

Financial and non-financial highlights

Revenue

<u>Q3 2020</u>	<u>9M 2020</u>
118,457	363,475
-12% from Q3 2019 -3% from Q2 2020	+0% from 9M 2019

Result from operating activities

<u>Q3 2020</u>	<u>9M 2020</u>
20,398	93,000
-25% from Q3 2019 -46% from Q2 2020	+4% from 9M 2019

EBITDA

<u>Q3 2020</u>	<u>9M 2020</u>
58,263	172,433
-21% from Q3 2019 +1% from Q2 2020	-2% from 9M 2019

EBITDA margin

<u>Q3 2020</u>	<u>9M 2020</u>
49.18%	47.44%
-6 points from Q3 2019 +2 points from Q2 2020	-1 points from 9M 2019

Adjusted EBITDA

<u>Q3 2020</u>	<u>9M 2020</u>
53,825	165,621
-24% from Q3 2019 -5% from Q2 2020	-1% from 9M 2019

Adjusted EBITDA margin

<u>Q3 2020</u>	<u>9M 2020</u>
45.44%	45.57%
-7 points from Q3 2019 -1 points from Q2 2020	-1 points from 9M 2019

Operating ratio

<u>Q3 2020</u>	<u>9M 2020</u>
72.12%	71.76%
+8% from Q3 2019 +0% from Q2 2020	-2% from 9M 2019

Net debt to EBITDA

30 September 2020

6.27

6.93 as at 30-Sep-2019
5.92 as at 30-Jun-2020

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1. Profit or Loss Statement

Profit and loss statement

9 Month period ended 30 September

GEL '000	Q3 2020	Q3 2019	y-o-y	Q2 2020	q-o-q	9M 2020	9M 2019	y-o-y % change	y-o-y Abs. change
Revenue	118,457	133,970	-11.6%	122,254	-3.1%	363,475	364,164	-0.2%	-689
Other income	5,162	5,373	-3.9%	4,174	23.7%	10,045	13,229	-24.1%	-3,184
Impairment loss on trade receivables	-17,794	-22,476	-20.8%	-601	2862.3%	-19,695	-22,519	-12.5%	2,823
Employee benefits expense	-39,942	-37,429	6.7%	-42,580	-6.2%	-122,752	-117,308	4.6%	-5,444
Depreciation and amortization	-20,071	-23,574	-14.9%	-19,478	3.0%	-59,738	-64,939	-8.0%	5,202
Electricity, consumables and maintenance costs	-9,548	-11,790	-19.0%	-8,671	10.1%	-29,916	-33,804	-11.5%	3,888
Other expenses	-15,866	-16,795	-5.5%	-17,358	-8.6%	-48,419	-49,722	-2.6%	1,303
Result from operating activities	20,398	27,279	-25.2%	37,741	-46.0%	93,000	89,101	4.4%	3,899
Net finance income/loss	-106,706	-49,636	115.0%	94,531	-212.9%	-210,324	-152,355	38.0%	-57,969
Profit before income tax	-86,308	-22,357	286.0%	132,273	-165.2%	-117,324	-63,254	85.5%	-54,070
Income tax expense(benefit)	-49	-90	-45.3%	-116	-57.6%	-386	-610	-36.7%	224
Profit and total comprehensive income	-86,357	-22,447	284.7%	132,157	-165.3%	-117,710	-63,864	84.3%	-53,846
EBITDA	58,263	73,329	-20.5%	57,819	0.8%	172,433	176,559	-2.3%	-4,126
EBITDA margin	49.18%	54.7%	NA	47.29%	NA	47.44%	48.48%	NA	-1.0%
Adjusted EBITDA	53,825	70,672	-23.8%	56,614	-4.9%	165,621	167,797	-1.3%	-2,176
Adjusted EBITDA Margin	45.44%	52.75%	NA	46.31%	NA	45.57%	46.08%	NA	-0.5%

Operating Ratio

	9M 2020	9M 2019	% change
Freight SBU	31.2%	32.8%	-1.6%
Passenger SBU	199.9%	82.5%	117.4%

Note: Ratio is measured based on segment profit before infrastructure costs, which are the cost of maintaining the rail network used by both reportable segments central overheads, interest and income tax, as included in the internal management reports that are reviewed by the Group's Management Board.

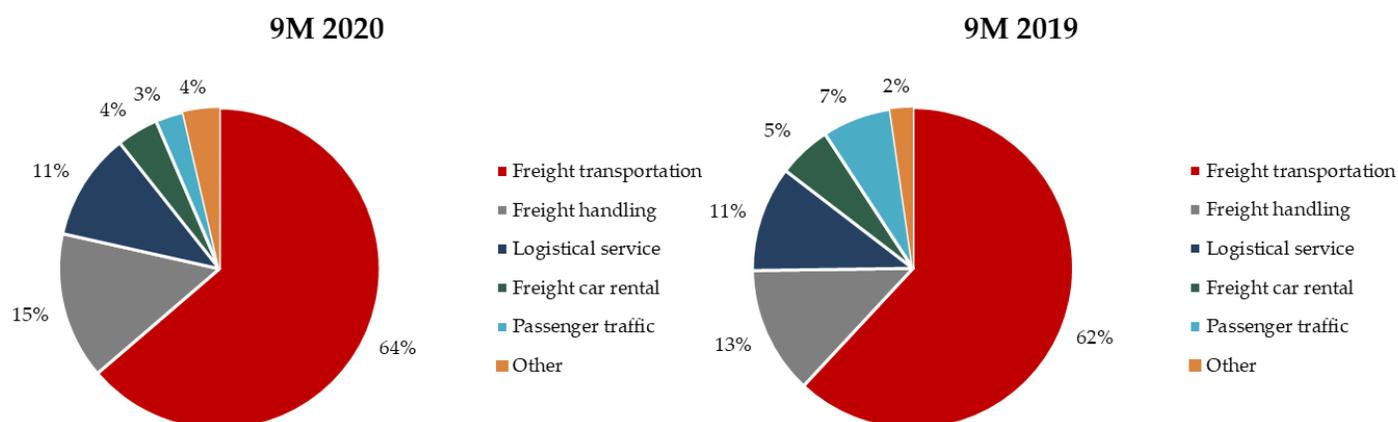
1.1 Revenue

Revenue breakdown

9 month period ended 30 September

GEL '000	Q3 2020	Q3 2019	y-o-y	Q2 2020	q-o-q	9M 2020	9M 2019	% Change	% Change at constant currency	Abs. Change
Freight transportation*	70,239	79,405	-11.5%	84,868	-17.2%	231,600	225,572	2.7%	-6.7%	6,028
Freight handling*	18,474	16,649	11.0%	17,235	7.2%	53,777	46,768	15.0%	4.5%	7,008
Logistical service*	10,447	15,702	-33.5%	15,817	-33.9%	39,378	38,685	1.8%	-7.5%	693
Freight car rental	4,388	5,557	-21.0%	2,569	70.8%	15,283	19,529	-21.7%	-28.9%	-4,246
Passenger traffic	5,115	13,992	-63.4%	481	962.4%	10,279	25,334	-59.4%	-63.1%	-15,055
Other	9,793	2,664	267.7%	1,283	663.0%	13,158	8,275	59.0%	44.5%	4,883
Revenue	118,457	133,970	-11.6%	122,254	-3.1%	363,475	364,164	-0.2%	-9.3%	-689
Other income	5,162	5,373	-3.9%	4,174	23.7%	10,045	13,229	-24.1%	-31.0%	-3,184
Freight transportation	70,239	79,405	-11.5%	84,868	-17.2%	231,600	225,572	2.7%	-6.7%	6,028
Liquid cargoes	26,429	31,812	-16.9%	30,902	-14.5%	85,608	91,145	-6.1%	-14.7%	-5,537
Oil products	26,414	31,658	-16.6%	30,894	-14.5%	85,369	90,768	-5.9%	-14.5%	-5,399
Crude oil	15	154	-90.3%	8	78.7%	239	377	-36.5%	-42.3%	-138
Dry cargoes	43,810	47,593	-7.9%	53,966	-18.8%	145,992	134,427	8.6%	-1.3%	11,565
Ores	8,028	10,969	-26.8%	9,466	-15.2%	27,053	28,769	-6.0%	-14.6%	-1,716
Grain	2,869	3,648	-21.3%	2,466	16.3%	6,335	6,010	5.4%	-4.2%	325
Ferrous metals and scrap	2,072	2,601	-20.3%	3,072	-32.5%	8,989	7,043	27.6%	16.0%	1,946
Sugar	2,721	3,047	-10.7%	4,207	-35.3%	6,944	12,523	-44.5%	-49.6%	-5,579
Chemicals and fertilizers	3,566	2,455	45.3%	5,172	-31.0%	17,208	10,692	60.9%	46.2%	6,516
Construction freight	1,537	1,894	-18.9%	1,938	-20.7%	5,302	6,606	-19.8%	-27.1%	-1,305
Industrial freight	1,416	2,200	-35.6%	1,596	-11.3%	4,424	5,633	-21.5%	-28.6%	-1,209
Cement	150	608	-75.3%	27	449.0%	399	1,687	-76.4%	-78.5%	-1,288
Other	21,450	20,170	6.3%	26,022	-17.6%	69,339	55,464	25.0%	13.6%	13,874
Freight turnover (million ton-km)	639	719	-11.0%	722	-11.5%	2,133	2,082	2.5%	NA	51
Revenue / ton-km (in Tetri)	10.99	10.17	8.1%	11.75	-6.5%	10.86	10.83	0.2%	-9.0%	0.02

The following charts represent revenue breakdown for the nine months ended 30 September 2020 and 2019:



Freight transportation revenue

Most of the Group's revenue (about 64 percent in first 9 months of 2020) is derived from freight transportation. GR's freight transportation revenue consists of liquid and dry cargoes. The split between liquid and dry cargo revenue in first 9 months of 2020 was about 37 and 63 percent, respectively.

Freight transportation revenue, has increased by 3 percent (GEL 6.0 million) during the nine months ended 30 September 2020, compared to the same period of the previous year.

Average rates

	Q3 2020	Q3 2019	% Change	Q2 2020	% Change	9M 2020	9M 2019	% Change
USD	3.10	2.92	6.26%	3.14	10.41%	3.06	2.78	10.06%
CHF	3.37	2.96	13.82%	3.25	13.82%	3.22	2.79	15.28%

Reporting date spot rates

	30-Sep-20	30-Sep-19	% Change	30-Jun-20	% Change	31-Dec-19
USD	3.29	2.96	11.25%	3.06	7.61%	2.87
CHF	3.56	2.98	19.67%	3.23	10.11%	2.95

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 and total freight transportation in ton-kilometers during the nine months ended 30 September 2020 has increased by 2 percent and 3 percent, respectively, compared to the same period of the previous year. Total Transported volumes of liquid cargo has decreased by 3 percent, while transported volumes of dry cargo has increased by 4 percent. Total freight transportation in ton-kilometers of liquid cargo has decreased by 2 percent, while transportation in ton-kilometers has increased by 4 percent. (see Appendix 1 and Appendix 2).

Oil Products

9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	85,369	90,768	-5.9%	-14.5%
Freight volume (ton '000)	2,126	2,175	-2.3%	NA
Freight turnover (million ton-km)	615	626	-1.9%	NA
Revenue / ton-km (in Tetri)	13.89	14.49	-4.2%	-12.9%

Oil products

Revenue from the transportation of oil products for Q3 2020 decreased by 17 percent, compared to Q3 2019 and by 15 percent, compared to Q2 2020.

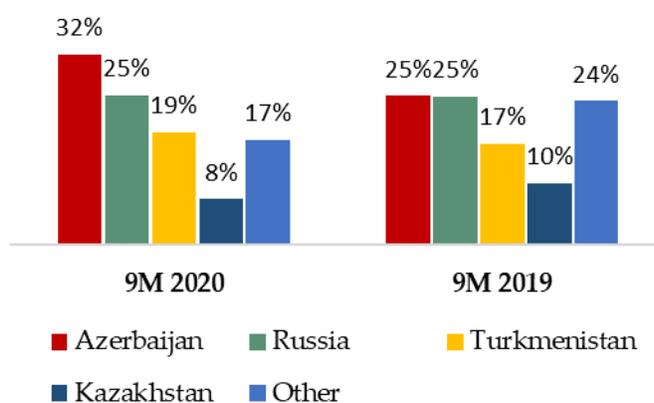
Main products in oil products category were fuel diesel, gasoil, special petrol and light fuel in 9 months of 2020.

Main directions of cargo

Oil products currently are the main component of liquid cargo (almost 100 percent of the transportation volume of liquid cargo in 9M 2020). They are mainly transported by rail, as there is practically no competition from pipelines.

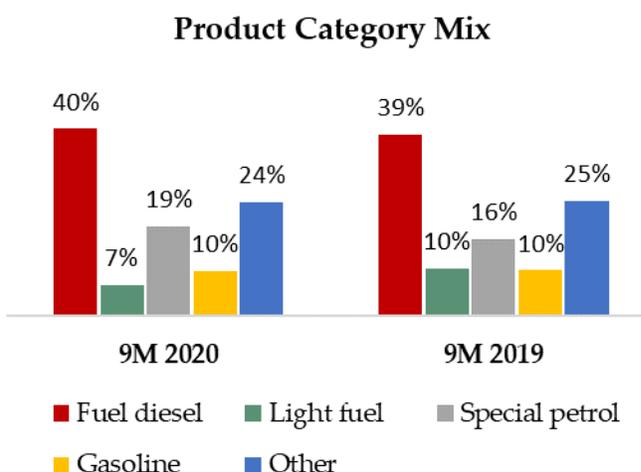
Oil products transported by the Group during nine months period ended 30 September 2020 mainly originated from Azerbaijan, Turkmenistan, Russia and Kazakhstan, with significant changes in transportation direction mix compared to the same period of 2019. The share of Azerbaijan increased to 32 percent from 25 percent, as well as the share of Turkmenistan increased to 19 percent from 17 percent, while the share of Kazakhstan was down to 8 percent from 10 percent, in total oil products transported by the Group.

Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – 2 percent decrease in transportation turnover was mainly driven by decreased transported volume by 2 percent, mainly caused by decreased transportation of heavy fuel from Kazakhstan by 134,000 tons. Another reason was change in product direction mix. Share of transported volume from Kazakhstan (which covers relatively longer distances) in total transportation volume of oil products has decreased, and the share of Azerbaijan (which covers shorter distances) has increased.



Revenue/ton-km (in Tetri) - decrease in average revenue per ton-kilometer during the period under review, compared to the same period of the previous year, was mainly due to changes in product category mix. The shares of light fuel and gasoil (which are relatively more profitable products) have decreased and shares of propane (which is relatively less profitable product) has increased in total oil products transported by Georgian Railway.

Crude Oil

9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	239	377	-36.5%	-42.3%
Freight volume (ton '000)	6	12	-53.1%	NA
Freight turnover (million ton-km)	2	3	-35.9%	NA
Revenue / ton-km (in Tetri)	11.97	12.10	-1.0%	-10.1%

Crude oil

Revenue from the transportation of crude oil for Q3 2020 decreased by 90 percent, compared to Q3 2019 and increased by 79 percent, compared to Q2 2020.

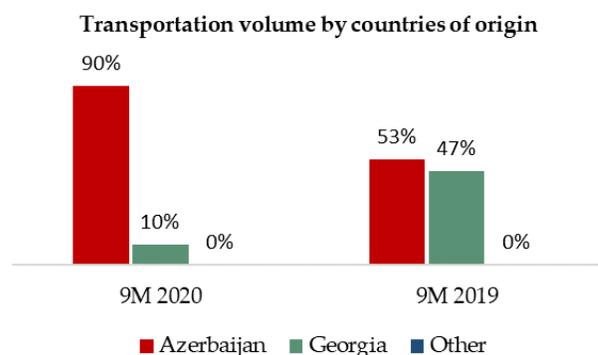
Main directions of cargo

For the nine months ended 30 September 2020, the only destination country was Georgia, and the main origin country was Azerbaijan.

Factors influencing performance

Ton-kilometers – 36 percent decrease in transportation turnover was mainly caused by decreased volumes from Georgian and Azerbaijan by 5,000 tons and 1,300 tons, respectively.

Revenue/ton-km (in Tetri) – 10 percent decrease in average revenue per ton-kilometer at constant currency during the period under review, compared to the same period of the previous year was driven by change in product direction mix. The share of freight volumes from Georgia (relatively more profitable direction) decreased in the nine months ended 30 September 2020, in total transported volumes of crude oil.



Ores

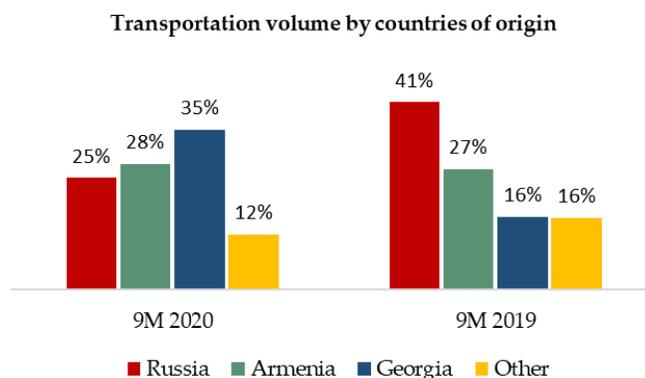
9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	27,053	28,769	-6.0%	-14.6%
Freight volume (ton '000)	1,264	1,387	-8.9%	NA
Freight turnover (million ton-km)	265	361	-26.4%	NA
Revenue / ton-km (in Tetri)	10.20	7.98	27.8%	16.1%

Ores

Revenue from the transportation of ores for Q3 2020 decreased by 27 percent, compared to Q3 2019 and by 15 percent, compared to Q2 2020.

Main products in ore products category were manganese ores, copper ores and bituminous coal in 9 months of 2020.



Main directions of cargo

Ores transported by the Group during nine months ended 30 September 2020, was mainly originated from Russia, Armenia and Georgia. Main destination countries were Georgia, China and Bulgaria in the first nine months of 2020.

Factors influencing performance

Ton-kilometers – 26 percent decrease in transportation turnover was mainly driven by decreased volumes from Russia and Armenia by 263,000 tons and 17,000 tons, respectively.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer by 28 percent was mainly caused by change in product direction mix and product category mix. Share of transported volumes from Georgia (which is relatively more profitable direction) increased, while the share of volumes from

Russia (which is relatively less profitable direction) has decreased. The share of Manganese ores (which is relatively more profitable product) has increased, while the share of bituminous coal (which is relatively less profitable product) has decreased, in 9 months period of 2020.

Ferrous metals and scrap

9 Month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	8,989	7,043	27.6%	16.0%
Freight volume (ton '000)	408.7	386.8	5.7%	NA
Freight turnover (million ton-km)	99.5	90.4	10.1%	NA
Revenue / ton-km (in Tetri)	9.03	7.79	16.0%	5.4%

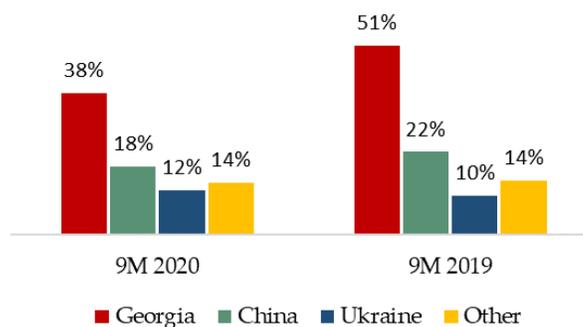
Ferrous metal and scrap

Revenue from the transportation of ferrous metal and scrap for Q3 2020 decreased by 20 percent, compared to Q3 2019 and by 33 percent, compared to Q2 2020.

Main directions of cargo

Ferrous metal and scrap transported by the Group during nine months ended 30 September 2020 was mainly originated from Georgia, China, Russia and Ukraine and main destination countries were Azerbaijan, Georgia, Russia and Turkey.

Transportation volume by countries of origin

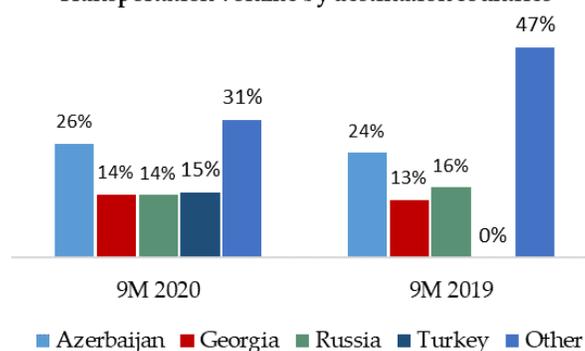


Factors influencing performance

Ton-kilometers – 10 percent increase in freight turnover was mainly caused by increased transportation volumes from Russia, by 64,000 tons, as well as volumes to Turkey increased by 60,000 tons.

Revenue/ton-km (in Tetri) – increase in average revenue per ton-kilometer was mainly driven by changes in product direction mix and product category mix. The share of freight transported from Russia and Armenia, and the share of transported volumes to Turkey (which are relatively more profitable direction) has increased and the share of flat-rolled products of iron or unalloyed steel (which are relatively more profitable products) has increased in total ferrous metal and scrap products transported by the Group.

Transportation volume by destination countries



Sugar

9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	6,944	12,523	-44.5%	-49.6%
Freight volume (ton '000)	172	281	-38.6%	NA
Freight turnover (million ton-km)	59	103	-42.5%	NA
Revenue / ton-km (in Tetri)	11.75	12.19	-3.6%	-12.4%

Sugar

Revenue from the transportation of sugar for Q3 2020 decreased by 11 percent, compared to Q3 2019, and by 35 percent, compared to Q2 2020.

Main directions of cargo

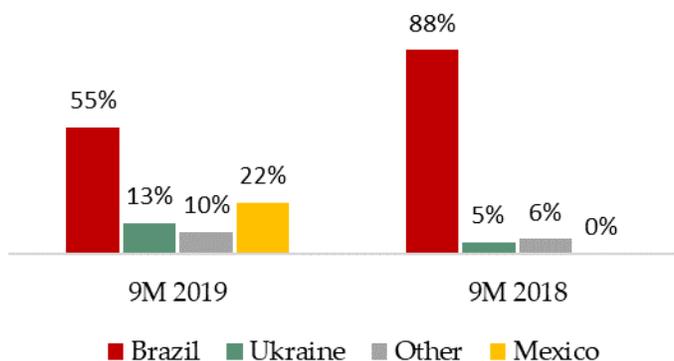
Sugar transported by the Group during nine months ended 30 September 2020 was mainly directed to Azerbaijan and Georgia. The main origin country was Brazil.

Factors influencing performance

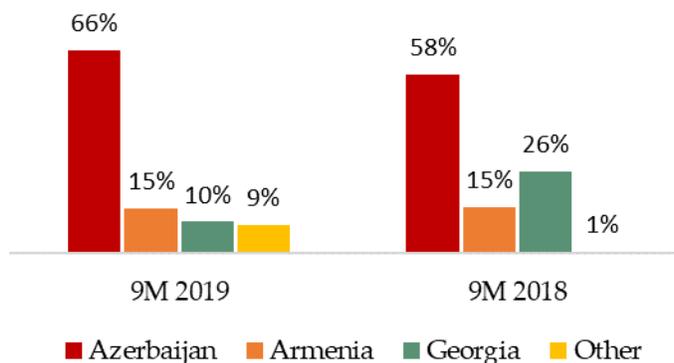
Ton-kilometers – 43 percent decrease in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by decreased volumes transported from Mexico and Ukraine by 63,000 tons and 37,000 tons, respectively.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was caused by change in product category mix. The share of cane sugar and white sugar (relatively more profitable products) have decreased significantly in total sugar products transported by the Group.

Transportation volume by countries of origin



Transportation volume by destination countries



Construction freight

9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	5,302	6,606	-19.8%	-27.0%
Freight volume (ton '000)	663	762	-12.9%	NA
Freight turnover (million ton-km)	105	115	-9.1%	NA
Revenue / ton-km (in Tetri)	5.07	5.74	-11.7%	-19.7%

Construction freight

Revenue from the transportation of construction freight for Q3 2020 decreased by 19 percent, compared to Q3 2019 and by 21 percent, compared to Q2 2020.

Main products in construction freight category were limestone, gypsum, pebble, gravel, crushed stones, ceramic cubes and other calcareous stones in nine months of 2020.

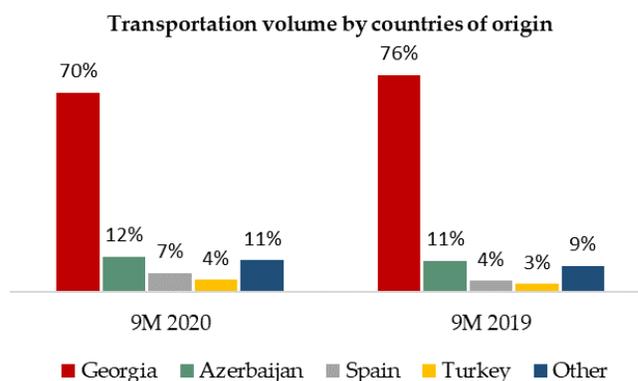
Main directions of cargo

Construction freight transported by the Group during nine months ended 30 September 2020 was mainly originated from Georgia, Azerbaijan, Spain and Turkey. And the main destination country was Georgia, with 90 percent of total construction freight transported by the Group.

Factors influencing performance

Ton-kilometers – 9 percent decrease in freight turnover was mainly caused by decreased transportation from Georgia by 115,000 tons as well as decreased transportation of limestone by 67,000 tons.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was mainly driven by changes in product direction mix and product category mix. The share of relatively more profitable routes, such as Azerbaijan, as well as the share of relatively more profitable products, such as gypsum has decreased in total construction freight transported by the Group, during first nine months of 2020, compared to the same period of 2019.



Chemicals and fertilizers

9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	17,208	10,692	60.9%	46.2%
Freight volume (ton '000)	729	482	51.3%	NA
Freight turnover (million ton-km)	237	141	68.4%	NA
Revenue / ton-km (in Tetri)	7.27	7.61	-4.4%	-13.2%

Chemicals and fertilizers

Revenue from the transportation of chemicals and fertilizers for Q3 2020 increased by 45 percent, compared to Q3 2019 but decreased by 31 percent, compared to Q2 2020.

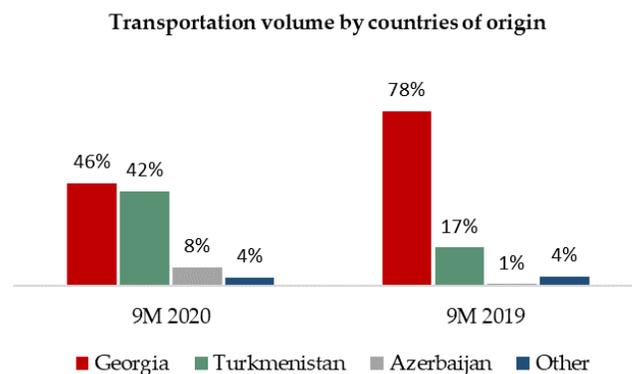
Main directions of cargo

Chemicals and fertilizers transported by the Group during nine months ended 30 September 2020 was mainly originated from Georgia, Turkmenistan and Azerbaijan.

Factors influencing performance

Ton-kilometers – 68 percent increase in freight turnover was mainly caused by increased transportation volumes from Turkmenistan and Azerbaijan by 226,000 tons and 56,000 tons, respectively.

Revenue/ton-km (in Tetri) – decrease in average revenue per ton-kilometer was mainly driven by changes in product direction mix and product category mix. The share of freight transported from Georgia (which is relatively more profitable direction) has decreased, while the share of Turkmenistan (which is relatively less profitable direction) has increased. As well as the share of ammonium nitrate (which is relatively more profitable product) has decreased, while the share of urea (which is relatively less profitable product) has increased, in total chemicals and fertilizers products transported by the Group.



Cement

9 Month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	399	1,687	-76.4%	-78.5%
Freight volume (ton '000)	29	92	-68.6%	NA
Freight turnover (million ton-km)	7	22	-68.1%	NA
Revenue / ton-km (in Tetri)	5.60	7.56	-25.9%	-32.7%

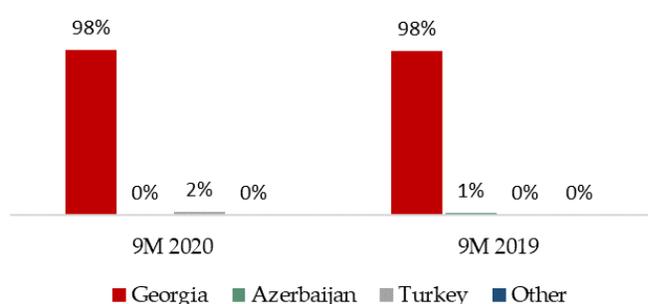
Cement

Revenue from the transportation of cement for Q3 2020 decreased by GEL 458,000, compared to Q3 2019 but increased by GEL 123,000, compared to Q2 2020.

Main directions of cargo

Cement transported by the Group during nine months ended 30 September 2020 was mainly originated from Georgia and Turkey.

Transportation volume by countries of origin



Factors influencing performance

Ton-kilometers – 68 percent decrease in freight turnover was mainly caused by decreased total volumes of cement transported by the Group. Mainly decreased transportation from Georgia by 61,000 tons, during nine months of 2020, compared to the same period of 2019.

Revenue/ton-km (in Tetri) – 26 percent decrease in average revenue per ton-kilometer was mainly driven by decreased average tariffs and decreased average transportation distance.

Other products

9 month period ended 30 September

	9M 2020	9M 2019	% Change	% Change at constant currency
Revenue (GEL'000)	69,339	55,464	25.0%	13.6%
Freight volume (ton '000)	2,051	1,576	30.1%	NA
Freight turnover (million ton-km)	642	489	31.3%	NA
Revenue / ton-km (in Tetri)	10.80	11.35	-4.8%	-13.5%

Other product categories

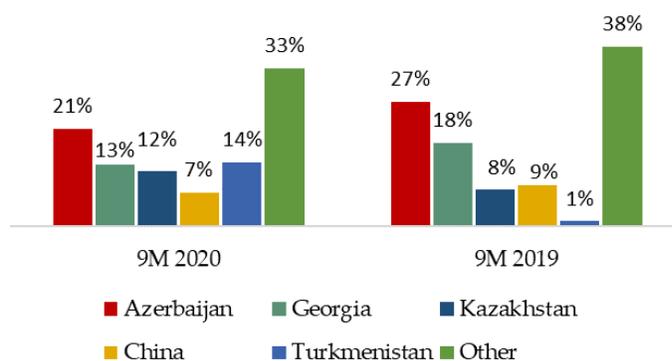
Revenue from the transportation of other product categories for Q3 2020 increased by 6 percent, compared to Q3 2019, but decreased by 18 percent, compared to Q2 2020.

Main products in other products category were methanol, sulfur, p-xylene, mineral waters, meat products and aluminum in first nine months of 2020.

Main directions of cargo

Freight from other products category in nine months ended 30 September 2020 was mainly originated from Azerbaijan, Georgia, Turkmenistan, Kazakhstan and China. Main destination countries were Azerbaijan, Turkey, Georgia, Kazakhstan, and China. Main products transported in first nine months period of 2020 were methanol (about 17 percent of total volume), sulfur (about 13 percent of total volume), p-xylene (about 9 percent of total volume), mineral waters (about 5 percent of total volume), meat products (about 5 percent of total volume) and aluminum (about 5 percent of total volume).

Transportation volume by countries of origin

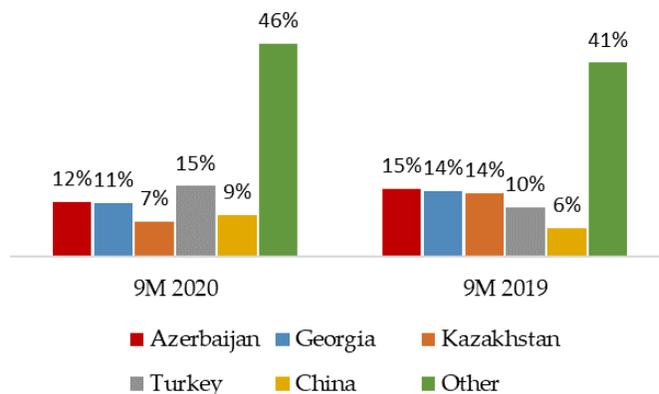


Factors influencing performance

Ton-kilometers – 31 percent increase in transportation turnover was mainly driven by increased volumes transported to Turkey, Georgia and Azerbaijan by 144,000 tons, 15,000 tons and 11,000 tons, respectively.

Revenue/ton-km (in Tetri) – 5 percent decrease in average revenue per ton-kilometer was driven by changes in product direction mix and product category mix. The share of Georgia (relatively more profitable direction) has decreased, while the share of Kazakhstan (relatively less profitable direction) has increased in total volumes transported. The share of petroleum, mineral waters and meat products (relatively more profitable products) has decreased, while the share of aluminum and p-xylene (relatively less profitable products) has increased in total other products category transported.

Transportation volume by destination countries



Logistical services

Revenue from logistical service for Q3 2020 decreased by 34 percent, compared to Q3 2019 and by the same percent, compared to Q2 2020.

The increase in logistical services by GEL 0.7 million during the nine months ended 30 September 2020, compared to the same period of the previous year, was mostly caused by decreased revenue of one of the GR's subsidiary company, which mainly serves container transportation.

Freight handling

The increase in revenue from freight handling by 15 percent (GEL 7.0 million) during the nine months ended 30 September 2020, compared to the same period of 2019, was mainly caused by increased revenues from station services as well as increased revenues from 24 hours services.

Freight car rental

Revenue from freight car rental decreased by 22 percent (GEL 4.2 million) during the nine months ended 30 September 2020, compared to the same period of 2019. GR's stand-alone revenue from freight car rental declined, mostly because of decreased usage of semi-wagons.

Passenger transportation

<i>9 month period ended 30 September</i>	<i>In '000 GEL</i>			
	9M 2020	9M 2019	% Change	Abs. change
Revenue	10,279	25,334	-59.4%	-15,055
Number of passengers	867	2,351	-63.1%	-1,484

Revenue from passenger transportation has decreased by 59 percent (GEL 15.1 million) during the nine months ended 30 September 2020, compared to the same period of the previous year, and the number of passengers has decreased by 63 percent.

First two months of 2020 was a successful period for passenger SBU. Revenue from passenger transportation has increased by 26 percent, and the number of passengers increased by 18 percent, compared to the same period of 2019. However, the rise was offset by the Government regulations against COVID-19 pandemic: from the second half of March 2020 the government temporarily ceased passenger transportation. Passenger transportation continued from June 15 2020, however this could not offset the previous loss.

Other revenue

The increase in other revenue by GEL 4.9 million during the first nine months of 2020, compared to the same period of 2019 was mostly attributable to increased revenues from realization of materials and scrap.

1.2 Other income

In order to better illustrate the operational profitability of the Group, other income is divided 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

9 month period ended 30 September

In GEL '000

	9M 2020	9M 2019	% Change	Abs. change
Continuing operations	1,400	2,976	-53.0%	-1,576
Non-continuing operations	8,645	10,253	-15.7%	-1,608
Total	10,045	13,229	-24.1%	-3,184

Continuing operations decreased by 53 percent (GEL 1.6 million), during nine months ended 30 September 2020, compared to the same period of the previous year, mostly due to decreased accrued penalties on debtors.

Non-continuing operations decreased by 16 percent (GEL 1.6 million) in the first nine months of 2020, compared to the same period of 2019, due to decreased revenue from sales of fixed assets.

1.3 Operating expenses

Operating expenses for Q3 2020 decreased by 8 percent, compared to Q3 2019, but increased by 16 percent compared to Q2 2020.

Total operating expenses for the nine months ended 30 September 2020 decreased by 3 percent (GEL 7.8 million), compared to the same period of the previous year. This was mainly caused by decrease in depreciation and amortization expenses, decreased impairment loss on trade receivables. This was partly offset by increase in employee benefits expenses.

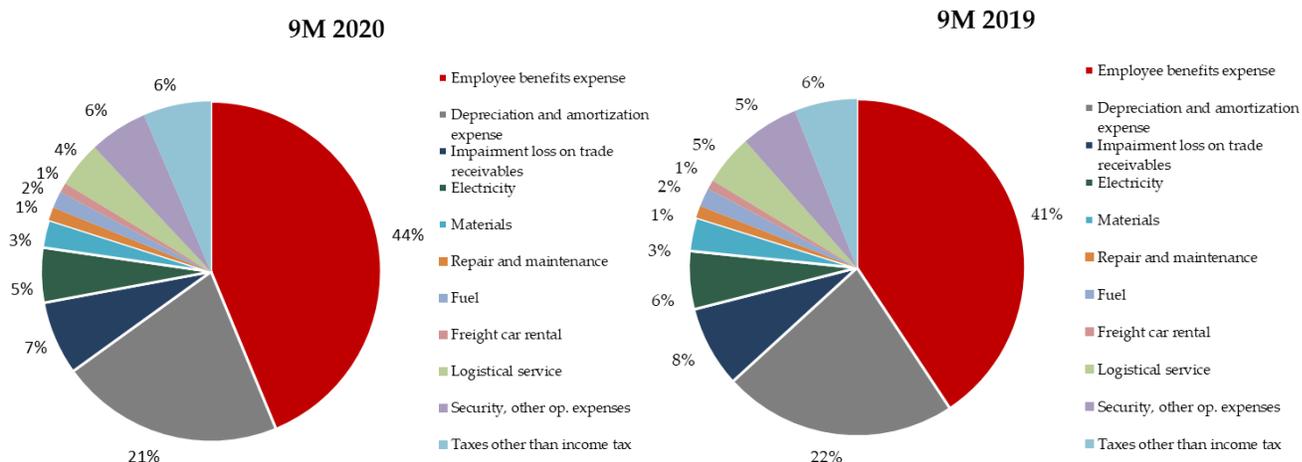
Operating expenses

9 Month period ended 30 September

In GEL '000

	9M 2020	9M 2019	% Change	Abs. change
Employee benefits expense	122,752	117,308	4.6%	5,444
Depreciation and amortization expense	59,738	64,939	-8.0%	-5,202
Impairment loss on trade receivables	19,695	22,519	-12.5%	-2,823
Electricity	14,599	16,076	-9.2%	-1,477
Materials	7,396	9,272	-20.2%	-1,876
Repair and maintenance	3,469	3,307	4.9%	162
Fuel	4,453	5,150	-13.5%	-697
Freight car rental	2,637	2,589	1.8%	48
Logistical service	12,192	13,983	-12.8%	-1,791
Security, other op. expenses	15,544	15,873	-2.1%	-329
Taxes other than income tax	18,047	17,277	4.5%	770
Total	280,520	288,292	-2.7%	-7,772

The following charts represent the cost structure for nine months ended 30 September 2020 and 2019:



Employee benefits expense

The increase in employee benefits expense during the nine months ended 30 September 2020, compared to the same period of the previous year, was mainly due to increased amount of employee bonuses and funded pension expenses.

Law on funded pension

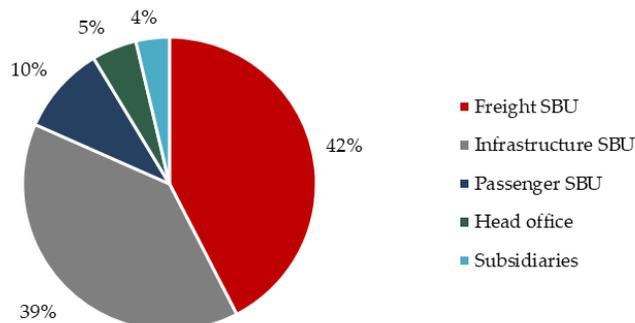
This Law of funded pension which was introduced from January 2019 regulates relations associated with funded pensions. The relations associated with funded pensions is implemented independently of the state pension and state compensation. Joining the funded pension scheme is mandatory for all employees, in the part of a salary income, except for employees who have attained the age of 60 (in the case of female employees, the age of 55) before the entry into force of this Law. Joining the funded pension scheme is voluntary for all employees who have attained the age of 60 years.

Employee's salaries are mostly fixed and normally are not affected by changes in transportation volumes.

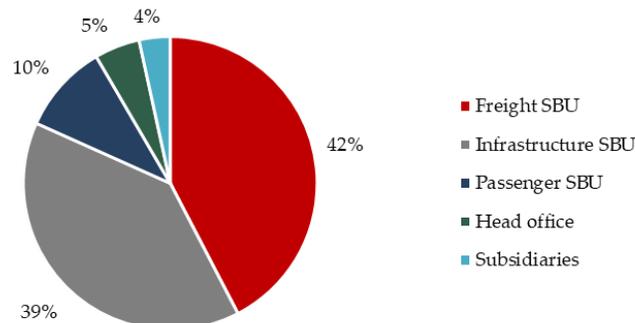
Number of employees (excluding subsidiaries) by the end of September 2020 was equal to 12,089 and by the end of September 2019 was 12,270.

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

Distribution of staff by business units as at the end of September 2020



Distribution of staff by business units as at the end of September 2019



Depreciation and amortization expense

Decrease with GEL 5.2 million in depreciation and amortization expenses. In 2019 whole depreciation caused by impairment of property, plant and equipment was charged in November. This change will be reduced at the end of the year.

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 nine months ended 30 September 2020, repair and maintenance expenses remained about the same level, compared to the same period of 2019. Expenses on materials decreased by 20 percent (GEL 1.9 million) mostly due to decreased expenses on spare parts.

Electricity expenses

9 month period ended 30 September

In GEL '000

	9M 2020	9M 2019	% Change	Abs. change
Electricity expense of traction	12,135	13,532	-10.3%	-1,396
Utility expenses	2,464	2,545	-3.2%	-81
Total	14,599	16,076	-9.2%	-1,477

There was a 10 percent decrease in electricity expenses of traction during the nine months ended 30 September 2020, compared to the same period of 2019, mostly because of decreased passenger transportation. 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

9 month period ended 30 September

	9M 2020			9M 2019		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	13.2	543.7	0.131	11.3	389.4	0.130
February	11.1	434.1	0.130	11.0	413.5	0.130
March	11.1	468.9	0.130	12.3	488.7	0.130
April	9.1	436.6	0.130	11.5	458.7	0.130
May	9.6	459.8	0.130	10.4	398.4	0.130
June	9.7	442.8	0.130	11.1	437.4	0.130
July	10.0	442.1	0.130	11.7	444.3	0.130
August	10.1	407.2	0.130	12.7	502.4	0.130
September	9.3	384.3	0.130	12.0	458.1	0.130
Total	93.2	4,019.5	0.130	104.2	3,990.9	0.130

Note: The table above includes only electricity consumed of traction

Logistical service expenses

Expenses for logistical services represent operating expenses of Georgian Railway's logistical subsidiaries. The expenses for logistical services in the nine months ended 30 September 2020 have decreased by about 13 percent (GEL 1.8 million), compared to the same period of the previous year. The decrease was mainly caused by decreased expenses of GR's subsidiary, which serves container transportation, which was partly offset by increased expenses of another subsidiary that mainly serves crude oil and oil products transported by the Company.

Impairment loss on trade receivables

Decrease with GEL 2.8 million in impairment loss on trade receivables during first nine months of 2020, compared to the same period of 2019, was caused due to impairment of two-year contract (USD 22.0 million) of oil trade between one significant counterparty company from Turkmenistan and Georgian Railway. Larger part of this contract was impaired in 2019. As well as higher impairment of some of the receivables of GR subsidiary companies in 2019, compared to 2020.

Taxes other than income tax

9 month period ended 30 September

In GEL '000

	9M 2020	9M 2019	% Change	Abs. change
Property tax	9,069	7,786	16.5%	1,283
Land tax	8,873	8,889	-0.2%	-16
Other taxes*	105	601	-82.5%	-496
Total	18,047	17,277	4.5%	770

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

During the 9 months ended 30 September 2020, compared to the same period of 2019, property tax has increased by 17 percent (GEL 1.3 million), which was mainly caused by capitalized borrowing costs in addition assets that are under construction. Property tax will also be reduced after putting the Modernization project into operation, as railway infrastructure related linear assets are free of property tax and assets under the project are taxed by property tax while under construction in progress. The increase in property tax was partly offset by the decrease of custom penalties, during the first three quarters of 2020 compared to the same period of previous year.

1.4 Finance income and cost

Finance income and cost

9 month period ended 30 September

In GEL '000

	9M 2020	9M 2019	% Change	Abs. change
Interest income	13,361	10,390	28.6%	2,971
Impairment gain on cash in bank	0	69	-100.0%	-69
Impairment gain on PPE	6,602	0	100.0%	6,602
Impairment loss on issued loans	108	-17	-737.6%	125
Impairment loss on cash in bank	180	0	100.0%	180
Interest expense	-41,580	-37,738	10.2%	-3,842
FX gain/loss	-188,996	-125,059	51.1%	-63,937
Net finance income/loss	-210,324	-152,355	38.0%	-57,969

In the nine months ended 30 September 2020 the Group showed GEL 210.3 million net finance loss, compared to net finance loss of GEL 152.4 million in the same period of 2019. The negative difference of GEL 58.0 million was mainly due to the fluctuation of GEL against foreign currencies.

GEL/USD exchange rate fluctuation has significant effect on net finance income/loss. Due to GEL depreciation against USD by 15 percent as at 30 September 2020 compared to 31 December 2019 (GEL/USD exchange rate 3.29 versus 2.87), the Group experienced net foreign exchange loss of GEL 189.0 million in first nine months of 2020, as well as due to depreciation of GEL against USD (about 10 percent) as at 30 September 2019 compared to 31 December 2018 (GEL/USD exchange rate 2.96 versus 2.68), the Group showed net foreign exchange loss of GEL 152.4 million in the same period of 2019.

Higher interest expense during the nine months ended 30 September 2020, compared to the same period of 2018, was mainly due to depreciation of GEL against USD.

Higher interest income by GEL 3.0 million in nine months ended 30 September 2020, compared to the same period of 2019. was mainly due to the higher average cash balances.

1.5 Income tax expense/benefit

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code of Georgia. The new tax code is effective from 1 January 2017. According to the new tax code, previously active profit tax regulation was changed to so-called “tax on distributed profits” model. During the first nine months of 2020 income tax expense decreased by 37 percent (GEL 0.2 million) due to preliminary decisions, compared to the same period of previous year and equaled to GEL 0.4 million.

2. Balance Sheet

Balance sheet

9 Month period ended 30 September

	30-Sep-20	30-Jun-20	% Change	Abs. change	31-Dec-19	% Change	Abs. change
TOTAL ASSETS	2,382,583	2,366,502	0.68%	16,081	2,313,563	2.98%	69,020
<i>Changes are mainly due to:</i>							
Property, plant and equipment	1,895,630	1,878,109	0.93%	17,521	1,865,352	1.62%	30,278
Trade and other receivables	27,145	37,367	-27.36%	-10,223	24,337	11.54%	2,808
Cash and cash equivalents	293,017	279,101	4.99%	13,917	257,976	13.58%	35,042
TOTAL LIABILITIES	1,976,486	1,874,487	5.44%	101,999	1,790,198	10.41%	186,288
<i>Changes are mainly due to:</i>							
Loans and borrowings (LT)	1,715,339	1,593,385	7.65%	121,955	1,500,687	14.30%	214,652
Loans and borrowings (ST)	42,771	68,872	-37.90%	-26,101	64,944	-34.14%	-22,174
Trade and other payables	141,985	138,841	2.26%	3,144	149,864	-5.26%	-7,878

Significant changes in assets

During the first nine months of 2020, GEL 30.3 million increase in property, plant and equipment, compared to 2019, was mainly due to the Construction in Progress (mostly under the Modernization Project).

Cash and cash equivalents increased by GEL 35.0 million in the nine months ended 30 September 2020, compared to the 31 December 2019, which was mainly caused by decreased cash outflows on acquisition of property, plant and equipment. (see heading 3 "Cash Flow Statement").

Significant changes in liabilities

During the first nine months of 2020, the increase of GEL 214.7 million in long-term borrowings, was mainly due to debt revaluation, as GEL has depreciated against USD by about 15 percent and the Group's debts are denominated in USD.

GEL 7.9 million decrease in trades and other payables was mainly due to decreased amount of payments to suppliers as well as decreased liability on ongoing infrastructure project, during first nine months of 2020, compared to 2019.

3. Cash Flow Statement

Cash flow statement

9 Month period ended 30 September

In GEL
'000

	Q3 2020	Q3 2019	Q2 2020	9M 2020	9M 2019
Cash flows from operating activities					
Cash receipts from customers	126,994	137,969	114,061	359,041	366,953
Cash paid to suppliers and employees	-57,821	-64,612	-74,893	-192,552	-202,859
Cash flows from operations before income taxes paid	69,173	73,357	39,169	166,489	164,094
Income tax paid	-	-	-	-	-250
Net cash from operating activities	69,173	73,357	39,169	166,489	163,844
Cash flows from investing activities					
Acquisition of property, plant and equipment	-11,560	-27,652	-18,413	-43,276	-82,007
Proceeds from sale of property, plant and equipment	-5	3,109	54	2,431	13,584
Interest received	3,856	2,934	7,141	11,420	8,789
Refund of the loan	-	-	-	-	-
Net cash used in investing activities	-7,709	-21,609	-11,218	-29,424	-59,634
Cash flows from financing activities					
Repayment of borrowings	-	-	-6,990	-6,990	-5,895
Interest paid	-59,156	-54,273	-1,570	-116,363	-108,128
Net cash from used in financing activities	-59,156	-54,273	-8,560	-123,352	-114,023
Net increase/(decrease) in cash and cash equivalents	2,309	-2,525	19,391	13,712	-9,813
Cash and cash equivalents at the beginning of period	279,101	246,188	272,833	257,975	241,308
Effect of exchange rate fluctuations on cash and cash equivalents	11,584	3,017	-13,336	21,150	15,052
Cash and cash equivalents provision	23	-64	212,28495	180,37905	69
Cash and cash equivalents at the end of the period	293,017	246,616	279,101	293,017	246,616

Operating activities

Net cash from operating activities increased by GEL 2.6 million in the nine months ended 30 September 2020, compared to the same period of the previous year. The change was driven by decreased cash paid to suppliers and employees, which was partly offset by decreased cash receipts from customers.

Investing activities

Cash used in investing activities decreased by GEL 30.2 million in the nine months ended 30 September 2020, compared to the same period of the previous year. The decrease was mainly due to the decrease in acquisition of property, plant and equipment. This was mainly caused due to lower cash outflows on Modernization Project in first nine months' period of 2020, compared to the same period of 2019.

Financing activities

Cash used in financing activities increased by GEL 9.3 million in the nine months ended 30 September 2020. This change was mostly caused by higher interest paid in the nine months ended 30 September 2020, compared to the same period of the previous year, due to significant depreciation of GEL against USD, as the Groups debts are denominated in USD.

Appendix 1

Breakdown of freight transportation in tons

9 Month period ended 30 September

In thousand tons

	Q3 2020	Q3 2019	y-o-y	Q2 2020	q-o-q	9M 2020	9M 2019	% Change	Abs. Change
Liquid cargoes	671	732	-8.3%	694	-3.4%	2,132	2,187	-2.5%	-55.3
Oil products	670	726	-7.6%	694	-3.4%	2,126	2,175	-2.3%	-49.0
Crude oil	0	6	-93.6%	0	88.5%	6	12	-53.1%	-6.3
Dry cargoes	1,820	1,954	-6.9%	1,994	-8.8%	5,821	5,576	4.4%	244.6
Ores	409	519	-21.3%	392	4.3%	1,264	1,387	-8.9%	-122.9
Grain	104	130	-20.5%	83	24.2%	240	298	-19.7%	-58.8
Ferrous metals and scrap	114	132	-13.6%	135	-15.6%	409	387	5.7%	21.9
Sugar	74	99	-25.4%	97	-23.9%	172	281	-38.6%	-108.5
Chemicals and fertilizers	151	130	15.9%	214	-29.6%	729	482	51.3%	247.3
Construction freight	246	249	-1.1%	235	4.7%	663	762	-12.9%	-98.1
Industrial freight	93	123	-24.1%	78	20.0%	264	312	-15.5%	-48.2
Cement	10	35	-71.3%	2	402.2%	29	92	-68.6%	-63.0
Other	620	537	15.4%	758	-18.3%	2,051	1,576	30.1%	474.9
Total	2,490	2,686	-7.3%	2,688	-7.4%	7,953	7,763	2.4%	189.2

Appendix 2

Breakdown of freight transportation in ton-kilometers

9 Month period ended 30 September

In million ton-kilometers

	Q3 2020	Q3 2019	y-o-y	Q2 2020	q-o-q	9M 2020	9M 2019	% Change	Abs. Change
Liquid cargoes	189	212	-10.7%	196	-3.6%	617	629	-2.0%	-13
Oil products	189	211	-10.2%	196	-3.7%	615	626	-1.9%	-12
Crude oil	0	1	-90.5%	0	88.5%	2	3	-35.9%	-1
									0
Dry cargoes	450	507	-11.2%	526	-14.4%	1,517	1,453	4.4%	64
Ores	79	139	-43.2%	83	-4.9%	265	361	-26.4%	-95
Grain	25	35	-28.4%	22	17.0%	56	66	-15.7%	-10
Ferrous metals and scrap	27	34	-20.9%	31	-14.0%	99	90	10.1%	9
Sugar	26	33	-19.3%	33	-19.3%	59	103	-42.5%	-44
Chemicals and fertilizers	50	31	59.9%	67	-26.3%	237	141	68.4%	96
Construction freight	37	36	1.9%	37	-0.8%	105	115	-9.1%	-10
Industrial freight	15	24	-38.4%	15	-3.2%	47	66	-29.5%	-19
Cement	3	9	-71.3%	0	408.1%	7	22	-68.1%	-15
Other	190	167	13.6%	238	-20.2%	642	489	31.3%	153
Total	639	719	-11.0%	722	-11.5%	2,133	2,082	2.5%	51

Appendix 3

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

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

Calculations of ratio of Net Financial Indebtedness to EBITDA:

In 000 GEL

Net Financial Indebtedness as at:	30-Sep-20	30-Sep-19
Financial indebtedness	1,758,110	1,591,210
less:		
Available credit facilities	64,878	150,208
Cash	293,017	246,616
Net Financial Indebtedness:	1,400,215	1,194,386
	Twelve-month period ended	Twelve-month period ended
The most recent annual financial period	31-Dec-19	31-Dec-18
Results from operating activities	108,215	-644,886
Depreciation add-back	81,235	113,804
Impairment loss on property, plant and equipment add-back	0	691,387
Impairment loss on trade receivables	33,729	12,017
EBITDA	223,178	172,322
Net Financial Indebtedness/EBITDA	6.27	6.93