car and minibus to rail;
 - Adjusting schedules to optimise utilisation.
- GR is increasing its service quality with higher speed and comfort:
 - In 2010, GR purchased 3 modern passenger trains for GEL 16m;
 - In 2011, the Group signed a purchase agreement for 5 modern Chinese passenger trains (with a combined capacity of 1,500 seats);
 - In 2016 GR purchased 2 modern trains from the Swiss company Stadler Bussnang AG and another 2 in the first 9 months of 2017;
 - Potential additional traffic from Baku-Tbilisi-Kars link.

Description of GR's freight forwarders

- **GR Transit LLC** purchased by JSC Georgian Railway in April 2013. The subsidiary transports cargo mainly from Azerbaijan, Kazakhstan and Turkmenistan to western countries;
- **GR Transit Line LLC** established by Georgian Railway and started its operation in April 2014. It is a liquid cargo forwarding company, mainly working on transportation of oil products to Armenian and Azerbaijan directions;
- **GR Logistics and Terminals LLC** established in October 2009 by the Company to promote containerization of the corridor. Recently, the subsidiary also became involved in cargo forwarding (mainly dry cargo) through the corridor;
- **GR Transshipment LLC** was established in Q2 2015. The company holds liquid cargo warehouses in Batumi port, utilized to store oil products and change transportation modes. Modern infrastructure used by the subsidiary was constructed in 2013 and 2014.

Freight forwarders margin added to GR's revenue (in GEL million)

As a percentage of total revenue

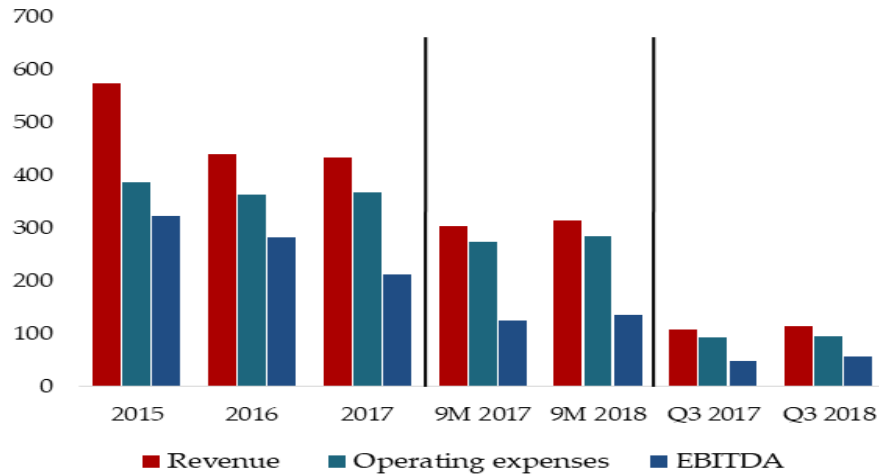


Comment

- Subsidiaries' margin added to GR revenue is increasing since entering in freight forwarding business;
- To reach subsidiaries margin (GEL 56 million) GR's subsidiaries transported about 1.7 million tons in nine months ended in 30 September 2018.

Adding logistics elements to the Company

Key performance indicators



GR as a logistic company

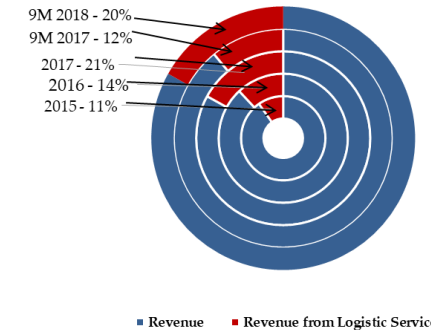
As a logistic company Georgian Railway expects to:

- Have deeper understanding of customers' industries and business processes and be able to provide better service to its customers;
- Increase its competitiveness;
- Increase its financial flexibility, growth and profitability.

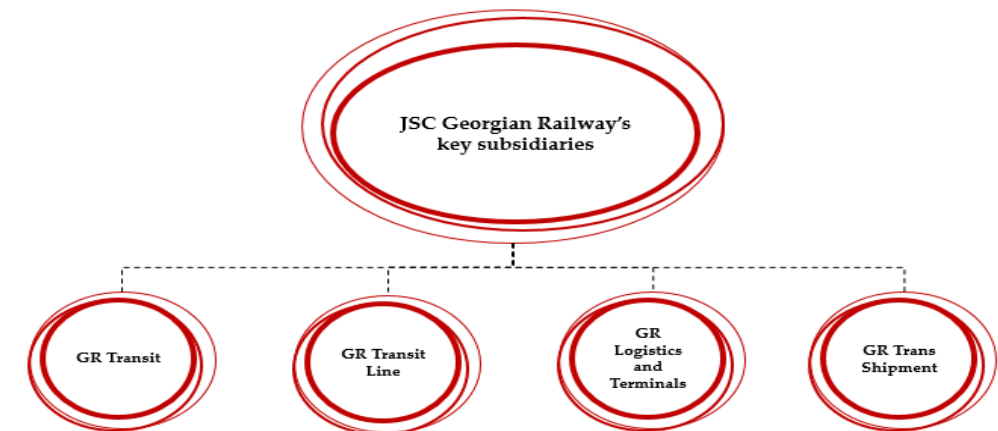
Comments

Georgian Railway entered in freight forwarding business from April 2013 and since then was increasing its significance. GR aims to increase revenues from logistics up to 25% within 5 years.

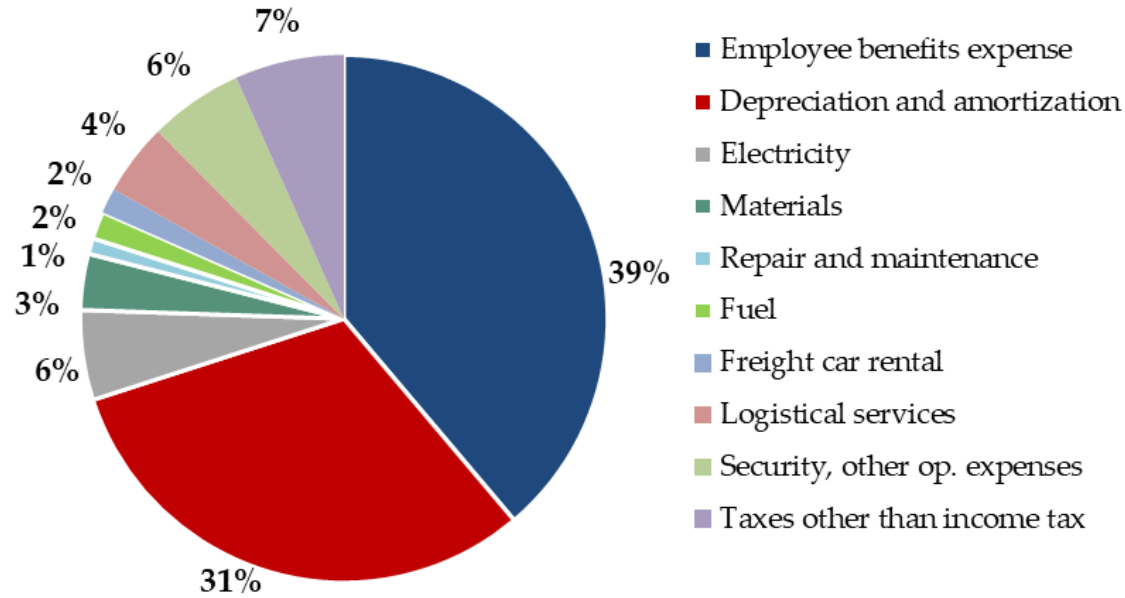
Share of revenue from logistic service in total revenue



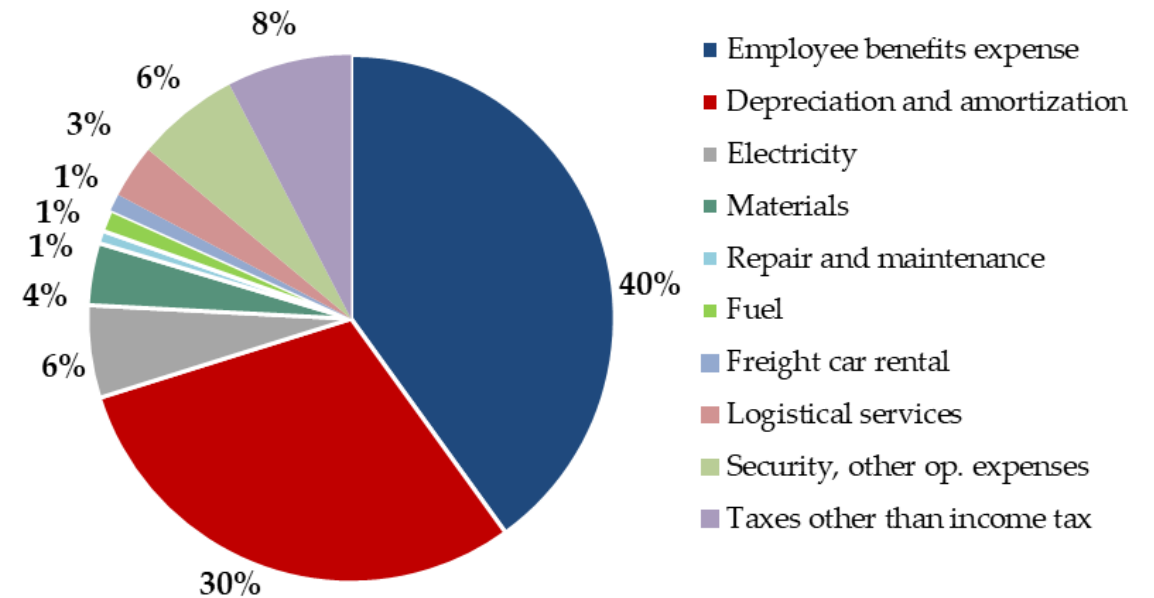
GR's freight forwarders



Cost Structure 9M 2018



Cost Structure 9M 2017



Operating Expenses

Operating expenses

9 month period ended 30 September

In GEL '000

	9M 2018	9M 2017	% Change	Abs. change
Employee benefits expense	110,280	109,394	0.81%	887
Depreciation and amortization expense	88,622	82,273	7.72%	6,349
Electricity	15,640	15,504	0.88%	136
Materials	9,765	10,410	-6.20%	-645
Repair and maintenance	2,749	2,128	29.19%	621
Fuel	4,749	3,640	30.48%	1,109
Freight car rental	4,385	2,829	55.00%	1,556
Logistical service	12,488	8,953	39.48%	3,535
Security, other op. expenses	16,353	17,230	-5.09%	-877
Taxes other than income tax	19,010	20,849	-8.82%	-1,839
Total	284,043	273,210	3.96%	10,833

Significant Changes

- **Employee benefits expense:**
 - N of employees – 12,645;
 - Higher cost of aids and other benefits.
- **Electricity:**
 - Decreased gross ton-kilometers by about 13 percent.
 - Higher weighted average tariff.
- **Materials, repair and maintenance expenses:**
 - Materials, repair and maintenance expenses remained at about the same level during 9M 2018.
- **Freight car rental:**
 - Increased usage of semi-wagons and cisterns by GR from partnering railways.
- **Logistical service:**
 - Increased expenses of GR's subsidiary that mainly serves container transportation, partly offset by reduced expenses of another subsidiary that mainly serves crude oil and oil products transported by the company.
- **Taxes other than income tax:**
 - The decrease in property tax by 16.8 percent, was largely driven by impairment of Tbilisi Bypass Project at the end of 2017.
 - Property tax will be reduced after the Modernization Project is put into operation, as railway-related assets are free from property tax, and assets under the project are taxed by property tax while under construction.

Non-current assets

In GEL '000

	30-Sep-18	31-Dec-17	% Change	Abs. change
Property, plant and equipment	2,440,493	2,368,380	3.0%	72,113
Other non-current assets	99,114	123,562	-19.8%	-24,448
Loan receivable	19,628	18,113	8.4%	1,515
Total non-current assets	2,559,235	2,510,055	2.0%	49,180

Current assets

	30-Sep-18	31-Dec-17	% Change	Abs. change
Inventories	31,589	32,807	-3.7%	-1,217
Tax assets	0	2,360	-100.0%	-2,360
Trade and other receivables	58,448	73,614	-20.6%	-15,166
Prepayments and other current assets	630	383	64.4%	247
Cash and cash equivalents	235,515	243,018	-3.1%	-7,504
Total current assets	326,182	352,182	-7.4%	-26,000
Total assets	2,885,417	2,862,237	0.8%	23,180

Significant Changes

- **PPE**
 - Mainly increased due to Construction In Progress (mostly under the Modernization Project).
- **Other non-current assets**
 - Decrease in other non-current assets mainly due to decrease in prepayments for non-current assets, mostly attributable to Modernization project and reduction in construction materials that were reclassified from inventory as non-current assets.
- **Trade and other receivables**
 - Decrease in trade and other receivables by GEL 15.2 million mainly due to cash inflows from partnering railway who paid part of its payables;
- **Cash and cash equivalents**
 - Increased net cash from operating activities by GEL 30.2 million.
 - Decreased cash used in investing activities. In the first half of 2017, GR invested in the two new double decker trains, causing the significant reduction of investment in PPE in the first nine months of 2018.
 - Decrease in interest received mainly caused by lower average cash balance and lower interest rates.

Balance Sheet (continued)

Equity

In GEL '000

	30-Sep-18	31-Dec-17	% Change	Abs. change
Share capital	1,053,714	1,053,271	0.0%	443
Non-cash owner contribution reserve	98,192	98,192	0.0%	0
Retained earnings	113,676	93,385	21.7%	20,291
Total equity	1,265,582	1,244,848	1.7%	20,734

Non-current liabilities

	30-Sep-18	31-Dec-17	% Change	Abs. change
Loans and borrowings	1,382,700	1,374,363	0.6%	8,337
Advances received from the Government	46,593	46,594	0.0%	-1
Total non-current liabilities	1,429,293	1,420,957	0.6%	8,336

Current liabilities

	30-Sep-18	31-Dec-17	% Change	Abs. change
Loans and borrowings	34,626	58,809	-41.1%	-24,183
Trade and other payables	131,258	112,221	17.0%	19,037
Liabilities to the Government	5,317	7,592	-30.0%	-2,274
Provisions	7,900	7,953	-0.7%	-53
Other current liabilities	8,547	9,857	-13.3%	-1,310
Dividends payable	-476	0	-100.0%	-476
Current tax liabilities	3,369	0	100.0%	3,369
Total current liabilities	190,542	196,432	-3.0%	-5,891
Total liabilities	1,619,835	1,617,389	0.2%	2,446
Total equity and liabilities	2,885,416	2,862,237	0.8%	23,179

Significant Changes

Loans and borrowings (LT)

- Increase in long-term borrowings, mainly due to debt revaluation.
- GEL 5.3 million principal payment of long-term debt issued for acquisition of four new passenger trains.

Trade and other payables

- Increase in payables mainly due to the new agreement on modernization project, according to which, GR renegotiated with Chinese partner on bulk payments before completion of project and rest of the payables will be paid within two years after project is finalized.

Economic
Overview

GR Today



Financial
Results

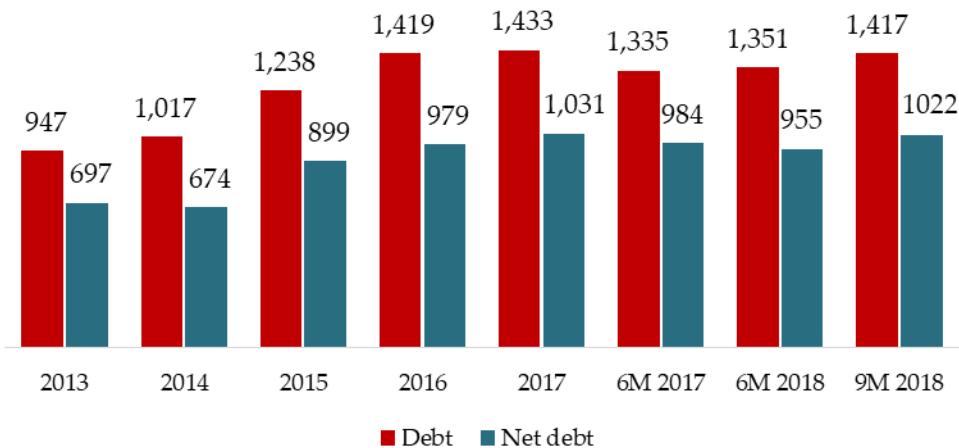
Liquidity
Position

(in GEL million)	30-September-18 Amount
Cash and Bank Deposits	
Cash and Cash Equivalents	235.5
Available credit lines	159.9
Debt	
Total Indebtedness	1,417.3
Net Debt	1,021.9

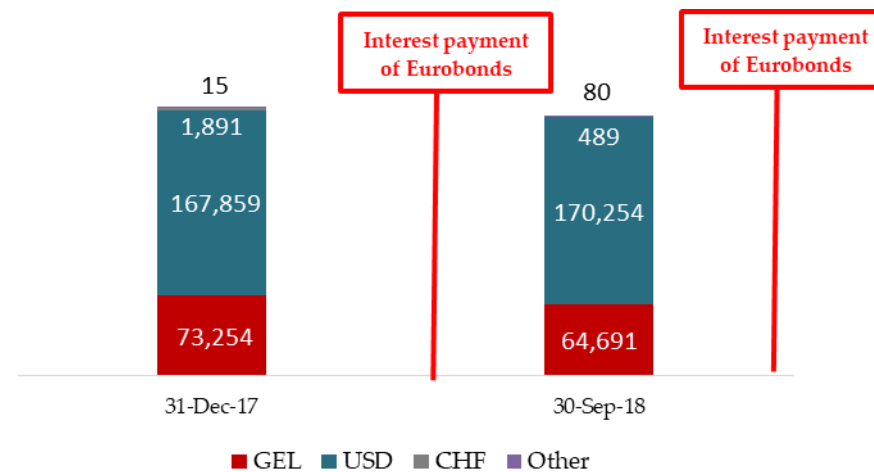
Current Net Debt Position

- GR's debt balances include Eurobonds issued in 2012 and additional borrowing from Credit Suisse drawn in 2016 and 2017;
- Gross debt as at 30 September 2018 has increased by 5% compared to 30 September 2017.
- Cash balances and undrawn credit facilities offset Gross debt;

Debt (in GEL million) as for 30 September 2018



Cash and cash equivalents In GEL '000



Cash Position as at 30 September 2018

<i>in GEL '000</i>	30-Sep-18
GEL	64,690
USD	170,254
CHF	489
Other	80
Total	235,515

Liquidity & Solvency Ratios

Liquidity

<u>Current Ratio</u>	1.71
<u>Quick Ratio</u>	1.54
<u>Cash Ratio</u>	1.24

Solvency

<u>Net Debt to EBITDA</u>	4.82
<u>Debt to Equity</u>	1.12
<u>Debt to Assets</u>	0.49

Undrawn Credit Lines as at 30 September 2018

GEL	USD	GEL eqv.
37,000	47,000	159,910

Net Debt to EBITDA – Sensitivity Analysis



2018

EBITDA '000

		150,000	200,000	250,000	300,000	350,000
GEL / USD	2.40	6.45	4.58	3.46	2.71	2.17
	2.50	6.81	4.85	3.67	2.89	2.33
	2.60	7.18	5.12	3.89	3.07	2.48
	2.70	7.54	5.39	4.11	3.25	2.64
	2.80	7.9	5.66	4.32	3.43	2.79

