

Management Discussion and Analysis for the three months ended 31 March 2022



Financial and non-financial highlights

Revenue
(GEL '000)

Q1 2022

141,442

+10.6% from Q1 2021
+1.8% from Q4 2021

Results from operating activities
(GEL '000)

Q1 2022

36,694

-4.0% from Q1 2021
-6.3% from Q4 2021

Adjusted EBITDA
(GEL '000)

Q1 2022

50,762

-11.8% from Q1 2021
+7.8% from Q4 2021

Adjusted EBITDA margin

Q1 2022

35.9%

-9 points from Q1 2021
+0 points from Q4 2021

Net debt to Adjusted EBITDA

31 Mar 2022

5.95

6.54 as at 31-Mar-2021
5.88 as at 31-Dec-2021

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Profit or Loss Statement

Financial and non-financial highlights

3 month period ended 31 March

GEL '000	3M 2022	3M 2021	y-o-y % change	y-o-y Abs. change
Revenue	141,442	127,866	10.6%	13,576
Other income	2,138	2,265	-5.6%	-127
Impairment loss on trade receivables	-242	-2,004	-87.9%	1,762
Employee benefits expense	-46,239	-40,537	14.1%	-5,702
Depreciation and amortization	-13,827	-17,346	-20.3%	3,520
Electricity, consumables and maintenance costs	-17,759	-10,594	67.6%	-7,165
Other expenses	-28,819	-21,416	34.6%	-7,404
Result from operating activities	36,694	38,234	-4.0%	-1,540
Net finance income/loss	-13,057	-92,443	-85.9%	79,386
Profit before income tax	23,637	-54,209	-143.6%	77,846
Income tax expense(benefit)	-90	-172	-47.7%	82
Profit and total comprehensive income	23,547	-54,381	-143.3%	77,928
Adjusted EBITDA	50,762	57,584	-11.8%	-6,822
Adjusted EBITDA Margin	35.89%	45.03%	NA	-9.1%

*Adjusted EBITDA is determined by the same method as EBITDA of previous periods was calculated.

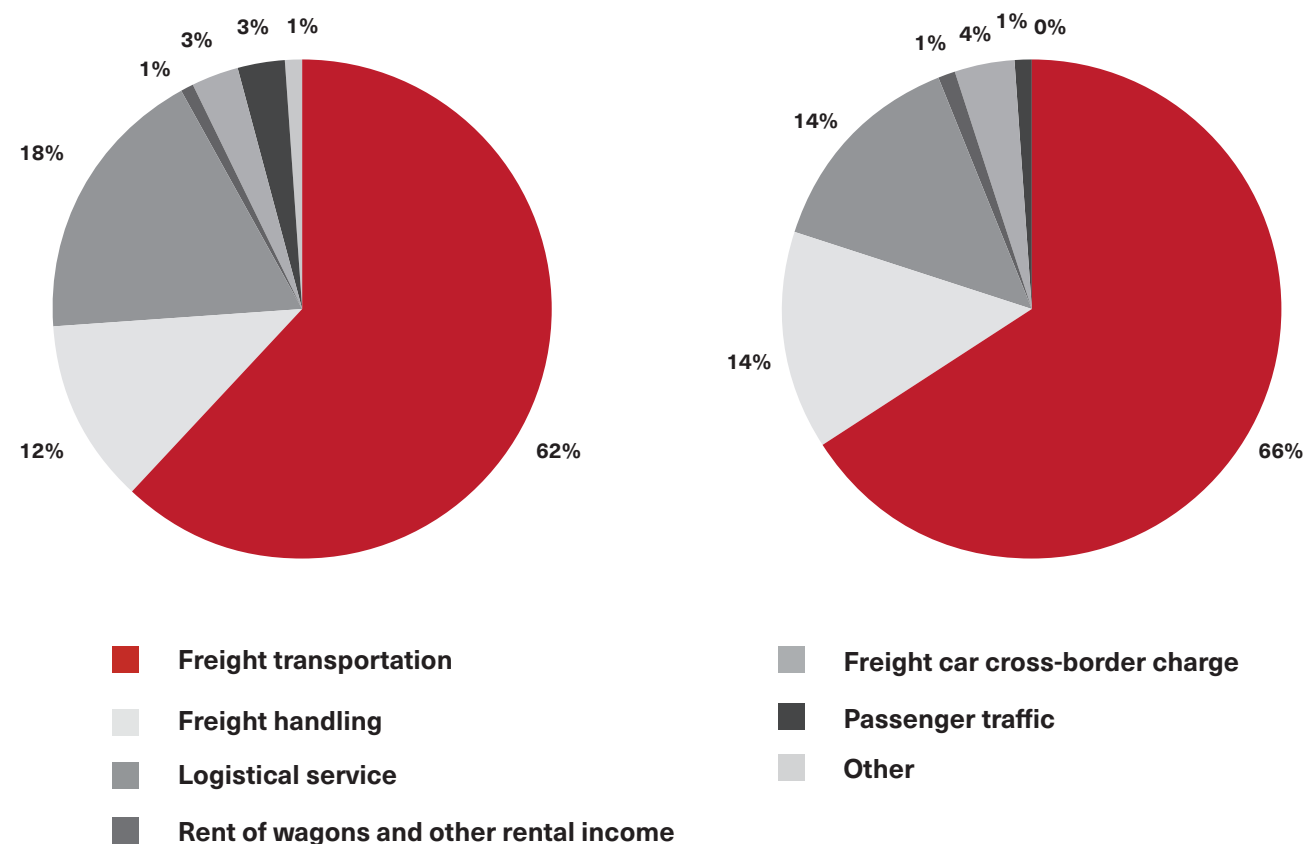
Revenue

Revenue breakdown

3 month period ended 31 March

GEL '000	3M 2022	3M 2021	% Change	% Change at constant currency	Abs. Change
Freight transportation	87,153	84,187	3.5%	10.2%	2,966
Freight handling	17,183	18,485	-7.0%	-1.1%	-1,302
Logistical service	26,052	17,690	47.3%	56.8%	8,362
Rent of wagons and other rental income	1,857	1,219	52.3%	62.2%	638
Freight car cross-border charge	4,092	4,930	-17.0%	-11.7%	-838
Passenger traffic	3,697	767	382.0%	413.1%	2,930
Other	1,408	588	139.5%	154.9%	820
Revenue	141,442	127,866	10.6%	17.7%	13,576
Other income	2,138	2,265	-5.6%	0.5%	-127
Freight transportation	87,153	84,187	3.5%	10.2%	2,966
Liquid cargoes	31,381	38,541	-18.6%	-13.3%	-7,160
Oil products	31,358	38,509	-18.6%	-13.3%	-7,151
Crude oil	23	32	-28.1%	-23.5%	-9
Dry cargoes	55,772	45,646	22.2%	30.1%	10,126
Ores	7,431	7,084	4.9%	11.7%	347
Grain	1,407	872	61.4%	71.7%	535
Ferrous metals and scrap	1,834	2,338	-21.6%	-16.5%	-504
Sugar	3,347	5,603	-40.3%	-36.4%	-2,256
Chemicals and fertilizers	12,807	8,965	42.9%	52.1%	3,842
Construction freight	1,355	1,354	0.1%	6.5%	1
Industrial freight	1,203	1,549	-22.3%	-17.3%	-346
Cement	54	111	-51.4%	-48.2%	-57
Other	26,334	17,771	48.2%	57.7%	8,564
Freight turnover (million ton-km)	865	839	3.1%	9.7%	25
Revenue / ton-km (in Tetri)	10.08	10.03	0.5%	6.4%	0.05

The following charts represent revenue breakdown for the three months ended 31 March 2022 and 2021:



Freight transportation revenue

Freight transportation revenue, increased by 3.5 percent (GEL 3.0 million) during the three months ended 31 March 2022, compared to the same period of the previous year.

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 2022 has increased by 1 percent, compared to the same period of the previous year. Transported volumes of liquid cargo have decreased by 18.6 percent; transported volumes of dry cargo have increased by 22.2 percent (see Appendix 1).

	3M 2022	3M 2021	% Change	31-Mar-22	31-Mar-21	31-Dec-21	31-Dec-20
USD	3.11	3.31	-6.05%	3.10	3.41	3.10	3.28
CHF	3.37	3.67	-8.04%	3.35	3.62	3.38	3.71

Oil Products

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	31,358	38,509	-18.6%	-13.3%
Freight volume (ton '000)	872.0	1,112.3	-21.6%	NA
Freight turnover (million ton-km)	283.8	366.3	-22.5%	NA
Revenue / ton-km (in Tetri)	11.05	10.51	5.1%	11.9%

Main directions of cargo

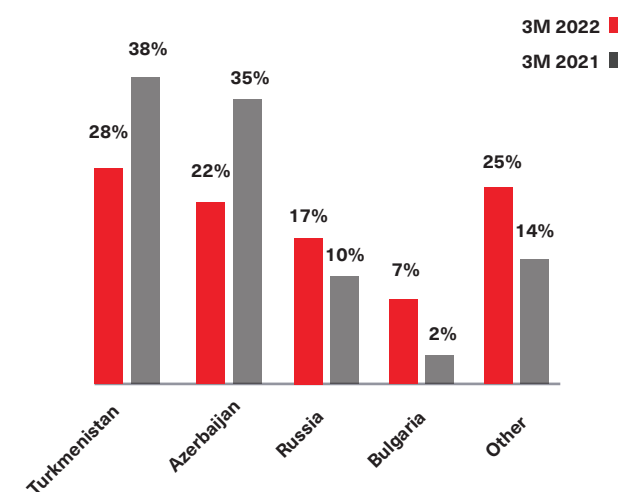
Oil products currently are the main component of liquid cargo (nearly 100 percent of the transportation volume of liquid cargo in 2022). They are mainly transported by rail, as there is practically no competition from pipelines. Oil products transported by the Group during three months period ended 31 March 2022 mainly originated from Turkmenistan, Azerbaijan, Russia, and Kazakhstan.

Factors influencing performance

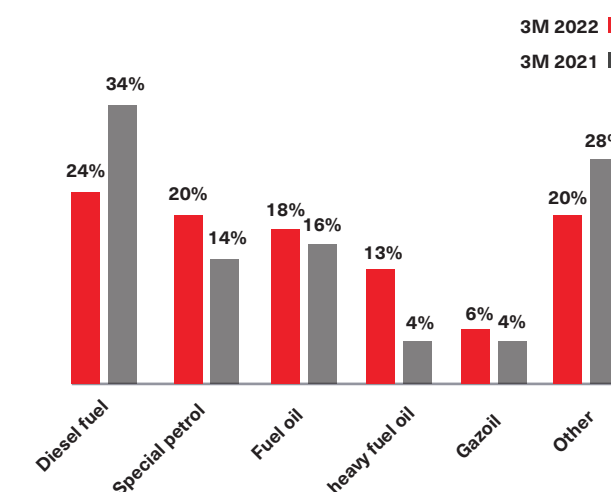
Ton-kilometers – about a 23 percent decrease in transportation turnover was mainly driven by decreased transportation from Azerbaijan, and Turkmenistan by 198,000 tons and 175,000 tons, respectively.

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 direction mix and product category mix. The share volumes directed to Armenia and Georgia (which are relatively more profitable directions) increased in total oil products transported by the group, while the share of Italy (which is relatively less profitable direction) decreased. As well as, the share of special petrol (which is relatively more profitable product) has increased, while the share of fuel oil (which is relatively less profitable product) has decreased in total oil products transported by the Group.

Transportation volume by countries of origin



Product category mix



Crude Oil

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	23	32	-27.7%	-23.0%
Freight volume (ton '000)	1.4	1.1	32.8%	NA
Freight turnover (million ton-km)	0.2	0.4	-63.8%	NA
Revenue / ton-km (in Tetri)	15.03	7.52	99.8%	112.6%

Main directions of cargo

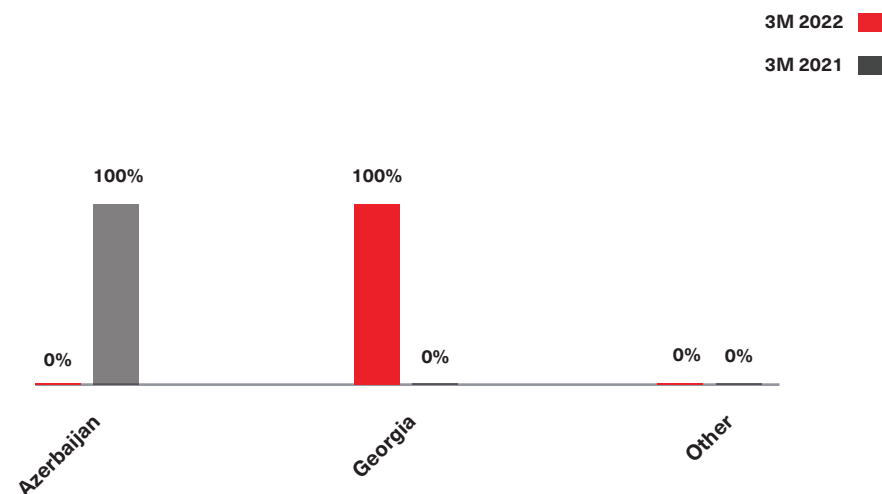
Within the three months ended 31 March 2022, the only country of origin was Georgia with approximately 1,400 tons, while the only origin country was Azerbaijan with approximately 1,100 tons in the same period of 2021.

Factors influencing performance

Ton-kilometers – Transportation turnover decreased by 64 percent due to decreased average distance covered while transportation by approximately 73 percent in the first three months of 2022.

Revenue/ton-km (in Tetri) – significant increase in revenue per ton-kilometer was due to changes in product direction mix. The share of Georgia (which is relatively more profitable direction) has increased, while the share of Azerbaijan (which is relatively less profitable direction) has decreased in total crude oil transportation in the first three months of 2022, compared to the same period of 2021.

Transportation volume by countries of origin



Ores

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	7,431	7,084	4.9%	11.7%
Freight volume (ton '000)	408.5	387.0	5.5%	NA
Freight turnover (million ton-km)	73.5	61.8	18.9%	NA
Revenue / ton-km (in Tetri)	10.11	11.46	-11.8%	-6.1%

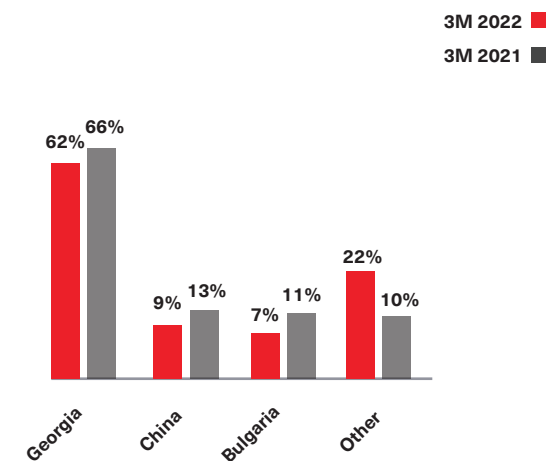
Main directions of cargo

Ore products transported by the Group during three months ended 31 March 2022, mainly originated from Georgia, Armenia, and Russia. Main destination countries were Georgia, Bulgaria, China, Turkey and Azerbaijan.

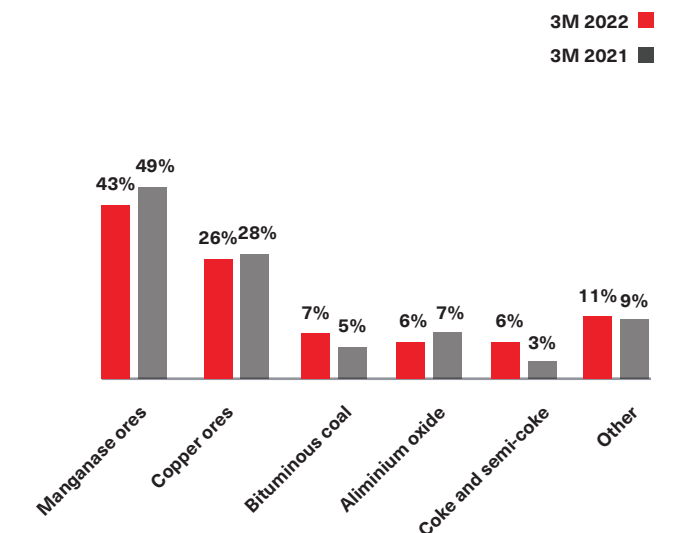
Ton-kilometers – about a 19 percent increase in transportation turnover was mainly driven by increased transportation to Turkey by about 27,000 in three months period ended 31 March 2022, compared to the same period of 2021.

Revenue/ton-km (in Tetri) – about a 12 percent decrease 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 less profitable direction, such Turkey increased, while the share of Bulgaria and China (relatively more profitable directions) decreased. As well as, the share of manganese ores (which is relatively more profitable product) decreased, while the share of bituminous coal (relatively less profitable product) increased, in the first three month of 2022, compared to the same period of previous year.

Transportation volume by destination countries



Product category mix



Ferrous metals and scrap

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	1,834	2,338	-21.5%	-16.5%
Freight volume (ton '000)	101.5	130.0	-21.9%	NA
Freight turnover (million ton-km)	19.0	28.3	-33.1%	NA
Revenue / ton-km (in Tetri)	9.68	8.25	17.3%	24.9%

Main directions of cargo

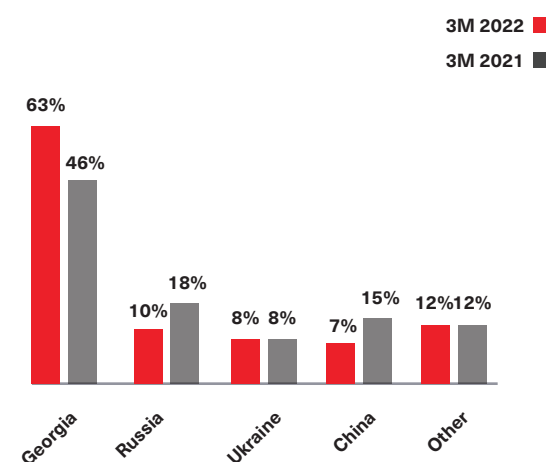
Ferrous metals and scrap transported by the Group during the three months ended 31 March 2022, mainly originated from Georgia, Russia, Ukraine, and China.

Factors influencing performance

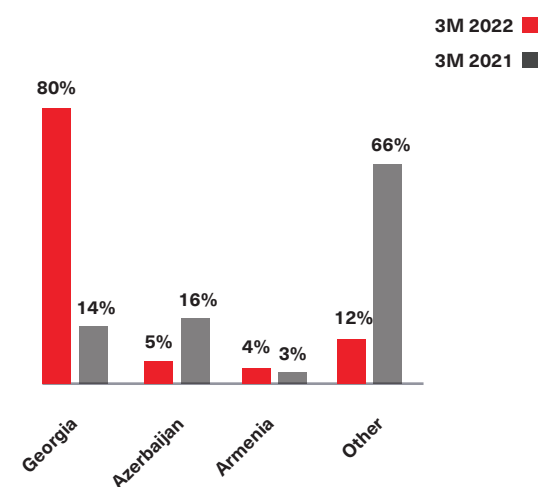
Ton-kilometers – about a 33 percent decrease in transportation turnover was mainly driven by decreased transportation from China and Russia by 13,300 tons and 12,600 tons, respectively.

Revenue/ton-km (in Tetri) – about a 17 percent decrease in average revenue per ton-kilometer was mainly due to change in product direction mix. The share of freight volumes transported from Russia and Ukraine (which are relatively more profitable directions) has decreased, while the share of freight volumes from Georgia (which is relatively less profitable direction) has increased in total ferrous metals and scrap transported by the Group.

Transportation volume by countries of origin



Transportation volume by destination countries



Sugar

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	3,347	5,603	-40.3%	-36.4%
Freight volume (ton '000)	63.3	105.2	-39.9%	NA
Freight turnover (million ton-km)	24.2	40.1	-39.6%	NA
Revenue / ton-km (in Tetri)	13.82	13.97	-1.1%	5.3%

Main directions of cargo

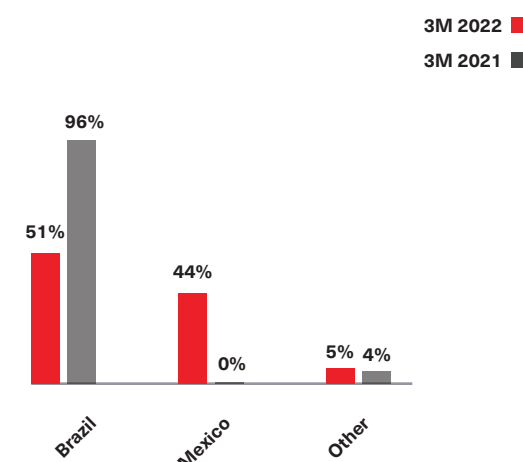
Sugar transported by the Group during the three months ended 31 March 2022, mainly originated from Brazil and Mexico by 51 percent and 44 percent respectively, while in 2021 main country of origin with 96 percent of share was Brazil.

Factors influencing performance

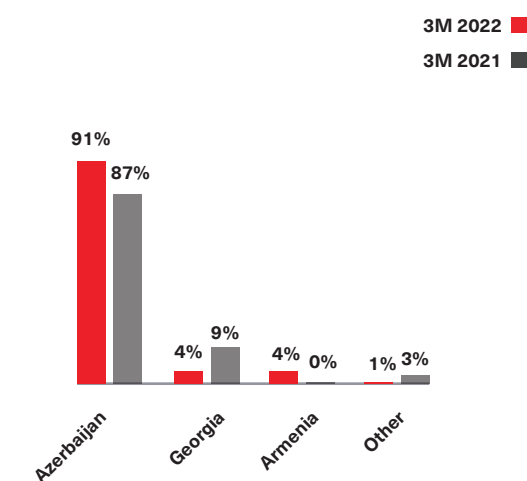
Ton-kilometers – significant decrease about a 40 percent in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by decreased transportation from Brazil by 69,000 tons transported in three months ended 31 March 2022 compared to same period of 2021.

Revenue/ton-km (in Tetri) – average revenue per ton-kilometer remained at about the same level for the first three months of 2022, compared to the same period of 2021.

Transportation volume by countries of origin



Transportation volume by destination countries



Chemicals and fertilizers

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	12,807	8,965	42.9%	52.1%
Freight volume (ton '000)	529.5	338.3	56.5%	NA
Freight turnover (million ton-km)	190.5	111.7	70.6%	NA
Revenue / ton-km (in Tetri)	6.72	8.02	-16.2%	-10.8%

Main directions of cargo

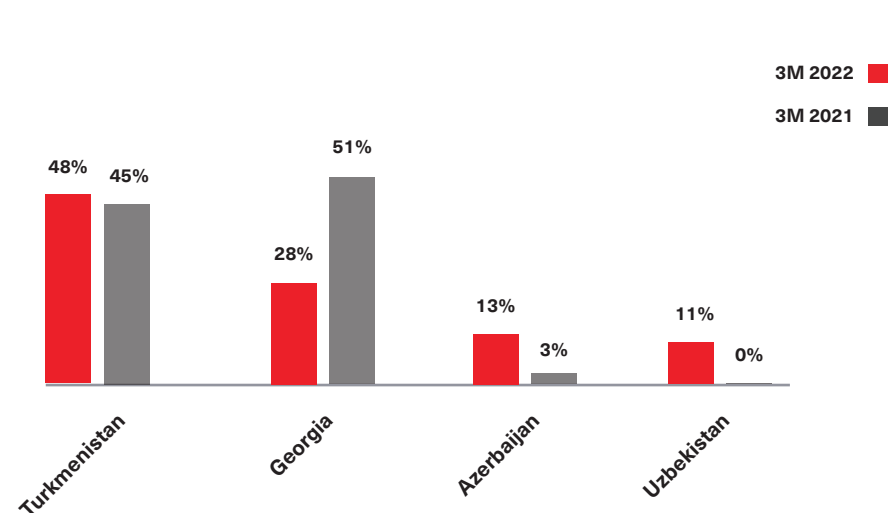
Chemicals and fertilizers transported by the Group during three months ended 31 March 2022, mainly originated from Turkmenistan, Georgia, Azerbaijan, and Uzbekistan (254,000 tons, 146,000 tons, 70,000 tons, and 57,000 tons respectively).

Factors influencing performance

Ton-kilometers – about a 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, Azerbaijan and Uzbekistan by 103,000 tons, 59,000 tons, and by 57,000 tons, respectively.

Revenue/ton-km (in Tetri) – about a 16 percent decrease in average revenue per ton-kilometer was caused by change in product direction mix. The share of Turkmenistan (which is relatively less profitable direction) has increased, while the share of Georgia (relatively more profitable direction) has decreased, in the first three months of 2022, compared to the same period of 2021.

Transportation volume by countries of origin



Other products

3 month period ended 31 March

	3M 2022	3M 2021	% Change	% Change at constant currency
Revenue (GEL '000)	30,353	21,656	40.2%	49.2%
Freight volume (ton '000)	1,024.2	907.5	12.9%	NA
Freight turnover (million ton-km)	273.5	230.5	18.7%	NA
Revenue / ton-km (in Tetri)	11.10	9.40	18.1%	25.7%

This category combines grain and grain products, construction freight, industrial freight, cement, and other products.

Main directions of cargo

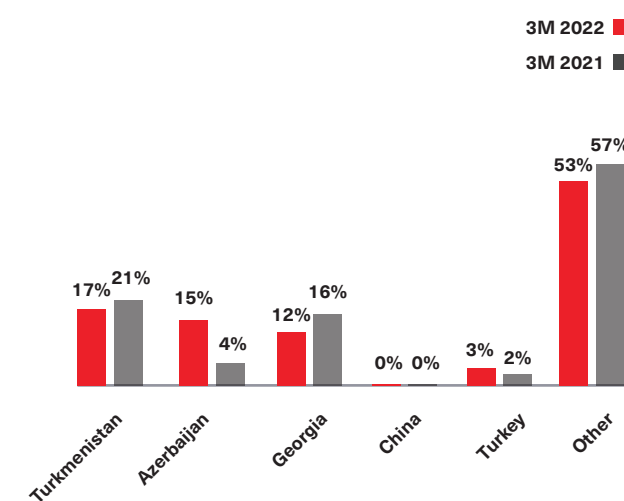
Freight from other products category in three months ended 31 March 2021 was mainly originated from Azerbaijan, Georgia, Turkmenistan and China (248,000 tons, 248,000 tons, 170,000 tons, and 70,000 tons, respectively), while the main destination countries were Georgia, Turkey and Singapore (323,000 tons, 81,000 tons and 67,000 tons, respectively).

Factors influencing performance

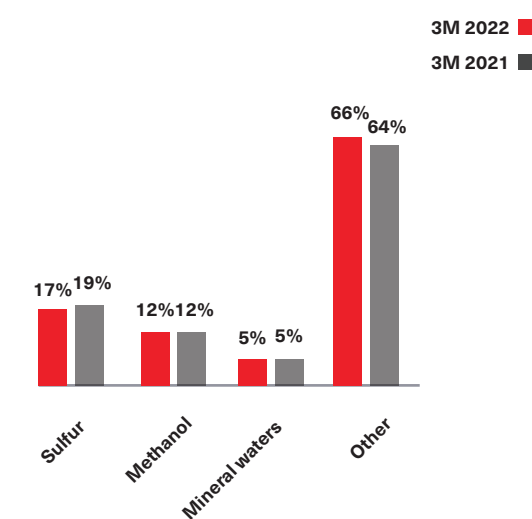
Ton-kilometers – 19 percent increase in transportation turnover was mainly driven by increased volumes from Azerbaijan and China by 113,000 tons, and 16,000 tons respectively.

Revenue/ton-km (in Tetri) – 18 percent increase in average revenue per ton-kilometer was mainly driven by product direction mix, as well as by the product category mix. The share of Azerbaijan (which is relatively more profitable direction) increased, while the share of Turkmenistan (which is relatively less profitable direction) decreased in total other products category. The share of Methanol (which is relatively more profitable product) increased, while the share of limestone (which is relatively less profitable product) decreased in total other products category transported in the first three months of 2022, compared to the same period of 2021.

Transportation volume by countries of origin



Product category mix



Freight handling

The decrease in revenue from freight handling by 7.0 percent (GEL 1.3 million) was mainly caused by decrease in revenue from station services, as well as reduction in contract-related earnings in the first three months of 2022, compared to the same period of 2021.

Logistical services

The Group's revenue from logistic services was GEL 26.1 million for the three months ended 31 March 2022, as compared to GEL 17.7 million for the corresponding period in 2021, reflecting an increase of 47.3% (or GEL 8.4 million). This increase in revenue from logistic services was primarily due to increased revenue from GR's subsidiary providing container transportation, as well as other subsidiary providing services for crude oil and oil product transportation.

Passenger transportation

3 month period ended 31 March

	3M 2022	3M 2021	% Change	Abs. change
Revenue in GEL '000	3,697	767	382.0%	2,930
Number of passengers '000	238	53	345.6%	185

Revenue from passenger transportation has increased by GEL 2.9 million during the three months ended 31 March 2022, compared to the same period of the previous year and the number of passengers has increased by 0.2 million passengers for the same comparable periods.

The Passenger SBU were materially adversely impacted from the first two months of 2021, by the impact of the COVID-19 pandemic. In line with Government regulations, passenger transportation was ceased from the second half of March 2020 until 15 June 2020 and, subject to certain limited exceptions, from 28 November 2020 until 27 February 2021.

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

3 month period ended 31 March

	3M 2022	3M 2021	% Change	Abs. change
Continuing operations	591	544	8.7%	47
Non-continuing operations	1,547	1,721	-10.1%	-174
Total	2,138	2,265	-5.6%	-127

The Group's other income was GEL 2.1 million for the three months ended 31 March 2022, as compared to GEL 2.3 million for the corresponding period in 2021, reflecting a slight increase of GEL 0.1 million, primarily due to increase in non-continuing operations by GEL 0.2 million in the first quarter of 2022, compared to the same period of 2021.

Operating expenses

Total operating expenses for the three months ended 31 March 2022 increased approximately by GEL 20.3 million, compared to the same period of the previous year.

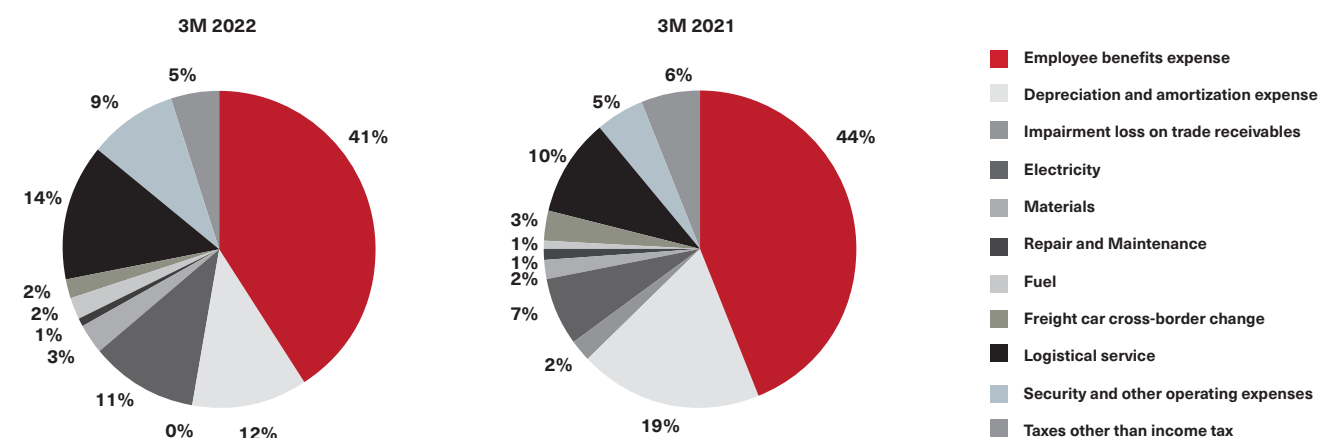
The increase was mainly caused by an increase in logistical expenses, employee benefits expense, electricity expense and security and other operating expenses.

Operating expenses

3 month period ended 31 March

	3M 2022	3M 2021	% Change	Abs. change
Employee benefits expense	46,239	40,537	14.1%	5,702
Depreciation and amortization expense	13,827	17,346	-20.3%	-3,520
Impairment loss/gain on trade receivables	242	2,004	-87.9%	-1,762
Electricity	11,888	6,207	91.5%	5,681
Materials	2,715	2,208	23.0%	508
Repair and maintenance	1,114	807	38.1%	307
Fuel	2,042	1,372	48.8%	669
Freight car cross-border charge	2,627	2,488	5.6%	139
Logistical service	15,565	8,897	74.9%	6,668
Security and other operating expenses	4,736	4,311	9.9%	425
Taxes other than income tax	5,893	5,720	3.0%	173
Total	106,887	91,897	16.3%	14,989

The following charts represent the cost structure for the three months ended 31 March 2022 and 2021:

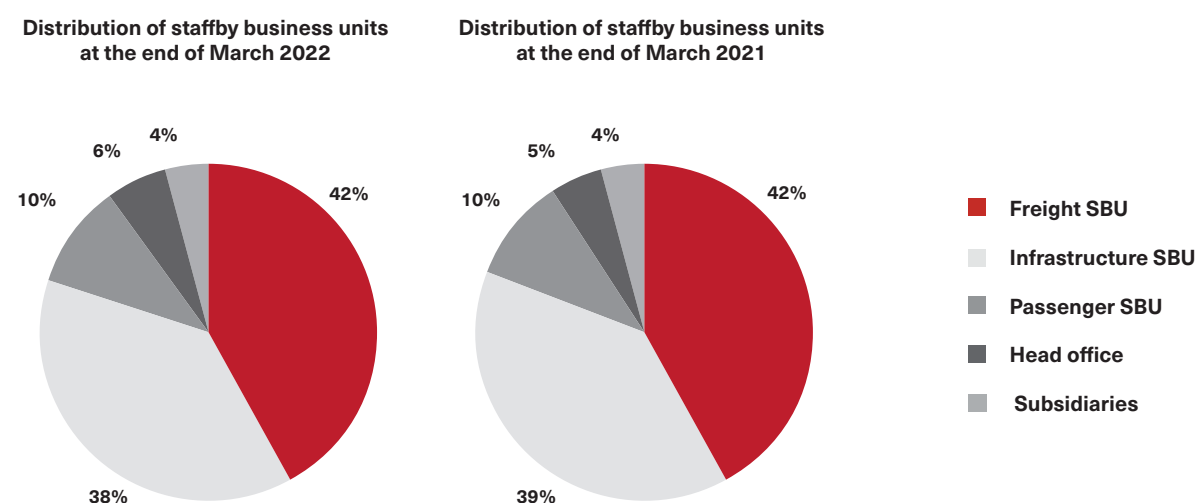


Employee benefits expense

Employee benefits expenses during the three months ended 31 March 2022, compared to the same period of the previous year, increased about 14 percent (by GEL 5.7 million). This increase in employee benefits expense was primarily due to increased salary expenses.

Number of employees (excluding subsidiaries) by the end of March 2022 was equal to 11,929 and by the end of March 2021 was 11,883.

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



Depreciation and amortization expense

The Group's depreciation and amortization expense was GEL 13.8 million for the three months ended 31 March 2022, as compared to GEL 17.3 million for the corresponding period in 2021, reflecting a decrease of 20.3% (or GEL 3.5 million). Although the group's PP&E have increased, the increase has been accumulated from additions to CIP. Therefore, as constructions in progress is not amortized asset till its exploitation, total amortization expenses are not increased accordingly.

Electricity expenses

3 month period ended 31 March

In GEL '000

	3M 2022	3M 2021	% Change	Abs. change
Electricity expense of traction	9,446	4,857	94.5%	4,590
Utility expenses	2,442	1,351	80.7%	1,091
Total	11,888	6,207	91.5%	5,681

There was about a 92 percent (GEL 5.7 million) increase in total electricity expenses during the three months ended 31 March 2022, compared to the same period of 2021.

In September 2011, the Company entered into an agreement for the purchase and sale of electricity with the provider, which fixed tariffs for electricity for ten years (the "Electricity Agreement"), securing a price for more than 90% of the Company's needs for electricity on traction, the rest of the electricity was procured on open market.

The Electricity Agreement expired in September 2021, therefore, as of July 2021, the Company purchases electricity on an open market.

Purchased electricity and weighted average tariff

For the year ended 31 December

	3M 2022			3M 2021		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	10.8	472.4	0.276	9.9	479.6	0.155
February	11.3	546.4	0.290	9.3	452.0	0.155
March	11.6	536.3	0.275	12.1	585.1	0.156
Total	33.7	1,555.0	0.280	31.2	1,516.7	0.155

Note: The table above includes only electricity consumed of traction

Logistical service expenses

Logistics services expenses increased by 74.9 percent (or GEL 6.7 million) in the three months ended 31 March 2022, primarily due to an increase in the expenses of the Company's subsidiary, which provides container transportation.

Security and other operating expenses

3 month period ended 31 March

In GEL '000

	3M 2022	3M 2021	% Change	Abs. change
Security	2,418	2,416	0.1%	3
Other operating expenses	2,317	1,895	22.3%	422
Total	4,736	4,311	9.9%	425

GEL 0.4 million increase in security and other operating expenses in the first three months of 2022, compared to the same period of 2021, was mainly caused by an increase in other operating expenses, which in turn was due to law provisions.

Taxes other than income tax

3 month period ended 31 March

In GEL '000

	3M 2022	3M 2021	% Change	Abs. change
Property tax	2,935	2,758	6.4%	177
Land tax	2,947	2,923	0.8%	25
Other taxes*	10	39	-73.9%	-29
Total	5,893	5,720	3.0%	173

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

In the three months ended 31 March 2022, compared to the same period of 2021, taxes (other than income tax) has increased by GEL 0.2 million, which was mainly due to slight increase in property tax by GEL 0.2 million.

Finance income and cost

3 month period ended 31 March

In GEL '000

	3M 2022	3M 2021	% Change	Abs. change
Interest income	5,555	4,802	15.7%	753
Impairment loss on issued loans	-99	-9	1000.9%	-90
Impairment loss on cash in bank	-223	-147	52.2%	-77
Unwinding of discount	0	-419	-100.0%	419
Interest expense	-16,265	-32,720	-50.3%	16,455
FX gain/loss	-2,025	-63,951	-96.8%	61,926
Net finance income/loss	-13,057	-92,443	-85.9%	79,386

In the three months ended 31 March 2022 the Group showed GEL 13.1 million net finance loss, compared to GEL 92.4 million in the same period of 2021. The difference of GEL 79.4 million was mainly due to the fluctuation of GEL against foreign currencies, as well as decreased interest expenses.

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost. Due to GEL depreciation against USD by 0.1 percent as at 31 March 2022 compared to 31 December 2021 (GEL/USD exchange rate 3.101 versus 3.098), the Group experienced net foreign exchange loss of GEL 2.0 million.

Lower interest expense during the three months ended 31 March 2022, compared to the same period of 2021, was mainly due to lower interest expense on issued Green Eurobonds.

Higher interest income by GEL 0.8 million in the three months ended 31 March 2022 compared to the same period of 2021, was mainly due to the higher average cash balances and higher interest rates.

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.

Apparently, there was no significant change in income tax expenses in the first three months of 2022, compared to the same period of 2021.

Balance Sheet

3 month period ended 31 March

GEL '000	31-Mar-22	31-Dec-21	% Change	Abs. change
TOTAL ASSETS	2,298,490	2,259,732	1.72%	38,757
Changes are mainly due to:				
Loans receivable	53,716	31,282	71.71%	22,434
Other non-current assets	142,024	130,961	8.45%	11,062
Cash and cash equivalents	213,330	212,224	0.52%	1,106
TOTAL LIABILITIES	1,861,596	1,846,603	0.81%	14,993
Changes are mainly due to:				
Taxes payable	17,663	0	100.00%	17,663
Loans and borrowings (ST)	31,618	16,015	97.43%	15,603

Significant changes in assets

Loans receivable (LT) – GEL 22.4 million increase in loan receivable, in the first three months of 2022, compared to 31 December 2021 was mainly due to issued loan of USD 7.0 million to Parent company in the first quarter of 2022.

The outstanding loan receivable balance from the Parent company is fully recoverable as at 31 December 2021. In September 2021, terms of the parent company loan were amended as follows: maturity date was shifted from March 2022 to 31 December 2026, interest rate decreased from 9.75% to 6.5% in order to align the interest rate to the current market conditions and an additional credit line of USD 7 million was agreed, that was disbursed to the parent company in 2022. As a result of the mentioned changes to the contractual terms, the Group derecognized previous financial asset and recognized a new financial asset. This did not have a material effect on the amounts recognized in profit or loss or on the consolidated statement of financial position.

Other non-current assets - GEL 11.1 million increase in trade and other receivables, in the three months ended 31 March 2022, compared to the period ended 31 December 2021, was mainly due to inventory reclassification.

Cash and cash equivalents – for 31 March 2022 cash and cash equivalents was equal to GEL 213.3 million, compared to GEL 212.2 million for 31 December 2021. (See heading 3 “Cash Flow Statement”).

Significant changes in liabilities

Loans and borrowings (ST) – During first three months of 2022, the increase of GEL 15.6 million in short-term borrowings was mainly due to interest payable on issued bonds, as well as due to depreciation of GEL against USD as at 31 March of 2022, compared to 31 December of 2021.

Current tax liabilities – GEL 17.7 million increase, during the first quarter of 2022 was mostly due to accrued property and land tax, which is allocated on a monthly bases, but paid twice a year and the obligation has not been set. In addition, the shift was caused by tax liabilities raised from the sale of scrap in the fourth quarter of 2021, as well as a reduction in tax surplus.

Cash Flow Statement

GEL '000	3M 2022	3M 2021
Cash flows from operating activities		
Cash receipts from customers	138,179	116,823
Cash paid to suppliers and employees	-84,852	-63,358
Cash flows from operations before income taxes paid	53,327	53,465
Income tax paid		
Net cash from operating activities	53,327	53,465
Cash flows from investing activities		
Acquisition of property, plant and equipment	-35,255	-5,310
Proceeds from sale of property, plant and equipment	117	1,215
Interest received	4,768	4,054
Decrease(Increase) in term deposits	-107	0
Issuance of the loan	-21,568	0
Net cash used in investing activities	-52,045	-41
Cash flows from financing activities		
Interest paid	0	-63,992
Net cash used in financing activities	0	-63,992
Net increase/(decrease) in cash and cash equivalents	1,283	-10,568
Cash and cash equivalents at 1 January	212,224	322,986
Effect of exchange rate fluctuations on cash and cash equivalents	46	6,794
Cash Provision	-223	-147
Cash and cash equivalents at the end of the period	213,330	319,065

Operating activities

Net cash from operating activities remained at about the same level in the three months ended 31 March 2022, compared to the same period of 2021. The cash receipts from customers have increased by GEL 21.4 million, which was offset by increase in cash paid to suppliers and employees by GEL 21.5 million in the first three months of 2022, compared to the same period of 2021.

Investing activities

Cash used in investing activities has increased by GEL 52.0 million in the three months ended 31 March 2022, compared to the same period of the previous year. The increase was mainly due to the increase in acquisition of property, plant and equipment by GEL 29.9 million and due to issued loan of USD 7.0 million to Parent company in the first quarter of 2022.

Financing activities

The group did not have any cash outflows or inflows from financing activities in the first three months of 2022.

Appendix 1

Breakdown of freight transportation in tons

	3 month period ended 31 March		In thousand tons	
	3M 2022	3M 2021	% Change	Abs. change
Liquid cargoes	873	1,113	-21.6%	-240
Oil products	872	1,112	-21.6%	-240
Crude oil	1	1	32.8%	0
Dry cargoes	2,127	1,868	13.9%	259
Ores	408	387	5.5%	21
Grain	37	41	-10.5%	-4
Ferrous metals and scrap	102	130	-21.9%	-28
Sugar	63	105	-39.9%	-42
Chemicals and fertilizers	529	338	56.5%	191
Construction freight	191	204	-6.1%	-12
Industrial freight	77	74	3.5%	3
Cement	4	9	-52.9%	-5
Other	715	579	23.4%	136
Total	3,000	2,981	0.6%	19

Appendix 2

Breakdown of freight transportation in ton-kilometers

3 month period ended 31 March

In million ton-kilometers

	3M 2022	3M 2021	% Change	Abs. change
Liquid cargoes	284	367	-22.6%	-83
Oil products	284	366	-22.5%	-83
Crude oil	0	0	-63.8%	0
				0
Dry cargoes	581	472	22.9%	108
Ores	74	62	18.9%	12
Grain	11	8	45.2%	3
Ferrous metals and scrap	19	28	-33.1%	-9
Sugar	24	40	-39.6%	-16
Chemicals and fertilizers	191	112	70.6%	79
Construction freight	28	31	-8.7%	-3
Industrial freight	11	16	-31.9%	-5
Cement	1	2	-52.8%	-1
Other	222	174	28.0%	49
Total	865	839	3.0%	25

Appendix 3

According to Condition 3 (d) of the “Terms and Conditions of the Notes” (The U.S. \$500,000,000 4% Notes due 17 June 2028 issued by Georgian Railway JSC on 10 June 2021), 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 consecutive semi-annual periods ending prior to the date of such determination 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 (adjusted EBITDA) as at 30 September 2021 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 September 2021 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 (adjusted EBITDA):

Net Financial Indebtedness as at:	31-Mar-22	31-Dec-21
Financial indebtedness	1,625,005	1,606,832
less:		
Available credit facilities	63,013	62,976
Cash	213,330	212,224
Net Financial Indebtedness:	1,348,662	1,331,632
The most recent 2 consecutive semi-annual period ended:	31-Dec-21	31-Dec-21
Results from operating activities	165,388	165,388
Depreciation add-back	58,397	58,397
Impairment loss on trade receivables	2,791	2,791
Adjusted EBITDA	226,576	226,576
Net Financial Indebtedness/Adjusted EBITDA	5.95	5.88

