

Financial and non-financial highlights

Revenue

<u>Q4 2020</u>	<u>FY 2020</u>
125,896	489,370
-0.8% from Q4 2019 +6.3% from Q3 2020	-0.3% from FY 2019

Results from operating activities

<u>Q4 2020</u>	<u>FY 2020</u>
36,247	129,246
+89.6% from Q4 2019 +77.7% from Q3 2020	+19.4% from FY 2019

EBITDA

<u>Q4 2020</u>	<u>FY 2020</u>
46,529	218,962
+0.2% from Q4 2019 -12.2% from Q3 2020	-1.9% from FY 2019

EBITDA margin

<u>Q4 2020</u>	<u>FY 2020</u>
37.0%	44.7%
+0.2 points from Q4 2019 -12.2 points from Q3 2020	-0.7 points from FY 2019

Adjusted EBITDA

<u>Q4 2020</u>	<u>FY 2020</u>
46,121	211,741
-4.8% from Q4 2019 -14.3% from Q3 2020	-2.1% from FY 2019

Adjusted EBITDA margin

<u>Q4 2020</u>	<u>FY 2020</u>
36.6%	43.3%
-1.5 points from Q4 2019 -8.8 points from Q3 2020	-0.8 points from FY 2019

Net Cash investment in PP&E

<u>Q4 2020</u>	<u>FY 2020</u>
12,730	53,574
-57.4% from Q4 2019 -47.6% from Q3 2020	-45.5% from FY 2019

Net debt to EBITDA

<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
6.35	5.20
6.27 as at 30 Sep 2020	

Main developments in 2020

- Freight volume increased by 2 percent;
- In 2020 Fitch affirmed Long-term outlook to “negative” from “stable” and affirmed “BB-” rating, “S&P” affirmed “B+” rating and outlook to “negative” from “positive”.

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1. Profit or Loss Statement

Profit and loss statement

For the year ended 31 December

GEL '000	Q4 2020	Q4 2019	y-o-y	Q3 2020	q-o-q	2020	2019	y-o-y % change	y-o-y Abs. change
Revenue	125,896	126,874	-0.8%	118,457	6.3%	489,370	491,038	-0.3%	-1,668
Other income	2,502	-478	-623.4%	5,162	-51.5%	12,547	12,751	-1.6%	-204
Impairment loss on trade receivables	6,136	-11,210	-154.7%	-17,794	-134.5%	-13,560	-33,729	-59.8%	20,169
Employee benefits expense	-47,751	-43,253	10.4%	-39,942	19.5%	-170,502	-160,561	6.2%	-9,941
Depreciation and amortization	-16,418	-16,295	0.8%	-20,071	-18.2%	-76,156	-81,235	-6.3%	5,079
Electricity, consumables and maintenance costs	-11,495	-14,117	-18.6%	-9,548	20.4%	-41,411	-47,921	-13.6%	6,510
Other expenses	-22,623	-22,406	1.0%	-15,866	42.6%	-71,042	-72,128	-1.5%	1,086
Result from operating activities	36,247	19,114	89.6%	20,398	77.7%	129,246	108,215	19.4%	21,031
Net finance income/loss	-89,195	39,073	-328.3%	-106,706	-16.4%	-293,376	-113,282	159.0%	-180,095
Profit before income tax	-52,948	58,187	-191.0%	-86,308	-38.7%	-164,130	-5,066	3139.7%	-159,064
Income tax expense(benefit)	-128	91	-240.4%	-49	161.0%	-514	-519	-1.0%	5
Profit and total comprehensive income	-53,076	58,278	-191.1%	-86,357	-38.5%	-164,644	-5,585	2847.9%	-159,059
EBITDA	46,529	46,619	-0.2%	58,262	-20.1%	218,962	223,179	-1.9%	-4,217
EBITDA margin	36.96%	36.74%	NA	49.18%	NA	44.74%	45.45%	NA	-0.7%
Adjusted EBITDA	46,121	48,427	-4.8%	53,825	-14.3%	211,741	216,224	-2.1%	-4,482
Adjusted EBITDA Margin	36.63%	38.17%	NA	45.44%	NA	43.27%	44.03%	NA	-0.8%

*During the second half of 2019, there was an accounting adjustment in the other income category, resulting in negative non-continuing income.

1.1 Revenue

Most of the Group's revenue (about 65 percent in 2020) is derived from freight transportation. Thus, the Group's results are particularly sensitive to cargo flows. These mainly comprise transit shipments, which accounted for about 67 percent of freight transportation revenue in 2020. The transit transportation volume mainly comes from trade between Europe and Central Asia.

Revenue breakdown

For the year ended 31 December

In GEL '000

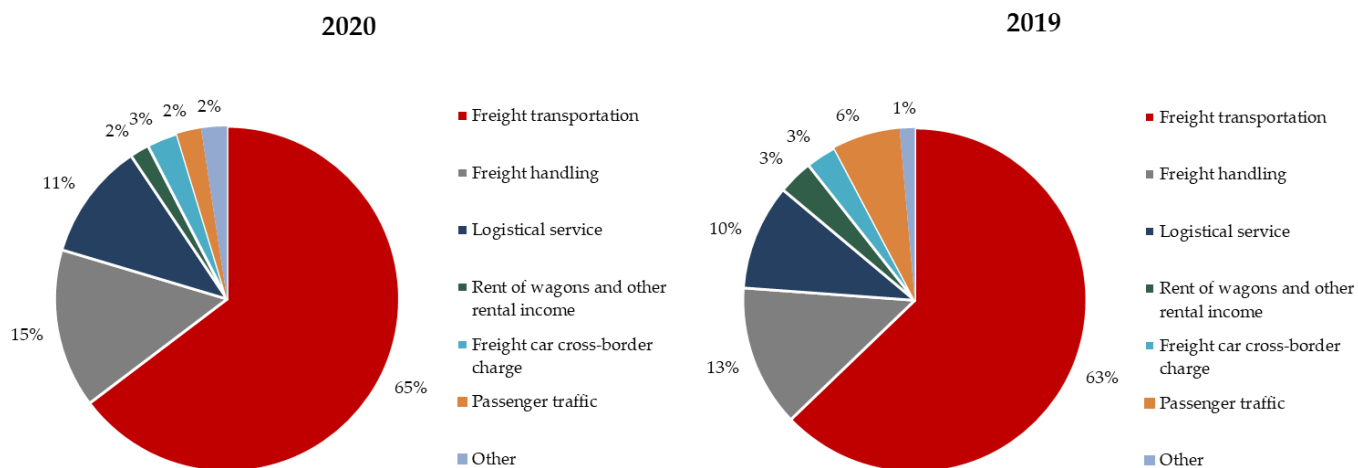
GEL '000	Q4 2020	Q4 2019	y-o-y	Q3 2020	q-o-q	2020	2019	% Change	% Change at constant currency	Abs. Change
Freight transportation*	84,852	82,943	2.3%	70,239	20.8%	316,452	308,515	2.6%	-7.0%	7,938
Freight handling*	19,078	18,630	2.4%	18,474	3.3%	72,855	65,398	11.4%	1.0%	7,457
Logistical service*	14,728	10,129	45.4%	10,447	41.0%	54,106	48,814	10.8%	0.5%	5,292
Rent of wagons and other rental income	1,056	4,097	-74.2%	1,944	-45.7%	8,838	16,090	-45.1%	-50.2%	-7,252
Freight car cross-border charge	4,220	4,052	4.2%	3,455	22.2%	14,147	14,156	-0.1%	-9.4%	-9
Passenger traffic	922	5,804	-84.1%	5,115	-82.0%	11,201	31,138	-64.0%	-67.4%	-19,937
Other	1,038	1,220	-14.9%	8,781	-88.2%	11,770	6,927	69.9%	54.0%	4,843
Revenue	125,895	126,874	-0.8%	118,457	6.3%	489,370	491,038	-0.3%	-9.7%	-1,668
Other income	2,502	-478	-623.4%	5,162	-51.5%	12,547	12,751	-1.6%	-10.8%	-204
Freight transportation	84,852	82,943	2.3%	70,239	20.8%	316,452	308,515	2.6%	-7.0%	7,937
Liquid cargoes	35,846	35,532	0.9%	26,429	35.6%	121,466	126,723	-4.1%	-13.1%	-5,257
Oil products	35,846	35,454	1.1%	26,414	35.7%	121,227	126,269	-4.0%	-13.0%	-5,042
Crude oil	0	78	-100.0%	15	-100.0%	239	454	-47.3%	-52.3%	-215
Dry cargoes	49,006	47,411	3.4%	43,810	11.9%	194,986	181,793	7.3%	-2.8%	13,194
Ores	6,166	10,404	-40.7%	8,028	-23.2%	33,209	39,169	-15.2%	-23.1%	-5,960
Grain	1,708	2,905	-41.2%	2,869	-40.5%	8,042	8,930	-9.9%	-18.4%	-888
Ferrous metals and scrap	2,498	2,639	-5.3%	2,072	20.5%	11,484	9,683	18.6%	7.5%	1,802
Sugar	5,108	1,473	246.8%	2,721	87.7%	12,059	13,926	-13.4%	-21.5%	-1,867
Chemicals and fertilizers	5,653	5,684	-0.6%	3,566	58.5%	22,860	16,416	39.3%	26.2%	6,444
Construction freight	1,693	1,936	-12.5%	1,537	10.2%	6,994	8,531	-18.0%	-25.7%	-1,537
Industrial freight	1,748	1,928	-9.3%	1,416	23.5%	6,173	7,557	-18.3%	-26.0%	-1,385
Cement	221	282	-21.5%	150	47.5%	620	1,961	-68.4%	-71.3%	-1,341
Other	24,210	20,161	20.1%	21,450	12.9%	93,546	75,620	23.7%	12.1%	17,926
Freight turnover (million ton-km)	762	827	-7.9%	639	19.1%	2,895	2,909	-0.5%	NA	-14
Revenue / ton-km (in Tetri)	11.14	10.03	11.0%	10.98	1.4%	10.93	10.61	3.1%	-6.6%	0.32

* For better presentation, we have separated “logistic services” from “freight transportation” and “freight handling”. “Logistic services” represents revenue generated by freight forwarding subsidiaries.

The majority of GR’s freight volumes were transported from Azerbaijan and to Georgia (about 22 percent and 21 percent of transportation revenue in 2020, respectively). Besides, the share of freight traffic from Russia and to Armenia is significant (about 19 percent and 16 percent of transportation revenue in 2020, respectively). Other significant trade partners for the Company in 2020 were Turkmenistan, Brazil, Turkey and Kazakhstan (together generating 21 percent of transportation revenue in 2020). About 4 percent of total transportation revenue in 2020 was generated by domestic transportation.

Revenue breakdown

The following charts represent revenue breakdown for full year of 2020 and 2019:



Freight transportation

The Group’s freight transportation revenue consists of liquid and dry cargoes. The split between liquid and dry cargo revenue in 2020 was about 38 percent and 62 percent, respectively.

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

Transportation volume – measured in tons transported.

Transportation turnover – measured in ton-kilometers, which is the product of tons transported and the distance covered.

Revenue per ton-kilometer – the term refers to the average revenue that the Group receives per ton-kilometer. This parameter varies for different types of cargo and largely depends on the cargo type mix and transportation direction mix.

- Cargo type mix – the Group transports different cargo categories (such as grain, ore, sugar etc.). These categories themselves are comprised of many sub-categories, each of which has different tariffs. Therefore, while the actual tariffs for cargo sub-categories may remain the same, the average revenue per ton-kilometer of a main cargo category may still change due to changes in the sub-category mix.
- Transportation direction mix – tariffs differ according to freight origins and directions, as stated in the Group’s tariff policy. Thus, when the tariffs for different cargo sub-categories and the sub-category mix remain the same, the average revenue per ton-kilometer may still change because of the change in the transportation direction mix.

GEL/USD exchange rate – one important issue in analyzing the performance of the Group is the fact that most of its tariffs are denominated in USD. As the Group reports its revenue in GEL, the changes in the GEL/USD exchange rate can have a significant impact on the Group’s profitability, as most of its expenses are denominated in Georgian Lari.

Average rates

	Q4 2020	Q4 2019	% Change	Q3 2020	% Change	2020	2019	% Change
USD	3.27	2.95	11.02%	3.10	5.43%	3.11	2.82	10.31%
CHF	3.62	2.98	21.58%	3.37	7.31%	3.32	2.84	16.93%

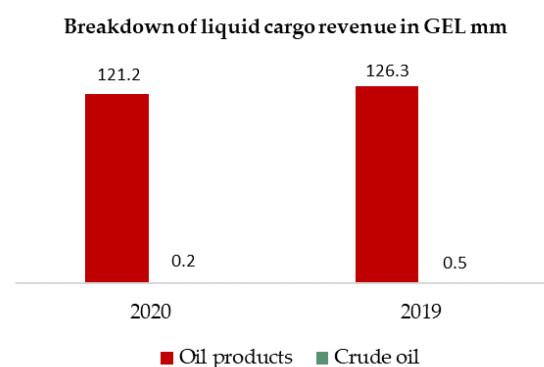
Reporting date spot rates

	31-Dec-20	31-Dec-19	% Change	30-Sep-20	% Change	31-Dec-18
USD	3.28	2.87	14.26%	3.29	-0.34%	2.68
CHF	3.71	2.95	25.82%	3.56	4.20%	2.73

Liquid cargo

One of the key drivers of liquid freight traffic is the production of oil and related products in the Caspian region, which has large oil reserves. In 2020, about 77 percent of crude oil and oil products were transported from three countries (Russia, Azerbaijan and Turkmenistan) mostly to European countries and Georgia.

Most of the Group’s liquid cargo revenue comes from oil products.



Oil products

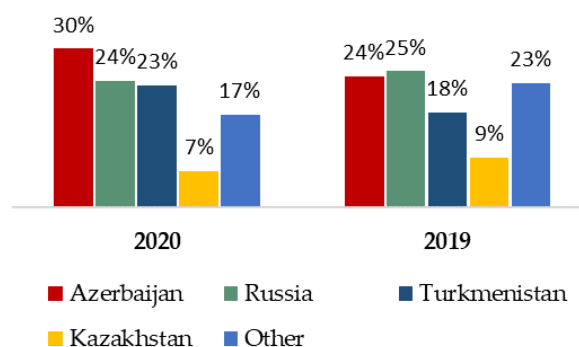
Revenue from the transportation of oil products for Q4 2020 increased by 1 percent, compared to Q4 2019 and by 35 percent, compared to Q3 2020.

Main directions of cargo

Oil products are currently the main component of liquid cargo (99.8 percent of the transportation volume of liquid cargo in 2020). They are mainly transported by rail, as there is practically no competition from pipelines.

Oil products transported by the Group during 2020 mainly originated from Azerbaijan, Turkmenistan, Russia and Kazakhstan, with changes in the transportation direction mix compared to the same period of 2019. The shares Russia and Kazakhstan were down by 2 percent and 3 percent, respectively, while the share of Azerbaijan and Turkmenistan increased by 5 percent in total oil products transported by the Group.

Transportation volume by countries of origin



Oil Products

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	121.23	126.27	-4.0%	-13.0%
Freight volume (million ton)	3.04	3.06	-0.7%	NA
Freight turnover (million ton-km)	882.94	892.79	-1.1%	NA
Revenue / ton-km (in Tetri)	13.73	14.14	-2.9%	-12.0%

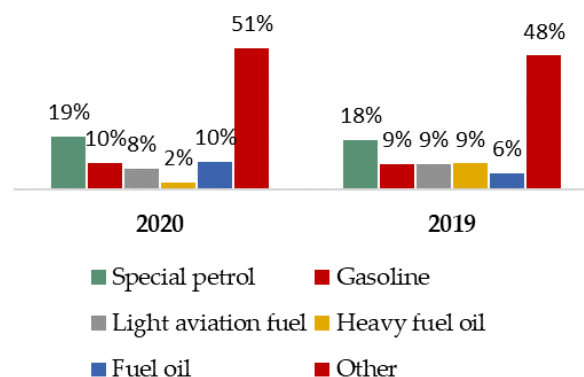
* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – about 1 percent decrease in transportation turnover was mainly driven by decreased transported volume by 1 percent, which was largely caused by decreased volumes from Russia and Kazakhstan, by 139,000 tons.

Revenue/ton-km (in Tetri) - a 3 percent decrease in average revenue per ton-kilometer during the period under review, compared to the same period of the previous year, was mainly due to changes in the product direction mix and the product category mix. The share of Russia (which

Product Category Mix



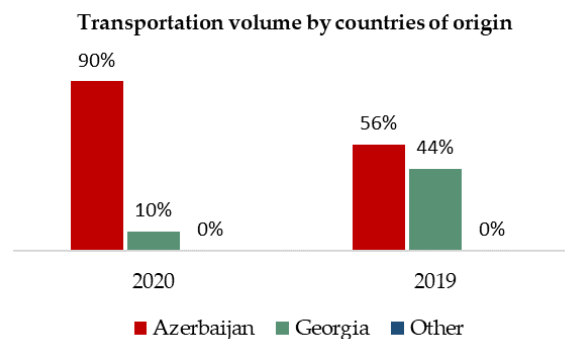
is relatively more profitable direction) decreased, while the share of Turkmenistan (which is relatively less profitable direction) increased. As well as, the share of aviation light fuel (which is relatively more profitable products) has decreased, while the share of fuel oil (which is a relatively less profitable product) has increased in total oil products transported by Georgian Railway.

Crude oil

There was no crude oil transportation in Q4 2020 and in Q3 2020 revenue from crude oil was GEL 15,000.

Main directions of cargo

The crude oil transported by Georgian Railway during 2020 originated from Azerbaijan (about 90 percent) and from Georgia (about 10 percent). The main country of destination in 2020 was Georgia.



Crude Oil

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	0.24	0.45	-47.3%	-52.3%
Freight volume (million ton)	0.01	0.01	-60.3%	NA
Freight turnover (million ton-km)	2.00	3.77	-47.0%	NA
Revenue / ton-km (in Tetri)	11.96	12.03	-0.6%	-9.9%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 47 percent decrease in transportation turnover was caused by decreased volumes from Georgia and Azerbaijan by 6,000 tons and 3,000 tons, respectively.

Revenue/ton-km (in Tetri) – a 10 percent decrease in average revenue per ton-kilometer at constant currency during the period under review, compared to the same period of the previous year was driven by lower tariffs put on domestic transportation.

Dry cargo

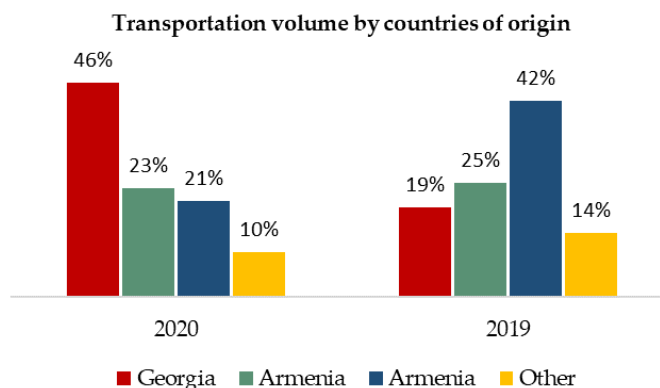
Dry cargo contributed about 62 percent of total transportation revenue in 2020. The major factors driving the transportation of dry cargo are general national economic conditions and economic developments in Georgia and in partnering countries such as Azerbaijan, Armenia, Turkmenistan, Kazakhstan and other CIS countries.

Ore products

Revenue from the transportation of ore products for Q4 2020 decreased by 41 percent, compared to Q4 2019 and by 23 percent, compared to Q3 2020.

Main directions of cargo

The main origin countries for ore products during the period under review were Georgia, Armenia and Russia. The main destination points of ore products transported by the Group are Georgia, China, Cyprus and Bulgaria. Ore products transported by the Group in 2020 mostly comprise manganese ores and concentrates (about 44 percent), copper ores and concentrates (about 25 percent) and bituminous coal (about 16 percent).



Ores

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	33.21	39.17	-15.2%	-23.1%
Freight volume (million ton)	1.88	2.02	-7.0%	NA
Freight turnover (million ton-km)	326.50	506.21	-35.5%	NA
Revenue / ton-km (in Tetri)	10.17	7.74	31.4%	19.2%

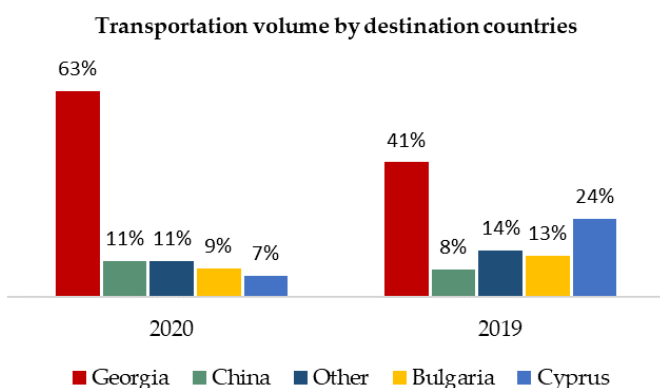
* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 36 percent decrease in freight transportation turnover was mainly due to decrease in transported volumes from Russia and Armenia, by 461,000 tons and 57,000 tons, respectively.

Revenue/ton-km (in Tetri) – the average revenue per ton-kilometer in 2020 increased by 31 percent, compared to 2019. This

decrease was mainly due to the product direction mix and product category mix. The transported share of volumes to Georgia and China (which are relatively more profitable directions) increased, while the share of volumes transported to Cyprus (which is relatively less profitable direction) decreased. Transportation of manganese ores (which is relatively more profitable product) increased significantly, while the share of bituminous coal (which is relatively less profitable product) decreased.



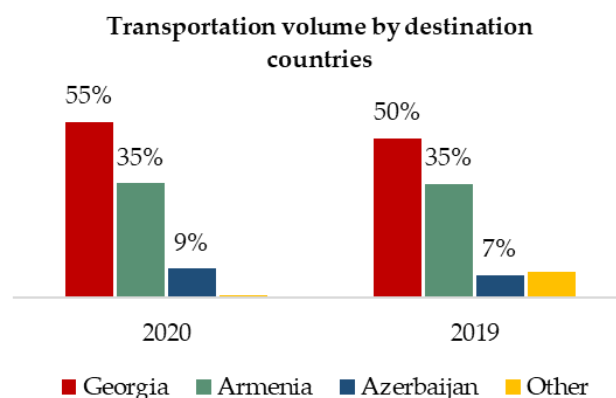
Grain and grain products

Revenue from the transportation of grain and grain products for Q4 2020 decreased by 41 percent, compared to Q4 2019, and by the same percent, compared to Q3 2020.

Main directions of cargo

The transportation volume of wheat represents about 81 percent of total grain and grain products transported in 2020. The main country of origin for grain and grain products during the period under review, was Russia by 83 percent.

The main destination countries were Georgia, Armenia and Azerbaijan, by 55 percent, 35 percent and 9 percent, respectively.



Grain and grain products

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	8.04	8.93	-9.9%	-18.4%
Freight volume (million ton)	0.31	0.42	-27.5%	NA
Freight turnover (million ton-km)	71.99	98.03	-26.6%	NA
Revenue / ton-km (in Tetri)	11.17	9.11	22.6%	11.2%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a decrease in freight turnover by 27 percent was mainly caused by the decreased transported volumes from Kazakhstan by 90,000 tons and to Georgia and Armenia together representing 83,000 tons.

Revenue/ton-km (in Tetri) – a 23 percent increase in average revenue per ton-kilometer was driven by a change in the product direction mix. The transportation share from Russia, Ukraine and Kazakhstan (which cover longer distances), has seen a considerable decrease during 2020, compared to the same period of 2019.

Ferrous metals and scrap

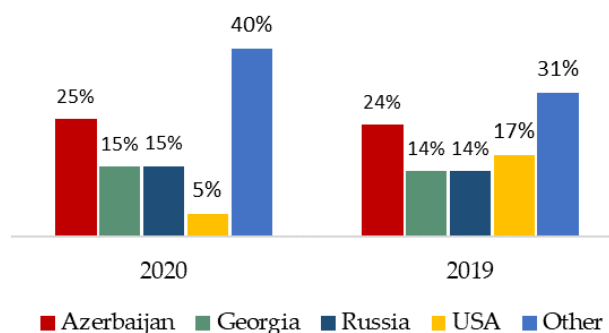
Revenue from the transportation of ferrous metals and scrap for Q4 2020 decreased by 5 percent, compared to Q4 2019, but increased by 21 percent to Q3 2020.

Main directions of cargo

The main destination countries for ferrous metals and scrap during the period under review were Georgia, Azerbaijan, USA and Russia, together representing 60 percent of the total volume transported in 2020.

Ferrous metals and scrap transported by the Group during 2020 mainly originated from Georgia, China, Russia and Ukraine, together generating 83 percent of the total ferrous metals and scrap transported in 2020.

Transportation volume by destination countries



Ferrous metals and scrap

For the year ended 31 December

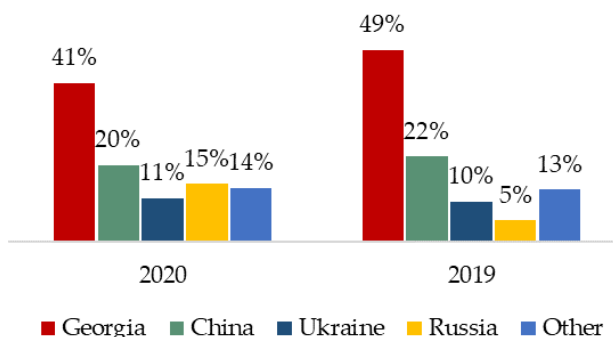
	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	11.48	9.68	18.6%	9.2%
Freight volume (million ton)	0.53	0.52	1.9%	NA
Freight turnover (million ton-km)	130.00	120.67	7.7%	NA
Revenue / ton-km (in Tetri)	8.83	8.02	10.1%	1.4%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 8 percent increase in freight turnover was mainly caused by a rise in average transportation distance, which was on its own driven by an increased share of freight transported to Kazakhstan and Ukraine (which cover relatively longer distances) in total volume transported, while the share of freight transported to Georgia (which covers relatively shorter distance) has decreased in 2020, compared to 2019.

Transportation volume by countries of origin



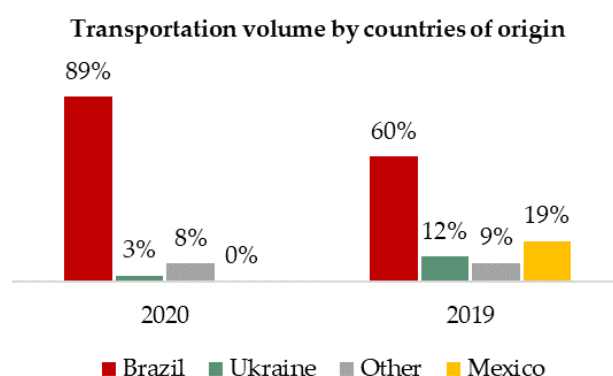
Revenue/ton-km (in Tetri) – a 10 percent increase in average revenue per ton-kilometer was mainly driven by changes in the product direction mix and the product category mix. The share of Ukraine and Russia (which are relatively more profitable directions) has increased, while the share of Georgia and China (which are relatively less profitable directions) has decreased. As well as, the share of flat-rolled products of iron (which is a relatively more profitable product) has increased in total ferrous metals and scrap transported by the Group, while the share of ferrosilicon manganese (which is relatively less profitable product) has decreased.

Sugar

Revenue from the transportation of sugar for Q4 2020 decreased by 2.5x, compared to Q4 2019 and by 0.9x, compared to Q3 2020.

Main directions of cargo

Brazil was the main country of origin for transported volumes of sugar in 2020 and 2019, with a share of 89 percent and 60 percent, respectively. The main destination countries of sugar were Azerbaijan, Georgia and Armenia (consisting of 97 percent of total volume transported by the Group).



Sugar

For the year ended 31 December

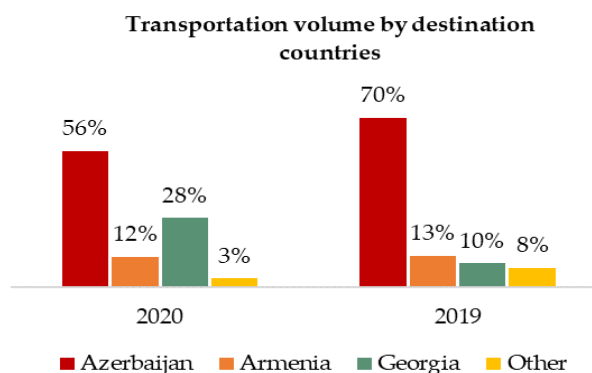
	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	12.06	13.93	-13.4%	-21.5%
Freight volume (million ton)	0.28	0.33	-12.9%	NA
Freight turnover (million ton-km)	98.21	120.19	-18.3%	NA
Revenue / ton-km (in Tetri)	12.28	11.59	6.0%	-3.9%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 18 percent decrease in freight turnover during the period under review, compared to the same period of the previous year, was mainly driven by the reduced transportation of sugar from Mexico and Ukraine by 31,000 tons and by 63,000 tons, respectively.

Revenue/ton-km (in Tetri) – a 6 percent increase in average revenue per ton-kilometer was mainly caused product direction mix. Volumes transported from Brazil (which is relatively more profitable direction) has increased significantly. Another reason was the change in the product category mix. The share of cane sugar (a relatively more profitable product) has increased, while the share of solid sugar (a relatively less profitable product) has decreased in total sugar transportation volume.

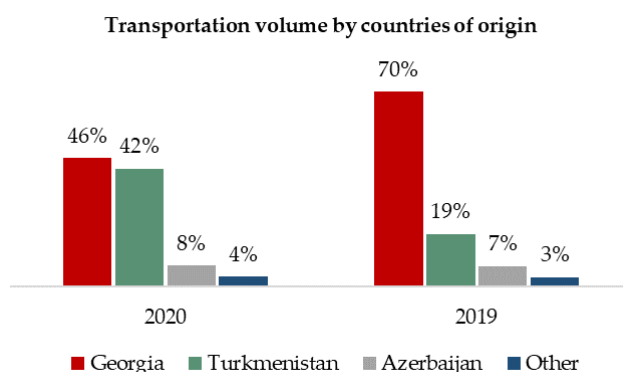


Chemicals and fertilizers

Revenue from the transportation of chemicals and fertilizers for Q4 2020 decreased by 1 percent compared to Q4 2019, but increased by 59 percent, compared to Q3 2020.

Main directions of cargo

The main countries of origin for transported volumes for chemicals and fertilizers during the period under review were Georgia, Turkmenistan and Azerbaijan, together contributing 96 percent of total volume transported in 2020. Chemicals and fertilizers were mainly transported to Black Sea ports. In 2020, the Group mainly transported ammonium nitrate and urea under the chemicals and fertilizers freight category, with 41 percent and 50 percent of total share, respectively.



Chemicals and fertilizers

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	22.86	16.42	39.3%	26.2%
Freight volume (million ton)	0.94	0.72	30.7%	NA
Freight turnover (million ton-km)	308.65	220.79	39.8%	NA
Revenue / ton-km (in Tetri)	7.41	7.44	-0.4%	-9.7%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 40 percent increase in transportation turnover during 2020, compared to 2019, was mainly driven by a significant increase of freight volumes from Turkmenistan and Azerbaijan, by 263,000 tons and 19,000 tons, respectively.

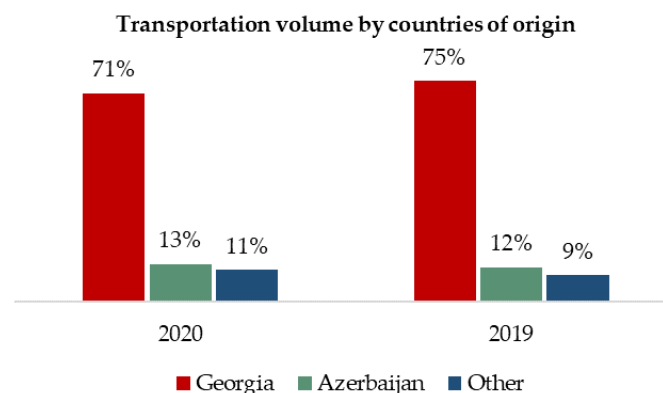
Revenue/ton-km (in Tetri) – a 0.4 percent decrease in average revenue per ton-kilometer was mainly due to changes in the product direction mix and the product category mix. The share of Georgia (which is relatively more profitable direction) has decreased, while the share of Turkmenistan (which is relatively less profitable direction) has increased. As, well as, the share of ammonium nitrate (which is relatively more profitable product) has decreased, while the share of urea (which is relatively less profitable product) has increased, in total chemicals and fertilizers transported by the Group, in 2020, compared to 2019.

Construction freight

Revenue from the transportation of construction freight for Q4 2020 decreased by 13 percent, compared to Q4 2019, but increased by 10 percent, compared to Q3 2020.

Main directions of cargo

Transportation of construction freight is correlated with the activities of the construction sector in Georgia. The share of construction freight transported within Georgia was about 71 percent. The second largest country of origin after Georgia in 2020 and 2019 was Azerbaijan, with 13 percent and 12 percent of total transported volume of construction freight, respectively. The main products under the construction freight category were limestone and gypsum, with 60 percent and 13 percent, respectively, in total volumes transported in 2020.



Construction freight

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	6.99	8.53	-18.0%	32.0%
Freight volume (million ton)	0.91	1.03	-11.4%	NA
Freight turnover (million ton-km)	141.68	155.40	-8.8%	NA
Revenue / ton-km (in Tetri)	4.94	5.49	-10.1%	44.8%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 9 percent decrease in transportation turnover was mainly driven by decreased volumes from Georgia (by 125,000 tons) and Azerbaijan (by 5,000 tons) in 2020, compared to 2019.

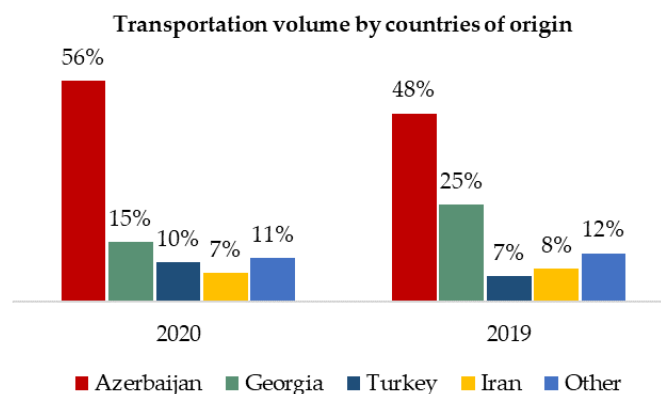
Revenue/ton-km (in Tetri) – a 10 percent decrease in average revenue per ton-kilometer was mainly due to product direction mix and product category mix. The share transported from Azerbaijan (which is relatively more profitable direction) has decreased, while the share transported from Spain (which is relatively less profitable direction) has increased. As well as, the share of gypsum (which is relatively more profitable product) has decreased, while the share of granite products (which is relatively less profitable product) has increased, in total construction freight transported in 2020, compared 2019.

Industrial freight

Revenue from the transportation of industrial freight for Q4 2020 decreased by 9 percent, compared to Q4 2014, but increased by 24 percent, compared to Q3 2020.

Main directions of cargo

The main countries of origin for total transported volume of industrial freight during 2020 were Azerbaijan, Georgia, Turkey and Iran with 56 percent, 15 percent, 10 percent and 7 percent of the transported share, respectively. A significant part of the cargo (together generating 89 percent of the total volume transported) was directed to Georgia, Armenia and Azerbaijan. In 2020, the Group mainly transported cement clinker under the industrial freight category, with 62 percent of the total share.



Industrial freight

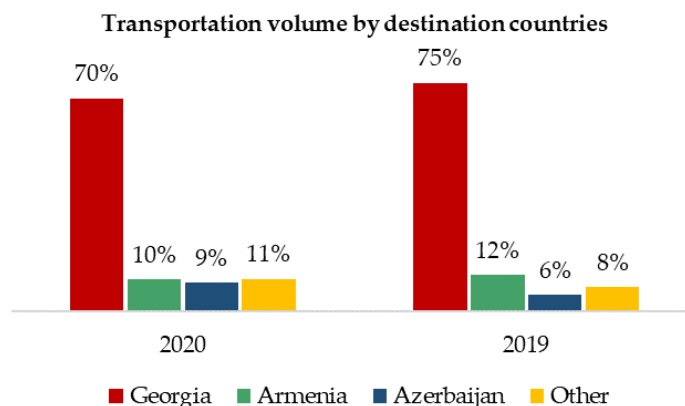
For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	6.17	7.56	-18.3%	-15.2%
Freight volume (million ton)	0.37	0.46	-20.3%	NA
Freight turnover (million ton-km)	63.10	89.51	-29.5%	NA
Revenue / ton-km (in Tetri)	9.78	8.44	15.9%	20.3%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 30 percent downturn in transportation turnover was driven by decreased volume by 20 percent, mainly caused by a significant decrease in the volume amount transported to Georgia and Armenia by 88,000 tons and 17,000 tons, in 2020, compared to 2019, respectively.



Revenue/ton-km (in Tetri) – a 16 percent increase in the average revenue per ton-kilometer was mainly due to changes in the product direction mix. The share of the transported volume to a relatively more profitable direction, such as Azerbaijan, in total transported volume has increased, while the share of relatively less profitable directions (e.g. Armenia, Georgia) has decreased in 2020, compared to 2019.

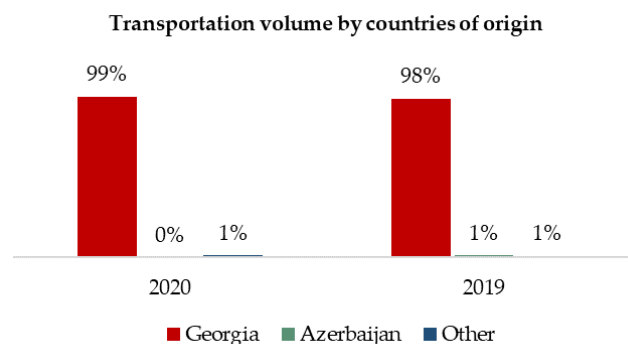
The share of the transported volume to a relatively more profitable direction, such as Azerbaijan, in total transported volume has increased, while the share of relatively less profitable directions (e.g. Armenia, Georgia) has decreased in 2020, compared to 2019.

Cement

Revenue from the transportation of cement for Q4 2020 decreased by 22 percent, compared to Q4 2019, but increased by 48 percent, compared to Q3 2020.

Main directions of cargo

Cement is mainly transported within Georgia, 98 percent of total share in 2019 and 99 percent in 2020.



Cement

For the year ended 31 December

	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	0.62	1.96	-68.4%	-71.3%
Freight volume (million ton)	0.05	0.11	-58.9%	NA
Freight turnover (million ton-km)	11.47	27.63	-58.5%	NA
Revenue / ton-km (in Tetri)	5.41	7.10	-23.8%	-30.9%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – transportation turnover has decreased by 59 percent, mainly due to significant decrease in cement transportation from Georgia, by 65,000 tons in 2020, compared to 2019.

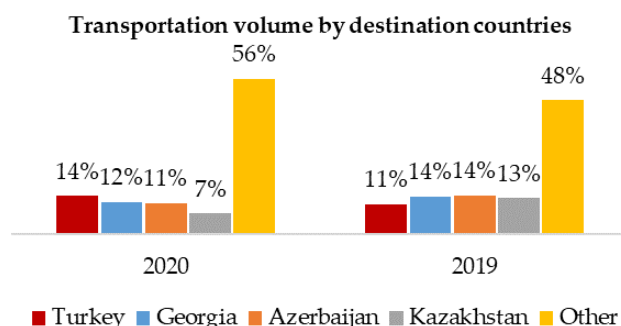
Revenue/ton-km (in Tetri) – a 24 percent decrease in average revenue per ton-kilometer was caused by a decreased share of cement originated from Georgia, as mentioned above, in total transportation volume during 2020.

Other product categories

Revenue from the transportation of other product category for Q4 2020 increased by 20 percent, compared to Q4 2019 and by 13 percent, compared to Q3 2020.

Main directions of cargo

The main origin countries for other product categories in 2020 were Azerbaijan, Turkmenistan, Georgia, Kazakhstan, Ukraine and China. The cargo was mainly directed to Turkey, Georgia, Azerbaijan and Kazakhstan. The main products transported in 2020 were methanol (about 17 percent of total volume), P-xylene (about 8 percent of total volume), meat products (about 5 percent of total volume) and mineral waters (about 5 percent of total volume) in 2020, compared to 2019.



Other products

For the year ended 31 December

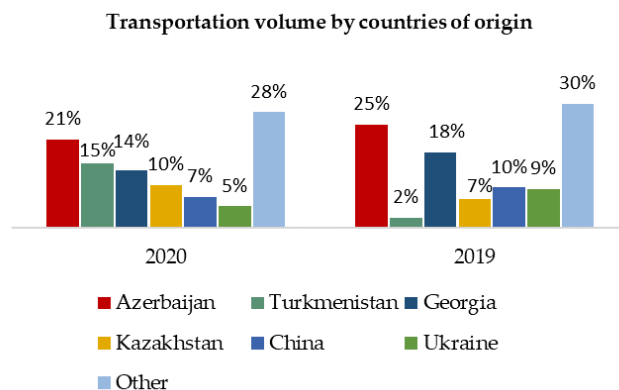
	2020	2019	% Change	% Change at constant currency
Revenue (GEL million)	93.55	75.62	23.7%	12.1%
Freight volume (million ton)	2.75	2.17	26.7%	NA
Freight turnover (million ton-km)	858.76	674.00	27.4%	NA
Revenue / ton-km (in Tetri)	10.89	11.22	-2.9%	-12.0%

* Revenue per ton-kilometer represents revenue from freight transportation (excluding revenue from logistic service) divided by ton-kilometers.

Factors influencing performance

Ton-kilometers – a 27 percent increase in transportation turnover was mainly driven by increased volumes transported from Turkmenistan, Kazakhstan and Azerbaijan by 371,000 tons, 133,000 tons and 42,000 tons, respectively.

Revenue/ton-km (in Tetri) – a 3 percent decrease in average revenue per ton-kilometer was mainly driven by changes in the product category mix. The share of mineral waters and meat products (which are relatively more profitable products) have decreased, while the share of p-xylene and sulfur (which are relatively less profitable products) have increased in total volumes transported in 2020, compared to 2019.



Freight handling

General description

Revenue from freight comprises several components:

- Revenue from station services, derived from railcar marshaling, freight pick-up, delivery at customer facilities and other related services;
- Revenue from 24-hour railcar delays, which is represented by a fee paid by customers for failing to load or unload a railcar within 24 hours from delivery of railcar at an agreed destination;
- Revenue from certain other services, derived from cargo loading/unloading, storage, accelerated service fees and other sources.

Currency and tariff setting

Most of the freight handling revenue, about 76 percent in 2020, was denominated in USD, while the rest was denominated in GEL (24 percent). The Group sets its tariffs independently.

Driver

The revenue from this source largely fluctuated in line with transportation volumes in tons. The correlation, however, is not perfect as there are many influential factors.

Freight handling

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Station services	55,559	52,204	6.4%	3,355
24-hour service	13,040	9,248	41.0%	3,792
Other	4,255	3,946	7.8%	309
Total	72,855	65,398	11.4%	7,457

Revenue from freight handling for Q4 2020 increased by 2 percent, compared to Q4 2019 and by 3 percent, compared to Q3 2020.

Factors influencing performance

A 11 percent increase in revenue from freight handling during the period under review, compared to the same period of the previous year, was mainly driven by a significant increase in station services and 24-hour services.

Logistical services

General description

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

Currency and tariff setting

Revenue from logistical services is denominated in USD and GEL, with 99 percent and 1 percent, respectively.

Driver

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

Logistical services

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Revenue from logistical services	54,106	48,814	10.8%	5,292

Revenue from logistical services for Q4 2020 increased by 45 percent, compared to Q4 2019 and by 41 percent, compared to Q3 2020.

Factors influencing performance

A 11 percent increase in logistical services (GEL 5.3 million) during 2020, compared to 2019, was mainly driven by increased revenue from oil product transportation of GR's subsidiary company, which was partially offset by decreased revenues from another GR's subsidiary company, which provides container transportation services.

Rent of wagons and other rental income

General description

Rent of wagons and other rental income represents operating lease and is accounted for under IFRS 16.

Currency and tariff setting

Revenue from rent of wagons or other operating leases is denominated in USD.

Drivers

Rent of wagons and other rental income changes according to agreements with clients.

Rent of wagons and other rental income

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Rent of wagons and other rental income	8,838	16,090	-45.1%	-7,252

Rent of wagons and other rental income for Q4 2020 decreased by 74 percent, compared to Q4 2019, and by 46 percent, compared to Q3 2020.

Factors influencing performance

Rent of wagons and other rental income decreased by 45 percent (GEL 7.3 million) during the period under review, compared to the same period of 2019. Rent of wagons and other rental income decreased due to expiration of some contracts and not extending them due to COVID-19.

Freight car cross-border charge

General description

Freight car cross-border charge revenue is derived when the Group's railcars are used by other 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 according to tariffs and the number of days the Group's railcars are used by other railways.

Freight car cross-border charge

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Freight car cross-border charge	14,147	14,156	-0.1%	-9

Freight car cross-border charge revenue for Q4 2020 increased by 4 percent, compared to Q4 2019, and by 22 percent, compared to Q3 2020.

Factors influencing performance

The revenue from Freight car cross-border charge remained at about the same level during the period under review, compared to the same period of 2019.

Passenger traffic

General description

Passenger transportation comprises domestic and international services. Domestic transportation includes regional and long-distance transportation. Long-distance traffic accounts for the majority of the Group's passenger traffic, while the regional services, in particular suburban services, typically serve the low-income sections of society and fares for such services are low. Georgian rail lines are linked to Azerbaijan and Armenia, and international transportation services are provided to both countries.

Currency and tariff setting

Tariffs for domestic transportation are set independently by the Group, in GEL. Tariffs are not determined by market forces and are kept relatively low, because the Group's affordable passenger transportation services have social importance. Accordingly, GR may be restricted from removing or reducing services on certain passenger routes, even in cases 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 fluctuations are in line with the tariffs and number of passengers transported.

Passenger transportation

For the year ended 31 December

	2020	2019	% Change	Abs. change
Revenue in GEL '000	11,201	31,138	-64.03%	-19,937
Number of passengers '000	939	3,027	-68.98%	-2,088

Revenue from passenger transportation for Q4 2020 decreased by 84 percent, compared to Q4 2019 and by 82 percent, compared to Q3 2020.

Factors influencing performance

Revenue from passenger transportation decreased by 64 percent (GEL 19.9 million) in 2020, compared to 2019, and the number of passengers decreased by 69 percent.

First two months of 2020 was a successful period for passenger SBU. Revenue from passenger transportation has increased by 26 percent, and the number of passengers increased by 18 percent, compared to the same period of 2019. The decrease in revenue from passenger traffic in the year ended 31 December 2020, as compared to 2019, was primarily due to the closure of the Company's passenger services between the second half of March 2020 and 15 June 2020 and, subject to certain limited exceptions, from 28 November 2020 until the end of 2020 (and beyond) in line with Government restrictions issued in response to the COVID-19 pandemic.

Other revenue

General description

Other revenue is mostly denominated in GEL and comprises items such as revenue from renting out spaces in buildings owned by the Group, the sale of scrap and repair services for third parties.

Other revenue

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Revenue from repair	743	1,157	-35.8%	-414
Revenue from sale of materials (scrap)	8,112	1,282	533.0%	6,831
Other	2,915	4,488	-35.1%	-1,573
Total	11,770	6,926	69.9%	4,844

Other revenue for Q4 2020 decreased by 15 percent, compared to Q4 2019, and by about 88 percent, compared to Q3 2020.

Factors influencing performance

An increase in other revenue by GEL 4.8 million in 2020, compared to 2019 was mostly attributable to increased income from the sale of materials (scrap metal) – consisting of GEL 6.8 million in 2020. This was, in turn, due to increased demand on scrap metal.

1.2 Other income

Other income

General description

Other income mostly includes items such as penalties accrued on debtors or creditors, 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 penalties on creditors and debtors) and non-continuing operations (such as provision reversals and sale of fixed assets, which are not expected to sustainably reoccur in the future).

Other income

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Continuing operations	3,091	4,767	-35.2%	-1,676
Non-continuing operations	9,456	7,984	18.4%	1,472
Total	12,547	12,751	-1.6%	-204

Other income for Q4 2020 increased by GEL 3.0 million, compared to Q4 2019 and decreased by GEL 2.7 million, compared to Q3 2020.

Factors influencing performance

Total other income in 2020, compared to the same period of 2019, decreased by about GEL 0.2 million. This decrease was primarily due to a decrease in other income generated from continuing operations, which was, in turn, due to decrease in revenue from accrued penalties on creditors and decrease in non-operational income in 2020, compared to 2019. The decrease was partially offset by an increase in non-continuing operations in 2020, compared to 2019, which was mainly driven by a significant increase in revenue from surplus of inventory (about GEL 1.9 million in 2020 compared to 2019), Obtaining railway infrastructure assets from a non-related party), free of charge, with a fair value of GEL 3.051 thousand and by additional income due to reversal of provision related to legal cases (about GEL 2.1 million in 2020 compared to 2019).

Operating expenses

General description

Most of the Group's operating expenses are fixed. Variable expenses that depend on the volume of transportation include: Freight car cross-border charge; electricity of traction; fuel expenses; materials, repair and maintenance expenses.

Operating expenses

For the year ended 31 December

In GEL '000

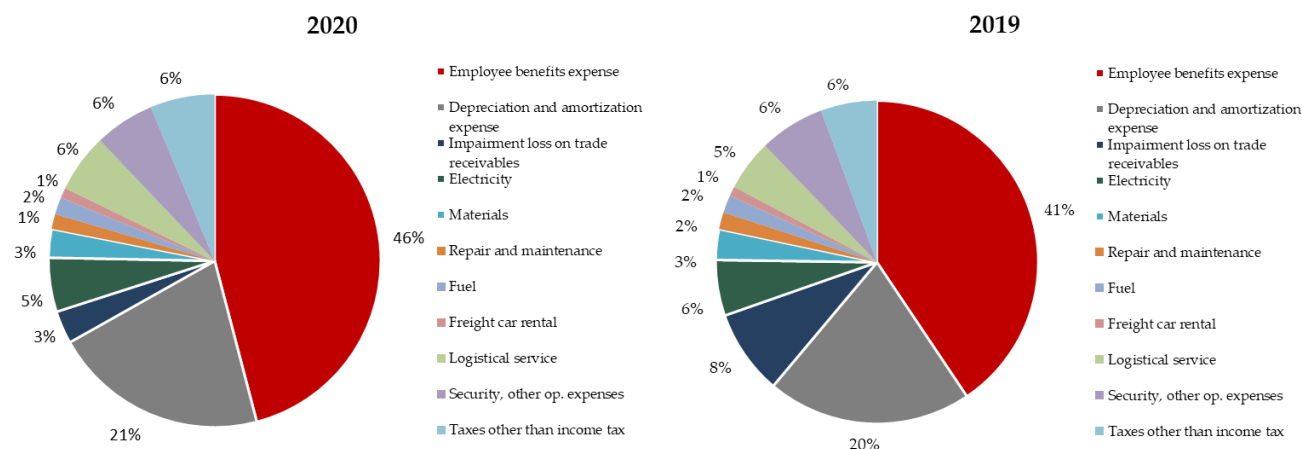
	2020	2019	% Change	Abs. change
Employee benefits expense	170,502	160,561	6.2%	9,941
Depreciation and amortization expense	76,156	81,235	-6.3%	-5,079
Impairment loss on trade receivables	13,560	33,729	-59.8%	-20,169
Electricity	19,519	22,069	-11.6%	-2,550
Materials	10,306	12,135	-15.1%	-1,829
Repair and maintenance	5,402	6,694	-19.3%	-1,292
Fuel	6,184	7,023	-11.9%	-839
Freight car cross-border charge	3,688	3,780	-2.4%	-92
Logistical service	21,105	20,182	4.6%	923
Security, other op. expenses	22,311	25,941	-14.0%	-3,630
Taxes other than income tax	23,938	22,225	7.7%	1,713
Total	372,671	395,574	-5.8%	-22,903

Total operating expenses for Q4 2020 decreased by 14 percent, compared to Q4 2019, and by 11 percent, compared to Q3 2020.

Factors influencing performance

A decrease in total operating expenses in 2020, compared to 2019, was mainly driven by decrease in impairment loss on trade receivables. The decrease incurred in expenses such as depreciation and amortization expenses (by GEL 5.1 million), electricity, consumables and maintenance costs (together by GEL 6.5 million) and security and other operating expenses (by GEL 3.6 million) was partially offset by an increase in employee benefits expenses (by GEL 9.9 million), in taxes other than income tax (by GEL 1.7 million) and in logistical services (by GEL 0.9 million).

The following charts represent the cost structure for 2019 and 2020:



Employee benefits expense

General description

The Group's salary expenses are not related to changes in the transportation volume as employees' salaries are fixed. The salaries are denominated in GEL, thus FX changes do not affect the cost.

Employee benefits expenses

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Salary	127,108	118,635	7.14%	8,473
Bonus-reward	10,501	9,783	7.34%	719
Other benefits	32,893	32,144	2.33%	750
Total	170,502	160,561	6.19%	9,941

Employee benefits expenses for Q4 2020 increased by 10 percent, compared to Q4 2019 and by 20 percent compared to Q3 2020.

Factors influencing changes

The Group is one of the largest corporate employers and taxpayers in Georgia. This fact underlines its importance for the Government of Georgia along with other important economic and social benefits for the country. Total employee benefits expenses increased by GEL 9.9 million in 2020, compared to 2019.

Salary expenses increased by GEL 8.5 million. According to the decision of the Board of Directors to increase the wages of approximately 11,000 employees by 10% with effect from December 2019.

Bonus-reward was increased by 7.3% in 2020, compared to 2019.

A GEL 0.8 million increase in other benefits, was mainly due to funded pension expenses.

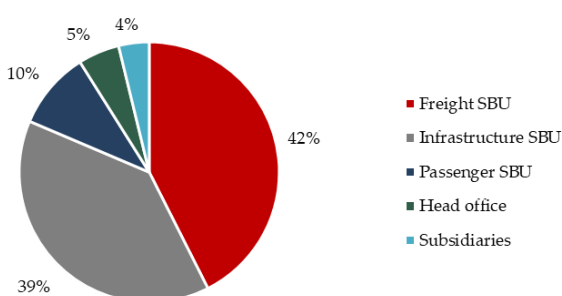
Law on funded pension

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

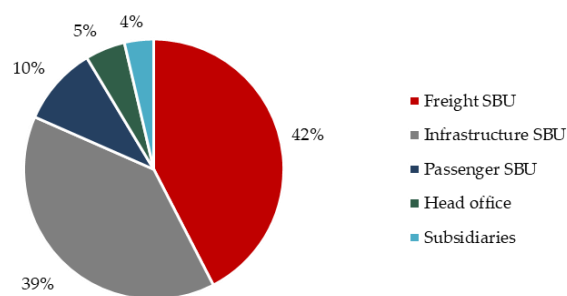
The number of employees (excluding subsidiaries) by the end of 2020 was equal to 11,899 and by the end of 2019, this figure was 12,208.

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

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



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



Depreciation and amortization expenses

General description

The Group's depreciation and amortization expenses are mainly affected by capital additions and property retirements from disposal, sale or abandonment. The expenses are denominated in GEL and thus are not affected by fluctuations in foreign exchange rates.

Depreciation and amortization expenses

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Depreciation and amortization	76,156	81,235	-6.25%	-5,079

Depreciation and amortization expenses for Q4 2020 increased by 1 percent, compared to Q4 2019, but decreased by 18 percent, compared to Q3 2020.

Factors influencing changes

The decrease of GEL 5.1 million in depreciation and amortization expenses in 2020, compared to 2019, was primarily due to a decrease in capital expenses in 2020, compared to 2019. This was, in turn, due to prolongation of Capex, related to Modernisation Project.

Electricity expenses

General description

Approximately 97 percent of GR's railway network is electrified. Until September 2011, the company purchased most of its electricity on the open market in Georgia. In 2011, the Company signed a 10-year contract with the electricity provider, JSC Energo-pro Georgia, securing a fixed price for more than 90 percent of its electricity needs (subject to certain circumstances in which these tariffs can be increased). The tariffs are denominated in GEL.

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

Electricity expenses

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Electricity expenses of traction	16,143	18,533	-12.9%	-2,390
Utility expenses	3,377	3,536	-4.5%	-160
Total	19,519	22,069	-11.6%	-2,550

Electricity expenses for Q4 2020 decreased by 18 percent, compared to Q4 2019, but increased by 12 percent, compared to Q3 2020.

Factors influencing changes

The decrease in electricity expenses in 2020, compared to 2019 by GEL 2.6 million was mainly caused by decreased passenger transportation due to regulations against spread of Covid-19, during which passenger transportation was temporarily ceased by the government during second quarter and during the end of 2020.

Purchased electricity and weighted average tariff

For the year ended 31 December

	2020			2019		
	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)	GWh	Gross ton-km (million)	Weighted av. tariff (GEL)
January	13.2	543.7	0.131	11.3	389.4	0.130
February	11.1	434.1	0.130	11.0	413.5	0.130
March	11.1	468.9	0.130	12.3	488.7	0.130
April	9.1	436.6	0.130	11.5	458.7	0.130
May	9.6	459.8	0.130	10.4	398.4	0.130
June	9.7	442.8	0.130	11.1	437.4	0.130
July	10.0	442.1	0.130	11.7	444.3	0.130
August	10.1	407.2	0.130	12.7	502.4	0.130
September	9.3	384.3	0.130	12.0	458.1	0.130
October	10.6	458.2	0.130	12.4	521.2	0.130
November	10.2	454.6	0.130	12.9	528.3	0.130
December	10.1	491.5	0.130	13.1	522.3	0.130
Total	124.0	5,423.8	0.130	142.4	5,562.7	0.130

Note: The table above includes only electricity consumed of traction

Materials, repair and maintenance expenses

General description

The Group consumes materials for repair works performed internally by its own employees. This consumption is presented under “materials expenses”. However, some repair works are outsourced and are presented under “repair and maintenance expenses”.

The Group’s materials, repair and maintenance expenses are all tied to its rolling stock equipment balance, their utilization level and transportation volume. When the transportation volume and transportation by the Group’s own rolling stock increases, so too do the expenses for materials, repair and maintenance. However, this expense can also be affected by increased capital expenditures on the fleet and infrastructure, which reduces operating expenditures on repairs.

Materials, repair and maintenance expenses

For the year ended 31 December

In GEL ‘000

	2020	2019	% Change	Abs. change
Materials expenses	10,306	12,135	-15.1%	-1,829
Repair and maintenance expenses	5,402	6,694	-19.3%	-1,292
Total	15,708	18,829	-16.6%	-3,121

Materials, repair and maintenance expenses for Q4 2020 decreased by 23 percent, compared to Q4 2019 and increased by 30 percent, compared to Q3 2020.

Factors influencing changes

A 17 percent decrease in materials, repair and maintenance expenses during 2020, compared to 2019, was mainly driven by less repair works of rolling stock and other facilities, as a result of the

Government-imposed COVID-19 pandemic regulations on the operations of the Company. Due to lockdown the movement was restricted, therefore passenger transportation decreased significantly, as well as some of operations connected to repair works were delayed.

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 is import, export, local or transit), and while transit cargo is mainly served at one of the Group's stations, most local, export and import cargoes are served in two stations (the origin and destination stations).

Fuel expenses

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Fuel expenses	6,184	7,023	-12.0%	-839

Fuel expenses for Q4 2020 decreased by 8 percent, compared to Q4 2019, but increased by 24 percent, compared to Q3 2020.

Factors influencing changes

Total fuel expenses decreased by 12 percent (GEL 0.8 million) in 2020, compared to 2019. This change was mainly caused by decreased fuel prices in 2020, compared to 2019.

Freight car cross-border charge expense

General description

Freight car cross-border charge expenses represent short-term rent expenses derived from the usage of other railways' railcars by the Group, for which it is charged a daily fee. This expense counters 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 GR transports using other railways' railcars.

Freight car cross-border charge expenses

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Freight car cross-border charge expenses	3,688	3,780	-2.4%	-92

Freight car cross-border charge expenses for Q4 2020 decreased by 12 percent, compared to Q4 2019, but increased by 48 percent, compared to Q3 2020.

Factors influencing changes

Freight car cross-border charge expenses in 2020 compared to the same period of the previous year, decreased by 2 percent, compared to 2019. This decrease was caused by decreased usage of platform cars.

Logistical service expenses

General description

Expenses for logistical services refer to operating expenses relating to transportation and other logistics-related services of GR's subsidiaries, which are operating in freight forwarding and logistics fields.

Logistical service expenses

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Logistical services	21,105	20,182	4.57%	923

Expenses for logistical services for Q4 2020 increased by 44 percent, compared to Q4 2019 and by 113 percent compared to Q3 2020.

Factors influencing changes

Expenses for logistical services in 2020 increased by 5 percent (GEL 0.9 million), compared to 2019. The increase was mainly caused by increased expenses of GR's subsidiary, which mainly provides crude oil and oil products transportation services. This was partially offset by decreased expenses of another subsidiary, which provides container transportation services.

Security and other operating expenses

General description

Security expenses mainly comprise the Group's buildings, depots and 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

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Security	9,917	9,246	7.3%	671
Other operating expenses	12,394	16,695	-25.8%	-4,301
Total	22,311	25,941	-14.0%	-3,630

Security and other operating expenses for Q4 2020 decreased by 33 percent, compared to Q4 2019, but increased by 35 percent, compared Q3 2020.

Factors influencing changes

A 14 percent decrease in security and other operating expenses in 2020, compared to 2019, was mainly caused by a decrease in other operating expenses, especially in law provision expenses, as well as decrease in membership fees.

Security expenses increased by 7.3% (or GEL 0.7 million) in 2020 to GEL 9.9 million, as compared to GEL 9.2 million in 2019, primarily due to increased security employees and scope of services.

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 percent of the average book value of the asset. Railway infrastructure assets, such as rail lines are exempt from property tax.

Taxes other than income tax

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Property tax	11,960	9,652	23.9%	2,308
Land tax	11,865	11,871	-0.1%	-6
Other taxes*	113	702	-83.9%	-589
Total	23,938	22,225	7.7%	1,713

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

Taxes other than income tax for Q4 2020 increased by 19 percent, compared to Q4 2019, but decreased by 1 percent, compared to Q3 2020.

Factors influencing changes

During 2020, compared to 2019, property tax has increased by 8 percent (GEL 1.7 million), which was mainly caused by capitalized borrowing costs in relation to assets under construction. Management expects that property tax will be reduced once the Modernization project is completed, as railway infrastructure related linear assets are free of property tax, whilst assets under the Modernization Project are subject by property tax during the construction process. The increase in property tax was partially offset by the decrease of custom penalties, during 2020, compared to the same period of previous year.

Impairment loss on trade receivables

Impairment loss on trade receivables

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Impairment loss on trade receivables	13,560	33,729	-59.80%	-20,169

Factors influencing changes

Impairment loss on trade receivables in 2020 was caused by increase of gross receivables balance compared to 2019. In 2019 provision made against one significant counterparty company serving liquid freight.

1.3 Finance income and cost

General description

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

Finance cost mainly consists of interest expenses and foreign exchange losses. Some of the Group's interest expenses are capitalized, as the Group's main debt obligations were issued in order to finance capital projects, such as the Modernization Project. Thus, until this project is in the construction phase, part of the interest is capitalized in accordance with International Financial Reporting Standards (IFRS).

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

Finance income and cost

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Interest income	18,920	14,849	27.4%	4,071
Gain on modification of financial instruments	7,367	0	100.0%	7,367
Impairment loss on issued loans	0	-16	-100.0%	16
Impairment gain/loss on cash in bank	221	-23	-1055.8%	244
Unwinding of discount	-1,225	0	100.0%	-1,225
Interest expense	-126,758	-42,843	195.9%	-83,915
FX gain/loss	-191,901	-85,248	125.1%	-106,653
Net finance income/loss	-293,376	-113,282	159.0%	-180,095

Factors influencing changes

The net financial loss in 2020 increased by 159.0 percent (GEL 180.1 million), compared to the previous year. This was mainly caused by GEL/USD exchange rate fluctuation.

GEL/USD exchange rate fluctuation has a significant effect on net finance income/loss. Due to GEL depreciation against USD by 14 percent as at 31 December 2020 compared to 31 December 2019 (GEL/USD exchange rate 3.28 versus 2.87), the Group experienced a net foreign exchange loss of GEL 191.9 million in 2020. And due to the depreciation of GEL against USD (about 7 percent) as at 31 December 2019 compared to 31 December 2018 (GEL/USD exchange rate 2.87 versus 2.68), the Group showed a net foreign exchange loss of GEL 85.2 million in 2019.

Higher interest expense during 2020, compared to 2019, was mainly due to suspension of capitalisation borrowing costs on a qualifying asset was suspended in 2020 according to less executed work within Modernization Project, as well as depreciation of GEL against USD.

Higher interest income by GEL 4.9 million in 2020, compared to 2019. was mainly due to the higher average cash balances.

In 2020 GR accounted for modification gain on financial instruments in amount of GEL 7.4 million.

1.4 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

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Income tax expense/benefit	-514	-519	-1.0%	5

Factors influencing changes

During 2020, the income tax expense decreased by 1 percent, compared to 2019. The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit.

2. Balance Sheet

2.1 Non-current assets

Non-current assets

As at 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Property, plant and equipment	1,829,561	1,865,352	-1.9%	-35,791
Other non-current assets	99,131	93,789	5.7%	5,342
Loan receivable	30,336	24,133	25.7%	6,203
Total	1,959,028	1,983,274	-1.2%	-24,246

Factors influencing changes

Property, plant and equipment – a GEL 35.8 million decrease in property, plant and equipment in 2020, compared to 2019, was mainly due to the lower works mostly under the Modernization Project and respective suspension of borrowing costs, due to COVID-19. Depreciation for the year decreased by GEL 5.5 million which did not compensate addition to property, plant and equipment during the year.

Other non-current assets - a GEL 5.3 million increase in other non-current assets was mainly due to the rise in construction materials and prepayments for non-current assets.

Loan receivables – the loan is denominated in USD, therefore GEL 6.2 million increase was mainly due to GEL depreciation against USD in 2020, compared to 2019.

2.2 Current assets

Current assets

As at 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Inventories	38,399	40,224	-4.5%	-1,825
Tax assets	1,830	6,383	-71.3%	-4,553
Trade and other receivables	23,579	24,337	-3.1%	-758
Prepayments and other current assets	1,942	1,369	41.8%	573
Cash and cash equivalents	322,986	257,976	25.2%	65,010
Total	388,736	330,289	17.7%	58,447

Factors influencing changes

Inventories – a GEL 1.8 million decrease in inventory was mainly due to the decrease in purchased materials, mainly used in construction and repair works, which was partially offset by an increase in rails in 2020, compared to 2019.

Trade and other receivables – a GEL 0.8 million decrease was mainly attributable to decreased receivables from partnering railway representations in 2020, compared to 2019.

Tax assets – a GEL 4.6 million decrease in tax assets was mainly due to higher accrued property tax, compared to 2019.

Prepayments and other current assets – a GEL 0.6 million increase in prepayments and other current assets was due to increased advances to suppliers in 2020, compared to 2019.

Cash and cash equivalents - a GEL 65.0 million increase in 2020, compared to 2019, was mainly caused by the decreased outflows in acquisition of property, plant and equipment, as well as in cash paid to suppliers in 2020, compared to 2019. (see heading 3 “Cash Flow Statement”).

2.3 Equity

Equity

As at 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Share capital	1,053,936	1,053,371	0.1%	565
Non-cash owner contribution reserve	100,322	100,322	0.0%	1
Retained earnings	-794,972	-630,328	26.1%	-164,644
Total	359,286	523,365	-31.4%	-164,079

There was a GEL 164.1 million decrease in total equity in 2020, compared to the previous year, mainly due to change in retained earnings (net loss in 2020).

2.4 Non-current liabilities

Non-current liabilities

As at 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Loans and borrowings	1,702,980	1,500,687	13.5%	202,293
Advanced received from the Government	46,594	46,593	0.0%	1
Payables from non-current assets	53,535	21,551	148.4%	31,984
Total	1,803,109	1,568,831	14.9%	234,277

Factors influencing changes

Loans and borrowings – During 2020, the increase of GEL 202.3 million in long-term borrowings, was mainly due to debt revaluation, as GEL depreciated against USD by about 14 percent as the Group’s debts are denominated in USD.

As at the date these consolidated financial statements are authorized for issue, the largest refinancing risk faced by the Group is related to its USD 500 thousand Eurobonds due in July 2022. The bonds are currently traded with a lower yielding (approx. 4%) compared to the initial yield of 7.75%. The management believes that the market data adequately captures the appetite of the market and the investors and consequently believes in the Group's capacity to refinance the existing Eurobonds without any major implications. Subsequent to the reporting date the Group hired banks, underwriters and lawyers who are involved in refinance process. The Parties involved in the process are in active communication and have already prepared draft Tender Offer and Consent Solicitation Memorandum; Preliminary Prospectus and Publicity Guidelines. Considering the recent status of the refinancing process and expectation of investors the Management believes that the Group has a capacity to successfully refinance its existing debt instrument in June 2021.

Payables for non-current assets – During 2020 reconsidered right under the construction contract for Modernisation Project to defer the payment beyond 12 months. As at 31 December 2019 and 1 January 2019 the Group had an unconditional right to defer the payment of GEL 21.5 million and GEL 55.1 thousand, respectively, for over 1 year. The Group re-presented the balance sheets as at those dates to show these amounts as non-current liabilities.

2.5 Current liabilities

Current liabilities

As at 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Loans and borrowings	74,356	64,944	14.5%	9,412
Trade and other payables	82,331	128,313	-35.8%	-45,982
Liabilities to the Government	4,734	4,896	-3.3%	-162
Provisions	16,551	16,027	3.3%	525
Other current liabilities	7,397	7,187	2.9%	210
Total	185,369	221,367	-16.3%	-35,998

Factors influencing changes

Loans and borrowings – Currently, the Group has two debts: Eurobonds and a secured loan, obtained for the sole purpose of the acquisition of passenger trains. As at 31 December 2020, current loans and borrowings include a secured loan of about GEL 14.3 million while the current portion of unsecured bonds is about GEL 60.1 million.

Trade and other payables - GEL 46.0 million decrease in current liabilities relate to contract extension to construction company for Modernization Project , which lead to reclassification current payables to non-current.

3. Cash Flow Statement

By the end of 2020, the Group held GEL 323.0 million of cash and cash equivalents. These cash resources are held to support existing and future capital expenditures. Capital expenditures mainly entail the Modernization Project and the Tbilisi Bypass Project. Works on the Modernization Project continued in 2019, while the Tbilisi Bypass Project remained suspended.

The Group can also rely on its available undrawn credit lines of about GEL 64.8 million as at the end of 2020.

The Group mainly relies on its operating activities in order to fund its future cash requirements.

3.1 Operating activities

Operating activities

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Cash receipts from customers	487,815	503,900	-3.2%	-16,085
Cash paid to suppliers and employees	-275,099	-288,414	-4.6%	13,315
Income tax paid	0	-250	-100.0%	250
Net cash from operating activities	212,716	215,236	-1.2%	-2,520

Factors influencing changes

Net cash from operating activities decreased by GEL 2.5 million in 2020 compared to 2019. This change was principally due to a decrease in cash receipts from customers, which was, in turn, due to the impact of Government-imposed restrictions on the Company's operations designed to prevent the spread of COVID-19, and in particular, the temporary suspension of all passenger transportation.

This decrease was partially offset by a less cash paid to suppliers and employees.

3.2 Investing activities

Investing activities

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Acquisition of property, plant and equipment	-55,904	-112,151	-50.2%	56,247
Proceeds from sale of property, plant and equipment	2,330	13,835	-83.2%	-11,505
Interest received	16,261	12,653	28.5%	3,607
Net cash used in investing activities	-37,313	-85,663	-56.4%	48,350

Factors influencing changes

Cash used in investing activities decreased by GEL 48.4 million in 2020, compared to the previous year. This change was mainly driven by a decrease in cash used acquisition of property, plant and equipment which was, in turn, primarily due to lower average cash outflows in relation to the Modernization Project in 2020, as compared to 2019.

The increase in interest received was mainly caused by a higher average cash balance and higher interest rates during the period under review, compared to the same period of the previous year.

3.3 Financing activities

Financing activities

For the year ended 31 December

In GEL '000

	2020	2019	% Change	Abs. change
Interest paid	-117,300	-110,033	6.6%	-7,267
Repayment of borrowings	-14,310	-12,343	15.9%	-1,967
Net cash used in financing activities	-131,610	-122,376	7.5%	-9,234

Factors influencing changes

Cash used in financing activities increased by GEL 9.2 million in 2020, compared to 2019. This change was principally due to an 6.6% (or GEL 7.3 million) increase in interest paid and a 15.9% (or GEL 2.0 million) increase in repayment of borrowings in 2020 which was, in turn, as a result of the significant depreciation of the Lari against the U.S. Dollar, as the Company's borrowings are denominated in U.S. Dollars.

Appendix 1

Breakdown of freight transportation in tons

For the year ended 31 December

In million tons

	Q4 2020	Q4 2019	y-o-y	Q3 2020	q-o-q	2020	2019	% Change	Abs. Change
Liquid cargoes	0.9	0.9	2.7%	0.7	36.2%	3.0	3.1	-1.0%	0.0
Oil products	0.9	0.9	3.0%	0.7	36.3%	3.0	3.1	-0.7%	0.0
Crude oil	0.0	0.0	-100.0%	0.0	-100.0%	0.0	0.0	-60.3%	0.0
Dry cargoes	2.0	2.2	-7.5%	2.0	3.5%	8.0	7.8	3.0%	0.2
Ores	0.5	0.6	-27.3%	0.6	-18.2%	1.9	2.0	-7.0%	-0.1
Grain	0.1	0.1	-45.9%	0.1	-34.4%	0.3	0.4	-27.5%	-0.1
Ferrous metals and scrap	0.1	0.1	-8.6%	0.1	10.9%	0.5	0.5	1.9%	0.0
Sugar	0.1	0.0	145.0%	0.1	51.5%	0.3	0.3	-12.9%	0.0
Chemicals and fertilizers	0.2	0.2	-11.1%	0.2	40.0%	0.9	0.7	30.7%	0.2
Construction freight	0.2	0.3	-7.2%	0.2	0.0%	0.9	1.0	-11.4%	-0.1
Industrial freight	0.1	0.1	-30.6%	0.1	9.1%	0.4	0.5	-20.3%	-0.1
Cement	0.0	0.0	-17.3%	0.0	73.5%	0.0	0.1	-58.9%	-0.1
Other	0.7	0.6	17.7%	0.6	13.0%	2.8	2.2	26.7%	0.6
Total	3.0	3.1	-4.5%	2.6	11.8%	11.1	10.9	1.9%	0.2

Appendix 2

Breakdown of freight transportation in ton-kilometers

For the year ended 31 December

In million ton-kilometers

	Q4 2020	Q4 2019	y-o-y	Q3 2020	q-o-q	2020	2019	% Change	Abs. Change
Liquid cargoes	268	267	0.5%	189	41.9%	885	897	-1.3%	-12
Oil products	268	267	0.7%	189	42.0%	883	893	-1.1%	-10
Crude oil	0	1	-100.0%	0	-100.0%	2	4	-47.0%	-2
Dry cargoes	493	560	-11.8%	450	9.6%	2,010	2,012	-0.1%	-2
Ores	61	146	-58.1%	79	-22.6%	327	506	-35.5%	-180
Grain	16	32	-49.5%	25	-36.8%	72	98	-26.6%	-26
Ferrous metals and scrap	30	30	0.8%	27	14.8%	130	121	7.7%	9
Sugar	39	17	123.7%	26	48.5%	98	120	-18.3%	-22
Chemicals and fertilizers	72	80	-10.4%	50	45.0%	309	221	39.8%	88
Construction freight	37	40	-8.1%	37	1.3%	142	155	-8.8%	-14
Industrial freight	17	24	-29.6%	15	10.6%	63	90	-29.5%	-26
Cement	4	5	-18.1%	3	73.7%	11	28	-58.5%	-16
Other	217	185	17.1%	190	14.4%	859	674	27.4%	185
Total	762	827	-7.9%	639	19.1%	2,895	2,909	-0.5%	-14

Appendix 3

Calculations of ratio of Net Financial Indebtedness to EBITDA:

'000 GEL	Twelve-month period ended 31-Dec-20	Twelve-month period ended 31-Dec-19
Revenue	489,370	491,038
Income from the transferred property	0	0
Other income	12,547	12,751
Impairment loss on trade receivables	-13,560	-33,729
Employee benefits expenses	-170,502	-160,561
Depreciation and amortization expense	-76,156	-81,235
Electricity, consumables and maintenance costs	-41,411	-47,921
Other expenses	-71,042	-72,128
Results from operating activities	129,246	108,215
Finance income	26,508	14,849
Finance costs	-319,884	-128,131
Net finance costs	-293,376	-113,282
Profit/(loss) before income tax	-164,130	-5,067
Income tax benefit	-514	-519
Profit/(loss) and total comprehensive income/(loss) for the year	-164,644	-5,586
Results from operating activities	129,246	108,215
Depreciation add-back	76,156	81,235
Impairment loss on trade receivables	13,560	33,729
EBITDA	218,962	223,178
Net Financial Indebtedness:		
Financial Indebtedness	1,777,336	1,565,631
less:		
Available Credit Facilities	64,766	146,708
Cash	322,986	257,975
Net Financial Indebtedness:	1,389,584	1,160,949
Net Financial Indebtedness/EBITDA	6.35	5.20