

Financial and non-financial highlights

Revenue

<u>Q2 2020</u>	<u>6M 2020</u>
122,254	245,018
-3% from Q2 2019 -0.4% from Q1 2020	+6.4% from 6M 2019

Results from operating activities

<u>Q2 2020</u>	<u>6M 2020</u>
37,742	72,602
-2.6% from Q2 2019 +8.3% from Q1 2020	+17.4% from 6M 2019

EBITDA

<u>Q2 2020</u>	<u>6M 2020</u>
57,820	114,171
+5% from Q2 2019 +2.6% from Q1 2020	+10.6% from 6M 2019

EBITDA margin

<u>Q2 2020</u>	<u>6M 2020</u>
47.3%	46.6%
+4 points from Q2 2019 +1 points from Q1 2020	+2 points from 6M 2019

Adjusted EBITDA

<u>Q2 2020</u>	<u>6M 2020</u>
56,970	114,171
+13.8% from Q2 2019 +3.2% from Q1 2020	+15.5% from 6M 2019

Adjusted EBITDA margin

<u>Q2 2020</u>	<u>6M 2020</u>
46.6%	45.8%
+7 points from Q2 2019 +2 points from Q1 2020	+4 points from 6M 2019

Net debt to EBITDA

30 Jun 2020

5.92

6.8 as at 30-Jun-2019
5.94 as at 31-Mar-2020

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1. Profit or Loss Statement

Profit and loss statement

6 month period ended 30 June

GEL '000	Q2 2020	Q2 2019	y-o-y	Q1 2020	q-o-q	6M 2020	6M 2019	y-o-y % change	y-o-y Abs. change
Revenue	122,254	125,975	-3.0%	122,764	-0.4%	245,018	230,194	6.4%	14,824
Other income	3,820	-389	-1083.0%	708	439.2%	4,528	7,856	-42.4%	-3,328
Impairment loss on property, plant and equipment									
Impairment loss on trade receivables	-601	-43	1288.1%	-1,301	-53.8%	-1,902	-43	4294.6%	-1,858
Employee benefits expense	-42,580	-42,328	0.6%	-40,230	5.8%	-82,810	-79,879	3.7%	-2,931
Depreciation and amortization	-19,478	-16,293	19.5%	-20,189	-3.5%	-39,667	-41,365	-4.1%	1,698
Electricity, consumables and maintenance costs	-8,671	-10,759	-19%	-11,697	-25.9%	-20,368	-22,014	-7.5%	1,646
Other expenses	-17,003	-17,412	-2.4%	-15,195	11.9%	-32,198	-32,927	-2.2%	729
Result from operating activities	37,742	38,752	-2.6%	34,860	8.3%	72,602	61,822	17.4%	10,780
Net finance income/loss	94,532	-87,533	-208.0%	-198,150	-147.7%	-103,618	-102,719	0.9%	-899
Profit before income tax	132,274	-48,780	-371.2%	-163,290	-181.0%	-31,016	-40,897	-24.2%	9,881
Income tax expense(benefit)	-116	-297	-61.0%	-221	-47.6%	-337	-520	-35.3%	184
Profit and total comprehensive income	132,158	-49,078	-369.3%	-163,511	-180.8%	-31,352	-41,417	-24.3%	10,065
EBITDA	57,820	55,088	5.0%	56,351	2.6%	114,171	103,230	10.6%	10,941
EBITDA margin	47.3%	43.7%	NA	45.90%	NA	46.6%	44.8%	NA	1.8%
Adjusted EBITDA	56,970	50,052	13.8%	55,182	3.2%	112,151	97,125	15.5%	15,027
Adjusted EBITDA Margin	46.6%	39.7%	NA	44.95%	NA	45.8%	42.2%	NA	3.6%

1.1 Revenue

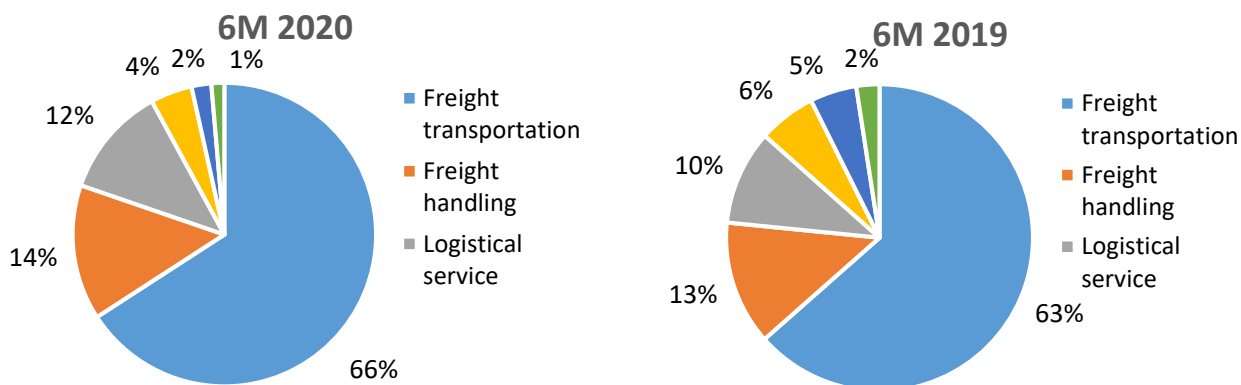
Revenue breakdown

6 month period ended 30 June

In GEL
'000

GEL '000	Q2 2020	Q2 2019	y-o-y	Q1 2020	q-o-q	6M 2020	6M 2019	% Change	% Change at constant currency	Abs. Change
Freight transportation*	84,868	75,431	12.5%	76,493	10.9%	161,361	146,167	10.4%	0.7%	15,194
Freight handling*	17,235	21,972	-21.6%	18,068	-4.6%	35,303	30,119	17.2%	6.9%	5,184
Logistical service*	15,817	13,008	21.6%	13,114	20.6%	28,931	22,983	25.9%	14.8%	5,948
Freight car rental	2,569	6,106	-57.9%	8,325	-69.1%	10,894	13,972	-22.0%	-28.9%	-3,078
Passenger traffic	481	6,609	-92.7%	4,682	-89.7%	5,163	11,342	-54.5%	-58.5%	-6,179
Other	1,284	2,852	-55.0%	2,082	-38.3%	3,366	5,613	-40.0%	-45.3%	-2,247
Revenue	122,254	125,978	-3.0%	122,764	-0.4%	245,018	230,196	6.4%	-2.9%	14,822
Other income	3,820	-388	-1084.4%	708	439.2%	4,528	7,856	-42.4%	-47.4%	-3,328
Freight transportation	84,868	75,431	12.5%	76,493	10.9%	161,361	146,167	10.4%	0.7%	15,194
Liquid cargoes	30,906	31,456	-1.7%	28,243	9.4%	59,149	59,344	-0.3%	-9.1%	-195
Oil products	30,895	31,244	-1.1%	28,026	10.2%	58,921	59,122	-0.3%	-9.1%	-201
Crude oil	10	212	-95.1%	218	-95.2%	228	222	2.8%	-6.3%	6
Dry cargoes	53,962	43,975	22.7%	48,250	11.8%	102,212	86,823	17.7%	7.4%	15,389
Ores	9,476	9,031	4.9%	9,560	-0.9%	19,037	17,766	7.2%	-2.3%	1,271
Grain	2,454	1,210	102.8%	951	158.0%	3,405	2,300	48.1%	35.0%	1,105
Ferrous metals and scrap	3,083	1,886	63.5%	3,876	-20.5%	6,958	4,437	56.8%	43.0%	2,522
Sugar	4,169	5,893	-29.3%	14	29813.3%	4,183	9,531	-56.1%	-60.0%	-5,348
Chemicals and fertilizers	5,211	2,345	122.2%	8,538	-39.0%	13,748	8,290	65.8%	51.2%	5,458
Construction freight	1,939	2,298	-15.6%	1,830	6.0%	3,769	4,730	-20.3%	-27.3%	-961
Industrial freight	1,596	2,357	-32.3%	1,408	13.4%	3,003	3,424	-12.3%	-20.0%	-421
Cement	29	545	-94.6%	218	-86.5%	247	1,078	-77.1%	-79.1%	-831
Other	26,005	18,411	41.3%	21,856	19.0%	47,862	35,268	35.7%	23.8%	12,594
Freight turnover (million ton-km)	679	679	0.0%	772	-12.0%	1,494	1,364	9.6%	-0.1%	130
Revenue / ton-km (in Tetri)	12.50	11.11	12.5%	9.91	26.1%	10.80	10.72	0.8%	-8.1%	0.08

The following charts represent revenue breakdown for the six months ended 30 June 2020 and 2019:



Freight transportation revenue

Most of the Group's revenue (about 66 percent in first 6 months of 2020) is derived from freight transportation. GR's freight transportation revenue consists of liquid and dry cargoes. The split between liquid and dry cargo revenue in first 6 months of 2020 was about 37 and 63 percent, respectively. Freight transportation revenue, has increased by 10.4% percent (GEL 15,194 million) during the six months ended 30 June 2020, compared to the same period of the previous year.

	Average rate			Reporting date spot rates				
	6M 2020	6M 2019	% Change	30-Jun-20	31-Dec-19	30-Jun-19	31-Dec-18	% Change
USD	3.03	2.70	12.15%	3.06	2.87	2.87	2.68	6.54%
CHF	3.14	2.70	16.11%	3.23	2.95	2.70	2.73	9.67%

The Group's transportation revenue depends on several factors, including GEL/USD exchange rate as the Group's tariffs for freight transportation are denominated in USD. Fluctuations in GEL/USD exchange rate also affect the Group's profitability, as significant part of the expenses are denominated in GEL.

Despite COVID-19 global pandemic during second quarter of 2020, GR managed to continue freight operations and even increased transportation volumes.

Total freight volume transported by the Group during the six months ended 30 June 2020 has increased by 7.6 percent, compared to the same period of previous year. Transported volumes of liquid cargo has increased by 0.4 percent, at the same time transported volumes of dry cargo has increased by 10.5 percent (see Appendix 1).

Oil Products

6 month period ended 30 June

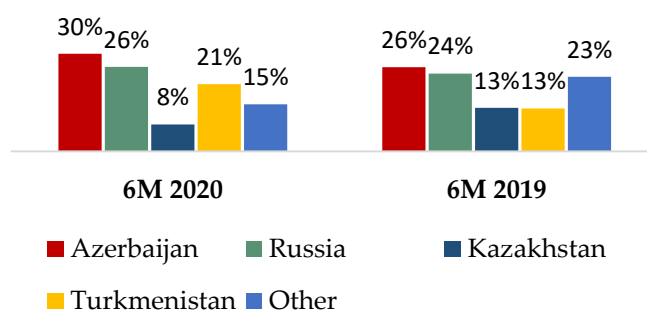
	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	58,921	59,122	-0.3%	-11.1%
Freight volume (ton '000)	1,455.9	1,449.5	0.4%	NA
Freight turnover (million ton-km)	425.5	415.7	2.3%	NA
Revenue / ton-km (in Tetri)	13.85	14.22	-2.6%	-13.2%

Main directions of cargo

Oil products currently are the main component of liquid cargo (nearly 100 percent of the transportation volume of liquid cargo in 2020). They are mainly transported by rail, as there is practically no competition from pipelines.

Oil products transported by the Group during six months period ended 30 June 2019 mainly originated from Azerbaijan, Russia, Kazakhstan and Turkmenistan with significant changes in transportation direction mix compared to the same period of 2019. The share of Kazakhstan was down to 8 percent from 16 percent, other countries to 15 percent from 23 percent. While the share of Russia, Turkmenistan and Azerbaijan increased by about 2, 8 and 4 percentage points, respectively in total oil products transported by the Group.

Transportation volume by countries of origin



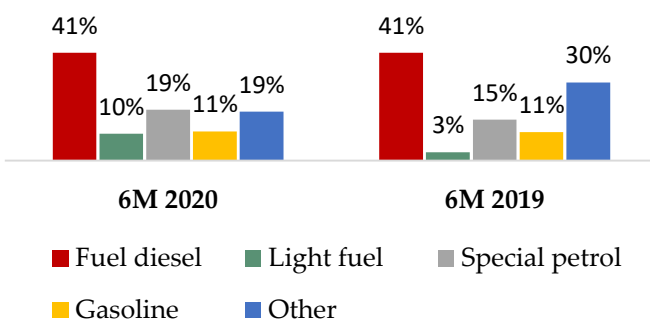
Factors influencing performance

Ton-kilometers – 2 percent increase in transportation turnover was mainly driven by increased transported volume by 0.4 percent, mainly caused by increased transportation from Turkmenistan by 111,000 tons and from Azerbaijan 62,000 tons..

Revenue/ton-km (in Tetri) - decrease in average revenue per ton-kilometer during the period under review, compared to the

same period of the previous year, was mainly due to changes in product category mix. The share of gasoline, heavy fuel and light aviation fuel (which are relatively more profitable products) has decreased and the share of light fuel oil (which is relatively less profitable product) has increased in total oil products transported by Georgian Railway.

Product Category Mix



Crude Oil

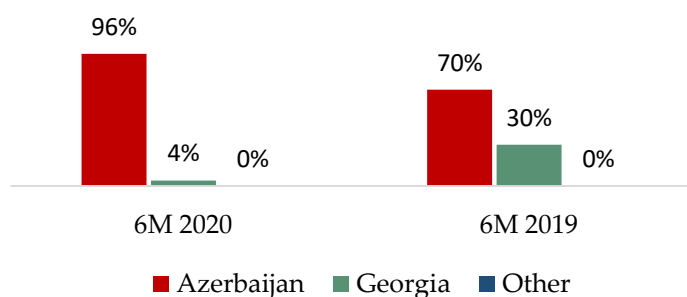
6 month period ended 30 June

	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	228	222	2.8%	-8.4%
Freight volume (ton '000)	5.2	6.0	-13.5%	NA
Freight turnover (million ton-km)	1.9	1.9	0.8%	NA
Revenue / ton-km (in Tetri)	12.13	11.91	1.9%	-9.1%

Main directions of cargo

Within the six months ended 30 June 2020, the country of origin was Azerbaijan and Georgia. In 2020 volumes mainly decreased from Georgia compared to same period of 2019.

Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – Transportation turnover increased by 0.8 percent due to increased volumes from Azerbaijan by approximately 800 tons in the first three months of 2020.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was due to product direction mix, in addition increase of exchange rate influenced average revenue per ton-kilometer as long as group's tariffs are denominated in USD.

Ores

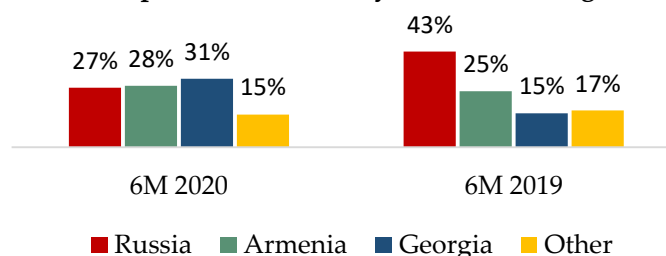
6 month period ended 30 June

	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	19,037	17,766	7.2%	-4.5%
Freight volume (ton '000)	855.1	867.3	-1.4%	NA
Freight turnover (million ton-km)	186.7	222.0	-15.9%	NA
Revenue / ton-km (in Tetri)	10.20	8.00	27.5%	13.6%

Main directions of cargo

Ore products transported by the Group during six months ended 30 June 2020, mainly originated from Georgia, Armenia and Russia. Main destination countries were Georgia, Cyprus and Bulgaria.

Transportation volume by countries of origin



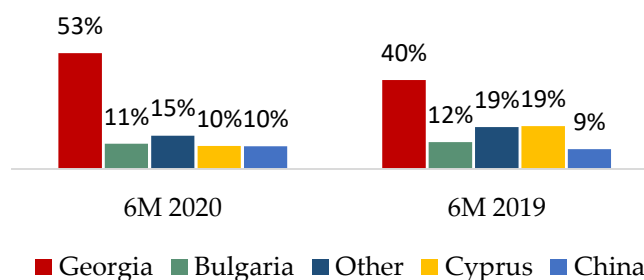
Factors influencing performance

Ton-kilometers – 1.4% percent decrease in transportation turnover was mainly driven by decreased transportation from Russia and Jamaica by 143,317 tons and 15,936 tons, respectively.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was mainly due to change in product direction

mix and product category mix. The share of freight volumes to relatively more profitable direction, such Georgia increased and the share of manganese ores and concentrates (which is relatively more profitable product) increased significantly, in the first six month of 2020, compared to the same period of previous year.

Transportation volume by destination countries



Grain and grain products

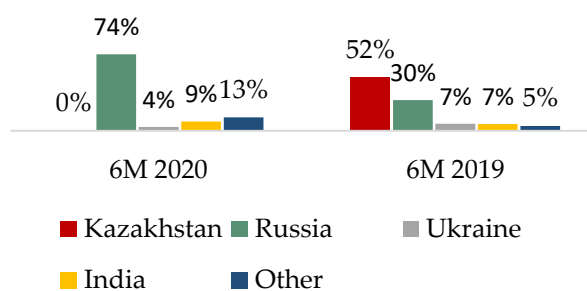
6 month period ended 30 June

	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	3.40	2.30	48.1%	32.0%
Freight volume (ton '000)	0.14	0.17	-19.1%	NA
Freight turnover (million ton-km)	30.83	31.22	-1.2%	NA
Revenue / ton-km (in Tetri)	11.04	7.37	49.9%	33.7%

Main directions of cargo

Grain and grain products transported by the Group during six months ended 30 June 2020, mainly originated from India and Russia, while main destination countries were Georgia, Armenia and Azerbaijan.

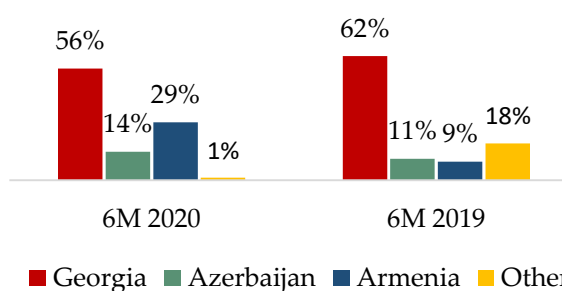
Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – 19 percent decrease in transportation turnover was mainly driven by decreased transportation of wheat originated from Kazakhstan by 87,333 tons.

Transportation volume by destination countries



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

Sugar

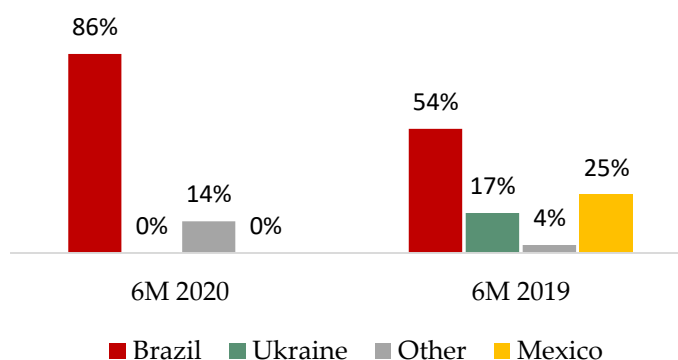
6 month period ended 30 June

	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	4,183	9,531	-56.1%	-60.9%
Freight volume (ton '000)	98.4	181.8	-45.9%	NA
Freight turnover (million ton-km)	32.7	70.1	-53.3%	NA
Revenue / ton-km (in Tetri)	12.77	13.60	-6.1%	-16.3%

Main directions of cargo

Product direction mix has significantly changed during six months ended 30 June 2020, with Brazil being main origin country with the share of 86 percent in first six month of 2020, compared to same period of 2019 54 percent. Ukraine is represented with 14 percent share. The main destination countries in six months of 2020 were Azerbaijan and Georgia.

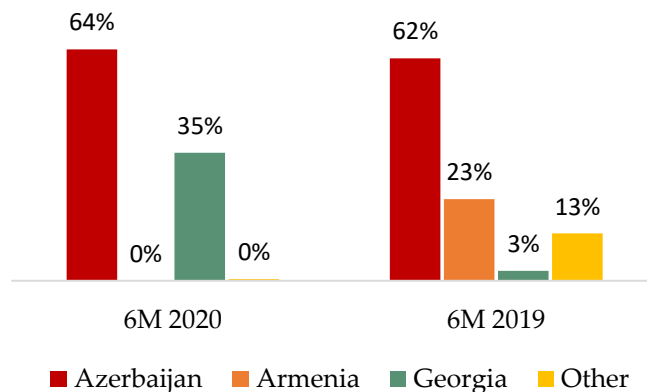
Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – 46 percent decrease in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by ceased volume transportation from Mexico 45,989 tons and decreased volumes from Brazil by 13,000 tons in six months ended 30 June 2020.

Transportation volume by destination countries



Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was due to product direction mix, in addition increase of countries of origin that are less profitable (like Belarus and Russian

Chemicals and fertilizers

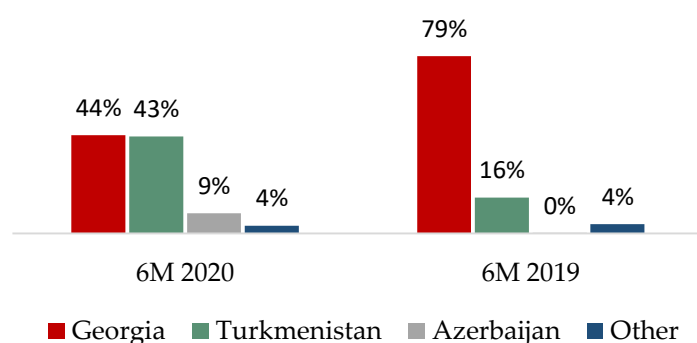
6 month period ended 30 June

	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	13,748	8,290	65.8%	47.9%
Freight volume (ton '000)	578.4	351.8	64.4%	NA
Freight turnover (million ton-km)	187.2	109.6	70.8%	NA
Revenue / ton-km (in Tetri)	7.34	7.57	-2.9%	-13.4%

Main directions of cargo

Chemicals and fertilizers transported by the Group during six months ended 30 June 2020, mainly originated from Georgia and Turkmenistan (254,456 tons and 251,041 tons, respectively).

Transportation volume by countries of origin



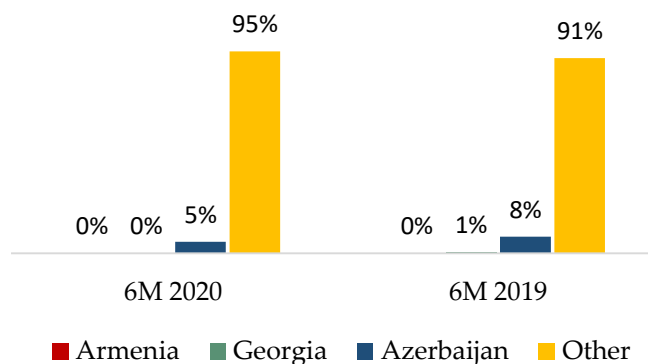
Factors influencing performance

Ton-kilometers – 71 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by increased volumes from Turkmenistan and Azerbaijan by 194,372 tons and by 51,084 tons, respectively

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was caused by change in product category mix.

The share of ammonium nitrate (which is relatively more profitable product) has decreased, while the share of urea products transported from Turkmenistan (relatively less profitable product) has increased, in the first six months of 2020, compared to the same period of 2019.

Transportation volume by destination countries



Other products

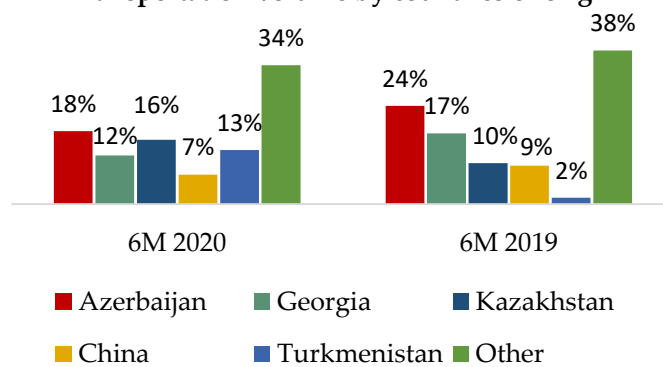
6 month period ended 30 June

	6M 2020	6M 2019	% Change	% Change at constant currency
Revenue (GEL '000)	47,862	35,267	35.7%	21.0%
Freight volume (ton '000)	1,431.7	1,039.6	37.7%	NA
Freight turnover (million ton-km)	452.2	321.8	40.5%	NA
Revenue / ton-km (in Tetri)	10.58	10.96	-3.4%	-13.9%

Main directions of cargo

Freight from other products category in six months ended 30 June 2020 was mainly originated from Azerbaijan, Kazakhstan, Georgia, Turkmenistan and China (256,000 tons, 225,000 tons, 171,000 tons, 190,000 tons and 104,000 tons, respectively), while the main destination countries were Turkey, Azerbaijan, Georgia and Kazakhstan (236,000 tons, 160,000 tons, 155,000 tons and 90,000 tons, respectively).

Transportation volume by countries of origin

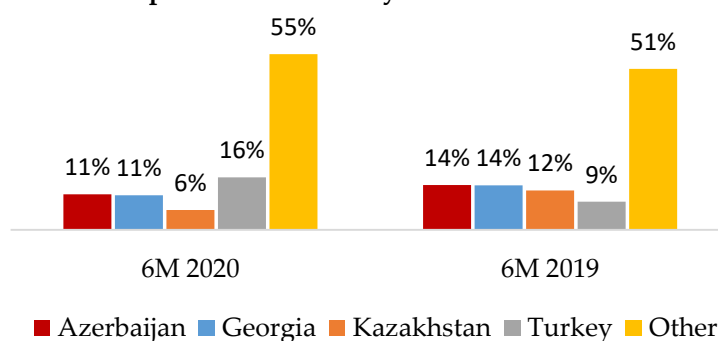


Factors influencing performance

Ton-kilometers – 4.5 percent increase in transportation turnover was mainly driven by increased volumes from Kazakhstan and Turkmenistan by 121,000 tons and 174,000 tons, respectively.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was mainly driven by product category mix. The share of natural mineral waters and some types of meat products (relatively more profitable products) has decreased, while the share of unalloyed aluminum and sulfur (relatively less profitable product) has increased in total volumes transported.

Transportation volume by destination countries



Freight handling

Freight handling increased by GEL 15.2 million in the first six months of 2020 compared to the same period previous year. It was mainly driven by increased revenues from station services as well as more than 24 hours services.

Logistical services

Decrease in logistical services by GEL 5.6 million during the six months ended 30 June 2020, compared to the same period of the previous year, was mostly caused by increased transportation of GR's subsidiary company, which mainly serves container transportation.

Freight car rental

Decrease in revenue from freight car rental by 30.5 percent (GEL 3.1 million) during the six months ended 30 June 2020, compared to the same period of 2019, was mainly caused by decreased usage of the Group's tank cars.

Passenger transportation

6 month period ended 30 June

In '000 GEL

	6M 2020	6M 2019	% Change	Abs. change
Revenue	5,163	11,342	-54.5%	-6,178
Number of passengers	581	1,278	-54.5%	-696

Revenue from passenger transportation has decreased by 54.5 percent during the six months ended 31 March 2020, compared to the same period of the previous year and the number of passengers has decreased by the same percent.

First two months of 2020 was a successful period for passenger SBU. Revenue from passenger transportation has increased by 26 percent, and the number of passengers increased by 18 percent, during the first two months of 2020, compared to the same period of 2019. However, the rise was offset by the Government regulations against COVID-19 pandemic: from the second half of March 2020 the government temporarily ceased passenger transportation. Passenger transportation was continued from June 15 2020.

Other revenue

The decrease in other revenue by GEL 2.3 million during the first two quarter of 2020, compared to the same period of 2019 was mostly attributable to decreased revenue from sale of scrap (GEL 1.7 million).

1.2 Other income

In order to better illustrate the operational profitability of the Group, other income is split into two categories: continuing operations (such as income from services of heavy equipment, penalties on creditors and debtors, etc.) and non-continuing operations (such as gain or loss from sale of fixed assets and other items which are not expected to reoccur in the following periods).

Other income

6 month period ended 30 June

In GEL '000

	6M 2020	6M 2019	% Change	Abs. change
Continuing operations	714	1,355	-47.30%	-641
Non-continuing operations	3,814	6,500	-41.33%	-2,687
Total	4,528	7,856	-42.36%	-3,328

Continuing operations decreased by GEL 0.6 million during the six months ended 30 June 2020, compared to the same period of the previous year. The non-continuing operations decreased by GEL 2.7 million in six months' period ended 30 June 2020, compared to the same period of 2019.

1.3 Operating expenses

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

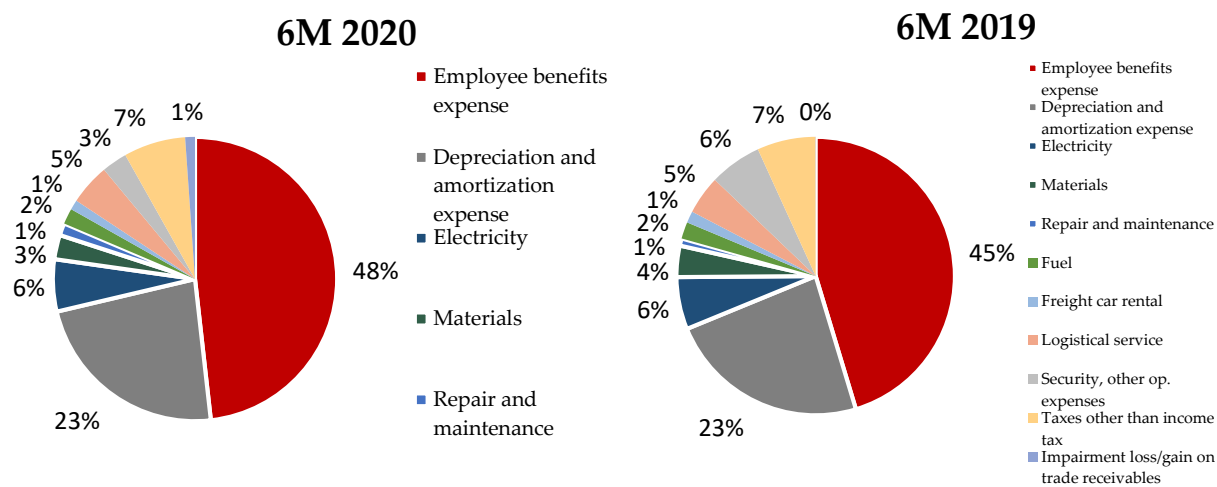
Operating expenses

6 month period ended 30 June

In GEL '000

	6M 2020	6M 2019	% Change	Abs. change
Employee benefits expense	82,810	79,879	3.67%	2,931
Depreciation and amortization expense	39,667	41,365	-4.10%	-1,698
Electricity	10,186	10,719	-4.97%	-533
Materials	4,748	6,401	-25.82%	-1,653
Repair and maintenance	2,380	1,480	60.80%	900
Fuel	3,053	3,415	-10.60%	-362
Freight car rental	1,925	2,384	-19.27%	-459
Logistical service	8,007	7,907	1.27%	100
Security, other op. expenses	4,971	10,685	-53.48%	-5,714
Taxes other than income tax	12,097	11,951	1.23%	147
Impairment loss/gain on trade receivables	1,902	43	4322.48%	1,859
Total	171,746	176,228	-2.54%	-4,482

The following charts represent the cost structure for the six months ended 30 June 2020 and 2019:

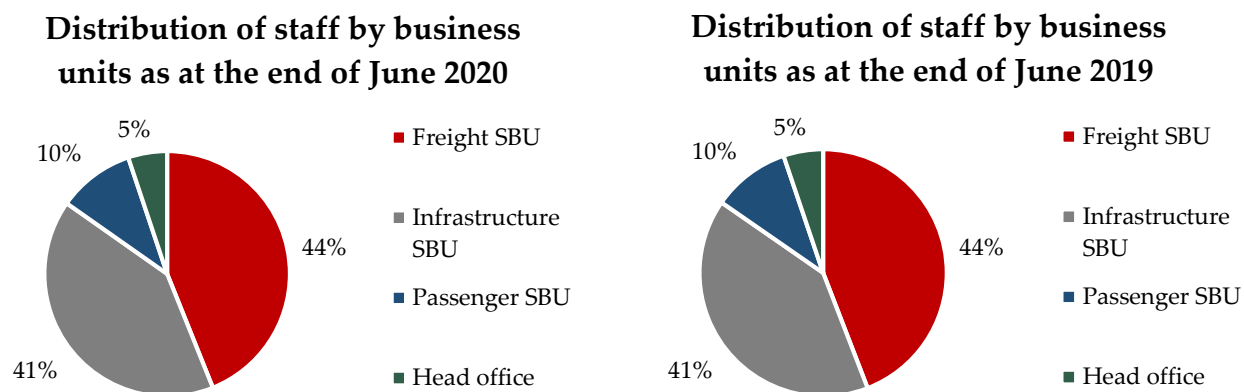


Employee benefits expense

The increase in employee benefits expense during the three months ended 31 March 2020, compared to the same period of the previous year, was mainly due to a board decision by the Management, from December 2019, the wages of about 11,000 employees increased by 10%.

Number of employees (excluding subsidiaries) by the end of June 2020 was equal to 12,148 and by the end of June 2019 was 12,236.

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



Materials, repair and maintenance expenses

The Group's materials, repair and maintenance expenses are influenced by its rolling stock equipment balance and subsequent utilization level. During the six months ended 30 June 2020 transportation turnover increased compared to the same period of the previous year. During this period material expenses increased by GEL 1.7 million, that was partially offset by decrease in repair and maintenance. COVID-19 also influenced expenditure as long as passenger trains were temporarily stopped because of the Government regulations against pandemic to avoid spread of virus, accordingly material, repair and maintenance expenses decreased by 10 percent (GEL 0.8 million).

Electricity expenses

6 Month period ended 30 June

In GEL '000

	6M 2020	6M 2019	% Change	Abs. change
Electricity expense of traction	8,321	8,793	-5.37%	-472
Utility expenses	1,866	1,926	-3.15%	-61
Total	10,186	10,719	-4.97%	-533

There was a 3 percent decrease in electricity expenses of utility during the six months ended 30 June 2020, compared to the same period of 2019, this is caused from the fact that Group actively responded to the risks that are coming from COVID-19 and allowed most of its employees to perform their duties from safe distance. In addition, despite the increased volumes, electricity expenses on traction decreased as well, which is the result of decision to suspend passenger trains to avoid spread of virus.

Georgian Railway has fixed price for more than 90 percent of its electricity needs under agreement on electricity procurement, the rest of the electricity is procured on open market.

Purchased electricity and weighted average tariff

6 Month period ended 30 June

	6M 2020			6M 2019		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	13.2	543.7	0.131	11.3	389.4	0.130
February	11.1	434.1	0.130	11.0	413.5	0.130
March	11.1	468.9	0.130	12.3	488.7	0.130
April	9.1	436.6	0.130	11.5	458.7	0.130
May	9.6	459.8	0.130	10.4	398.4	0.130
June	9.7	442.8	0.130	11.1	437.4	0.130
Total	63.9	2785.9	0.130	67.7	2,586.1	0.130

Note: The table above includes only electricity consumed of traction

Freight car rental expense

Freight car rental expense in the six months ended 30 June 2020, compared to the same period of the previous year, decreased slightly by about GEL 459,000 mostly due to usage of various freight wagons.

Logistical services

Expenses for logistical services represent operating expenses of Georgian Railway's logistical subsidiaries. The expenses for logistical services in the six months ended 30 June 2020 have increased by about 1.3 percent (GEL 0.1 million), compared to the same period of the previous year. The increase was mainly caused by increased volume of Georgian Railway's subsidiary.

Taxes other than income tax

6 month period ended 30 June

In GEL '000

	6M 2020	6M 2019	% Change	Abs. change
Property tax	6,092	5,480	11.2%	611
Land tax	5,935	5,928	0.1%	8
Other taxes*	70	543	-87.1%	-472
Total	12,097	11,951	1.2%	147

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

During the six months ended 30 June 2020, compared to the same period of 2019, property tax has increased by 11 percent (GEL 0.6 million), which was mainly caused by the fact that the Group started two large capital projects The Main Line Modernization and Tbilisi Bypass Project. The borrowing costs that was incurred to finance projects were capitalized in addition assets that are under construction increase taxable base. Property tax will be reduced after putting the Modernization project into operation, as railway infrastructure related assets are free of property tax and assets under the project are taxed by property tax while under construction in progress. The decrease in property tax was partly offset by the increase of custom penalties, during the first two quarter of 2019 compared to the same period of previous year.

Other taxes category decreased due to lower customs penalties of one of the GR's subsidiary company, in the first two quarter period ended 30 June 2020, compared to the same period of 2019.

1.4 Finance income and cost

Finance income and cost

6 month period ended 30 June

In GEL '000

	6M 2020	6M 2019	% Change	Abs. change
Interest income	8,826	6,871	28.5%	1,955
Impairment loss on loans	-12	-11	9.9%	-1
Interest expense	-27,476	-24,081	14.1%	-3,395
FX gain/loss	-85,112	-85,631	-0.6%	519
Impairment gain on cash in bank	157	133	18.0%	24
Impairment loss/gain	-1,902	-43	4295.3%	-1,859
Net finance income/loss	-105,520	-102,762	2.7%	-2,758

In the six months ended 30 June 2020 the Group showed GEL 105.5 million net finance loss, compared to net finance loss of GEL 102.8 million in the same period of 2019. The negative difference of GEL 2.7 million was mainly due to the fluctuation of GEL against foreign currencies.

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost. Due to GEL depreciation against USD by 7 percent as at 30 June 2020 compared to 31 December 2019 (GEL/USD exchange rate 3.06 versus 2.87), the Group experienced net foreign exchange loss of GEL 85.1 million.

Higher interest expense during the six months ended 30 June 2020, compared to the same period of 2019, was mainly due to depreciation of GEL against USD.

higher interest income by GEL 2 million in the six months ended 30 June 2020 compared to the same period of 2019, was mainly due to the higher average cash balances.

1.5 Income tax expense/benefit

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code of Georgia. The new tax code is effective from 1 January 2017. According to the new tax code, previously active profit tax regulation was changed to so-called "tax on distributed profits" model. During the first six months of 2020 income tax expense decreased by 35 percent (GEL 183,587) compared to the same period of previous year.

2. Balance Sheet

Balance sheet

6 Month period ended 30 June

	30-Jun-20	31-Mar-20	% Change	Abs. change	31-Dec-19	% Change	Abs. change
TOTAL ASSETS	2,366,502	2,346,210	0.9%	20,292	2,313,563	2.3%	52,939
<i>Changes are mainly due to:</i>							
Property, plant and equipment	1,878,109	1,870,087	0.4%	8,022	1,865,352	0.7%	12,757
Trade and other receivables	37,367	39,440	-5.3%	-2,073	24,337	53.5%	13,030
Cash and cash equivalents	279,101	272,833	2.3%	6,268	257,975	8.2%	21,126
TOTAL LIABILITIES	1,874,487	1,986,353	-5.6%	-111,866	1,790,196	4.7%	84,291
<i>Changes are mainly due to:</i>							
Loans and borrowings (LT)	1,593,385	1,719,475	-7.3%	-126,090	1,500,687	6.2%	92,698
Trade payables and other payables	138,841	142,910	-2.8%	-4,069	149,865	-7.4%	-11,024
Loans and borrowings (ST)	68,872	43,062	59.9%	25,810	64,944	6.0%	3,928

Significant changes in assets

During the first six months of 2020, GEL 53 million increase in property, plant and equipment was mainly due to the Construction in Progress (mostly under the Modernization Project).

GEL 12.7 million increase in trade and other receivables, in the six months ended 30 June 2020, mainly was due to depreciation of GEL against USD and increased receivables of GR's subsidiary company that serves container transportation.

Cash and cash equivalents have increased by GEL 21.1 million in the six months ended 30 June 2020, which was mainly caused by Proceeds from sale of property, plant and equipment as well as the effect of exchange rate fluctuations on cash and cash equivalents. (See heading 3 "Cash Flow Statement").

Significant changes in liabilities

Loans and borrowings (LT) – During first six month of 2020, the increase of GEL 92.7 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.

GEL 11 million decrease in trades and other payables was mainly due decreased amount prepayments received from clients as well as decreased liability on ongoing infrastructure project.

3. Cash Flow Statement

Cash flow statement

6 Month period ended 30 June

In GEL '000

	6M 2020	6M 2019
Cash flows from operating activities		
Cash receipts from customers	232,047	228,984
Cash paid to suppliers and employees	-134,731	-138,247
Cash flows from operations before income taxes paid	97,316	90,737
Income tax paid		-250
Net cash from operating activities	97,316	90,487
Cash flows from investing activities		
Acquisition of property, plant and equipment	-31,716	-54,355
Proceeds from sale of property, plant and equipment	2,436	10,475
Interest received	7,564	5,855
Refund of the loan	-	-
Net cash used in investing activities	-21,716	-38,025
Cash flows from financing activities		
Proceeds from borrowings	-6,990	-5,895
Repayment of borrowings	-	-
Interest paid	-57,207	-53,855
Net cash from used in financing activities	-64,197	-59,750
Net increase/(decrease) in cash and cash equivalents	11,403	-7,288
Cash and cash equivalents at 1 January	257,975	241,308
Effect of exchange rate fluctuations on cash and cash equivalents	9,566	12,035
Cash Provision	157	133
Cash and cash equivalents at the end of the period	279,101	246,188

Operating activities

Net cash from operating activities increased by GEL 6.8 million in the three months ended 30 June 2020, compared to the same period of the previous year. The change was driven by increase in cash receipts from customers by GEL 3.1 million, which was followed by the decrease in cash paid to suppliers and employees by 3.5 million.

Investing activities

Cash used in investing activities has decreased by GEL 16.3 million in the six months ended 31 June 2020, compared to the same period of the previous year. The decrease was mainly due to the decrease in acquisition of property, plant and equipment. This was mainly caused due to lower cash outflows on Modernization Project in first six months' period of 2020, compared to the same period of 2019.

Financing activities

Higher interest paid in the six months ended 30 June 2020, compared to the same period of the previous year, was mainly due depreciation of GEL against USD, as the Groups debts are denominated in USD.

Appendix 1

Breakdown of freight transportation in tons

6 Month period ended 30 June

In thousand tons

	6M 2020	6M 2019	% Change	Abs. Change
Liquid cargoes	1,461	1,456	0.4%	6
Oil products	1,456	1,450	0.4%	6
Crude oil	5	6	-13.5%	-1
Dry cargoes	4,001	3,622	10.5%	379
Ores	855	867	-1.4%	-12
Grain	136	168	-19.1%	-32
Ferrous metals and scrap	295	255	15.6%	40
Sugar	98	182	-45.9%	-83
Chemicals and fertilizers	578	352	64.4%	227
Construction freight	417	513	-18.6%	-95
Industrial freight	171	189	-9.8%	-19
Cement	19	57	-66.8%	-38
Other	1,432	1,040	37.7%	392
Total	5,462	5,078	7.6%	385

Appendix 2

Breakdown of freight transportation in ton-kilometers

6 Month period ended 30 June

In million ton-kilometers

	6M 2020	6M 2019	% Change	Abs. Change
Liquid cargoes	427	418	2.3%	10
Oil products	425	416	2.3%	10
Crude oil	2	2	0.8%	0
Dry cargoes	1,067	946	12.8%	121
Ores	187	222	-15.9%	-35
Grain	31	31	-1.2%	0
Ferrous metals and scrap	73	57	28.3%	16
Sugar	33	70	-53.3%	-37
Chemicals and fertilizers	187	110	70.8%	78
Construction freight	68	79	-14.1%	-11
Industrial freight	32	42	-24.2%	-10
Cement	5	14	-66.0%	-9
Other	452	322	40.5%	130
Total	1,494	1,364	9.6%	130

Appendix 3

According to Condition 3 (d) of the “Terms and Conditions of the Notes” (The U.S. \$500,000,000 7.75% Notes due 11 July 2022 issued by Georgian Railway JSC on 5 July 2012), Georgian Railway and/or its subsidiary is entitled to incur financial indebtedness if the ratio of Net Financial Indebtedness of the Issuer and its Subsidiaries as of the date of such Incurrence to the aggregate amount of EBITDA for the most recent annual financial period for which consolidated financial statements have been delivered, does not exceed 3.5 to 1.

Given table sets forth calculation of Net Financial Indebtedness to EBITDA as at 30 June 2020 and according to the above-mentioned Condition 3 (d) of the “Terms and Conditions of the Notes”. However, this calculation is for information only and does not implicate that 30 June 2020 is the Incurrence date (or “the date of determination”) as defined in Condition 3 of the “Terms and Conditions of the Notes”.

Calculations of ratio of Net Financial Indebtedness to EBITDA:

In 000 GEL

Net Financial Indebtedness as at:	30-Jun-20	31-Mar-20
Financial indebtedness	1,662,257	1,762,538
less:		
Available credit facilities	62,552	163,380
Cash	279,101	272,833
Net Financial Indebtedness:	1,320,604	1,326,325
	Twelve-month period ended	Twelve-month period ended
The most recent annual financial period	31-Dec-19	31-Dec-18
Results from operating activities	108,214	-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/EBITDA	5.92	5.94