

Financial and non-financial highlights

Revenue

<u>Q4 2019</u>	<u>FY 2019</u>
126,874	491,038
+15% from Q4 2018 -5% from Q3 2019	+16% from FY 2018

Results from operating activities

<u>Q4 2019</u>	<u>FY 2019</u>
19,114	108,215
-36.2x from Q4 2018 1.4x from Q3 2019	-6.0x from FY 2018

EBITDA

<u>Q4 2019</u>	<u>FY 2019</u>
46,619	223,178
+29% from Q4 2018 -36% from Q3 2019	+30% from FY 2018

EBITDA margin

<u>Q4 2019</u>	<u>FY 2019</u>
36.7%	45.5%
+4 points from Q4 2018 -18 points from Q3 2019	+5 points from FY 2018

Adjusted EBITDA

<u>Q4 2019</u>	<u>FY 2019</u>
48,427	216,224
+42% from Q4 2018 -29% from Q3 2019	+38% from FY 2018

Adjusted EBITDA margin

<u>Q4 2019</u>	<u>FY 2019</u>
38.2%	44.0%
+7 points from Q4 2018 -13 points from Q3 2019	+7 points from FY 2018

Net Cash investment in PP&E

<u>Q4 2019</u>	<u>FY 2019</u>
29,893	98,316
+188% from Q4 2018 +22% from Q3 2019	+13% from FY 2018

Net debt to EBITDA

<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
5.20	6.19
6.93 as at 30 Sep 2019	

Main developments in 2019

- Freight volume increased by 9 percent;
- In 2019 Fitch affirmed Long-term outlook to “stable” from “positive” and affirmed “BB-” rating to “BB-” with stable outlook, “S&P” affirmed “B+” rating and revised outlook to “developing” from “positive”.

Table of Contents

1. Profit or Loss Statement	3
1.1 Revenue	4
1.2 Other income	22
1.3 Operating expenses	22
1.4 Finance income and cost	33
1.5 Income tax expense/benefit	34
2. Balance Sheet	35
2.1 Non-current assets	35
2.2 Current assets	35
2.3 Equity	36
2.4 Non-current liabilities	36
2.5 Current liabilities	37
3. Cash Flow Statement	38
3.1 Operating activities	38
3.2 Investing activities	38
3.3 Financing activities	39
Appendix	40

1. Profit or Loss Statement

Profit and loss statement

For the year ended 31 December

GEL '000	Q4 2019	Q4 2018	y-o-y	Q3 2019	q-o-q	2019	2018	y-o-y % change	y-o-y Abs. change
Revenue	126,874	110,395	14.9%	133,970	-5.3%	491,038	424,614	15.6%	66,423
Other income	-478	2,062	-123.2%	5,373	-108.9%	12,751	19,512	-34.6%	-6,761
Impairment loss on property, plant and equipment	0	-691,387	-100.0%	0	0.0%	0	-691,387	-100.0%	691,387
Impairment loss on trade receivables	-11,210	-12,017	-6.7%	-22,476	-50.1%	-33,729	-12,017	180.7%	-21,712
Employee benefits expense	-43,253	-44,058	-1.8%	-37,429	15.6%	-160,561	-154,338	4.0%	-6,223
Depreciation and amortization	-16,295	-25,182	-35.3%	-23,574	-30.9%	-81,235	-113,804	-28.6%	32,569
Electricity, consumables and maintenance costs	-14,117	-10,805	30.7%	-11,790	19.7%	-47,921	-43,708	9.6%	-4,213
Other expenses	-22,406	-21,522	4.1%	-16,795	33.4%	-72,128	-73,758	-2.2%	1,630
Result from operating activities	19,114	-692,512	-102.8%	27,279	-29.9%	108,215	-644,886	-116.8%	753,101
Net finance income/loss	39,073	-42,650	-191.6%	-49,636	-178.7%	-113,282	-70,484	60.7%	-42,797
Profit before income tax	58,187	-735,163	-107.9%	-22,357	-360.3%	-5,067	-715,370	-99.3%	710,304
Income tax expense(benefit)	91	377	-75.9%	-90	-201.7%	-519	-1,169	-55.6%	650
Profit and total comprehensive income	58,278	-734,785	-107.9%	-22,447	-359.6%	-5,586	-716,539	-99.2%	710,954
EBITDA	46,619	36,074	29.2%	73,329	-36.4%	223,178	172,322	29.5%	50,856
EBITDA margin	36.74%	32.7%	NA	54.74%	NA	45.45%	40.58%	NA	4.9%
Adjusted EBITDA	48,427	34,235	41.5%	68,082	-28.9%	216,224	156,846	37.9%	59,378
Adjusted EBITDA Margin	38.17%	31.01%	NA	50.82%	NA	44.03%	36.94%	NA	7.1%

*During the second half of 2019, there was an accounting adjustment in the Other income category, resulting in negative non-continuing income.

1.1 Revenue

Most of the Group's revenue (about 63 percent in 2019) is derived from freight transportation. Thus, the Group's results are particularly sensitive to cargo flows. These mainly comprise transit shipments, which accounted for about 66 percent of freight transportation revenue in 2019. The transit transportation volume mainly comes from trade between Europe and Central Asia.

Revenue breakdown

For the year ended 31 December

In GEL '000

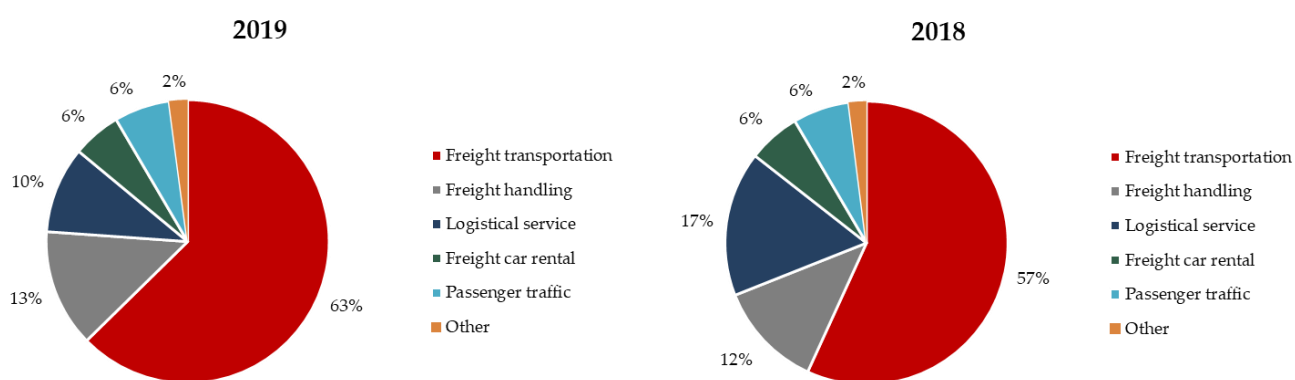
	Q4 2019	Q4 2018	y-o-y	Q3 2019	q-o-q	2019	2018	% Change	% Change at constant currency	Abs. Change
Freight transportation*	80,873	64,693	25.0%	79,405	1.8%	308,515	241,313	27.8%	15.0%	67,201
Freight handling*	18,630	13,855	34.5%	16,649	11.9%	65,398	51,650	26.6%	13.9%	13,748
Logistical service*	10,129	17,334	-41.6%	15,702	-35.5%	48,814	70,318	-30.6%	-37.6%	-21,504
Freight car cross-border charge	7,711	6,839	12.8%	5,557	38.8%	27,240	25,362	7.4%	-3.4%	1,879
Passenger traffic	5,804	4,941	17.5%	13,992	-58.5%	31,138	27,404	13.6%	2.2%	3,734
Other	1,657	2,732	-39.4%	2,664	-37.8%	9,932	8,567	15.9%	4.2%	1,365
Revenue	124,803	110,395	13.1%	133,969	-6.8%	491,037	424,615	15.6%	4.0%	66,422
Other income	-478	1,971	-124.2%	5,373	-108.9%	12,751	19,512	-34.6%	-41.2%	-6,761
Freight transportation	82,942	64,693	28.2%	79,405	4.5%	308,515	241,313	27.8%	15.0%	67,201
Liquid cargoes	35,577	24,009	48.2%	31,801	11.9%	126,722	100,146	26.5%	13.8%	26,577
Oil products	35,500	22,940	54.8%	31,646	12.2%	126,269	96,226	31.2%	18.0%	30,043
Crude oil	77	1,068	-92.8%	155	-50.4%	454	3,920	-88.4%	-89.6%	-3,466
Dry cargoes	47,365	40,685	16.4%	47,604	-0.5%	181,792	141,168	28.8%	15.8%	40,624
Ores	10,400	7,161	45.2%	11,003	-5.5%	39,169	28,229	38.8%	24.8%	10,939
Grain	2,920	1,937	50.7%	3,710	-21.3%	8,930	7,692	16.1%	4.4%	1,238
Ferrous metals and scrap	2,640	3,486	-24.3%	2,606	1.3%	9,683	9,802	-1.2%	-11.2%	-120
Sugar	1,403	4,153	-66.2%	2,992	-53.1%	13,926	11,309	23.1%	10.7%	2,617
Chemicals and fertilizers	5,724	3,143	82.1%	2,402	138.3%	16,416	13,711	19.7%	7.7%	2,705
Construction freight	1,925	1,877	2.5%	1,877	2.6%	8,531	6,693	27.5%	14.6%	1,838
Industrial freight	1,925	1,432	34.4%	2,209	-12.9%	7,557	5,450	38.7%	24.7%	2,107
Cement	274	229	20.0%	609	-54.9%	1,961	1,520	29.0%	16.0%	441
Other	20,155	17,266	16.7%	20,197	-0.2%	75,619	56,761	33.2%	19.8%	18,859
Freight turnover (million ton-km)	827	636	29.9%	719	15.1%	2,909	2,571	13.1%	NA	338
Revenue / ton-km (in Tetri)	10.03	10.17	-1.3%	11.05	-9.2%	10.61	9.39	13.0%	1.6%	1.22

* For better presentation, we have separated "logistic services" from "freight transportation" and "freight handling". "Logistic services" represents revenue generated by freight forwarding subsidiaries.

The majority of GR's freight volumes were transported from or to Azerbaijan (about 16 percent and 9 percent of transportation revenue in 2019, respectively). Besides, the share of freight traffic from Russia and to Armenia is significant (about 18 percent and 7 percent of transportation revenue in 2019, respectively). Other significant trade partners for the Company in 2018 were Turkmenistan, Ukraine and Kazakhstan (together generating 15 percent of transportation revenue in 2019). About 16 percent of total transportation revenue in 2019 was generated by domestic transportation.

Revenue breakdown

The following charts represent revenue breakdown for full year of 2019 and 2018:



Freight transportation

The Group's freight transportation revenue consists of liquid and dry cargoes. The split between liquid and dry cargo revenue in 2018 was about 41 percent and 59 percent, respectively.

Transportation revenue depends on multiple factors, some of which are stated here:

Transportation volume – measured in tons transported.

Transportation turnover – measured in ton-kilometers, which is the product of tons transported and the distance covered.

Revenue per ton-kilometer – the term refers to the average revenue that the Group receives per ton-kilometer. This parameter varies for different types of cargo and largely depends on the cargo type mix and transportation direction mix.

- Cargo type mix – the Group transports different cargo categories (such as grain, ore, sugar etc.). These categories themselves are comprised of many sub-categories, each of which has different tariffs. Therefore, while the actual tariffs for cargo sub-categories may remain the same, the average revenue per ton-kilometer of a main cargo category may still change due to changes in the sub-category mix.
- Transportation direction mix – tariffs differ according to freight origins and directions, as stated in the Group's tariff policy. Thus, when the tariffs for different cargo sub-categories and

the sub-category mix remain the same, the average revenue per ton-kilometer may still change because of the change in the transportation direction mix.

GEL/USD exchange rate – one important issue in analyzing the performance of the Group is the fact that most of its tariffs are denominated in USD. As the Group reports its revenue in GEL, the changes in the GEL/USD exchange rate can have a significant impact on the Group’s profitability, as most of its expenses are denominated in Georgian Lari.

Average rates

	Q4 2019	Q4 2018	% Change	Q3 2019	% Change	2019	2018	% Change
USD	2.95	2.68	10.11%	2.92	10.41%	2.82	2.53	11.21%
CHF	2.98	2.69	10.72%	2.96	10.72%	2.84	2.59	9.44%

Reporting date spot rates

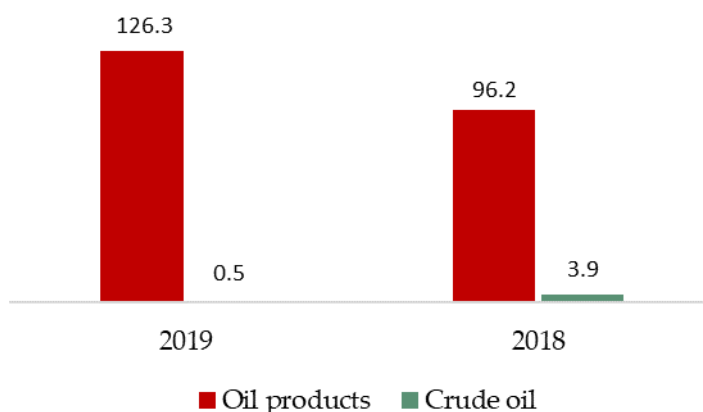
	31-Dec-19	31-Dec-18	% Change	30-Sep-19	% Change	31-Dec-17
USD	2.87	2.68	7.14%	2.96	-2.96%	2.59
CHF	2.95	2.73	8.14%	2.98	-0.90%	2.66

Liquid cargo

One of the key drivers of liquid freight traffic is the production of oil and related products in the Caspian region, which has large oil reserves. In 2019, about 51 percent of crude oil and oil products were transported from three Caspian region countries (Kazakhstan, Turkmenistan and Azerbaijan) mostly to European countries and Georgia.

Most of the Group’s liquid cargo revenue comes from oil products.

Breakdown of liquid cargo revenue in GEL mm



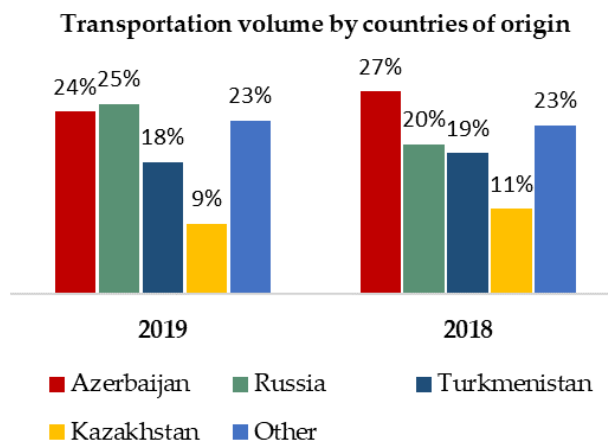
Oil products

Revenue from the transportation of oil products for Q4 2019 increased by 55 percent, compared to Q4 2018 and by 12 percent, compared to Q3 2019.

Main directions of cargo

Oil products are currently the main component of liquid cargo (99.6 percent of the transportation volume of liquid cargo in 2019). They are mainly transported by rail, as there is practically no competition from pipelines.

Oil products transported by the Group during 2019 mainly originated from Azerbaijan, Turkmenistan, Russia and Kazakhstan, with changes in the transportation direction mix compared to the same period of 2018. The shares of Azerbaijan, Turkmenistan and Kazakhstan were down by 3 percent, 1 percent and 2 percent, respectively, while the share of Russia increased by 5 percent in total oil products transported by the Group.



Oil Products

For the year ended 31 December

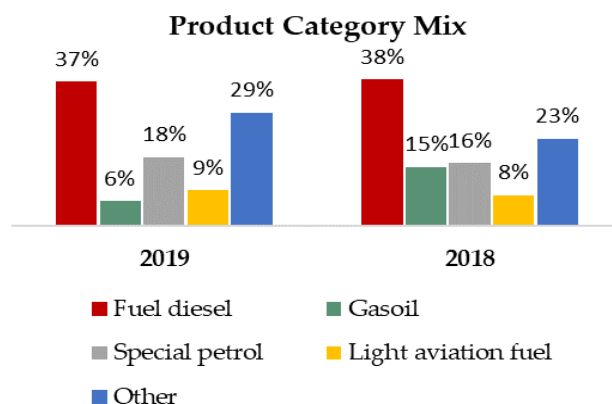
	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	126.27	96.23	31.2%	18.0%
Freight volume (million ton)	3.06	2.97	3.0%	NA
Freight turnover (million ton-km)	892.79	857.28	4.1%	NA
Revenue / ton-km (in Tetri)	14.14	11.22	26.0%	13.3%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 4 percent increase in transportation turnover was mainly driven by increased transported volume by 3 percent, which was largely caused by increased volumes from Russia by 180,000 tons.

Revenue/ton-km (in Tetri) - an increase 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 the product category mix. The shares of fuel diesel, special petrol and aviation light fuel (which are relatively more profitable products) have increased and the share of gasoil (which is a relatively less profitable product) has decreased in total oil products transported by Georgian Railway.

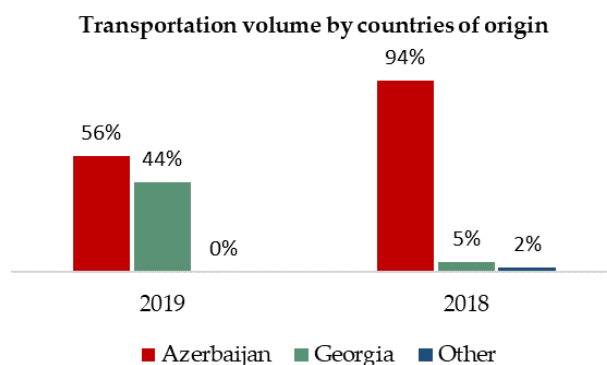


Crude oil

Revenue from the transportation of crude oil for Q4 2019 decreased by 93 percent, compared to Q4 2018 and by 50 percent, compared to Q3 2019.

Main directions of cargo

The crude oil transported by Georgian Railway during 2019 originated from Azerbaijan (about 56 percent) and from Georgia (about 44 percent). The main country of destination in 2019 was Georgia.



Crude Oil

For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL'000)	0.45	3.92	-88.4%	-89.6%
Freight volume (ton '000)	0.01	0.17	-91.7%	NA
Freight turnover (million ton-km)	3.77	65.69	-94.3%	NA
Revenue / ton-km (in Tetri)	12.03	5.97	101.7%	81.4%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 94 percent decrease in transportation turnover was caused by decreased volumes from Azerbaijan by 149,000 tons.

Revenue/ton-km (in Tetri) – a 81 percent increase in average revenue per ton-kilometer at constant currency during the period under review, compared to the same period of the previous year was driven by high tariffs put on domestic transportation.

Dry cargo

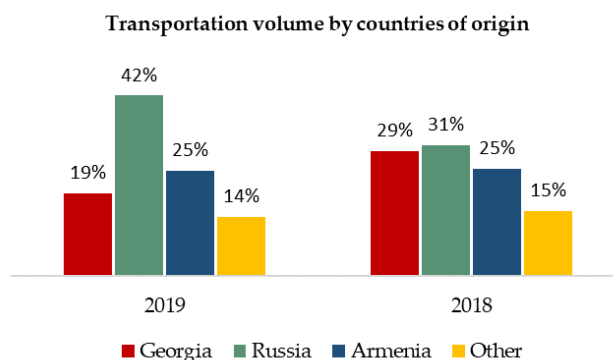
Dry cargo contributed about 59 percent of total transportation revenue in 2019. The major factors driving the transportation of dry cargo are general national economic conditions and economic developments in Georgia and in partnering countries such as Azerbaijan, Armenia, Turkmenistan, Kazakhstan and other CIS countries.

Ore products

Revenue from the transportation of ore products for Q4 2019 increased by 45 percent, compared to Q4 2018 but decreased by 6 percent, compared to Q3 2019.

Main directions of cargo

The main origin countries for ore products during the period under review were Georgia, Armenia and Russia. The main destination points of ore products transported by the Group are Georgia, Cyprus and Bulgaria. Ore products transported by the Group in 2019 mostly comprise coal (about 36 percent), copper ores and concentrates (about 28 percent) and manganese ores and concentrates (about 18 percent).



Ores

For the year ended 31 December

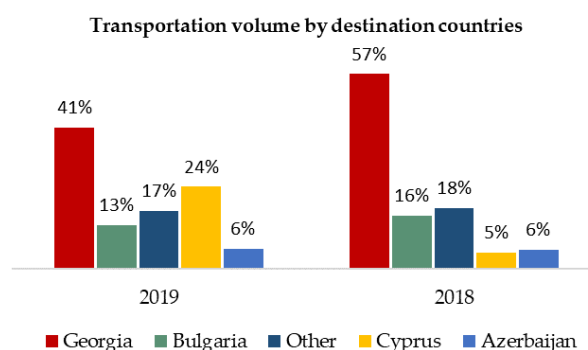
	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	39.17	28.23	38.8%	24.8%
Freight volume (million ton)	2.02	1.58	28.0%	NA
Freight turnover (million ton-km)	506.21	326.71	54.9%	NA
Revenue / ton-km (in Tetri)	7.74	8.64	-10.4%	-19.5%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – an increase in freight transportation turnover was mainly due to increases in transported volumes from Russia and Armenia, by 370,000 tons and 102,000 tons, respectively.

Revenue/ton-km (in Tetri) – the average revenue per ton-kilometer in 2019 decreased by 10 percent, compared to 2018. This decrease was mainly due to the product direction mix and product category mix. The transported share of volumes from Georgia and Brazil (more profitable directions) decreased and the transportation of more profitable products, such as coal, decreased significantly.

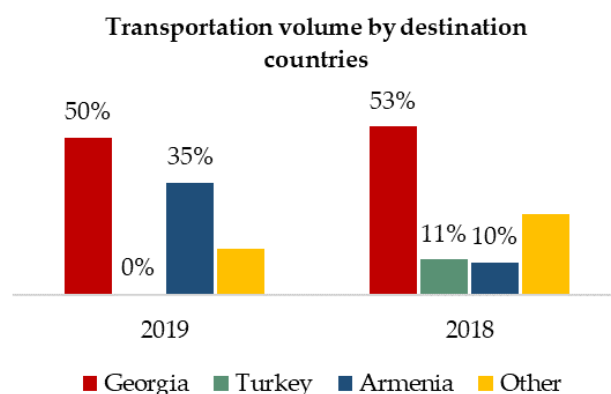


Grain and grain products

Revenue from the transportation of grain and grain products for Q4 2019 increased by 51 percent, compared to Q4 2018, but decreased by 21 percent, compared to Q3 2019.

Main directions of cargo

The transportation volume of wheat represents about 84 percent of total grain and grain products transported in 2019. The main country of origin for grain and grain products during the period under review, were Russia and Kazakhstan, by 61 percent and 21 percent, respectively. The main destination countries were Georgia and Armenia.



Grain and grain products

For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	8.93	7.69	16.1%	4.4%
Freight volume (million ton)	0.42	0.47	-10.7%	NA
Freight turnover (million ton-km)	98.03	102.75	-4.6%	NA
Revenue / ton-km (in Tetri)	9.11	7.49	21.7%	9.4%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a decrease in freight turnover by 11 percent was mainly caused by the decreased transported volumes from Kazakhstan by 131,000 tons and to Georgia and Turkey together representing 93,000 tons.

Revenue/ton-km (in Tetri) – a 22 percent increase in average revenue per ton-kilometer was driven by a change in the product direction mix and product category mix. The transportation share from Russia, which is a relatively more profitable direction, has seen a considerable increase during 2019, compared to the same period of 2018. Meanwhile, the transportation of wheat and meslin, which is a relatively more profitable product, has increased.

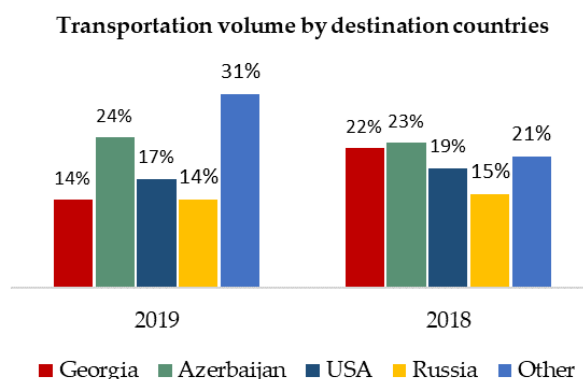
Ferrous metals and scrap

Revenue from the transportation of ferrous metals and scrap for Q4 2019 decreased by 24 percent, compared to Q4 2018 and by 1 percent to Q3 2019.

Main directions of cargo

The main destination countries for ferrous metals and scrap during the period under review were Georgia, Azerbaijan, USA and Russia, together representing 69 percent of the total volume transported in 2019.

Ferrous metals and scrap transported by the Group during 2019 mainly originated from Georgia, China and Ukraine.



Ferrous metals and scrap

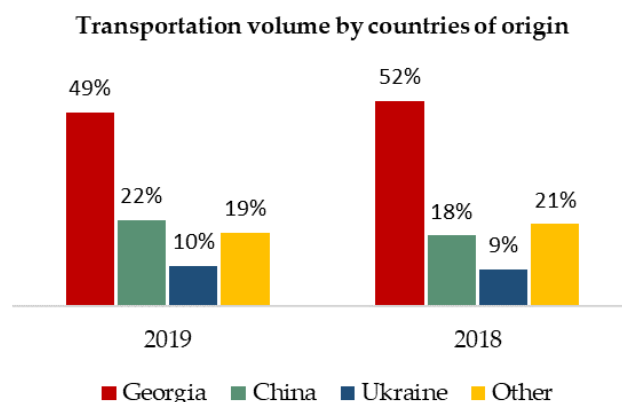
For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	9.68	9.80	-1.2%	1.2%
Freight volume (million ton)	0.52	0.55	-4.6%	NA
Freight turnover (million ton-km)	120.67	119.03	1.4%	NA
Revenue / ton-km (in Tetri)	8.02	8.24	-2.6%	-0.2%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 1 percent increase in freight turnover was mainly caused by a rise in average transportation distance, which was on its own driven by an increased share of freight transported to China and Ukraine (which cover longer distances) to 22 percent and to 10 percent, respectively in total volume transported, while the share of freight transported to Georgia (which covers a shorter distance) has decreased from 52 to 49 percent in 2019, compared to 2018.



Revenue/ton-km (in Tetri) – a decrease in average

revenue per ton-kilometer was mainly driven by changes in the product category mix. The share of rails (which is a relatively more profitable product) has decreased in total ferrous metals and scrap

transported by the Group, while the share of flat products (which are relatively less profitable products) has increased.

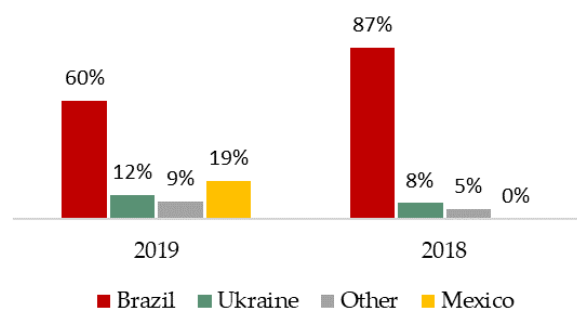
Sugar

Revenue from the transportation of sugar for Q4 2019 decreased by 66 percent, compared to Q4 2018 and by 53 percent, compared to Q3 2019.

Main directions of cargo

Brazil was the main country of origin for transported volumes of sugar in 2019 and 2018, with a share of 60 percent and 87 percent, respectively. There was also a significant increase in transportation of sugar from Mexico, by 63,000 tons in 2019. The main destination countries of sugar were Azerbaijan, Georgia and Armenia (consisting of 92 percent of total volume transported by the Group).

Transportation volume by countries of origin



Sugar

For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	13.93	11.31	23.1%	10.7%
Freight volume (million ton)	0.33	0.36	-8.1%	NA
Freight turnover (million ton-km)	120.19	128.53	-6.5%	NA
Revenue / ton-km (in Tetri)	11.59	8.80	31.7%	18.4%

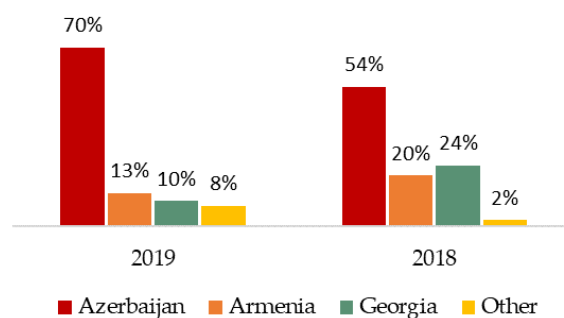
* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 7 percent decrease in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by the reduced transportation of sugar from Brazil by 115,000 tons.

Revenue/ton-km (in Tetri) – an increase in average revenue per ton-kilometer was mainly caused by increased average tariffs to Azerbaijan, Armenia and Georgia (which are more profitable directions).

Transportation volume by destination countries



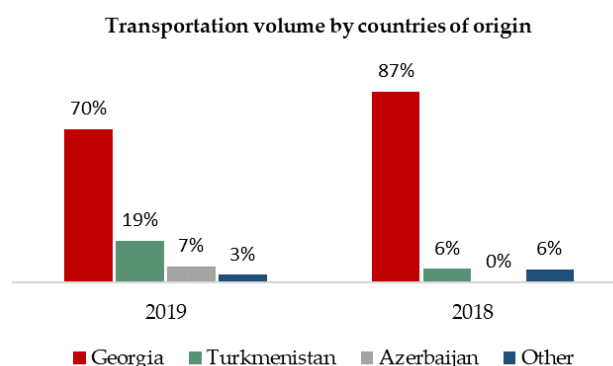
Another reason was the change in the product category mix. The share of white sugar (a relatively more profitable product) has increased significantly in total sugar transportation volume.

Chemicals and fertilizers

Revenue from the transportation of chemicals and fertilizers for Q4 2019 increased by 82 percent, compared to Q4 2018, and by about 138 percent, compared to Q3 2019.

Main directions of cargo

The main countries of origin for transported volumes for chemicals and fertilizers during the period under review were Georgia, Turkmenistan and Azerbaijan, together contributing 97 percent of total volume transported in 2019. Chemicals and fertilizers were mainly transported to Black Sea ports. In 2019, the Group mainly transported ammonium nitrate and urea under the chemicals and fertilizers freight category, with 71 percent and 19 percent of total share, respectively.



Chemicals and fertilizers

For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	16.42	13.71	19.7%	7.7%
Freight volume (million ton)	0.72	0.55	30.4%	NA
Freight turnover (million ton-km)	220.79	193.97	13.8%	NA
Revenue / ton-km (in Tetri)	7.44	7.07	5.2%	-5.4%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 14 percent increase in transportation turnover during 2019, compared to 2018, was mainly driven by a significant increase of freight volumes from Turkmenistan and Azerbaijan, by 102,000 tons and 51,000 tons, respectively.

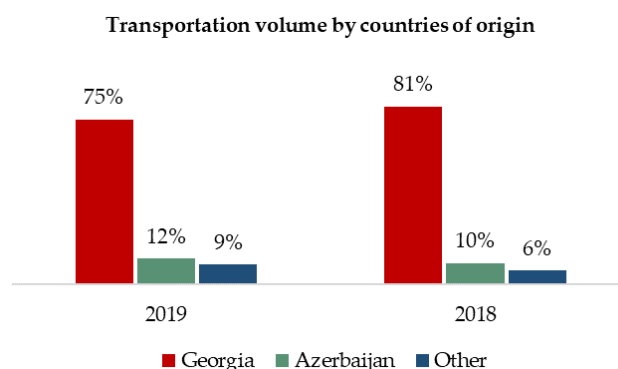
Revenue/ton-km (in Tetri) – an increase in average revenue per ton-kilometer was mainly due to changes in the product category mix. The average revenue per ton-kilometer for ammonium nitrate and urea (which are relatively more profitable products) has increased.

Construction freight

Revenue from the transportation of construction freight for Q4 2019 increased by 3 percent, compared to Q4 2018 and by the same percent, compared to Q3 2019.

Main directions of cargo

Transportation of construction freight correlates with the activities of the construction sector in Georgia. The share of construction freight transported within Georgia was about 75 percent. The second largest country of origin after Georgia in 2019 and 2018 was Azerbaijan, with 12 percent and 10 percent of total transported volume of construction freight, respectively. The main product under the construction freight category was limestone with 59 percent of the share of total volume in 2019, compared to 61 percent in 2018.



Construction freight

For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	8.53	6.69	27.5%	123.1%
Freight volume (million ton)	1.03	1.17	-12.3%	NA
Freight turnover (million ton-km)	155.40	163.62	-5.0%	NA
Revenue / ton-km (in Tetri)	5.49	4.09	34.2%	134.9%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 5 percent decrease in transportation turnover was mainly driven by decreased volumes of limestone (by 105,000 tons) and crushed stone (by 25,000 tons).

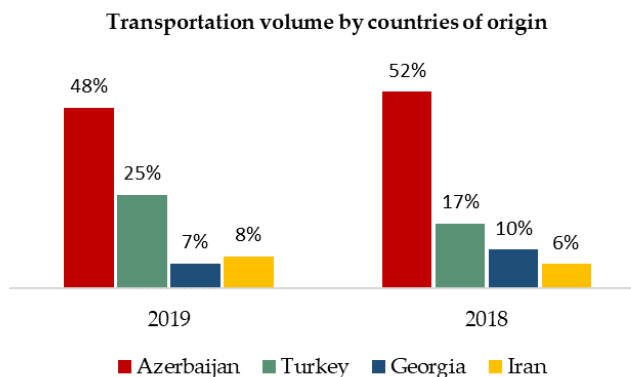
Revenue/ton-km (in Tetri) – an increase in average revenue per ton-kilometer was mainly due to an increased share of more profitable products, such as gypsum, as well as an increased share of more profitable routes, such as Azerbaijan, Germany and Iran.

Industrial freight

Revenue from the transportation of industrial freight for Q4 2019 increased by 34 percent, compared to Q4 2018, but decreased by 13 percent, compared to Q3 2019.

Main directions of cargo

The main country of origin for total transported volume of industrial freight during 2019 was Azerbaijan and Georgia with 48 percent and 25 percent of the share, respectively. A significant part of the cargo (92 percent of the total volume transported) was directed to Georgia, Armenia and Azerbaijan. In 2019, the Group mainly transported cement clinker under the industrial freight category, with 70 percent of the total share.



Industrial freight

For the year ended 31 December

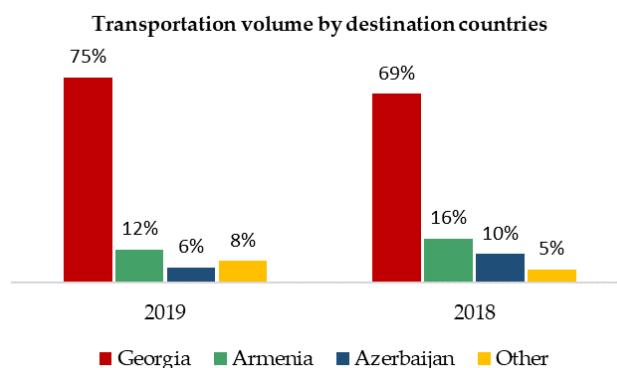
	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	7.56	5.45	38.7%	54.3%
Freight volume (million ton)	0.46	0.41	11.7%	NA
Freight turnover (million ton-km)	89.51	65.84	36.0%	NA
Revenue / ton-km (in Tetri)	8.44	8.28	2.0%	13.5%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 36 percent upturn in transportation turnover was driven by increased volume by 12 percent, mainly caused by a significant rise in the volume amount transported to Georgia by 60,000 tons.

Revenue/ton-km (in Tetri) – an increase in the average revenue per ton-kilometer was mainly due to changes in the product category mix and product direction mix. The share of the transported volume to a relatively more profitable direction, such as Georgia, in total transported volume has increased, while the share of relatively less profitable directions (e.g. Armenia, Italy) has decreased. The share of relatively more profitable products, such as cement clinker in total transported volume was up from 61 percent in 2018 to 70 percent in 2019, while the share of barite (a less profitable product) has decreased.

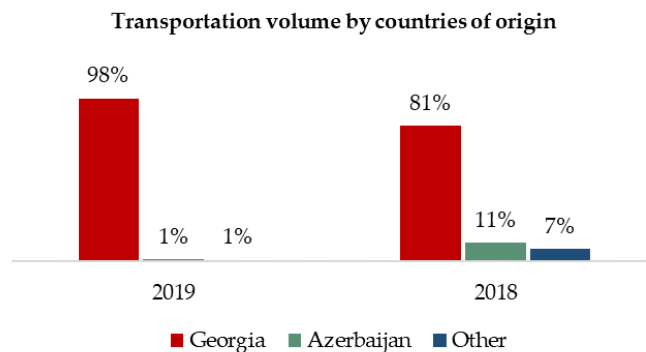


Cement

Revenue from the transportation of cement for Q4 2019 increased by 20 percent, compared to Q4 2018, but decreased by 55 percent, compared to Q3 2019.

Main directions of cargo

Cement is mainly transported within Georgia, the share of which rose from 81 percent in 2018 to 98 percent in 2019. This increase in the proportion was caused by the increased volume transported from Georgia, by 14,000 tons, which was notably offset by the decreased volume amount from Azerbaijan by 12,000 tons.



Cement

For the year ended 31 December

	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	1.96	1.52	29.0%	16.0%
Freight volume (million ton)	0.11	0.12	-4.9%	NA
Freight turnover (million ton-km)	27.63	25.41	8.7%	NA
Revenue / ton-km (in Tetri)	7.10	5.98	18.6%	6.7%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – transportation turnover has increased by 9 percent. Transported volume has decreased by 5 percent (caused by decreased transportation from Azerbaijan, by 12,000 tons). This disproportional change was mainly due to increased average transportation distance in 2019.

Revenue/ton-km (in Tetri) – an 19 percent increase in average revenue per ton-kilometer was caused by a significant increased share of cement originated from Georgia in total transportation volume during 2019.

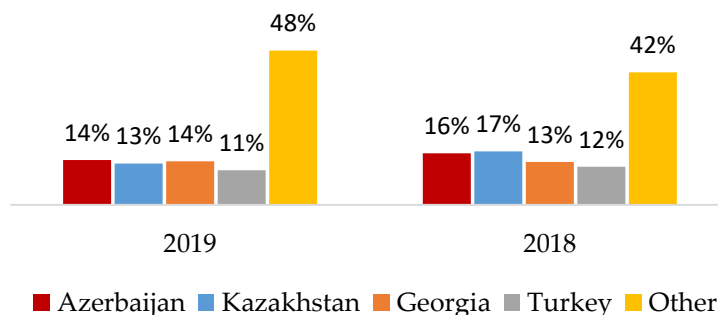
Other product categories

Revenue from the transportation of other product category for Q4 2019 increased by 17 percent, compared to Q4 2018 but remained at about the same level, compared to Q3 2019.

Main directions of cargo

The main origin countries for other product categories in 2019 were Azerbaijan, Georgia, Ukraine, USA and China. The cargo was mainly directed to Azerbaijan, Kazakhstan, Georgia, and Turkey. The main products transported in 2019 were methanol (about 18 percent of total volume), mineral waters (about 8 percent of total volume) and meat products (about 7 percent of total volume).

Transportation volume by destination countries



Other products

For the year ended 31 December

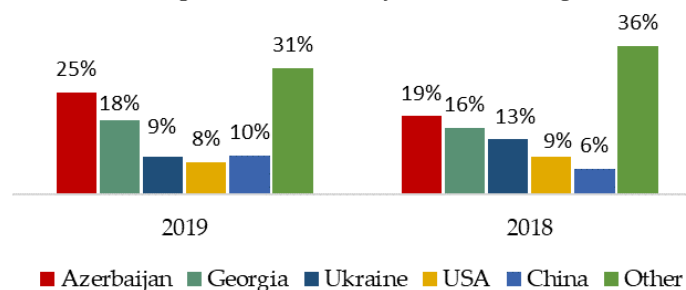
	2019	2018	% Change	% Change at constant currency
Revenue (GEL million)	75.62	56.76	33.2%	19.8%
Freight volume (million ton)	2.17	1.65	31.2%	NA
Freight turnover (million ton-km)	674.00	522.29	29.0%	NA
Revenue / ton-km (in Tetri)	11.22	10.87	3.2%	-7.2%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 31 percent increase in transportation turnover was mainly driven by increased volumes transported from Azerbaijan, Georgia and China by 222,000 tons, 124,000 tons and 103,000 tons, respectively. Another reason was an increase in total transportation distance caused by changes in the transportation direction mix.

Transportation volume by countries of origin



Revenue/ton-km (in Tetri) – an increase in average revenue per ton-kilometer was mainly driven by changes in the product direction mix. The shares of Azerbaijan and Georgia (a relatively more profitable directions) have increased, while the share of Ukraine (a relatively less profitable direction) has decreased in total volumes transported.

Freight handling

General description

Revenue from freight comprises several components:

- Revenue from station services, derived from railcar marshaling, freight pick-up, delivery at customer facilities and other related services;
- Revenue from 24-hour railcar delays, which is represented by a fee paid by customers for failing to load or unload a railcar within 24 hours from delivery of railcar at an agreed destination;
- Revenue from certain other services, derived from cargo loading/unloading, storage, accelerated service fees and other sources.

Currency and tariff setting

Most of the freight handling revenue, about 79 percent in 2019, was denominated in USD, while the rest was denominated in GEL (21 percent). The Group sets its tariffs independently.

Driver

The revenue from this source largely fluctuated in line with transportation volumes in tons. The correlation, however, is not perfect as there are many influential factors.

Freight handling

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Station services	52,204	43,782	19.2%	8,422
24-hour service	9,248	4,319	114.1%	4,929
Other	3,946	3,549	11.2%	397
Total	65,398	51,650	26.6%	13,748

Revenue from freight handling for Q4 2019 increased by 35 percent, compared to Q4 2018 and by 12 percent, compared to Q3 2019.

Factors influencing performance

A 27 percent increase in revenue from freight handling during the period under review, compared to the same period of the previous year, was mainly driven by a significant increase in station services and 24-hour services.

Logistical services

General description

Revenue from logistical services is generated by GR's subsidiaries.

Currency and tariff setting

Revenue from logistical services is denominated in USD and GEL, with 99 percent and 1 percent, respectively.

Driver

Revenue from this source mainly changes in line with transportation turnover and volumes in tons.

Logistical services

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Revenue from logistical services	48,814	70,318	-30.6%	-21,504

Revenue from logistical services for Q4 2019 decreased by 42 percent, compared to Q4 2018 and by 36 percent, compared to Q3 2019.

Factors influencing performance

A 31 percent decrease in logistical services (GEL 21.5 million) during 2019, compared to 2018, was mainly driven by decreased revenue from oil product transportation of GR's subsidiary company, which was partly offset by increased revenues from another GR's subsidiary company, which serves for container transportation.

Freight car cross-border charge

General description

Freight car cross-border charge revenue is derived when the Group's railcars are used by other railways.

Currency and tariff setting

Revenue from Freight car cross-border charge is denominated in CHF and tariffs are set by the Council for Rail Transport of CIS states (CRT CIS).

Drivers

Freight car cross-border charge revenue changes according to tariffs and the number of days the Group's railcars are used by other railways.

Freight car cross-border charge

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Freight car cross-border charge	27,240	25,362	7.4%	1,873

Freight car cross-border charge revenue for Q4 2019 increased by 13 percent, compared to Q4 2018, and by 39 percent, compared to Q3 2019.

Factors influencing performance

The revenue from Freight car cross-border charge increased by 7 percent (GEL 1.9 million) during the period under review, compared to the same period of 2018. GR's stand-alone revenue from Freight car cross-border charge declined, because of decreased usage of semi-wagons and grain carriers. The increase in the Group's revenue from Freight car cross-border charge came as a result of revenue generated from Freight car cross-border charge of grain carriers by a GR subsidiary company.

In 2018, GR transferred grain carriers to one of its subsidiary companies, which used the majority of transferred railcars for Freight car cross-border charge. As transferred wagons are considered private, it allowed the subsidiary to adjust its tariffs on the market. The share of revenue of its daughter company in total Freight car cross-border charge revenue is 25 percent in 2019, compared to 11 percent in 2018.

Passenger traffic

General description

Passenger transportation comprises domestic and international services. Domestic transportation includes regional and long-distance transportation. Long-distance traffic accounts for the majority of the Group's passenger traffic, while the regional services, in particular suburban services, typically serve the low-income sections of society and fares for such services are low. Georgian rail lines are

linked to Azerbaijan and Armenia, and international transportation services are provided to both countries.

Currency and tariff setting

Tariffs for domestic transportation are set independently by the Group, in GEL. Tariffs are not determined by market forces and are kept relatively low, because the Group's affordable passenger transportation services have social importance. Accordingly, GR may be restricted from removing or reducing services on certain passenger routes, even in cases when such routes are not economically feasible.

Tariffs for international transportation are set through negotiations between countries and are denominated in CHF.

Drivers

Passenger revenue fluctuations are in line with the tariffs and number of passengers transported.

Passenger transportation

For the year ended 31 December

	2019	2018	% Change	Abs. change
Revenue in GEL '000	31,138	27,404	13.63%	3,734
Number of passengers '000	3,027	2,851	6.16%	176

Revenue from passenger transportation for Q4 2019 increased by 18 percent, compared to Q4 2018, but decreased by 59 percent, compared to Q3 2019.

Factors influencing performance

Revenue from passenger transportation increased by 14 percent (GEL 3.7 million) in 2019, compared to 2017, while the number of passengers increased by 6 percent. The higher increase in revenue was driven by a significant rise in the number of passengers on the main line (which is a relatively more profitable direction). The average loading rate of the trains on the main line in 2019 was 72 percent, compared to 68 percent in 2018.

Other revenue

General description

Other revenue is mostly denominated in GEL and comprises items such as revenue from renting out spaces in buildings owned by the Group, the sale of scrap and repair services for third parties.

Other revenue

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
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Revenue from rent	3,371	3,761	-10.4%	-390
Revenue from repair	792	643	23.1%	149
Revenue from sale of materials (scrap)	1,282	1,417	-9.6%	-135
Other	4,488	2,746	63.4%	1,741
Total	9,932	8,568	15.9%	1,365

Other revenue for Q4 2019 decreased by about 39 percent, compared to Q4 2018 and by about 38 percent, compared to Q3 2019.

Factors influencing performance

An increase in other revenue by GEL 1.4 million in 2019, compared to 2018 was mostly attributable to increased income from the sale of goods and materials (except scrap metal) – about GEL 1.3 million.

1.2 Other income

Other income

General description

Other income mostly includes items such as penalties accrued on debtors or creditors, the sale of fixed assets and provision reversals.

In order to better illustrate the operational profitability of the Group, other income is split into two categories: continuing operations (such as penalties on creditors and debtors) and non-continuing operations (such as provision reversals and sale of fixed assets, which are not expected to sustainably reoccur in the future).

Other income

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Continuing operations	4,767	2,786	71.1%	1,981
Non-continuing operations	7,984	16,726	-52.3%	-8,742
Total	12,751	19,512	-34.6%	-6,761

Other income for Q4 2019 decreased by 124 percent, compared to Q4 2018 and by 109 percent, compared to Q3 2019.

Factors influencing performance

Total other income in 2019, compared to the same period of 2018, decreased by about GEL 6.8 million. The decrease in non-continuing operations in 2019, compared to 2018, was driven by a significant decrease in revenue from sales of fixed assets (about GEL 6.0 million) and due to decreased corrections of prior periods (about GEL 1.5 million in 2019). This decrease was partly offset by an increase in other income from continuing operations, due to a rise in other non-operating income.

Operating expenses

General description

Most of the Group's operating expenses are fixed. Variable expenses that depend on the volume of transportation include: Freight car cross-border charge; electricity of traction; fuel expenses; materials, repair and maintenance expenses.

Operating expenses

For the year ended 31 December

In GEL '000

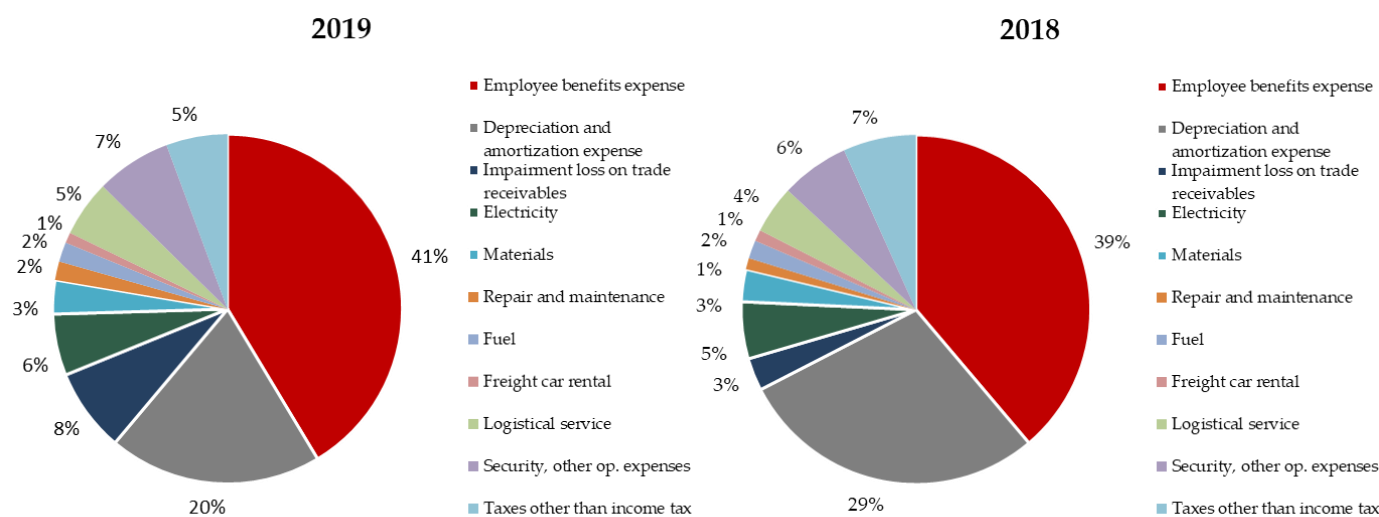
	2019	2018	% Change	Abs. change
Employee benefits expense	160,561	154,338	4.0%	6,223
Depreciation and amortization expense	81,235	113,804	-28.6%	-32,569
Impairment loss on property, plant and equipment	0	691,387	-100.0%	-691,387
Impairment loss on trade receivables	33,729	12,017	180.7%	21,712
Electricity	22,069	20,962	5.3%	1,107
Materials	12,135	11,929	1.7%	206
Repair and maintenance	6,694	4,113	62.7%	2,581
Fuel	7,023	6,704	4.8%	319
Freight car cross-border charge	3,780	4,177	-9.5%	-397
Logistical service	20,182	17,636	14.4%	2,547
Security, other op. expenses	25,941	25,133	3.2%	809
Taxes other than income tax	22,225	26,813	-17.1%	-4,588
Total	395,574	1,089,013	-63.7%	-693,438

Total operating expenses for Q4 2019 decreased by 87 percent, compared to Q4 2018, and by 4 percent, compared to Q3 2019.

Factors influencing performance

A decrease in total operating expenses in 2019, compared to 2018, was mainly driven by impairment loss on property, plant and equipment incurred by impairment of the group's fixed assets in 2018. The decrease incurred in fixed expenses such as depreciation and amortization expenses (by GEL 32.6 million), as well as the taxes other than income tax (by GEL 4.6 million). These decreases were partly offset by an increase in impairment loss on trade receivables (by GEL 21.7 million), employee benefits expenses (by GEL 6.2 million) and electricity, consumables and maintenance costs (by GEL 4.2 million).

The following charts represent the cost structure for 2018 and 2019:



Employee benefits expense

General description

The Group's salary expenses are not related to changes in the transportation volume as employees' salaries are fixed. The salaries are denominated in GEL, thus FX changes do not affect the cost.

Employee benefits expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Salary	118,635	116,793	1.58%	1,842
Bonus-reward	9,783	8,315	17.65%	1,468
Other benefits	32,144	29,230	9.97%	2,914
Total	160,561	154,338	4.03%	6,223

Employee benefits expenses for Q4 2019 decreased by 2 percent, compared to Q4 2018 but increased by 16 percent compared to Q3 2019.

Factors influencing changes

The Group is one of the largest corporate employers and taxpayers in Georgia. This fact underlines its importance for the Government of Georgia along with other important economic and social benefits for the country. Total employee benefits expenses increased by GEL 6.2 million in 2019, compared to 2018.

Salary expenses increased by GEL 1.8 million. Due to a board decision by the Management, from December 2019, the wages of about 11,000 employees increased by 10%.

Bonus-reward were increased by 17.6% in the 2019. A GEL 2.9 million increase in other benefits, was mainly due to funded pension expenses.

A GEL 2.9 million increase in other benefits, was mainly due to funded pension expenses.

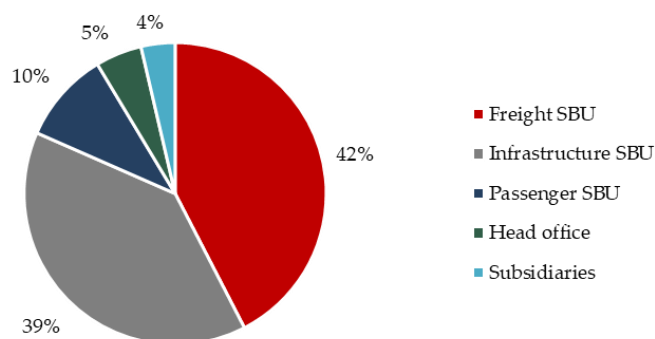
Law on funded pension

The Law on Funded Pension which was introduced in January 2019 regulates relations associated with funded pensions. The relations associated with funded pensions are implemented independently of the state pension and state compensation. Joining the funded pension scheme is mandatory for all employees, in the salary income part, except for employees who have reached the age of 60 (in the case of female employees, the age of 55) before the entry into force of this law. Joining the funded pension scheme is voluntary for all employees who have attained the age of 60 years.

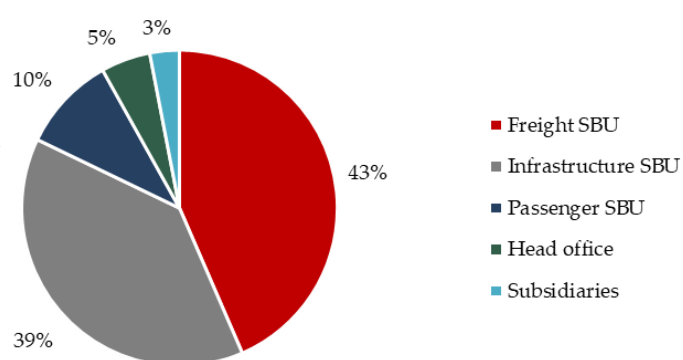
The number of employees (excluding subsidiaries) by the end of 2019 was equal to 12,208 and by the end of 2018, this figure was 12,244.

The following charts show the headcount by strategic business units, head office and subsidiaries of the Company.

Distribution of staff by business units as at the end of 2019



Distribution of staff by business units as at the end of 2018



Depreciation and amortization expenses

General description

The Group's depreciation and amortization expenses are mainly affected by capital additions and property retirements from disposal, sale or abandonment. The expenses are denominated in GEL and thus are not affected by fluctuations in foreign exchange rates.

Depreciation and amortization expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Depreciation and amortization	81,235	113,804	-28.62%	-32,569

Depreciation and amortization expenses for Q4 2019 decreased by 35 percent, compared to Q4 2018 and by 31 percent, compared to Q3 2019.

Factors influencing changes

A decrease of GEL 32.6 million in depreciation and amortization expenses was caused due to the impairment of property, plant and equipment of GEL 691.4 million in 2018.

Electricity expenses

General description

Approximately 97 percent of GR's railway network is electrified. Until September 2011, the company purchased most of its electricity on the open market in Georgia. In 2011, the Company signed a 10-year contract with the electricity provider, JSC Energo-pro Georgia, securing a fixed price for more than 90 percent of its electricity needs (subject to certain circumstances in which these tariffs can be increased). The tariffs are denominated in GEL.

Electricity expenses are split into two categories: electricity expenses of traction, which are driven by transportation turnover (the Group uses electric locomotives for freight transportation and diesel locomotives for shunting operations); and utility expenses which is not related to transportation volume and is normally considered to be fixed.

Electricity expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Electricity expenses of traction	18,533	17,434	6.3%	1,099
Utility expenses	3,536	3,528	0.2%	8
Total	22,069	20,962	5.3%	1,107

Electricity expenses for Q4 2019 increased by 13 percent, compared to Q4 2018 and by 12 percent, compared to Q3 2019.

Factors influencing changes

The increase in electricity expenses in 2019, compared to 2018 by GEL 1.1 million was caused by increased turnover during 2019, compared to the same period of the previous year.

Purchased electricity and weighted average tariff

For the year ended 31 December

	2019			2018		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	11.3	389.4	0.130	10.9	361.4	0.130
February	11.0	413.5	0.130	10.9	416.9	0.130
March	12.3	488.7	0.130	11.5	435.8	0.130
April	11.5	458.7	0.130	11.0	424	0.129
May	10.4	398.4	0.130	10.1	364.3	0.129
June	11.1	437.4	0.130	11.9	481.4	0.129
July	11.7	444.3	0.130	12.8	501.1	0.130
August	12.7	502.4	0.130	11.2	400.5	0.130
September	12.0	458.1	0.130	10.8	386.7	0.130
October	12.4	521.2	0.130	10.5	389.4	0.130
November	12.9	528.3	0.130	11.0	399.7	0.130
December	13.1	522.3	0.130	11.7	423.9	0.130
Total	142.4	5,562.7	0.130	134.4	4,985.0	0.130

Note: The table above includes only electricity consumed of traction

Materials, repair and maintenance expenses

General description

The Group consumes materials for repair works performed internally by its own employees. This consumption is presented under “materials expenses”. However, some repair works are outsourced and are presented under “repair and maintenance expenses”.

The Group’s materials, repair and maintenance expenses are all tied to its rolling stock equipment balance, their utilization level and transportation volume. When the transportation volume and transportation by the Group’s own rolling stock increases, so too do the expenses for materials, repair and maintenance. However, this expense can also be affected by increased capital expenditures on the fleet and infrastructure, which reduces operating expenditures on repairs.

Materials, repair and maintenance expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Materials expenses	12,135	11,929	1.7%	206
Repair and maintenance expenses	6,694	4,113	62.8%	2,581
Total	18,829	16,042	17.4%	2,787

Materials, repair and maintenance expenses for Q4 2019 increased by 77 percent, compared to Q4 2018 and by 33 percent, compared to Q3 2019.

Factors influencing changes

A 17 percent increase in materials, repair and maintenance expenses during 2019, compared to 2018, was mainly driven by more repair works of rolling stock and other facilities, together generating about GEL 2.4 million.

Fuel expenses

General description

The Group's fuel consumption principally relates to diesel locomotives fulfilling shunting operations. It should be noted that the main driver for these operations is dry cargo. In everyday business processes, diesel-locomotives are used for railcar marshaling, freight pick-up and delivery at customer facilities.

Another factor affecting fuel expenses, is the nature of the cargo (whether it is import, export, local or transit), and while transit cargo is mainly served at one of the Group's stations, most local, export and import cargoes are served in two stations (the origin and destination stations).

Fuel expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Fuel expenses	7,023	6,704	4.8%	319

Fuel expenses for Q4 2019 decreased by 4 percent, compared to Q4 2018, but increased by 8 percent, compared to Q3 2019.

Factors influencing changes

Total fuel expenses increased by 5 percent (GEL 0.3 million) in 2019, compared to 2018. This change was mainly caused by an increase in fuel prices.

Freight car cross-border charge expense

General description

Freight car cross-border charge expenses represent short-term rent expenses derived from the usage of other railways' railcars by the Group, for which it is charged a daily fee. This expense counters the Freight car cross-border charge revenue. The expense is based on CHF tariffs and thus is tied to the GEL/CHF exchange rate and the amount of cargo GR transports using other railways' railcars.

Freight car cross-border charge expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Freight car cross-border charge expenses	3,780	4,177	-9.5%	-397

Factors influencing changes

Freight car cross-border charge expenses in 2019 compared to the same period of the previous year, decreased by about GEL 0.4 million. This decrease was caused by the implementation of a contract between Georgian Railway and one counterparty railway that released GR from certain Freight car cross-border charge expenses in 2019.

Logistical service expenses

General description

Expenses for logistical services refer to operating expenses relating to transportation and other logistics-related services of GR's subsidiaries, which are operating in freight forwarding and logistics fields.

Logistical service expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Logistical services	20,182	17,636	14.44%	2,546

Expenses for logistical services for Q4 2019 increased by 20 percent, compared to Q4 2018 and by 2 percent compared to Q3 2019.

Factors influencing changes

Expenses for logistical services in 2019 increased by 14 percent (GEL 2.5 million), compared to 2018. The increase was mainly caused by increased expenses of GR's subsidiary, which serves container transportation. This was partly offset by decreased expenses of another subsidiary, that mainly serves crude oil and oil products transportation.

Security and other operating expenses

General description

Security expenses mainly comprise the Group's buildings, depots and station protection expenses. Other operating expenses consist of items such as communication, legal costs, consulting services, membership fees, rent expenses and advertising expenses.

Security and other operating expenses are mostly denominated in GEL and are mainly fixed.

Security and other operating expenses

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Security	9,246	9,209	0.4%	37
Other operating expenses	16,695	15,923	4.9%	772
Total	25,941	25,132	3.2%	809

Security and other operating expenses for Q4 2019 increased by 15 percent, compared to Q4 2018 and by 94 percent, compared Q3 2019.

Factors influencing changes

A 3 percent increase in security and other operating expenses in 2019, compared to 2018, was caused by an increase in other operating expenses, specifically in law provision expenses.

Taxes other than income tax

General description

Land taxes are determined by the municipalities in which the land is located, while property taxes are calculated at 1 percent of the average book value of the asset. Railway infrastructure assets, such as rail lines are exempt from property tax.

Taxes other than income tax

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Property tax	9,652	14,128	-31.7%	-4,476
Land tax	11,871	11,820	0.4%	51
Other taxes*	702	865	-18.8%	-163
Total	22,225	26,813	-17.1%	-4,588

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

Taxes other than income tax for Q4 2019 decreased by 37 percent, compared to Q4 2018 and by 7 percent, compared to Q3 2019.

Factors influencing changes

During 2019, compared to 2018, property tax has decreased by 32 percent (GEL 4.5 million), which was mainly caused by impairment of property, plant and equipment. Property tax will also be reduced after putting the Modernization Project into operation, as railway-infrastructure-related linear assets are exempt from property tax and assets under the project are taxed by property tax while construction is in progress.

Land tax remained at about the same level during 2019, compared to 2018.

An approximate GEL 0.2 million decrease in other taxes category, was mainly due to the decreased expenses of unpaid VAT.

Impairment loss on property, plant and equipment

Impairment loss on property, plant and equipment

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Impairment loss on property, plant and equipment	-	-691,387	-100.0%	-691,387

In 2019 the Group did not have an impairment loss on property, plant and equipment.

The impairment testing was carried out by the Group in 2018 due to the significant decline in the volumes transported (from 5.90 billion metric-ton per kilometer of cargo in 2012 to 2.75 billion metric-ton per kilometer of cargo in 2018) and revenue (from USD 212 million in 2012 to USD 95 million in 2018). Revenue from freight transportation services represents about 57% of the total revenue generated for the past two years, which was considered an indicator of the impairment.

The recoverable amount of the CGU was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the CGU. Based on the analysis, the recoverable amount of the CGU was determined to be less than its carrying amount by GEL 691,387; therefore, impairment loss was recorded in the profit or loss and other comprehensive income in 2018. The impairment loss was allocated to items of property, plant and equipment on a pro-rate basis.

Impairment loss on trade receivables

Impairment loss on trade receivables

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Impairment loss on trade receivables	33,729	12,017	180.67%	21,712

Factors influencing changes

Impairment loss on trade receivables was caused by provision made against one significant counterparty company serving liquid freight.

1.3 Finance income and cost

General description

The finance income of the Group mainly consists of interest income, which represents the interest accrued on the Group's cash balances and foreign exchange gains.

Finance cost mainly consists of interest expenses and foreign exchange losses. Some of the Group's interest expenses are capitalized, as the Group's main debt obligations were issued in order to finance capital projects, such as the Modernization Project. Thus, until this project is in the construction phase, part of the interest is capitalized in accordance with International Financial Reporting Standards (IFRS).

The main source of FX gain or loss is the Group's Eurobonds, which are denominated in USD. This is, however, partly countered by the Group's USD cash balances and receivables in foreign hard currencies. It must be noted that such FX gain or loss on Eurobonds is not monetary in nature and will not be realized until maturity. The Group's revenues are mostly denominated in hard currencies (USD and CHF). As most of the tariffs are set in USD, the Group's revenue creates a natural economic hedge against foreign exchange fluctuations.

Finance income and cost

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Interest income	14,849	14,534	2.2%	315
Impairment loss on issued loans	-16	-10	58.8%	-6
Impairment loss on cash in bank	-23	-139	-83.4%	116
Interest expense	-42,843	-47,352	-9.5%	4,509
FX gain/loss	-85,248	-37,517	127.2%	-47,731
Net finance income/loss	-113,281	-70,484	60.7%	-42,797

Factors influencing changes

The net financial loss in 2019 increased by 61 percent (GEL 42.8 million), compared to the previous year. This was mainly caused by GEL/USD exchange rate fluctuation.

GEL/USD exchange rate fluctuation has a significant effect on net finance income/loss. Due to GEL depreciation against USD by 7 percent as at 31 December 2019 compared to 31 December 2018 (GEL/USD exchange rate 2.87 versus 2.68), the Group experienced a net foreign exchange loss of GEL 85.2 million in 2019. And due to the depreciation of GEL against USD (about 3 percent) as at 31 December 2018 compared to 31 December 2017 (GEL/USD exchange rate 2.68 versus 2.59), the Group showed a net foreign exchange loss of GEL 37.5 million in 2018.

A lower interest expense by GEL 4.5 million in 2019, compared to 2018, was mainly due to the increased capitalization of the interest expense in 2019. .

There was no significant change in other categories of finance income and loss.

1.4 Income tax expense/benefit

General description

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code of Georgia effective from 1 January 2017. According to the new tax code, the previously active profit tax regulation was changed to the so-called “tax on distributed profits” model.

Income tax expense/benefit

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Income tax expense/benefit	-519	-1,169	-55.6%	650

Factors influencing changes

During 2019, the income tax expense decreased by GEL 0.7 million, compared to 2018.

2. Balance Sheet

2.1 Non-current assets

Non-current assets

As at 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Property, plant and equipment	1,865,352	1,826,591	2.1%	38,761
Other non-current assets	93,789	97,525	-3.8%	-3,736
Loan receivable	24,133	20,480	17.8%	3,653
Total	1,983,274	1,944,596	2.0%	38,678

Factors influencing changes

Property, plant and equipment – a GEL 38.8 million increase in property, plant and equipment in 2019, compared to 2018, was mainly due to the construction in progress (mostly under the Modernization Project).

Other non-current assets - a GEL 3.7 million decrease in other non-current assets was mainly due to the reduction in construction materials.

2.2 Current assets

Current assets

As at 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Inventories	40,224	32,882	22.3%	7,343
Tax assets	6,383	3,899	63.7%	2,484
Trade and other receivables	24,337	40,912	-40.5%	-16,575
Prepayments and other current assets	1,369	415	229.6%	954
Cash and cash equivalents	257,976	241,308	6.9%	16,668
Total	330,289	319,416	3.4%	10,873

Factors influencing changes

Inventories – a GEL 7.3 million increase in inventory was mainly due to the rise in purchased materials, mainly used in construction and repair works, which was partly offset by a decrease in rails in 2019, compared to 2018.

Trade and other receivables – a GEL 16.6 million decrease in trade and other receivables, was mainly due to provisions made against one significant counterparty company in 2019. (see heading 1 “impairment on trade and other receivables”).

Cash and cash equivalents - a GEL 16.7 million increase in 2019, compared to 2018, was mainly caused by the increased inflows from cash receipts from customers in 2019, compared to 2018 (see heading 3 “Cash Flow Statement”).

2.3 Equity

Equity

As at 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Share capital	1,053,371	1,053,714	0.0%	-343
Non-cash owner contribution reserve	100,322	100,244	0.1%	77
Retained earnings	-630,328	-624,742	0.9%	-5,585
Total	523,365	529,216	-1.1%	-5,851

There was a GEL 5.9 million decrease in total equity in 2019, compared to the previous year, due to decreased retained earnings.

2.4 Non-current liabilities

Non-current liabilities

As at 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Loans and borrowings	1,500,687	1,336,665	12.3%	164,022
Advanced received from the Government	46,593	46,594	0.0%	-1
Total	1,547,280	1,383,259	11.9%	164,021

Factors influencing changes

Loans and borrowings – During 2019, the increase of GEL 164.0 million in long-term borrowings, was mainly due to debt revaluation, as GEL depreciated against USD by about 7 percent and the Group’s debts are denominated in USD.

2.5 Current liabilities

Current liabilities

As at 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Loans and borrowings	64,944	134,194	-51.6%	-69,250
Trade and other payables	149,864	191,610	-21.8%	-41,746
Liabilities to the Government	4,896	5,317	-7.9%	-422
Provisions	16,027	11,356	41.1%	4,670
Other current liabilities	7,187	9,060	-20.7%	-1,873
Total	242,918	351,537	-30.9%	-108,620

Factors influencing changes

Loans and borrowings – 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 2019, current loans and borrowings include a secured loan of about GEL 12.9 million while the current portion of unsecured bonds is about GEL 52.1 million.

Trade and other payables - a GEL 41.7 million decrease in trades and other payables was mainly due to a decreased amount of payments to suppliers as well as decreased liability on ongoing infrastructure projects.

3. Cash Flow Statement

By the end of 2019, the Group held GEL 258.0 million of cash and cash equivalents. These cash resources are held to support existing and future capital expenditures. Capital expenditures mainly entail the Modernization Project and the Tbilisi Bypass Project. Works on the Modernization Project continued in 2019, while the Tbilisi Bypass Project remained suspended.

The Group can also rely on its available undrawn credit lines of about GEL 146.7 million as at the end of 2019.

The Group mainly relies on its operating activities in order to fund its future cash requirements.

3.1 Operating activities

Operating activities

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Cash receipts from customers	503,900	455,638	10.6%	48,262
Cash paid to suppliers and employees	-288,414	-276,328	4.4%	-12,086
Income tax paid	-250	-270	-7.4%	20
Net cash from operating activities	215,236	179,040	20.2%	36,197

Factors influencing changes

Net cash from operating activities increased by GEL 36.2 million in 2019 compared to 2018. This change was mainly driven by the increase in cash receipts from customers which was partly offset by a decrease in cash paid to suppliers.

3.2 Investing activities

Investing activities

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Acquisition of property, plant and equipment	-112,151	-104,694	7.1%	-7,457
Proceeds from sale of property, plant and equipment	13,835	17,357	-20.3%	-3,522
Interest received	12,653	11,856	6.7%	797
Net cash used in investing activities	-85,663	-75,481	13.5%	-10,182

Factors influencing changes

Cash used in investing activities increased by GEL 10.2 million in 2019, compared to the previous year. This change was mainly driven by a decrease in proceeds from the sale of property, plant and equipment in 2019, compared to 2018.

The increase in interest received was mainly caused by a higher average cash balance and higher interest rates during the period under review, compared to the same period of the previous year.

3.3 Financing activities

Financing activities

For the year ended 31 December

In GEL '000

	2019	2018	% Change	Abs. change
Interest paid	-110,033	-101,022	8.9%	-9,011
Repayment of borrowings	-12,343	-11,327	9.0%	-1,017
Net cash used in financing activities	-122,376	-112,349	8.9%	-10,027

Factors influencing changes

Cash used in financing activities increased by GEL 10.0 million in 2019, compared to 2018. This change was caused by higher interest paid and increased repayment of borrowings in 2019, compared to the same period of the previous year, due to a significant depreciation of GEL against USD, as the Group's debts are denominated in USD.

Appendix 1

Breakdown of freight transportation in tons

For the year ended 31 December

In thousand tons

	Q4 2019	Q4 2018	y-o-y	Q3 2019	q-o-q	2019	2018	% Change	Abs. Change
Liquid cargoes	0.9	0.7	30.7%	0.7	21.6%	3.1	3.1	-2.0%	-0.1
Oil products	0.9	0.6	39.3%	0.7	22.3%	3.1	3.0	3.0%	0.1
Crude oil	0.0	0.0	-95.0%	0.0	-62.7%	0.0	0.2	-91.7%	-0.2
Dry cargoes	2.2	1.8	21.8%	2.0	13.0%	7.8	6.9	13.4%	0.9
Ores	0.6	0.4	59.8%	0.5	21.9%	2.0	1.6	28.0%	0.4
Grain	0.1	0.1	3.3%	0.1	-3.6%	0.4	0.5	-10.7%	-0.1
Ferrous metals and scrap	0.1	0.1	-4.2%	0.1	4.9%	0.5	0.6	-4.6%	0.0
Sugar	0.0	0.1	-56.8%	0.1	-53.8%	0.3	0.4	-8.1%	0.0
Chemicals and fertilizers	0.2	0.1	98.6%	0.1	82.6%	0.7	0.6	30.4%	0.2
Construction freight	0.3	0.3	-17.1%	0.2	6.5%	1.0	1.2	-12.3%	-0.1
Industrial freight	0.1	0.1	16.8%	0.1	19.2%	0.5	0.4	11.7%	0.0
Cement	0.0	0.0	25.3%	0.0	-39.7%	0.1	0.1	-4.9%	0.0
Other	0.6	0.5	28.5%	0.5	10.9%	2.2	1.7	31.2%	0.5
Total	3.1	2.5	24.2%	2.7	15.3%	10.9	10.0	8.6%	0.9

Appendix 2

Breakdown of freight transportation in ton-kilometers

For the year ended 31 December

In million ton-kilometers

	Q4 2019	Q4 2018	y-o-y	Q3 2019	q-o-q	2019	2018	% Change	Abs. Change
Liquid cargoes	267	187	43.3%	212	26.2%	897	923	-2.9%	-26
Oil products	267	170	56.5%	211	26.6%	893	857	4.1%	36
Crude oil	1	16	-96.0%	1	-47.6%	4	66	-94.3%	-62
Dry cargoes	560	443	26.5%	507	10.4%	2,012	1,648	22.1%	364
Ores	146	87	67.8%	139	5.2%	506	327	54.9%	180
Grain	32	28	13.0%	35	-10.3%	98	103	-4.6%	-5
Ferrous metals and scrap	30	33	-9.4%	34	-9.8%	121	119	1.4%	2
Sugar	17	39	-55.1%	33	-46.4%	120	129	-6.5%	-8
Chemicals and fertilizers	80	44	82.8%	31	158.6%	221	194	13.8%	27
Construction freight	40	44	-8.1%	36	12.3%	155	164	-5.0%	-8
Industrial freight	24	17	39.7%	24	-3.3%	90	66	36.0%	24
Cement	5	4	30.5%	9	-39.2%	28	25	8.7%	2
Other	185	147	26.3%	167	11.0%	674	522	29.0%	152
Total	827	629	31.4%	719	15.1%	2,909	2,571	13.1%	338

Appendix 3

Calculations of ratio of Net Financial Indebtedness to EBITDA:

'000 GEL	Twelve-month period ended 31-Dec-19	Twelve-month period ended 31-Dec-18
Revenue	491,038	424,614
Income from the transferred property	0	0
Other income	12,751	19,512
Impairment loss on property, plant and equipment	0	-691,387
Impairment loss on trade receivables	-33,729	-12,017
Employee benefits expenses	-160,561	-154,338
Depreciation and amortization expense	-81,235	-113,804
Electricity, consumables and maintenance costs	-47,921	-43,708
Other expenses	-72,128	-73,758
Results from operating activities	108,215	-644,886
Finance income	14,849	14,534
Finance costs	-128,131	-85,018
Net finance costs	-113,282	-70,484
Profit/(loss) before income tax	-5,067	-715,370
Income tax benefit	-519	-1,169
Profit/(loss) and total comprehensive income/(loss) for the year	-5,586	-716,539
Results from operating activities	108,215	-644,886
Depreciation add-back	81,235	113,804
Impairment loss on property, plant and equipment add-back	0	691,387
Impairment loss on trade receivables	33,729	12,017
EBITDA	223,178	172,322
Net Financial Indebtedness:		
Financial Indebtedness	1,565,631	1,470,859
less:		
Available Credit Facilities	146,708	162,800
Cash	257,975	241,308
Net Financial Indebtedness:	1,160,949	1,066,751
Net Financial Indebtedness/EBITDA	5.20	6.19