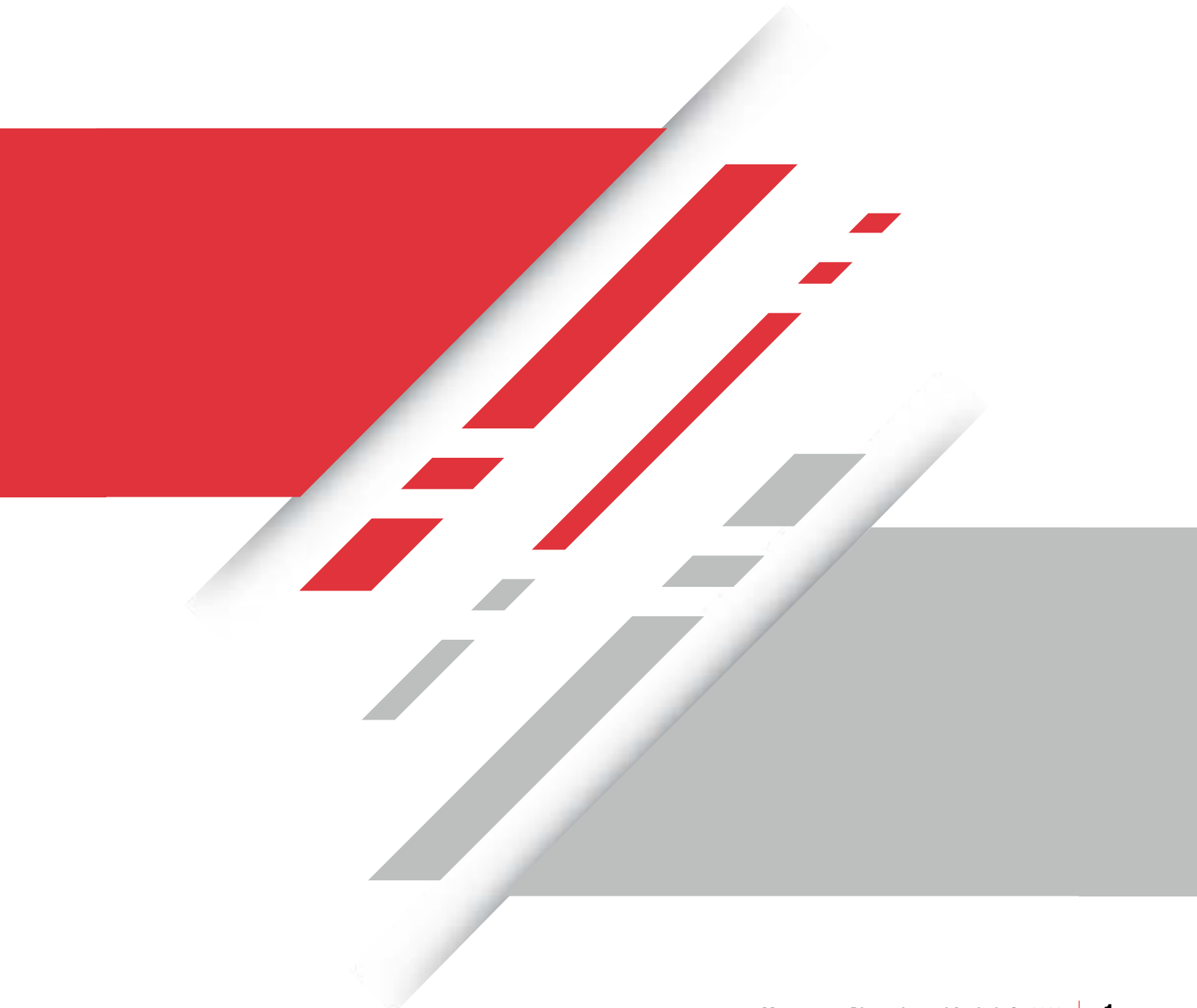


MANAGEMENT DISCUSSION AND ANALYSIS FOR 3 MONTHS ENDED 31 MARCH 2023



FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Revenue

Q1 2023

137,937

-2.5% from Q1 2022 / **+15.2% in constant currency**
-24.9% from Q4 2022

Results from operating activities

Q1 2023

18,610

-49.3% from Q1 2022
-52.1% from Q4 2022

Adjusted EBITDA

Q1 2023

36,845

-27.4% from Q1 2022
-44.0% from Q4 2022

Adjusted EBITDA margin

Q1 2023

26.7%

-9 points from Q1 2022
-9 points from Q4 2022

Net cash investment in PP&E

Q1 2023

35,089

-0.1% from Q1 2022
-42.6% from Q4 2022

Net debt to Adjusted EBITDA

31 Mar 2023

3.65

3.93 as at 31-Dec-2022

Tons ('000)

Q1 2023

3,151

+5.0% from Q1 2022
-18.6% from Q4 2022

TKM (in million)

Q1 2023

881

+1.9% from Q1 2022
-16.3% from Q4 2022

N of Passengers ('000)

Q1 2023

472

+98.3% from Q1 2022
+10.7% from Q4 2022

Passenger-kilometers (in million)

Q1 2023

137

+90.9% from Q1 2022
+8.5% from Q4 2022

TABLE OF CONTENTS

1.PROFIT OR LOSS STATEMENT	4
1.1 REVENUE	5
1.2 OTHER INCOME	18
1.3 OPERATING EXPENSES	18
1.4 FINANCE INCOME/COST	23
1.5 INCOME TAX EXPENSE/BENEFIT	23
2. BALANCE SHEET	24
3. CASH FLOW STATEMENT	25
APPENDIX	26

I. PROFIT OR LOSS STATEMENT

PROFIT AND LOSS STATEMENT

3-month period ended 31 March	TOTAL		CHANGE			
	'000 GEL	3M 2023	3M 2022	%	% constant currency	Absolute
Revenue		137,937	141,442	-2.5%	15.2%	-3,505
Other income		3,803	2,138	77.9%	110.1%	1,665
Impairment gain/(loss) on trade receivables		47	-242	-119.4%	-122.9%	289
Employee benefits expense		-57,100	-46,239	23.5%	45.8%	-10,861
Depreciation and amortization		-18,283	-13,827	32.2%	56.1%	-4,456
Electricity, consumables and maintenance costs		-18,725	-17,759	5.4%	24.5%	-966
Other expenses		-29,069	-28,819	0.9%	19.1%	-250
Result from operating activities		18,610	36,694	-49.3%	-40.1%	-18,084
Net finance income/(costs)		63,943	-13,057	-589.7%	-678.3%	77,000
Profit before income tax		82,553	23,637	249.3%	312.4%	58,916
Income tax expense		-231	-90	156.7%	203.1%	-141
Profit and total comprehensive income		82,322	23,547	249.6%	312.9%	58,775
Adjusted EBITDA		36,845	50,762	-27.4%	-14.3%	-13,917
Adjusted EBITDA Margin		26.7%	35.9%	NA	NA	-9.2%

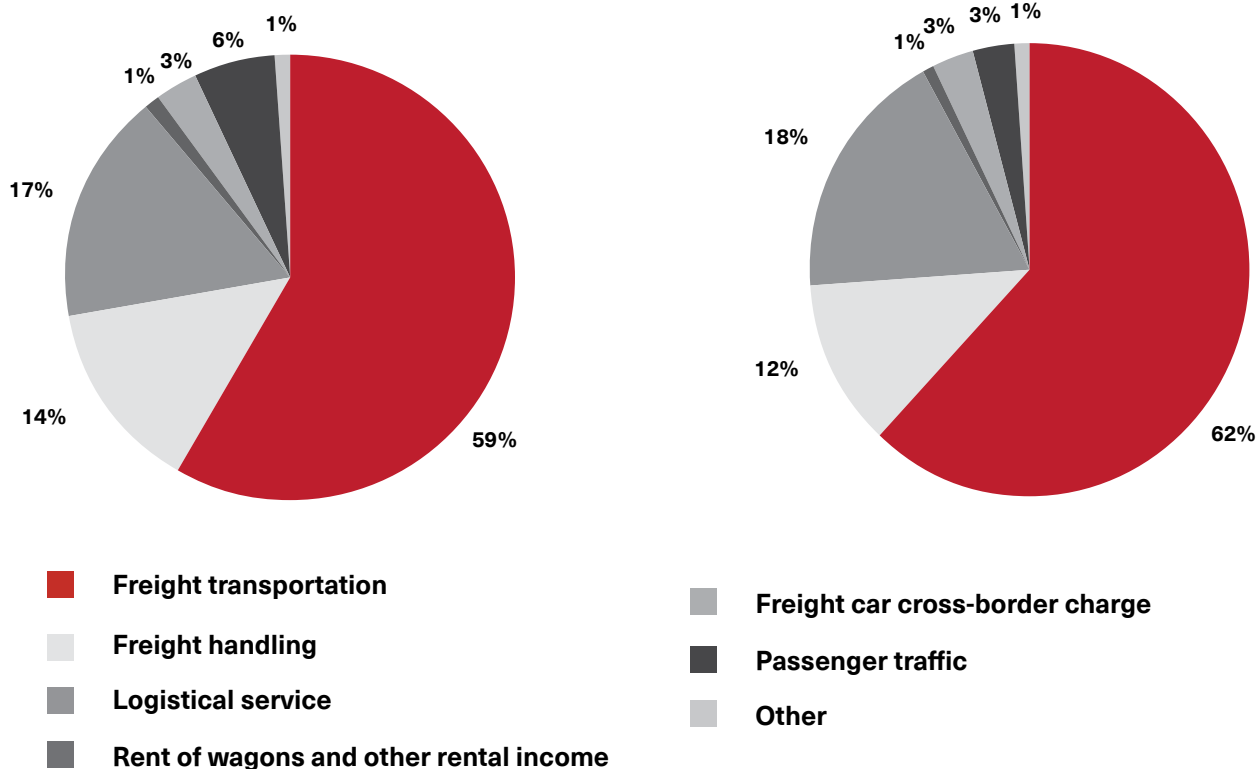
*Adjusted EBITDA is determined by the same method as EBITDA of previous periods was calculated.

1.1 REVENUE

REVENUE BREAKDOWN

3-month period ended 31 March	TOTAL		CHANGE		
	'000 GEL	3M 2023	3M 2022	%	% constant currency
Freight transportation	81,254	87,153	-6.8%	10.1%	-5,899
Freight handling	18,681	17,183	8.7%	28.4%	1,499
Logistical service	23,997	26,052	-7.9%	8.8%	-2,055
Rent of wagons and other rental income	1,003	1,857	-46.0%	-36.2%	-853
Freight car cross-border charge	4,096	3,697	10.8%	30.8%	399
Passenger traffic	8,091	4,092	97.7%	133.5%	3,999
Other	815	1,408	-42.1%	-31.6%	-593
Revenue	137,937	141,442	-2.5%	15.2%	-3,505
Other income	3,803	2,138	77.9%	110.1%	1,665

The following charts represent revenue breakdown for the three months ended 31 March 2023 and 2022:

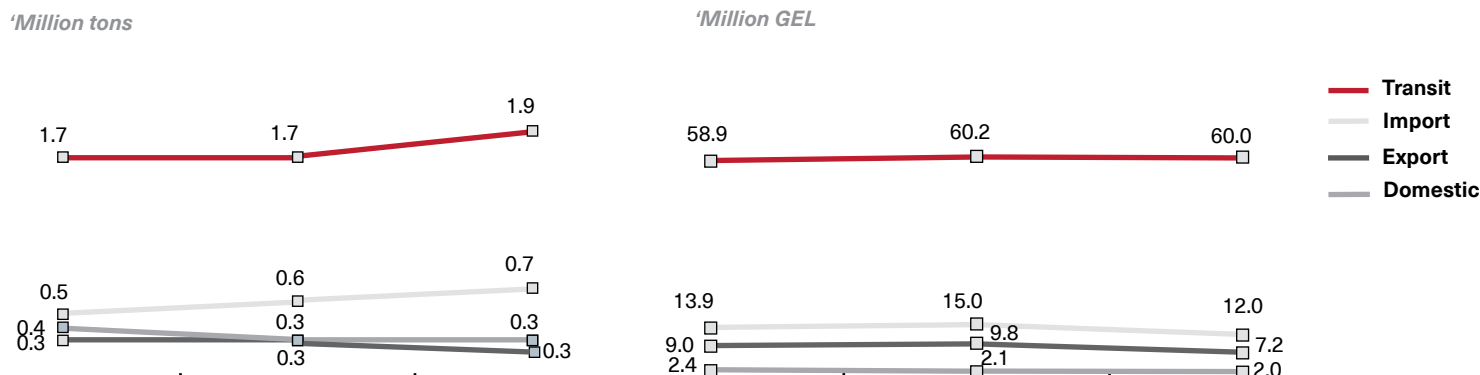


FREIGHT TRANSPORTATION

The Group's freight transportation consists of domestic, import, export and transit transportation. The split between above-mentioned directions in 3 months 2023 was about

11 percent, 22 percent, 9 percent and 59 percent, respectively. 99.9 percent of revenue from freight transportation is denominated in USD.

The following charts represent the freight transportation breakdown by directions:



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

Transportation volume – measured in tons transported.

Transportation turnover – measured in ton-kilometers, which is computed by multiplying the transported tons by the distance covered.

Revenue per ton-kilometer – the term refers to the average

revenue that the Group receives per ton-kilometer. This parameter varies according to the cargo type mix and transportation direction mix.

GEL/USD exchange rate – Majority of the Group's tariffs are denominated in USD. Changes in the USD/GEL exchange rate can have a significant impact on the Group's profitability, as the Group reports its revenue in GEL and most of its operating expenses are denominated in Georgian Lari.

EXCHANGE RATES

	3M 2023	3M 2022	% Change	31-Mar-23	31-Mar-22	31-Dec-22	31-Dec-21
USD	2.64	3.11	-15%	2.56	3.10	2.70	3.10
CHF	2.85	3.37	-16%	2.80	3.35	2.93	3.34

TRANSPORTATION BY DIRECTIONS

IMPORT TRANSPORTATION

Import represents the movement of cargo from foreign countries to Georgia. The share of imported cargo in total transported volume was around 22 percent during the 3

months ended 31 March 2023, compared to 19 percent in same period of previous year.

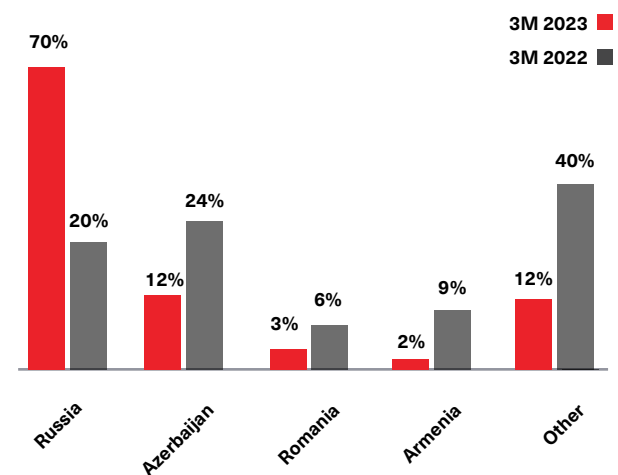
3-Month period ended 31 March	TOTAL		CHANGE	
	3M 2023	3M 2022	%	% constant currency
Revenue (million GEL)	12.0	15.0	-19.8%	-5.3%
Freight volume (million tons)	0.7	0.6	18.8%	NA
Freight turnover (million ton-km)	80.3	101.7	-21.1%	NA
Revenue / ton-km (in Tetri)	14.95	14.72	1.6%	20.0%

MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – 21 percent decrease in freight turnover was due to decreased transportation from Azerbaijan, Romania and Armenia by 55,000 tons, by 12,000 tons and by 37,000 tons respectively, during the 3 months ended 31 March 2023, compared to same period of 2022.

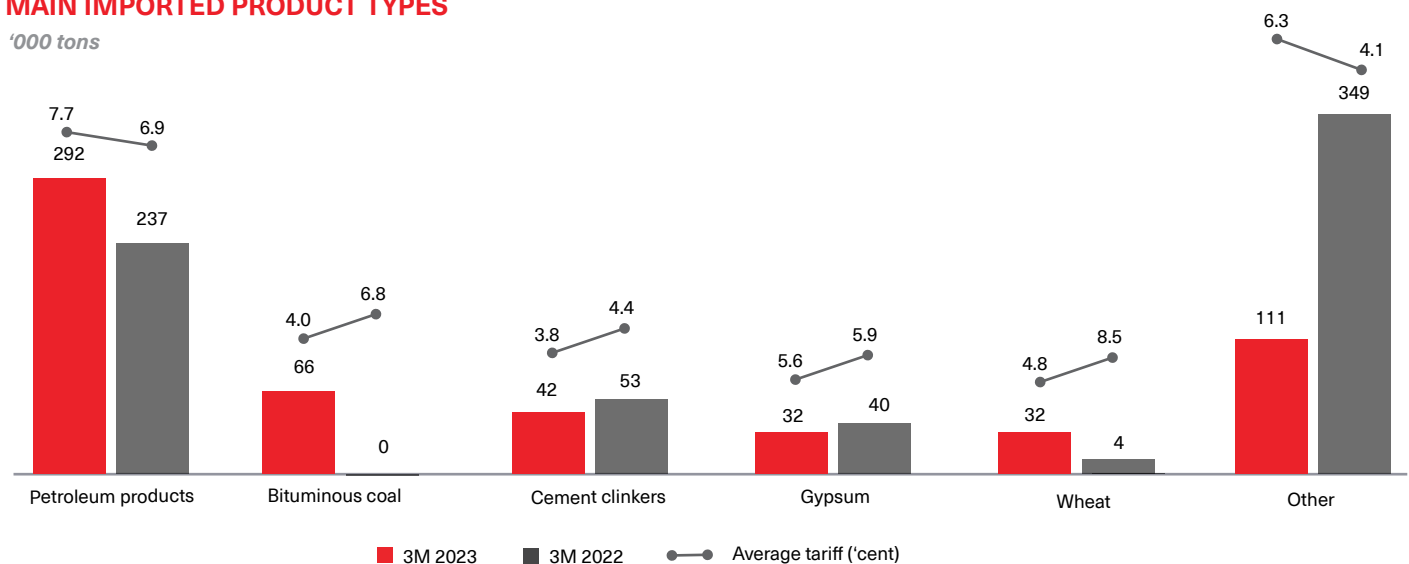
Revenue/ton-km (in Tetri) – 20 percent increase at constants currency was due to increased share in transportation from Russia (relatively more profitable direction) while the share of transported cargo from Armenia and Romania (relatively less profitable directions) decreased during 3 months ended 31 March 2023, compared to same period of previous year.

TRANSPORTATION VOLUME BY COUNTRIES OF ORIGIN



MAIN IMPORTED PRODUCT TYPES

'000 tons



MAIN DIRECTIONS OF CARGO

Petroleum products include motor fuel, oil bitumen, diesel fuel, aviation fuel and special petrol.

Motor fuel – was provided by Russia during 3 months ended 31 March 2023, mentioned product was mainly intended to satisfy the domestic demand.

Oil bitumen – was primarily imported from Russia with 98 percent, mainly transported to Rustavi with 98 percent share, due to company making construction bitumen from above mentioned product.

Diesel fuel – was primarily imported from Russia with 94 percent, above mentioned products was mainly intended to satisfy the domestic demand.

Special petrol – was provided by Romania during the 3 months ended 31 March 2023, mentioned product was mainly intended to satisfy the domestic demand.

Bituminous coal - was provided by Russia 3 months ended 31 March 2023. Bituminous coal was mainly transported to

Georgia's industrial cities, such as Kaspi and Rustavi with the share of 59 percent and 41 percent, respectively.

Cement clinkers – was provided by Azerbaijan and Russia during 3 months ended 31 March 2023. Cement clinkers was mainly transported to Kaspi and Rustavi with the share of 51 percent and 31 percent, respectively. Kaspi and Rustavi are Georgian cities, where the cement factories are located.

Gypsum – was provided by Azerbaijan and Russia during 3 months ended 31 March 2023. Imported gypsum was mainly transported to Kaspi and Rustavi, with 49 percent and 19 percent, respectively. Cement factories are located in mentioned Georgian cities. 32 percent of gypsum was directed to Tbilisi, where the drywalls are produced.

Wheat – was provided by Russia during 3 months ended 31 March 2023. Destination of wheat in Georgia are Marneuli, Gori, Ozurgeti and Lilo, with 37 percent, 35 percent, 16 percent and 12 percent respectively. Mentioned product was mainly intended to satisfy the domestic demand.

EXPORT TRANSPORTATION

Export represents the movement of cargo from Georgia to foreign countries. The share of exported cargo in total transported volume was around 9 percent in 3-month period

ended 31 March 2023, compared to 11 of same period of previous year.

3-Month period ended 31 March	TOTAL		CHANGE	
	3M 2023	3M 2022	%	% constant currency
Revenue (million GEL)	7.2	9.8	-26.8%	-13.6%
Freight volume (million tons)	0.3	0.3	-17.3%	NA
Freight turnover (million ton-km)	77.6	94.5	-17.9%	NA
Revenue / ton-km (in Tetri)	9.26	10.39	-10.9%	5.2%

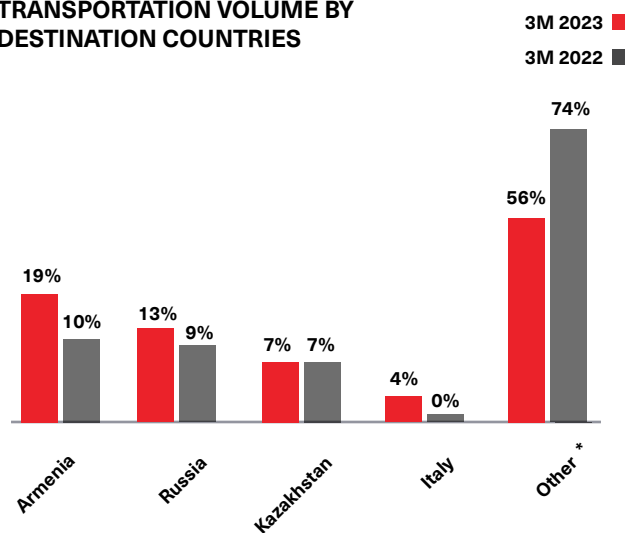
MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – 18 percent increase was primarily due to decreased transported volume to sea ports of Poti and Batumi, which was partially offset by increased transportation to Armenia by 20,000 tons in 3 period ended 31 March 2023, compared to same period of 2022.

Revenue/ton-km (in Tetri) – 5 percent increase at constant currency was due to increased share in transportation to Russia (relatively more profitable direction) while the share of transported cargo to Seaports of Poti and Batumi (relatively less profitable direction) decreased, in 3 months ended 31 March 2023, compared to same period of 2022.

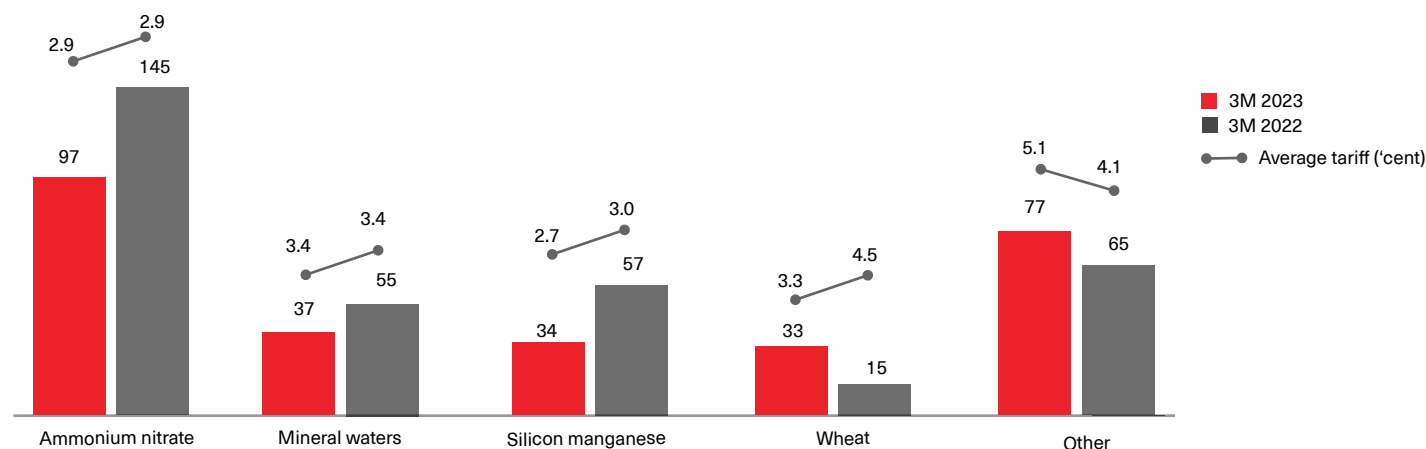
* Other category on the chart includes cargo transported to the seaports of Poti and Batumi by Georgian Railway before leaving the country by sea.

TRANSPORTATION VOLUME BY DESTINATION COUNTRIES



MAIN EXPORTED PRODUCT TYPES

'000 tons



MAIN DIRECTIONS OF CARGO

Ammonium nitrate – The origin station of ammonium nitrate was Rustavi (due to fertilizer factory located there). Ammonium nitrate was mostly directed to Poti Seaport (99 percent share in total exported ammonium nitrate).

Mineral waters – Mainly originated from Borjomi with approximately 95 percent due to one of the biggest bottlers of mineral waters factory. Mineral waters were mainly transported to Russia and Kazakhstan with 77 percent and 13 percent in total exported mineral waters, respectively.

Silicon manganese – Mainly originated from Zestaponi with approximately 89 percent (due to the ferroalloys plant

located there). Silicon manganese was mainly directed to Batumi Seaport (54 percent share in total exported silicon manganese), before being carried by vessels to its final destinations, also silicon manganese was transported to Turkey and Italy with 22 percent and 11 percent share, respectively.

Wheat – the origin station of wheat was Poti due to one of the biggest grain warehouses in Georgia. Destination country for wheat was Armenia during 3 months ended 31 March 2023.

DOMESTIC TRANSPORTATION

Domestic transportation represents the movement of cargo from one station to another, within Georgia. The share of domestic transportation in total transported volume was 11

percent in 3 month period ended 31 March 2023, as well as in same period of 2022.

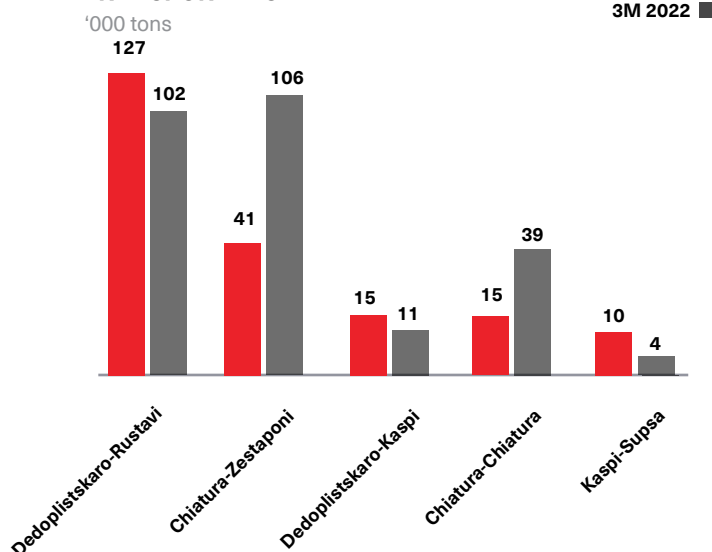
3-Month period ended 31 March	TOTAL		CHANGE	
	3M 2023	3M 2022	%	% constant currency
Revenue (million GEL)	2.0	2.1	-5.2%	12.0%
Freight volume (million tons)	0.3	0.3	-1.9%	NA
Freight turnover (million ton-km)	35.6	28.5	25.0%	NA
Revenue / ton-km (in Tetri)	5.68	7.49	-24.2%	-10.4%

MAIN FACTORS INFLUENCING PERFORMANCE

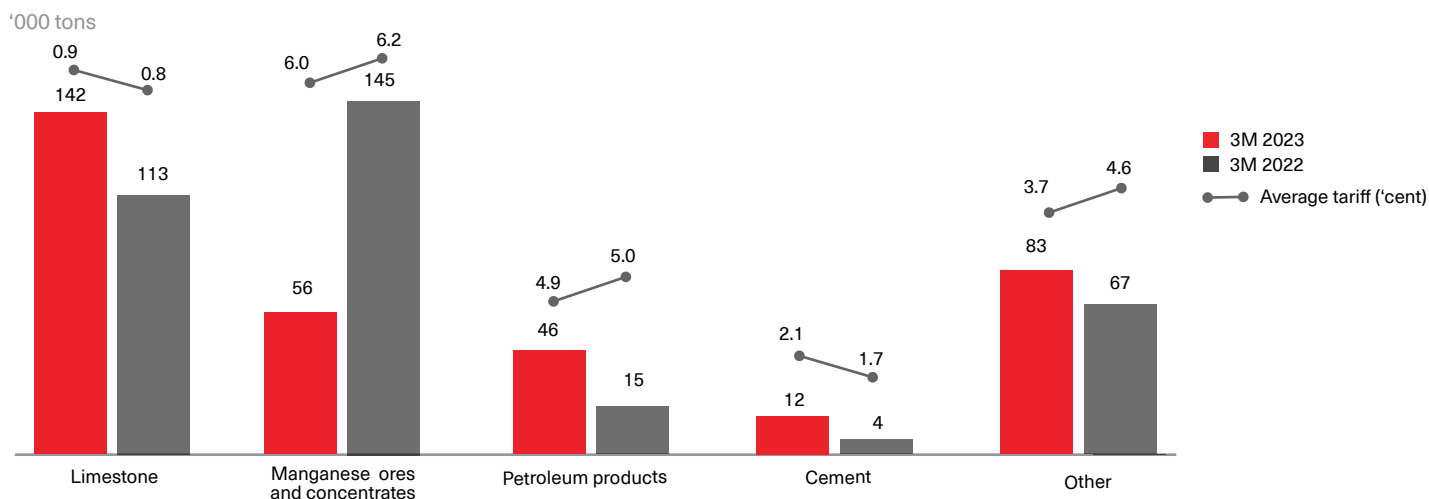
Freight turnover – 25 percent increase was primarily due to increased transportation on Dedoplistskaro-Rustavi route in 3-month period ended 31 March 2023, compared to same period of 2022.

Revenue/ton-km (in Tetri) – 10 percent decrease at constant currency was mainly due to product direction mix. The share of domestic volume transported from Dedoplistskaro (relatively less profitable direction) increased by 9 percent, while the share of transported cargo from Chiatura (relatively more profitable direction) decreased by 26 percent in 3 months ended 31 March 2023, compared to same period of 2022.

MAIN ROUTES OF DOMESTIC TRANSPORTATION



MAIN DOMESTIC PRODUCT TYPES



MAIN DIRECTIONS OF CARGO

Limestone – the origin station of limestone was Dedoplistskaro (due to open quarries where limestone is mined). 89 percent and 11 percent of the transported domestic limestone was directed to Kaspi and Rustavi, respectively, where the main cement factories of the Country are located.

Manganese ores and concentrates – the origin station of manganese ores and concentrates was Chiatura (due to manganese mine). Mentioned product is directed to Zestaponi and Chiatura due to Ferroalloys factories located in this cities, which are responsible for processing manganese ores and concentrates.

Petroleum products include motor petrol and diesel fuel:

Motor petrol – mentioned product was mainly transported to Tbilisi and Kutaisi with 86 percent and 7 percent respectively mainly for domestic use.

Diesel fuel – mentioned product was mainly transported to Tbilisi, Samtredia and Kobuleti with 48 percent, 27 percent and 18 percent respectively, mainly for domestic use.

Cement – Mainly originated from Kaspi and Rustavi with 84 percent and 16 percent respectively. Cement is directed to Supsa, due to cement terminal located in the city.

TRANSIT TRANSPORTATION

Transit represents the movement of cargo from one foreign county to another one, through Georgia. The share of transit transportation in total transported volume was 59 percent in

3 months ended 31 March 2023, compared to 58 percent in same period of 2022.

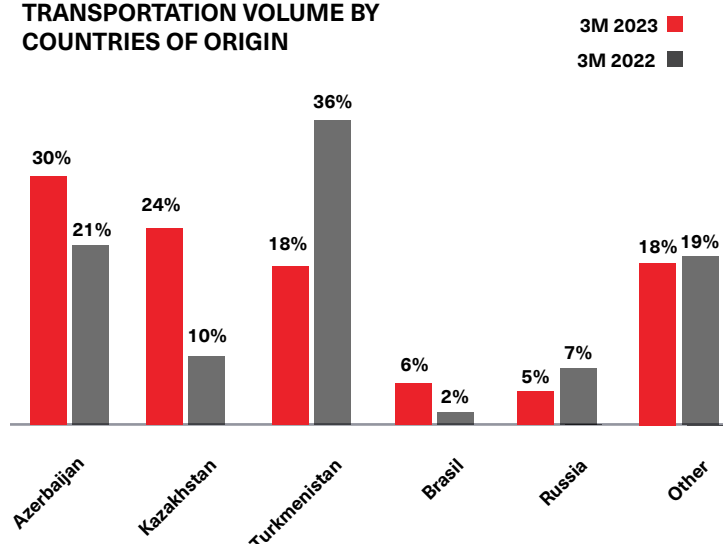
3-Month period ended 31 March	TOTAL		CHANGE	
	3M 2023	3M 2022	%	% constant currency
Revenue (million GEL)	60.0	60.2	-0.2%	17.7%
Freight volume (million tons)	1.9	1.7	6.2%	NA
Freight turnover (million ton-km)	687.8	640.0	7.5%	NA
Revenue / ton-km (in Tetri)	8.73	9.41	-7.3%	9.5%

MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – 8 percent increase was mainly due to increased transportation from Azerbaijan and Kazakhstan by 178,000 tons and 272,000 tons, respectively, which was partially offset by decreased transportation from Turkmenistan by 292,000 tons, in 3 months ended 31 March 2023, compared to the same period of 2022.

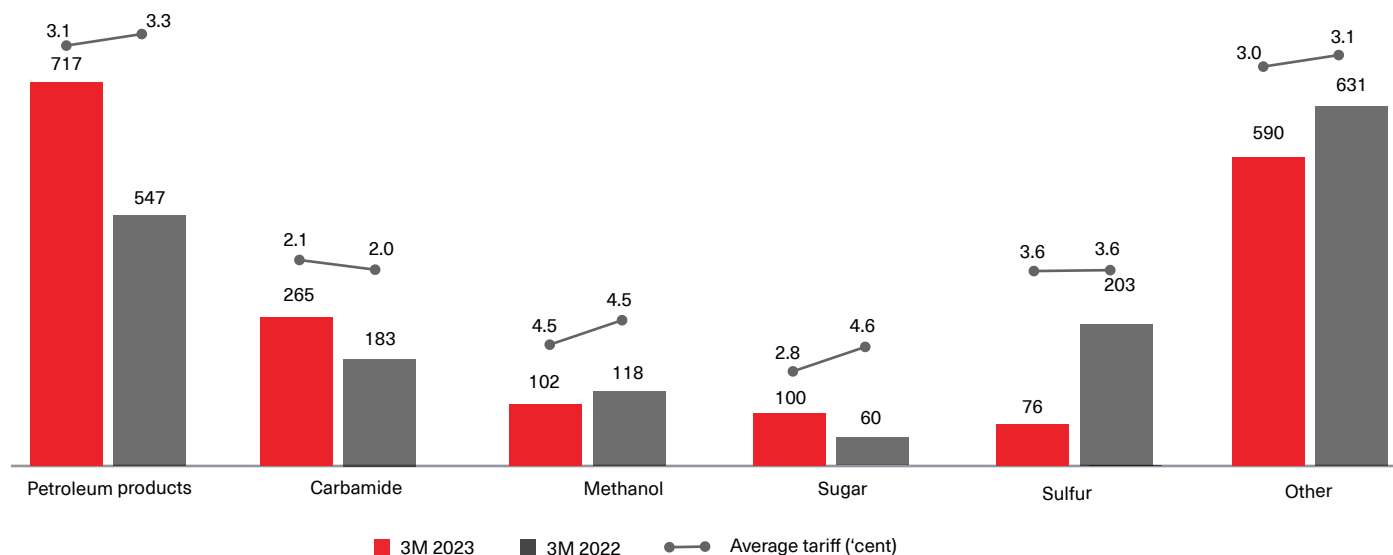
Revenue/ton-km (in Tetri) – 10 percent increase at constant currency was mainly due to increased transportation on Azerbaijan- Netherlands (relatively more profitable route), while the transported volume on Azerbaijan-Brazil, Turkmenistan-Singapore and Turkmenistan-Italy routes (relatively less profitable routes) decreased in 3 months ended 31 March 2023, compared to the same period of 2022.

TRANSPORTATION VOLUME BY COUNTRIES OF ORIGIN



MAIN TRANSIT PRODUCT TYPES

'000 tons



MAIN DIRECTIONS OF CARGO

Petroleum products include heavy fuel oil, light fuel oil, diesel fuel, gas oil, special petrol.

Heavy fuel oil – In terms of overall heavy fuel transit transportation in 3 months ended 31 March 2023, the two main transit routes were Kazakhstan-Netherlands and Kazakhstan-Turkey, each accounting for 71% and 32%, respectively.

Light fuel oil – In terms of overall light fuel oil transit transportation in 3 months ended 31 March 2023, the two main transit routes were from Turkmenistan to Black Sea Ports (Batumi, Poti, Parto Tskali) and Turkmenistan-Italy, each accounting for 68% and 16%, respectively.

Diesel fuel – In terms of diesel fuel transit transportation in 3 months ended 31 March 2023, the 3 main transit routes were from Azerbaijan-Turkey, Azerbaijan to Black Sea Ports (Batumi, Poti, Parto Tskali) and Russia-Armenia, each accounting for 37%, 31% and 24%, respectively.

Gas oil – In terms of overall gas oil transit transportation in 3 months ended 31 March 2023, the two main transit routes were Azerbaijan-Italy and from Azerbaijan-Turkey, each accounting for 53% and 43%, respectively.

Special petrol – In terms of overall special petrol transit

transportation in 3 months ended 31 March 2023, the one main transit route was Russia-Armenia, accounting for 97%.

Carbamide – In terms of urea transit transportation in 3 months ended 31 March 2023, the four main transit routes were from Turkmenistan to Black Sea Ports (Batumi, Poti, Parto Tskali), Azerbaijan-Romania, Azerbaijan-Ukraine and Azerbaijan-Spain, each accounting for 64%, 10%, 7% and 5%, respectively.

Methanol – In terms of methanol transit transportation in 3 months ended 31 March 2023, the 5 main transit routes were Azerbaijan-Italy, Azerbaijan-Romania, Azerbaijan-Netherlands, Azerbaijan-Latvia and Azerbaijan-Turkey, each accounting for 27%, 20%, 18%, 14% and 12%, respectively.

Sugar – In terms of Sugar transit transportation in 3 months ended 31 March 2023, the 3 main transit routes were Brazil-Azerbaijan, Brazil-Uzbekistan and Brazil-Armenia, each accounting for 64%, 25%, and 11%, respectively.

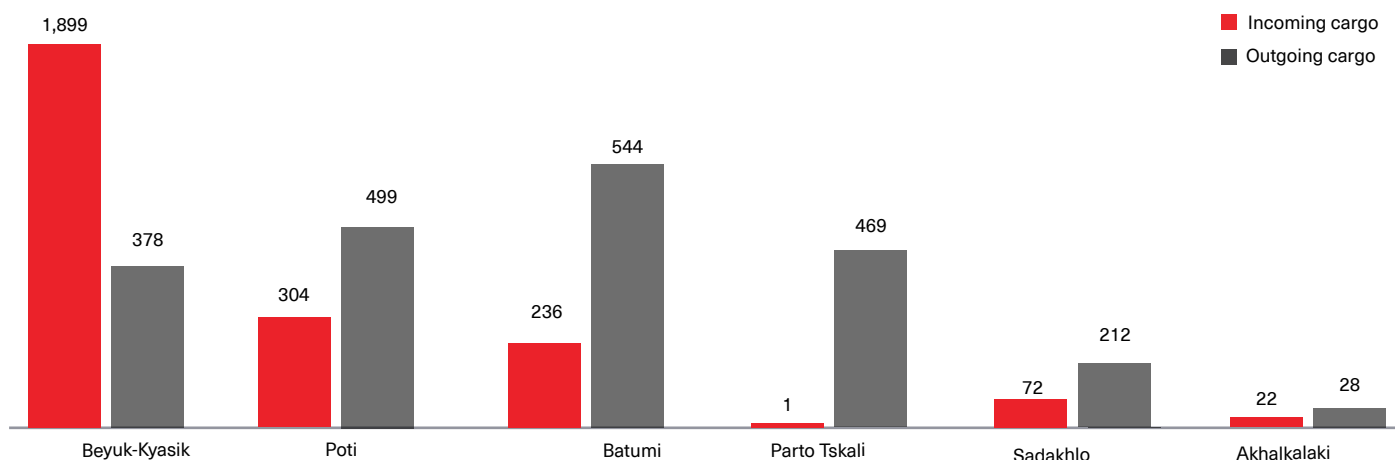
Sulfur – In terms of sulfur transit transportation in 3 months ended 31 March 2023, the two main transit routes were from Kazakhstan- to Black Sea Ports (Poti) and Turkmenistan to Black Sea Ports (Poti), each accounting for 73% and 23%, respectively.

RAIL FREIGHT VOLUMES BY BORDER CROSSINGS

JSC Georgian Railway has 3 railway land border crossings, connecting Georgia with neighboring countries such as Azerbaijan, Armenia and Turkey*. Beyuk-Kyasik station connects the Company to Azerbaijan. Corresponding border crossing station in Georgia is Gardabani. Georgia is connected to Armenia by Sadakhlo station and to Turkey by Akhalkalaki station. GR is also connected to the Black Sea Ports, such as Poti Port, Batumi Port, and Parto Tskali (Kulevi) Port.

The freight data below shows from which border crossing stations the freight enters and leaves the country. 79 per-

'000 tons



Incoming rail volume - Beyuk-Kyasik station has the highest share in incoming volumes, with 95 percent of incoming cargo from land border crossings and with 75 percent in total incoming cargo. Poti Port and Batumi Sea Port were the main ports used for incoming cargo, with the share of 56 percent and 44 percent of volume entering the country through ports, while the share of mentioned ports in total incoming cargo is significantly low with 12 percent and 9 percent, respectively.

cent of incoming cargoes were transported from land border crossings, while 71 percent of outgoing cargoes, were moved from ports. This shows that the main axis for the freight volumes in Georgia is from East to West, as most of the volumes enter through Azerbaijan and leave the country via maritime transport on the Black Sea.

** The Company also has a rail line connection with Russia through Abkhazia, which is currently not operational.*

Outgoing rail volume – 71 percent of outgoing cargoes left the Country through Poti Port and Batumi Sea Port, while Beyuk-Kyasik was the principal land crossing point for outgoing volume, accounting for 18 percent of overall volume leaving the country and 61 percent of total volume left the country via land borders.

BORDER CROSSINGS OF IMPORTED PRODUCT

The share of Beyuk-Kyasik in total import was 83 percent in 3 months ended 31 March 2023, compared to 52 percent in the same period of 2022. 12 percent increase in share was due to increased transportation from Russia more than 5 times. Main origin countries using Beyuk-Kyasik station for volume transportation were Russia (mostly petroleum product transportation) and Azerbaijan (mostly cement clinkers transportation) with 458,000 tons and 82,000 tons respectively.

The share of Black Sea Ports (Poti, Batumi and Parto Tskali) used for imported product was 15 percent in 3 months ended 31 March 2023, compared to 39 percent in the same period of 2022. 16 percent decrease in share was due to decreased transportation from Bulgaria, Romania and Russia. The main importer countries using Black Sea Ports for entering country were Romania and Russia (mostly petroleum products transportation) 23,000 tons and 23,000 tons.

BORDER CROSSINGS OF EXPORTED PRODUCT

The share of Black Sea Ports (Poti, Batumi and Parto Tskali) in total export was 53 percent in 3 months ended 31 March 2023, compared to 67 percent in the same period of 2022. Main exported products were ammonium nitrate (96,000 tons) and sillico manganese (31,000 tons).

The share of Beyuk-Kyasik in total import was 28 percent in 3 months ended 31 March 2023, compared to 22 percent in the same period of 2022. Main destination countries for exported cargo, leaving the country through Beyuk-Kyasik station, were Russia and Kazakhstan with 36,000 and 22,000 tons, respectively, mostly with mineral water transportation

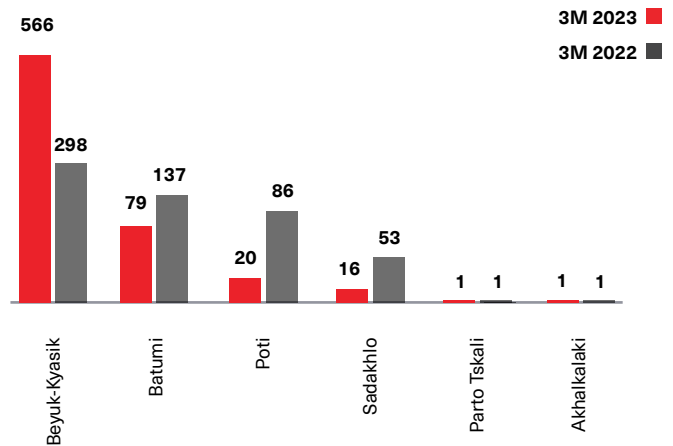
The share of Sadakhlo in total export was 19 percent in 3 months ended 31 March 2023, compared to 10 percent in the same period of 2022. The destination country was Armenia with 54,000 tons (mostly wheat transportation).

BORDER CROSSINGS OF TRANSIT PRODUCT

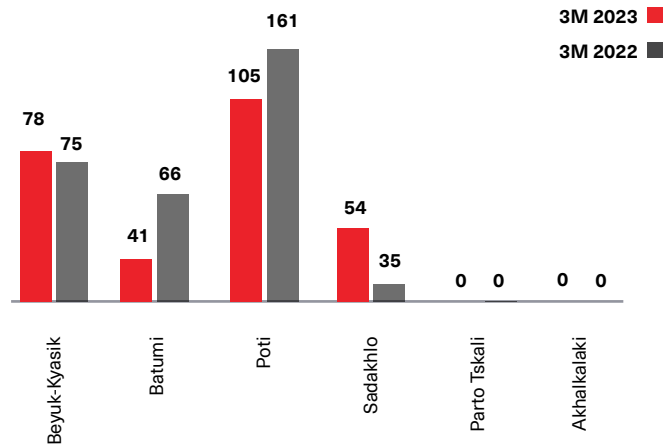
Beyuk-Kyasik station has the highest share in incoming volumes. Share of Beyuk-Kyasik station was 76 in 3 months ended 31 March 2023, compared to 72 percent in the same period of 2022. Main origin countries for incoming cargoes were Azerbaijan, Kazakhstan and Turkmenistan with 551,000 tons, 439,000 tons and 330,000 tons, respectively.

Black Sea Ports (Poti, Batumi and Parto Tskali) has the highest share in outgoing volumes. Share of Black Sea Ports was 74 percent in 3 months ended 31 March 2023, compared to 75 percent in the same period of 2022. Main destination countries were Turkey, Netherlands and Azerbaijan, with 265,000 tons, 198,000 tons and 173,000 tons, respectively.

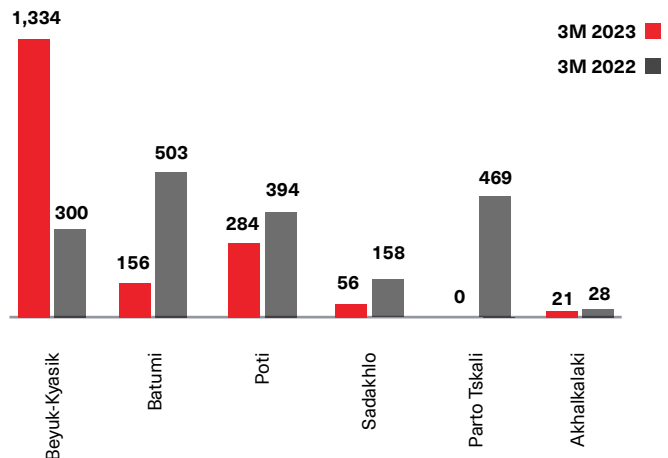
IMPORT BORDER CROSSINGS ('000 TONS)



EXPORT BORDER CROSSINGS ('000 TONS)



TRANSIT BORDER CROSSINGS ('000 TONS)



CONTAINER TRANSPORTATION

Approximately 11% of the total transported volume in 3 months ended 31 March 2023 was for the containerized goods and the rest was for bulk and breakbulk. Although

container transport has a relatively low share, its volumes has been increasing slowly but steadily over the recent years.

3- Month period ended 31 March	Q1 2023	Q1 2022	y-o-y	Q4 2022	q-o-q
Number of containers					
20 feet	10,860	8,982	20.9%	12,292	-11.6%
40 feet	5,938	4,202	41.3%	4,925	20.6%
Total	16,798	13,184	27.4%	17,217	-2.4%
Number of container in TEU					
	22,736	17,386	30.8%	22,142	2.7%
Tons '000					
	343.7	281.5	22.1%	382	-10.0%
Revenue (GEL '000)					
20 feet	4,546.8	3,652.4	24.5%	5,607.4	-18.9%
40 feet	3,514.6	2,564.1	37.1%	3,486.8	0.8%
Total	8,061.4	6,216.6	29.7%	9,094.2	-11.4%
Average tariff (GEL)					
20 feet	418.7	406.6	3.0%	456.2	-8.2%
40 feet	591.9	610.2	-3.0%	708.0	-16.4%
Total	479.9	471.5	1.8%	528.2	-9.1%

* Average tariff represents revenue divided by number of containers

Number of containers - 27 percent increase was due to increased containers transported from Kazakhstan by 1,532 units and from Azerbaijan by 1,067, which was partially offset by decreased number of containers transported from China by 568 in 3 months ended 31 March 2023, compared to same period of 2022.

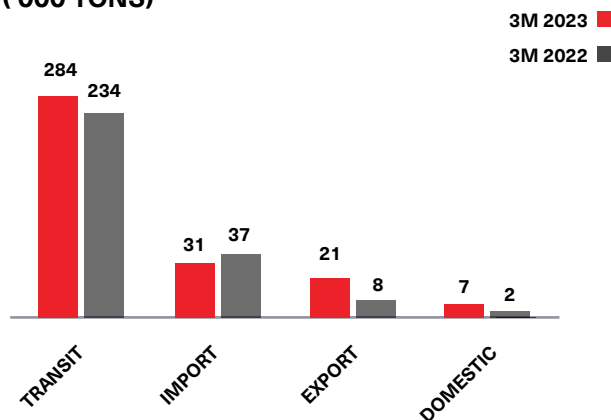
Revenue/number of containers (in GEL) - 2 percent increase was mainly due to increased number of containers

to China and Kazakhstan (relatively more profitable directions), while the number of containers to Georgia (relatively less profitable direction) decreased in 3 months ended 31 March 2023, compared to same period of 2022.

The Group's container transportation consists of transit, import, export and domestic transportation routes. The split between mentioned directions in 3 month period ended 31 March 2023, was about 83 percent, 9 percent, 6 percent and 2 percent, respectively, compared to 83 percent, 13 percent, 3 percent and 1 percent respectively, in same period of 2022.

In 2021, Covid-19 had a significant effect on the volume of containers transported by Georgian ports, nonetheless, the share of containerized cargo transported by the Group remained considerably stable at around 10% in total transported volume. Container transportation increased by 22.1 percent in 3 months ended 31 March 2023, compared to same period of 2022.

CONTAINERS BY TRANSPORTATION TYPE ('000 TONS)



FREIGHT HANDLING

General description

Revenue from freight handling comprises several components:

- | Revenue from station services, such as railcar marshaling, freight pick-up, delivery at customer facilities and other related services;
- | Revenue from 24-hour railcar delays, representing a fee paid by customers for the return of GR's own railcar after initial 24 hours from its delivery at an agreed destination;
- | Revenue from other services, such as cargo loading/unloading, storage, accelerated service fees and other sources.

Currency and tariff setting

Most of the freight handling revenue, about 71 percent in 3M 2023, was denominated in USD, while the rest was denominated in GEL (29 percent). The Group sets its tariffs independently.

Driver

The revenue from this source largely changes in line with transportation volumes in tons. The correlation, however, is not perfect as many other factors influence it.

FREIGHT HANDLING

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Station services	13,316	14,331	-7.1%	-1,015
24-hour service	4,677	2,570	82.0%	2,107
Other	689	282	144.4%	407
Total	18,681	17,183	8.7%	1,499

The increase in revenue from freight handling by 8.7 percent (GEL 1.5 million) was mainly caused by increase in

revenue from 24-hour service by 82.0 percent, in the first three months of 2023, compared to the same period of 2022.

LOGISTICAL SERVICES

General description

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

Currency and tariff setting

Revenue from logistical services is denominated in USD and GEL, with 75 percent and 25 percent, respectively.

Driver

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

LOGISTICAL SERVICES

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Revenue from logistical services	23,997	26,052	-7.9%	-2,056

The Group's revenue from logistic services was GEL 24 million for the three months ended 31 March 2023, as compared to GEL 26.1 million for the corresponding period in 2022, reflecting a decrease of 7.9% (or GEL 2.1 million). This decrease in revenue from logistic services was primarily

due to decreased revenue from GR's subsidiary providing services for crude oil and oil product transportation.

**Logistical revenue and expenditures should be taken into consideration jointly. (See pg.22 Logistical service expenses)*

PASSENGER TRAFFIC

General description

Passenger transportation comprises domestic and international services. Domestic transportation includes regional and long-distance transportation. Long-distance traffic accounts for the majority of the Group's passenger traffic, while the regional services, in particular suburban services,

typically serve the low-income segments of society, with symbolic/minimal ticket fares. Georgian rail lines are linked to Azerbaijan and Armenia and international transportation services are provided to both countries.

PASSENGER TRANSPORTATION

3-month period ended 31 March	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Revenue ('000 GEL)	8,091	3,697	118.9%	4,394
Number of passengers ('000)	472	238	98.3%	234

Revenue from passenger transportation has increased by 118.9 percent in the first three months of 2023, compared to same period of 2022, and the number of passengers has increased by 98.3 percent. Mentioned change in revenue

is related to the significant increase in the number of passengers transported, as well as increased tariff on mainline tickets from July 2022.

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-con-

tinuing operations (such as gain or loss from sale of fixed assets and other items which are not expected to reoccur in the following periods).

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Continuing operations	3,578	591	505.5%	2,987
Non-continuing operations	225	1,547	-85.5%	-1,322
Total	3,803	2,138	77.9%	1,665

The Group's other income was GEL 3.8 million for the three months ended 31 March 2023, as compared to GEL 2.1 million for the corresponding period in 2022.

Income from continuing operations comprises FX gain of about GEL 2.2 million, that will be reclassified in finance in-

come in second quarter of 2023.

Income from non-continuing operations decreased in 3 month period ended 31 March 2023, compared to the same period of 2022, mainly due to realization of fixed assets.

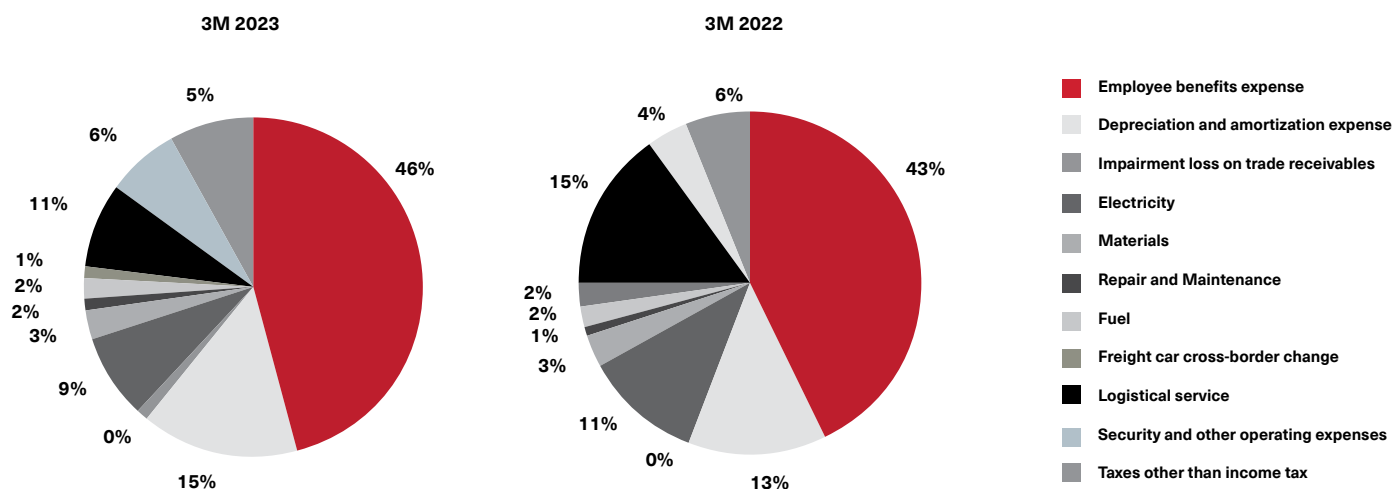
1.3 OPERATING EXPENSES

Total operating expenses for the three months ended 31 March 2023 increased approximately by GEL 16.2 million, compared to the same period of the previous year. The in-

crease was mainly caused by an increase in depreciation expenses, employee benefits expense and security and other operating expenses.

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Employee benefits expense	57,100	46,239	23.5%	10,861
Depreciation and amortization expense	18,283	13,827	32.2%	4,456
Impairment gain/loss on trade receivables	-47	242	-119.6%	-289
Electricity	10,371	11,888	-12.8%	-1,517
Materials	3,470	2,715	27.8%	755
Repair and maintenance	2,286	1,114	105.2%	1,172
Fuel	2,598	2,042	27.2%	556
Freight car cross-border charge	1,307	2,627	-50.2%	-1,319
Logistical service	13,409	15,565	-13.8%	-2,155
Security and other operating expenses	7,885	4,735	66.5%	3,150
Taxes other than income tax	6,468	5,893	9.8%	575
Total	123,130	106,886	15.2%	16,244

The following charts represent the cost structure for the three months ended 31 March 2023 and 2022:



EMPLOYEE BENEFITS EXPENSES

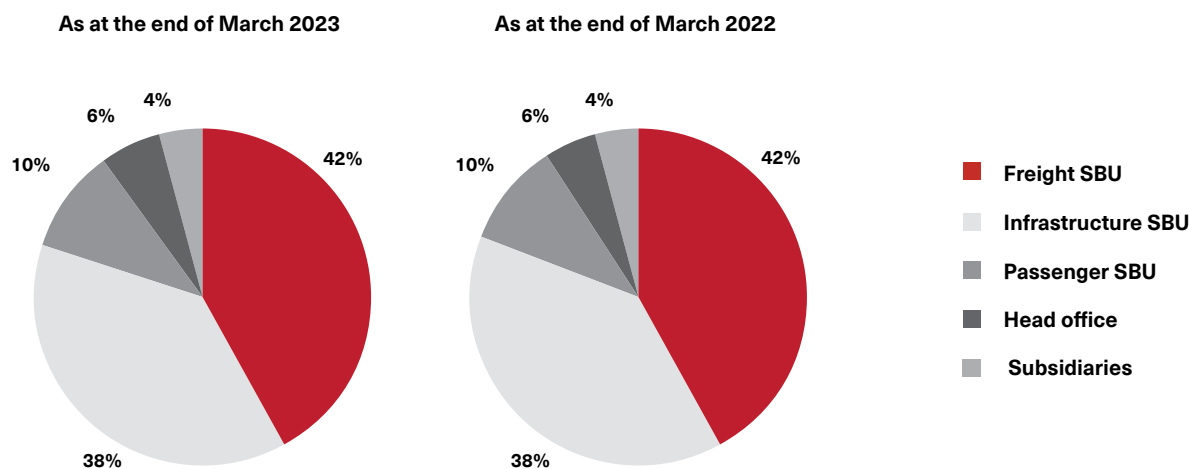
The Group's salary expenses are fixed and are denominated in GEL. As a result, it is not affected neither by transportation volume, nor by FX changes.

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Salary	48,112	38,616	24.6%	9,496
Bonus-reward	584	419	39.2%	164
Other benefits	8,404	7,204	16.7%	1,201
Total	57,100	46,239	23.5%	10,861

Employee benefits expenses during the three months ended 31 March 2023, compared to the same period of the previous year, increased about 23.4 percent (by GEL 10.9 million). This increase in employee benefits expense was primarily due to increased salary expenses by GEL 9.5 million. From January 2023, the Management increased the wages of approximately 12,000 employees.

Number of employees (excluding subsidiaries) by the end of March 2023 was equal to 11,907 and by the end of March 2022 was 11,929.

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



DEPRECIATION AND AMORTIZATION EXPENSES

The Group's depreciation and amortization expenses are mainly affected by capital additions and property retirements from disposal, sale, or abandonment. The expenses

are denominated in GEL and thus are not affected by fluctuations in foreign exchange rates.

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Depreciation and amortization	18,283	13,827	32.2%	4,456

The Group's depreciation and amortization expense was GEL 18.3 million for the three months ended 31 March 2023, as compared to GEL 13.8 million for the corresponding pe-

riod in 2022, increase was due to constructions which were put into operations recently.

ELECTRICITY EXPENSES

General description

Approximately 97 percent of GR's railway network is electrified. Before September 2011, the Company purchased most of its electricity on the open market in Georgia. In September 2011, the Company entered into a 10-year agreement for the purchase of electricity with fixed tariffs (the "Electricity Agreement"), securing a price for more than 90% of the Company's needs. The remaining amount was procured on an open market. The Electricity Agreement expired in September 2021, therefore, starting from July 2021, the Company purchases electricity on the open market. The tariffs are denominated in GEL.

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

ELECTRICITY EXPENSES

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Electricity expense of traction	8,397	9,446	-11.1%	-1,049
Utility expenses	1,974	2,442	-19.1%	-468
Total	10,371	11,888	-12.8%	-1,517

There was about a 12.8 percent (GEL 1.5 million) decrease in total electricity expenses mainly due to lower average tariff during the three months ended 31 March 2023, compared to the same period of 2022.

PURCHASED ELECTRICITY AND THE WEIGHTED AVERAGE TARIFF

3 month period ended 31 March	3M 2023			3M 2022		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	12.4	532.7	0.234	10.8	472.4	0.276
February	11.2	495.5	0.233	11.3	546.4	0.290
March	12.8	581.8	0.225	11.6	536.3	0.275
Total	36.4	1,610.0	0.231	33.7	1,555.0	0.280

Note: The table above only includes electricity consumed for traction

MATERIALS, REPAIR AND MAINTENANCE EXPENSES

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Materials expenses	3,470	2,715	27.8%	755
Repair and maintenance expenses	2,286	1,114	105.2%	1,172
Total	5,756	3,829	50.3%	1,927

Materials, repair and maintenance expenses during the three months ended 31 March 2023, compared to the same period of the previous year, increased by about 50.3

percent (by GEL 1.9 million). This increase was mainly due to overhaul of passenger trains.

LOGISTICAL SERVICE EXPENSES

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Logistical services	13,409	15,565	-13.8%	-2,155

Logistics services expenses decreased by 13.8 percent (or GEL 2.2 million) in the three months ended 31 March 2023, primarily due to decreased freight forwarding operations in Azerbaijan and Kazakhstan.

SECURITY AND OTHER OPERATING EXPENSES

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Security	3,785	2,418	56.5%	1,367
Other operating expenses	4,100	2,317	76.9%	1,782
Total	7,885	4,735	66.5%	3,150

Security and other operating expenses increased by GEL 3.1 million in the first three months of 2023, compared to the same period of 2022. Security expenses increased by GEL 1.4 million mainly due to increased average tariff on security service in the months ended 31 March 2023, compared to same period of 2022.

TAXES OTHER THAN INCOME TAX

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Property tax	2,851	2,935	-2.9%	-84
Land tax	2,868	2,947	-2.7%	-79
Other taxes*	749	10	7177.5%	738
Total	6,468	5,893	9.8%	575

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

In the three months ended 31 March 2023, compared to the same period of 2022, taxes (other than income tax) has increased by GEL 0.6 million was mainly due to increased customs fees, which is reimbursed by customers.

1.4 FINANCE INCOME AND COST

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

Finance cost mainly consists of interest expenses on the Group's debt and foreign exchange losses.

The main source of FX gains or loss is the Group's Eurobonds, which are denominated in USD. This is, however, par-

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

FINANCE INCOME AND COST

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Interest income	8,767	5,555	57.8%	3,212
Impairment reversal on other financial assets	21	0	100.0%	21
Impairment loss on other financial assets	0	-322	100.0%	322
Interest expense	-14,147	-16,265	-13.0%	2,118
FX gain/loss	69,302	-2,025	-3522.8%	71,327
Net finance income/loss	63,943	-13,057	-589.7%	77,001

In the three months ended 31 March 2023 the Group showed GEL 63.9 million net finance income, compared to net finance loss of GEL -13.1 million in the same period of 2022. The difference of GEL 77.0 million was mainly due to the fluctuation of GEL against foreign currencies, as well as increased interest income.

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost. Due to GEL appreciation against USD by 5.2 percent as at 31 March 2023 compared to 31 December 2022 (GEL/USD exchange rate 2.5604 ver-

sus 2.7020), the Group experienced net foreign exchange income of GEL 69.3 million.

Lower interest expense during the three months ended 31 March 2023, compared to the same period of 2022, was mainly due to GEL appreciation against USD.

Higher interest income by GEL 3.2 million in the three months ended 31 March 2023 compared to the same period of 2022, was mainly due to the higher average cash balances.

1.5 INCOME TAX EXPENSE/BENEFIT

In GEL '000	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Income tax expense/benefit	-231	-90	156.3%	-141

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. Income tax expenses increased by GEL 0.1million in the first three months of 2023, compared to the same period of 2022.

II. BALANCE SHEET

'000 GEL	TOTAL		CHANGE	
	31-Mar-23	31-Dec-22	%	Absolute
TOTAL ASSETS	2,430,593	2,399,517	1.3%	31,076
<i>Changes are mainly due to:</i>				
Prepayments and other current assets	10,198	8,347	22.2%	1,852
Cash and cash equivalents	296,492	274,629	8.0%	21,863
TOTAL LIABILITIES	1,567,003	1,618,249	-3.2%	-51,246
<i>Changes are mainly due to:</i>				
Loans and borrowings (ST)	26,899	14,273	88.5%	12,625
Tax liabilities	3,099	0	100.0%	3,099
Other current liabilities	13,627	8,058	69.1%	5,569

SIGNIFICANT CHANGES IN ASSETS

Prepayments and other current assets – GEL 1.9 million increase in prepayments and other current assets, in the three months ended 31 March 2023, compared to the peri-

od ended 31 December 2022 was mainly due to higher advances paid to suppliers.

SIGNIFICANT CHANGES IN LIABILITIES

Loans and borrowings (ST) – During first three months of 2023, the increase of GEL 12.6 million in short-term borrowings was mainly due to interest payable on issued bond.

twice a year and the obligation has not been set.

Tax liabilities – GEL 3.1 million increase, during the first quarter of 2023 was mostly due to accrued property and land tax, which is allocated on a monthly basis, but paid

Other current liabilities – increased by GEL 5.6 million in the three months ended 31 March 2023, compared to the period ended 31 December 2022. Mainly due to increased employee benefits expense (see subheading employ benefit expense)

III. CASH FLOW STATEMENT

3.1 OPERATING ACTIVITIES

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 month period ended 31 March				
Cash receipts from customers	138,780	138,179	0.4%	601
Cash paid to suppliers and employees	-89,519	-84,852	5.5%	-4,667
Net cash from operating activities	49,261	53,327	-7.6%	-4,066

Net cash from operating activities decreased by GEL 4.1 million in the three months ended 31 March 2023, compared to the same period of the previous year. The change was driven by increase in cash paid to suppliers and employees by GEL

4.7 million, which was partly offset by the increase in cash receipts from customers by GEL 0.6 million in the first three months of 2023, compared to the same period of 2022.

3.2 INVESTING ACTIVITIES

'000 GEL	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
For the year ended 31 December				
Acquisition of property, plant and equipment	-35,089	-35,255	-0.5%	166
Proceeds from sale of PP&E	0	117	-100.0%	-117
Interest received	8,767	4,768	83.9%	3,999
Decrease/(Increase) in term deposits	-138	-107	29.0%	-31
Issuance of the loan	0	-21,568	-100.0%	21,568
Net cash used in investing activities	-26,460	-52,045	-49.2%	25,585

Cash used in investing activities has decreased by GEL 25.6 million in the three months ended 31 March 2023, compared to the same period of the previous year, due to decrease in interest received by GEL 4.0 million primarily due

to appreciation of GEL against USD, as well as the group has issued loan of USD 7.0 million to parent company in the first three months of 2022.

APPENDIX

APPENDIX 1

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

In million tons	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 Month period ended 31 March				
Import	683	575	18.8%	108
Export	279	337	-17.3%	-58
Domestic	338	345	-1.9%	-7
Transit	1,851	1,744	6.2%	108
Total	3,151	3,000	5.0%	151

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

In million tons	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
3 Month period ended 31 March				
Import	80	102	-21.1%	-21
Export	78	94	-17.9%	-17
Domestic	36	28	25.0%	7
Transit	688	640	7.5%	48
Total	881	865	1.9%	17

APPENDIX 2

BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

In million ton-kilometers	TOTAL		CHANGE	
3 month period ended 31 March	3M 2023	3M 2022	%	Absolute
Liquid cargoes	1,155	873	32.2%	282
Oil products	1,133	872	30.0%	261
Crude oil	22	1	1437.3%	20
Dry cargoes	1,996	2,127	-6.1%	-130
Ores	404	408	-1.2%	-5
Grain	76	37	106.1%	39
Ferrous metals and scrap	120	102	17.8%	18
Sugar	103	63	62.3%	39
Chemicals and fertilizers	378	529	-28.5%	-151
Construction freight	259	191	35.2%	67
Industrial freight	83	77	8.8%	7
Cement	16	4	270.3%	12
Other	558	715	-22.0%	-157
Total	3,151	3,000	5.0%	151

BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

In million ton-kilometers	TOTAL		CHANGE	
	3M 2023	3M 2022	%	Absolute
Liquid cargoes	347	284	22.2%	63
Oil products	338	284	19.3%	55
Crude oil	9	0	5536.9%	8
Dry cargoes	534	581	-8.0%	-46
Ores	92	74	24.6%	18
Grain	17	11	56.9%	6
Ferrous metals and scrap	22	19	16.3%	3
Sugar	39	24	63.1%	15
Chemicals and fertilizers	136	191	-28.6%	-54
Construction freight	41	28	46.6%	13
Industrial freight	12	11	4.6%	1
Cement	4	1	298.9%	3
Other	171	222	-23.2%	-51
Total	881	865	1.9%	17

APPENDIX 3

CALCULATIONS OF THE RATIO OF NET FINANCIAL INDEBTEDNESS TO ADJUSTED EBITDA:

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 adjusted EBITDA 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 any specific date is the Incurrence date (or “the date of determination”) as defined in Condition 3 of the “Terms and Conditions of the Notes”.

'000 GEL	31-Mar-23	31-Dec-22
Financial indebtedness	1,333,319	1,392,420
<i>less:</i>		
Available credit facilities	0	0
Cash	296,492	274,629
Net Financial Indebtedness:	1,036,826	1,117,790
The most recent 2 consecutive semi-annual period ended:	31-Dec-22	31-Dec-22
Results from operating activities	218,417	218,417
Depreciation add-back	-66,585	-66,585
Impairment loss on trade receivables	840	840
Adjusted EBITDA	284,162	284,162
Net Financial Indebtedness/Adjusted EBITDA	3.65	3.93

