



**Consolidated Activities Reports of the
JSC Georgian Railway
for 2022**

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Statement of Financial Position	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	GR Group
ASSETS						
Land	4,608	1,497	344,357	12,710	-	363,172
Buildings and constructions	24,485	8,235	9,340	8,778	127	50,965
Rail track infrastructure	183	2,321	404,165	629	15	407,312
Transport, machinery, equipment and other	138,611	81,398	31,508	1,970	9,539	263,027
Construction in progress	1,089	541	743,869	1,223	-	746,723
Other non-current assets	5,447	-	169,162	82	7,017	181,709
Other receivable	-	-	-	47,738	-	47,738
NON-CURRENT ASSETS	174,424	93,991	1,702,401	73,131	16,697	2,060,644
Inventories	13,222	6,691	11,617	1,783	631	33,944
Prepayments	1,393	788	2,808	196	3,161	8,347
Trade receivables	177,114	4,000	7,877	30,860	228	220,078
Impairment losses for trade receivables	(166,893)	(2,345)	(7,475)	(29,213)	(165)	(206,092)
Other receivables	185	12	74	262	-	533
Other taxes liabilities/(assets)	4,173	371	9,710	(12,467)	1,576	3,363
Term deposit	-	-	-	4,071	-	4,071
Cash and cash equivalents	269,134	-	-	5,495	-	274,629
CURRENT ASSETS	298,327	9,517	24,611	986	5,431	338,872
TOTAL ASSETS	472,750	103,508	1,727,012	74,117	22,129	2,399,516
EQUITY						
Share capital	-	-	-	1,055,031	-	1,055,031
Non-cash owner contribution reserve	-	-	-	100,602	-	100,602
Reporting year's profit (loss)	320,369	(19,843)	(3,140,362)	3,235,810	709	396,684
Previous year's profit (loss)	434,253	(21,108)	15,581	(1,212,815)	13,044	(771,045)
TOTAL EQUITY	754,622	(40,951)	(3,124,780)	3,178,627	13,753	781,271
LIABILITIES						
Loans and borrowings	-	33,114	1,345,032	-	-	1,378,148
Advance received from the Government	-	-	-	46,594	-	46,594
Trade payables	-	-	30,242	-	-	30,242
NON-CURRENT LIABILITIES	-	33,114	1,375,275	46,594	-	1,454,984
Loans and borrowings	-	12,195	2,078	-	-	14,273
Trade payables	8,943	1,587	79,059	3,851	1,891	95,331
Liabilities to the Government	1,263	6	476	2,967	-	4,712
Prepayments received	24,216	578	1,210	893	13	26,910
Employee-related liabilities/(assets)	4,875	20	3,705	(439)	20	8,181
Provisions	5,836	2,998	1,454	3,694	-	13,981
Dividends payable	-	-	-	(476)	-	(476)
Other current liabilities	(47)	32	25	341	3	354
CURRENT LIABILITIES	45,086	17,416	88,008	10,830	1,926	163,265
TOTAL LIABILITIES	45,086	50,531	1,463,284	57,423	1,926	1,618,249
Assets and liabilities arising from internal group operations	(326,958)	93,928	3,388,508	(3,161,933)	6,450	(4)
TOTAL EQUITY AND LIABILITIES	472,750	103,508	1,727,012	74,117	22,129	2,399,516

Statements of Profit or Loss	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	GR Group
External Revenue						
Freight traffic	388,446	-	-	-	-	388,446
Freight handling	92,180	-	-	-	-	92,180
Revenue from Logistical services	123,071	-	-	-	-	123,071
Passenger traffic	-	27,423	-	-	-	27,423
Freight car cross-border charge	9,702	-	-	-	-	9,703
Rent of wagons and other rental income	1,930	666	496	963	17	4,072
Revenue from Realization of materials(scrap)	8,306	117	-	18,883	-	27,307
Other revenues	181	-	950	1	1,439	2,571
Revenue from sales to the Units						
To the Freight Transportation Unit	-	-	77,521	-	3,983	81,504
To the Passenger Transportation Unit	2,502	-	8,379	-	1,386	12,267
To the Railway Infrastructure Unit	-	-	-	-	1,918	1,918
To the Head Office Unit	-	-	-	-	1,171	1,171
Other Income	1,567	2,553	3,333	8,492	(117)	15,828
Other Income						
Total Revenue	638,755	30,760	90,680	17,470	9,797	787,462
Payroll expenses/Employee benefits expense						
Salary	(71,429)	(14,774)	(50,022)	(11,294)	(4,165)	(151,684)
Other Employee Benefits	(14,285)	(3,044)	(10,999)	(2,156)	(685)	(31,170)
Bonus-reward	(5,059)	(993)	(4,291)	(612)	(192)	(11,146)
Damage	(499)	(134)	(219)	(18)	-	(870)
Other (Increase in Damage & Bonusses Provisions)	(1,309)	(84)	206	(2)	-	(1,188)
Business trip	(876)	(45)	(456)	(260)	(13)	(1,649)
Depreciation and amortization expenses	(10,873)	(12,430)	(39,521)	(1,266)	(2,495)	(66,585)
Electricity, consumables and maintenance costs						
Electricity	(38,168)	(2,286)	(3,148)	(191)	(123)	(43,916)
Materials	(6,738)	(1,213)	(4,753)	(2,319)	(213)	(15,237)
Fuel	(6,292)	(135)	(3,548)	(437)	(73)	(10,486)
Repair and maintenance	(6,539)	(3,452)	(224)	(248)	(106)	(10,569)
Impairment Loss on trade receivables	561	(30)	250	81	(23)	840
Other expenses						
Expenses from Logistical services	(71,253)	-	-	(32)	-	(71,285)
Taxes other than income tax	(2,070)	(1,674)	(19,607)	(824)	(78)	(24,254)
Security	(6,433)	(1,342)	(2,141)	(436)	(39)	(10,390)
Freight car rental	(10,928)	-	-	-	-	(10,928)
Write off of Fixed Assets	(70)	491	(1,473)	174	(0)	(877)
Other	(818)	(1,354)	(1,737)	(5,984)	(895)	(10,788)
Cost of purchases from the Units						
Of the Freight Transportation Unit	-	(2,502)	-	-	-	(2,502)
Of the Railway Infrastructure Unit	(77, 521)	(8,379)	-	-	-	(85,901)
Of the WBS Unit	(3, 983)	(1,386)	(1,918)	(1,171)	-	(8,458)
Total Expenses	(334,583)	(54,764)	(143,601)	(26,993)	(9, 101)	(569,043)
RESULTS FROM OPERATING ACTIVITIES	304,172	(24, 005)	(52, 921)	(9,523)	696	218,419
Finance income	24,590	1	-	5, 887	-	30,479
Finance costs	61	(3,678)	(66,595)	(281)	-	(70,494)
Net Foreign exchange loss(gain)	(8,453)	7,839	208,081	11,444	13	218,923
NET FINANCE INCOME / (COSTS)	16,198	4,162	141,486	17,050	13	178,909
PROFIT / (LOSS) BEFORE INCOME TAX	309,500	(19,843)	88,565	18,3987	709	397,328
Corporate income tax	-	-	-	(644)	-	(644)
NET PROFIT / (LOSS)	309,500	(19,843)	88,565	17,752	709	396,683

Statements of Cash Flows	Freight Transportation Unit	Passenger Transportation Unit	Railway Infrastructure Unit	Head Office Unit	WBS Unit	GR Group
Cash flows from operating activities						
Cash receipts from customers	616,030	33,289	4,074	36,663	1,845	691,899
Cash paid to suppliers and employees	(199,641)	(28,977)	(105,397)	(62,595)	(7,068)	(403,678)
Cash flows from operations before income taxes and interest paid	416,389	4,311	(101,324)	(25,932)	(5,224)	288,221
Cash receipts From the Freight Transportation Unit	-	-	77,521	-	3,983	81,504
Cash receipts From the Passenger Transportation Unit	2,501	-	8,379	-	1,385	12,267
Cash receipts From the Railway Infrastructure Unit	-	-	-	-	1,918	1,918
Cash receipts From the Head Office Unit	-	-	-	-	1,171	1,171
Cash receipts From the WBS Unit	-	-	-	-	-	-
Cash paid To the Freight Transportation Unit	-	(2,502)	-	-	-	(2,502)
Cash paid To the Passenger Transportation Unit	-	-	-	-	-	-
Cash paid To the Railway Infrastructure Unit	(77,521)	(8,379)	-	-	-	(85,901)
-	-	-	-	-	-	-
Cash paid To the WBS Unit	(3,983)	(1,386)	(1,918)	(1,171)	-	(8,458)
Internal Group Operations	79,003	12,267	83,982	1,117	8,458	-
Net cash from operating activities	337,387	(7,956)	(17,341)	(27,103)	3,235	288,221
Cash flows from investing activities						
Acquisition of property, plant and equipment	(4,928)	(725)	(118,375)	(4,809)	(6,131)	(134,968)
Proceeds from sale of property, plant and equipment	-	4,613	42	2,728	-	7,383
Interest received	2,055	1,26	-	25,377	-	27,434
Internal Group Dividends received/(paid)	(38,000)	-	-	38,000	-	-
Issuance of the loan	-	-	-	(21,568)	-	(21,568)
Partners Participation in Equity	-	1,298	-	-	-	1,298
Investment in subsidiaries	-	-	-	(1,298)	-	(1,298)
Increase in term deposit	-	-	-	(816)	-	(816)
Net cash used in investing activities	(40,873)	5,187	(118,334)	37615	(6,131)	(122,536)
Cash flows from financing activities						
Proceeds from borrowings	-	-	-	-	-	-
Repayment of borrowings	-	(12,617)	-	-	-	(12,617)
Premium on early redemption of issued bonds	-	-	-	-	-	-
Loan refinancing fees paid	-	-	-	-	-	-
Interest paid	-	(1,369)	(56,460)	-	-	(57,829)
Other distribution to equity	-	-	-	(26,356)	-	(26,356)
Net cash used in financing activities	-	(13,987)	(56,460)	(26,356)	-	(96,802)
Net increase/(decrease) in cash and cash equivalents	296,514	(16,755)	(192,135)	(15,844)	(2,897)	68,883
Cash and cash equivalents at 1 January	188,686	-	-	21,875	1,663	212,223
Effect of exchange rate fluctuations on cash and cash equivalents	(5,942)	-	-	0,15	-	(5,942)
Cash Provision	-	-	-	(535)	-	(535)
Cash and cash equivalents Before Redistribution	479,258	(16,755)	(192,135)	5,495	(1,234)	274,629
Cross funding from Freight Transportation Unit	(210,124)	16,755	192,135	-	1,234	0,00
Cash and cash equivalents at the end of the period	269,134	-	-	5,496	-	274,629

EXPLANATORY NOTE FOR 2022 ACTIVITIES REPORT

1. GENERAL INFORMATION

The Activities Report of JSC Georgian Railway (the "Company") and its subsidiaries (the "Group") for 2022 have been prepared in the implementation of the requirements of Directive 2012/34/EU of the European parliament and of the council, Section 2 , Article 6 (Separation of accounts). According to the article 6, Member States shall ensure that separate profit and loss accounts and balance sheets are kept and published, on the one hand, for business relating to the provision of transport services by railway undertakings and, on the other, for business relating to the management of railway infrastructure"

The Group's principal activity is the operation of a nationwide railway system providing freight and passenger transportation services, freight forwarding services, maintenance and development of railway infrastructure and construction of railway lines within Georgia. As at 31 December 2021, the Company was wholly owned by JSC Partnership Fund, a wholly state-owned company. On 29 November 2022, following the Decree of the Government of Georgia # 2167, 100% of the Company's shares was transferred to the Government of Georgia.

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

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

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

2. DESCRIPTION OF UNIT'S ACTIVITIES

- **Freight transportation unit** services encompass the transportation of cargo along with GR's railway network within Georgia. Freight handling services, including railcar marshaling and the delivery of freight to and from customer facilities, are provided at the stations that run commercial freight services. Freight car cross-border charge revenue is generated by allowing foreign railways to use GR's railcars in transportation process. This unit is the source of the Group's main source of revenue (80% of the total revenue).

- **Passenger transportation unit's** primary activity is the transportation of passengers and, to a limited extent, unaccompanied luggage within Georgia and on international routes, connecting Georgia with Azerbaijan and Armenia. Pursuant to Georgia's obligations to implement certain EU legislation under the Association Agreement, the Government of Georgia has an obligation under the EU Social Market Economy principle to compensate the Group for its loss-making passenger transportation business. Accordingly, the Company and the Government are expected to enter into a public service contract for the compensation of the Passenger SBU losses starting from 2024 or earlier. This contract is expected to define certain passenger rail routes and set out the conditions for the agreement of costs for such routes between the Company and the Government or relevant competent authority, as well as the compensation to be granted to the Company for operating non-profitable passenger routes.

- **Railway infrastructure unit** operates, maintains and manages the Group's principal infrastructure assets, including its track, embankments, signaling, land, electric power lines and other equipment. It is a cost center providing services to the Freight and Passenger Transportation Units. The principal aims of Railway Infrastructure unit are to ensure safety, promote the efficient use of the Group's infrastructure assets and decrease maintenance costs. Unit promotes safety by setting speed and loading standards on lines and at stations. It is also in charge of controlling signaling and blocking systems.

- **WBS unit** provides to the Group different IT services, such as centralized billing and electronic document management system used for document handling for freight transportation; an automated system that monitors and controls rolling stock in real-time; software designed to monitor movements of containers, railcars and trains in stations; electronic ticket sales and accounting system for passenger transportation; and a centralized multi-module software for internal bookkeeping and etc.

- **Head office unit** is supervising of the Group's freight, passenger and infrastructure operations, provides legal, finance, procurement, human resources, investor relations and etc. consultations to all units. Manages the Group's equity, is responsible for consolidation of financial and operational data from the units.

3. EXPLANATIONS OF INTERNAL COSTS AND REVENUES:

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

- **Infrastructure charges**

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

- **WBS services**

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

- **Service from using locomotives**

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

4. INFORMATION ABOUT SUBSIDIARIES

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

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

5. SHAREHOLDERS' EQUITY

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

6. RECEIVABLES / PAYABLES OF INTERNAL TRANSACTIONS

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

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

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

7. CORPORATE INCOME TAX AND DIVIDENDS

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