

**Financial and non-financial highlights**

**Revenue**

Q1 2019

**104,218**

+8% from Q1 2018  
-6% from Q4 2018

**Results from operating activities**

Q1 2019

**23,069**

+3x from Q1 2018  
+30x from Q4 2018

**EBITDA**

Q1 2019

**48,141**

+33% from Q1 2018  
+21% from Q4 2018

**EBITDA margin**

Q1 2019

**46.2%**

+9 points from Q1 2018  
+10 points from Q4 2018

**Adjusted EBITDA**

Q1 2019

**40,614**

+23% from Q1 2018  
+20% from Q4 2018

**Adjusted EBITDA margin**

Q1 2019

**39.0%**

+5 points from Q1 2018  
+8 points from Q4 2018

**Net debt to EBITDA**

31 Mar 2019

**6.20**

4.39 as at 31-Mar-2018  
6.19 as at 31-Dec-2018

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# 1. Profit or Loss Statement

## Profit and loss statement

3 month period ended 31 March

In GEL '000

	3M 2019	3M 2018	% Change	Abs. change
Revenue	104,218	96,510	8.0%	7,708
Other income	8,244	4,280	92.6%	3,964
Employee benefits expense	-37,551	-36,577	2.7%	-974
Depreciation and amortization	-25,072	-29,254	-14.3%	4,182
Electricity, consumables and maintenance costs	-11,256	-10,122	11.2%	-1,134
Other expenses	-15,514	-17,827	-12.97%	2,312
<b>Result from operating activities</b>	<b>23,069</b>	<b>7,010</b>	<b>229.1%</b>	<b>16,059</b>
Finance income	3,856	82,785	-95.34%	-78,929
Finance cost	-19,042	-12,072	57.73%	-6,970
<b>Net finance income</b>	<b>-15,186</b>	<b>70,713</b>	<b>-121.5%</b>	<b>-85,899</b>
<b>Profit before income tax</b>	<b>7,883</b>	<b>77,723</b>	<b>-89.9%</b>	<b>-69,840</b>
Income tax expense(benefit)	-223	-349	-36.0%	126
<b>Profit and total comprehensive income</b>	<b>7,660</b>	<b>77,374</b>	<b>-90.10%</b>	<b>-69,714</b>
EBITDA	48,141	36,264	32.8%	11,877
EBITDA margin	46.19%	37.58%	NA	8.6%
Adjusted EBITDA	40,614	32,975	23.2%	7,640
Adjusted EBITDA Margin	38.97%	34.17%	NA	4.8%

## 1.1 Revenue

### Revenue breakdown

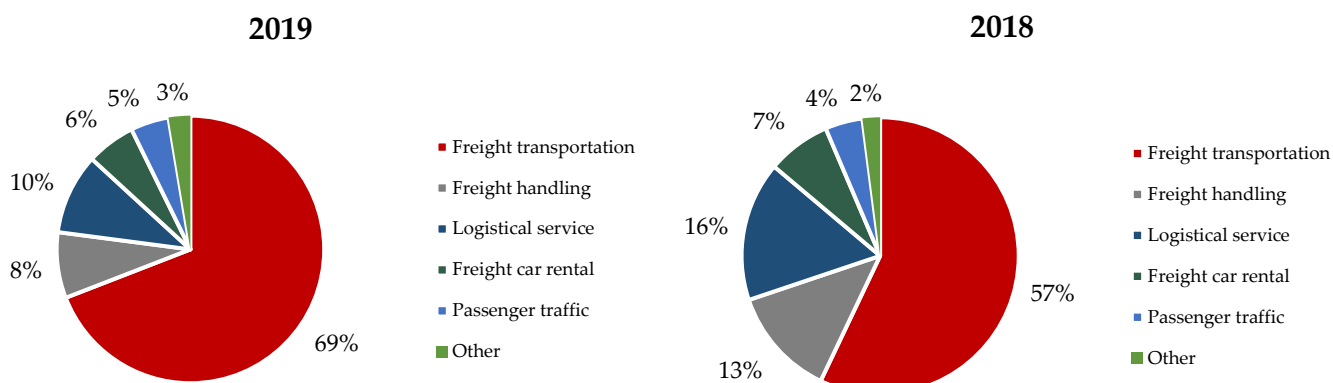
3 month period ended 31 March

In GEL '000

GEL '000	3M 2019	3M 2018	% Change	% Change at constant currency	Abs. Change
Freight transportation*	70,736	55,077	28.4%	19.6%	15,659
Freight handling*	8,147	12,329	-33.9%	-38.4%	-4,182
Logistical service*	9,975	15,731	-36.6%	-40.9%	-5,756
Freight car rental	7,866	7,170	9.7%	2.2%	696
Passenger traffic	4,733	4,227	12.0%	4.3%	506
Other	2,761	1,976	39.7%	30.2%	785
<b>Revenue</b>	<b>104,218</b>	<b>96,510</b>	<b>8.0%</b>	<b>0.6%</b>	<b>7,708</b>
<b>Other income</b>	<b>8,244</b>	<b>4,280</b>	<b>92.6%</b>	<b>79.4%</b>	<b>3,964</b>
<b>Freight transportation</b>	<b>70,736</b>	<b>55,077</b>	<b>28.4%</b>	<b>19.6%</b>	<b>15,659</b>
<b>Liquid cargoes</b>	<b>27,889</b>	<b>24,595</b>	<b>13.4%</b>	<b>5.6%</b>	<b>3,294</b>
Oil products	27,879	23,716	17.6%	9.5%	4,163
Crude oil	10	879	-98.9%	-99.0%	-869
<b>Dry cargoes</b>	<b>42,847</b>	<b>30,482</b>	<b>40.6%</b>	<b>30.9%</b>	<b>12,365</b>
Ores	8,735	6,491	34.6%	25.4%	2,244
Grain	1,090	3,523	-69.1%	-71.2%	-2,434
Ferrous metals and scrap	2,551	2,143	19.1%	10.9%	408
Sugar	3,638	189	1820.1%	1688.7%	3,448
Chemicals and fertilizers	5,945	3,742	58.9%	48.0%	2,203
Construction freight	2,432	1,731	40.5%	30.9%	701
Industrial freight	1,067	797	33.9%	24.7%	270
Cement	533	336	58.6%	47.7%	197
Other	16,857	11,530	46.2%	36.2%	5,327
Freight turnover (million ton-km)	685	633	8.1%	0.7%	51
Revenue / ton-km (in Tetri)	10.33	8.70	18.8%	10.7%	1.64

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

The following charts represent revenue breakdown for the three months ended 31 March 2019 and 2018:



### Freight transportation revenue

Freight transportation revenue, increased by 28 percent (GEL 15.7 million) during the three months ended 31 March 2019, compared to the same period of the previous year.

	Average rate			Reporting date spot rates			
	3M 2019	3M 2018	% Change	31-Mar-19	31-Dec-18	31-Mar-18	31-Dec-17
USD	2.67	2.49	7.4%	2.69	2.68	2.41	2.59
CHF	2.68	2.62	2.1%	2.70	2.73	2.53	2.66

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.

Total freight volume transported by the Group during the three months ended 31 March 2019 has increased by 4 percent, compared to the same period of previous year. Transported volumes of liquid cargo has decreased by 15 percent, while transported volumes of dry cargo has increased by 15 percent (see Appendix 1).

### Oil Products

3 Month period ended 31 March

	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	27,879	23,716	17.6%	9.5%
Freight volume ( ton '000)	716	800	-10.5%	NA
Freight turnover (million ton-km)	214	240	-10.8%	NA
Revenue / ton-km (in Tetri)	13.03	9.89	31.7%	22.7%

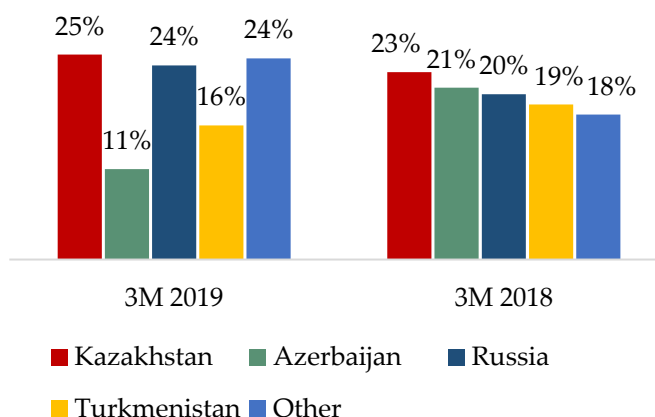
\*For better presentation, we have separated "logistic services" from "freight transportation" and "freight handling". "Logistic services" represents revenue generated by freight forwarding subsidiaries.

## 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 2019). They are mainly transported by rail, as there is practically no competition from pipelines.

Oil products transported by the Group during three months period ended 31 March 2019 mainly originated from Azerbaijan, Russia, Kazakhstan and Turkmenistan with significant changes in transportation direction mix compared to the same period of 2018.

### Transportation volume by countries of origin

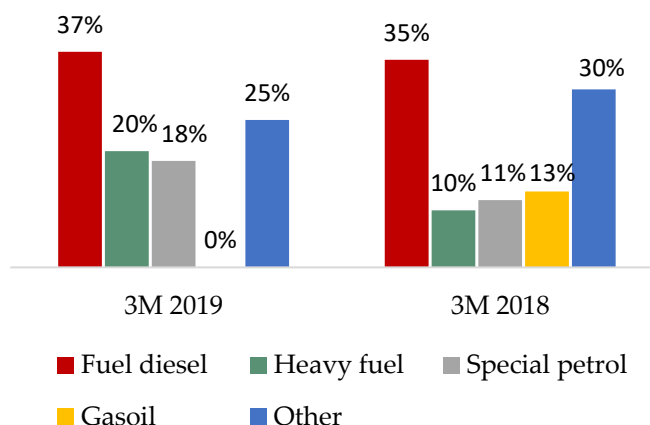


## Factors influencing performance

Ton-kilometers – 11 percent decrease in transportation turnover was mainly driven by decreased transported volume by 11 percent, mainly caused by decreased transportation of gasoil from Kazakhstan by 104,000 tons.

Revenue/ton-km (in Tetri) - 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 product category mix. The share of fuel diesel and special petrol (which are relatively more profitable products) has increased and share of Gasoil (which is relatively less profitable product) has decreased in total oil products transported by Georgian Railway.

### Product Category Mix



## Crude Oil

3 Month period ended 31 March

	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	10	879	-98.9%	-99.0%
Freight volume ( ton '000)	0	41	-99.4%	NA
Freight turnover (million ton-km)	0	16	-99.5%	NA
Revenue / ton-km (in Tetri)	11.89	5.41	119.8%	104.7%

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

## Main directions of cargo

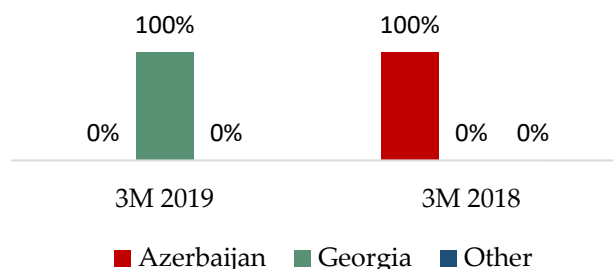
Within the three months ended 31 March 2019, the only country of origin was Georgia with 253 tons, while 41,000 tons were transported from Azerbaijan in the same period of the previous year.

## Factors influencing performance

Ton-kilometers – Transportation turnover decreased by 99 percent because crude oil was not transported from Azerbaijan in the first three months of 2019.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was due to product direction mix, as the total amount of crude oil was transported within Georgia in three months period of 2019.

Transportation volume by countries of origin



## Ores

3 Month period ended 31 March

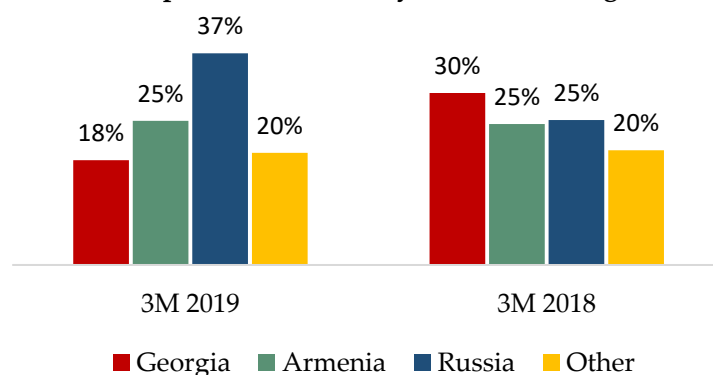
	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	8,735	6,491	34.6%	25.4%
Freight volume ( ton '000)	395	371	6.6%	NA
Freight turnover (million ton-km)	99	73	35.2%	NA
Revenue / ton-km (in Tetri)	8.81	8.86	-0.5%	-7.3%

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

## Main directions of cargo

Ore products transported by the Group during three months ended 31 March 2019, mainly originated from Georgia, Armenia and Russia. Main destination countries were Georgia and Bulgaria.

Transportation volume by countries of origin

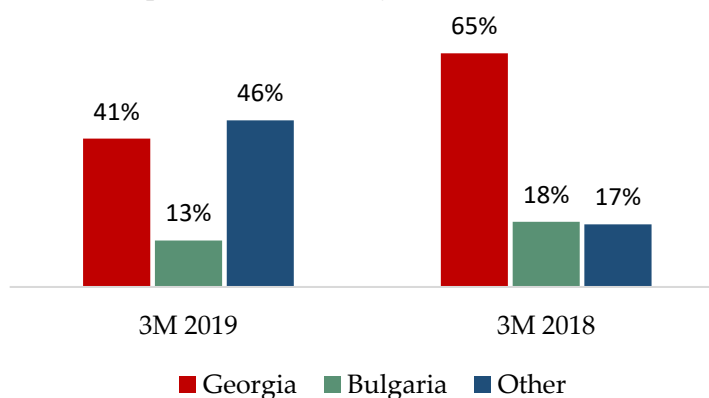


## Factors influencing performance

Ton-kilometers – 35 percent increase in transportation turnover was mainly driven by increased transportation from Russia and Jamaica by 52,000 tons and 44,000 tons, respectively. Another reason was increased average haul by 27 percent.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was mainly due to change in product direction mix. The share of freight volumes from relatively more profitable directions, such as Brazil, Bulgaria and Kazakhstan decreased.

Transportation volume by destination countries



## Grain

3 Month period ended 31 March

	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	1,090	3,523	-69.1%	-71.2%
Freight volume ( ton '000)	96	167	-42.2%	NA
Freight turnover (million ton-km)	18	45	-60.4%	NA
Revenue / ton-km (in Tetri)	6.14	7.86	-21.9%	-27.3%

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

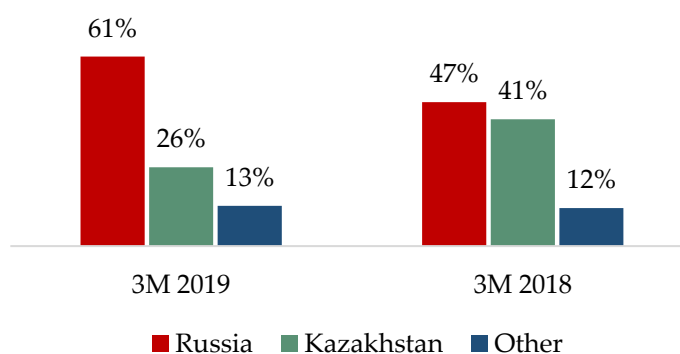
## Main directions of cargo

Grain and grain products transported by the Group during three months ended 31 March 2019, mainly originated from Kazakhstan and Russia, while main destination countries were Georgia, and Italy.

## Factors influencing performance

Ton-kilometers – 60 percent decrease in transportation turnover was mainly driven by decreased transportation of wheat originated from Russia by 44,000 tons.

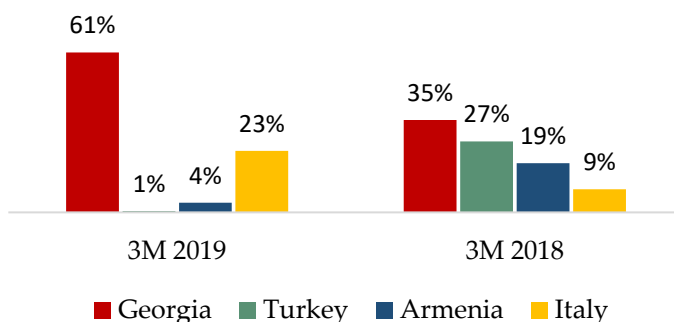
Transportation volume by countries of origin





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

**Transportation volume by destination countries**



## Sugar

3 Month period ended 31 March

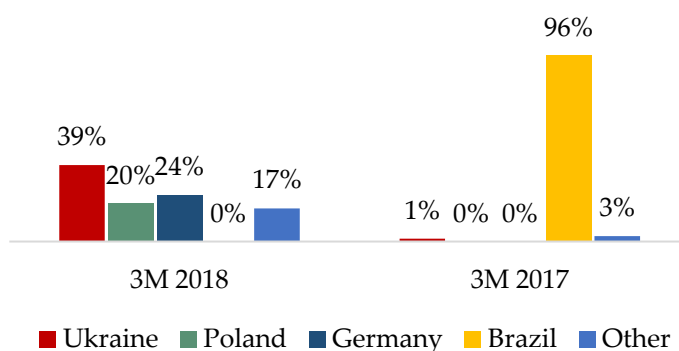
	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	3,638	189	1820.1%	1688.7%
Freight volume ( ton '000)	79	16	398.6%	NA
Freight turnover (million ton-km)	31	6	447.3%	NA
Revenue / ton-km (in Tetri)	11.61	3.31	250.8%	226.8%

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

## Main directions of cargo

Product direction mix has significantly changed during three months ended 31 March 2019 with Brazil being main origin country, with the share of 79 percent, compared to Ukraine, Poland and Germany being main origin countries in the same period of the previous year with the share of 83 percent in total Sugar transported by the Group. The main destination country was Azerbaijan in the three month period ended 31 March of 2019, while Georgia and Armenia were main countries of destination in the same period of the previous year.

**Transportation volume by countries of origin**

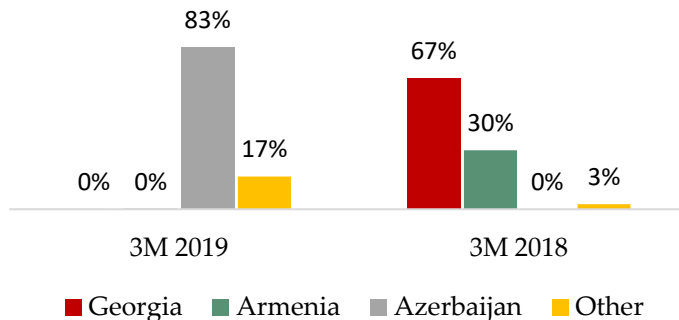


## Factors influencing performance

Ton-kilometers – 447 percent increase in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by recovered volume transportation from Azerbaijan (63,000 tons in three months ended 31 March 2019).

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was caused by change in product direction mix. The share of volumes transported from Brazil and to Azerbaijan (relatively more profitable directions) has increased significantly.

Transportation volume by destination countries



## Chemicals and fertilizers

3 Month period ended 31 March

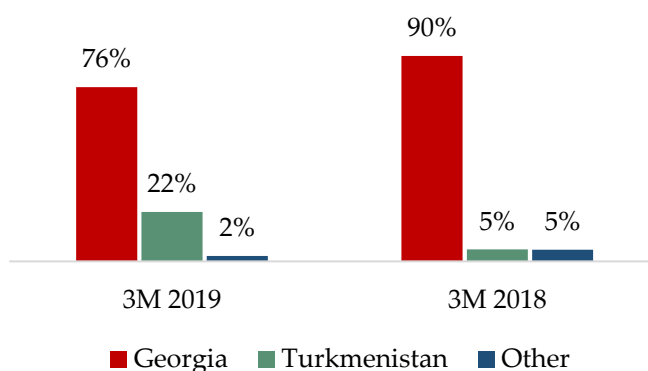
	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	5,945	3,742	58.9%	48.0%
Freight volume ( ton '000)	245	155	57.7%	NA
Freight turnover (million ton-km)	78	53	48.2%	NA
Revenue / ton-km (in Tetri)	7.58	7.07	7.2%	-0.1%

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

## Main directions of cargo

Chemicals and fertilizers transported by the Group during three months ended 31 March 2019, mainly originated from Georgia and Turkmenistan (186,000 tons and 53,000 tons, respectively).

Transportation volume by countries of origin



## Factors influencing performance

Ton-kilometers – 48 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 by 45,000 tons.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was caused by change in product category mix. The share of urea products transported from Turkmenistan (relatively more profitable product) has increased significantly.

## Other products

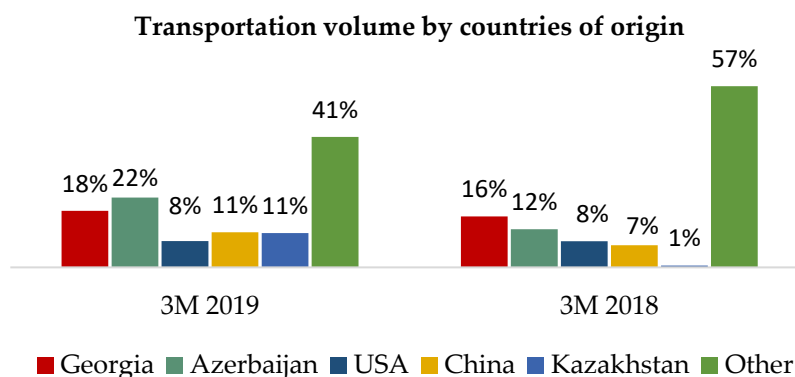
3 Month period ended 31 March

	3M 2019	3M 2018	% Change	% Change at constant currency
Revenue (GEL'000)	16,857	11,530	46.2%	36.2%
Freight volume ( ton '000)	495	341	45.0%	NA
Freight turnover (million ton-km)	153	110	39.7%	NA
Revenue / ton-km (in Tetri)	11.01	10.52	4.7%	-2.5%

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

### Main directions of cargo

Freight from other products category in three months ended 31 March 2019 was mainly originated from Azerbaijan, Kazakhstan, Georgia, and USA, with changes in product direction mix, compared to the same period of 2018.



### Factors influencing performance

Ton-kilometers – 40 percent increase in transportation turnover was mainly driven by increased volumes from Azerbaijan, Kazakhstan, Georgia and China, by 68,000 tons, 51,000 tons, 33,000 tons and 31,000 tons, respectively.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was driven by changes in product direction mix and product category mix. The share of profitable directions such as Azerbaijan and Georgia has increased significantly. The share of methanol and p-xylene products (relatively more profitable products) has increased, while the share of unalloyed aluminum (relatively less profitable product) has decreased in total volumes transported.

### Logistical services

The decrease in logistical services by GEL 5.8 million during the three months ended 31 March 2019, compared to the same period of the previous year, was mostly completion of two year contract of oil trade between one significant counterparty company and Georgian Railway's subsidiary company.

### Freight car rental

The increase in revenue from freight car rental by 10 percent (GEL 0.7 million) during the three months ended 31 March 2019, compared to the same period of 2018, was mainly caused by increased usage of the Group's tank cars.

## Passenger transportation

3 month period ended 31 March

In '000 GEL

	3M 2019	3M 2018	% Change	Abs. change
Revenue	4,733	4,227	12.0%	506
Number of passengers	561	579	-3.0%	-17

Revenue from passenger transportation has increased by 12 percent (GEL 0.5 million) during the three months ended 31 March 2019, compared to the same period of the previous year, while the number of passengers has increased by 3 percent. The disproportional change was due to increased number of passengers on the international transportation (which is more profitable) and, while the number of passengers on regional transportation decreased.

## Other revenue

The increase in other revenue by GEL 0.7 million during the first quarter of 2019, compared to the same period of 2018 was mostly attributable to increased revenues from sales of scrap.

## 1.2 Other income

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

### Other income

For the year ended 31 December

In GEL '000

	3M 2019	3M 2018	% Change	Abs. change
Continuing operations	718	991	-27.5%	-273
Non-continuing operations	7,526	3,289	128.8%	4,237
<b>Total</b>	<b>8,244</b>	<b>4,280</b>	<b>92.6%</b>	<b>3,965</b>

Continuing operations decreased by GEL 0.3 million during the three months ended 31 March 2019, compared to the same period of the previous year. The non-continuing operations increased by GEL 4.2 million in three months period ended 31 March 2019, compared to the same period of 2018.

### 1.3 Operating expenses

Total operating expenses for the three months ended 31 March 2019 decreased by GEL 4.4 million, compared to the same period of the previous year. The decrease was mainly caused by reduction in depreciation and amortization expenses.

#### Operating expenses

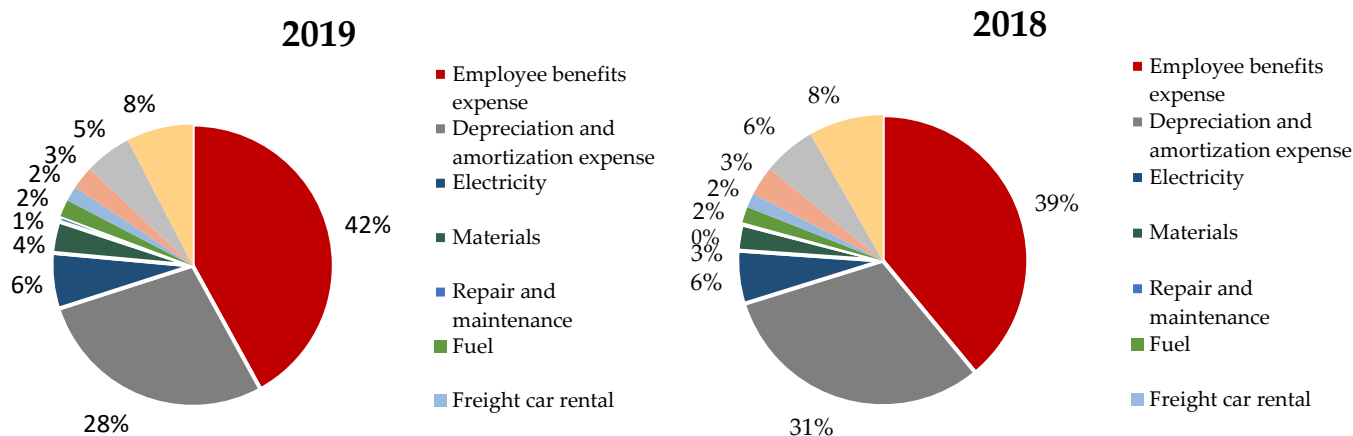
3 Month period ended 31 March

In GEL '000

	3M 2019	3M 2018	% Change	Abs. change
Employee benefits expense	37,551	36,577	2.7%	974
Depreciation and amortization expense	25,072	29,254	-14.3%	-4,182
Electricity	5,723	5,544	3.2%	179
Materials	3,245	2,719	19.3%	525
Repair and maintenance	566	228	147.7%	337
Fuel	1,722	1,631	5.7%	92
Freight car rental	1,528	1,491	2.5%	38
Logistical service	2,396	3,077	-22.1%	-681
Security, other op. expenses	4,805	5,521	-13.0%	-716
Taxes other than income tax	6,785	7,738	-12.3%	-953
<b>Total</b>	<b>89,394</b>	<b>93,780</b>	<b>-4.68%</b>	<b>-4,386</b>

\*For better presentation, we have reclassified "logistics service" from "security and other operating expenses".

The following charts represent the cost structure for the three months ended 31 March 2019 and 2018:

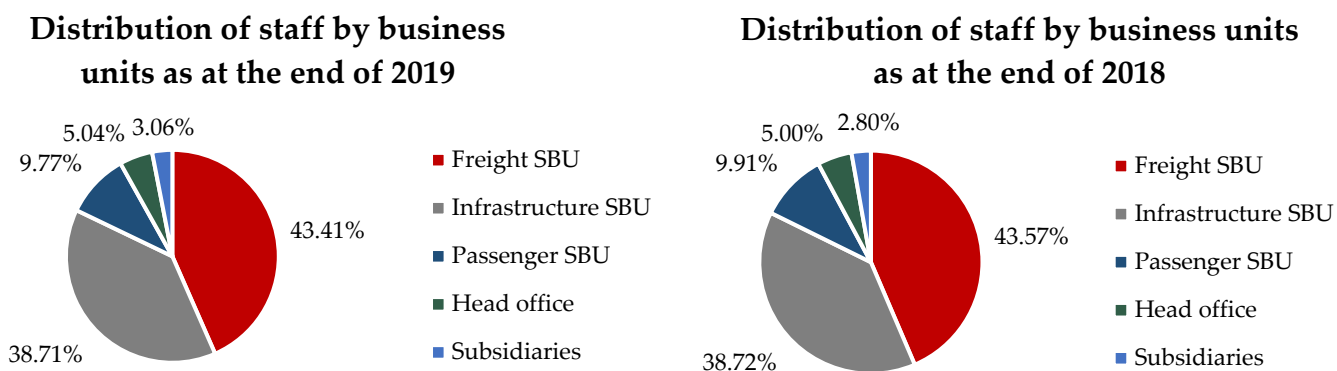


## Employee benefits expense

The increase in employee benefits expense during the three months ended 31 March 2019, compared to the same period of the previous year, was mainly due to pension fund expenses. Employee's salaries are mostly fixed and normally are not affected by changes in transportation volumes.

Number of employees (excluding subsidiaries) by the end of March 2019 was equal to 12,662 and by the end of March 2018 was 12,668.

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 three months ended 31 March 2019 transportation turnover increased compared to the same period of the previous year, consequently, material, repair and maintenance expenses increased by 29 percent (GEL 0.9 million). The increase was mainly caused by increased expenditure on diagnostic and repair of rolling stock and increased expenses on purchase of materials.

## Electricity expenses

### Electricity expenses

For the year ended 31 December

In GEL '000

	3M 2019	3M 2018	% Change	Abs. change
Electricity expenses of traction	4,495	4,330	3.8%	165
Utility expenses	1,227	1,214	1.1%	13
<b>Total</b>	<b>5,723</b>	<b>5,544</b>	<b>3.2%</b>	<b>179</b>

There was a 4 percent increase in electricity expenses of traction during the three months ended 31 March 2019, compared to the same period of 2018, accordingly gross ton-kilometers have increased by

about 6 percent. This change was mainly driven by increased volumes in the first quarter of 2019 compared to the same period of 2018. 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

3 Month period ended 31 March

	3M 2019			3M 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
<b>Total</b>	<b>34.6</b>	<b>1291.6</b>	<b>0.130</b>	<b>33.3</b>	<b>1214.1</b>	<b>0.130</b>

Note: The table above includes only electricity consumed of traction

### Freight car rental expense

Freight car rental expense in the three months ended 31 March 2019, compared to the same period of the previous year, increased slightly by about GEL 38,000 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 three months ended 31 March 2019 have decreased by about 22 percent (GEL 0.7 million), compared to the same period of the previous year. The decrease was mainly caused by reduced expenses of Georgian Railway's subsidiary that mainly serves crude oil and oil products transported by the Company.

### Taxes other than income tax

#### Taxes other than income tax

3 Month period ended 31 March

			In GEL '000	
	3M 2019	3M 2018	% Change	Abs. change
Property tax	3,526	4,539	-22.3%	-1,013
Land tax	2,955	3,150	-6.2%	-195
Other taxes*	304	49	515.0%	255
<b>Total</b>	<b>6,785</b>	<b>7,738</b>	<b>-12.3%</b>	<b>-953</b>

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

In the three months ended 31 March 2019, compared to the same period of 2017, property tax has decreased by 22 percent (GEL 1.0 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 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 quarter of 2019 compared to the same period of previous year.

## 1.4 Finance income and cost

### Finance income and cost

3 Month period ended 31 March

In GEL '000

	3M 2019	3M 2018	% Change	Abs. change
Interest income	3,130	3,846	-18.6%	-716
Impairment gain/loss on doubtful debts	726	-	100.0%	726
Impairment loss on trade receivables	-	-377	-100.0%	377
Impairment loss on issued loans	-	-515	-100.0%	515
Impairment loss on cash in bank	-	-	100.0%	0
Interest expense	-11,383	-11,181	1.8%	-202
FX gain/loss	-7,659	78,939	-109.7%	-86,599
<b>Net finance income/loss</b>	<b>-15,187</b>	<b>70,713</b>	<b>-121.5%</b>	<b>-85,899</b>

In the three months ended 31 March 2019 the Group showed GEL 15.2 million net finance loss, compared to net finance income of GEL 70.7 million in the same period of 2017. The negative difference of GEL 85.9 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 1 percent as at 31 March 2019 compared to 31 December 2018 (GEL/USD exchange rate 2.69 versus 2.68), the Group experienced net foreign exchange loss of GEL 7.7 million.

Higher interest expense during the three months ended 31 March 2019, compared to the same period of 2018, was mainly due to depreciation of GEL against USD.

Lower interest income by GEL 0.7 million in the three months ended 31 March 2019 compared to the same period of 2018, was mainly due to the lower average cash balances and lower interest rates.

## 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 three months of 2019 income tax expense decreased by 36 percent (GEL 125,000) compared to the same period of previous year and equaled GEL 223,000.



## 2. Balance Sheet

### Balance sheet

3 Month period ended 31 March

	31-Mar-19	31-Dec-18	% Change	Abs. change
<b>TOTAL ASSETS</b>	<b>2,258,166</b>	<b>2,264,012</b>	<b>-0.3%</b>	<b>-5,846</b>
<i>Changes are mainly due to:</i>				
Other non-current assets	96,243	97,479	-1.3%	-1,236
Trade and other receivables	54,346	40,912	32.8%	13,434
Cash and cash equivalents	222,377	241,308	-7.8%	-18,931
<b>TOTAL LIABILITIES</b>	<b>1,717,035</b>	<b>1,734,796</b>	<b>-1.0%</b>	<b>-17,761</b>
<i>Changes are mainly due to:</i>				
Loans and borrowings (LT)	1,418,320	1,336,665	6.1%	81,654
Trade and other payables	189,305	191,610	-1.2%	-2,305

### Significant changes in assets

GEL 1.2 million decrease in other non-current assets was mainly due reduction in construction materials.

GEL 13.4 million increase in trade and other receivables, in the three months ended 31 March 2019, mainly was due one off accounting transaction, which will be compensated in the following period. Another reason was depreciation of GEL against USD and increased receivables of GR's subsidiary company that serves container transportation.

Cash and cash equivalents have decreased by GEL 18.9 million in the three months ended 31 March 2019, which was mainly caused by interest payment on obligations in the beginning of the year as well as the effect of exchange rate fluctuations on cash and cash equivalents. (See heading 3 "Cash Flow Statement").

### Significant changes in liabilities

The Group has secured loan with long term repayment schedule, but due to waiver letter's arrival on 10 January 2019, the loan was classified as current liability as at 31 December 2018. As at 31 March 2019, the Group has reclassified secured loan back to long-term borrowing. Another reason was debt revaluation, as GEL has depreciated against USD by about 1 percent and the Group's debts are denominated in USD.

GEL 2.3 million decrease in trades and other payables was mainly due to provisions of prepayments made in 2018.

## 3. Cash Flow Statement

### Cash flow statement

3 Month period ended 31 March

In GEL '000

	3M 2019	3M 2018
<b>Cash flows from operating activities</b>		
Cash receipts from customers	112,077	129,619
Cash paid to suppliers and employees	-57,194	-54,932
<b>Cash flows from operations before income taxes paid</b>	<b>54,882</b>	<b>74,687</b>
Income tax paid	-	-
<b>Net cash from operating activities</b>	<b>54,882</b>	<b>74,687</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-26,726	-30,130
Proceeds from sale of property, plant and equipment	1,224	1,566
Interest received	2,501	2,919
Refund of the loan	-	-
<b>Net cash used in investing activities</b>	<b>-23,001</b>	<b>-25,645</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Interest paid	-51,854	-50,178
<b>Net cash from used in financing activities</b>	<b>-51,854</b>	<b>-50,178</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-19,972</b>	<b>-1,137</b>
Cash and cash equivalents at 1 January	241,308	243,018
Effect of exchange rate fluctuations on cash and cash equivalents	1,041	-9,122
<b>Cash and cash equivalents at the end of the period</b>	<b>222,377</b>	<b>232,759</b>

### Operating activities

Net cash from operating activities decreased by GEL 19.8 million in the three months ended 31 March 2019, compared to the same period of the previous year. The change was driven by decrease in cash receipts from customers by GEL 17.5 million, as in the first quarter of 2018, group received payment from Azerbaijani partnering company repaying its payables.

The increase in cash paid to suppliers and employees by about GEL 2.3 million, was mainly caused by increased employee bonuses and increased salary expenses due to pension fund.

### **Investing activities**

Cash used in investing activities has decreased by GEL 2.6 million in the three months ended 31 March 2019, 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 three months' period of 2019, compared to the same period of 2018.

### **Financing activities**

Higher interest paid in the three months ended 31 March 2019, 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

3 Month period ended 31 March

In thousand tons

	3M 2019	3M 2018	% Change	Abs. Change
<b>Liquid cargoes</b>	<b>717</b>	<b>841</b>	<b>-14.8%</b>	<b>-125</b>
Oil products	716	800	-10.5%	-84
Crude oil	0	41	-99.4%	-41
<b>Dry cargoes</b>	<b>1,804</b>	<b>1,574</b>	<b>14.6%</b>	<b>230</b>
Ores	395	371	6.6%	24
Grain	96	167	-42.2%	-70
Ferrous metals and scrap	138	128	8.4%	11
Sugar	79	16	398.6%	64
Chemicals and fertilizers	245	155	57.7%	90
Construction freight	265	314	-15.6%	-49
Industrial freight	63	58	8.5%	5
Cement	26	24	9.8%	2
Other	495	341	45.0%	154
<b>Total</b>	<b>2,521</b>	<b>2,415</b>	<b>4.3%</b>	<b>105</b>

## Appendix 2

### Breakdown of freight transportation in ton-kilometers

3 Month period ended 31 March

In million ton-kilometers

	3M 2019	3M 2018	% Change	Abs. Change
<b>Liquid cargoes</b>	<b>214</b>	<b>256</b>	<b>-16.4%</b>	<b>-42</b>
Oil products	214	240	-10.8%	-26
Crude oil	0	16	-99.5%	-16
				0
<b>Dry cargoes</b>	<b>471</b>	<b>377</b>	<b>24.7%</b>	<b>93</b>
Ores	99	73	35.2%	26
Grain	18	45	-60.4%	-27
Ferrous metals and scrap	31	28	8.6%	2
Sugar	31	6	447.3%	26
Chemicals and fertilizers	78	53	48.2%	25
Construction freight	40	46	-12.8%	-6
Industrial freight	14	11	26.1%	3
Cement	6	6	6.6%	0
Other	153	110	39.7%	44
<b>Total</b>	<b>685</b>	<b>633</b>	<b>8.1%</b>	<b>51</b>

## 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 31 March 2019 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 31 March 2019 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*

<b>Net Financial Indebtedness as at:</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
Financial indebtedness	1,453,903	1,470,859
less:		
Available credit facilities	163,496	162,800
Cash	222,377	242,113
<b>Net Financial Indebtedness:</b>	<b>1,068,031</b>	<b>1,065,946</b>
	<b>Twelve-month period ended</b>	<b>Twelve-month period ended</b>
<b>The most recent annual financial period</b>	<b>31-Dec-18</b>	<b>31-Dec-18</b>
Results from operating activities	-644,886	-644,886
Depreciation add-back	113,804	113,804
Impairment loss on property, plant and equipment add-back	691,387	691,387
Impairment loss on trade receivables	12,017	12,017
<b>EBITDA</b>	<b>172,320</b>	<b>172,320</b>
<b>Net Financial Indebtedness/EBITDA</b>	<b>6.20</b>	<b>6.19</b>