

# JSC GEORGIAN RAILWAY

*For the First 6 Months of 2024*



**GR** Georgian  
Railway  
EST.1872

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**VERTICALLY INTEGRATED RAILROAD  
COMPANY WITH FULLY DEREGULATED  
FREIGHT AND PASSENGER TARIFF POLICY**

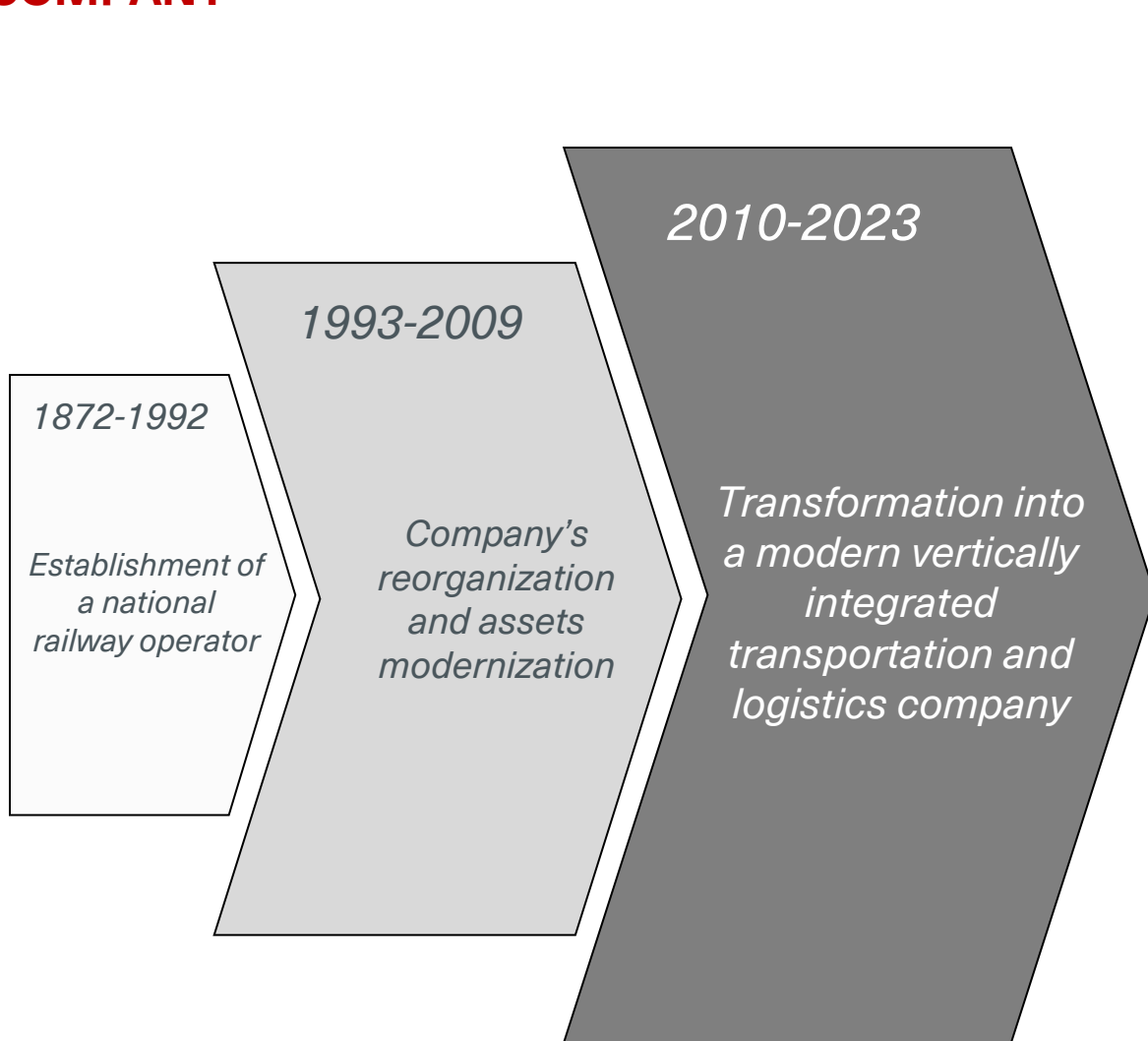


**MONOPOLY RAILWAY OPERATOR IN GEORGIA,  
DIRECTLY OWNED BY THE GOVERNMENT OF  
GEORGIA**

(1)

*Note: (1) Before December 2022, the Company was indirectly owned by the Government of Georgia through JSC Partnership Fund. In December 2022, the ownership has changed and is directly under MOF and MOESD.*

# SUCCESSFUL TRANSFORMATION FROM A HERITAGE RAILWAY OPERATOR INTO THE NATIONAL TRANSPORTATION AND LOGISTICS COMPANY



- 1872 Establishment of Georgian Railway
- 2010 Initial credit rating assignment from Fitch ratings and S&P
- 2010 First Eurobond placement on the LSE
- 2015 Revival of Silk Road and first Chinese train in Georgia
- 2015 Foundation of the Railway Transport College - first railway professional education institution
- 2016-2017 Purchase of 4 new modern high-speed passenger trains from Swiss company Stadler Bussnang
- 2018-2019 First freight on BTK (Baku-Tbilisi-Kars) line
- 2018-2019 Initiating new feeder transportation in Black and Caspian seas to increase container flow in region
- 2021 Issuance of the first Green Eurobond in the transportation sector in Caucasus region
- 2022 Double-track line along the entire mainline network
- 2013 Establishing Joint Venture together with Azerbaijan and Kazakhstan for the development of container transportation business

GR at a Glance

- Subsidiaries
- Market and Competitive Position
- Strategy of the Company
- Governance and Relationship with the GoG
- Country Overview
- Financial Profile and Recent Developments

# OPERATIONAL HIGHLIGHTS

	GEL '000		GEL '000		GEL '000	
	Revenue		Adjusted EBITDA <sup>(1)</sup>		Net Debt to Adjusted EBITDA <sup>(2)</sup>	
					30 June 2024	30 June 2023
<b>6M 2024</b>	<b>315,973</b>	+3% from 6M 2023	<b>108,115</b>	+19% from 6M 2023	<b>6.24</b>	
<b>Q2 2024</b>	<b>163,713</b>	-2% from Q2 2023 +8% from Q1 2024	<b>60,600</b>	+13% from Q2 2023 +28% from Q1 2024	<b>4.40</b>	

	Million tones		Million ton-km		Thousand Passengers	
	Freight Volumes		Freight Turnover		Passenger Traffic	
<b>6M 2024</b>	<b>6.8</b>	+3% from 6M 2023	<b>1,963</b>	+5% from 6M 2023	<b>991</b>	-5% from 6M 2023
<b>Q2 2024</b>	<b>3.6</b>	+2% from Q2 2023 +11% from Q1 2024	<b>1,039</b>	+4% from Q2 2023 +12% from Q1 2024	<b>525</b>	-8% from Q2 2023 +13% from Q1 2024

Note: (1) Adjusted EBITDA is determined by the same method as EBITDA of previous periods was calculated. (2) Net Debt to Adjusted EBITDA ratio for 30 June 2024, represents the Net Debt at the end of June 2024 divided by the sum of Adjusted EBITDA of the last six months of 2023 plus Adjusted EBITDA of the first six months of 2024.

## KEY OPERATING MEASURES

GEL '000

**Total freight revenue  
per ton-km**

GEL '000

**Passenger revenue  
per passenger-km**

GEL '000

**Revenue per average  
number of employees**

**6M 2024**

**0.12**

0% from 6M 2023

**0.06**

+1% from 6M 2023

**26.31**

+6% from 6M 2023

**Q2 2024**

**0.11**

+2% from Q2 2023  
-1% from Q1 2024

**0.06**

+1% from Q2 2023  
-4% from Q1 2024

**13.69**

+0% from Q2 2023  
+9% from Q1 2024

GEL '000

**Operating expenses  
per ton-km**

In thousand

**Ton-km per average number of  
Freight SBU employees**

In thousand

**Pass-km per average number of  
Passenger SBU employees**

**6M 2024**

**0.13**

-6% from 6M 2023

**379.16**

+6% from 6M 2023

**278.92**

+2% from 6M 2023

**Q2 2024**

**0.12**

-12% from Q2 2023  
-16% from Q1 2024

**201.54**

+6% from Q2 2023  
+14% from Q1 2024

**153.45**

-3% from Q2 2023  
+25% from Q1 2024

## S&P Global Ratings

### LONG-TERM ISSUER RATING – FOREIGN CURRENCY

Credit Rating

BB-

Date of assignment / review

December 2023

Outlook

STABLE

- S&P reaffirmed long-term issuer credit rating on GR and on its senior unsecured bond to 'BB-' with a stable Outlook;
- S&P believes that Georgian Railway will continue to demonstrate resilient operating performance and manage its liquidity needs, despite the challenging economic environment. The agency continues to expect a very high likelihood of extraordinary state support;
- R's robust operating performance and stable cost of debt are anticipated to maintain funds from operations (FFO) to debt comfortably above 8% over the next two years, with limited exposure to higher interest rates due to a significant portion of debt at fixed interest rates and maturing in 2028.

## Fitch Ratings

### LONG-TERM ISSUER RATING – FOREIGN CURRENCY

Credit Rating

BB-

Date of assignment / review

July 2024

Outlook

POSITIVE

- Fitch Rating affirmed JSC Georgian Railway's (GR) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB-' with a Positive Outlook on July 2, 2024.
- This affirmation reflects Fitch's unchanged assessment of GR's ties with the Georgian government, despite a slight weakening in operating performance in 2024.
- GR's financial profile remains in line with its Standalone Credit Profile (SCP) of 'b+'. The Positive Outlook mirrors that of the sovereign, highlighting the close linkage between GR and the government.

# CREDIT HIGHLIGHTS

## STRATEGIC ASSET FOR THE GEORGIAN ECONOMY WITH STRONG STATE SUPPORT

- *Systemically important infrastructure operator and partner in national and economic development;*
- *Critical role in maintaining strong economic relations with partner countries;*
- *29% of freight transportation in Georgia (2023), 1.0% of Georgia GDP;*
- *Directly owned by the Government of Georgia since December 2022.*

## UNIQUE STRATEGIC LOCATION & STRONG CUSTOMER RELATIONS

- *Uniquely positioned to capitalize on trade between Europe, the Caspian Sea region and Central Asia;*
- *A part of Caucasus railway corridor, a key segment of the TRACECA and Middle Corridor.*

## WELL INVESTED ASSET BASE

- *1,408 km railway, over 4,392 units of rolling stock and 586 containers owned (as at 31 December 2023)*
- *GEL 1.1 billion invested in Modernization project till June 2024.*

## STRONG MARGINS AND SOLID CASH FLOW GENERATION PROFILE BACKED BY FX-DENOMINATED REVENUE

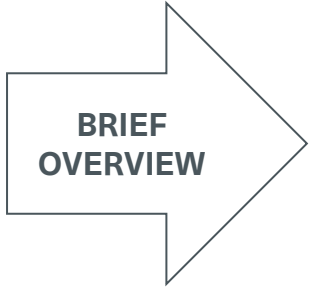
- *EBITDA margin surpassing railway industry average (34.2% in first six month of 2024);*
- *Expanding high-margin containerization and logistic services;*
- *Fully deregulated tariffs policy.*

## CONTINUOUS FOCUS ON SUSTAINABLE DEVELOPMENT

- *The cleanest transportation type, with 98% of GR's network being electrified;*
- *Important social function – providing affordable passenger transportation;*
- *One of the largest employer in Georgia, with over 11.8k people employed.*



# GEORGIAN RAILWAY OVERVIEW

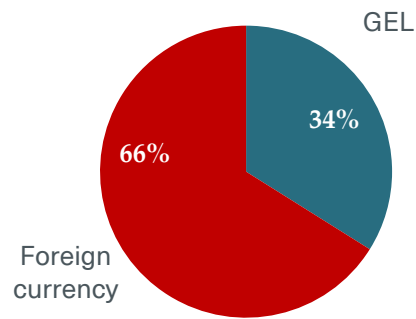


- Monopoly railway operator in Georgia, directly owned by the Government;
- Vertically integrated railroad company with fully deregulated freight and passenger tariff policy;
- 3 strategic business units (SBU): freight, passenger transportation and infrastructure;
- Freight Transportation SBU is GR's key business segment with ca. 71% share in GR's nine month period ended 30 June 2024 revenue. Over 60 of freight volume is transit in first six month of 2024;
- Unique strategic location. A key segment of the TRACECA corridor, the shortest route from the Caspian Sea and Central Asia to the Black Sea and the Mediterranean basin;
- Total number of employees: 11,881 people, as at 30 June 2024;

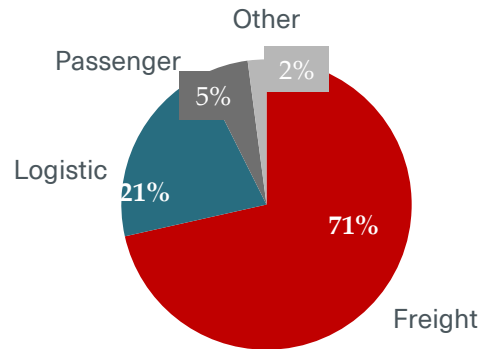


## REVENUE BREAKDOWN

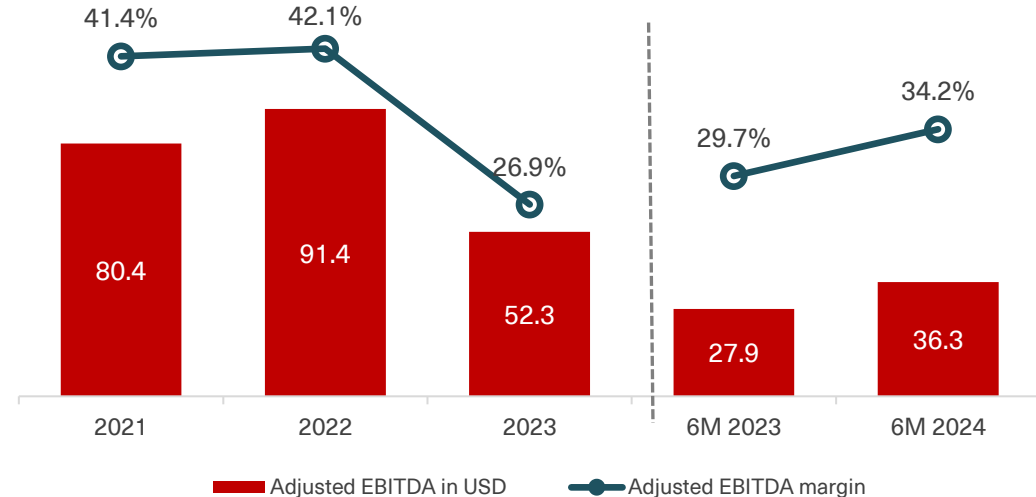
BY CURRENCY



BY BUSINESS SEGMENT



## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN



# VERTICALLY INTEGRATED BUSINESS MODEL

## WELL-INVESTED ASSET BASE

As at 31 December, 2023

**107 units**  
of own working locomotives

**4,392 units**  
of own rolling stock

**586**  
containers

## DEVELOPED INFRASTRUCTURE

As at 31 December, 2023

**1,408 km**  
Own rail track length

**99**  
Own and operating  
freight stations

**28**  
Passenger  
stations

  
Own repairs &  
maintenance facilities

## FULL SCOPE OF SERVICES

As at 30 June, 2024

**6.8 Mt**  
Freight volume

**1.0mn**  
Passengers

As at 30 June, 2024

**21% of revenue**  
from logistic services

**Vertical integration provides resilient and flexible business model**



GR's monopoly position



Efficient cost control  
all over the value chain



High entry barriers



Operating flexibility



Providing clients with full scope of  
freight & transportation services



Flexible tariff regulation

\* Including EMUs

# INTEGRATED TRANSPORTATION AND LOGISTICS COMPANY



## FREIGHT TRANSPORTATION SBU

- Conducts all the Group's freight operations: freight traffic; freight transportation; freight handling; freight car cross-border charge and repair works;
- Provides freight forwarding & logistics services - GR Transit, GR Transit Line, GR Logistics and Terminals, GR Trans Shipment;
- 5,108 employees as at 30 June, 2024.<sup>(1)</sup>

## PASSENGER TRANSPORTATION SBU

- Conducts all the Group's passenger operations:
  - Transportation of passengers within Georgia and internationally
  - Routine maintenance repairs;
- 1,014 employees as at 30 June, 2024.<sup>(1)</sup>

## INFRASTRUCTURE SBU

- Operates, maintains and manages the Company's railway network;
- Cost center serving freight and passenger activities;
- No material service to external customers;
- Implementation of Railway Modernisation Project;
- 4,524 employees as at 30 June, 2024.<sup>(1)</sup>

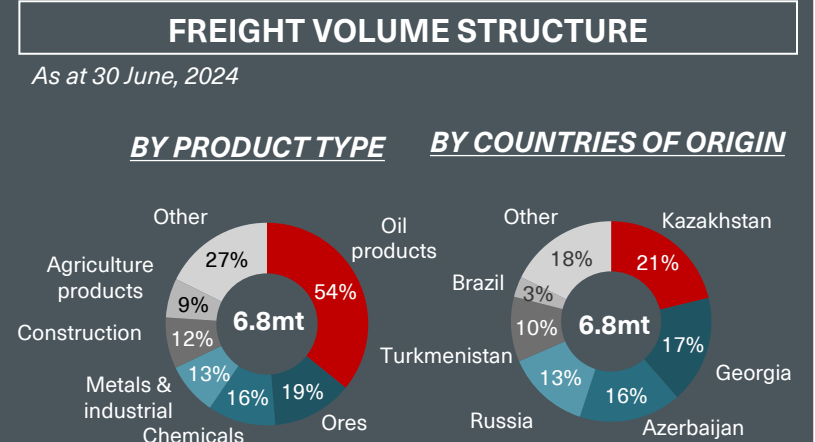
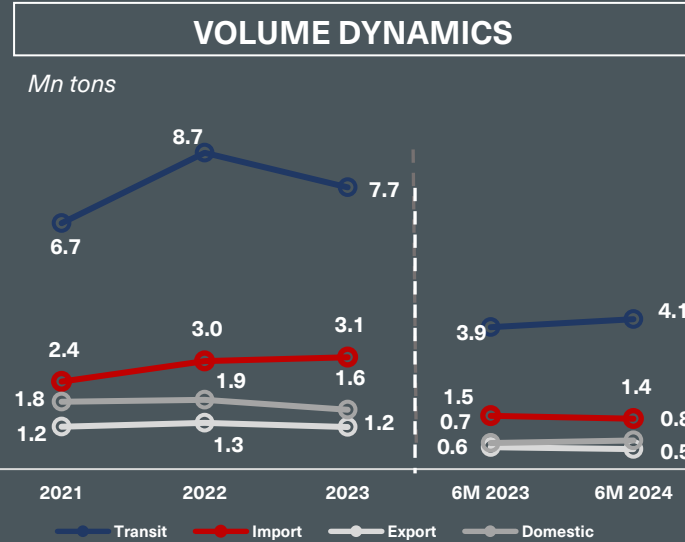
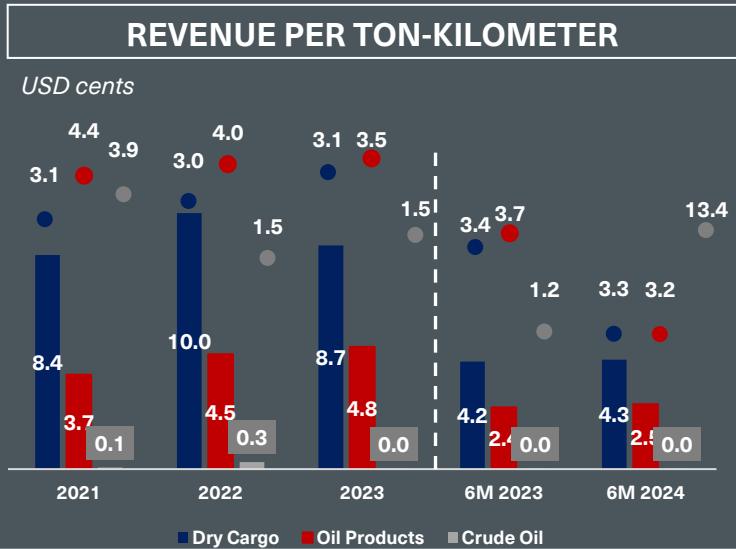
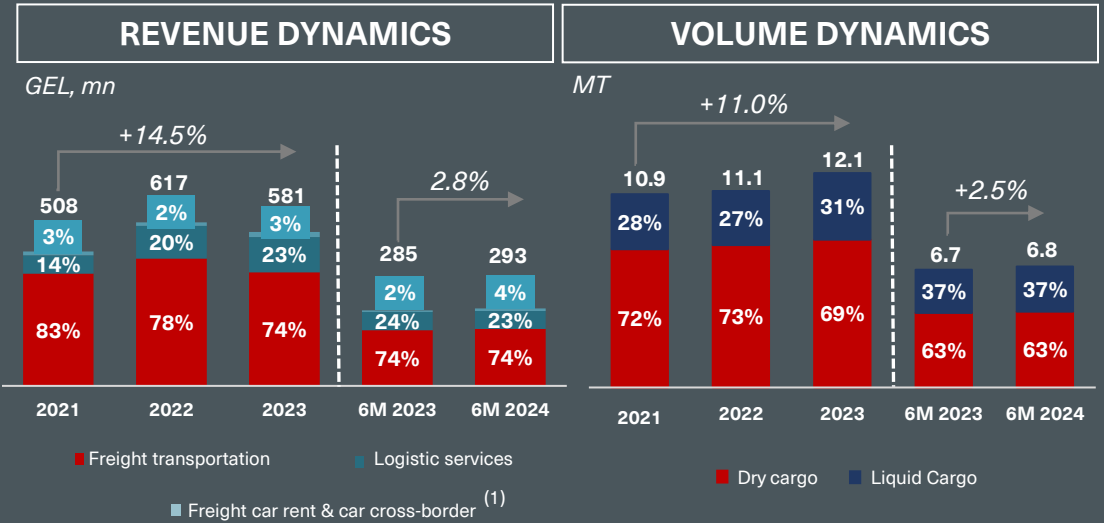


Note: (1) As of 30 June 2024, there were 11,881 employees working for GR, including 1,235 people who work for the head office and its subsidiaries.

# FREIGHT TRANSPORTATION SEGMENT OVERVIEW



- Freight Transportation SBU is the Group's key business segment, accounted for 68% of the GR's revenue in the first six months of 2024;
- Conducts all the Group's freight operations: Freight Transportation; Freight Handling; Rent of wagons and other rental income; Freight car cross-border charge;
- Most of the freight is transported from Georgia, Azerbaijan and Russia to Georgia and Black sea ports;
- GR is mainly a transit railway and transports a large portion of its cargo using third-party rolling stock. In 2022 37 percent of total cargo was transported by GR wagons;
- This reduces the need to own rolling stock and limits CAPEX requirement to support future growth;
- Number of employees 5,221 as at 31 December 2023.



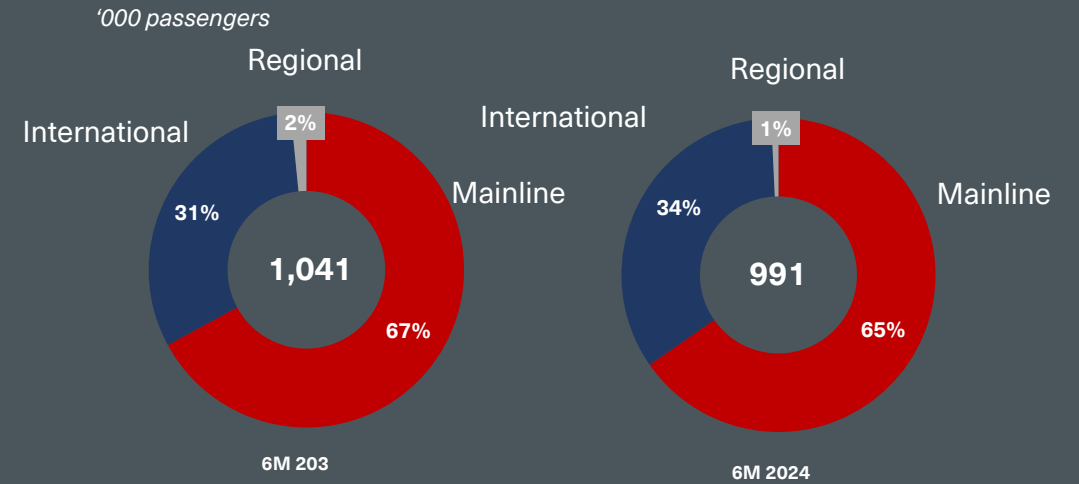
Note: (1) Includes rent of wagons and other rental income (3.1mn GEL in 9M 2023) and freight car cross-border charge (11.5mn GEL in 9M 2023).

# PASSENGER TRANSPORTATION SEGMENT OVERVIEW

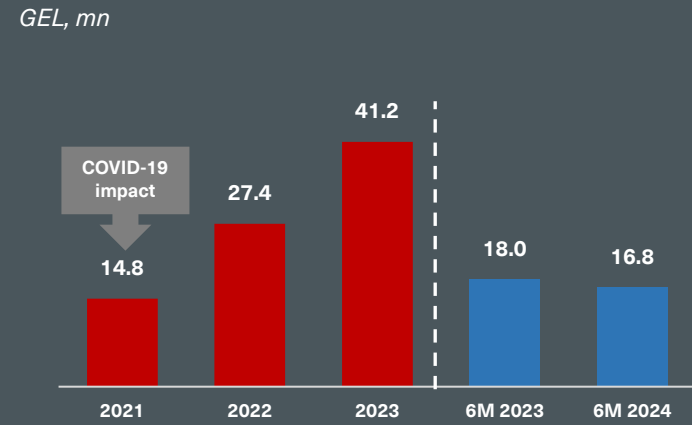
## BRIEF OVERVIEW

- GR is the national passenger railway of Georgia and has strategically important social function;
- Passenger SBU transports passengers within Georgia and on international routes, connecting Georgia with Azerbaijan and Armenia;
- GR and the Government of Georgia are expected to enter into a public service contract for compensation of the Passenger services;
- Due to Covid-19 pandemic, passenger transportation was terminated several times resulting lower number of passengers and revenues in 2020 and in 2021;
- GR intends to modernize the railroad and electric supply infrastructure between Tbilisi and Batumi (315km), incl. the 64km mountainous Gorge region, after which the speed of the passenger train is expected to increase from 80km/h to 120km/h, and from 50km/h to 80km/h at the crossing area.

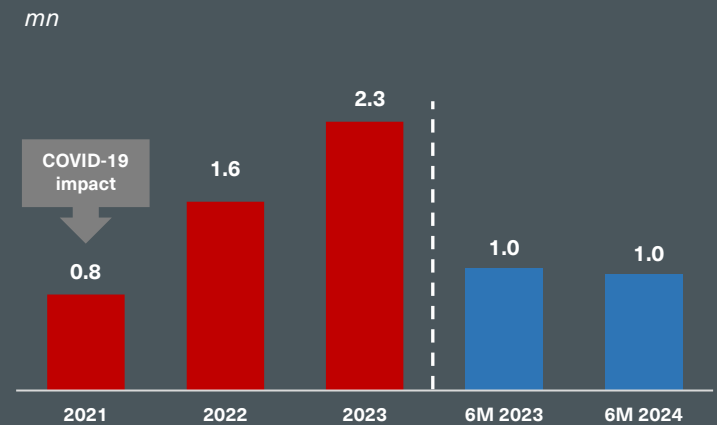
## PASSENGERS BY TYPE OF JOURNEY



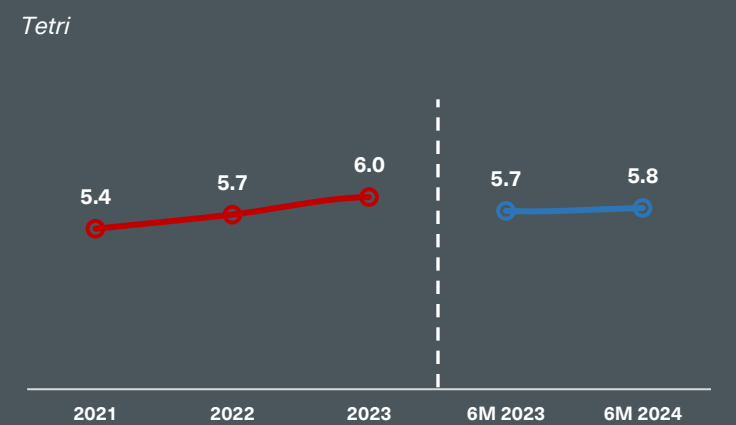
## PASSENGER SBU REVENUE



## NUMBER OF PASSENGERS TRANSPORTED



## REVENUE PER PASSENGER-KM



# WELL-INVESTED INFRASTRUCTURE & DIVERSIFIED RAILCAR FLEET

## BRIEF OVERVIEW

- Infrastructure SBU operates, maintains and manages GR's principal infrastructure assets, incl. track, embankments, signaling, land, electric power lines etc.
- GR is 100% owner and monopoly operator of all railway infrastructure in Georgia
- GR's rail network is connected to Azerbaijani, Armenian and Turkish railways (BTK route). It is also connected with the Russian railways through Abkhazia (inactive at the moment).
- Current railroad capacity: 27 mln tons of cargo annually. It is expected to be extended to 48mt by 2024 (Modernization Project)
- GR's growth strategy is focused on the modernization of the existing infrastructure to facilitate freight growth and decrease operating expenses
- GEL 1,943 mn book value of PPE as at 30 June 2024

## KEY NUMBERS



**1,408km**  
Network length



**98%**  
Fully electrified



**99**  
Freight stations



**293km**  
Double-Track line length



**42**  
Railroad tunnels



**586**  
Containers



**1,348**  
Railroad bridges



**4,499<sup>(1)</sup>**  
Number of rolling stock



**28**  
Passenger stations

As of 31 December 2023

## ROLLING STOCK

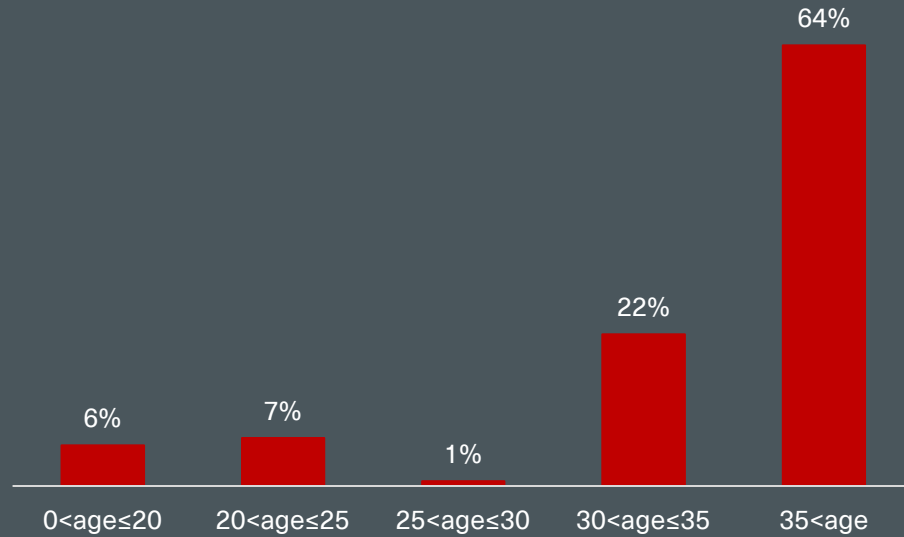
<b>Working locomotives</b>	<b>107</b>
<i>Electric</i>	67
<i>Diesel</i>	23
<i>EMU</i>	17
<b>Working freight railcars</b>	<b>4,392</b>
<i>Box Car</i>	1,134
<i>Cement Hopper</i>	37
<i>Grain Hopper</i>	1,378
<i>Open Top Box Car</i>	372
<i>Other</i>	33
<i>Platform Car</i>	206
<i>Refrigerator Car</i>	102
<i>Tank Car</i>	1,130
<b>Total number of rolling stock</b>	<b>4,499</b>



Note: (1) Sum of working locomotives and railcars

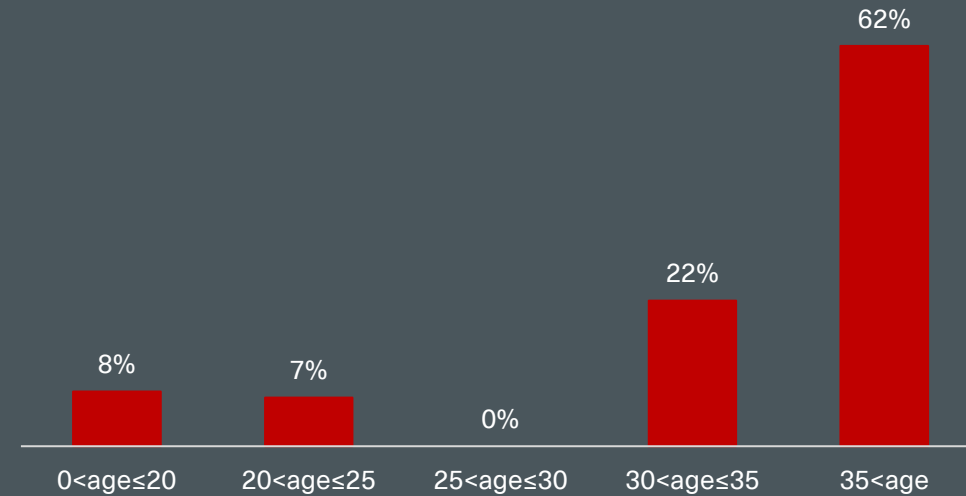
## DISTRIBUTION OF WAGON FLEET BY AGES

As of 31 December, 2023



## DISTRIBUTION OF LOCOMOTIVES BY AGES

As of 31 December, 2023



## COMMENT

- Georgian Railway's strategy is to maintain an optimal number of wagons to ensure availability for current and future demand on transportation;

# INVESTMENT PROGRAMME WITH FOCUS ON MODERNISATION

## BRIEF OVERVIEW

- GR's main investments support long run growth potential, through investments in infrastructure;
- GR is mainly a transit railway, the Group transports a large portion of its cargo using third-party rolling stock, thus minimizing its fleet CAPEX requirements;
- Modernization Project is the key GR's CAPEX program aiming to increase transportation capacity of the gorge region in central Georgia.

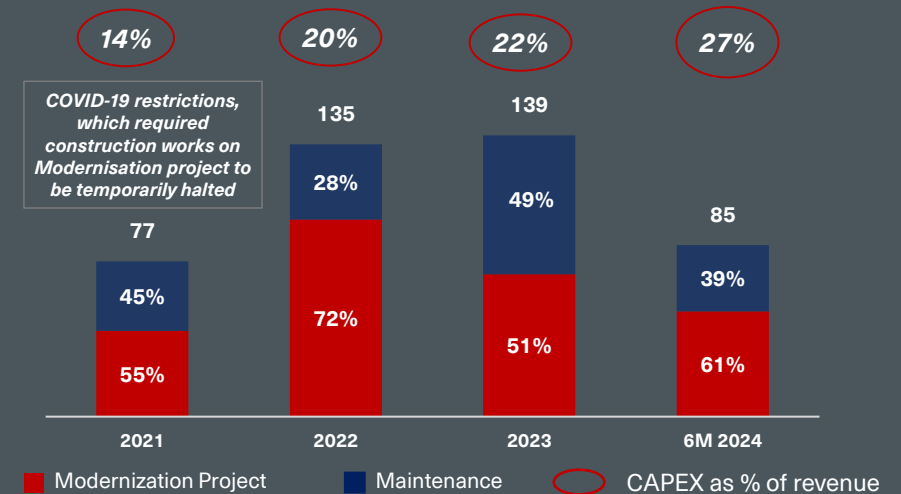
## MAJOR ACTIVE CAPEX PROJECTS

### MODERNISATION PROJECT

- Over GEL 1.1 billion invested (in 2010 – 2024(first 6 months of 2024))
- Key goal: increase transportation capacity from 27mt to 48mt with further expansion to 100mt per annum
- 98.5% completed as of 2023.
- Expected completion: 2024

## HISTORICAL CAPEX SPLIT

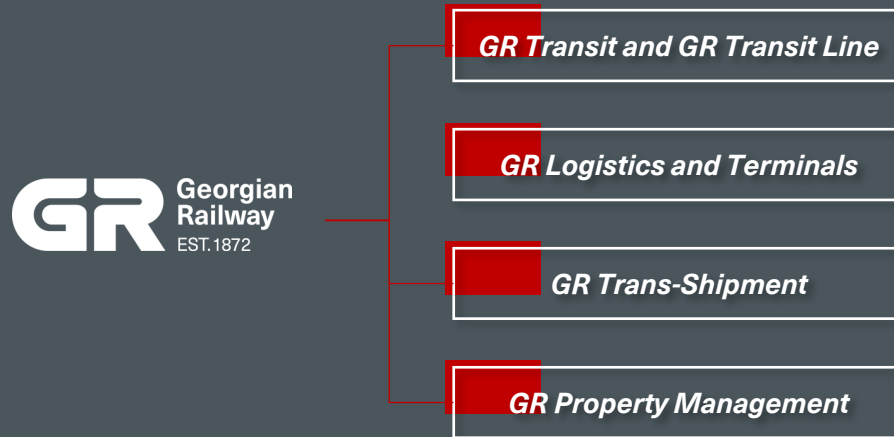
GEL, mn





# FREIGHT FORWARDING & LOGISTICS SERVICES

## GR'S KEY SERVICE SUBSIDIARIES

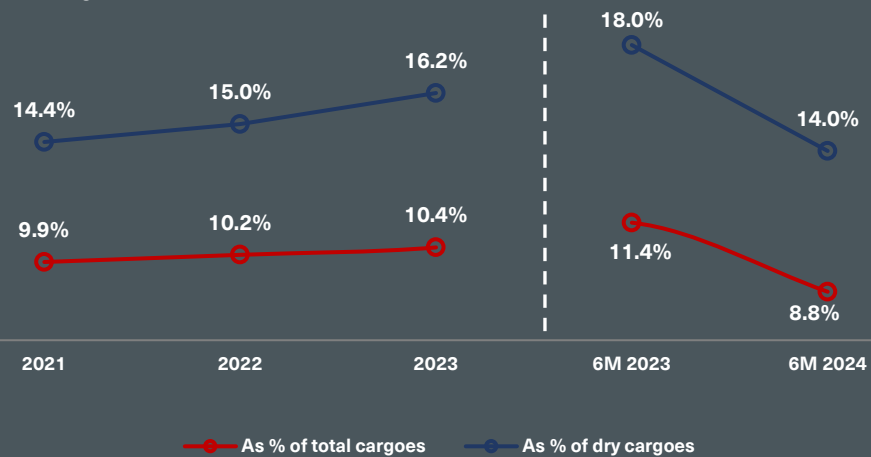


## BRIEF OVERVIEW

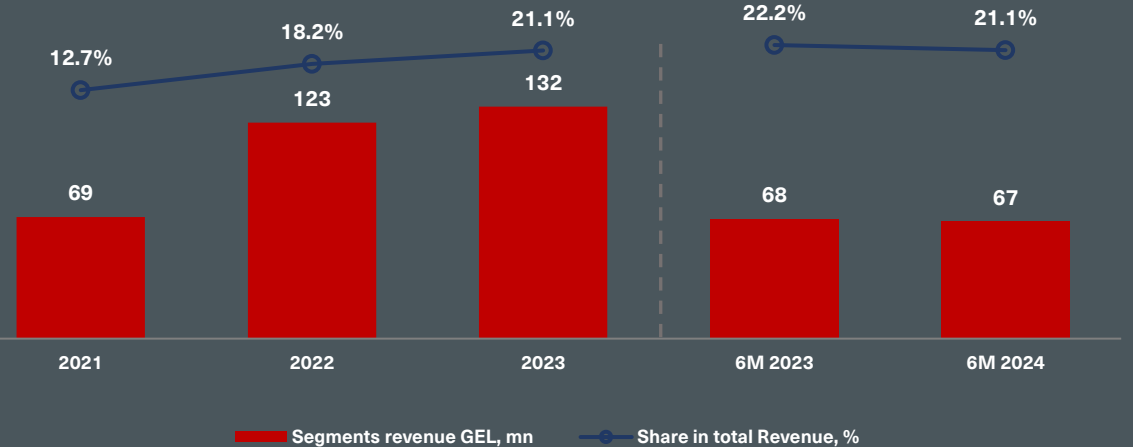
- GR Transit and GR Transit Line – freight forwarders, which serve crude oil and oil products transportation mainly from Azerbaijan, Kazakhstan and Turkmenistan
- GR Logistics and Terminals creates container terminals and other necessary infrastructure to develop presence in container transportation market
- GR Trans-Shipments manages the oil terminal operator in Batumi Port
- GR Property Management operates GR's railway-related assets such as land, depots and stations, and non-core assets

## SHARE OF CONTAINERIZED CARGO

As % of freight volume

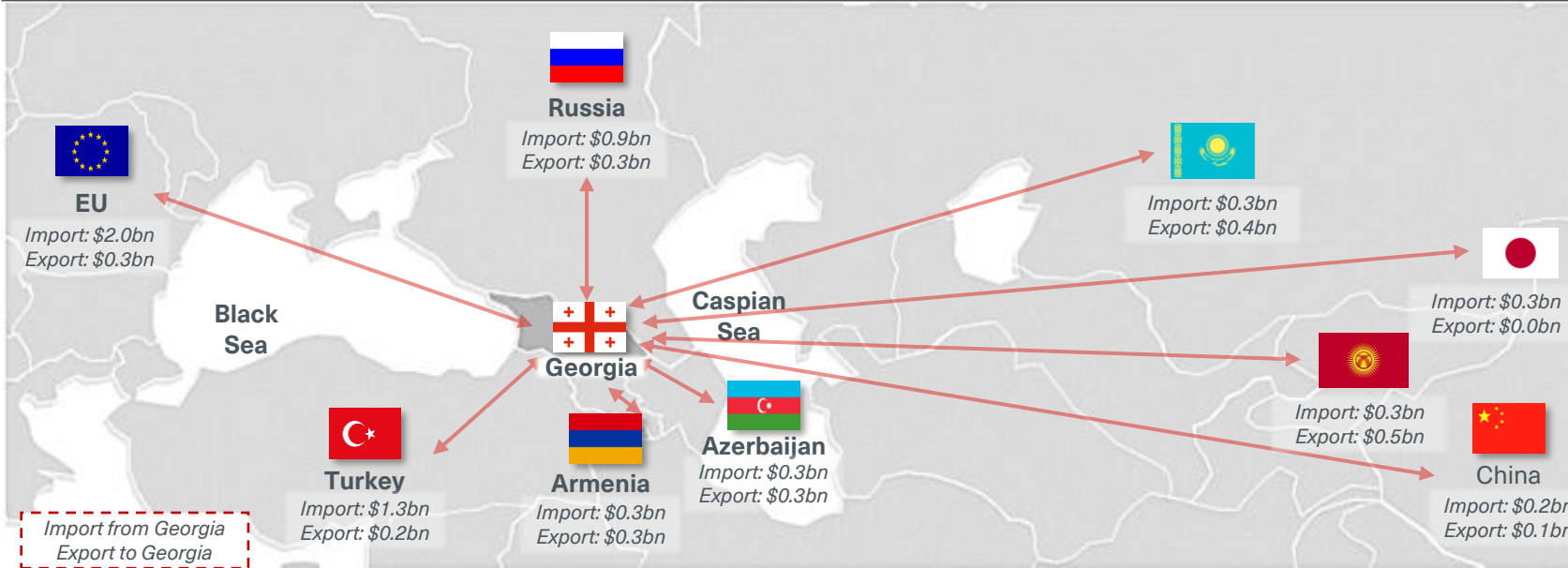


## LOGISTICS SERVICES REVENUE EVOLUTION



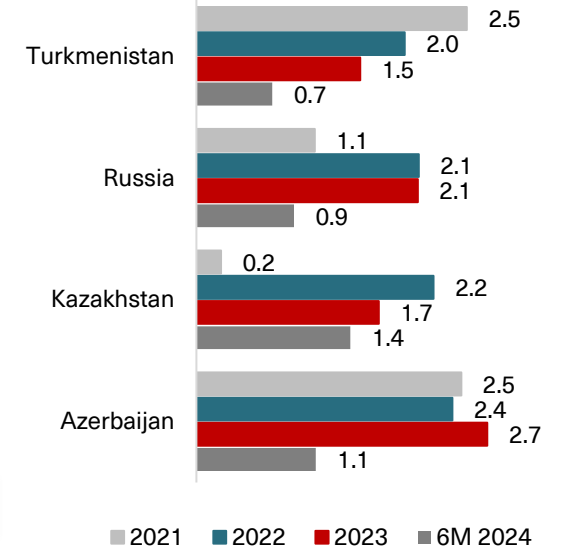
# UNIQUE STRATEGIC LOCATION...

## POSITIONED TO CAPITALISE ON INCREASING TRADE FLOWS BETWEEN EUROPE, THE CASPIAN REGION AND CENTRAL ASIA\*



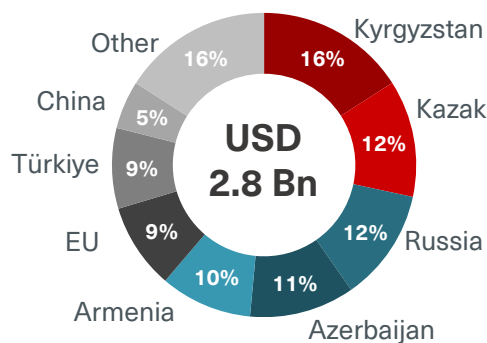
## GR'S TRANSPORTATION VOLUME<sup>(1)</sup>

MT, As at 30 June, 2024



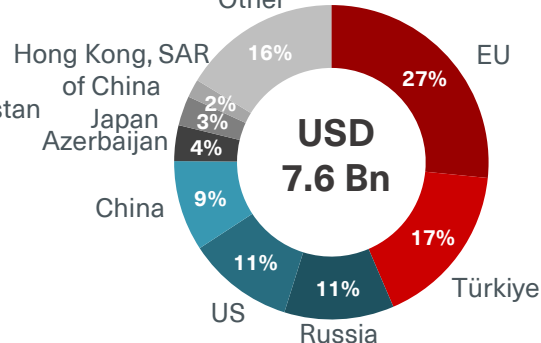
## GEORGIA'S TOTAL EXPORT\*

As at 30 June, 2024<sup>(2)</sup>



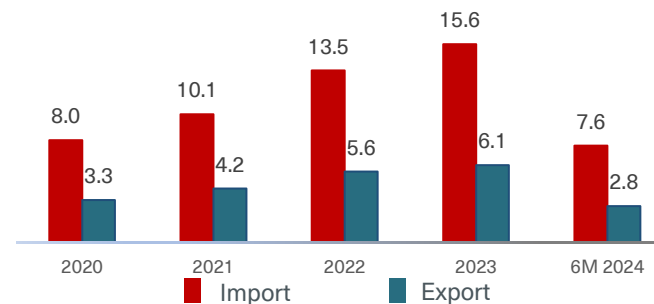
## GEORGIA'S TOTAL IMPORT\*

As at 30 June, 2024<sup>(2)</sup>



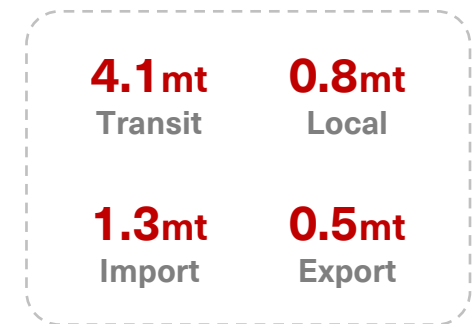
## GEORGIA IS A NET IMPORTER\*

USD, bn



## GR'S FREIGHT VOLUME

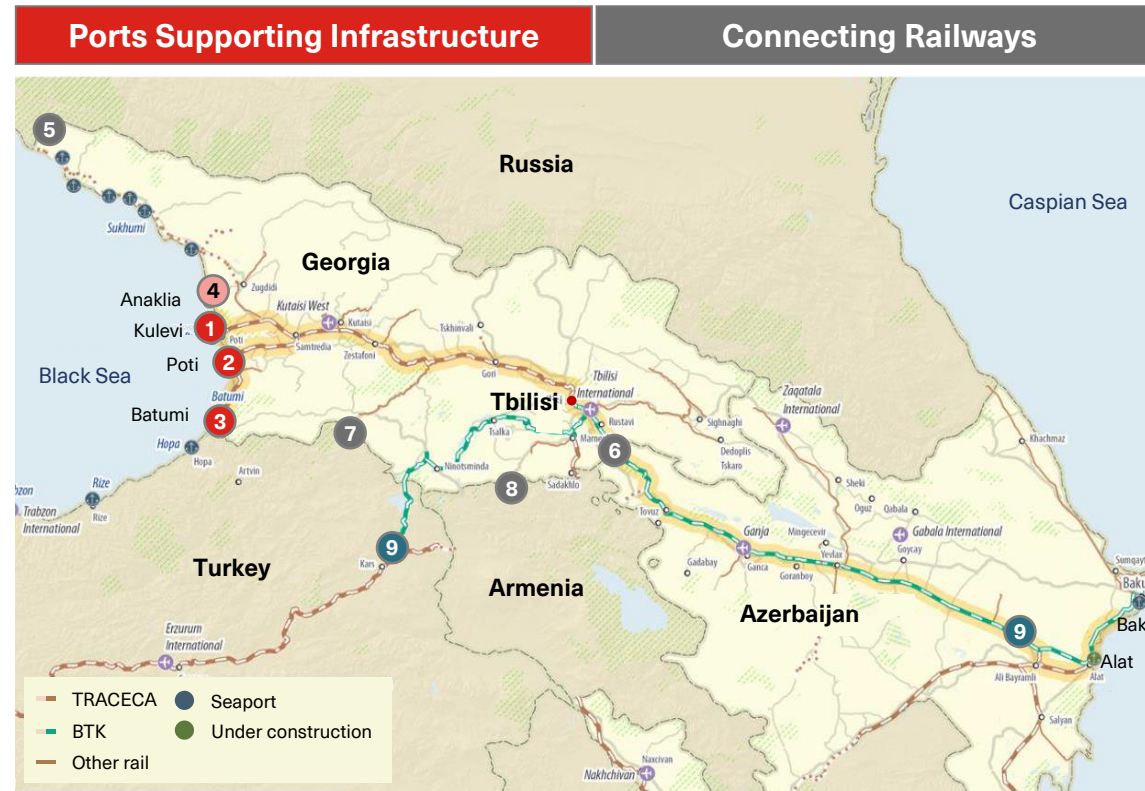
As at 30 June, 2024



Sources: Geostat.ge (for total import and export statistics and import and export statistics by countries)\* Preliminary data, Company data for GR's transportation and freight volumes  
Note: (1) GR's cargo volumes (both import into Georgia and transit) by origination countries. (2) Preliminary data.

# ...WITH WELL-DEVELOPED INFRASTRUCTURE AND NUMBER OF INTERNATIONAL PROJECTS

1 KULEVI
<ul style="list-style-type: none"> <li>Liquid cargo</li> <li>Operated by Vitol, SOCAR</li> <li>Current capacity of 10mt p.a.</li> <li>Expandable to 20mt p.a.</li> </ul>
2 POTI
<ul style="list-style-type: none"> <li>Liquid and dry cargo</li> <li>Free Economic Zone near Poti</li> <li>Current capacity of 600k TEU</li> <li>Planning to increase capacity with est. investment of USD 300mn</li> </ul>
3 BATUMI
<ul style="list-style-type: none"> <li>Liquid and dry cargo</li> <li>Current capacity of ca. 15mt p.a.</li> <li>Expandable to 28mt p.a.</li> </ul>
RAIL FERRIES
<ul style="list-style-type: none"> <li>Rail ferry connection to Bulgaria, Russia, Ukraine and Turkey</li> <li>Rail ferries connecting Azerbaijan ports with Central Asia</li> </ul>
4 DEEP-SEA PORT <sup>(1)</sup>
<ul style="list-style-type: none"> <li>Construction of a new Anaklia Deep Sea Port for handling large vessels with all required infrastructure</li> <li>Alternatively – reconstruction of Poti to make it a deep-sea port</li> </ul>



5 RUSSIA
<ul style="list-style-type: none"> <li>Inactive link through Abkhazian part of Georgian Railway</li> </ul>
6 AZERBAIJAN
<ul style="list-style-type: none"> <li>Largest GR rail connection, originating or receiving well over half of GR tonnage</li> </ul>
7 TURKEY
<ul style="list-style-type: none"> <li>Active connection after Baku-Tbilisi-Kars Project</li> <li>Currently operating in test regime</li> </ul>
8 ARMENIA
<ul style="list-style-type: none"> <li>Operated under concession to Russian Railways as South Caucasus Railways (SCR)</li> <li>Currently only other active GR rail connection</li> </ul>
9 BTK <sup>(2)</sup> PROJECT
<ul style="list-style-type: none"> <li>Connecting Azerbaijan and Turkey with a railway link through Georgia;</li> <li>Reconstruction of a 178km long railway in Georgia;</li> <li>Started operating in test regime in 2017, expected completion in 2024.</li> </ul>
Feeders On Caspian And Black Sea
<ul style="list-style-type: none"> <li>Adding additional feeder in Caspian Sea connecting Kazakhstan and Azerbaijan. Operating since 2019, capacity 225 TEU</li> <li>Additional feeder connecting Poti port with Ukraine (Odessa). Operating since 2019, capacity 1,200 TEU</li> </ul>
CHINA-TURKEY ROUTE
<ul style="list-style-type: none"> <li>A new route from China to Georgia and through Georgia to Turkey, Europe and the countries of the Mediterranean Basin;</li> <li>Increasing importance of BTK line.</li> </ul>

Note: (1) Potential project (2) Baku-Tbilisi-Kars railway line

# THE GROUP'S STRATEGY

## FINANCIAL SUSTAINABILITY

- The company strives for a return on assets of 5% on average;
- Strengthening the core business and developing the supply chain in the transport corridor passing through Georgia;
- Continuous investment in human resources to develop necessary skills of managers and other employees.

## STRENGTHENING OF THE FREIGHT TRANSPORTATION BUSINESS

- The redemption of the locomotive factory and improvement of the locomotive park at its base;
- Constant negotiations with neighbouring railways to ensure competitive pricing for the TRACECA;
- Short-term contracts for maintaining operational and price flexibility.

## STRENGTHENING OF THE PASSENGER TRANSPORTATION BUSINESS

- Adjusting passenger train timetables to optimize utilization;
- Providing substantial discounts on tickets;
- Easing the accessibility of tickets via different sales channels;
- Launching a marketing campaign to attract potential customers.

## DEVELOPMENT THROUGH MODERNIZATION PROJECT

- GR launched the Modernization Project in 2010 and it is due for completion in 2024. Mentioned project will:
- Eliminate the need for extensive capital expenditures for the maintenance of existing tracks;
- Increase transportation speed along the line, offering improved services for freight and passenger customers;
- Further increase transportation safety levels; and
- Reduce operational expenses.

# THE GROUP'S STRATEGY continued

## DEVELOPMENT OF SUBSIDIARY COMPANIES

- Ensure cargo and revenue growth through improved logistic services;
- Increase the efficiency of non-profile asset management;
- Increasing the awareness of the Company through marketing campaigns.

## HEALTH, SAFETY AND ENVIRONMENTAL SUSTAINABILITY

- Every employee and contractor is fully engaged in occupational safety procedures, identifying potential risks and reporting any incidents promptly.
- Monthly inspections are conducted on the workplaces and a monthly incidents report system has been established;
- Waste management goals and objectives;
- Methods for temporary storage of waste;
- Waste transportation rules and waste treatment methods;

## EMPLOYEES

- Promotes business education among employees, financing employees' training and education;
- Established bonus and a loyalty system;
- Insurance package that is specifically designed to meet the needs of GR employees.

# CONTINUOUS FOCUS ON SUSTAINABLE DEVELOPMENT

## E



- ✓ Green transportation with low carbon emissions
- ✓ 98% of the railway is electrified



- ✓ Responsible waste management:
- ✓ All hazardous waste is disposed
- ✓ Iron waste (old rolling stock etc.) is sold out to third parties for recycling



- ✓ Commitment to high ESG standards in new CAPEX projects

## S



- ✓ Over 11,800 people employed
- ✓ The largest employer in Georgia, providing employment opportunities all over the country
- ✓ Established HSE<sup>(1)</sup> policy



- ✓ GEL 6.6mn employees' healthcare and insurance expenses as at 30 June, 2024



- ✓ Own Railway transportation college established in 2015

## G



- ✓ Adherence to the best governance standards
- ✓ All BoD members are independent
- ✓ 3 committees established on the BoD

Note: (1) Health, safety and environmental

# ENVIRONMENTALLY-FRIENDLY TRANSPORTATION MODE

*GR' acts with a slogan "GREEN IS OUR CHOICE"*



**RAILWAY IS ONE OF THE MOST ENVIRONMENT-FRIENDLY TRANSPORTATION MODES. ACCORDING TO INTERNATIONAL ENERGY AGENCY (IEA)<sup>1</sup> ACHIEVING THE AMBITIOUS GOALS OF THE PARIS AGREEMENT WILL REQUIRE A TRANSPORT MODAL SHIFT, PARTICULARLY FROM ROAD AND AIR TRANSPORT TO RAIL**

Note: (1) <https://www.iea.org/reports/the-future-of-rail>

# STRONG SOCIAL IMPACT AND COMMITMENT TO ENSURE SAFE WORKING ENVIRONMENT



GR is the largest employer and taxpayer in Georgia, providing workplaces to more than 12,000 people all over the country



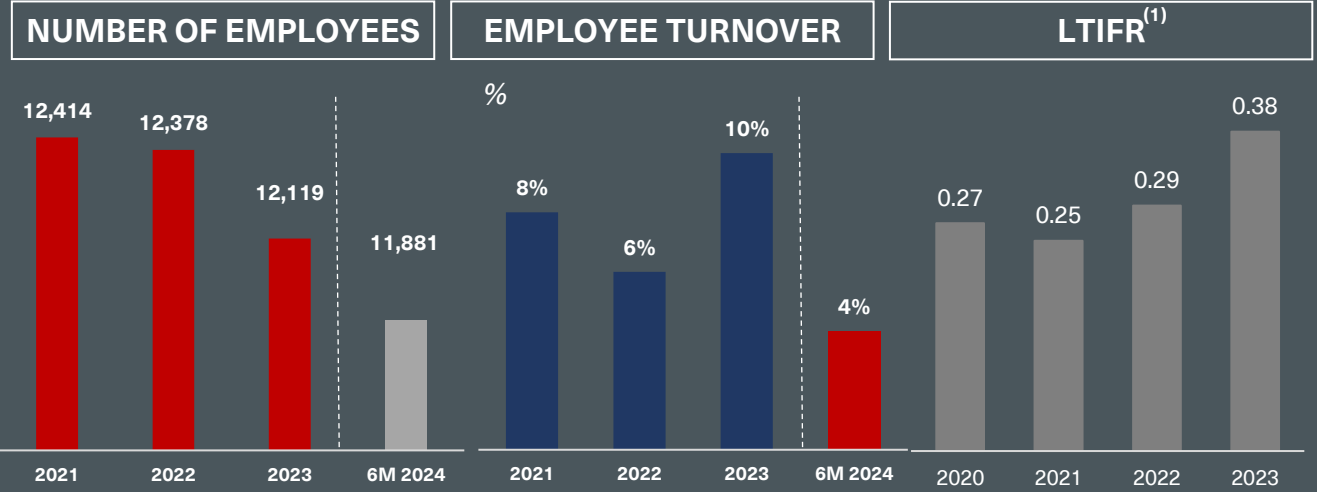
Providing passenger transportation with affordable tariffs is socially important and benefits regional development of the country



Adherence to the best health & safety standards and management systems (ISO certification, SAP and 6 SIGMA programs)

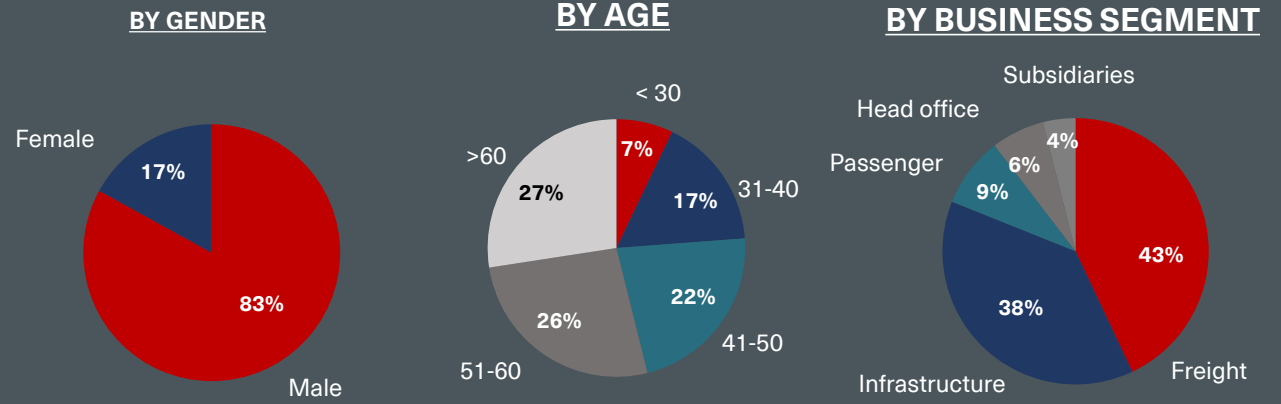


- Established Health & Safety Policy
- Ca. 59% of the Group's employees are member of one or more trade unions<sup>(2)</sup>



## EMPLOYEE STRUCTURE

As at 30 June, 2024



Note: (1) Lost time injury frequency rate



# ROBUST GOVERNANCE STANDARDS

## COMMITMENT TO ROBUST GOVERNANCE STANDARDS

### SUPERVISORY BOARD

5 members in total, all of them independent and non-executive<sup>(1)</sup>



Indicates independent director

### ESTABLISHED COMMITTEES

**AUDIT COMMITTEE** <sup>(2)</sup>



**NOMINATION COMMITTEE** <sup>(2)</sup>



**REMUNERATION COMMITTEE** <sup>(2)</sup>



## SUPERVISORY BOARD STRUCTURE



**KONSTANTINE GUNTSADZE**

*Chairman of the Supervisory Board  
Independent Member*

10

- The main field of competence: Jurisprudence
- 22 years of work experience in the industry
- With GR Group, over 13 years



**OLEG BICHIASHVILI**

*Independent Member*

10

- The main field of competence: Logistics
- 51 years of work experience in the industry With
- GR Group, over 50 years



**BEKA INJIA**

*Independent Member*

3

- Main field of competence: Jurisprudence
- 19 years of working experience in the industry
- With GR Group for over 4 years



**GIORGI MUSKHELISHVILI**

*Independent Member*

1

- Main field of competence: Engineering
- 31 years of working experience in the industry
- With GR Group for 2 year



**DAVID SAMKHARASHVILI**

*Independent Member*

2

- The main field of competence: Jurisprudence
- 18 years of working experience in the industry
- With GR Group for over 17 years

XX – Number of years in supervisory board



– Independent Member

# GR – A STRATEGIC ASSET FOR THE GOVERNMENT OF GEORGIA

## GRAIL'S STRATEGIC IMPORTANCE FOR THE STATE GOVERNMENT

- GR is a major tax and GDP contributor and one of the largest employers in the Georgian economy. GR's revenue contributes to around 1.0% of Georgia's GDP
- Railway represents around 30% of total transported cargo in Georgia
- Development of transportation is the key strategic goal of the Government – positioning as the transportation hub in the Caucasus, connecting Asia to Europe and Turkey
- The Group has critical role in the sustainable development of the country's economy
- GR plays a critical role in maintaining strong economic relations between Georgia and its partner countries such as Azerbaijan, Armenia, Kazakhstan, Tajikistan, Turkey and Turkmenistan

## SOCIALLY IMPORTANT TRANSPORTATION SEGMENT

- GR provides essential passenger transportation services with considerably low tariffs to meet the Government's interest in transportation issues within Georgia
- Keeping affordable transportation tariffs are socially important and benefits regional development of the country



## TRACK RECORD OF GOVERNMENT SUPPORT

- Government supports GR with many initiatives such as share capital contributions, property tax exemption on railroads and transmission lines, land and infrastructure contribution, and subsidies
- Examples of Gov. Support: Subsidies on passenger SBU based on EU regulation 1370/2007 effective from 2018; Re-investment of dividend payable in 2015 and 2016 for the passenger station in Batumi

## STRATEGIC IMPORTANCE FOR TRACECA

- Transit shipment takes about 60% percent of the Group's freight transportation volume
- Trans-Caucasus corridor represents a viable option to increase resilience and diversity of shipment routes

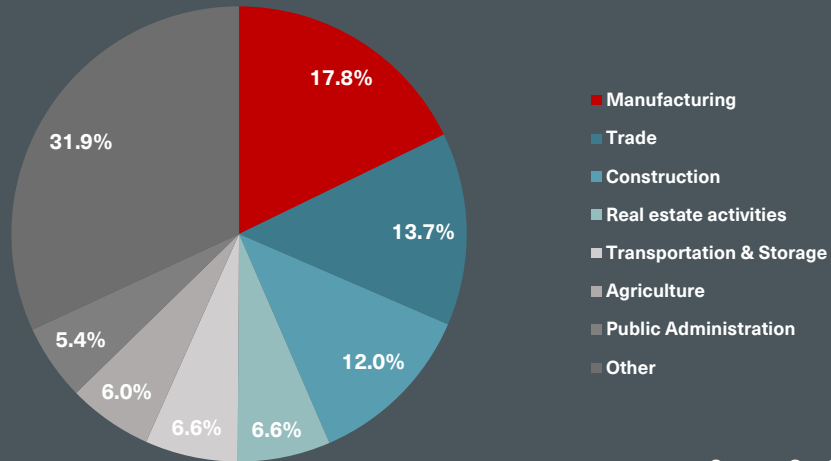
## MONOPOLY POSITION

- The Group is the sole Railway operator in Georgia
- GR is directly owned and controlled by the Government of Georgia from December 2022. Before that, 100% shareholder of the Company was Partnership Fund, which in turn is fully owned by the Government.
- GR has deregulated tariff policy and enjoys independence in its tariff setting, making it more flexible

# GEORGIA'S OPEN ECONOMY IS DIVERSIFIED MOSTLY DRIVEN BY EXTERNAL INFLOWS

## GDP BREAKDOWN BY SECTORS

FY 2023<sup>(1)</sup>

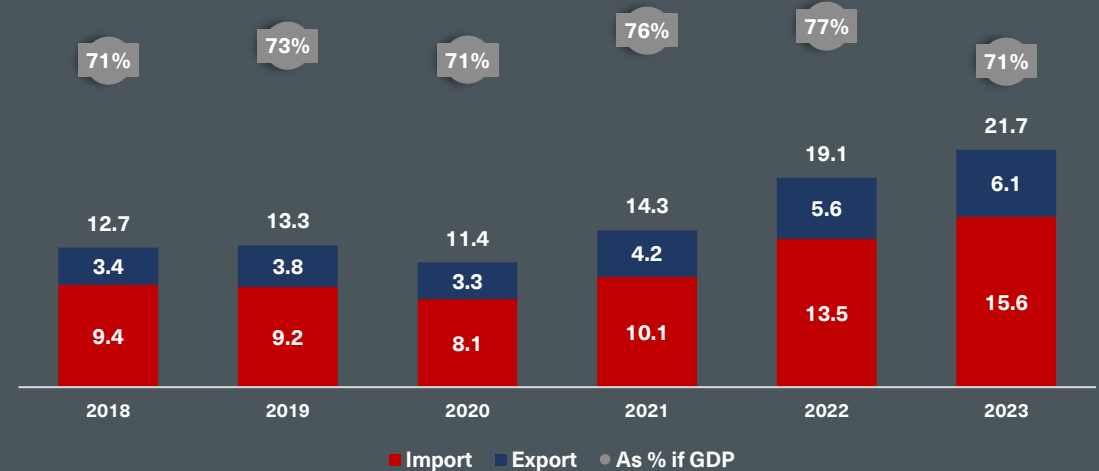


Source: GeoStat

- Georgia's GDP structure is relatively diversified with services accounting for the largest share of the economy
- Exports, tourism, remittance and FDI inflows, accounted for ca. 58% of GDP in 2019 and represent the backbone of the economy. The figure dropped to ca. 40% in 2020 due to a major decrease in tourism inflows as a result of the pandemic but reverted to c. 49% in 2021 in line with eased travel restrictions. In FY ended 31 December 2022 the figure increased to 182% and in FY ended 31 December 2023 the figure increased by 17%..
- Remittance inflows, an important driver of the economy, account for significant portion of household income. Over Due to Russia Ukraine war, migration from Russia to Georgia increased significantly. Due to increased migration Russia share in remittance inflow increased from 18 percent (in 2021) to 53 percent (in 2022). In 2023 the share of Russia decreased.

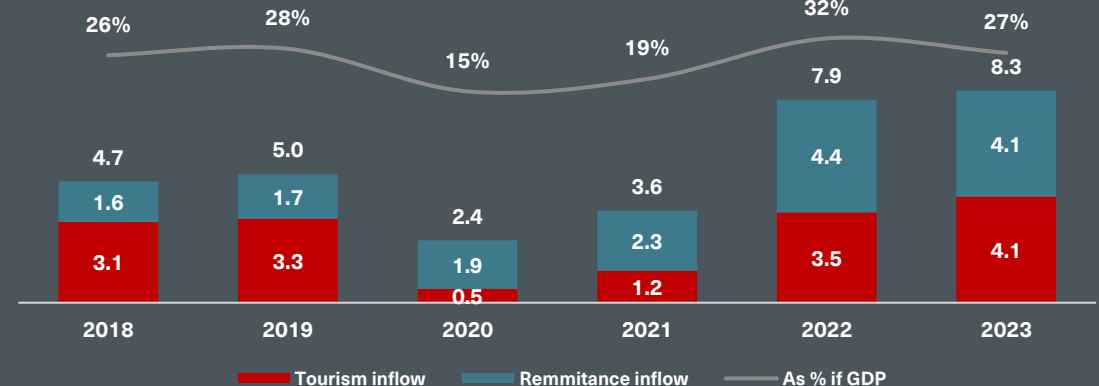
## GEORGIA'S EXTERNAL TRADE TURNOVER

USD bn



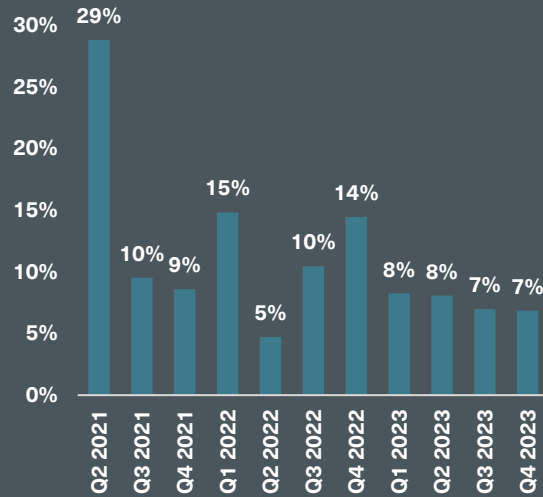
## REMITTANCE AND TOURISM INFLOWS

USD bn



# RECENT TRENDS: NON-TOURISM ECONOMIC FACTORS HAVE DEMONSTRATED RESILIENCE

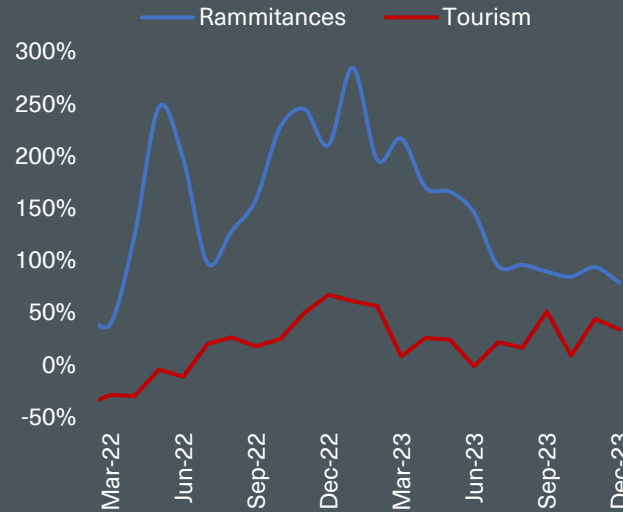
## REAL GDP GROWTH (% , YOY)



Source: Geostat

- Georgia's GDP took the biggest hit in Q2 2020 due to the pandemics, with another setback in Q4 as a result of the second wave of the virus. Increased mobility and economic activity, as well as the base effect caused a major jump in the Georgian economy in Q2 2021, country maintains relatively high growth. In 2021 GDP growth was 10.5%. In 2022 GDP growth was 11.0 % and in 2023 GDP growth was 7.5%.

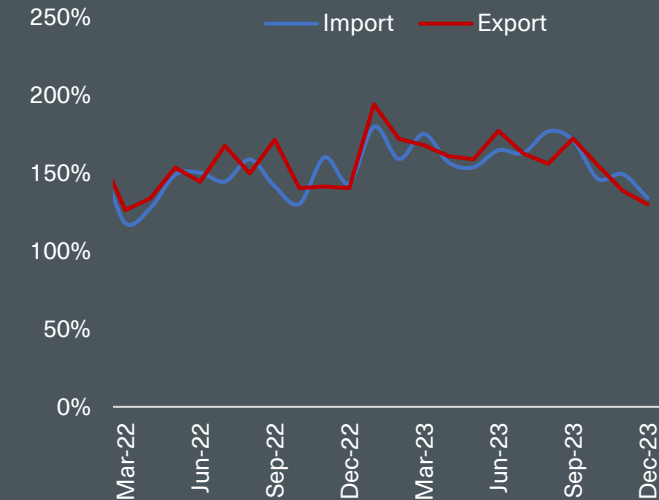
## INFLOWS (% , CHANGE VS. 2019)



Source: NBG

- Tourism inflows plummeted shortly after the beginning of the pandemic in Q2 2020 with a notable recovery throughout 2021 and the current year. In 2023 tourism inflows increased by 26% compared to the pre-pandemic level.
- Remittance inflows, on the other hand recovered shortly after the major decrease in Spring 2020 and has posted double-digit growths throughout the rest of 2020 as well as 2021 and in 2022 increased 2.5 times (due to Russia-Ukraine war) and in 2023 increased 1.4 times compared to 2019.

## EXTERNAL TRADE (% , CHANGE VS. 2019)

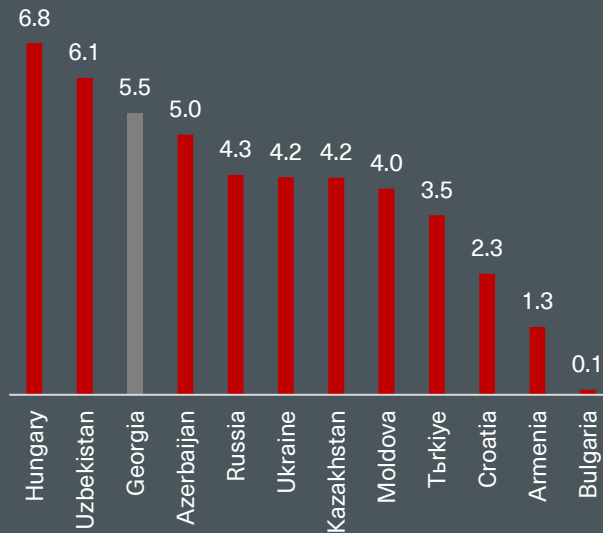


Source: Geostat

- Imports have remained same as 2019 levels in 2021, but in 2023 compared to 2019 import increased 1.6 times.
- Despite the challenging global and regional environment, a major recovery has been observed in Q3 2020. In 2021 the export level was little higher than 2019 and in 2022 it increased 1.6 times compared to 2019. In Q4 2023 external trade maintained growth.

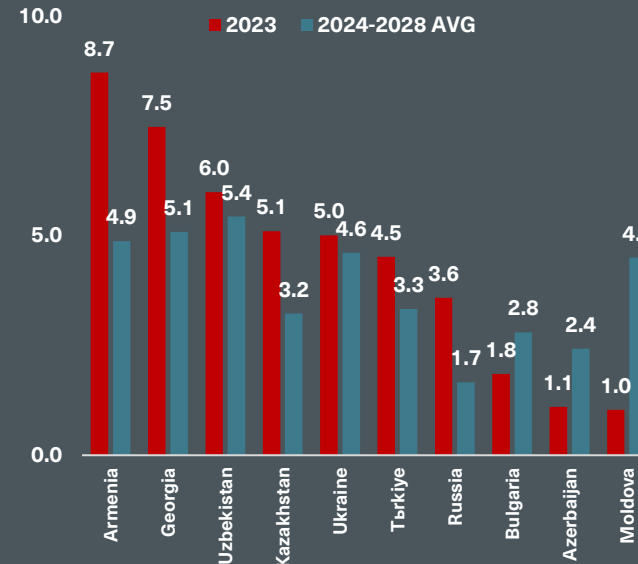
# LONG TERM BENCHMARKING: STRONG TRACK RECORD OF GROWTH FOR GEORGIA WITH PRUDENT MACRO POLICIES

GDP growth over 2010-23<sup>(1)</sup>



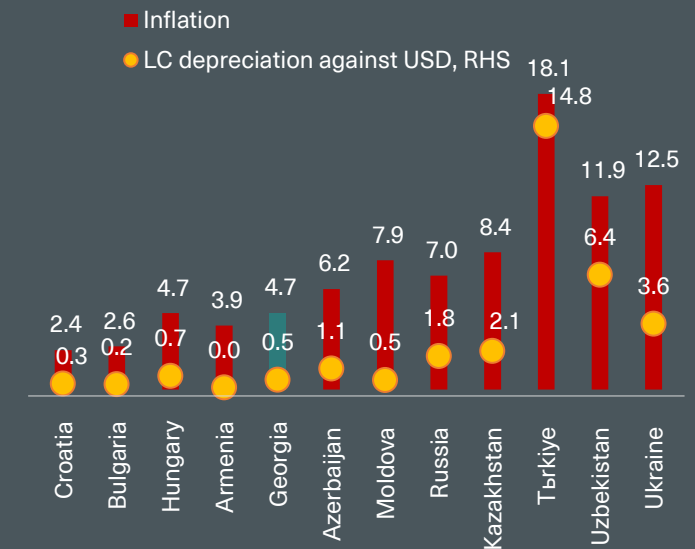
- Georgia's GDP growth averaged 5.5% in the last 13 years – among the highest in the broader region
- Prudent macro policies continued structural reforms and an attractive business environment are major drivers of strong economic growth in the country

GDP growth in 2023<sup>(1)</sup> and long term projections



- According to the IMF Georgia's GDP growth in 2023 is estimated to be 6.2 percent and according to IMF predictions, Georgia's GDP is expected to converge to c. 5.1% in the medium term.

Inflation and exchange rate (2010-23 annual avg)<sup>(1)</sup>

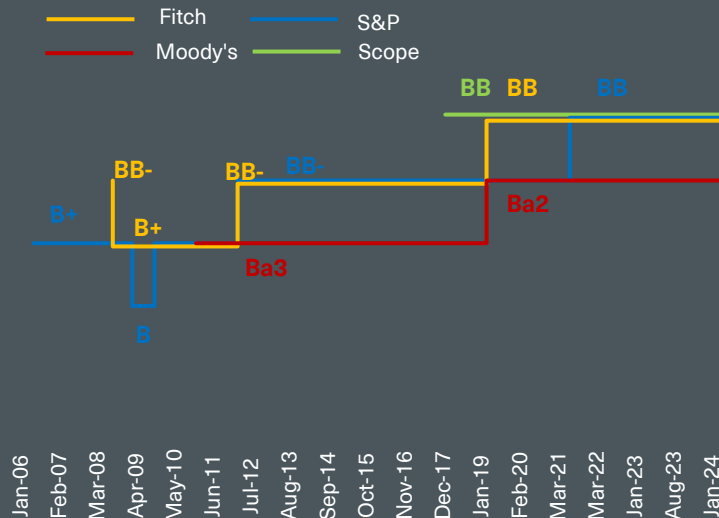


- Over the last 13 years, inflation in Georgia averaged 4.7%, close to the Central Bank's target
- Despite challenging regional environment and elevated GEL exchange rate volatility, on average exchange rate depreciation was relatively low compared to regional economies

Sources: IMF; Bloomberg  
Note: (1) Preliminary data (2023 year)

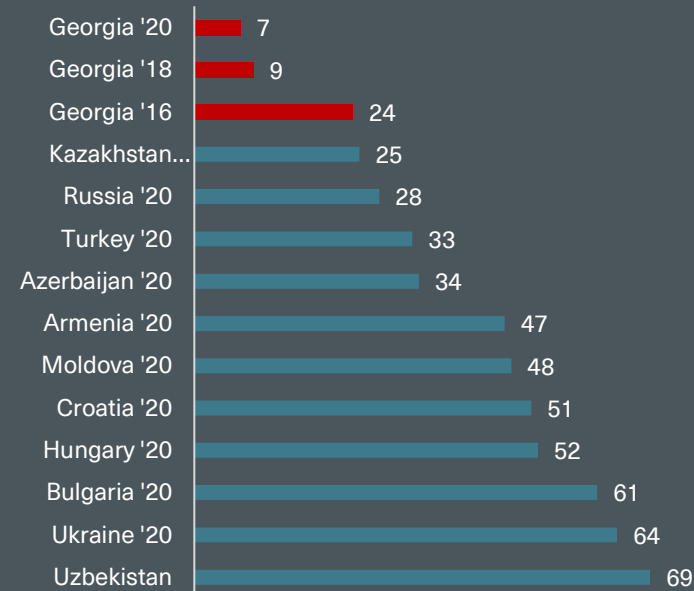
# GEORGIA'S LEADING POSITIONS IN INTERNATIONAL RANKING UNDERSCORES COUNTRY'S STRUCTURAL ADVANTAGES

## SOVEREIGN RATINGS FOR GEORGIA



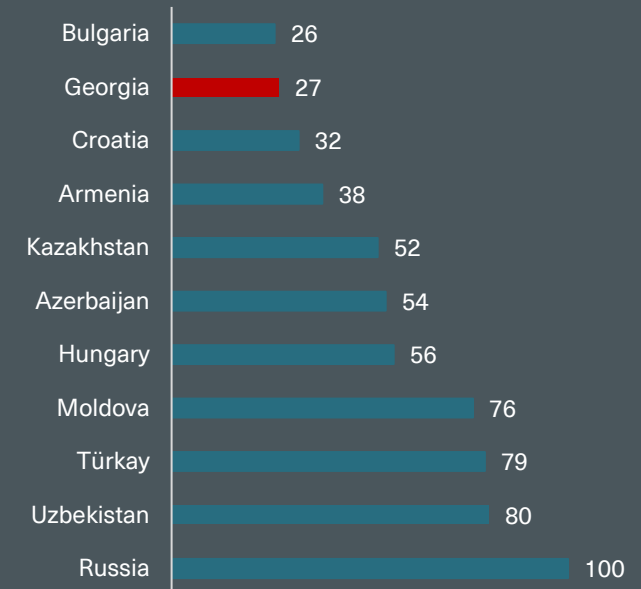
- Moody's, Fitch and S&P all upgraded Georgia's sovereign credit rating over the years
- No rating agency has downgraded the sovereign credit rating in 2020 during the pandemic and the corresponding economic downturn

## EASE OF DOING BUSINESS INDEX FOR THE REGION



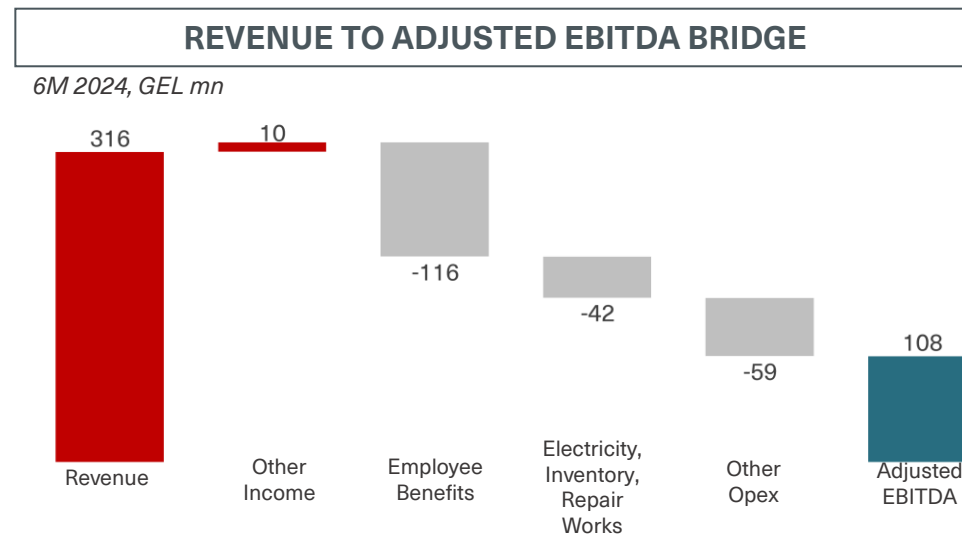
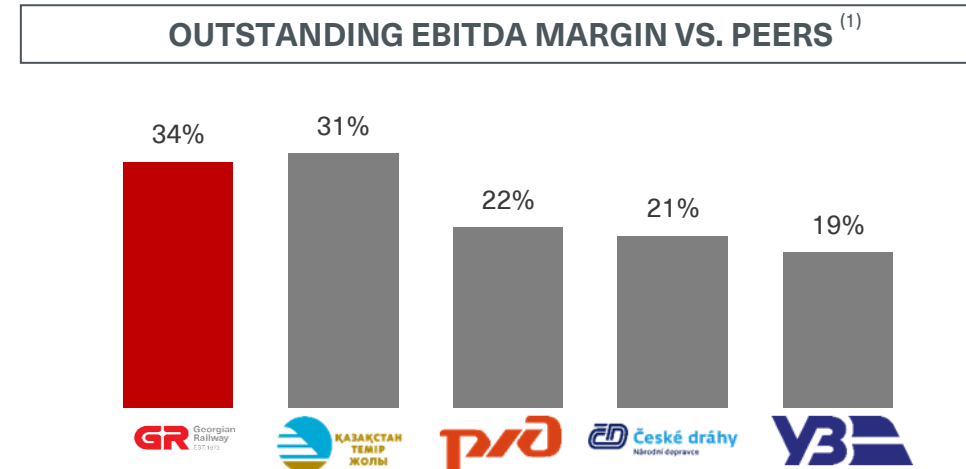
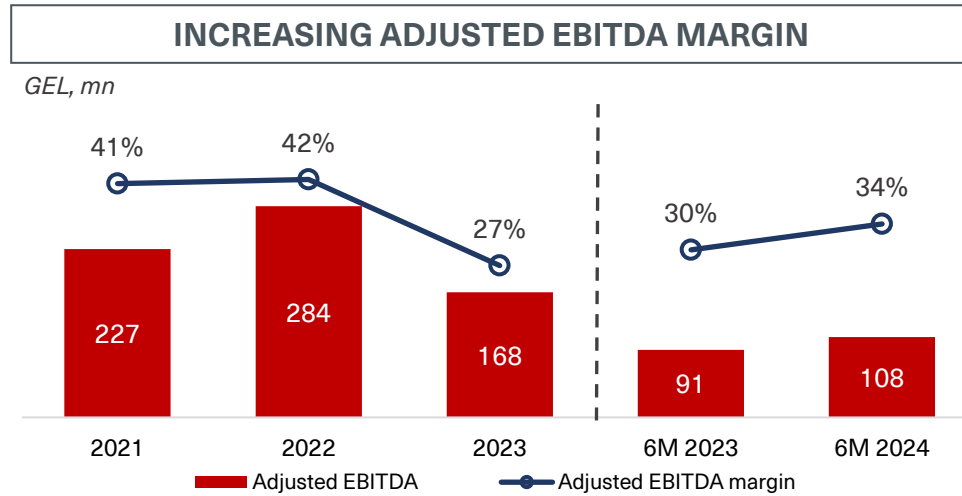
- Georgia is the leader among regional peers in the Ease of Doing Business Index and ranks 7th, 9th, and 24th for 2020, 2018, and 2016, respectively out of 190 countries
- The positive dynamics of Georgia's position in the global ranking makes Georgia a favorable economy for starting and doing business
- Georgia ranks 45th out of 190 countries on the Ease of Trading across Borders according to the World Bank Doing Business report 2020. Overall, Georgia improved its ranking from 95 in 2007 to 45 in 2020 due to its flexible time and cost required for importing and exporting goods

## 2023 INDEX OF ECONOMIC FREEDOM



- Georgia's small open economy has been ranked the highest in regional countries in the Index of Economic Freedom. In 2023, Georgia ranks 27th out of 176 countries

# BEST-IN-CLASS ADJUSTED EBITDA MARGIN

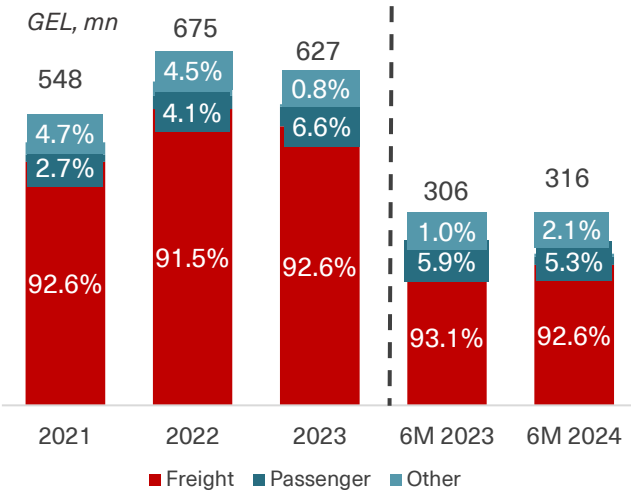


- Significant portion of operating expenses is fixed and denominated in GEL, which led to relatively stable Opex amid increasing total revenue (mostly denominated in USD) resulting increased Adjusted EBITDA margin.
- Adjusted EBITDA margin has significantly improved in the recent years and reached 33.7% of revenue in the first six month of 2024, representing a one of the highest among regional peers.

Sources: Company data, annual reports of the peer companies (Kazakhstan Railway, Czech Republic Railway, Russian Railway, Ukrainian Railway)  
 Note: (1) From the left: Georgian Railway (2021), Kazakhstan Railway (2021), Russian Railway (2020), Czech Republic Railway (2021), Ukrainian Railway (2020).

# SOLID TRACK RECORD OF REVENUE GENERATION

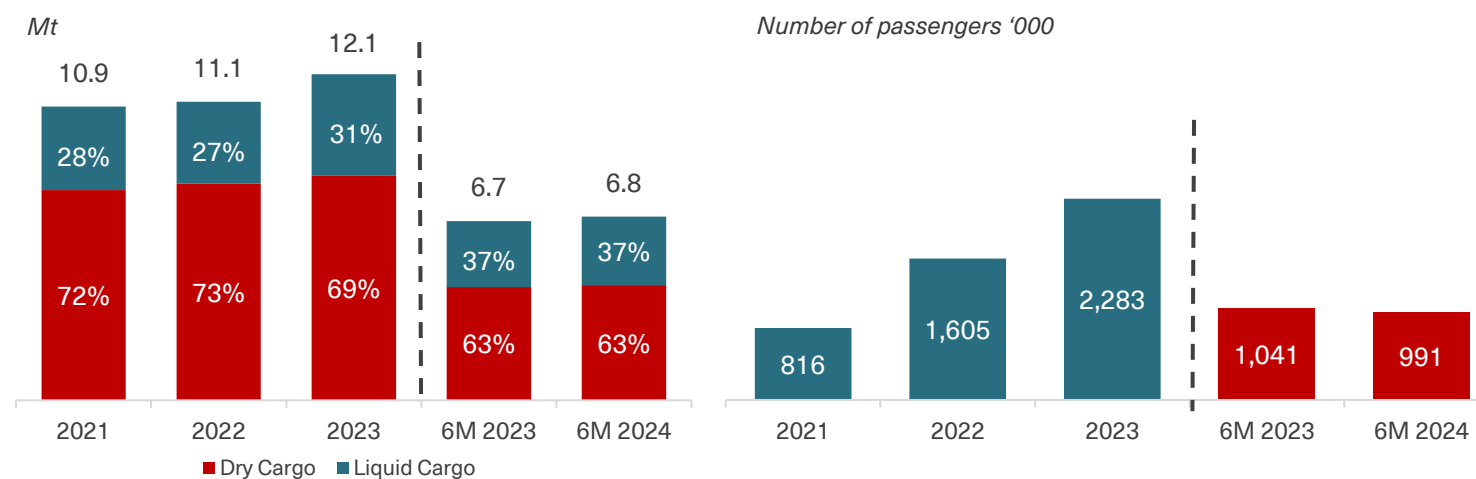
## REVENUE BREAKDOWN



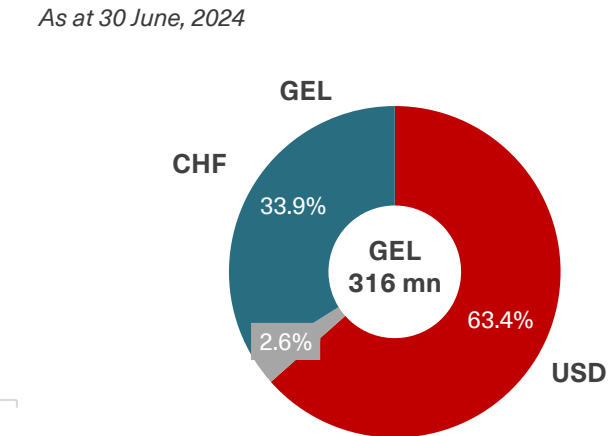
## REVENUE ANALYSIS

- In first six month of 2024, total revenue experienced an increase compared to same period of 2023, reaching GEL 316 million, reflecting a +3% change year-on-year. Increase was due to increase in freight transportation during first six month of 2024 compared to same period of 2023, as well as increase was mainly due to increase in revenue freight car cross border charge and the increased revenue from realization of scrap.
- Most part of the Group's revenue is denominated in USD, representing natural hedge against national currency depreciation risk
- Average revenue per passenger-km changed from six month period ended 30 June 2023 to six month period ended 30 June 2024 from 4.4 to 6.0 Tetri which can be explained by the increased share of higher-priced seats sold, as new trains with improved services were added for long-distance routes and increased tariff.
- The main bottleneck of the infrastructure is a mountainous region located in the center of Georgia. De-bottlenecking of existing infrastructure and increasing the throughput capacity of the rail line from 27mt to 48mt annually will have a positive impact on the Group's financial performance

## VOLUME



## REVENUE SPLIT BY CURRENCIES

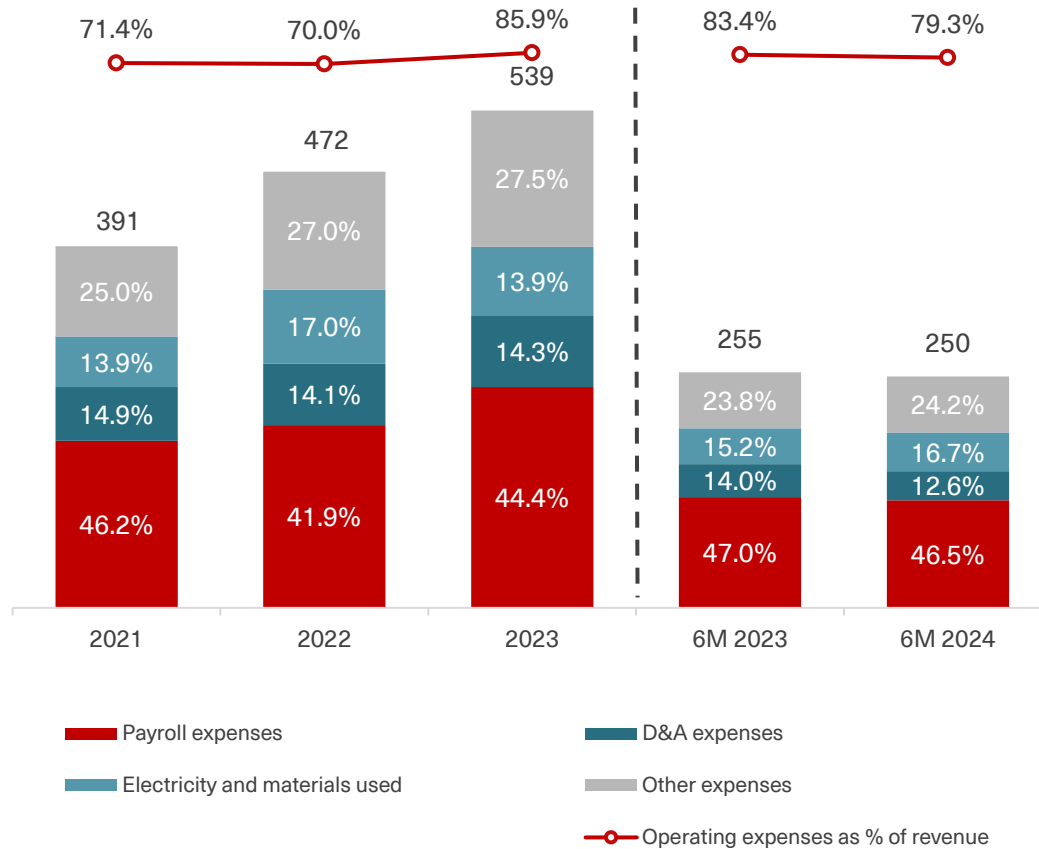




# IMPROVING OPERATIONAL EFFICIENCY

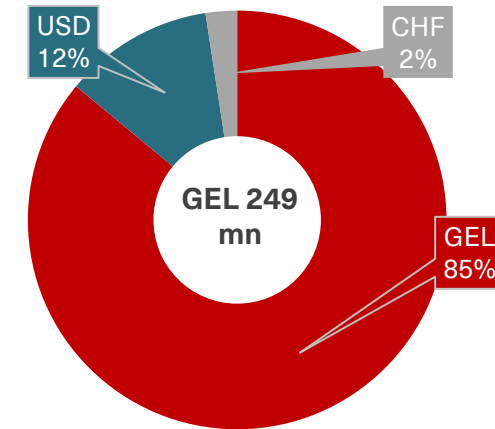
## OPERATING COSTS ANALYSIS

GEL, mn



## FOREIGN CURRENCY SHARE IN OPERATING COSTS

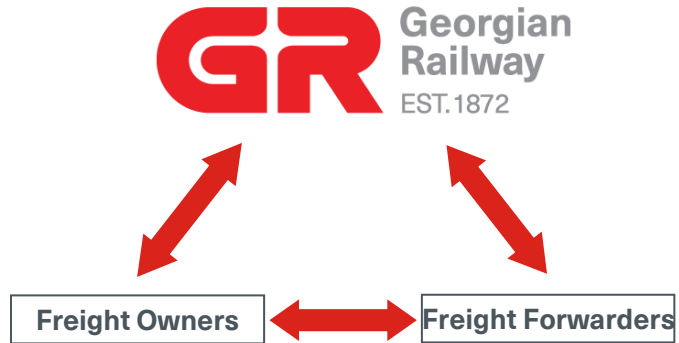
9M 2023



- The Group has improved its operational efficiency during recent years, decreasing OPEX as a % of revenue. so after 2023 in first six month of 2024 Group's operational efficiency become better from 85.9.0% in to 79.3%. The change was mostly due to lower depreciation and employee benefits expense.
- In first six month of 2024, the decrease incurred in expenses, such as employee benefits expense by GEL 3.4 mn reaching GEL 116.5 mn. Depreciation costs has decreased by GEL 4.1 mn in six month period ended 30 June 2024. Costs related to other expenses decreased by GEL 5.1 mn, and fuel expenses decrease by GEL 1.0 mn in first six month of 2024.

# HIGH QUALITY CUSTOMER PORTFOLIO WITH LIMITED CREDIT RISK

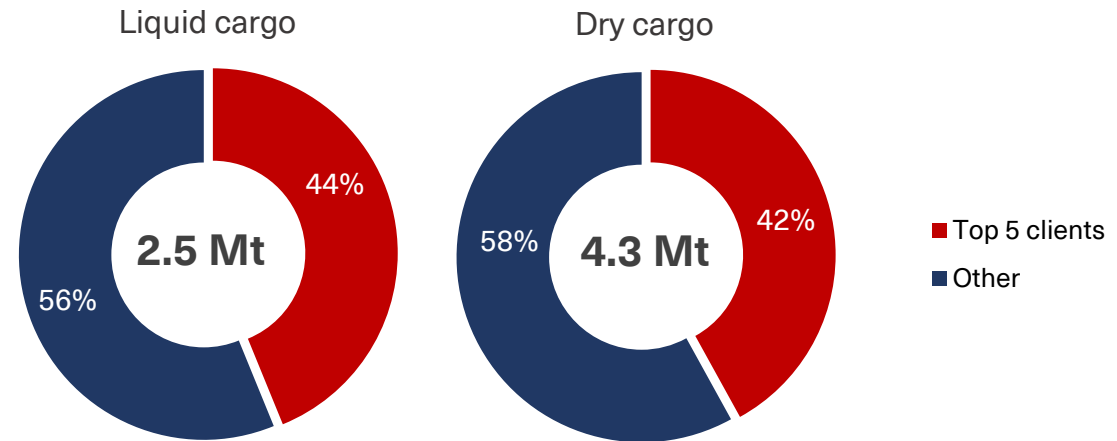
## LIMITED CREDIT RISK



- GR does not enter into long-term contracts with customers it serves through freight forwarders
- Ability to maintain flexible pricing policy and pursue opportunities
- Customers required to pay transportation and station services in advance
- Services conditional upon full prepayment
- Eliminates risk of customer default or delay of payment on these services
- Payments for demurrage do not need to be paid in advance

## PRINCIPAL CUSTOMERS BY VOLUME 6M 2024

Tons, mn



- In liquid cargo, the top 5 customers comprised 44 percent of total liquid cargo transported in first six month of 2024.
- In dry cargo, the top 5 customers comprised 32 percent of total dry cargo transportation in first six month of 2024.

## LONG-TERM RELATIONSHIP WITH FREIGHT OWNERS

- Freight forwarders administer freight transportation on behalf of the freight owners
  - Freight forwarders have a diversified customer base of freight owners
  - GR's well-established relationships with freight forwarders foster long-term relationships between GR and cargo owners
- Many freight owners are large blue chip companies
- Flexibility of deregulated tariff regime allows adoption of optimal pricing policy to attract and retain key customers

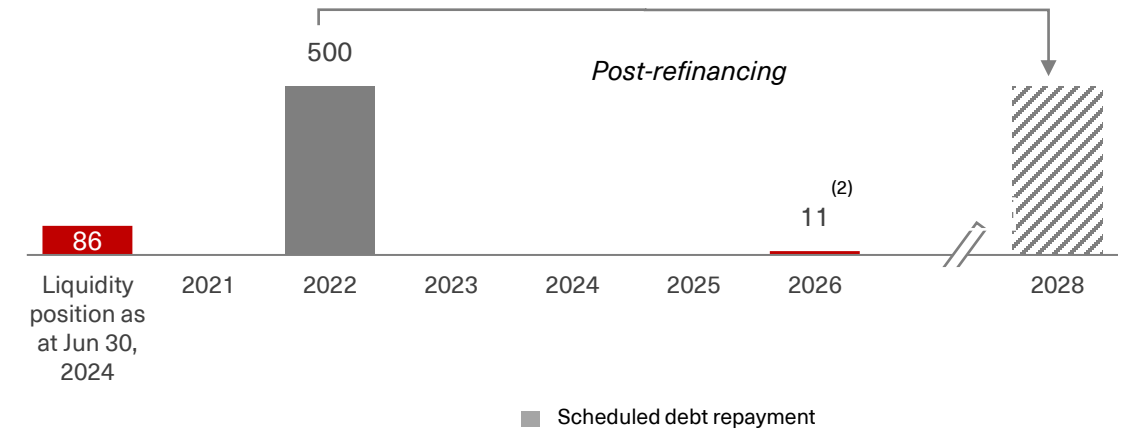
# MATURITY PROFILE AND DEBT STRUCTURE

## BRIEF OVERVIEW

- GR's debt balances includes USD 500mn Green bond issued in 2021 and USD 10.9mn in principal amount outstanding under secured export credit facility agreement, as 30 June 2024.
- Group's current liquidity position includes cash and cash equivalents.

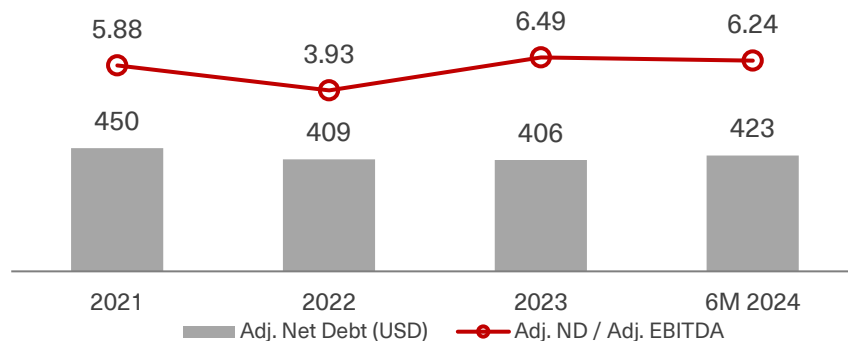
## LIQUIDITY POSITION & DEBT MATURITY PROFILE

USD mn



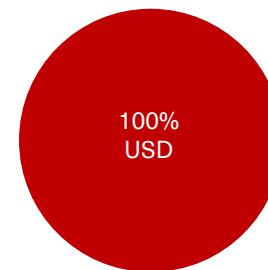
## ADJUSTED NET DEBT / ADJUSTED EBITDA DYNAMICS<sup>(1)</sup>

USD mn



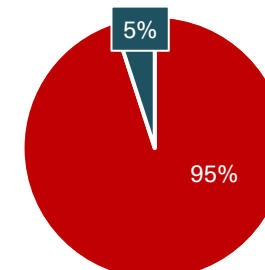
## TOTAL DEBT COMPOSITION

### BY CURRENCY



### BY TYPE

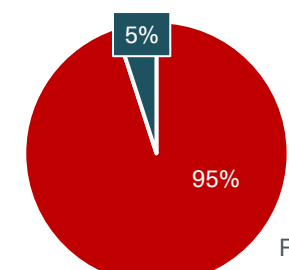
Export credit facility



Green Eurobonds

### BY RATE

Floating



Fixed

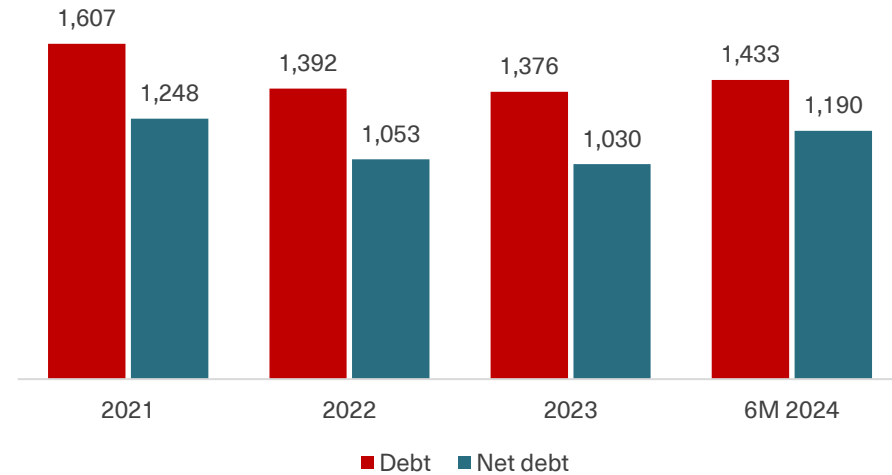
Note: (1) Converted at EoP USD / exchange for 2020, 2021, 2022, 31 September 2023, of 3.28, 3.10, 2.93, 2.68 respectively; (2) Export credit facility has equal amortization each year until 2026;

# BALANCE SHEET OVERVIEW: LEVERAGE AND DEBT POSITION

## DEBT

GEL, mn

as at the end of the period



## NET DEBT CALCULATIONS

GEL, mn

30-Sep-24 Amount

<b>Debt:</b>	
Total Indebtedness	1,432.5
<b>Cash and Bank Deposits:</b>	
Cash and Cash Equivalents	242.8
<b>Net Debt</b>	<b>1,189.7</b>

## RISK MANAGEMENT

### CURRENCY RISK

- Natural hedge (Liabilities and revenue stream both are in USD);
- To compensate for GEL expenses, GR holds relevant GEL balances;

### INTEREST RISK

- Coupon rate on Eurobonds fixed;
- Coupon rate on loan for passenger trains floating.

### LIQUIDITY RISK

- Making deposits with maturity matching the debt service outflows for 1 year horizon.
- Maintained flexibility in funding by keeping committed credit lines available.

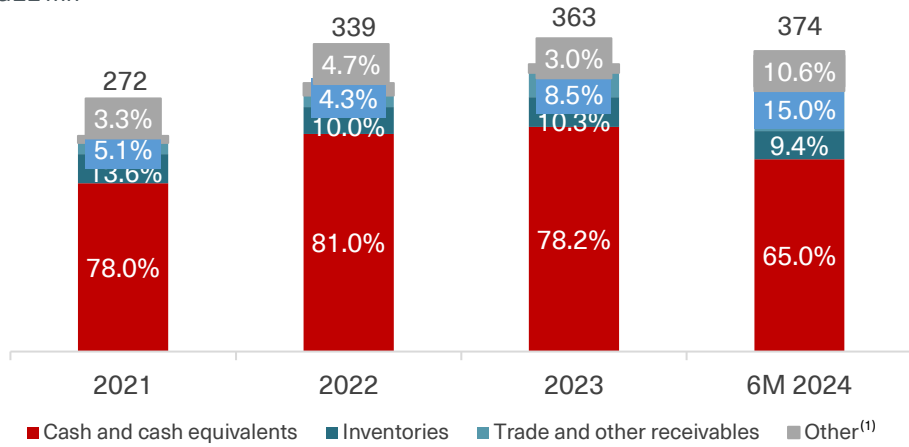
### CREDIT RISK

- No significant concentration of credit risk as services are provided mostly on advance payments.

# WORKING CAPITAL MOVEMENTS

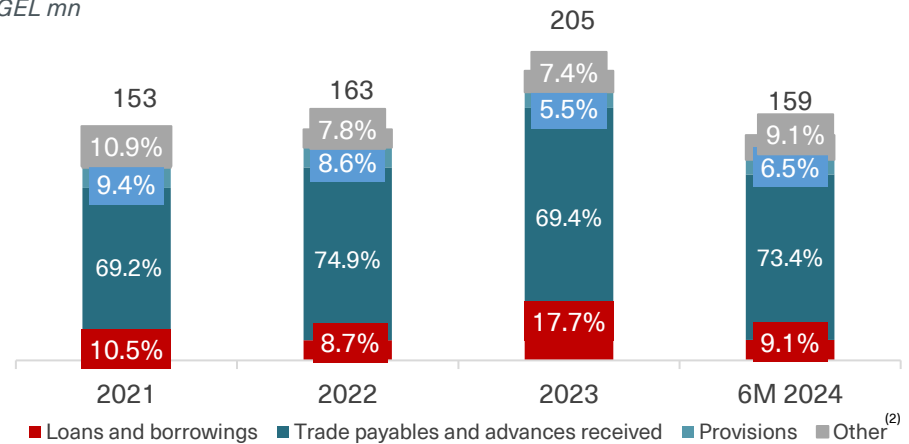
## CURRENT ASSETS

GEL mn



## CURRENT LIABILITIES

GEL mn



## COMMENTS

- Significant balance of cash and cash equivalents is held in order to support existing and future capital expenditures;
- Trade and other receivables are net of allowance;
- Loans and borrowings consists of current portion of long-term loans and interest payables;
- Trade and other payables mainly includes payments made to contractors and advance receivables from customers;
- Working capital is not affected by seasonality.

Current ratio	2021	2022	2023	6M 2024
	1.8	2.1	1.8	2.3

Note: (1) Other current assets mainly includes current tax assets, bank deposits and prepayments and other non current assets; (2) Other current liabilities include liabilities to the Government, other current liabilities and current tax liabilities

# TARIFFS POLICY, INDUSTRY AND REGULATIONS

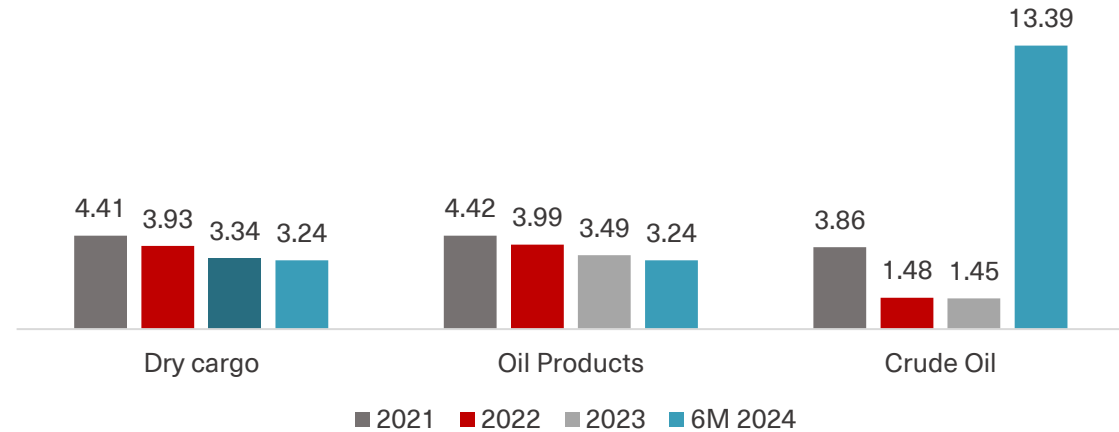
## CHANGES IN INDUSTRY AND REGULATORY ENVIRONMENT

- Crude oil transportation redirected to pipelines;
- Decreased crude oil transportation replaced by more profitable oil products and dry cargoes;
- Infrastructure developments in the region and in Georgia to attract and handle expected new cargoes from China;
- Governmental changes in Georgia having no impact on Georgian Railway's regulation and tariff setting policy.

## TARIFFS

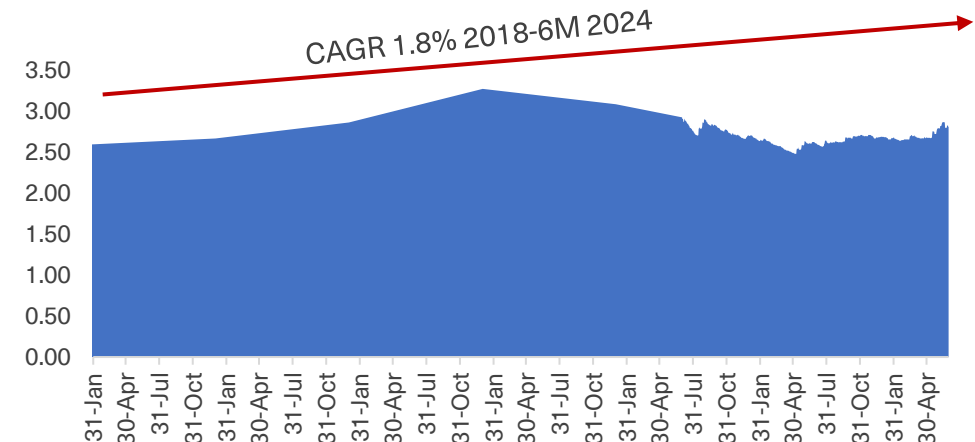
- **INDEPENDENT TARIFF SETTING** - the Group has a monopoly on rail transportation within Georgia. However, its tariff policy is not subject to Government regulation. Currently, the railway business is fully deregulated in Georgia and no changes in this regard are foreseeable. The Group sets its tariff policy independently for all services, including tariffs for freight transportation, passenger transportation and related services. The Group can change its tariffs with one month's prior notice to its customers
- **ALMOST ALL TARIFFS ARE SET IN USD** - GR can freely change the tariff currency with one month notice (e.g. switch from CHF to USD in February 2012)

## FREIGHT TRANSPORTATION REVENUE PER TON-KILOMETER IN USD (CENTS)



Note: Tariffs were converted from GEL to USD using the average annual GEL/USD exchange rate

## GEL / USD FOREIGN EXCHANGE RATE

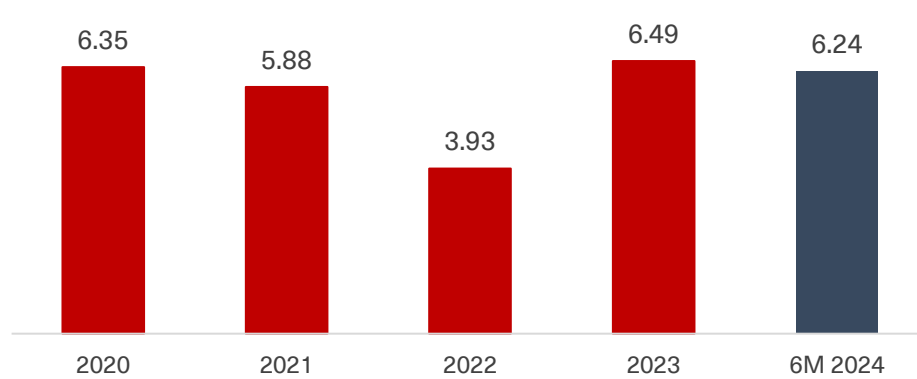


# BORROWINGS OVERVIEW

## GREEN EUROBOND

▪ Loan amount	500 mm
▪ Currency	USD
▪ Issue date	17/06/2021
▪ Maturity date	17/06/2028
▪ Interest	4.00%
▪ Interest payment	Semiannual
▪ Payment dates	17 Jun and 17 Dec
▪ Purpose	Refinancing Eurobonds due 2022

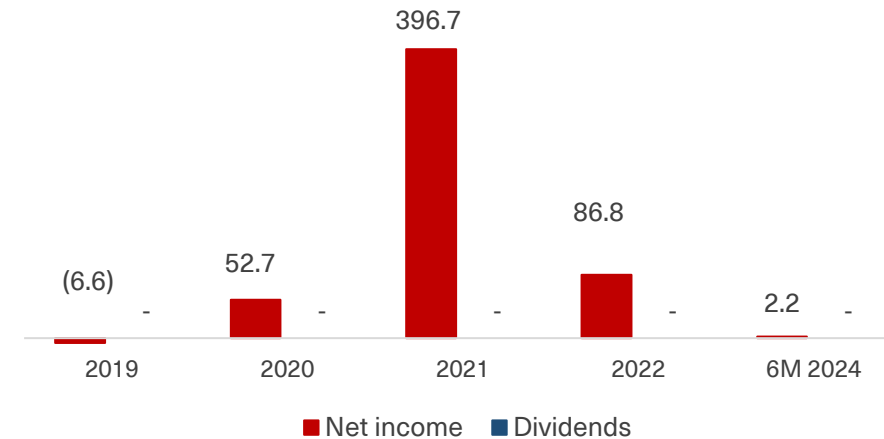
## NET DEBT/EBITDA



## CREDIT SUISSE DEBT

▪ Loan amount	43.6 mm
▪ Currency	USD
▪ First utilization	07/15/2016
▪ Maturity date	11/10/2026
▪ Interest	Libor + 1.25%
▪ Interest payments	Semiannual
▪ Payment dates	10 May and 10 Nov
▪ Purpose	New passenger trains
▪ Remaining principal	10.9 mm

## DIVIDENDS (GEL MILLION)





## Green Bond Framework is aligned with the ICMA Green Bonds Principles 2018

### USE OF PROCEEDS

- Finance and/or refinance, in whole or in part, GR's expenditures relating to the Eligible Green Project Categories as detailed below, which provide distinct environmental benefits
- Eligible projects in line with "Clean transportation" category of the Green Bond Principles:
  - Modernization , maintenance and energy efficiency of existing electrified interurban railway lines
  - Investments into new electrified railway line and extensions
  - Acquisition and maintenance of freight and passenger rolling stock
  - Acquisition, modernization and maintenance of trackside infrastructure
- In the case of refinancing Eligible Projects will be limited to a 3-year look back period from the year of issuance of a Green Bond

### PROJECT EVALUATION

- Georgian Railway's Corporate Department, together with the Economic Department will evaluate projects against the eligibility and exclusion criteria on ongoing basis
- Projects that meet the criteria will be eligible for the green bond financing/refinancing
- The Eligible Projects will be tracked using an internal register
- The list of Eligible Projects to be reviewed against the eligibility and exclusionary criteria annually

### MANAGEMENT OF PROCEEDS

- GR Economic Department, together with Accounting and Corporate Departments, will track expenditure to eligible projects using an internal register
- GR will strive to allocate total net proceeds to eligible projects within 3 years of issuance of each Green Bond
- Pending full allocation of an amount equivalent to the net proceeds of outstanding Green Bonds, the proceeds will be held in temporary investments such as cash, cash equivalent, other liquid marketable investments in line with Georgian Railway's treasury management policies or used to repay portions of outstanding indebtedness

### REPORTING

- GR commits to publish an annual Green Bond Allocation and Impact Report on the Group's website, until full allocation of the proceeds, and in the event of any material changes until the maturity date of the bond
- The Allocation and Impact Report will include:
  - Details of Eligible Green Projects and allocations
  - Relevant environmental outcomes/impacts
  - The proportional allocation of proceeds between existing projects (refinancing) and new projects
  - Amount of cash or cash equivalents remaining to be allocated



## KEY HIGHLIGHTS

- ✓ Georgian Railway Green Bond Framework is aligned with the four core components of the Green Bond Principles 2018.
- ✓ The objectives of GR's Green Bond Framework correspond to its sustainability commitments of minimizing and mitigating the environmental effects caused by its activities, as well as improving the overall environmental performance of the country's transportation sector. Project financed under the Framework will further support electrification, modernization, and extension of the country's railway infrastructure
- ✓ The Company commits to using an amount equivalent to net proceeds of bonds issued under the framework to finance or refinance eligible green projects under the category "clean transportation"
- ✓ Corporate and economics departments will be responsible for evaluating projects under the eligibility and exclusion criteria, and annual monitoring for continued eligibility
- ✓ Allocation and expenditures for eligible projects will be tracked using internal register
- ✓ The company will publish Green Bond Allocation and Impact report annually on the website until full proceeds allocation and in the event of material change

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Green Framework Alignment Opinion

**Proposed Georgian Railway Green Bond Framework**

May. 26, 2021

**Green Bond Framework Overview**

In our view, the proposed Georgian Railway (GR) green bond framework, published May 24, 2021, is aligned with the four components of the Green Bond Principles 2018 (GBP). Georgian Railway, based in Tbilisi, is the country's only railway operator. It provides freight and passenger railway transportation services, terminal services, and railway infrastructure development, and connects to Georgian ports on the Black Sea as well as rail systems in Armenia, Azerbaijan, and Turkey. The objectives of GR's green bond framework correspond to its sustainability commitments of minimizing and mitigating the environmental effects caused by its activities, as well as improving the overall environmental performance of the country's transportation sector. Projects financed under the framework will further support the electrification, modernization, and extension of the country's railway infrastructure.

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**Framework Alignment Overview**

✓ **1. Use of proceeds**

The GR green bond framework is aligned with this component of the GBP because the company commits to using an amount equivalent to the net proceeds of bonds issued under the framework to finance or refinance eligible green projects under the category of "clean transportation". This category is recognized by the GBP.

✓ **2. Process for project evaluation and selection**

The framework is aligned with this component of the GBP because the framework outlines the process used to assess whether the projects considered are eligible under the "clean transportation" category. The company's corporate and economic departments will be responsible for evaluating projects under the eligibility and exclusion criteria, and annual monitoring for continued eligibility.

✓ **3. Management of proceeds**

The framework is aligned with this component of the GBP because it clearly states that allocation and expenditures for eligible projects will be tracked using an internal register.

✓ **4. Reporting**

The framework is aligned with this GBP component because the company will publish a Green Bond Allocation and Impact report annually on its website until full proceeds allocation and in the event of a material change.

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May. 26, 2021 1

# GREEN BOND ALLOCATION AND IMPACT REPORT

## PROCEEDS ALLOCATED ON ELIGIBLE GREEN PROJECTS

According to the obligations under the Green Bond Framework GR Corporate and Economic Department evaluated projects based on their alignment with the eligibility criteria. The Company excluded following activities from the green bond's financing: fossil fuel energy; fossil fuel reliant transport; nuclear energy; alcohol; and defense.

Expenditure on eligible projects is tracked using an internal register, to ensure that an amount equivalent to the net proceeds of the green bonds is allocated in accordance with the green bond framework.

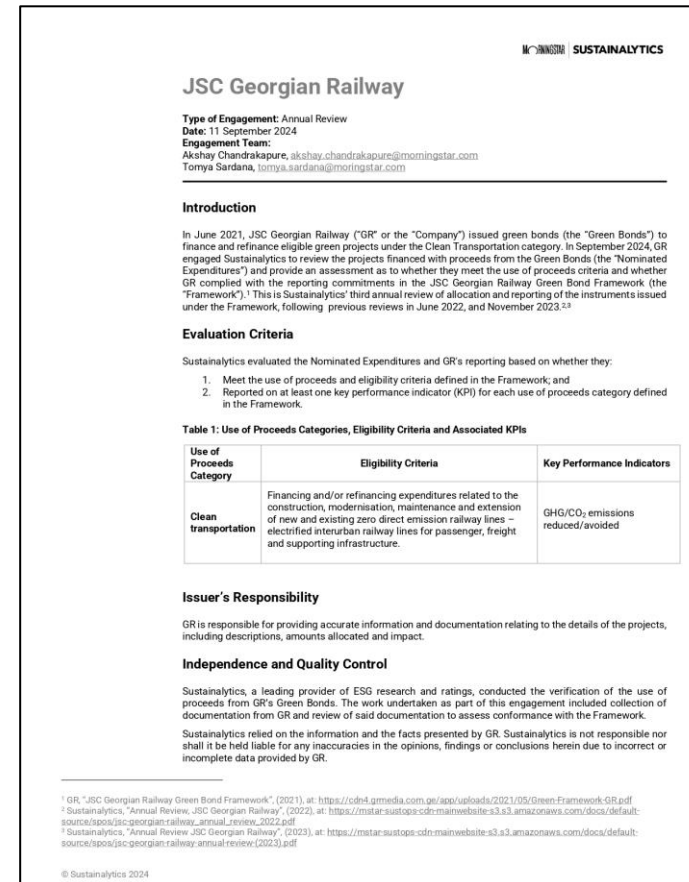
GR publishes an annual Green Bond Allocation and Impact report until full allocation of the net proceeds, or in the event of a material change. This report includes details of the eligible green projects and the amounts allocated to their financing; the proportional allocation of proceeds between refinancing and new projects; and the remaining balance of cash or cash equivalents to be allocated.

According to Green Bond Allocation and Impact report JSC Georgian Railway allocated USD 548.7 million on five different eligible green projects during the last 5 years.

- USD 199.3 million from total USD 548.7 million is allocated on the Modernization Project. The Project is designed to modernize rail infrastructure, increase safety and capacity of the main line
- USD 72.9 million from total USD 548.7 million is allocated on the acquisition and maintenance cost of the Company's wagon and locomotive fleet;
- USD 144.6 million from total USD 548.7 million is allocated on the costs related to freight and passenger stations, logistic terminals and platforms;
- USD 92.9 million from total USD 548.7 million is allocated on the extensions, modernization, maintenance, energy efficiency and electrification of existing electrified railway lines;
- USD 39.0 million from total USD 548.7 million is allocated on the costs related to signaling, centralization and blocking systems.

## POSITIVE EXTERNAL REVIEW

JSC Georgian Railway received positive external annual review on its allocated funds and avoided CO2 from a leading independent ESG and corporate governance research, ratings and analytics Company Sustainalytics.



**JSC Georgian Railway**

**Type of Engagement:** Annual Review  
**Date:** 11 September 2024  
**Engagement Team:**  
 Akshay Chandrakapure, akshay.chandrakapure@moringstar.com  
 Tomya Sardana, tomya.sardana@moringstar.com

**Introduction**

In June 2021, JSC Georgian Railway ("GR" or the "Company") issued green bonds (the "Green Bonds") to finance and refinance eligible green projects under the Clean Transportation category. In September 2024, GR engaged Sustainalytics to review the projects financed with proceeds from the Green Bonds (the "Nominated Expenditures") and provide an assessment as to whether they meet the use of proceeds criteria and whether GR complied with the reporting commitments in the JSC Georgian Railway Green Bond Framework (the "Framework").<sup>1</sup> This is Sustainalytics' third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in June 2022, and November 2023.<sup>2,3</sup>

**Evaluation Criteria**

Sustainalytics evaluated the Nominated Expenditures and GR's reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Clean transportation	Financing and/or refinancing expenditures related to the construction, modernisation, maintenance and extension of new and existing zero direct emission railway lines – electrified interurban railway lines for passenger, freight and supporting infrastructure.	GHG/CO <sub>2</sub> emissions reduced/avoided

**Issuer's Responsibility**

GR is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

**Independence and Quality Control**

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from GR's Green Bonds. The work undertaken as part of this engagement included collection of documentation from GR and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by GR. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by GR.

<sup>1</sup> GR, "JSC Georgian Railway Green Bond Framework", (2021), at: <https://cdn.grmedia.com.ge/app/uploads/2021/05/Green-Framework-GR.pdf>  
<sup>2</sup> Sustainalytics, "Annual Review, JSC Georgian Railway", (2022), at: [https://mstar.sustops.com/mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review\\_2022.pdf](https://mstar.sustops.com/mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review_2022.pdf)  
<sup>3</sup> Sustainalytics, "Annual Review, JSC Georgian Railway", (2023), at: [https://mstar.sustops.com/mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review\\_2023.pdf](https://mstar.sustops.com/mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/jsc-georgian-railway-annual-review_2023.pdf)

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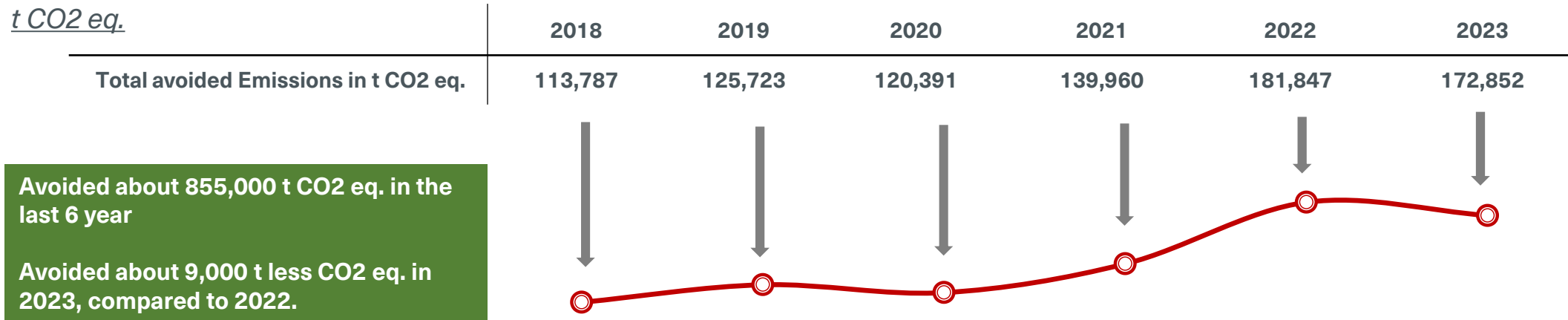
# AVOIDED CO2 EMISSIONS

RAILWAY IS ONE OF THE MOST ENVIRONMENT-FRIENDLY TRANSPORTATION MODES. ACCORDING TO INTERNATIONAL ENERGY AGENCY (IEA)<sup>1</sup> ACHIEVING THE AMBITIOUS GOALS OF THE PARIS AGREEMENT WILL REQUIRE A TRANSPORT MODAL SHIFT, PARTICULARLY FROM ROAD AND AIR TRANSPORT TO RAIL

Georgian Railway owns and operates fully electrified railway network and owns electric locomotives and EMUs for transporting the freight and passengers. GR uses diesel locomotives only for shunting operations and for non-electrified sidings.

**ZERO DIRECT EMISSIONS**

To estimate the greenhouse gas emissions avoided in Georgia due to the existence of JSC Georgian Railway, company compared the greenhouse gases emitted into the atmosphere by energy consumed as a result of rail transport to the emissions in the absence of railway. Minibuses – for passengers and trailers – for freight was used as an alternative type of transportation.



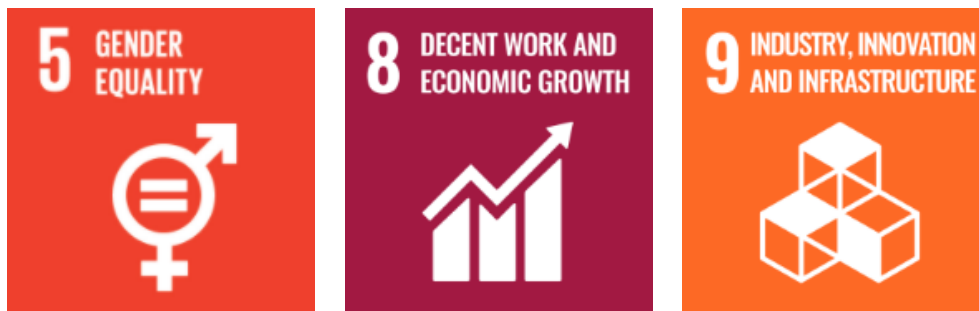
*\*The international IPCC 2006 methodology is used to calculate greenhouse gas (CO2, CH4, N2O) emissions from the railway sector<sup>2</sup>.*

# DEVELOPMENT IMPACT OF THE ISSUANCE

## ANTICIPATED DEVELOPMENT IMPACT

- Georgia’s infrastructure is one of the country’s highest priorities; railway network is a critical part of Georgia’s infrastructure
- GR’s ongoing investments aim to improve Georgia’s transport and logistics infrastructure by increasing overall mobility and connectivity in the country
- Transaction is expected to:
  - ✓ partially finance infrastructure projects
  - ✓ refinance GR’s existing debt to improve its liquidity condition
  - ✓ these resources, along with any cash flow benefits, are expected to be used by GR to finance development outputs
- GR will report progress on its development outputs annually

## UN SDG ALIGNMENT



## FINANCING ANTICIPATED DEVELOPMENT OUTPUTS

### Improve efficiency and speed of freight and passenger trains by:

- Reducing travel time for freight trains in both directions from the Azerbaijani border to the Batumi port
- Improving allowed speed of passenger trains on the mountainous gorge section in Central Georgia to up to 80km/hr
- Increasing annual volume of freight and cargo transported to over 12mt from 11mt in 2020
- Increasing number of railway passengers to over 2mn per year from 0.94mn in 2020

### Add onto existing infrastructure to increase volume and capacity by:

- Increasing freight capacity volume to over 40mt annually
- Increasing passenger volume to over 7mn per year
- Lengthening the railway network to over 1,440km

### Promote gender diversity and inclusion by:

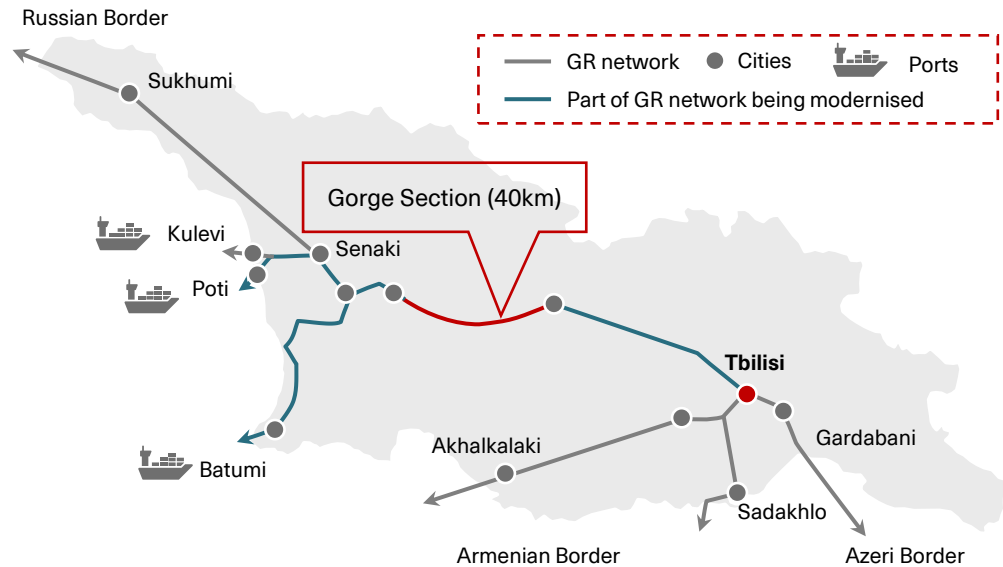
- Piloting programs to promote women and girls’ safety
- Allocating at least 10% of jobs in construction to women
- Implementing a new policy against sexual harassment and supporting procedures

### Promote employment by:

- Creating over 20 new jobs during the construction of the Modernisation Project

# MODERNISATION – ONGOING GREEN PROJECT OF STRATEGIC IMPORTANCE

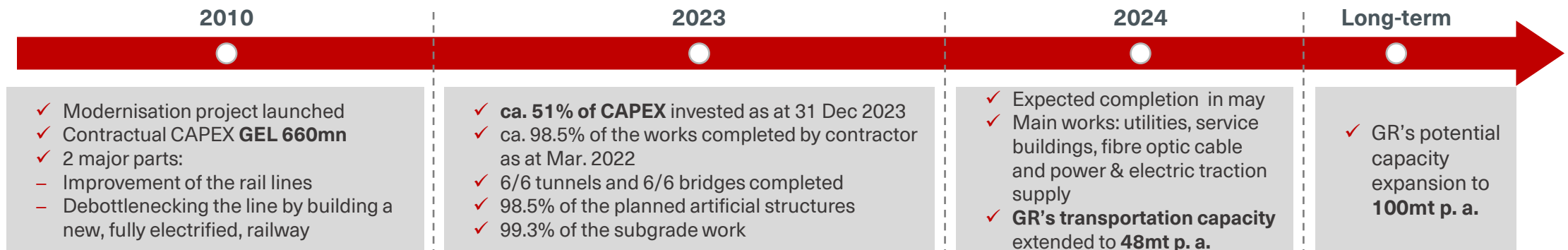
## PROJECT MAP



## KEY BENEFITS OF THE PROJECT

- Increase speed of the passenger trains from 80km/h to 120km/h and at the crossing area, from 50km/h to 80km/h
- Reduced electricity consumption, lower CO2 emissions
- Greater resource efficiency, savings in operating costs of up to 10%
- Increase the capacity of the Group's infrastructure
- Lower maintenance CAPEX
- Increase transportation speed along the line, offering improved services for freight and passenger customers
- Further increase the safety level of transportation

## MODERNISATION PROJECT EVOLUTION



# KEY HISTORICAL FINANCIAL HIGHLIGHTS

## Income Statement

<i>In thousand GEL</i>	2021	2022	2023	6M 2023	6M 2024
Revenue	547,868	674,773	627,173	305,719	315,973
Other income	8,951	15,825	8,993	3,515	9,821
Payroll expenses/Employee benefits expense	-180,701	-197,708	-239,056	-119,862	-116,463
Depreciation and amortization expenses	-58,397	-66,585	-76,895	-35,659	-31,599
Electricity, consumables and maintenance costs	-54,567	-80,207	-74,722	-38,683	-41,837
Impairment loss on property, plant and equipment	0	0	0	0	0
Impairment loss on trade receivables	-2,791	840	6,016	-592	-1,152
Other expenses	-94,975	-128,521	-153,948	-60,023	-59,378
<b>Results from operating activities</b>	<b>165,388</b>	<b>218,417</b>	<b>97,561</b>	<b>54,415</b>	<b>75,363</b>
Finance income	23,670	30,478	38,859	17,866	12,058
Finance costs	-220,071	-70,493	-61,090	-28,167	-29,223
Net foreign exchange loss	84,224	218,923	12,065	42,833	55,649
<b>Net finance costs</b>	<b>-112,177</b>	<b>178,908</b>	<b>-10,166</b>	<b>32,532</b>	<b>38,484</b>
<b>Profit before income tax</b>	<b>53,211</b>	<b>397,325</b>	<b>87,395</b>	<b>86,947</b>	<b>113,848</b>
Income tax expense	-644	-619	-499	-387	-499
<b>Profit and total comprehensive income for the year</b>	<b>52,566</b>	<b>396,706</b>	<b>86,896</b>	<b>86,560</b>	<b>113,349</b>

## Cash Flow Statement

<i>In thousand GEL</i>	2021	2022	2023	6M 2023	6M 2024
Net cash generated by operating activities	247,300	288,221	176,815	86,030	96,595
Net cash used in investing activities	-56,601	-122,536	-100,876	-55,986	-77,869
Net cash from financing activities	-285,028	-96,802	-66,858	-32,838	-35,735
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-94,329</b>	<b>68,883</b>	<b>9,081</b>	<b>-2,794</b>	<b>-17,009</b>
Cash and cash equivalents at the beginning of period	322,986	212,224	274,629	274,629	283,547
Effects of exchange rate changes on the balance of cash held in foreign currencies	-16,433	-6,478	-163	-398	6,271
<b>Cash and cash equivalents at the end of the period</b>	<b>212,224</b>	<b>274,629</b>	<b>283,547</b>	<b>271,437</b>	<b>272,809</b>

## Balance Sheet

<i>In thousand GEL</i>	2021	2022	2023	6M 2024
<b>Non-current Assets</b>				
Property, plant and equipment	1,825,474	1,831,197	1,921,379	1,943,064
Deferred tax Assets	-	-	-	-
Other non-current assets	162,243	229,447	211,947	155,395
Investments	-	-	27	57,781
<b>Total Non-current Assets</b>	<b>1,987,717</b>	<b>2,060,644</b>	<b>2,133,353</b>	<b>2,156,240</b>
<b>Current Assets</b>				
Inventories	36,937	33,944	37,330	35,270
Loans receivable	-	-	-	-
Current tax assets	-	3,363	7,265	2,634
Trade and other receivables	13,965	14,519	30,905	56,105
Prepayments and other current assets	5,635	8,347	3,562	6,757
Cash and cash equivalents	212,224	274,629	283,547	242,775
Term deposit	3,254	4,071	-	30,034
<b>Total Current Assets</b>	<b>272,015</b>	<b>338,873</b>	<b>362,609</b>	<b>373,575</b>
<b>Total Assets</b>	<b>2,259,732</b>	<b>2,399,517</b>	<b>2,495,961</b>	<b>2,529,814</b>
<b>Equity</b>				
Charter capital	1,054,805	1,055,031	1,055,031	1,055,121
Non-cash owner contribution reserve	100,585	100,602	100,601	100,601
Retained earnings	-742,261	-374,365	-287,589	-285,427
<b>Total Equity</b>	<b>413,129</b>	<b>781,268</b>	<b>868,043</b>	<b>870,296</b>
<b>Non-current Liabilities</b>				
Loans and borrowings	1,590,817	1,378,147	1,339,840	1,417,970
Advances received from the Government	46,594	46,594	46,593	46,593
Trade and other payables	56,198	30,242	36,714	35,776
Deferred tax liability	-	-	-	-
<b>Total Non-current Liabilities</b>	<b>1,693,609</b>	<b>1,454,983</b>	<b>1,423,147</b>	<b>1,500,339</b>
<b>Current liabilities</b>				
Loans and borrowings	16,015	14,273	36,298	14,538
Trade payables and advances received	105,873	122,242	142,117	116,837
Liabilities to the Government	4,718	4,712	4,712	4,712
Provisions	14,397	13,981	11,214	10,369
Tax liabilities	3,515	-	-	-
Other current liabilities	8,476	8,058	10,430	12,725
<b>Total current Liabilities</b>	<b>152,994</b>	<b>163,266</b>	<b>204,771</b>	<b>159,180</b>
<b>Total Liabilities</b>	<b>1,846,603</b>	<b>1,618,249</b>	<b>1,627,918</b>	<b>1,659,519</b>
<b>Total Equity and Liabilities</b>	<b>2,259,732</b>	<b>2,399,517</b>	<b>2,495,961</b>	<b>2,529,814</b>

# CONSOLIDATED ACTIVITIES REPORT

Georgia has undertaken to implement certain provisions of Directive 2012/34 (under Association Agreement) of the European Parliament and of the Council of 21 November 2012 establishing a single European rail area (recast) ("Directive 34"). This directive sets up rules applicable to the management of railway infrastructure and rail transport activities of railway undertakings.

*To comply with Directive 34, the Group took the first step in 2021 by preparing and publishing independent financial reports for each of the Company's SBUs. This report will be prepared and published annually on the Company's website .*

STATEMENTS OF PROFIT OR LOSS <sup>2</sup> <i>As at 31 December, 2023</i>	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	Total GR Group
External Revenue	580,856	42,013	1,425	1,519	1,370	627,173
Other Income	2,140	2,239	2,642	1,880	93	8,993
Payroll expenses/Employee benefits expense	-112,144	-23,749	-80,529	-16,279	-6,354	-239,056
Depreciation and amortization expenses	-15,658	-11,811	-43,793	-1,339	-4,293	-76,895
Electricity, consumables and maintenance costs	-51,863	-8,446	-12,917	-1,159	-337	-74,722
Impairment Loss(gain) on trade receivables	6,072	1	-80	44	-21	6,016
Other expenses	-106,984	-7,053	-27,369	-7,228	-5,315	-153,948
<b>Revenue from sales to the Units</b>	<b>1,938</b>	<b>0</b>	<b>96,461</b>	<b>0</b>	<b>12,978</b>	<b>111,377</b>
<b>Cost of purchases from the Units</b>	<b>-91,903</b>	<b>-14,733</b>	<b>-2,943</b>	<b>-1,797</b>	<b>0</b>	<b>-111,377</b>
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>212,455</b>	<b>-21,539</b>	<b>-67,115</b>	<b>-24,359</b>	<b>-1,880</b>	<b>97,561</b>
<b>NET FINANCE INCOME / (COSTS)</b>	<b>30,113</b>	<b>-3,378</b>	<b>-49,560</b>	<b>12,663</b>	<b>-4</b>	<b>-10,166</b>
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>	<b>242,567</b>	<b>-24,918</b>	<b>-116,675</b>	<b>-11,696</b>	<b>-1,884</b>	<b>87,395</b>
Corporate income tax	-204	0	0	-414	0	-619
<b>NET PROFIT / (LOSS)</b>	<b>242,363</b>	<b>-24,918</b>	<b>-116,675</b>	<b>-12,110</b>	<b>-1,884</b>	<b>86,776</b>

INTERNAL ACTIVITIES