



**Consolidated Activities Reports of the
JSC Georgian Railway
for 2021**

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Statement of Financial Position	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	GR Group
ASSETS						
Land	8,741	1,497	342,396	16,616	-	369,250
Buildings and constructions	27,688	7,628	10,889	12,753	130	59,088
Rail track infrastructure	327	2,266	358,717	554	18	361,882
Transport, machinery, equipment and other	117,497	95,354	29,827	1,987	6,189	250,854
Construction in progress	1,088	1,776	780,471	1,056	11	784,401
Other non-current assets	18,549	4	43,727	60,673	8,009	130,962
Loan receivable	-	-	-	31,282	-	31,282
NON-CURRENT ASSETS	173,890	108,524	1,566,027	124,921	14,357	1,987,718
Inventories	13,861	9,192	11,269	1,806	807	36,935
Prepayments	2,136	1	89	755	2,651	5,632
Trade receivables	188,627	11,954	8,080	30,825	258	239,744
Impairment losses for trade receivables	(177,363)	(11,592)	(7,725)	(29,294)	(142)	(226,117)
Other receivables	190	40	80	29	-	340
Term deposit	-	-	-	3,254	-	3,254
Cash and cash equivalents	188,686	-	-	21,875	1,663	212,223
CURRENT ASSETS	216,137	9,594	11,793	29,249	5,237	272,011
TOTAL ASSETS	390,027	118,119	1,577,820	154,170	19,594	2,259,730
EQUITY						
Share capital	-	-	-	1,054,805	-	1,054,805
Non-cash owner contribution reserve	-	-	-	100,584	-	100,584
Reporting year's profit (loss)	247,660	(31,618)	(158,129)	(4,322)	(879)	52,711
Previous year's profit (loss)	417,701	(13,783)	9,653	(1,221,586)	13,043	(794,973)
TOTAL EQUITY	665,361	(45,401)	(148,477)	(70,519)	12,164	413,128
LIABILITIES						
Loans and borrowings	-	50,102	1,540,715	-	-	1,590,817
Advance received from the Government	-	-	-	46,593	-	46,593
Trade payables	-	-	56,197	-	-	56,197
NON-CURRENT LIABILITIES	-	50,102	1,596,912	46,593	-	1,693,607
Loans and borrowings	-	13,632	2,383	-	-	16,015
Trade payables	21,936	949	49,793	11,666	2,023	86,367
Liabilities to the Government	1,270	6	476	2,967	-	4,718
Prepayments received	18,399	306	236	556	13	19,510
Corporate income tax liabilities	9	-	-	2,588	-	2,597
Other taxes liabilities/(assets)	(1,590)	(237)	(4,711)	8,403	(952)	914
Employee-related liabilities/(assets)	5,087	23	3,900	(453)	21	8,579
Provisions	6,981	2,721	2,874	1,821	-	14,397
Dividends payable	-	-	-	(476)	-	(476)
Other current liabilities	(50)	35	35	351	3	373
CURRENT LIABILITIES	52,041	17,436	54,986	27,424	1,107	152,994
TOTAL LIABILITIES	52,041	67,538	1,651,898	74,017	1,107	1,846,601
Assets and liabilities arising from internal group operations	(327,375)	95,981	74,398	150,672	6,323	-
TOTAL EQUITY AND LIABILITIES	390,027	118,119	1,577,820	154,170	19,594	2,259,730

Statements of Profit or Loss	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	GR Group
External Revenue						
Freight traffic	353,929	-	-	-	-	353,929
Freight handling	69,865	-	-	-	-	69,865
Revenue from Logistical services	69,371	-	-	-	-	69,371
Passenger traffic	-	14,808	-	-	-	14,808
Freight car cross-border charge	9,910	-	-	-	-	9,910
Rent of wagons and other rental income	2,911	443	460	770	63	4,647
Revenue from Realization of materials(scrap)	323	-	-	23,050	-	23,373
Other revenues	82	-	830	-	1,053	1,965
Revenue from sales to the Units						
To the Freight Transportation Unit	-	-	74,862	-	3,228	78,090
To the Passenger Transportation Unit	4,392	-	7,188	-	265	11,845
To the Railway Infrastructure Unit	-	-	-	-	658	658
To the Head Office Unit	-	-	-	-	1,450	1,450
Other Income						
Other Income	400	1,385	2,487	4,662	18	8,952
Total Revenue	511,183	16,637	85,827	28,482	6,735	648,863
Payroll expenses/Employee benefits expense						
Salary	(64,669)	(12,950)	(45,659)	(10,651)	(2,383)	(136,312)
Other Employee Benefits	(13,785)	(3,024)	(11,462)	(2,067)	(299)	(30,637)
Bonus-reward	(4,655)	(960)	(3,984)	(746)	(135)	(10,480)
Damage	(531)	(147)	(206)	(23)	-	(907)
Other (Increase in Damage & Bonusses Provisions)	(819)	(142)	(73)	(5)	-	(1,040)
Business trip	(763)	(20)	(375)	(164)	(4)	(1,327)
Depreciation and amortization expenses	(9,563)	(11,548)	(33,431)	(1,428)	(2,429)	(58,398)
Electricity, consumables and maintenance costs						
Electricity	(26,412)	(1,604)	(2,596)	(148)	(97)	(30,857)
Materials	(5,058)	(1,559)	(3,879)	(1,527)	(80)	(12,103)
Fuel	(3,598)	(107)	(2,476)	(314)	(48)	(6,544)
Repair and maintenance	(3,670)	(101)	(350)	(315)	(627)	(5,062)
Impairment Loss on trade receivables	(2,266)	-	(376)	(134)	(15)	(2,791)
Other expenses						
Expenses from Logistical services	(32,894)	-	-	(25)	-	(32,918)
Taxes other than income tax	(1,720)	(1,722)	(19,820)	(7,138)	(59)	(30,458)
Security	(5,997)	(1,234)	(2,007)	(425)	(36)	(9,700)
Freight car rental	(4,065)	-	-	-	-	(4,065)
Write off of Fixed Assets	(2)	(34)	(1,839)	-	-	(1,874)
Other	(6,804)	(1,071)	(909)	(5,771)	(1,404)	(15,959)
Cost of purchases from the Units						
Of the Freight Transportation Unit	-	(4,392)	-	-	-	(4,392)
Of the Railway Infrastructure Unit	(74,862)	(7,188)	-	-	-	(82,051)
Of the WBS Unit	(3,228)	(265)	(658)	(1,450)	-	(5,600)
Total Expenses	(265,358)	(48,069)	(130,100)	(32,330)	(7,616)	(483,473)
RESULTS FROM OPERATING ACTIVITIES	245,824	(31,432)	(44,273)	(3,848)	(881)	165,389
Finance income	20,318	8	-	3,339	-	23,665
Finance costs	(12)	(3,745)	(213,433)	(2,877)	-	(220,067)
Net Foreign exchange loss(gain)	(18,470)	3,551	99,577	(437)	2	84,224
NET FINANCE INCOME / (COSTS)	1,836	(186)	(113,856)	26	2	(112,178)
PROFIT / (LOSS) BEFORE INCOME TAX	247,660	(31,618)	(158,129)	(3,822)	(879)	53,211
Corporate income tax	-	-	-	(500)	-	(500)
NET PROFIT / (LOSS)	247,660	(31,618)	(158,129)	(4,322)	(879)	52,711

Statements of Cash Flows	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	GR Group
Cash flows from operating activities						
Cash receipts from customers	510,433	17,880	2,871	26,186	494	557,864
Cash paid to suppliers and employees	(137,182)	(24,210)	(118,098)	(25,877)	(5,281)	(310,649)
Cash flows from operations before income taxes and interest paid	373,251	(6,330)	(115,228)	309	(4,787)	247,215
Cash receipts From the Freight Transportation Unit	-	-	74,862	-	4,303	79,166
Cash receipts From the Passenger Transportation Unit	4,392	-	7,188	-	354	11,934
Cash receipts From the Railway Infrastructure Unit	-	-	-	-	877	877
Cash receipts From the Head Office Unit	-	-	-	-	1,933	1,933
Cash receipts From the WBS Unit	-	-	-	-	-	-
Cash paid To the Freight Transportation Unit	-	(4,392)	-	-	-	(4,392)
Cash paid To the Passenger Transportation Unit	-	-	-	-	-	-
Cash paid To the Railway Infrastructure Unit	(74,862)	(7,188)	-	-	-	(82,051)
Cash paid To the Head Office Unit	-	-	-	-	-	-
Cash paid To the WBS Unit	(4,303)	(354)	(877)	(1,933)	-	(7,467)
Internal Group Operations	(74,774)	(11,934)	81,173	(1,933)	7,467	-
Net cash from operating activities	298,477	(18,264)	(34,054)	(1,624)	2,680	247,215
Cash flows from investing activities						
Acquisition of property, plant and equipment	(20,362)	(681)	(50,264)	(3,249)	(2,600)	(77,156)
Proceeds from sale of property, plant and equipment	-	-	31	2,871	-	2,902
Interest received	20,318	8	-	581	-	20,907
Internal Group Dividends received/(paid)	(21,500)	-	-	21,500	-	-
Partners Participation in Equity	-	1,508	-	-	-	1,508
Investment in subsidiaries	-	-	-	(1,508)	-	(1,508)
Increase in term deposit	-	-	-	(3,254)	-	(3,254)
Net cash used in investing activities	(21,544)	836	(50,232)	16,940	(2,600)	(56,601)
Cash flows from financing activities						
Proceeds from borrowings	-	-	1,577,389	-	-	1,577,389
Repayment of borrowings	-	(14,433)	(1,575,558)	-	-	(1,589,991)
Premium on early redemption of issued bonds	-	-	(115,686)	-	-	(115,686)
Loan refinancing fees paid	-	-	(3,891)	-	-	(3,891)
Interest paid	-	(1,208)	(151,572)	-	-	(152,780)
Net cash used in financing activities	-	(15,641)	(269,318)	-	-	(284,960)
Net increase/(decrease) in cash and cash equivalents	276,933	(33,069)	(353,605)	15,316	80	(94,346)
Cash and cash equivalents at 1 January	314,834	44	-	6,526	1,583	322,987
Effect of exchange rate fluctuations on cash and cash equivalents	(16,451)	-	-	(7)	-	(16,457)
Cash Provision	-	-	-	39	-	39
Cash and cash equivalents Before Redistribution	575,315	(33,025)	(353,605)	21,875	1,663	212,223
Cross funding from Freight Transportation Unit	(386,630)	33,025	353,605	-	-	-
Cash and cash equivalents at the end of the period	188,686	-	-	21,875	1,663	212,223

EXPLANATORY NOTE FOR 2021 ACTIVITIES REPORT

1. GENERAL INFORMATION

The Activities Report of JSC Georgian Railway (the "Company") and its subsidiaries (the "Group") for 2021 have been prepared in the implementation of the requirements of Directive 2012/34/EU of the European parliament and of the council, Section 2 , Article 6 (Separation of accounts). According to the article 6, Member States shall ensure that separate profit and loss accounts and balance sheets are kept and published, on the one hand, for business relating to the provision of transport services by railway undertakings and, on the other, for business relating to the management of railway infrastructure"

The Group's principal activity is the operation of a nationwide railway system providing freight and passenger transportation services, freight forwarding services, maintenance and development of railway infrastructure and construction of railway lines within Georgia. The Company is wholly owned by JSC Partnership Fund, a wholly state-owned company.

The national currency of Georgia is the Georgian Lari (GEL), which is the functional currency of the Group entities and the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands

In the package of the activity reports of the Company, the financial data of the activities of these units are consolidated into a single profit (loss) statement and balance sheet. In terms of business management and accounting, the units of JSC Georgian Railway operate as independent economic entities. Each unit manages and accounts on its balance sheet the assets used for its activities, the liabilities, accounts income for the services of the unit and expenses incurred for the provision of those services.

For the purposes of separating the accounts of the activities of the group, internal transactions between the units are concluded. So, it means that in terms of accounting, the units of group operate as separate economic entities both in relations with other customers, suppliers, etc. and in relations with other units of the group. Sales revenues from internal services (or expenses of the purchase thereof) are recorded on accounts in the same manner as sales revenues from external services (or expenses of the purchase thereof).

2. DESCRIPTION OF UNIT'S ACTIVITIES

- **Freight transportation unit** services encompass the transportation of cargo along with GR's railway network within Georgia. Freight handling services, including railcar marshaling and the delivery of freight to and from customer facilities, are provided at the stations that run commercial freight services. Freight car cross-border charge revenue is generated by allowing foreign railways to use GR's railcars in transportation process. This unit is the source of the Group's revenue (80% of the total revenue).
- **Passenger transportation unit's** primary activity is the transportation of passengers and, to a limited extent, unaccompanied luggage within Georgia and on international routes, connecting Georgia with Azerbaijan and Armenia. Pursuant to Georgia's obligations to implement certain EU legislation under the Association Agreement, the Government of Georgia has an obligation under the EU Social Market Economy principle to compensate the Group for its loss-making passenger transportation business. Accordingly, the Company

and the Government are expected to enter into a public service contract for the compensation of the Passenger SBU losses starting from 2024 or earlier. This contract is expected to define certain passenger rail routes and set out the conditions for the agreement of costs for such routes between the Company and the Government or relevant competent authority, as well as the compensation to be granted to the Company for operating non-profitable passenger routes.

- **Railway infrastructure unit** operates, maintains and manages the Group's principal infrastructure assets, including its track, embankments, signaling, land, electric power lines and other equipment. It is a cost center providing services to the Freight and Passenger Transportation Units. The principal aims of Railway Infrastructure unit are to ensure safety, promote the efficient use of the Group's infrastructure assets and decrease maintenance costs. Unit promotes safety by setting speed and loading standards on lines and at stations. It is also in charge of controlling signaling and blocking systems.
- **WBS unit** provides to the Group different IT services, such as centralized billing and electronic document management system used for document handling for freight transportation; an automated system that monitors and controls rolling stock in real-time; software designed to monitor movements of containers, railcars and trains in stations; electronic ticket sales and accounting system for passenger transportation; and a centralized multi-module software for internal bookkeeping and etc.
- **Head office unit** is supervising of the Group's freight, passenger and infrastructure operations, provides legal, finance, procurement, human resources, investor relations and etc. consultations to all units. Manages the Group's equity, is responsible for consolidation of financial and operational data from the units.

3. EXPLANATIONS OF INTERNAL COSTS AND REVENUES:

The Group have three types of internal revenues (costs) of units:

- **Infrastructure charges**

Infrastructure charges are calculated according of Directive 2012/34/EU of the European parliament and of the council, Section 2, Article 30 (infrastructure cost and accounts). For Track access charge (TAC) The Group uses minimum access package. Train kilometer and Gross-tones kilometer charge contains: direct and indirect charges, amortization cost for infrastructure facilities excluding any kind of markups.

- **WBS services**

So, for each service provided unit the cost of such service is calculated indirect method and is measured worked man/hour multiplied on the cost of man/hour plus idol costs, the price of one man/hour cost is taken for market price, that is used by WBS for other customers.

- **Service from using locomotives**

Freight transportation unit provides additional service to passenger transportation unit, that is calculated by electric locomotive hours multiplied domestic traffic Charge per electric locomotive hour (the same price, that is taken to the third parties). Electric locomotive hours is taken for each trip performed in each train slot.

4. INFORMATION ABOUT SUBSIDIARIES

The company wholly-owns eight subsidiaries from which: GR Logistics and terminals, GR trans-shipment, GR transit and GR transit line serves for freight transportation and their activities results are integrated in Freight transportation unit's report. The financial information of GR Property management and Georgian railway construction are mentioned in figures of Head office unit and Passenger transportation unit concludes results of Borjomi-Bakuriani Railway.

As a shareholder in the subsidiaries the Company operates as a single legal entity. The rights of the shareholder are implemented by the Company Administration; orders of the Director General are held equal to decisions of general meetings of shareholders of the subsidiaries. Therefore, investments into subsidiaries and associated companies are assigned to the Head office and are not distributed to other units.

5. SHAREHOLDERS' EQUITY

Since the Company is registered as a single legal entity, which has its own authorized capital, the Company shows the available equity and reserves in the scale of the whole Company and assigns them to the Company administration. All movements of the equity and reserves are also shown in the accounts of the Head office unit.

6. RECEIVABLES / PAYABLES OF INTERNAL TRANSACTIONS

The items "Receivables of internal transactions" and "Payables of internal transactions" reflect the balances of accumulated accounts receivable and accounts payable between the Group's units, which are formed in the course of executing economic and financial transactions between units. The following are the examples of transactions between the units:

- Registration of internal services, which the units render to each other. The Group uses the approach that all receivables/payables from the internal services are covered at the same time;
- Receivables/payables from transfer of assets (payment for services, transfer of assets loaned borrowed in a centralized manner, transfer of PPE assets and etc.) are mentioned in "Assets and liabilities arising from internal group operations".

At the end of the period, accounts between the units are consolidated to identify final amounts receivable / payable.

7. CORPORATE INCOME TAX AND DIVIDENDS

Corporate income tax is accounted at the Head office unit because the Group accounts and pays corporate income tax as a single legal entity, as well as received/issued dividends are recorded at the Head office unit.