# MANAGEMENT DISCUSSION AND ANALYSIS

## FOR 9 MONTHS AND Q3 ENDED 30 SEPTEMBER 2023

# FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

### REVENUE
*('000 GEL)*

| Q3 2023 | 9M 2023 |
|---|---|
| **175,484** | **481,204** |
| -2.5% from Q3 2022<br>+4.6% from Q2 2023 | -2.0% from 9M 2022 |

### RESULTS FROM OPERATING ACTIVITIES
*('000 GEL)*

| Q3 2023 | 9M 2023 |
|---|---|
| **52,243** | **106,658** |
| -32.0% from Q3 2022<br>+45.9% from Q2 2023 | -40.6% from 9M 2022 |

### ADJUSTED EBITDA
*('000 GEL)*

| Q3 2023 | 9M 2023 |
|---|---|
| **71,648** | **162,314** |
| -16.9% from Q3 2022<br>+33.1% from Q2 2023 | -25.7% from 9M 2022 |

### ADJUSTED EBITDA MARGIN

| Q3 2023 | 9M 2023 |
|---|---|
| **40.83%** | **33.73%** |
| -7.0 points from Q3 2022<br>+8.8 points from Q2 2023 | -10.7 points from 9M 2022 |

### NET CASH INVESTMENT IN PP&E
*('000 GEL)*

| Q3 2023 | 9M 2023 |
|---|---|
| **34,781** | **108,069** |
| +5.1% from Q3 2022<br>-52.5% from Q2 2023 | +62.5% from 9M 2022 |

### NET DEBT TO ADJUSTED EBITDA
30 Sep 2023

**4.48**

4.42 as at 30 June 2023

5.19 as at 30 September 2022

### TONS
*('000)*

| Q3 2023 | 9M 2023 |
|---|---|
| **3,604** | **10,257** |
| -11.8% from Q3 2022<br>+3.0% from Q2 2023 | -5.9% from 9M 2022 |

### TKM
*('million)*

| Q3 2023 | 9M 2023 |
|---|---|
| **1,011** | **2,888** |
| -9.9% from Q3 2022<br>+1.6% from Q2 2023 | -7.0% from 9M 2022 |

### NUMBER OF PASSENGERS
*('000)*

| Q3 2023 | 9M 2023 |
|---|---|
| **737** | **1,778** |
| +221.0% from Q3 2022<br>+29.5% from Q2 2023 | +50.9% from 9M 2022 |

### PASSENGER-KILOMETERS
*('million)*

| Q3 2023 | 9M 2023 |
|---|---|
| **224** | **537** |
| +33.0% from Q3 2022<br>+26.6% from Q2 2023 | +50.5% from 9M 2022 |

**MAIN DEVELOPMENTS IN THE FIRST NINE MONTHS OF 2023**

- Passenger transportation increased by 50.9%;
- In February 2023, Fitch affirmed the Company's long-term outlook to "positive" from "stable" and verified its "BB-" rating, while in December 2022 "S&P" reviesed rating to "BB-" from "B+" with "positive" outlook.

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# I. PROFIT OR LOSS STATEMENT

## PROFIT AND LOSS STATEMENT

| *9 month period ended 30 September* | TOTAL | | CHANGE | | |
|---|---|---|---|---|---|
| *GEL '000* | 9M 2023 | 9M 2022 | % | % constant currency | Absolute |
| Revenue | 481,204 | 491,155 | *(2.0)* | *11.9* | *(9,951)* |
| Other income | 6,574 | 18,489 | *(64.4)* | *(59.4)* | *(11,915)* |
| Employee benefits expense | (175,743) | (144,203) | *21.9* | *39.2* | *(31,541)* |
| Electricity, consumables and maintenance costs | (56,466) | (58,085) | *(2.8)* | *11.1* | *1,620* |
| Other expenses | (93,254) | (88,992) | *4.8* | *19.7* | *(4,263)* |
| Adjusted EBITDA | 162,314 | 218,364 | *(25.7)* | *(15.1)* | *(56,050)* |
| *Adjusted EBITDA margin* | *33.73%* | *44.46%* | *NA* | *NA* | *-10.7%* |
| Depreciation and amortization expense | (54,783) | (41,448) | *32.2* | *51.0* | *(13,335)* |
| Impairment gain/(loss) on trade receivables | (873) | 2,636 | *(133.1)* | *(137.8)* | *(3,509)* |
| EBIT | 106,658 | 179,552 | *(40.6)* | *(32.1)* | *(72,894)* |
| Finance income/(cost) | (3,540) | 99,345 | *(103.6)* | *(104.1)* | *(102,885)* |
| Profit before income tax | 103,118 | 278,897 | *(63.0)* | *(57.8)* | *(175,779)* |
| Income tax expense | (565) | (460) | *22.8* | *40.3* | *(105)* |
| Profit and total comprehensive income | 102,552 | 278,437 | *(63.2)* | *(57.9)* | *(175,884)* |

## PROFIT AND LOSS STATEMENT (QUARTERLY)

*9 month period ended 30 September*

| *GEL '000* | Q3 2023 | Q3 2022 | y-o-y % | Q2 2023 | q-o-q % |
|---|---|---|---|---|---|
| Revenue | 175,484 | 180,052 | *(2.5)* | *167,782* | *4.6* |
| Other income | 3,059 | 7,841 | *(61.0)* | *(288)* | *(1,162.2)* |
| Employee benefits expense | (55,882) | (46,822) | *19.3* | *(62,761)* | *(11.0)* |
| Electricity, consumables and maintenance costs | (17,783) | (22,301) | *(20.3)* | *(19,958)* | *(10.9)* |
| Other expenses | (33,231) | (32,585) | *2.0* | *(30,954)* | *7.4* |
| Adjusted EBITDA | 71,648 | 86,185 | *(16.9)* | *53,821* | *33.1* |
| *Adjusted EBITDA margin* | *40.83%* | *47.87%* | *NA* | *32.08%* | *NA* |
| Depreciation and amortization expense | (19,124) | (8,271) | *131.2* | (17,376) | *10.1* |
| Impairment gain/(loss) on trade receivables | (281) | (1,062) | *(73.5)* | (640) | *(56.1)* |
| EBIT | 52,243 | 76,852 | *(32.0)* | 35,806 | *45.9* |
| Finance income/(cost) | (36,072) | 40,403 | *(189.3)* | (31,412) | *14.8* |
| Profit before income tax | 16,170 | 117,255 | *(86.2)* | 4,394 | *268.0* |
| Income tax expense | (66) | (58) | *13.8* | (268) | *(75.4)* |
| Profit and total comprehensive income | 16,104 | 117,197 | *(86.3)* | 4,126 | *290.3* |

** As a consequence of accounting adjustments in the classification of operations, the Q2 of 2023 resulted in a negative revenue being recorded within the category of other income.*

## 1.1 REVENUE

Most of the Group's revenue (about 54% in 9 months ended 30 September 2023) is derived from freight transportation. Thus, its results are particularly sensitive to cargo flows. These mainly comprise transit shipments, which accounted for around 72% of freight transportation revenue in first nine months of 2023. A substantial proportion of transit transportation comes from trade between Europe and Central Asia.

### REVENUE BREAKDOWN

| *9 month period ended 30 September* | TOTAL | | CHANGE | | |
|---|---|---|---|---|---|
| *GEL '000* | 9M 2023 | 9M 2022 | % | % constant currency | *Absolute* |
| Freight transportation | 261,483 | 294,737 | *(11.3)* | *1.4* | *(33,254)* |
| Freight handling | 63,164 | 66,223 | *(4.6)* | *9.0* | *(3,058)* |
| Logistic service | 105,220 | 93,255 | *12.8* | *28.9* | *11,965* |
| Rent of wagons and other rental income | 3,130 | 4,406 | *(29.0)* | *(18.8)* | *(1,276)* |
| Freight car cross-border charge | 11,490 | 5,584 | *105.8* | *135.1* | *5,905* |
| Passenger traffic | 32,883 | 19,822 | *65.9* | *89.5* | *13,061* |
| Other | 3,832 | 7,128 | *(46.2)* | *(38.6)* | *(3,295)* |
| Revenue | 481,204 | 491,155 | *(2.0)* | *11.9* | *(9,951)* |
| Other income | 6,574 | 18,489 | *(64.4)* | *(59.4)* | *(11,915)* |

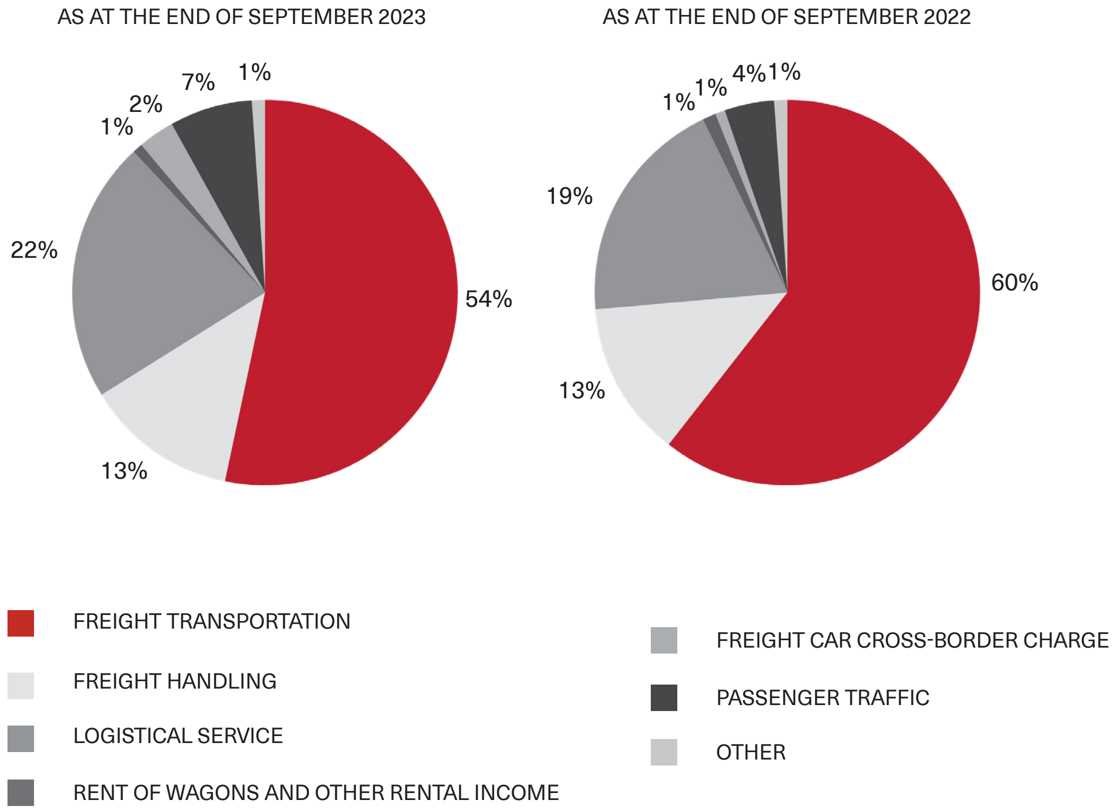
### REVENUE BREAKDOWN (QUARTERLY)

| *9 month period ended 30 September GEL '000* | Q3 2023 | Q3 2022 | y-o-y % | Q2 2023 | q-o-q % |
|---|---|---|---|---|---|
| Freight transportation | 91,095 | 103,582 | *(12.1)* | 89,134 | *2.2* |
| Freight handling | 22,755 | 26,022 | *(12.6)* | 21,728 | *4.7* |
| Logistic service | 37,248 | 32,015 | *16.3* | 43,976 | *(15.3)* |
| Rent of wagons and other rental income | 1,101 | 1,516 | *(27.4)* | 1,026 | *7.3* |
| Freight car cross-border charge | 7,558 | 1,942 | *289.2* | (164) | *(4,708.5)* |
| Passenger traffic | 14,869 | 9,980 | *49.0* | 9,924 | *49.8* |
| Other | 859 | 4,995 | *(82.8)* | 2,158 | *(60.2)* |
| Revenue | 175,484 | 180,052 | *(2.5)* | 167,782 | *4.6* |
| Other income | 3,059 | 7,841 | *(61.0)* | (288) | *(1,162.2)* |

** As a consequence of accounting adjustments in the classification of operations, the Q2 of 2023 resulted in a negative revenue being recorded within the category of other income.*

***Negative revenue in freight car cross-border charge was due to special pricing agreements with neighbouring railways.*

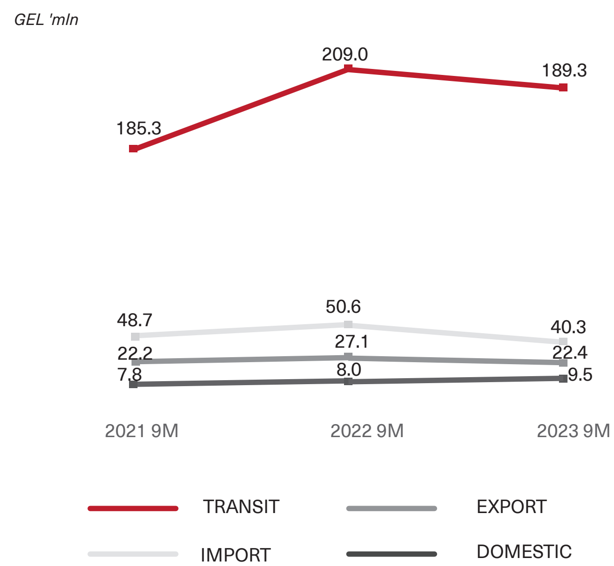
The following charts represent revenue breakdown for the nine months ended 30 September 2023 and 2022:



# FREIGHT TRANSPORTATION

The Group's freight transportation consists of domestic, import, export and transit transportation. The split between above-mentioned directions in the 9 months 2023 was about 12 percent, 22 percent, 8 percent and 58 percent, respectively. 99.9 percent of revenue from freight transportation is denominated in USD.

The following charts present the Group's freight transportation breakdown by directions:


Transportation revenue is determined by multiple factors, some of which are listed below:

Transportation volume – expressed in tons.

Transportation turnover – computed by multiplying the transported tons by the distance covered. Expressed in ton-kilometers.

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.

## AVERAGE RATES

| | Q3 2023 | Q3 2022 | *y-o-y %* | Q2 2023 | *q-o-q %* | 9M 2023 | 9M 2022 | *y-o-y %* |
|---|---|---|---|---|---|---|---|---|
| USD | 2.62 | 2.82 | *(7.15)* | 2.56 | *2.46* | 2.61 | 2.98 | *(12.48)* |
| CHF | 2.97 | 2.92 | *1.47* | 2.85 | *4.27* | 2.89 | 3.14 | *(7.89)* |

## REPORTING DATE SPOT RATES

| | 30-Sep-23 | 30-Sep-22 | *% Change* | 30-Jun-23 | *% Change* | 31-Dec-22 |
|---|---|---|---|---|---|---|
| USD | 2.68 | 2.84 | *(5.53)* | 2.62 | *2.32* | 2.70 |
| CHF | 2.94 | 2.89 | *1.75* | 2.92 | *0.65* | 2.93 |

# 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 9 months ended 30 September 2023, compared to 20 percent in the same period of previous year

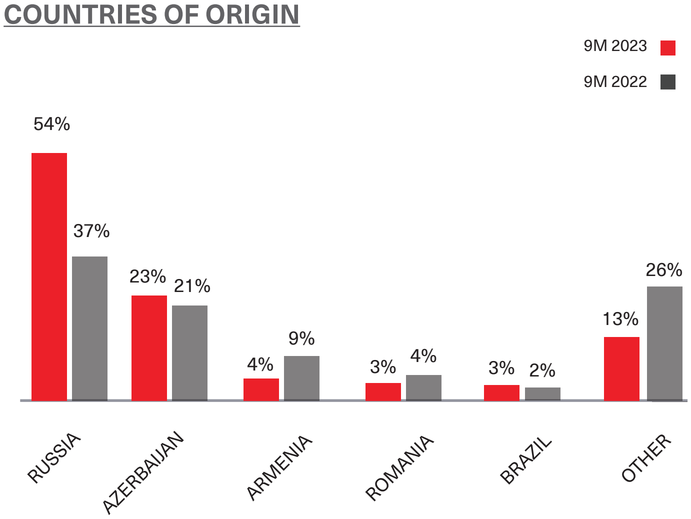
| | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | % constant currency |
| Revenue (million GEL) | 40.3 | 50.6 | *(20.3)* | *(9.0)* |
| Freight Volume (million tons) | 2.3 | 2.2 | *3.8* | *NA* |
| Freight Turnover (million ton-km) | 296.8 | 357.1 | *(16.9)* | *NA* |
| *Revenue / ton-km (in Tetri)* | *13.58* | *14.17* | *(4.1)* | *9.5* |

### MAIN FACTORS INFLUENCING PERFORMANCE

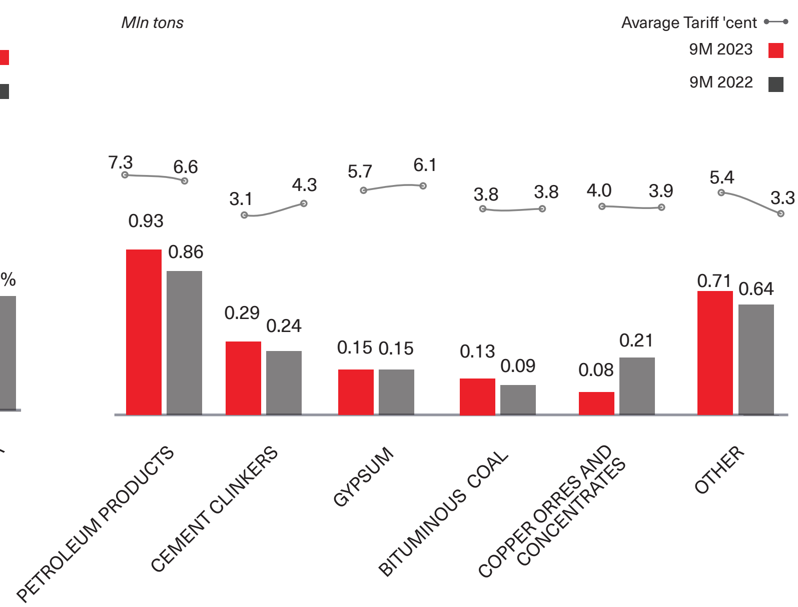
Freight turnover – 17 percent decrease in freight turnover was due to decreased transportation from Armenia and Bulgaria by 41 million tkm and by 23 million tkm respectively due to decrease in ton and the route remained same, during the 9 months ended 30 September 2023, compared to the same period of 2022.

Revenue / ton-km (in Tetri) – 10 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 Bulgaria (relatively less profitable directions) decreased during the 9 months ended 30 September 2023, compared to the same period of previous year.

### TRANSPORTATION VOLUME BY COUNTRIES OF ORIGIN




### MAIN IMPORTED PRODUCT TYPES



## MAIN DIRECTIONS OF CARGO

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

Motor fuel – mostly imported from Russia with 98 percent during the 9 months ended 30 September 2023. Mentioned product was mainly intended to satisfy the domestic demand.

Bitumen – mostly imported from Russia with 99 percent, mainly transported to Rustavi with 99 percent share. Mentioned product was mainly used for making construction materials.

Diesel fuel - mostly imported from Russia with 80 percent, above mentioned products was mainly intended to satisfy the domestic demand.

Aviation fuel – mostly transported from Turkmenistan, Azerbaijan and Greece with 43 percent, 24 percent and 14 percent respectively, in total imported aviation fuel. Aviation fuel was mostly used by domestic aviation companies in Georgia.

Special petrol – mostly imported from Romania and Bulgaria with 68 percent and 32 percent respectively, during the 9 months ended 30 September 2023. Mentioned product was mainly intended to satisfy the domestic demand.

Cement clinkers - was provided by Azerbaijan during the 9 months ended 30 September 2023. Cement clinkers was mainly transported to Rustavi, Kaspi and Poti with the share of 54 percent, 19 percent and 18 percent, respectively. Rustavi, Kaspi and Poti are Georgian cities, where the cement factories are located.

Gypsum - mostly provided by Azerbaijan with almost 100 percent during the 9 months ended 30 September 2023. Imported gypsum was mainly transported to Kaspi and Rustavi, with 44 percent and 26 percent, respectively. 30 percent of gypsum was directed to Tbilisi, where the plasterboards are produced.

Bituminous coal – was provided by Russia during the 9 months ended 30 September 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.

Copper ores and concentrates – was provided by Armenia during the 9 months ended 30 September 2023. Mentioned products were directed to Poti, where a factory, producing non-ferrous metals from raw materials is located.

# EXPORT TRANSPORTATION

Export refers to the transportation of goods from Georgia to international directions. The proportion of exported goods in the overall transported volume remained consistent at approximately 8 percent during both the nine-month periods ending on September 30, 2023, and September 30, 2022.

| | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | % constant currency |
| Revenue (million GEL) | 22.4 | 27.1 | *(17.2)* | *(5.4)* |
| Freight Volume (million tons) | 0.9 | 0.9 | *(6.4)* | *NA* |
| Freight Turnover (million ton-km) | 248.2 | 262.1 | *(5.3)* | *NA* |
| *Revenue / ton-km (in Tetri)* | *9.03* | *10.33* | *(12.5)* | *(0.1)* |

## MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – 5 percent reduction was primarily due to decreased transported volume to Armenia by 27 million tkm, which was partially offset by increased transportation to Kazakhstan by 12 million tkm during the 9 months period ended 30 September 2023, compared to the same period of 2022.

Revenue / ton-km (in Tetri) – remained same at constant currency. There were no significant changes in product direction mix and product category mix.

## MAIN DIRECTIONS OF CARGO

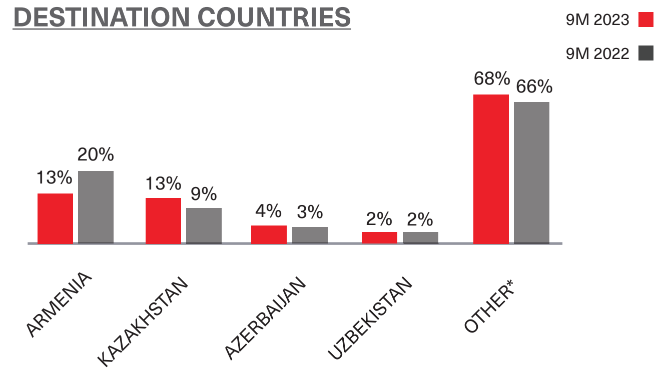
Ammonium nitrate – the origin station of ammonium nitrate was Rustavi (due to fertilizer factory located in the city). Majority of ammonium nitrate was directed to Poti Seaport accounting for 99 percent of the total exported ammonium nitrate.

Mineral waters – the majority of mineral waters came from Borjomi, making up about 95 percent of the total, primarily due to the presence of one of the largest bottlers of mineral water factories in the area. These mineral waters were primarily transported to Russia and Kazakhstan, constituting 61 percent and 28 percent, respectively, of the overall exported mineral water volume.

Silicon manganese – mainly originated from Zestaponi with approximately 93 percent (primarily because of the presence of a ferroalloys plant in that location). Silicon manganese was primarily directed to Batumi Seaport, accounting for 76 percent of the total exported silicon manganese, before being further transported to its ultimate destinations. Additionally, silicon manganese was also transported to Türkiye and Italy, constituting 11 percent and 7 percent of the overall exported volume, respectively.

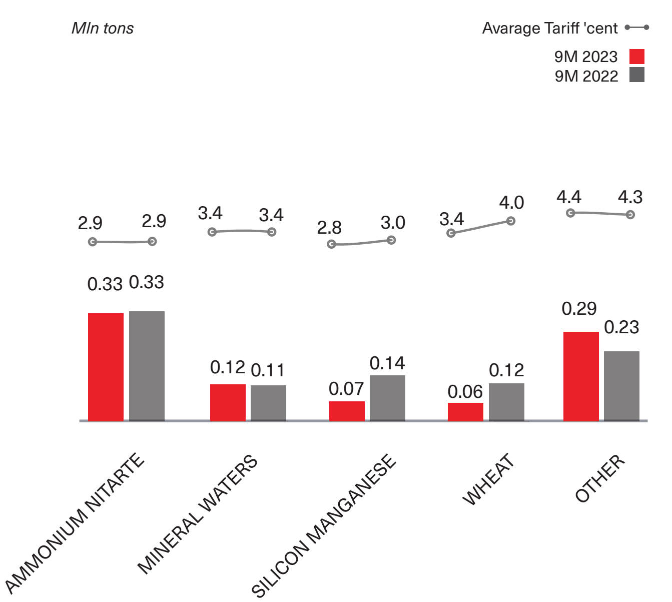
Wheat – the origin station of wheat was Poti due to one of the biggest grain warehouses in Georgia. destination country for wheat was Armenia during the 9 months ended 30 September 2023.

## TRANSPORTATION VOLUME BY DESTINATION COUNTRIES




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

## MAIN EXPORTED PRODUCT TYPES



# 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 12 percent in the 9 months period ended 30 September 2023, as well as in the same period of 2022.

| | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | % constant currency |
| Revenue (million GEL) | 9.5 | 8.0 | *18.2* | *35.0* |
| Freight Volume (million tons) | 1.2 | 1.3 | *(10.2)* | *NA* |
| Freight Turnover (million ton-km) | 128.1 | 110.2 | *16.2* | *NA* |
| *Revenue / ton-km (in Tetri)* | *7.42* | *7.29* | *1.7* | *16.2* |

## MAIN FACTORS INFLUENCING PERFORMANCE

Freight turnover – 16 percent increase was primarily due to increased transportation on Rustavi-Parto Tskali and Kaspi-Rustavi routes in the 9-month period ended 30 September 2023, compared to the same period of 2022.

Revenue / ton-km (in Tetri) – 16 percent increase at constant currency was mainly due to product direction mix. The share of domestic volume transported to Kaspi (relatively more profitable direction) increased by 4 percent, while the share of transported cargo to relatively less profitable directions decreased in the 9 months ended 30 September 2023, compared to the same period of 2022. compared to 2021.

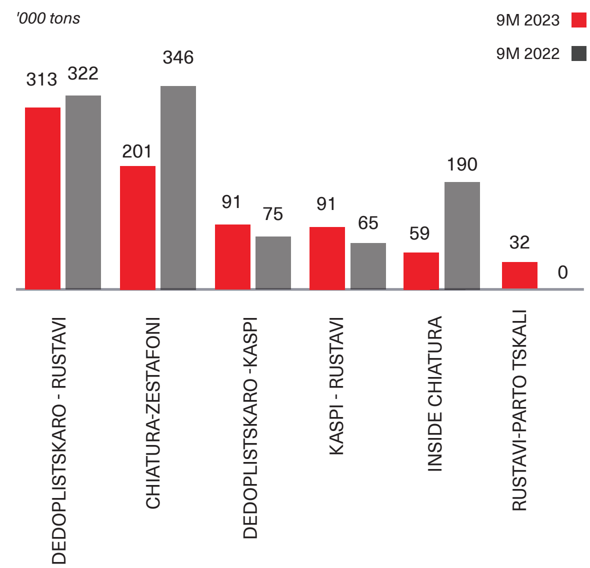
## MAIN DIRECTIONS OF CARGO

Limestone - the origin station of limestone was Dedoplistskaro (due to the presence of open quarries where limestone is mined). Of the domestically transported limestone, 77 percent was sent to Kaspi, while the remaining 23 percent went to Rustavi. The main cement factories of the Country are located in these cities.

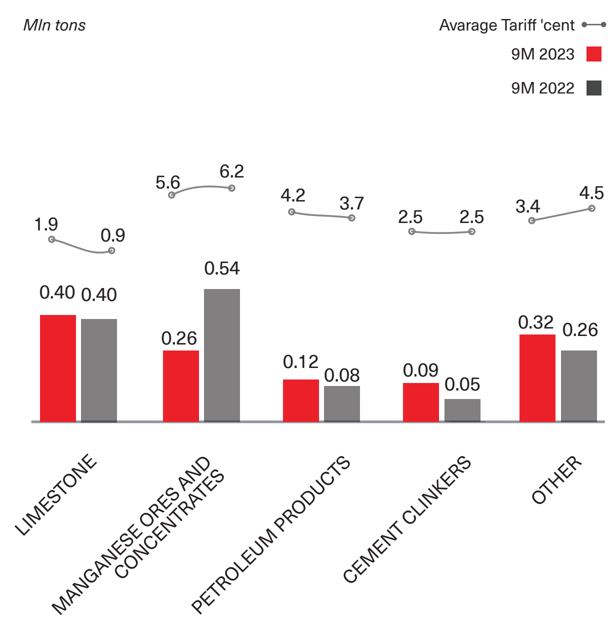
Manganese ores and concentrates – manganese ores and concentrates primarily originated from Chiatura, where the manganese mine is located. This product was transported to Zestaponi and Chiatura because of the presence of ferroalloys factories in these cities, responsible for processing mentioned product.

Petroleum products include motor petrol, diesel fuel and heavy fuel oil.

## MAIN ROUTES OF DOMESTIC TRANSPORTATION




## MAIN DOMESTIC PRODUCT TYPES



Motor petrol – mentioned product was mainly transported to Tbilisi and Samtredia with 69 percent and 21 percent respectively, mainly for domestic use.

Diesel fuel – mentioned product was mainly transported to Tbilisi, Samtredia and Kobuleti with 56 percent, 32 percent and 8 percent respectively, mainly for domestic use.

Heavy fuel oil – mentioned product was transported from Rustavi to Parto Tskali, mainly for domestic use.

Cement clinkers - mainly originated from Kaspi with approximately 98 percent. Cement clinkers are directed to Rustavi, due to cement factories located in this area.

## TRANSIT TRANSPORTATION

Transit represents the movement of cargo from one foreign country to another one, through Georgia. The share of transit transportation in total transported volume was 58 percent in the 9 months ended 30 September 2023, compared to 59 percent in same period of 2022.

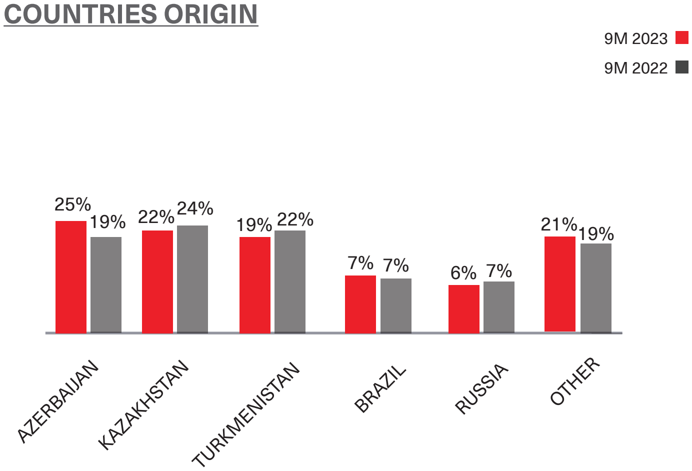
| | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | % constant currency |
| Revenue (million GEL) | 189.3 | 209.0 | *(9.5)* | *3.4* |
| Freight Volume (million tons) | 5.9 | 6.5 | *(8.3)* | *NA* |
| Freight Turnover (million ton-km) | 2,215.2 | 2,375.4 | *(6.7)* | *NA* |
| *Revenue / ton-km (in Tetri)* | *8.54* | *8.80* | *(2.9)* | *10.9* |

### MAIN FACTORS INFLUENCING PERFORMANCE

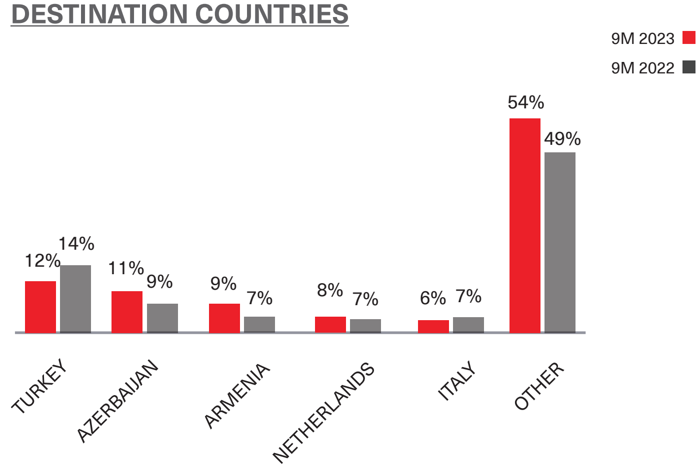
Freight turnover – 7 percent decrease was mainly due to decreased transportation from Turkmenistan and Kazakhstan by 309,000 tons and 276,000 tons, respectively, which was partially offset by increased transportation from Azerbaijan by 279,000 tons, in the 9 months ended 30 September 2023, compared to the same period of 2022.

Revenue / ton-km (in Tetri) – 11 percent increase at constant currency was mainly due to increased transportation on Azerbaijan-Türkiye route (relatively more profitable routes), while the transported volume on Kazakhstan-Türkiye route (relatively less profitable route) decreased in the 9 months ended 30 September 2023, compared to the same period of 2022.

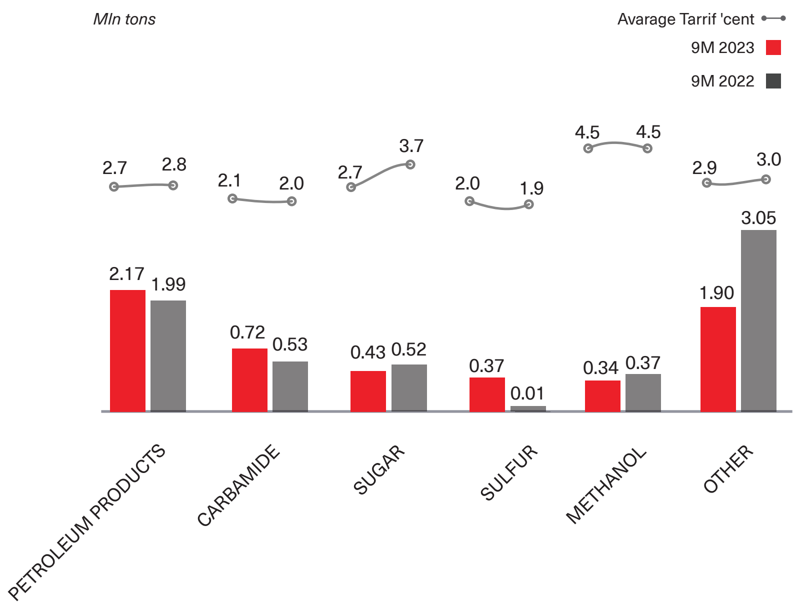
### TRANSPORTATION VOLUME BY COUNTRIES ORIGIN




### TRANSPORTATION VOLUME BY DESTINATION COUNTRIES



## MAIN TRANSIT PRODUCT TYPES




## MAIN DIRECTIONS OF CARGO

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

Heavy fuel oil – the two primary transit routes for transporting heavy fuel oil were from Kazakhstan to the Netherlands and Kazakhstan to Türkiye, accounting for 62% and 22% of the total transit volume, respectively, during the nine months ended on September 30, 2023.

Light fuel oil – the primary transit routes for light fuel oil transportation consisted of two directions: from Turkmenistan to Black Sea Ports (specifically, Batumi, Poti, and Parto Tskali), accounting for 66% of the total, and from Turkmenistan to Italy, making up 31% of the total during the nine-month period ending on September 30, 2023.

Diesel fuel – the primary transit routes for transported diesel fuel included three main options: from Azerbaijan to Black Sea Ports (specifically, Batumi, Poti, and Parto Tskali), constituting 41% of the total, from Russia to Armenia with 27%, and from Azerbaijan to Türkiye with 16% during the period ending on September 30, 2023.

Gas oil – the two primary transit routes for gas oil transportation were from Azerbaijan to Italy, accounting for 35% of the total, and from Azerbaijan to Türkiye, making up 24% of the total.

Special petrol – the primary transit route for transporting special petrol was from Russia to Armenia, constituting 84% of the total in 9 months of 2023.

Carbamide – the primary transit routes for the transportation of carbamide included directions such as Turkmenistan-Black Sea Ports (specifically, Batumi, Poti, and Parto Tskali) with a share of 64%, Azerbaijan-Romania with 9%, Uzbekistan-Romania with 6%, and Azerbaijan Ukraine with 5% during the specified period.

Sugar – the primary transit routes consisted of three directions: from Brazil to Azerbaijan, making up 57% of the total; from Brazil to Uzbekistan, accounting for 36%; and from Brazil to Armenia, representing 7%.

Sulfur – the primary transit route was from Kazakhstan to the Black Sea Port of Poti, making up 96% of the total.

Methanol – the primary transit routes included transportation from Azerbaijan to Türkiye, Romania, Italy, the Netherlands, and Slovenia, with each route representing 24%, 19%, 17%, 11%, and 11% of the total transit volume, respectively.

# TRANSPORTATION BY BORDER CROSSING

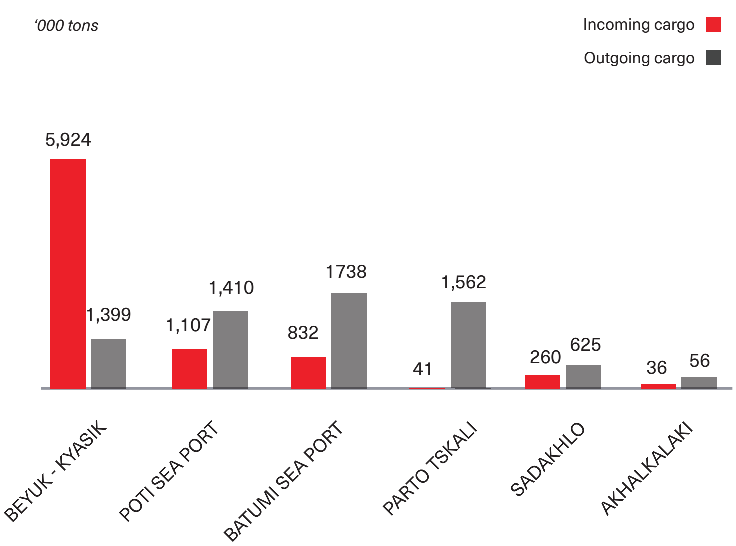
## RAIL FREIGHT VOLUMES BY BORDER CROSSING

The JSC Georgian Railway operates three railway border crossings that link Georgia with its neighboring countries – Azerbaijan, Armenia, and Türkiye. The Beyuk-Kyasik station connects the Company to Azerbaijan, and its corresponding border crossing station in Georgia is Gardabani. The Sadakhlo station links Georgia to Armenia, while the Akhalkalaki station connects it to Türkiye. Additionally, the Company is linked to Black Sea Ports, including Poti Port, Batumi Port , and Parto Tskali (Kulevi) Port.

The provided freight data indicates the points of entry and exit for cargo into and out of the country. Notably, 76 percent of incoming freight arrives through land border crossings, underscoring the significance of the East-West transportation axis. On the other hand, 69 percent of outgoing cargo is shipped from ports, emphasizing the role of maritime transport via the Black Sea. This data highlights that the primary route for freight volumes in Georgia is from the East, primarily through Azerbaijan, with a subsequent departure from the country via maritime transport.

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

## RAILWAY FREIGHT VOLUMES BY THE BORDER CROSSINGS




Incoming rail volume - Beyuk-Kyasik station has the largest portion, contributing to 95 percent of cargo arriving from land border crossings and constituting 72 percent of the total incoming cargo. Notably, the primary entry points for incoming cargo were Poti sea Port and Batumi Sea Port, responsible for 56 percent and 42 percent of the volume entering the country through ports, respectively. However, these ports represent a relatively smaller proportion of the overall incoming cargo, standing at just 14 percent and 10 percent, respectively.

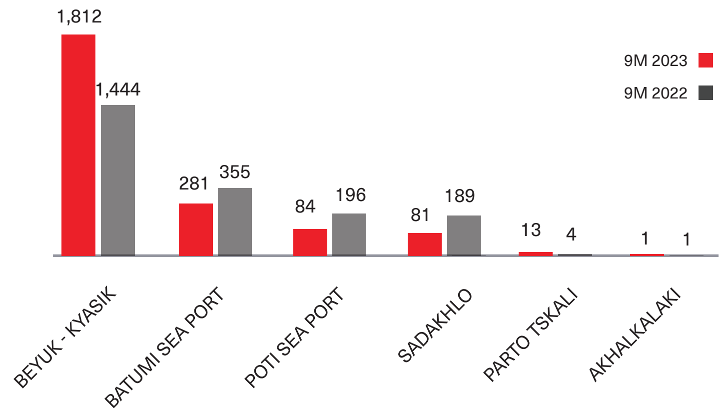
Outgoing rail volume – the majority (69 percent) of outgoing cargoes exit the country via Parto Tskali, Batumi Sea Port and Poti sea Port. On the other hand, Beyuk-Kyasik stands out as the key land departure point, accounting for 21 percent of the total volume leaving the country and facilitating 67 percent of the entire volume departing via land borders.

## BORDER CROSSINGS FOR IMPORTED PRODUCTS

The share of Beyuk-Kyasik in total import was 80 percent in the 9 months ended 30 September 2023, compared to 66 percent in the same period of 2022. 12 percent increase in share was due to increased transportation from Russia by 482,000 tons. Main origin countries using Beyuk-Kyasik station for volume transportation were Russia (mostly petroleum product transportation) and Azerbaijan (mostly cement clinkers transportation) with 1,185,000 tons and 525,000 tons respectively.

The share of Black Sea Ports (Poti, Batumi and Parto Tskali) used for imported product was 17 percent in the 9 months ended 30 September 2023, compared to 25 percent in the same period of 2022. 8 percent decrease in share was due to decreased transportation from Russia, Bulgaria and Romania. The main importer countries using Black Sea Ports for entering country were Romania and Russia (mostly petroleum products transportation) with 68,000 tons and 40,000 tons and Brazil (mostly sugar transportation) with 64,000 tons.

### IMPORT BORDER CROSSING *('000 TONS )*

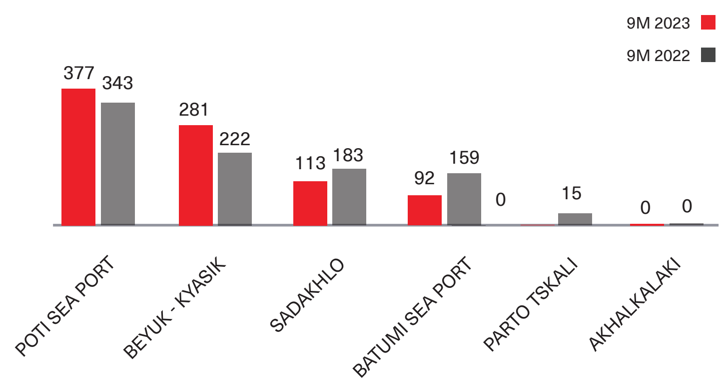



## BORDER CROSSINGS FOR EXPORTED PRODUCTS

The share of Black Sea Ports (Poti, Batumi and Parto Tskali) in total export was 54 percent in the 9 months ended 30 September 2023, compared to 56 percent in the same period of 2022. Main exported products were ammonium nitrate (327,000 tons) and sillico manganese (71,000 tons). The share of Beyuk-Kyasik in total export was 33 percent in the 9 months ended 30 September 2023, compared to 24 percent in the same period of 2022. Main destination countries for exported cargo, leaving the country through Beyuk-Kyasik station, were Kazakhstan and Russia with 114,000 and 86,000 tons, respectively, mostly with mineral water transportation.

The share of Sadakhlo in total export was 13 percent in the 9 months ended 30 September 2023, compared to 20 percent in the same period of 2022. The only destination country was Armenia with 113,000 tons (mostly wheat transportation).

### EXPORT BORDER CROSSING *('000 TONS )*

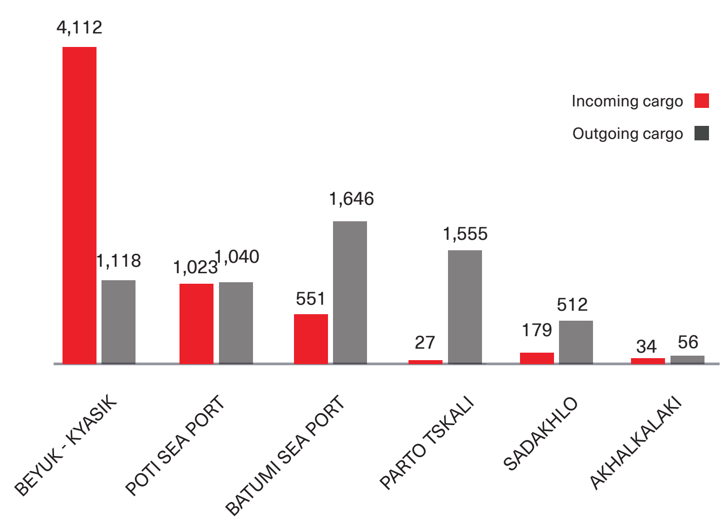



## BORDER CROSSINGS FOR TRANSIT PRODUCTS

Beyuk-Kyasik station has the highest share in incoming volumes. Share of Beyuk-Kyasik station was 69 in the 9 months ended 30 September 2023, compared to 75 percent in the same period of 2022. Main origin countries for incoming cargoes were Azerbaijan, Kazakhstan and Turkmenistan with 1,500,000 tons, 1,289,000 tons and 1,123,000 tons, respectively.

Black Sea Ports (Poti, Batumi and Parto Tskali) has the highest share in outgoing volumes. Share of Black Sea Ports was 72 percent in the 9 months ended 30 September 2023, compared to 73 percent in the same period of 2022. Main destination countries were Türkiye, Netherlands and Italy, with 714,000 tons, 487,000 tons and 374,000 tons, respectively.

### TRANSIT BORDER CROSSING *('000 TONS )*



# CONTAINER TRANSPORTATION

Approximately 11% of the total transported volume in the 9 months ended 30 September 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.

| *9 month period ended 30 September* | Q3 2023 | Q3 2022 | y-o-y % | Q2 2023 | q-o-q % | 9M 2023 | 9M 2022 | y-o-y % |
|---|---|---|---|---|---|---|---|---|
| NUMBER OF CONTAINERS | | | | | | | | |
| 20 FEET | 11,464 | 15,243 | *(24.8)* | 12,741 | *(10.0)* | 35,065 | 36,059 | *(2.8)* |
| 40 FEET | 6,970 | 5,169 | *34.8* | 7,832 | *(11.0)* | 20,740 | 15,081 | *37.5* |
| TOTAL | 18,434 | 20,412 | *(9.7)* | 20,573 | *(10.4)* | 55,805 | 51,140 | *9.1* |
| NUMBER OF CONTAINERS IN TEU | 25,404 | 25,581 | *(0.7)* | 28,405 | *(10.6)* | 76,545 | 66,221 | *15.6* |
| TONS *'000* | 350 | 449 | *(22.0)* | 412 | *(15.0)* | 1,107 | 1,121 | *(1.3)* |
| REVENUE *(GEL 000')* | | | | | | | | |
| 20 FEET | 4,776 | 6,765 | *(29.4)* | 5,110 | *(6.5)* | 14,433 | 15,439 | *(6.5)* |
| 40 FEET | 3,512 | 3,470 | *1.2* | 3,761 | *(6.6)* | 10,788 | 9,669 | *11.6* |
| TOTAL | 8,289 | 10,235 | *(19.0)* | 8,871 | *(6.6)* | 25,221 | 25,108 | *0.5* |
| AVERAGE TARIFF *(GEL)* | | | | | | | | |
| 20 FEET | 417 | 444 | *(6.1)* | 401 | *3.9* | 412 | 428 | *(3.9)* |
| 40 FEET | 504 | 671 | *(24.9)* | 480 | *4.9* | 520 | 641 | *(18.9)* |
| TOTAL | 450 | 501 | *(10.3)* | 431 | *4.3* | 452 | 491 | *(7.9)* |

***Average tariff represents revenue divided by number of containers***

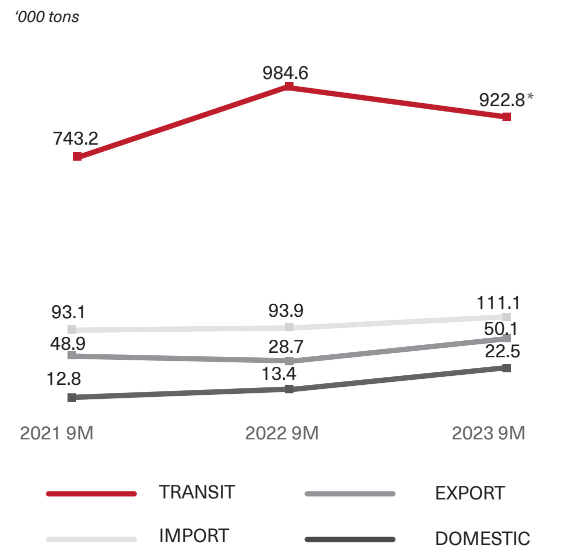
Number of containers – 9 percent increase was due to increased containers transported to Georgia by 6.9 thousand units and from Azerbaijan by 6.9 thousand units, which was partially offset by decreased number of containers transported to Italy by 4.8 thousand units and from Kazakhstan by 3.6 thousand units in the 9 months ended 30 September 2023, compared to the same period of 2022.

Revenue/number of containers (in GEL) – 8 percent decrease was mainly due to decreased number of containers to Türkiye (relatively more profitable direction), while the number of containers to Georgia (relatively less profitable direction) increased in the 9 months ended 30 September 2023, compared to the same period of 2022.

The Group's container transportation consists of transit, import, export and domestic transportation routes. The split between mentioned directions in the 9 months period ended 30 September 2023, was about 83 percent, 10 percent, 5 percent and 2 percent, respectively, compared to 88 percent, 8 percent, 3 percent and 1 percent respectively, in same period of 2022.

Container transportation increased by 9 percent in the 9 months ended 30 September 2023, compared to the same period of 2022.

## CONTAINERS BY TRANSPORTED DIRECTION




*On October 30, 2017, the Baku-Tbilisi-Kars (BTK) railway line was launched. BTK link directly connects Azerbaijan, Georgia and Turkey. In 2017, the first train ran on this line. However, at the request of the contractor company, freight transportation on the BTK railway have been temporarily halted since June 2023 (with the exception of August). The interruption in operations is aimed at ensuring the overall exploitation capability of the project by May 2024. Consequently, there has been a noticeable decrease in transportation volume during the first nine months of 2023 compared to the same period of 2022. This has significantly impacted container transit transportation, resulting in a decrease of 62,000 tons during the first nine months of 2023 compared to the same period in 2022.*

# FREIGHT HANDLING

## General description

Freight handling revenue stems from the following sources:

- Station services, such as railcar marshaling, freight pick-up, delivery at customer facilities and other related services;
- 24-hour railcar delays, represented by a fee paid by customers for the return of GR's own railcars after an initial 24 hours from its delivery at an agreed destination;
- 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 68 percent in nine months of 2023, was denominated in USD, while the rest was denominated in GEL (32 percent). The Group sets its tariffs independently.

## Drivers

The revenue from this source largely correlates with transportation volumes in tons. That correlation, however, is not absolute as many other factors can have an influence.

### FREIGHT HANDLING

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | *Absolute* |
| STATION SERVICES | 42,693 | 47,946 | *(11.0)* | *(5,253)* |
| 24-HOUR SERVICE | 18,696 | 17,320 | *7.9* | *1,377* |
| OTHER | 1,774 | 957 | *85.4* | *817* |
| TOTAL | 63,164 | 66,223 | *(4.6)* | *(3,059)* |

## Factors influencing changes

Revenue from freight handling decreased by 4.6 percent (GEL 3.1 million) mainly due to a decrease in station services (decrease was due to GEL appreciation against USD, as station services is dominated in USD) by GEL 5.3 million, which was partially offset by increased revenue from 24-hour services by GEL 1.4 million in the 9 months 2023, compared to the same period of previous year.

# LOGISTIC SERVICES

## General description

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

## Currency and tariff setting

Revenue from logistic services is denominated in USD (32%) and GEL (68%).

## Drivers

Revenue from this source corresponds largely with transportation turnover and volume in tons.

### LOGISTIC SERVICES

| GEL '000 | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| REVENUE FROM LOGISTIC SERVICES | 105,220 | 93,255 | *12.8* | *11,965* |

#### Factors influencing changes

The Group's revenue from logistic services was GEL 105.2 million for the nine months ended 30 September 2023, as compared to GEL 93.3 million for the corresponding period in 2022, reflecting an increase of 12.8% (or GEL 12.0 million). The boost in revenue from logistic services can be mainly attributed to the increased income generated by the subsidiary of GR that offers container transportation services.

**Logistic revenue and expenditures should be taken into consideration jointly (See pg. 29 Logistics service expenses).*

## RENT OF WAGONS AND OTHER RENTAL INCOME

#### General description

The Group rents out wagons not used in transportation and other property in order to improve the utilization rate of its assets.

#### Currency and tariff setting

Revenue from the rent of wagons and other operating leases is mostly denominated in USD.

#### Drivers

Rent of wagons and other rental income changes in accordance with the availability of the Group's wagons not used for transportation and demand for that specific type of wagon in the region.

### RENT OF WAGONS AND OTHER RENTAL INCOME

| GEL '000 | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| RENT OF WAGONS AND OTHER RENTAL INCOME | 3,130 | 4,406 | *(29.0)* | *(1,276)* |

#### Factors influencing changes

Rent of wagons and other rental income decreased by GEL 1.3 million during nine month of 2023, compared to the same period of 2022. That decrease was mainly due to GEL appreciation against foreign currency, as well as decreased income from rent of wagons from GR subsidaries.

# FREIGHT CAR CROSS-BORDER CHARGE

**General description**

Freight car cross-border charge revenue is derived when the Group's railcars are used by other national railways.

**Currency and tariff setting**

Revenue from freight car cross-border charge is denominated in CHF and tariffs are set by the Council for Rail Transport of CIS States (CRT CIS).

**Drivers**

Freight car cross-border charge revenue changes in line with the number of days the Group's railcars are used by other railway companies, which in its turn depends on the cargo mix and the availability of freight cars in the region.

## FREIGHT CAR CROSS-BORDER CHARGE

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| FREIGHT CAR CROSS-BORDER CHARGE | 11,490 | 5,584 | *105.7* | *5,905* |

**Factors influencing changes**

Increase in freight car cross-borde charge was attributed to a rise in effective tariffs on the Azerbaijan direction, as well as an increased share of Commonwealth of independent states in other regions.

# PASSENGER TRAFFIC

**General description**

GR's passenger transportation services comprise domestic and international routes. Meanwhile, long-distance traffic accounts for the majority of the Group's passenger traffic, while regional (shorter-distance) services, in particular suburban services, typically serve the low-income segments of society, with symbolic/minimal ticket fares. Georgia is linked by rail to Azerbaijan and Armenia and thus international transportation services are provided to both countries.

**Currency and tariff setting**

Tariffs for domestic trains are set independently by the Group in GEL. At the behest of the GoG, the Group affordable ticket prices, below the market rate. At the same time, GR maintains certain passenger trains, even when such routes are not economically feasible.

Tariffs for international transportation are set through negotiations between countries and are denominated in CHF.

**Drivers**

Passenger revenue changes in line with the tariffs set and the number of passengers transported.

## PASSENGER TRANSPORTATION

| GEL '000 | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | **%** | ***Absolute*** |
| REVENUE IN GEL '000 | 32,883 | 19,822 | *65.9* | *13,061* |
| NUMBER OF PASSENGERS '000 | 1,778 | 1,178 | *50.9* | *600* |

### Factors influencing changes

Revenue from passenger transportation has increased by 65.9 percent in the 9 months 2023, compared to the same period of 2022, and the number of passengers has increased by 50.9 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.

# OTHER REVENUE

### General description

Other revenue is mostly denominated in GEL and comprises items such as revenue from the sale of scrap, communication services, electricity transportation and repair services for third parties.

## OTHER REVENUE

| GEL '000 | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | **%** | ***Absolute*** |
| REVENUE FROM REPAIR | 140 | 2,658 | *(94.7)* | *(2,518)* |
| REVENUE FROM SALE OF MATERIALS (SCRAP) | 420 | 0 | *100.0* | *420* |
| OTHER | 3,272 | 4,470 | *(26.8)* | *(1,198)* |
| TOTAL | 3,832 | 7,128 | *(46.2)* | *(3,296)* |

### Factors influencing changes

Other revenue decreased by GEL 3.3 million in the first 9 months of 2023, compared to the same period of 2022. This change was mainly due to decreased revenue from repair services by GEL 2.5 million offered by GR to clients, as well as due to GEL 1.1 million decline in revenue from the sale of goods and materials (excluding scrap).

# 1.2 OTHER INCOME

## General description

Other income mostly includes items such as penalties issued to clients and suppliers, the sale of fixed assets and provision reversals.

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

## OTHER INCOME

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| CONTINUING OPERATIONS | 3,683 | 4,030 | *(8.6)* | *(347)* |
| NON-CONTINUING OPERATIONS | 2,891 | 14,459 | *(80.0)* | *(11,568)* |
| TOTAL | 6,574 | 18,489 | *(64.4)* | *(11,915)* |

## Factors influencing changes

The Group's other income amounted to GEL 6.6 million for the nine months ended on September 30, 2023, in contrast to GEL 18.5 million for the corresponding period in 2022.

The decrease of GEL 11.9 million in other income was mostly due to reduction in income from non-continuing operations. which in turn can be attributed to a GEL 9.0 million due to realization of fixed assets in the first nine months of 2022, as well as GEL 2.5 million adjustment of prior periods during the nine months of 2023.

# 1.3 OPERATING EXPENSES

## General description

Total operating expenses for the nine months period ended 30 September, 2023 increased approximately by GEL 51.0 million, compared to the same period of the previous year. The increase was mainly caused by an increase in employee benefits expense, depreciation and amortization expense, and security and other operating expenses.

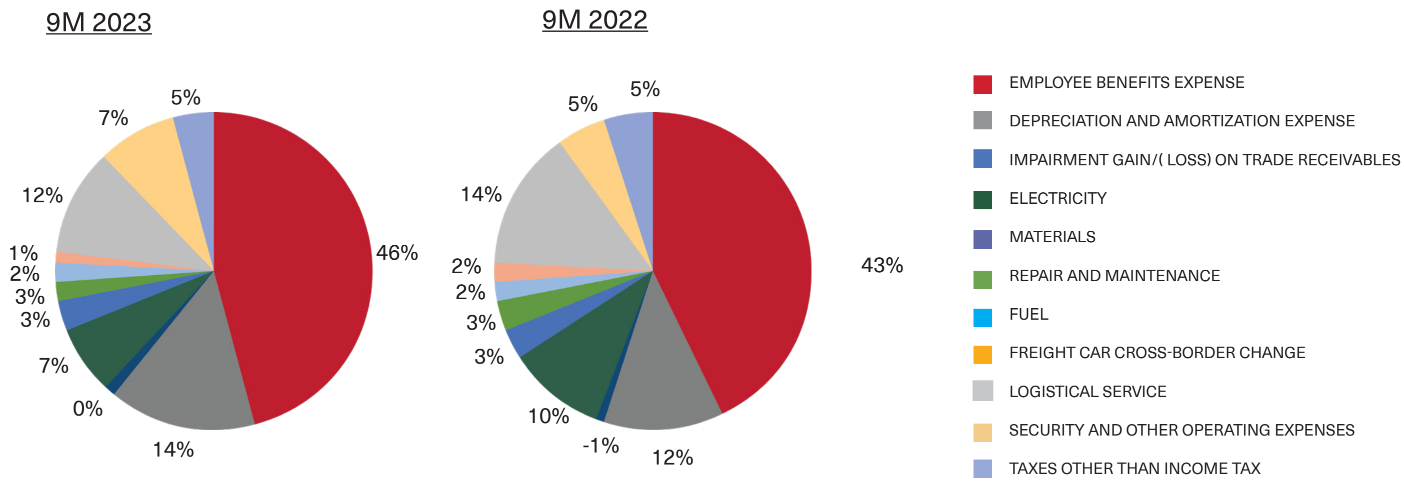
## OPERATING EXPENSES

| *GEL '000* | TOTAL | | CHANGE | | |
|---|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | % Constant Currency | *Absolute* |
| EMPLOYEE BENEFITS EXPENSE | 175,743 | 144,203 | *21.9* | *39.2* | *31,541* |
| DEPRECIATION AND AMORTIZATION EXPENSE | 54,783 | 41,448 | *32.2* | *51.0* | *13,335* |
| IMPAIRMENT LOSS/(GAIN) ON TRADE RECEIVABLES | 873 | (2,636) | *(133.1)* | *(137.8)* | *3,509* |
| ELECTRICITY | 28,284 | 32,632 | *(13.3)* | *(1.0)* | *(4,348)* |
| MATERIALS | 11,268 | 8,799 | *28.1* | *46.3* | *2,469* |
| REPAIRS AND MAINTENANCE | 10,220 | 9,148 | *11.7* | *27.6* | *1,072* |
| FUEL | 6,694 | 7,506 | *(10.8)* | *1.9* | *(813)* |
| FREIGHT CAR CROSS-BORDER CHARGE | 5,093 | 7,460 | *(31.7)* | *(22.0)* | *(2,368)* |
| LOGISTIC SERVICES | 44,109 | 47,268 | *(6.7)* | *6.6* | *(3,159)* |
| SECURITY AND OTHER OPERATING EXPENSES | 25,945 | 16,255 | *59.6* | *82.4* | *9,690* |
| TAXES OTHER THAN INCOME TAX | 18,107 | 18,008 | *0.6* | *14.9* | *99* |
| TOTAL | 381,119 | 330,092 | *15.5* | *31.9* | *51,027* |

## Factors influencing changes

In the nine-month period ending on September 30, 2023, the Group incurred a depreciation and amortization expense of GEL 54.8 million, marking a 32.2% increase from the GEL 41.4 million recorded in the same period in 2022. This increase is attributed to the reclassification and capitalization of construction in progress (CIP) under the Modernization project, as well as decrease in market prices of scrap.

The following charts represent the cost structure for the nine months ended 30 September 2023 and 2022:




## EMPLOYEE BENEFITS EXPENSES

### General description

The Group's salary expenses are fixed and are denominated in GEL. As a result, there are not affected either by transportation volume or by FX changes.

### EMPLOYEE BENEFITS EXPENSES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| SALARY | 139,098 | 113,369 | *22.7* | *25,729* |
| BONUS-REWARD | 4,324 | 4,527 | *(4.5)* | *(203)* |
| OTHER BENEFITS | 32,321 | 26,307 | *22.9* | *6,014* |
| TOTAL | 175,743 | 144,203 | *21.9* | *31,541* |

### Factors influencing changes

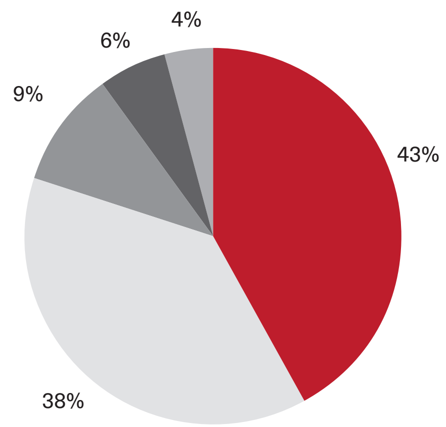
The Group is one of the largest corporate employers and taxpayers in Georgia. This underlines its importance for the Goverment of Georgia (GoG) in terms of the economic and social benefits it brings the country. Total Employee benefits expenses during the nine months ended 30 September 2023, compared to the same period of the previous year, increased about 21.9 percent (by GEL 31.5 million).

The rise in employee benefits expenditure can be attributed mainly to an increase in salary costs amounting to GEL 25.7 million. Starting in January 2023, the management initiated a salary increase for around 12,000 employees.

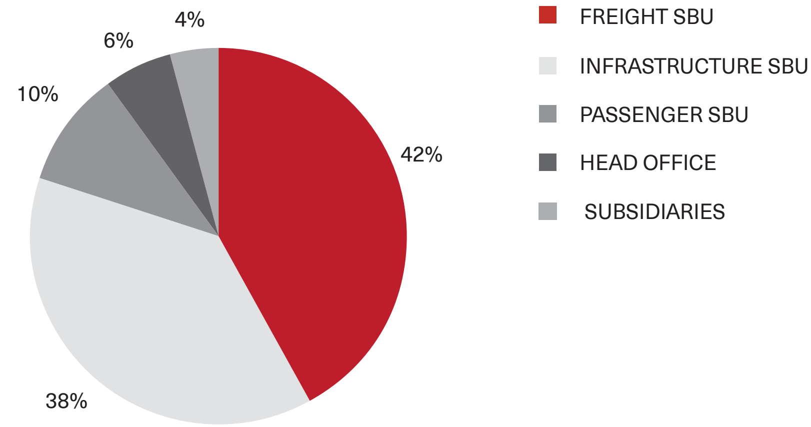
As of the end of September 2023, the total number of employees amounted to 12,193, while at the end of September 2022, it was 12,398.

The following charts present headcounts by SBU and head office of the Company:

Distribution of staff by bussines units as at the end of September 2023




Distribution of staff by bussines units as at the end of September 2022




## DEPRECIATION AND AMORTIZATION EXPENSES

### General description

The Group's depreciation and amortization expenses are mainly affected by capital additions and property retirements, disposals, sales, or abandonments. Such expenses are denominated in GEL and are thus not affected by fluctuations in foreign exchange rates.

### DEPRECIATION AND AMORTIZATION EXPENSES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| DEPRECIATION AND AMORTIZATION | 54,783 | 41,448 | *32.2* | *13,335* |

### Factors influencing changes

In the nine-month period ending on September 30, 2023, the Group showed depreciation and amortization expense of GEL 54.8 million, marking a 32.2% increase from the GEL 41.4 million recorded in the same period in 2022.

This increase is attributed to the reclassification and capitalization of construction in progress (CIP) under the Modernization project, as well as decrease in market prices of scrap in 9 month period ended 30 Septemeber 2023, compared to the same period of 2023.

# ELECTRICITY EXPENSES

## General description

JSC Georgian Railway purchases electricity on the open market. The tariffs are denominated in GEL.

Electricity expenses are split into two categories: electricity expenses for traction, which are 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

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | *Absolute* |
| ELECTRICITY EXPENSES FOR TRACTION | 24,553 | 28,087 | *(12.6)* | *(3,534)* |
| UTILITY EXPENSES | 3,731 | 4,545 | *(17.9)* | *(814)* |
| TOTAL | 28,284 | 32,632 | *(13.3)* | *(4,348)* |

## Factors influencing changes

There was about a 13.3 percent (GEL 4.3 million) decrease in total electricity expenses mainly due to lower average tariff during the nine months ended 30 September 2023, compared to the same period of 2022. *(see table: "Purchased electricity and weighted average tariff").*

### PURCHASED ELECTRICITY AND WEIGHTED AVERAGE TARIFF

| *GEL '000* | 9M 2023 | | | 9M 2022 | | |
|---|---|---|---|---|---|---|
| *9 month period ended 30 September* | 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 |
| APRIL | 11.7 | 522.3 | 0.223 | 12.8 | 647.2 | 0.262 |
| MAY | 13.5 | 653.3 | 0.158 | 13.8 | 707.3 | 0.218 |
| JUNE | 13.4 | 632.4 | 0.193 | 13.3 | 673.2 | 0.218 |
| JULY | 14.0 | 642.3 | 0.205 | 14.4 | 690.5 | 0.193 |
| AUGUST | 13.9 | 633.9 | 0.211 | 13.8 | 642.9 | 0.230 |
| SEPTEMBER | 12.9 | 587.5 | 0.234 | 14.0 | 674.9 | 0.245 |
| TOTAL | 115.9 | 5,281.7 | 0.213 | 115.8 | 5,591.0 | 0.245 |

*Note: The table above includes only electricity consumed for traction*

## MATERIALS, REPAIR AND MAINTENANCE EXPENSES

### General description

The Group purchases its inventory and uses relevant materials for repair works performed internally by its employees, all of which is presented under "materials expenses." However, some repair works are outsourced and are presented under "repair and maintenance expenses."

The Group's materials and repair and maintenance expenses are all tied to its rolling stock equipment balance, its utilization rate and transportation volume. When transportation by the Group's rolling stock increases, so do the expenses for materials and repairs and maintenance. However, these expenses can also decrease where there is increased capital expenditure on the fleet and infrastructure, which reduces the need for repair and maintenance.

### MATERIALS, REPAIR AND MAINTENANCE EXPENSES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | *%* | *Absolute* |
| MATERIALS EXPENSES | 11,268 | 8,799 | *28.1* | *2,469* |
| REPAIR AND MAINTENANCE EXPENSES | 10,220 | 9,148 | *11.7* | *1,072* |
| TOTAL | 21,488 | 17,947 | *19.7* | *3,541* |

### Factors influencing changes

Material repair and maintenance expenses increased by 19.7 percent mainly due to rise of 2.5 GEL million in materials expenses during the nine months of 2023, which was primarily driven by higher current costs of materials, specifically related to the track superstructure.

## FUEL EXPENSES

### General description

The Group's fuel consumption principally relates to diesel locomotives fulfilling shunting operations. It should be noted that the main driver for these operations is dry cargo. In everyday business processes, diesel locomotives are used for railcar marshaling, freight pick-up and delivery at customer facilities.

Another factor affecting fuel expenses is the nature of the cargo (whether it be import, export, local, or transit) and while transit cargo is mainly served at one of the Group's stations, most local, export and import cargo are served in two stations (the origin and destination stations).

### FUEL EXPENSES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 SeptemberFor 9* | 9M 2023 | 9M 2022 | *%* | *Absolute* |
| FUEL EXPENSES | 6,694 | 7,506 | *(10.8)* | *(813)* |

### Factors influencing changes

Total fuel expenses decreased by 10.8% (GEL 0.8 million) in 9 months period ended 30 September 2023, compared to the same period of 2022 due to changes in petroleum product prices.

# FREIGHT CAR CROSS-BORDER CHARGE EXPENSES

## General description

Freight car cross-border charge expenses represent short-term rents derived from the usage of other railways' railcars on the Group's network, for which a daily fee is charged. This expense offsets the freight car cross-border charge revenue. The expense is based on CHF tariffs and thus is tied to the GEL/CHF exchange rate and the amount of cargo transported by GR using other railway companies' railcars.

### FREIGHT CAR CROSS-BORDER CHARGE EXPENSES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| FREIGHT CAR CROSS-BORDER CHARGE | 5,093 | 7,460 | *(31.7)* | *(2,368)* |

## Factors influencing changes

Freight car cross-border charge expenses decreased by 31.7% (GEL 2.4 million) in the nine months ended 30 September 2023, compared to the same period of 2022. This decrease was mainly caused by decreased usage of semi-wagons and tank cars.

# LOGISTIC SERVICE EXPENSES

## General description

Expenses for logistic services refer to costs incurred by the Group's logistics business for international transportation and/or for other types of transport.

### LOGISTIC SERVICE EXPENSES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| LOGISTIC SERVICES | 44,109 | 47,268 | *(6.7)* | *(3,159)* |

## Factors influencing changes

Logistic services expenses decreased by 6.7 percent (or GEL 3.2 million) in the nine months ended 30 September 2023, primarily due to decreased freight forwarding expenses of GR's subsidiaries in Azerbaijan and Kazakhstan.

**Logistic revenue and expenditure should be taken into consideration jointly (see pg. 20 Logistic services).*

# SECURITY AND OTHER OPERATING EXPENSES

**General description**

Security expenses mainly comprise the Group's buildings, depots and railway station protection expenses. Other operating expenses consist of items such as communication, legal costs, consulting services, membership fees, rent expenses and advertising expenses.

Security and other operating expenses are mostly denominated in GEL and are mainly fixed.

**SECURITY AND OTHER OPERATING EXPENSES**

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| SECURITY | 9,648 | 7,523 | *28.2* | *2,125* |
| OTHER OPERATING EXPENSES | 16,297 | 8,731 | *86.7* | *7,566* |
| TOTAL | 25,945 | 16,255 | *59.6* | *9,690* |

**Factors influencing changes**

Security and other operating expenses increased by GEL 9.7 million in the nine-month period of 2023, compared to the same period of 2022.

Security expenses increased by GEL 2.1 million mainly due to increased average tariff on security service in the nine months ended 30 September 2023, compared to the same period of 2022.

The growth in other operating expenses was primarily driven by an increase in costs amounting to GEL 4.3 million, associated with software services and rail welding services. Additionally, accounting adjustments from the previous year contributed to this rise.

# TAXES OTHER THAN INCOME TAX

**General description**

Land taxes are determined by the municipalities in which the land is located, while property taxes are calculated at 1% of the average book value of the asset. Meanwhile, railway infrastructure assets, such as rail and transmission lines, are exempt from property tax.

**TAXES OTHER THAN INCOME TAX**

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| PROPERTY TAX | 9,136 | 8,819 | *3.6* | *316* |
| LAND TAX | 7,873 | 8,880 | *(11.3)* | *(1,007)* |
| OTHER TAXES* | 1,098 | 308 | *256.7* | *790* |
| TOTAL | 18,107 | 18,008 | *0.6* | *99* |

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

**Factors influencing changes**

In the first nine months of 2023, compared to the same period in 2022, taxes (other than income tax) remained at about the same level, with slight 1 percent increase. Other taxes has increased by GEL 0.8 million was mainly due to increased customs fees, which is reimbursed by customers. Revenues serve as an offset, balancing out the net effect to zero.

# 1.4 FINANCE INCOME AND COST

**General description**

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

Meanwhile, finance costs mainly consist of interest expenses on the Group's debt and foreign exchange losses. The main source of FX gains or losses is the Group's Eurobonds, which are denominated in USD. This is, however, partially offset by the Group's USD cash balances and receivables in foreign hard currencies. It must be noted that such FX gains or losses on Eurobonds are not monetary and will not be realized until maturity. The Group's revenue is mostly denominated in hard currencies (USD and CHF). As most tariffs are set in USD, the Group's revenue creates a natural economic hedge against foreign exchange fluctuations.

## FINANCE INCOME AND COST

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | ***%*** | ***Absolute*** |
| INTEREST INCOME | 26,124 | 20,900 | *25.0* | *5,224* |
| IMPAIRMENT GAIN/(LOSS) ON OTHER FINANCIAL ASSETS | 624 | (530) | *(217.7)* | *1,154* |
| INTEREST EXPENSE | (42,728) | (47,518) | *(10.1)* | *4,790* |
| FX GAIN/(LOSS) | 12,440 | 126,493 | *(90.2)* | *(114,053)* |
| NET FINANCE INCOME/(COSTS) | (3,540) | 99,345 | *(103.6)* | *(102,885)* |

**Factors influencing changes**

In the nine months ended 30 September 2023 the Group showed GEL 3.5 million net finance loss, compared to net finance income of GEL 99.3 million in the same period of 2022. The difference of GEL 102.0  million was mainly due to the fluctuation of GEL against foreign currencies.

GEL/USD exchange rate fluctuation has significant effect on net finance income/cost. Due to GEL appreciation against USD by 0.9 percent as at 30 September 2023 compared to 31 December 2022 (GEL/USD exchange rate 2.6783 versus 2.7020), the Group experienced net foreign exchange income of GEL 12.4 million, while the Group experienced a net foreign exchange gain of GEL 126.5 million, due to GEL appreciation against USD as at 30 september of 2022, compared to 31 December 2023 (GEL/USD exchange rate 2.8352 versus 3.0892).

Lower interest expense during the nine months ended 30 September 2023, compared to the same period of 2022, was mainly due to GEL appreciation against USD, as the Group's debt is denominated in USD.

Higher interest income by GEL 5.2 million in the nine months ended 30 September 2023 compared to the same period of 2022, was mainly due to the higher average cash balances.

# 1.5 INCOME TAX EXPENSE/BENEFIT

## General description

In May 2016, the Parliament of Georgia adopted amendments to the Tax Code of Georgia, effective from 1 January 2017. According to the new tax code, the previously active profit tax regulation was changed to the so-called “tax on distributed profits” model.

### INCOME TAX EXPENSE/BENEFIT

| *GEL ‘000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | *%* | *Absolute* |
| INCOME TAX EXPENSE/BENEFIT | (565) | (460) | *22.9* | *(105)* |

## Factors influencing changes

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 0.1 million in the first nine months of 2023, compared to the same period of 2022.

# II. BALANCE SHEET

## 2.1 NON- CURRENT ASSETS

| '000 GEL | 30-Sep-23 | 30-Jun-23 | % change | Abs. change | 31-Dec-22 | % change | Abs. change |
|---|---|---|---|---|---|---|---|
| TOTAL ASSETS | 2,498,113 | 2,434,255 | *2.6* | *63,858* | *2,399,517* | *4.1* | 98,596 |
| *CHANGES ARE MAINLY DUE TO*: | | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 1,880,676 | 1,867,288 | *0.7* | *13,388* | *1,831,197* | *2.7* | 49,479 |
| TRADE AND OTHER RECEIVABLES | 32,481 | 27,244 | *19.2* | *5,237* | *14,519* | *123.7* | 17,962 |
| CASH AND CASH EQUIVALENTS | 302,585 | 271,437 | *11.5* | *31,148* | *274,629* | *10.2* | 27,956 |
| **ASSETS** | | | | | | | |
| TOTAL LIABILITIES | 1,614,293 | 1,566,539 | *3.0* | *47,754* | *1,618,249* | *(0.2)* | (3,956) |
| *CHANGES ARE MAINLY DUE TO:* | | | | | | | |
| LOANS AND BORROWINGS (LT) | 1,361,747 | 1,330,449 | *2.4* | *31,298* | *1,378,147* | *(1.2)* | (16,399) |
| LOANS AND BORROWINGS (ST) | 28,104 | 13,635 | *106.1* | *14,469* | *14,273* | *96.9* | 13,831 |
| TRADE AND OTHER PAYABLES | 114,060 | 115,823 | *(1.5)* | *(1,763)* | *122,242* | *(6.7)* | (8,182) |

### SIGNIFICANT CHANGES IN ASSETS

Property, plant and equipment – GEL 49.5 million increase was primarily attributed to the construction of a new rail network and additional infrastructure projects, mainly driven by the Modernization Project.

Trade and other receivables –– GEL 18.0 million increase was due to the receivables of the subsidiary company, which have already been settled at the time of publication of the report.

*For cash and cash equivalents see heading "Cash Flow Statement".

### SIGNIFICANT CHANGES IN LIABILITIES

Loans and borrowings (LT) – During nine-month of 2023 decrease of GEL 16.4 million in long-term borrowings comapared to 31 December 2022, was mainly due GEL appreciation against USD.

Loans and borrowings (ST) – During nine-month of 2023 increase of GEL 13.8 million in long-term borrowings compared to 31 December 2022, The increase in short-term borrowings was primarily driven by interest payments on the issued Green Eurobond and the Credit Suisse loan, the latter specifically associated with the acquisition of Stadler.

Trade and other payables –The decrease of GEL 8.2 million was attributed to payables to the subsidiary company, which had already been settled at the time of the report's publication.

# III. CASH FLOW STATEMENT

By the end of 30 September 2023, the Group held GEL 302.6 million in cash and cash equivalents. These cash resources support working capital and fixed capital expenditures. In particular, fixed capital expenditures mainly concern the Modernization Project, works on which are expected to be finalized in 2024.

The Group mainly relies on its operating activities to finance its current and future cash requirements.

## 3.1 OPERATING ACTIVITIES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| CASH RECEIPTS FROM CUSTOMERS | 473,422 | 480,799 | *(1.5)* | *(7,377)* |
| CASH PAID TO SUPPLIERS AND EMPLOYEES | (319,196) | (268,770) | *(18.8)* | *(50,426)* |
| NET CASH FROM OPERATING ACTIVITIES | 154,226 | 212,029 | *(27.3%)* | *(57,803)* |

**Factors influencing changes**

Net cash from operating activities decreased by GEL 57.8 million in the first nine-month period of 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 50.4 million, as well as decrease in cash receipts from customers by GEL 2.5 million in the first nine months of 2023, compared to the same period of 2022.

## 3.2 INVESTING ACTIVITIES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| 9 month period ended 30 September | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT | (108,332) | (101,091) | *7.2* | *(7,240)* |
| PROCEEDS FROM SALE OF PP&E | 262 | 34,600 | *(99.2)* | *(34,337)* |
| INTEREST RECEIVED | 26,124 | 18,462 | *41.5* | *7,662* |
| INCREASE/DECREASE IN TERM DEPOSITS | (12,026) | (323) | *3,622.1* | *(11,703)* |
| ISSUANCE OF THE LOAN | 0 | (21,568) | *(100.0)* | *21,568* |
| NET CASH USED IN INVESTING ACTIVITIES | (93,971) | (69,920) | *34.4* | *(24,051)* |

**Factors influencing changes**

Cash used in investing activities has increased by GEL 24.1 million in the first nine month period of 2023, compared to the same period of the previous year, due to decrease in proceeds from sale of PP&E by GEL 34.3 million, as well as increase in term deposits which was partially offset by the loan of USD 7.0 million issued by group to parent company in the first nine month of 2022.

## 3.3 FINANCING ACTIVITIES

| *GEL '000* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | *%* | *Absolute* |
| REPAYMENT OF BORROWINGS | (5,453) | (6,663) | *(18.2)* | *1,210* |
| INTEREST PAID | (27,424) | (30,176) | *9.1* | *2,752* |
| DIVIDENDS PAID | 0 | (26,360) | *(100.0)* | *26,360* |
| NET CASH USED IN FINANCING ACTIVITIES | (32,877) | (63,199) | *(48.0)* | *30,322* |

**Factors influencing changes**

Cash used in financing activities decreased by GEL 30.3 million in nine month period of 2023, compared to the same period 2022.

The Group has distributed to owner GEL 26.4 million in 9 months period ended 30 september 2022, the Group has not paid dividends during first nine months of 2023.

Decrease in interest paymant was due to GEL appriciation against foreign currencies.

# APPENDIX

## APPENDIX 1

### BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

| *'000 tons* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| LIQUID CARGOES | 3,700 | 3,504 | *5.6* | *197* |
| OIL PRODUCTS | 3,675 | 3,297 | *11.5* | *378* |
| CRUDE OIL | 25 | 207 | *(87.7)* | *(181)* |
| DRY CARGOES | 6,556 | 7,398 | *(11.4)* | *(842)* |
| ORES | 1,318 | 1,396 | *(5.6)* | *(78)* |
| GRAIN | 145 | 220 | *(34.1)* | *(75)* |
| FERROUS METALS AND SCRAP | 375 | 504 | *(25.5)* | *(129)* |
| SUGAR | 498 | 605 | *(17.7)* | *(107)* |
| CHEMICALS AND FERTILIZERS | 1,112 | 1,334 | *(16.6)* | *(222)* |
| CONSTRUCTION FREIGHT | 835 | 754 | *10.8* | *81* |
| INDUSTRIAL FREIGHT | 484 | 385 | *25.6* | *99* |
| CEMENT | 63 | 22 | *193.6* | *42* |
| OTHER | 1,726 | 2,179 | *(20.8)* | *(453)* |
| TOTAL | 10,257 | 10,902 | *(5.9)* | ***(645)*** |

### BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS

| *'000 tons* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | **9M 2023** | **9M 2022** | *%* | ***Absolute*** |
| IMPORT | 2,272 | 2,190 | *3.8* | *83* |
| EXPORT | 864 | 923 | *(6.4)* | *(59)* |
| DOMESTIC | 1,194 | 1,329 | *(10.2)* | *(135)* |
| TRANSIT | 5,927 | 6,461 | *(8.3)* | *(534)* |
| TOTAL | 10,257 | 10,902 | *(5.9)* | *(645)* |

## BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS (QUARTERLY)

*'000 tons*

| *9 month period ended 30 September* | Q3 2023 | Q3 2022 | *y-o-y %* | Q2 2023 | *q-o-q %* |
|---|---|---|---|---|---|
| LIQUID CARGOES | 1,259 | 1,262 | *(0.3)* | 1,287 | *(2.2)* |
| OIL PRODUCTS | 1,256 | 1,256 | *(0.0)* | 1,286 | *(2.4)* |
| CRUDE OIL | 3 | 6 | *(51.0)* | 1 | *472.8* |
| DRY CARGOES | 2,346 | 2,824 | *(16.9)* | 2,214 | *5.9* |
| ORES | 463 | 593 | *(22.0)* | 452 | *2.4* |
| GRAIN | 25 | 108 | *(76.8)* | 44 | *(42.7)* |
| FERROUS METALS AND SCRAP | 133 | 161 | *(17.7)* | 123 | *8.1* |
| SUGAR | 186 | 311 | *(40.1)* | 210 | *(11.2)* |
| CHEMICALS AND FERTILIZERS | 452 | 418 | *8.0* | 282 | *60.3* |
| CONSTRUCTION FREIGHT | 308 | 323 | *(4.7)* | 269 | *14.4* |
| INDUSTRIAL FREIGHT | 198 | 171 | *15.7* | 202 | *(2.2)* |
| CEMENT | 21 | 12 | *69.5* | 26 | *(20.5)* |
| OTHER | 561 | 727 | *(22.8)* | 607 | *(7.6)* |
| TOTAL | 3,604 | 4,086 | *(11.8)* | 3,501 | *3.0* |

## BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS (QUARTERLY)

*'000 tons*

| *For the period ended* | Q3 2023 | Q3 2022 | *y-o-y %* | Q2 2023 | *q-o-q %* |
|---|---|---|---|---|---|
| IMPORT | 816 | 870 | *(6.2)* | 773 | *5.5* |
| EXPORT | 266 | 319 | *(16.5)* | 319 | *(16.4)* |
| DOMESTIC | 480 | 563 | *(14.9)* | 376 | *27.6* |
| TRANSIT | 2,043 | 2,335 | *(12.5)* | 2,033 | *0.5* |
| TOTAL | 3,604 | 4,086 | *(11.8)* | 3,501 | *3.0* |

# APPENDIX 2

## BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

| *In million ton-kilometers* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | *Absolute* |
| LIQUID CARGOES | 1,124 | 1,112 | *1.1* | *12* |
| OIL PRODUCTS | 1,115 | 1,034 | *7.9* | *81* |
| CRUDE OIL | 9 | 78 | *(88.3)* | *-69* |
| DRY CARGOES | 1,764 | 1,993 | *(11.5)* | *-229* |
| ORES | 331 | 255 | *29.8* | *76* |
| GRAIN | 37 | 69 | *(46.5)* | *-32* |
| FERROUS METALS AND SCRAP | 77 | 122 | *(37.0)* | *-45* |
| SUGAR | 183 | 223 | *(18.3)* | *-41* |
| CHEMICALS AND FERTILIZERS | 398 | 478 | *(16.8)* | *-80* |
| CONSTRUCTION FREIGHT | 128 | 114 | *11.9* | *14* |
| INDUSTRIAL FREIGHT | 60 | 45 | *32.8* | *15* |
| CEMENT | 16 | 6 | *172.1* | *10* |
| OTHER | 535 | 680 | *(21.4)* | *-145* |
| TOTAL | 2,888 | 3,105 | *(7.0)* | *-217* |

## BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS

| *In million ton-kilometers* | TOTAL | | CHANGE | |
|---|---|---|---|---|
| *9 month period ended 30 September* | 9M 2023 | 9M 2022 | % | *Absolute* |
| IMPORT | 297 | 357 | *(16.9)* | *(60)* |
| EXPORT | 248 | 262 | *(5.3)* | *(14)* |
| DOMESTIC | 128 | 110 | *16.2* | *18* |
| TRANSIT | 2,215 | 2,375 | *(6.7)* | *(160)* |
| TOTAL | 2,888 | 3,105 | *(7.0)* | *(217)* |

## BREAKDOWN OF FREIGHT TRANSPORTATION IN TON-KILOMETERS (QUARTERLY)

*In million ton-kilometers*

| *9 month period ended 30 September* | Q3 2023 | Q3 2022 | *y-o-y %* | Q2 2023 | *q-o-q %* |
|---|---|---|---|---|---|
| LIQUID CARGOES | 384 | 372 | *3.3* | 393 | *(2.2)* |
| OIL PRODUCTS | 384 | 370 | *3.8* | 393 | *(2.3)* |
| CRUDE OIL | 0 | 2 | *(83.3)* | 0 | *98.9* |
| DRY CARGOES | 627 | 751 | *(16.5)* | 602 | *4.1* |
| ORES | 112 | 112 | *(0.3)* | 127 | *(12.0)* |
| GRAIN | 6 | 34 | *(82.5)* | 13 | *(55.1)* |
| FERROUS METALS AND SCRAP | 30 | 42 | *(29.0)* | 25 | *17.7* |
| SUGAR | 66 | 114 | *(41.7)* | 77 | *(13.4)* |
| CHEMICALS AND FERTILIZERS | 163 | 153 | *7.1* | 99 | *65.5* |
| CONSTRUCTION FREIGHT | 45 | 50 | *(11.5)* | 42 | *5.3* |
| INDUSTRIAL FREIGHT | 24 | 18 | *35.7* | 24 | *(1.4)* |
| CEMENT | 5 | 4 | *31.9* | 7 | *(34.6)* |
| OTHER | 176 | 224 | *(21.4)* | 187 | *(5.8)* |
| TOTAL | 1,011 | 1,123 | *(9.9)* | 996 | *1.6* |

## BREAKDOWN OF FREIGHT TRANSPORTATION IN TONS (QUARTERLY)

*In million ton-kilometers*

| *9 month period ended 30 September* | Q3 2023 | Q3 2022 | *y-o-y %* | Q2 2023 | *q-o-q %* |
|---|---|---|---|---|---|
| IMPORT | 118 | 125 | *(5.4)* | 99 | *19.7* |
| EXPORT | 77 | 95 | *(19.3)* | 94 | *(17.8)* |
| DOMESTIC | 49 | 47 | *4.9* | 44 | *12.1* |
| TRANSIT | 768 | 856 | *(10.4)* | 760 | *1.0* |
| TOTAL | 1,011 | 1,123 | *(9.9)* | 996 | *1.6* |

# APPENDIX 3

According to Condition 3 (d) of the “Terms and Conditions of the Notes” (The U.S. $500,000,000 4% Notes issued by Georgian Railway JSC on 10 June 2021, with a maturity date set for 17 June 2028), 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.

The given table sets forth the 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.”

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

| *GEL ‘000* | nine-month period ended 30-Sep-23 | nine-month period ended 30-Sep-22 |
|---|---|---|
| **NET FINANCIAL INDEBTEDNESS AS AT:** | | |
| Financial indebtedness | 1,389,851 | 1,480,994 |
| **less:** | | |
| Available credit facilities | 0 | 0 |
| Cash | 302,585 | 286,876 |
| Net Financial Indebtedness: | 1,087,266 | 1,194,118 |
| The most recent 2 consecutive semi-annual period ended: | | |
| Results from operating activities | 170,133 | 174,872 |
| Depreciation add-back | (69,067) | (56,575) |
| Impairment loss on trade receivables | (3,450) | 1,393 |
| Adjusted EBITDA | 242,649 | 230,055 |
| Net Financial Indebtedness/Adjusted EBITDA | 4.48 | 5.19 |