



Georgian Railway
Annual presentation for H1 2020

GR Today



**Economic
Overview**



**Financial
Results**



**Liquidity
Position**

GR Today

Company Financial Highlights

Key Operating Measures

Credit Ratings

Infrastructure Overview

Current Projects

Company Financial Highlights

	Revenue		EBITDA		EBITDA margin	
<u>6M 2020</u>	245,018	+6% from 6M 2019	114,171	+11% from 6M 2019	46.6%	+2 points from 6M 2019
<u>Q2 2020</u>	122,254	-3% from Q2 2019 -0% from Q1 2020	57,820	+5% from Q2 2019 +3% from Q1 2020	47.3%	+4 points from Q2 2019 +1 points from Q1 2020

	Adjusted EBITDA		Adjusted EBITDA margin		Net Debt to EBITDA	
<u>6M 2020</u>	112,151	+16% from 6M 2019	45.8%	+4 points from 6M 2019	5.92	30 June 2020
<u>Q2 2020</u>	56,970	+14% from Q2 2019 +3% from Q1 2020	46.6%	+7 points from Q2 2019 +2 points from Q1 2020	6.80	30 June 2019

Key Operating Measures

Total freight revenue per ton-km (in GEL)

6M 2020 **0.15** +3% from 6M 2019

Q2 2020 **0.17** +7% from Q2 2019
+25% from Q1 2020

Passenger revenue per passenger- km (in GEL)

0.04 -4% from 6M 2019

0.04 +1% from Q2 2019
+3% from Q1 2020

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

19.40 +6% from 6M 2019

9.7 -3% from Q2 2019
+10% from Q1 2020

Operating expenses per ton-km (in GEL)

6M 2020 **0.12** -8% from 6M 2019

Q2 2020 **0.13** +2% from Q2 2019
+13% from Q1 2020

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

278.97 +11% from 6M 2019

126.90 +2% from Q2 2019
-12% from Q1 2020

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

102.25 -52% from 6M 2019

9.27 -93% from Q2 2019
-95% from Q1 2020

Fitch Ratings

BB-, Outlook Negative

In May 2020 Fitch Ratings has affirmed the Group's rating at 'BB-' with Negative Outlook.

“High strategic importance of the company to the Georgian economy.”

“Close ties with the state are a key rating factor”

“GR's liquidity buffer ... available committed credit lines ... fully offsets medium-term refinancing and negative cash flow risks.”

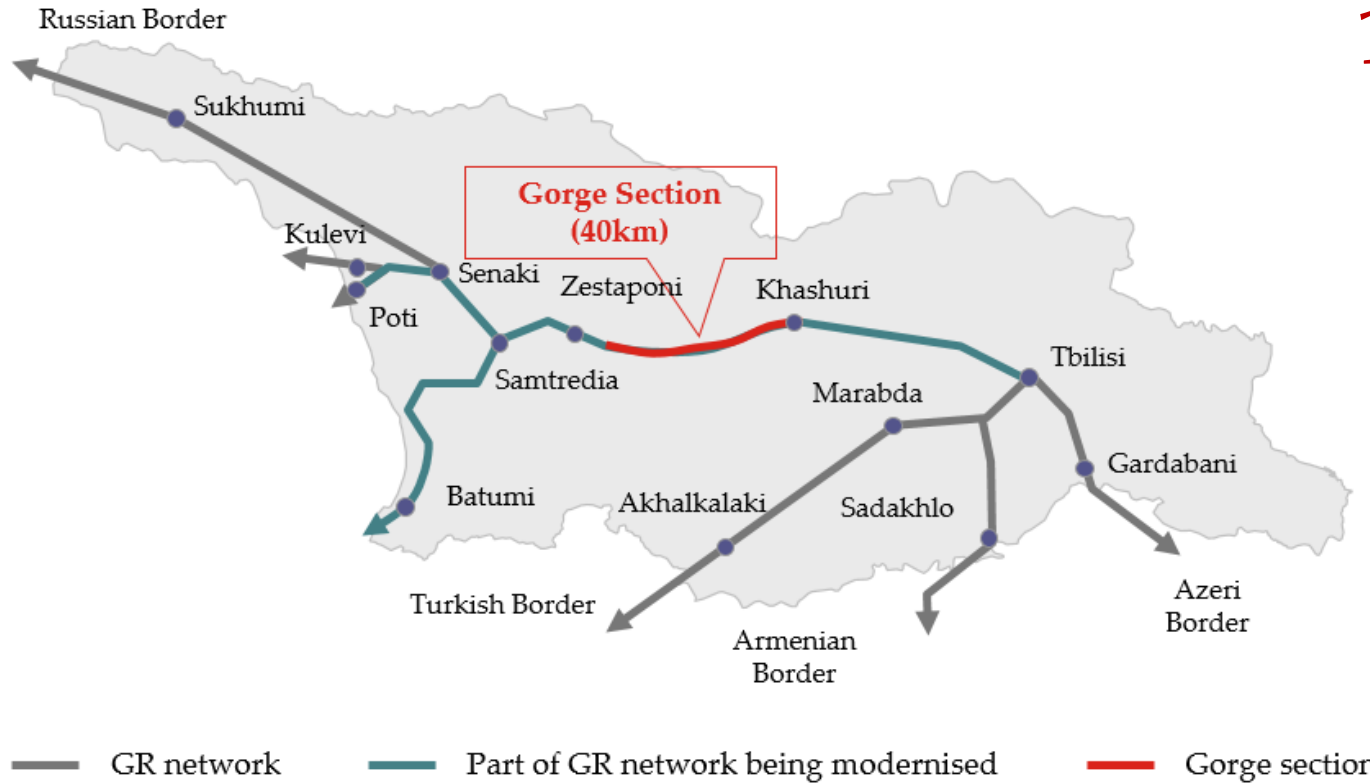
S&P Global

B+, Outlook Negative

In June 2020, S&P Global Ratings has affirmed the Group's rating at `B+` with Negative Outlook

“We continue to believe that there is a very high likelihood that the Georgian government, the group's ultimate parent, would provide timely and sufficient extraordinary support to the company in case of emergency.”

“We expect that Georgian Railway's leverage will remain high over the coming years”



1,443km Operational network length

97% Electrified

100 Freight stations

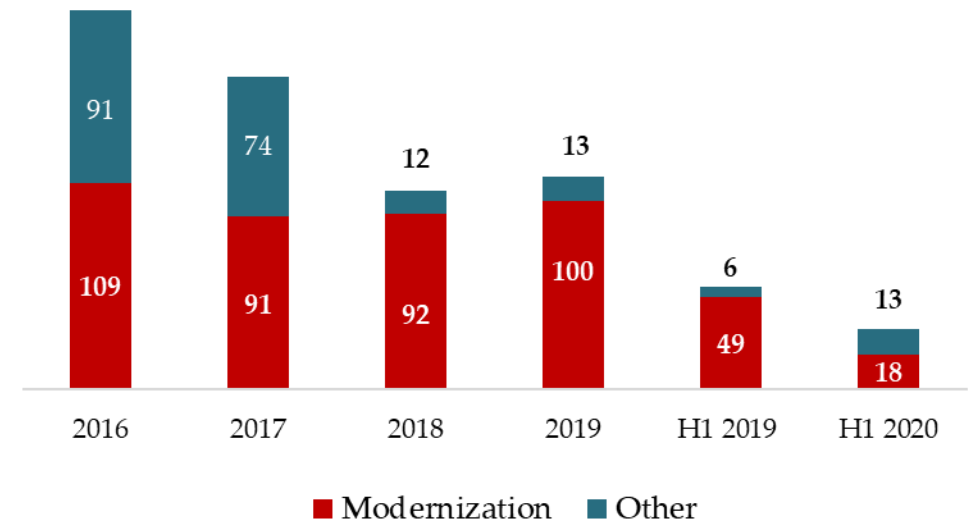
40 Railroad tunnels

1,334 Railroad bridges

Modernization

- Expected to be completed by 2022;
- Designed to increase transportation capacity of infrastructure from the current annual 27 million tons to 48 million, with the possibility of further expansion to a potential 100 million per annum;
- Supports future corridor developments: Anaklia Deep Sea port, Poti Port expansion, etc.;
- Reduced operational expenses;
- Improved operational safety;
- Increased train speeds;
- From 2010 till 30 June 2020 the Company invested GEL 878m in Modernization project.

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



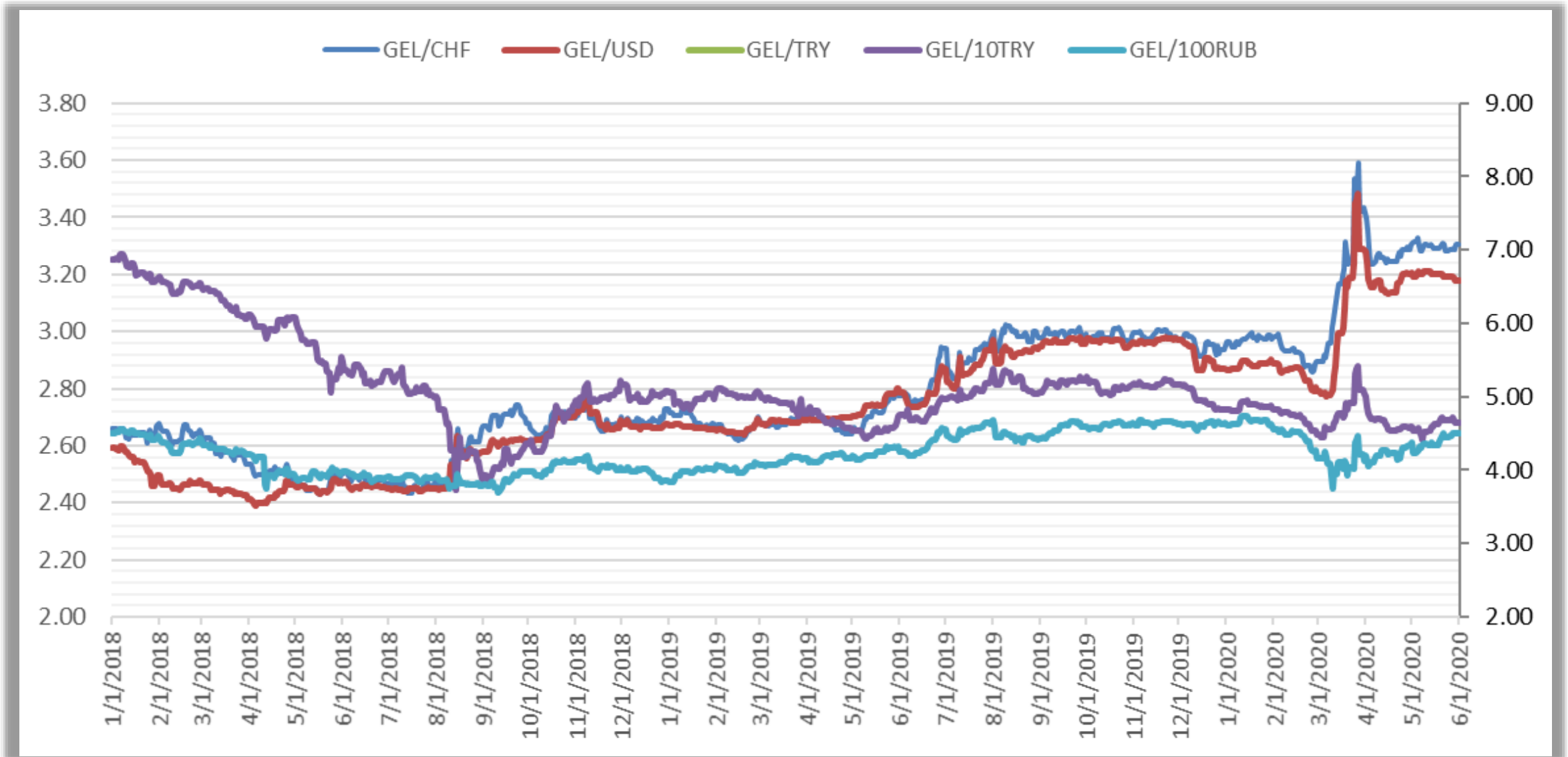
Economic Overview

GEL Exchange Rate

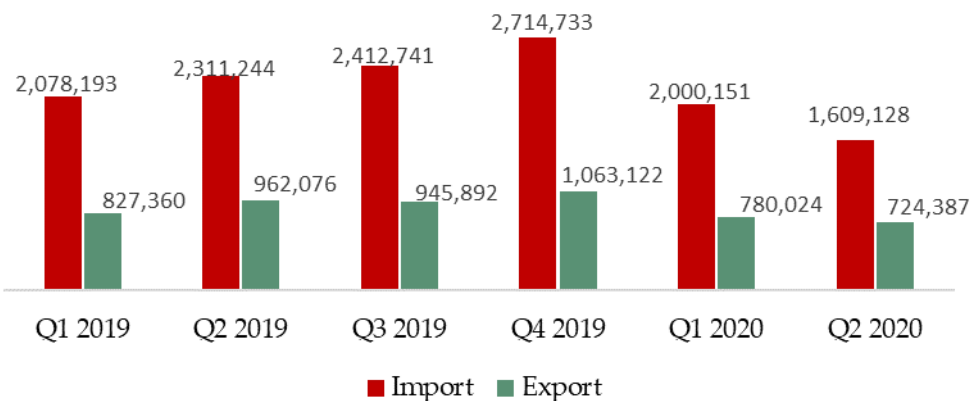
Macroeconomic Environment in Georgia

Macroeconomic Environment in Region

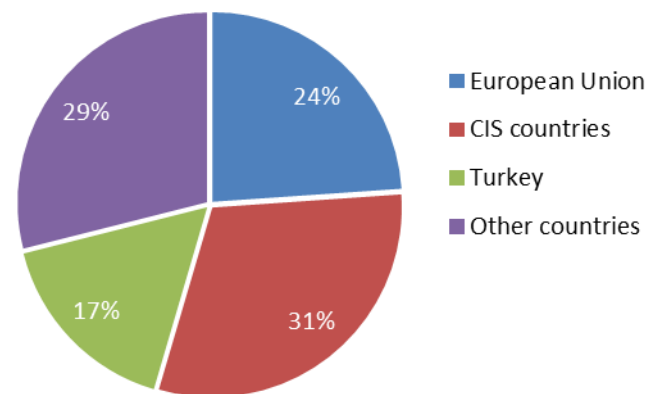
GEL Exchange Rate



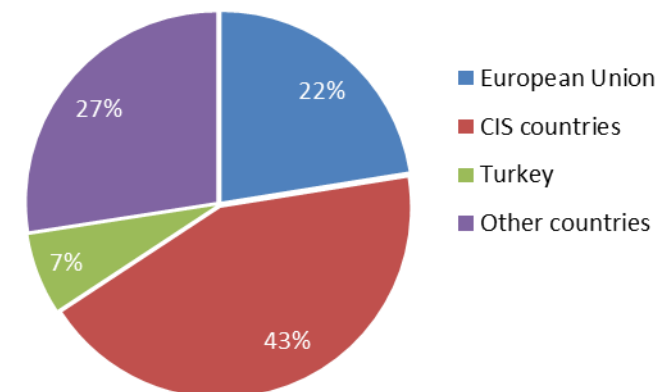
Georgian Trade Dynamics



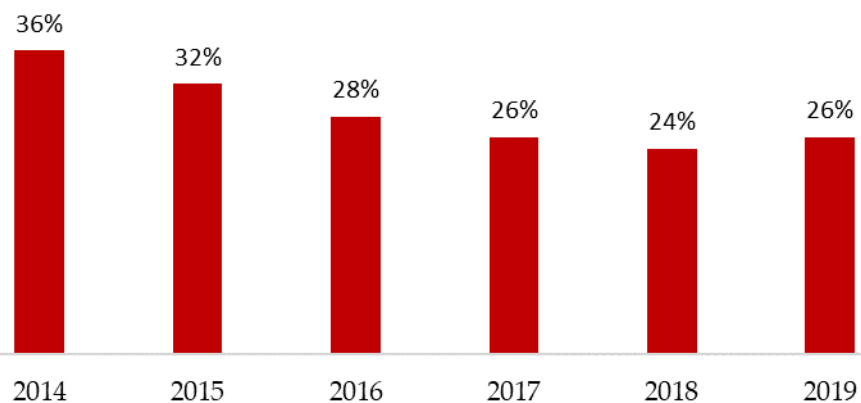
Import by countries for H1 2020



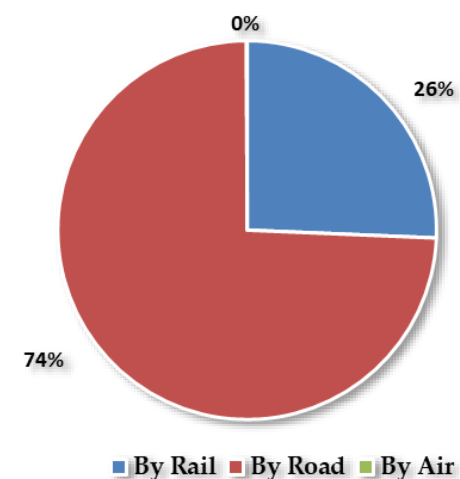
Export by countries for H1 2020



Share of GR in Total Freight Transportation in Georgia



Freight transportation by types for 2019



Global Commodity Prices (BLOOMBERG) Commodity	Price	% change		
	Q2 2020	Q3 2020	Q4 2020	Q1 2021
ICE Brent (Crude oil)	42.3	1.56%	1.59%	1.48%
ICE Gasoil	364.0	1.79%	2.26%	2.09%
UK NBP Nat Gas	12.6	30.25%	120.27%	1.24%
Grain	524.8	0.23%	1.23%	1.07%
Aluminum	1,690.0	-0.84%	1.38%	1.07%
Iron ores	62.5	-4.03%	-6.82%	-6.55%

Macroeconomic Measures of Partnering Countries for 2019 (IMF)	% Change from 2018			
	GDP	Inflation rate	Import	Export
Azerbaijan	2.70%	2.80%	-10.96%	-6.65%
Turkey	0.25%	15.68%	-9.40%	4.80%
Kazakhstan	3.82%	5.30%	4.94%	-0.03%
Turkmenistan	6.34%	13.40%	44.6%	8.07%

Financial Results

Revenue Breakdown

Volume Analysis

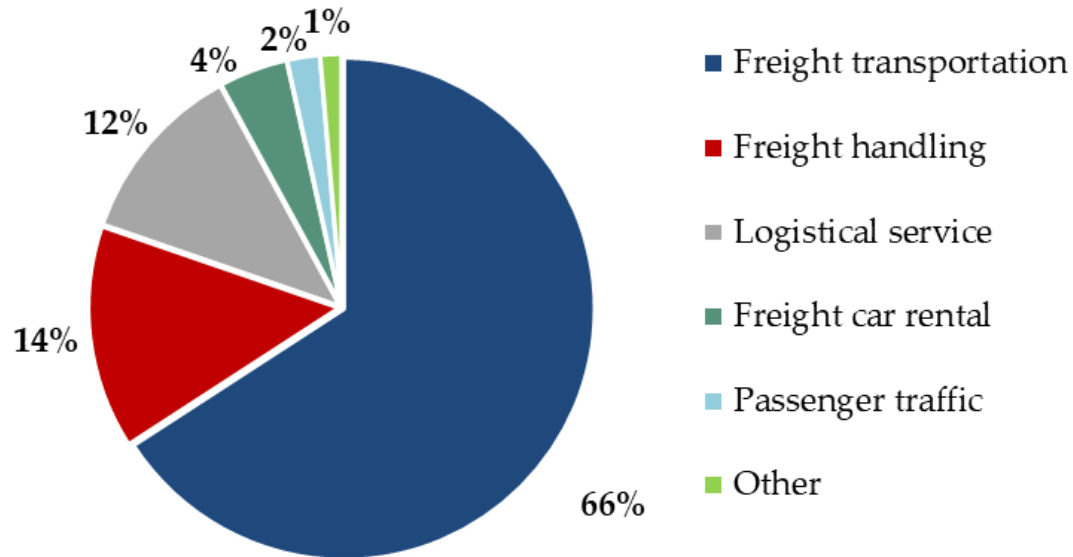
Passenger SBU

Freight Forwarders

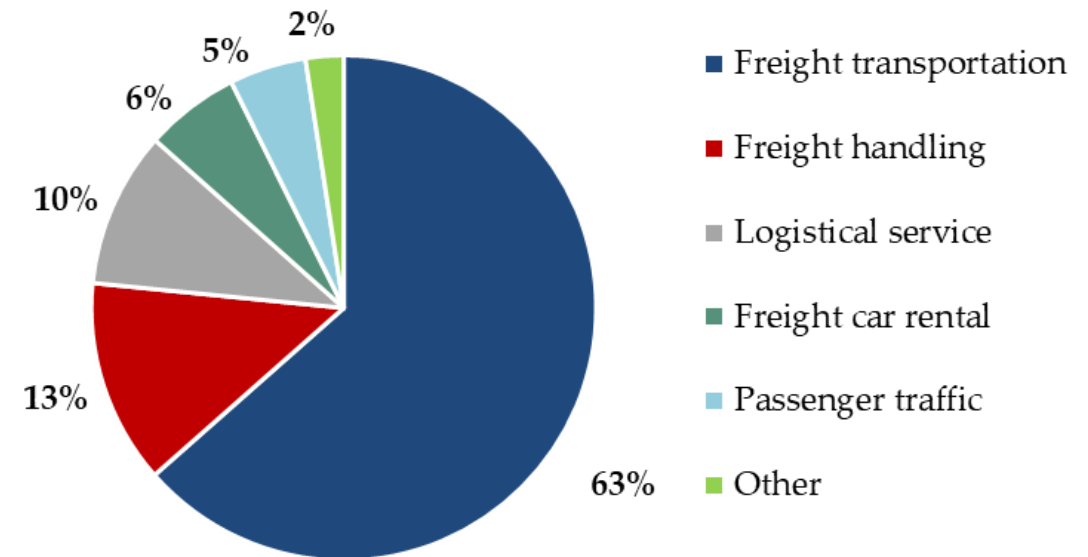
Cost Structure

Balance Sheet

Revenue Breakdown H1 2020



Revenue Breakdown H1 2019



<i>GEL '000 6 month period ended 30 June</i>	<u>6M 2020</u>	<u>6M 2019</u>	<u>% Change</u>	<u>Abs. Change</u>
Freight transportation	161,361	146,167	10.4%	15,194
Freight handling	35,303	30,119	17.2%	5,184
Logistical service	28,931	22,983	25.9%	5,948
Freight car cross-border charge	10,894	13,972	-22.0%	-3,078
Passenger traffic	5,163	11,342	-54.5%	-6,179
Other	3,366	5,613	-40.0%	-2,247
Revenue	245,018	230,196	6.4%	14,822
Other income	4,528	7,856	-42.4%	-3,328

Significant Changes

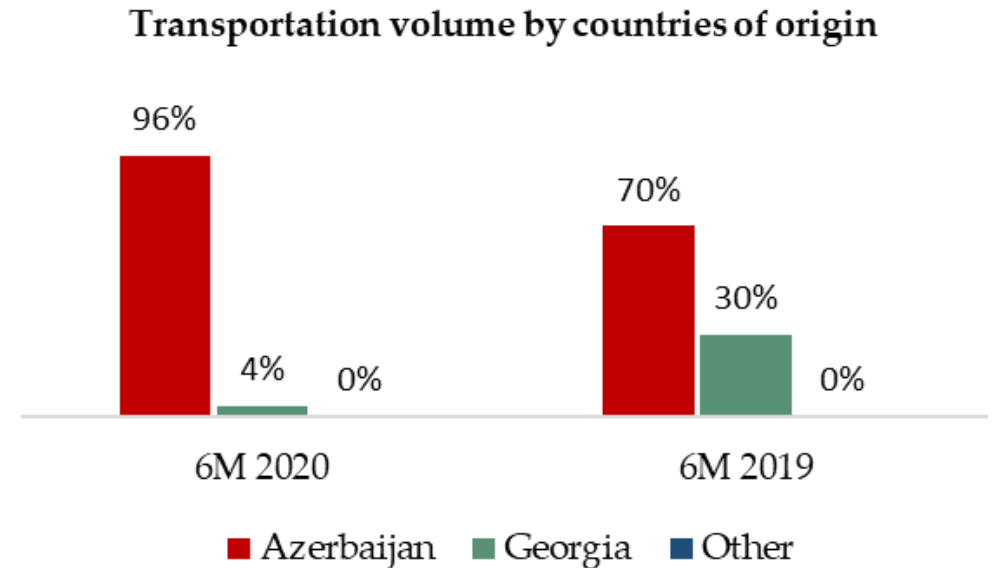
- **Freight transportation:**
 - Tariffs denominated in USD;
 - The upturn in revenue caused by increased volumes;
 - Average revenue per ton-kilometer increased by 1.0%.
- **Freight handling:**
 - Increased freight handling revenue, mainly due to increased 24-hour services and station services.
- **Logistical service:**
 - Increased logistical revenue from container transportation of GR's subsidiary company.
- **Freight car-cross border charge:**
 - Decreased usage of Group's tank cars;
- **Passenger transportation:**
 - Decreased revenue due to ceased passenger transportation from the second half of March 2020, because of Covid-19.

Freight Revenue Breakdown

<i>GEL '000 6 month period ended 30 June</i>	<u>6M 2020</u>	<u>6M 2019</u>	<u>% Change</u>	<u>% Change at constant currency</u>	<u>Abs. Change</u>
Freight transportation	161,361	146,167	10.4%	-1.6%	15,194
Liquid cargoes	59,149	59,344	-0.3%	-11.1%	-195
Oil products	58,921	59,122	-0.3%	-11.1%	-201
Crude oil	228	222	2.8%	-8.4%	6
Dry cargoes	102,212	86,823	17.7%	5.0%	15,389
Ores	19,037	17,766	7.2%	-4.5%	1,271
Grain	3,405	2,300	48.1%	32.0%	1,105
Ferrous metals and scrap	6,958	4,437	56.8%	39.9%	2,522
Sugar	4,183	9,531	-56.1%	-60.9%	-5,348
Chemicals and fertilizers	13,748	8,290	65.8%	47.9%	5,458
Construction freight	3,769	4,730	-20.3%	-28.9%	-961
Industrial freight	3,003	3,424	-12.3%	-21.8%	-421
Cement	247	1,078	-77.1%	-79.6%	-831
Other	47,862	35,268	35.7%	21.0%	12,594
Freight turnover (million ton-km)	1,494	1,364	9.6%	-2.3%	130
Revenue / ton-km (in Tetri)	10.80	10.72	0.8%	-10.2%	0

<i>6 month period ended 30 June</i>	<i>6M 2020</i>	<i>6M 2019</i>	<i>% Change</i>	<i>% Change at constant currency</i>
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%

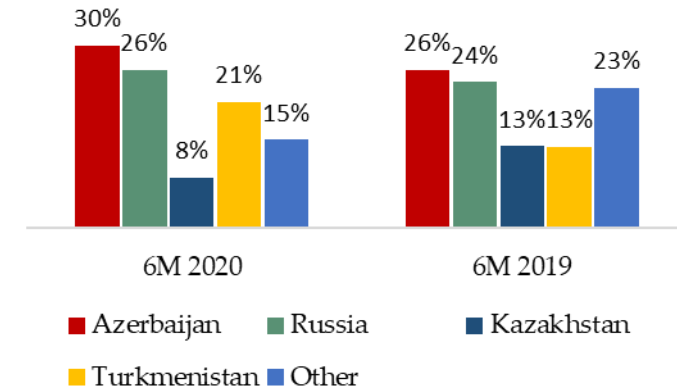
- Decrease in crude oil transportation volume from Georgia;
- Increase in transportation turnover due to increased volumes from Azerbaijan by approximately 800 tons;
- Increase in average revenue per ton-kilometer was due to product direction mix, in addition increase of exchange rate influenced average revenue per ton-kilometer as long as group's tariffs are denominated in USD.



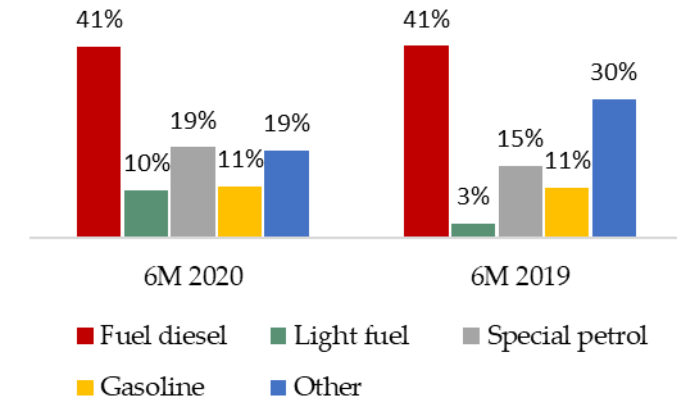
<i>6 month period ended 30 June</i>	<i>6M 2020</i>	<i>6M 2019</i>	<i>% Change</i>	<i>% Change at constant currency</i>
Revenue (GEL '000)	58,921	59,122	-0.3%	-11.1%
Freight volume (ton '000)	1,455.9	1,449.5	0.4%	NA
Freight turnover (million ton-km)	425.5	415.7	2.3%	NA
Revenue / ton-km (in Tetri)	13.85	14.22	-2.6%	-13.2%

- Increased volumes from Turkmenistan by 111,000 tons and from Azerbaijan 62,000 tons;
- Decrease in average revenue per ton-kilometer, 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.

Transportation volume by countries of origin



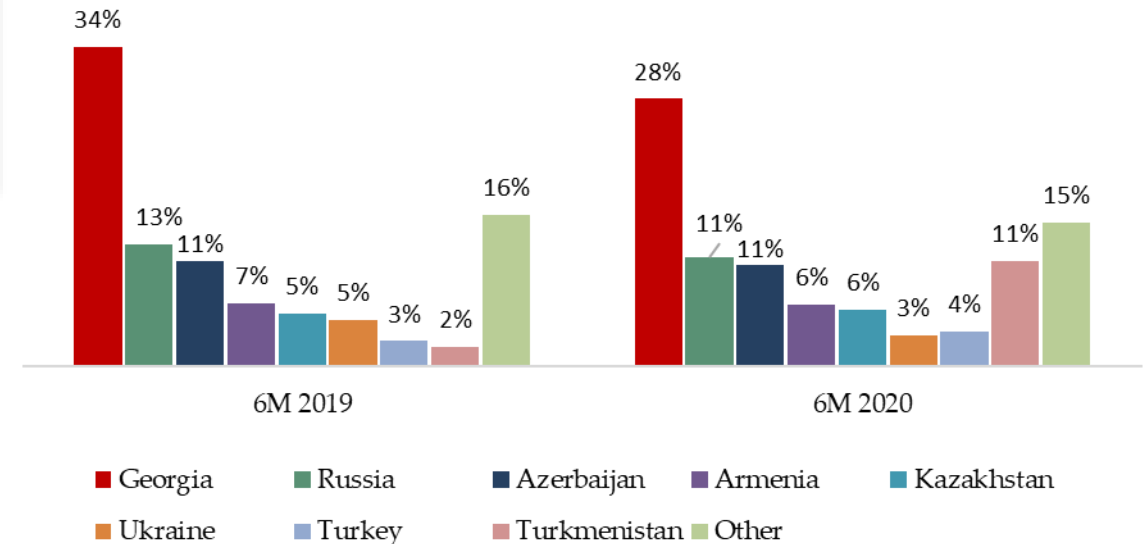
Product Category Mix



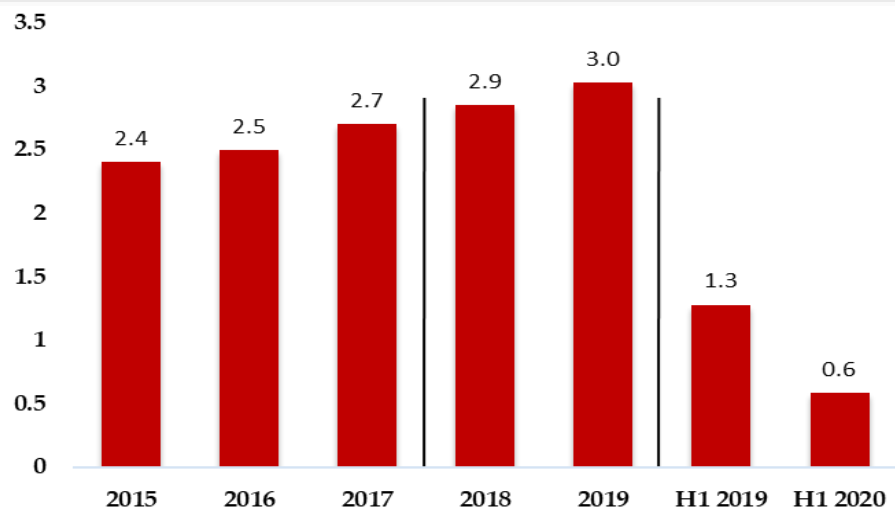
<i>6 month period ended 30 June</i>	<i>6M 2020</i>	<i>6M 2019</i>	<i>% Change</i>	<i>% Change at constant currency</i>
Revenue (GEL '000)	102,212	86,823	17.7%	5.0%
Freight volume (ton '000)	4,001	3,622	10.5%	NA
Freight turnover (million ton-km)	1,067	946	12.8%	NA
Revenue / ton-km (in Tetri)	9.58	9.18	4.4%	-2.7%

- Increased transportation of chemicals and fertilizers (by 227,000 tons) and ferrous metals and scrap (by 40,000 tons);
- Decreased Transportation of construction freight (by 95,000 tons), sugar (by 83,000 tons), cement (by 38,000 tons) and grain (by 32,000 tons);
- Increased revenue per ton-km by 4.4 percent, compared to first half of 2019.

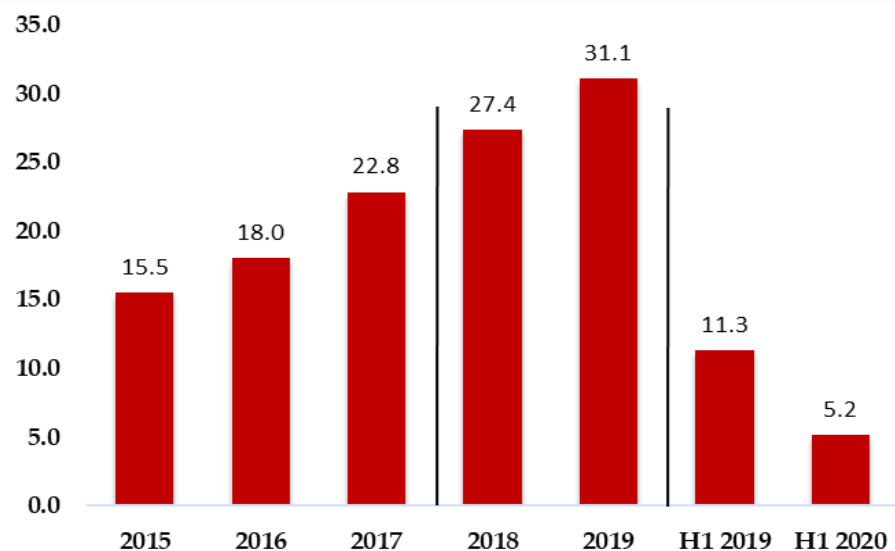
Transportation volume by countries of origin



Passenger Transported (in million)



Passenger Revenues (GEL million)



Overview

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

Roadmap to Profitability

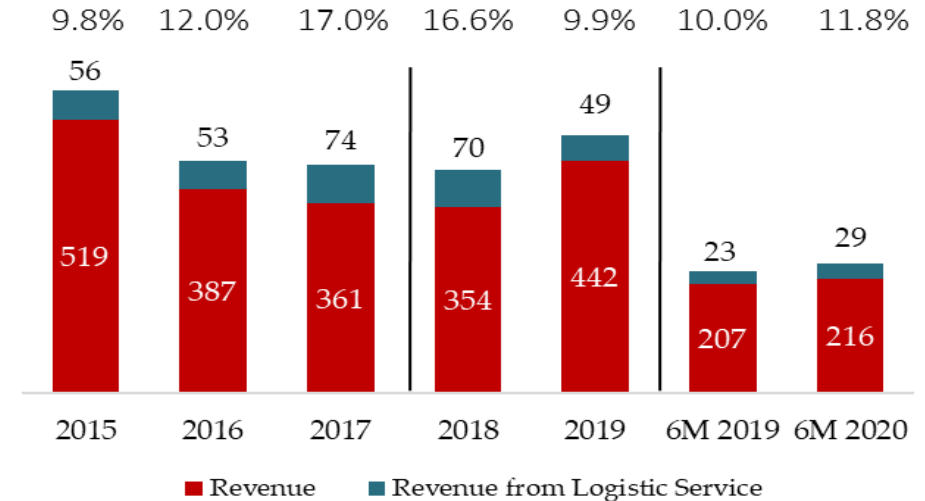
- Medium-term strategic objective to achieve break even :
 - Increasing revenue per passenger by attracting new higher paying customers willing to switch from car and minibus to rail;
 - Adjusting schedules to optimise utilisation.
- GR is increasing its service quality with higher speed and comfort: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

Description of GR's freight forwarders

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

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

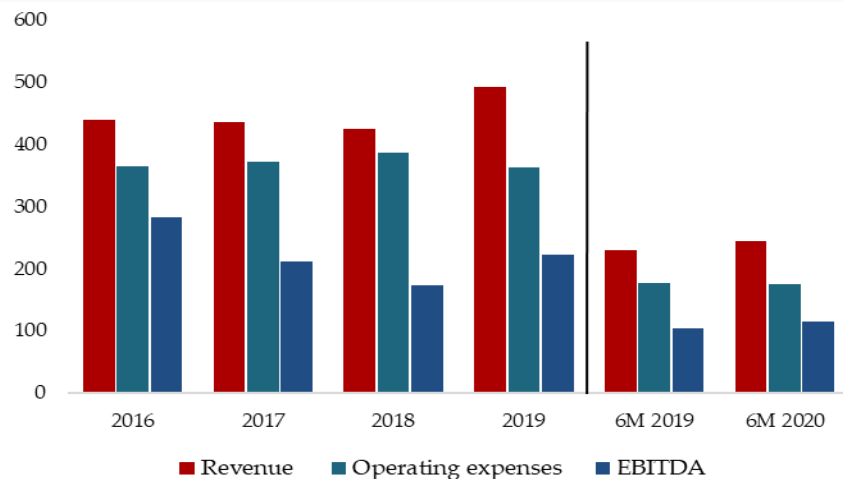
As a percentage of total revenue



Comment

- Subsidiaries' margin added to GR revenue is increasing since entering in freight forwarding business;
- To reach subsidiaries margin (GEL 29 million) GR's subsidiaries transported about 1.9 million tons in first 6M 2020.

Key performance indicators



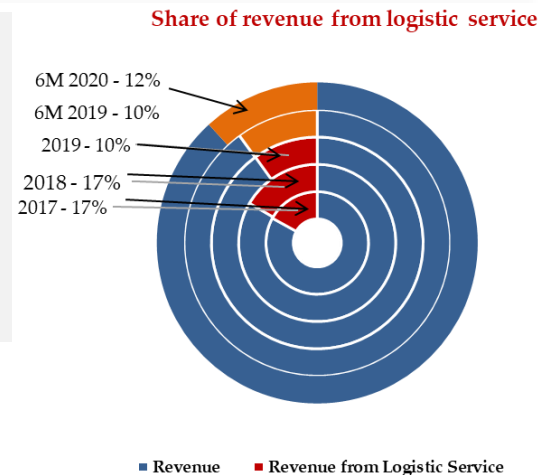
GR as a logistic company

As a logistic company Georgian Railway expects to:

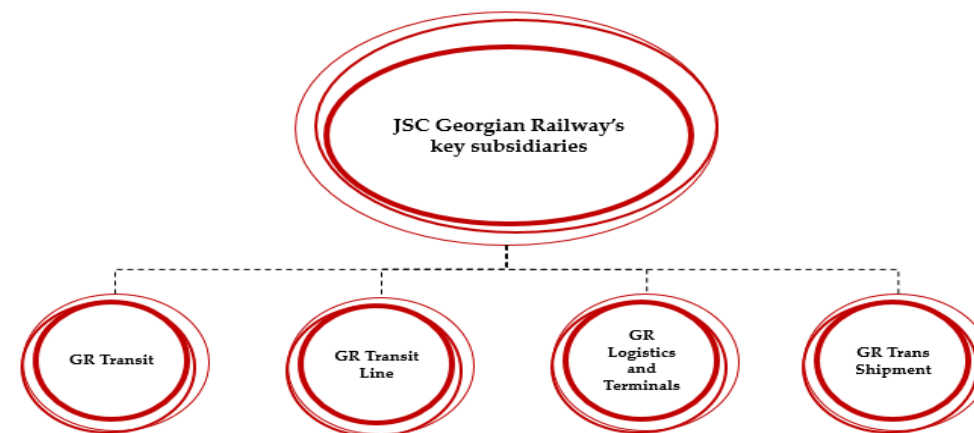
- Have deeper understanding of customers' industries and business processes and be able to provide better service to its customers;
- Increase its competitiveness;
- Increase its financial flexibility, growth and profitability.

Comments

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

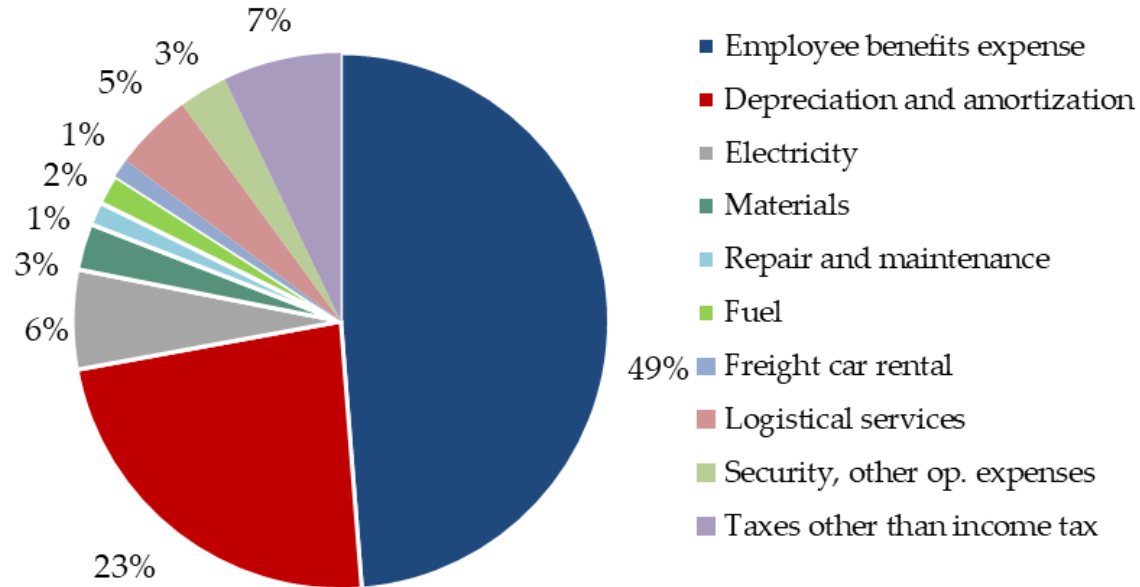


GR's freight forwarders

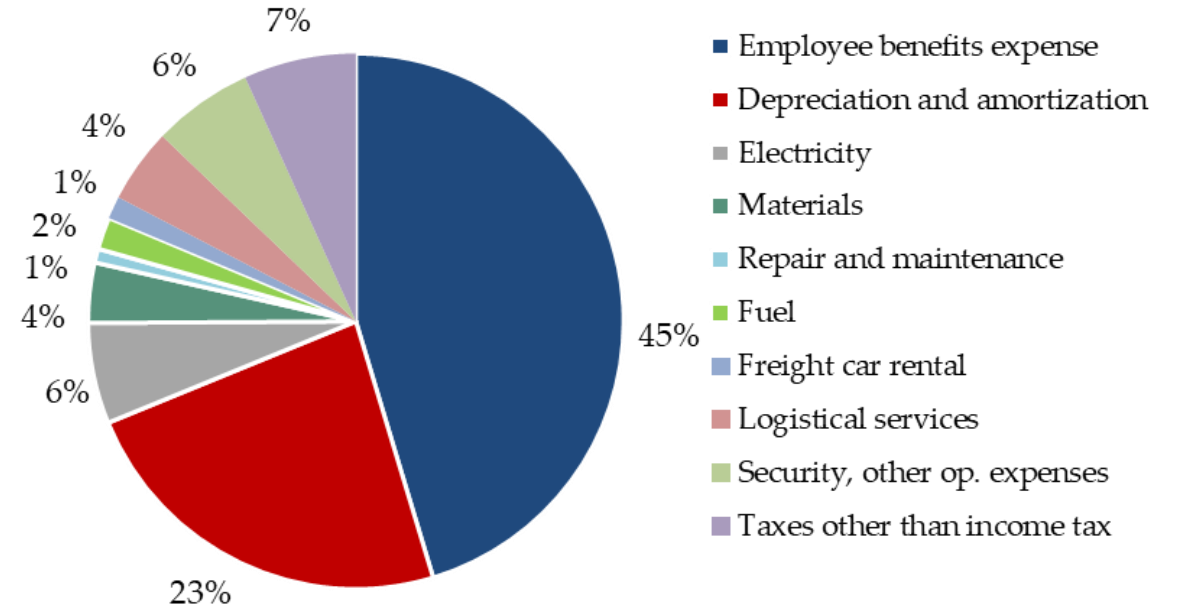


Cost Structure

6M 2020



6M 2019



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

Significant Changes

<i>GEL '000 6 month period ended 30 June</i>	<u>6M 2020</u>	<u>6M 2019</u>	<u>% Change</u>	<u>Abs. change</u>
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

- **Employee benefits expense:**
 - N of employees – 12,669;
 - Increased expenses due to a board decision by the Management, from December 2019, the wages of about 11,000 employees increased by 10%.
- **Electricity expenses:**
 - Decrease due to Group decision, that allowed most of its employees to perform their duties from safe distance, as well as decreased expenses on traction, which is the result of decision to suspend passenger trains to avoid spread of virus.
- **Materials, repair and maintenance expenses:**
 - Covid-19 influenced expenditures and expenses on materials decreased by 1.7 million;
- **Freight car cross-border charge expense:**
 - Decreased usage of various freight wagons.
- **Logistical service:**
 - Increased expenses of GR's subsidiary that mainly serves container transportation.
- **Taxes other than income tax:**
 - Increase in property tax mainly due to capitalization of borrowing costs.
 - Decrease in other taxes category, was mainly due to lower customs penalties.
- **Impairment loss on trade receivables:**
 - Provision made against one significant counterparty company.

Non-current assets

In GEL '000

<i>As at 30 June</i>	<i>30-Jun-20</i>	<i>31-Dec-19</i>	<i>% Change</i>	<i>Abs. change</i>
Property, plant and equipment	1,878,109	1,865,352	0.68%	12,757
Other non-current assets	95,895	93,789	2.25%	2,107
Loan receivable	0	24,133	-100.00%	-24,133
Total	1,974,005	1,983,274	-0.47%	-9,269

Current assets

In GEL '000

<i>As at 30 June</i>	<i>30-Jun-20</i>	<i>31-Dec-19</i>	<i>% Change</i>	<i>Abs. change</i>
Inventories	42,810	40,226	6.42%	2,584
Tax assets	4,467	6,381	-29.99%	-1,913
Trade and other receivables	37,367	24,337	53.54%	13,031
Prepayments and other current assets	1,790	1,371	30.53%	419
Cash and cash equivalents	279,101	257,975	8.19%	21,126
Bank Deposits	26,961	0	100.00%	26,961
Total	392,497	330,289	18.83%	62,208

Significant Changes

- **PPE**
 - Mainly increased due to construction in progress.
- **Trade and other receivables**
 - Increase mainly due to depreciation of GEL against USD, as well as increased receivables of GR's subsidiary company that serves container transportation.
- **Cash and cash equivalents**
 - Increase mainly caused by Proceeds from sale of property, plant and equipment as well as the effect of exchange rate fluctuation.

Balance Sheet (continued)

Equity

In GEL '000

<i>As at 30 June</i>	<i>30-Jun-20</i>	<i>31-Dec-19</i>	<i>% Change</i>	<i>Abs. change</i>
Share capital	1,053,372	1,053,372	0.00%	0
Non-cash owner contribution reserve	100,322	100,322	0.00%	0
Retained earnings	-661,679	-630,327	4.97%	-31,352
Total	492,015	523,367	-5.99%	-31,352

Non-current liabilities

In GEL '000

<i>As at 30 June</i>	<i>30-Jun-20</i>	<i>31-Dec-19</i>	<i>% Change</i>	<i>Abs. change</i>
Loans and borrowings	1,593,385	1,500,687	6.18%	92,697
Advanced received from the Government	46,593	46,593	0.00%	0
Total	1,639,978	1,547,280	5.99%	92,697

Current liabilities

In GEL '000

<i>As at 30 June</i>	<i>30-Jun-20</i>	<i>31-Dec-19</i>	<i>% Change</i>	<i>Abs. change</i>
Loans and borrowings	68,872	64,944	6.05%	3,928
Trade and other payables	138,841	149,865	-7.36%	-11,024
Liabilities to the Government	4,896	4,896	0.00%	0
Provisions	13,345	16,027	-16.73%	-2,682
Other current liabilities	8,556	7,185	19.09%	1,371
Total	234,509	242,916	-3.46%	-8,407

Significant Changes

- **Equity**
 - Decrease was mainly due to reduced retained earnings.
- **Loans and borrowings (LT)**
 - Increase mainly due to debt revaluation, as GEL depreciated against USD by about 7 percent and the Group's debts are denominated in USD.
- **Trade and other payables**
 - Decrease mainly due to a decreased amount of prepayments received from clients as well as decreased liability on ongoing infrastructure project.

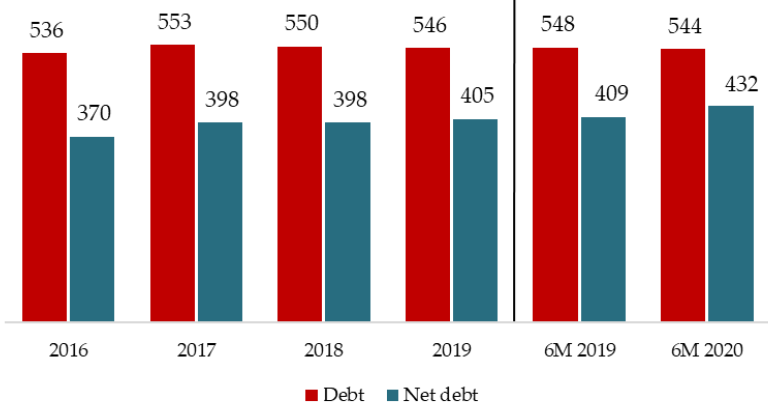
Liquidity Position

Liquidity & Solvency Ratios

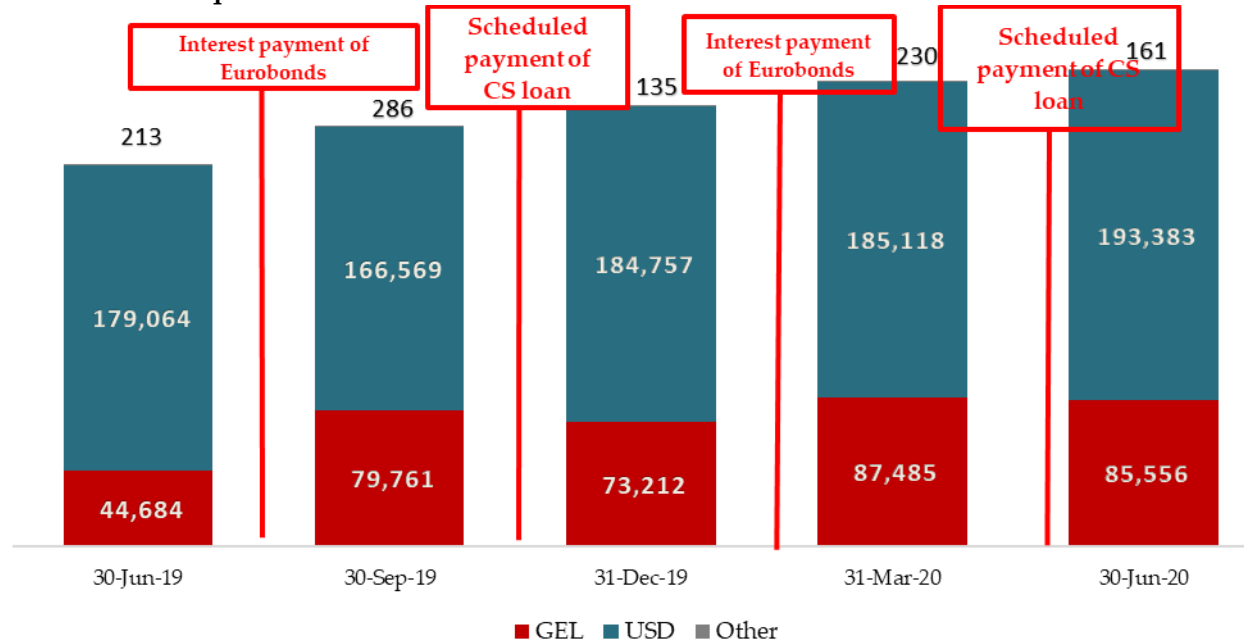
Cash Position

Sensitivity Analysis

Liquidity Position

(in GEL million)		30-Jun-20 Amount	Debt (in GEL million) as for 30 June 2020						Current Net Debt Position	
Cash and Bank Deposits									<ul style="list-style-type: none"> GR's debt balances include Eurobonds issued in 2012 and additional borrowing from Credit Suisse drawn in 2016 and 2017; Gross debt as at 30 June 2020 has increased by 6% compared to 30 June 2019. Cash balances and undrawn credit facilities offset Gross debt. 	
Cash and Cash Equivalents		279.1								
Available credit lines		62.6								
Debt										
Total Indebtedness		1662.3								
Net Debt		1,320.6								

Cash and cash equivalents In GEL '000



Liquidity & Solvency Ratios

Solvency

<u>Net Debt to EBITDA</u>	5.92
<u>Debt to Equity</u>	3.38
<u>Debt to Assets</u>	0.70

Liquidity

<u>Current Ratio</u>	1.67
<u>Quick Ratio</u>	1.35
<u>Cash Ratio</u>	1.19

Undrawn Credit Lines in local banks (as at 30 June 2020)

<i>GEL</i>	<i>USD</i>	<i>GEL eqv.</i>
32,000	10,000	62,552

Cash Position as at 30 June 2020

<i>in GEL '000</i>	<i>30-Jun-20</i>
GEL	85,556
USD	193,383
CHF	147
EUR	11
GBP	2
RUB	1
Total	279,101

