

Georgia Global Utilities JSC

Interim condensed consolidated financial statements for the six months ended

30 June 2021 (unaudited)

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Report on Review of Interim Financial Information

To the Shareholder and Supervisory Board of
Georgia Global Utilities JSC

Introduction

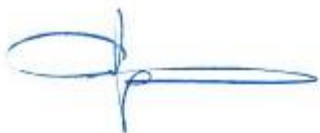
We have reviewed the accompanying interim condensed consolidated financial statements of Georgia Global Utilities JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2021 and the related interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



Alexey Loza
On behalf of EY LLC

Tbilisi, Georgia

27 August 2021

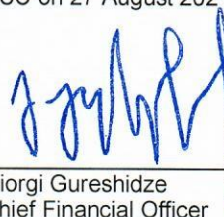
Interim consolidated statement of financial position**As at 30 June 2021***(Amounts expressed in thousands of Georgian Lari)*

	<i>Note</i>	30 June 2021 (unaudited)	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	933,915	927,054
Investment property	16	9,754	9,754
Right-of-use assets		1,448	1,607
Restructured trade receivables	7	88	53
Other non-current assets		8,678	7,702
Total non-current assets		953,883	946,170
Current assets			
Inventories		5,556	4,991
Trade and other receivables	7	29,587	14,044
Loans issued		113	164
Prepaid taxes other than income tax		3,020	1,641
Reimbursement assets		1,756	2,808
Prepayments		1,128	996
Other current assets		8,373	268
Cash at bank		78,891	118,839
Total current assets		128,424	143,751
Total assets		1,082,307	1,089,921
Equity			
Share capital	8	95,195	104,666
Additional paid-in capital		20,198	19,191
Retained earnings		85,597	55,161
Other reserves		6,147	7,551
Revaluation reserve for property, plant and equipment		4,813	4,813
Total equity		211,950	191,382
Liabilities			
Non-current liabilities			
Borrowings and bonds issued	9	785,176	807,104
Deferred revenue		26,161	25,341
Lease liabilities		1,360	1,356
Other non-current liabilities		3,256	3,128
Total non-current liabilities		815,953	836,929
Current liabilities			
Borrowings and bonds issued	9	25,567	26,459
Advances received		10,430	12,801
Trade and other payables	10	10,915	13,027
Provisions for liabilities and charges		1,259	1,081
Deferred revenue		4,899	5,201
Lease liabilities		248	286
Derivative financial liabilities	16	687	-
Other taxes payable		133	2,487
Other current liabilities		266	268
Total current liabilities		54,404	61,610
Total liabilities		870,357	898,539
Total liabilities and equity		1,082,307	1,089,921

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 27 August 2021:



Giorgi Vakhtangishvili
Chief Executive Officer



Giorgi Gureshidze
Chief Financial Officer

The accompanying notes on pages 5 to 17 are an integral part of these Interim condensed consolidated financial statements.

Interim consolidated statement of profit or loss and other comprehensive income**For the six months ended 30 June 2021***(Amounts expressed in thousands of Georgian Lari)*

		For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited, restated)*
Revenue from water supply and related services	11	80,665	57,315
Revenue from electric power sales	12	29,384	18,538
Business interruption reimbursement gain		–	2,620
Other revenue		743	628
Total revenue and gains		110,792	79,101
Electricity and transmission costs		(12,114)	(9,392)
Salaries and other employee benefits		(10,235)	(9,651)
Allowance for expected credit losses	7	(3,209)	(2,891)
Taxes other than income tax		(4,378)	(4,184)
General and administrative expenses		(1,810)	(1,919)
Professional fees		(1,045)	(1,221)
Raw materials, fuel and other consumables		(1,577)	(1,542)
Maintenance expenditure		(2,272)	(1,158)
Charge for provisions and legal claims related expenses		(229)	(198)
Other operating expenses		(3,816)	(3,484)
Gain from sale of non-core assets	13	1,161	–
Other income		505	477
		(39,019)	(35,163)
EBITDA		71,773	43,938
Finance income		1,584	1,237
Finance costs	9	(32,368)	(27,982)
Net foreign exchange gain/(loss)		16,641	(10,845)
Depreciation and amortisation	6	(25,389)	(23,775)
Non-recurring expenses	14	(1,805)	(489)
Profit/(loss) before income tax expense		30,436	(17,916)
Income tax expense		–	–
Profit/(loss) for the period		30,436	(17,916)
Attributable to:			
Owners of the parent		30,436	(17,182)
Non-controlling interests		–	(734)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
(Loss)/gain from currency translation differences		(992)	7,179
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(992)	7,179
Other comprehensive (loss)/income for the period		(992)	7,179
Total comprehensive income/(loss) for the period		29,444	(10,737)
Attributable to:			
Owners of the parent		29,444	(8,542)
Non-controlling interests		–	(2,195)

* Certain amounts do not correspond to the 2020 interim condensed consolidated financial statement as they reflect the adjustments made for business combination under common control and other restatement of prior year financial statements as described in Note 4.

Interim consolidated statement of changes in equity**For the six months ended 30 June 2021***(Amounts expressed in thousands of Georgian Lari)*

	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Revaluation reserve for property, plant and equipment	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at 31 December 2019	2	16,538	(9,313)	146,255	4,813	158,294	-	158,294
Business combination under common control (Note 4)	-	84,667	5,060	(833)	-	88,894	24,896	113,790
Balance as at 1 January 2020 (restated)	2	101,205	(4,253)	145,421	4,813	247,188	24,896	272,084
Loss for the period (restated)	-	-	-	(17,182)	-	(17,182)	(734)	(17,916)
Other comprehensive income (restated)	-	-	8,640	-	-	8,640	(1,461)	7,179
Total comprehensive income for the period (restated)	-	-	8,640	(17,182)	-	(8,542)	(2,195)	(10,737)
Share-based payments	-	1,237	-	-	-	1,237	-	1,237
Contribution from the shareholder (restated, Note 8)	-	3,068	-	-	-	3,068	-	3,068
Distributions to the shareholders (restated, Note 8)	-	(4,927)	-	-	-	(4,927)	-	(4,927)
Acquisition of non-controlling interests in existing subsidiaries (restated, Note 8)	-	22,701	-	-	-	22,701	(22,701)	-
Transfers to the parent under share-based compensation program (Note 15)	-	-	(3,328)	-	-	(3,328)	-	(3,328)
Balance as at 30 June 2020 (unaudited, restated)	2	123,284	1,059	128,239	4,813	257,397	-	257,397
Balance as at 31 December 2020	104,666	19,191	7,551	55,161	4,813	191,382	-	191,382
Profit for the period	-	-	-	30,436	-	30,436	-	30,436
Other comprehensive loss	-	-	(992)	-	-	(992)	-	(992)
Total comprehensive income for the period	-	-	(992)	30,436	-	29,444	-	29,444
Share-based payments	-	1,007	-	-	-	1,007	-	1,007
Transfers to parent under share-based compensation program (Note 15)	-	-	(412)	-	-	(412)	-	(412)
Distributions to the Parent (Note 8)	(9,471)	-	-	-	-	(9,471)	-	(9,471)
Balance as at 30 June 2021 (unaudited)	95,195	20,198	6,147	85,597	4,813	211,950	-	211,950

The accompanying notes on pages 5 to 17 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of cash flows**For the six months ended 30 June 2021***(Amounts expressed in thousands of Georgian Lari)*

	<i>Note</i>	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited, restated)*
Cash flows from operating activities			
Profit/(loss) before income tax		30,436	(17,916)
<i>Adjustments for:</i>			
Depreciation and amortisation	6	25,389	23,775
Allowance for expected credit losses	7	3,209	2,891
Charge for provisions and legal claims related expenses		229	198
Net gain from disposal of property, plant and equipment		–	(17)
Net foreign exchange (gain)/loss		(16,641)	10,845
Finance income		(1,584)	(1,237)
Finance costs		32,368	27,982
Net loss from disposal of property, plant and equipment and investment property		320	–
Gain from sale of non-core assets		(1,161)	–
Non-recurring expenses, net		976	413
Share-based payment expense		403	553
<i>Working capital changes</i>			
Change in inventories		(565)	(489)
Change in trade and other receivables		(19,050)	(1,352)
Change in prepaid taxes other than income tax		(1,379)	(807)
Change in prepayments		(132)	408
Change in trade and other payables		(1,566)	404
Change in deferred revenue – current portion		(302)	22
Change in advances received		(2,371)	785
Change in reimbursement asset		–	7,053
Change in other tax payables		(2,354)	(3,915)
Operating cash flows after working capital changes		46,225	49,596
Change in deferred revenue – non-current portion		820	(57)
Net cash flows from operating activities		47,045	49,539
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(45,015)	(44,440)
Purchase of bonds	15	(8,308)	–
Proceeds from sale of property, plant and equipment		1,347	–
Settlement of deferred consideration for acquisitions of subsidiaries		–	(6,008)
Loans issued		–	(59)
Interest received		1,584	1,238
Net cash used in investing activities		(50,392)	(49,269)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(233)	(160)
Proceeds from borrowings		6,819	56,226
Repayment of borrowings		(12)	(15,468)
Transaction costs related to bonds issuance		–	(1,294)
Interest paid		(31,937)	(26,202)
Distribution to the Parent	8	(9,471)	(4,927)
Contributions from the shareholders	8	–	3,068
Contributions under share-based payment plan		(414)	(897)
Net cash (used in) / from financing activities		(35,246)	10,346
Effect of foreign exchange rate changes on cash and cash equivalents		(1,355)	(520)
Net change in cash and cash equivalents		(39,948)	10,096
Cash and cash equivalents at the beginning of the period		118,839	46,806
Cash and cash equivalents at the end of the period		78,891	56,902

* Certain amounts do not correspond to 2020 interim condensed consolidated financial statement as they reflect the adjustments made for business combination under common control and other restatement of prior year financial statements as described in Note 4.

The accompanying notes on pages 5 to 17 are an integral part of these interim condensed consolidated financial statements

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

These consolidated financial statements of Georgia Global Utilities JSC (“the Company”) include the financial statements of Georgia Global Utilities JSC and its subsidiaries, collectively referred to as the “Group”. There was no change in the composition of the Group, its business segments, legal address and ultimate controlling parent since 31 December 2020. The effect of the Group reorganization in connection with July 2020 Eurobonds issuance and described in the Group’s 2020 annual consolidated financial statements on the comparative interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows is described in Note 4.

2. Operating environment

In March 2020, the World Health Organization confirmed the novel coronavirus (“COVID-19”) as a global pandemic. First COVID-19 infection was confirmed by the National Center for Disease Control (“NCDC”) in February 2020. The Government of Georgia has introduced number of measures aimed at containment of the spread of COVID-19, which have significant social and economic impact.

According to Geostat’s official data, in the first quarter of 2021 the Georgian economy contracted by an estimated 4.5%, reflecting the impact of the COVID-19 pandemic related lockdown restrictions. Since March 2021 with the removal of most of the restrictions, the economy has swiftly gained traction and the overall year-on-year growth came in at 12.7% in the first half of 2021. Robust growth in remittances and exports, and a faster than expected rebound in tourism, along with fiscal stimulus, have supported the recovery.

In addition, during first half 2021 Georgian Lari (“GEL”) appreciated against the US Dollar by 3.5% comparing to year end 2020.

The Group is constantly monitoring impact of COVID-19 outbreak on its business, customers and employees and follows the official guidance introduced by the Government of Georgia to safeguard its people and to maintain business continuity. Effects of ongoing pandemic are reflected in estimates of property, plant and equipment’s recoverable amount (Note 6), expected credit losses on trade receivables (Note 7) and valuations of investment properties (Note 16) as at 30 June 2021.

3. Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2021 were prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2020, signed and authorized for release on 13 April 2021.

Basis of consolidation used in preparation of these interim condensed consolidated financial statements is consistent with that used and disclosed in the Group’s annual consolidated financial statements as at and for the year ended 31 December 2020.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

The interim condensed consolidated financial statements are presented in thousands of Georgian Lari unless otherwise indicated.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are

based on management’s best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

(Amounts expressed in thousands of Georgian Lari)

3. Basis of preparation (continued)

Adoption of new or revised standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- ▶ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform*.

4. Business combination under common control and other restatement of prior year financial statements

In July 2020, Georgia Capital JSC ("GCAP"), the parent company, contributed to the Group its 100% interests in Georgia Wind Company LLC (parent company of Qartli Wind Farm LLC), Georgia Energy Holding LLC (parent company of Hydrolea LLC), Georgian Energy Trading Company LLC and Svaneti Hydro JSC, in exchange for increase in the Company's share capital of GEL 104,664. As a result of such contribution, the Company became 100% shareholder of the contributed companies.

Subsequent to the contribution, Georgia Wind Company LLC and Georgia Energy Holding LLC were merged with the Company, and the Company became a 100% direct holder of interests in Qartli Wind Farm LLC and Hydrolea LLC.

The Group accounted for these transactions under common control using pooling of interest method with the retrospective restatement of comparative financial information. Under the pooling of interest method, the assets and liabilities of transferred entities are recognized in the Group's interim condensed consolidated financial statements as if the business combination occurred at the beginning of the earliest period presented at their carrying values, with the corresponding adjustment to the equity.

Further, in 2020, the Government of Georgia released certain category of individuals, determined based on the certain threshold of electric power consumption for a respective period, from obligation to settle their water utility bills for March, April, May 2020 and from November 2020 through March 2021. The Government of Georgia provided a cash compensation to the Group in respect of the amounts that would have otherwise be billed to the exempted customers. The Group determined that the compensation arrangement meets the definition of revenue from contracts with customers as defined by IFRS 15 *Revenue from Contracts with Customers*, which represents a significant judgment.

In making that assessment, the Group reconsidered its conclusion that such arrangement represented a government grant, made for the purpose of the preparation of the interim consolidated financial statements for the six months period ended 30 June 2020, where GEL 6,633 was presented as income from government grant in the interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 and represented it as revenue from water supply and related services in this interim financial statements.

The reconciliation of previously reported amounts for the effect of common control business combinations and other restatements for the six months period ended 30 June 2020 is disclosed below.

Interim consolidated statement of changes in equity as at 31 December 2020:

	The Group before common control transactions	Financial position of transferred entities	The Group after common control transactions
Equity			
Share capital	2	-	2
Additional paid-in capital	16,538	84,667	101,205
Other reserves	(9,313)	5,060	(4,253)
Retained earnings	146,254	(833)	145,421
Revaluation reserve for property, plant and equipment	4,813	-	4,813
Total equity attributable to owners of the parent	158,294	88,894	247,188
Non-controlling interests	-	24,896	24,896
Total equity	158,294	113,790	272,084

(Amounts expressed in thousands of Georgian Lari)

4. Business combination under common control and other restatement of prior year financial statements (continued)

Interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 (unaudited):

	<i>The Group before common control transactions</i>	<i>Financial performance of transferred entities</i>	<i>Correction of an error</i>	<i>The Group after common control transactions and correction of an error</i>
Revenue from water supply and related services	50,682	-	6,633	57,315
Revenue from electric power sales	6,290	12,248	-	18,538
Business interruption reimbursement gain	-	2,620	-	2,620
Income from government grant	6,633	-	(6,633)	-
Other revenue	628	-	-	628
Total revenue and gains	64,233	14,868	-	79,101
Electricity and transmission costs	(8,559)	(833)	-	(9,392)
Cost of electric power sales	(3,935)	3,935	-	-
Salaries and other employee benefits	(9,133)	(518)	-	(9,651)
Allowance for expected credit losses	(2,891)	-	-	(2,891)
Taxes other than income tax	(2,888)	(1,296)	-	(4,184)
General and administrative expenses	(1,764)	(155)	-	(1,919)
Professional fees	(964)	(257)	-	(1,221)
Raw materials, fuel and other consumables	(1,519)	(23)	-	(1,542)
Maintenance expenditure	(609)	(549)	-	(1,158)
Charge for provisions and legal claims related expenses	(198)	-	-	(198)
Other operating expenses	(2,643)	(841)	-	(3,484)
Other income	477	-	-	477
EBITDA	29,607	14,331	-	43,938
Finance income	1,055	182	-	1,237
Finance costs	(16,863)	(11,119)	-	(27,982)
Net foreign exchange losses	(9,923)	(922)	-	(10,845)
Depreciation and amortisation	(17,456)	(6,319)	-	(23,775)
Non-recurring expenses, net	(489)	-	-	(489)
Profit before income tax	(14,069)	(3,847)	-	(17,916)
Income tax expense	-	-	-	-
Profit for the year	(14,069)	(3,847)	-	(17,916)
Attributable to:				
Owners of the parent	(14,069)	(3,113)	-	(17,182)
Non-controlling interests	-	(734)	-	(734)
Other comprehensive income				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Gain from currency translation differences	-	7,179	-	7,179
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-	7,179	-	7,179
Other comprehensive income for the year	-	7,179	-	7,179
Total comprehensive income/(loss) for the year, net of tax	(14,069)	3,332	-	(10,737)
Attributable to:				
Owners of the parent	(14,069)	5,527	-	(8,542)
Non-controlling interests	-	(2,195)	-	(2,195)

(Amounts expressed in thousands of Georgian Lari)

4. Business combination under common control and other restatement of prior year financial statements (continued)

Interim consolidated statement of cash flows for the six months ended 30 June 2020 (unaudited):

	<i>The Group before common control transactions</i>	<i>Cash flows of transferred entities</i>	<i>The Group after common control transactions</i>
Cash flows from operating activities			
Profit before income tax	(14,069)	(3,847)	(17,916)
<i>Adjustments for:</i>			
Depreciation and amortisation	17,456	6,319	23,775
Allowance for expected credit losses	2,891	–	2,891
Reversal of provisions	198	–	198
Net (gain)/loss from disposal of property, plant and equipment, non-core assets and investment property	(17)	–	(17)
Net foreign exchange losses	9,923	922	10,845
Finance income	(1,055)	(182)	(1,237)
Finance costs	16,863	11,119	27,982
Non-recurring expenses, net	413	–	413
Share-based payment expense	553	–	553
<i>Working capital changes</i>			
Change in inventories	(405)	(84)	(489)
Change in trade and other receivables	(694)	(658)	(1,352)
Change in prepaid taxes other than income tax	(2,057)	1,250	(807)
Change in prepayments	346	62	408
Change in trade and other payables	1,202	(798)	404
Change in deferred revenue – current portion	22	–	22
Change in advances received	785	–	785
Change in reimbursement asset	–	7,053	7,053
Change in other tax payables	(2,242)	(1,673)	(3,915)
Operating cash flows after working capital changes	30,113	19,483	49,596
Change in deferred revenue – non-current portion	(57)	–	(57)
Net cash flows from operating activities	30,056	19,483	49,539
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(37,993)	(6,447)	(44,440)
Acquisition of subsidiaries, net of cash acquired	–	(6,008)	(6,008)
Loans issued	–	(59)	(59)
Interest received	1,055	183	1,238
Net cash used in investing activities	(36,938)	(12,331)	(49,269)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	(138)	(22)	(160)
Proceeds from borrowings	56,227	(1)	56,226
Repayment of borrowings	(12,996)	(2,472)	(15,468)
Transaction costs related to bonds issuance	(1,294)	–	(1,294)
Interest paid	(17,709)	(8,493)	(26,202)
Dividend paid	–	(4,927)	(4,927)
Contributions from the shareholders	–	3,068	3,068
Contributions under share-based payment plan	(897)	–	(897)
Net cash from financing activities	23,193	(12,847)	10,346
Effect of exchange rate changes on cash and cash equivalents	(1,002)	482	(520)
Net change in cash and cash equivalents	15,309	(5,213)	10,096
Cash and cash equivalents at the beginning of the period	26,588	20,218	46,806
Cash and cash equivalents at the end of the period	41,897	15,005	56,902

(Amounts expressed in thousands of Georgian Lari)

5. Segment information

Management organized the Group into the following two operating segments based on products sold and services rendered:

GGU Energy

The segment owns hydroelectric and wind power stations that generate electric power for own consumption and for sale to external customers. The segment consists of the following subsidiaries: Svaneti Hydro JSC, Qartli Wind Farm LLC, Hydrolea LLC, Darchi LLC, Geoenergy LLC, Hydro Georgia LLC and Kasleti 2 LLC.

GGU Water

GGU water segment is divided into two sub-segments: (i) Water supply and wastewater collection services and (ii) Electric power generation and sales. The segment consists of the following subsidiaries: Georgian Water and Power LLC, Rustavi Water LLC, Gardabani Sewage Treatment Plant LLC, Saguramo Energy LLC, Georgian Engineering and Management Company LLC and Georgian Energy Trading Company LLC.

The segment provides water supply and wastewater collection services which is the core activity of the Group. The segment also owns hydroelectric stations that generate electric power for own consumption and for sale to external customers.

The balances and the results of the operations of the Company are allocated to the segments based on the share of total financing provided to the subsidiaries of each segment.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained below, is measured according to IFRS in the same manner as profit or loss in the interim consolidated financial statements.

Transactions between segments and sub-segments are accounted for at actual transaction prices.

Comparative segment information for the period ended 30 June 2020 was adjusted for the effects of business combinations under common control reflected using pooling of interest method (Note 4).

The Group's operations are concentrated in Georgia. All non-current assets of the Group are located in Georgia.

The following table present financial results information of the Group's operating segments for the six months ended 30 June 2021 (unaudited):

	GGU Water			GGU Energy		Total
	Electric power generation and sales	Water supply and wastewater collection services	Intersegment transactions	Electric power generation and sales	Eliminations	
Revenue from water supply and related services	-	80,665	-	-	-	80,665
Revenue from electric power sales ¹	13,325	-	(2,508)	20,432	(1,865)	29,384
Other revenue	-	743	-	-	-	743
Total revenue (Sub-note 1)	13,325	81,408	(2,508)	20,432	(1,865)	110,792
Electricity and transmission costs	(66)	(14,281)	2,508	(275)	-	(12,114)
Cost of electric power sales	(1,865)	-	-	-	1,865	-
Salaries and other employee benefits (Sub-note 2)	(949)	(8,842)	-	(444)	-	(10,235)
Allowance for ECLs	-	(3,209)	-	-	-	(3,209)
Taxes other than income tax	(147)	(2,871)	-	(1,360)	-	(4,378)
General and administrative expenses	(93)	(1,556)	-	(161)	-	(1,810)
Professional fees	(45)	(714)	-	(286)	-	(1,045)
Raw materials, fuel and other consumables	(58)	(1,494)	-	(25)	-	(1,577)
Maintenance expenditure	(7)	(898)	-	(1,367)	-	(2,272)
Charge for provisions and legal claims related expenses	-	(229)	-	-	-	(229)
Other operating expenses	(837)	(1,937)	-	(1,042)	-	(3,816)
Gain from sale of non-core assets	-	1,161	-	-	-	1,161
Other income	15	490	-	-	-	505
EBITDA	9,273	47,028	-	15,472	-	71,773
Finance income (Sub-note 3)	31	972	-	581	-	1,584
Finance costs (Sub-note 3)	(1,369)	(18,265)	-	(12,734)	-	(32,368)
Foreign exchange losses	1,098	15,521	-	22	-	16,641
Depreciation and amortization	(1,387)	(17,438)	-	(6,564)	-	(25,389)
Non-recurring expenses, net (Sub-note 4)	-	(477)	-	(1,328)	-	(1,805)
Profit before income tax expense	7,646	27,341	-	(4,551)	-	30,436
Income tax expense	-	-	-	-	-	-
Profit for the year	7,646	27,341	-	(4,551)	-	30,436

¹ 51% of total revenue from electric power sales is generated from one customer.

(Amounts expressed in thousands of Georgian Lari)

5. Segment information (continued)

Selected consolidated statement of financial position information reviewed by the management of the Group as at 30 June 2021 is as follows (unaudited):

	GGU Water	GGU Energy	Eliminations	GGU Consolidated
Cash and cash equivalents	38,746	40,145	–	78,891
Total assets	675,056	409,178	(1,927)	1,082,307
Borrowings and bonds issued	501,690	309,053	–	810,743
Lease liability	316	1,292	–	1,608
Total liabilities	558,894	313,390	(1,927)	870,357
Total equity	116,162	95,788	–	211,950

The following table present restated financial results of the Group's operating segments for the six months ended 30 June 2020 (unaudited):

	GGU Water (restated)			GGU Energy (restated)		Total (restated)
	Electric power generation and sales	Water supply and wastewater collection services	Intersegment transactions	Electric power generation and sales	Eliminations (restated)	
Revenue from water supply and related services	–	57,315	–	–	–	57,315
Revenue from electric power sales ¹	8,152	–	(1,862)	16,183	(3,935)	18,538
Business interruption reimbursement gain	–	–	–	2,620	–	2,620
Other revenue	–	628	–	–	–	628
Total revenue (Sub-note 1)	8,152	57,943	(1,862)	18,803	(3,935)	79,101
Electricity and transmission costs	(33)	(10,388)	1,862	(833)	–	(9,392)
Cost of electric power sales	(3,935)	–	–	–	3,935	–
Salaries and other employee benefits (Sub-note 2)	(897)	(8,236)	–	(518)	–	(9,651)
Allowance for ECLs	–	(2,891)	–	–	–	(2,891)
Taxes other than income tax	(48)	(2,840)	–	(1,296)	–	(4,184)
General and administrative expenses	(74)	(1,690)	–	(155)	–	(1,919)
Professional fees	(51)	(913)	–	(257)	–	(1,221)
Raw materials, fuel and other consumables	(47)	(1,472)	–	(23)	–	(1,542)
Maintenance expenditure	(4)	(605)	–	(549)	–	(1,158)
Charge for provisions and legal claims related expenses	–	(198)	–	–	–	(198)
Other operating expenses	(750)	(1,893)	–	(841)	–	(3,484)
Other income	5	472	–	–	–	477
EBITDA	2,318	27,289	–	14,331	–	43,938
Finance income (Sub-note 3)	7	1,048	–	182	–	1,237
Finance costs (Sub-note 3)	(2,425)	(14,438)	–	(11,119)	–	(27,982)
Foreign exchange gains/(losses)	124	(10,047)	–	(922)	–	(10,845)
Depreciation and amortization	(1,147)	(16,309)	–	(6,319)	–	(23,775)
Non-recurring expenses, net (Sub-note 4)	–	(489)	–	–	–	(489)
Profit before income tax expense	(1,123)	(12,946)	–	(3,847)	–	(17,916)
Income tax expense	–	–	–	–	–	–
Loss for the year	(1,123)	(12,946)	–	(3,847)	–	(17,916)

¹ 67% of total revenue from electric power sales is generated from one customer.

(Amounts expressed in thousands of Georgian Lari)

5. Segment information (continued)

Selected consolidated statement of financial position information reviewed by the management of the Group as at 31 December 2020 is as follows:

Caption Name	GGU Water	GGU Energy	GGU Consolidated
Cash and cash equivalents	55,577	63,262	118,839
Total assets	653,220	436,701	1,089,921
Borrowings and bonds issued	514,916	318,647	833,563
Lease liability	405	1,237	1,642
Total liabilities	574,320	324,219	898,539
Total equity	78,900	112,482	191,382

The majority of revenue and cost elements were directly attributed to the relevant segments. The allocation principles and methods used by the management for revenue and costs elements, which cannot be directly attributed to the relevant operating segments, were:

- Revenue** – during the six months ended 30 June 2021 and 2020, the Group consumed electric power internally generated by Zhinvali HPP. For the purpose of segment disclosure for six months period ended 30 June 2021 and 2020, the revenue from the internally used electric power was recorded at a regulated tariff set by GNERC (Decree No. 50, dated 27 December 2017).
- Salaries and benefits** – the costs of salaries and other benefits except that of administrative staff were attributed directly to the appropriate segments based on actual expenditure. Salaries and benefits of the administrative staff were allocated proportionally based on the number of employees in each operating segment.
- Finance income and finance costs** were allocated according to the amount of borrowings received for each segment.
- Non-recurring expenses, net** – for the six months ended 30 June 2021, non-recurring expenses include effect of reassessment of insurance reimbursement asset and technical due diligence service fee. For the six months ended 30 June 2020, non-recurring expenses include effect of reassessment of insurance reimbursement asset and charity expenses.

6. Property, plant and equipment

The movements in property, plant and equipment during the six months ended 30 June 2021 were as follows:

	Land plots	Real estate	Water Infrastructure assets	Energy Infrastructure assets	Vehicles	Fixtures and fittings	CIP	Total
Historical cost 31 December 2020	7,003	35,896	697,937	423,157	32,411	10,840	28,032	1,235,276
Additions	-	-	8,208	1,399	69	30	35,253	44,959
Disposals	(5)	(148)	(118)	(5)	(289)	(422)	(41)	(1,028)
Transfers	-	3,036	19,130	28	923	135	(23,252)	-
Currency translation	(47)	-	-	(13,277)	(29)	(16)	(154)	(13,523)
30 June 2021 (unaudited)	6,951	38,784	725,157	411,302	33,085	10,567	39,838	1,265,684
Accumulated depreciation and impairment								
31 December 2020	378	9,982	246,407	30,851	13,409	5,623	1,572	308,222
Depreciation charge	-	308	14,885	7,523	1,384	554	-	24,654
Disposals	-	(47)	(4)	(3)	(153)	(2)	-	(209)
Transfers	-	-	-	-	-	-	-	-
Currency translation	-	-	-	(865)	(2)	(5)	(26)	(898)
30 June 2021 (unaudited)	378	10,243	261,288	37,506	14,638	6,170	1,546	331,769
Net book value								
31 December 2020	6,625	25,914	451,530	392,306	19,002	5,217	26,460	927,054
30 June 2021 (unaudited)	6,573	28,541	463,869	373,796	18,447	4,397	38,292	933,915

(Amounts expressed in thousands of Georgian Lari)

6. Property, plant and equipment (continued)

The movements in property, plant and equipment during the six months ended 30 June 2020 were as follow:

	<i>Land plots</i>	<i>Real estate</i>	<i>Water Infrastructure assets</i>	<i>Energy Infrastructure assets</i>	<i>Vehicles</i>	<i>Fixtures and fittings</i>	<i>CIP</i>	<i>Total</i>
Historical cost 31 December 2019	7,092	34,548	629,526	364,276	31,236	8,239	29,156	1,104,073
Additions	12	-	6,172	6,471	127	378	30,008	43,168
Disposals	(74)	-	(133)	-	(228)	(6)	(15)	(456)
Transfers	-	603	21,054	3,144	1,157	496	(26,454)	-
Currency translation	76	-	-	20,976	27	10	12	21,101
30 June 2020 (unaudited)	7,106	35,151	656,619	394,867	32,319	9,117	32,707	1,167,886
Accumulated depreciation and impairment 31 December 2019	423	9,396	218,841	15,647	11,525	4,729	1,480	262,041
Depreciation charge (restated)	-	296	13,690	5,722	1,369	598	1,365	23,040
Disposals	-	-	(133)	-	(67)	(3)	-	(203)
Transfers	-	-	(296)	953	-	-	(657)	-
Currency translation	-	-	-	193	1	5	-	199
30 June 2020 (restated, unaudited)	423	9,692	232,102	22,515	12,828	5,329	2,188	285,077
Net book value 31 December 2019	6,669	25,152	410,685	348,629	19,711	3,510	27,676	842,032
30 June 2020 (restated, unaudited)	6,683	25,459	424,517	372,352	19,491	3,788	30,519	882,809

7. Trade and other receivables

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Non-current		
Trade receivables for water supply services from general population	146	179
	146	179
Less allowance for expected credit losses	(58)	(126)
Total restructured trade receivables, net	88	53
Current		
Trade receivables for water supply services from general population	26,245	21,669
Trade receivables for water supply services from legal entities	23,021	13,946
Trade receivables for installation of water meters	201	107
Trade receivables for connection service	3,480	3,236
Trade receivables for electric power sales	6,100	2,276
	59,047	41,234
Less allowance for expected credit losses	(31,467)	(28,917)
Total current trade receivables, net	27,580	12,317
Other receivables	3,671	3,140
Less allowance for expected credit losses	(1,664)	(1,413)
Total other receivables, net	2,007	1,727
Total current trade and other receivables, net	29,587	14,044

As at 30 June 2021, the Group recognized GEL 3,671 of other receivables, which relate to the income that is not in scope of IFRS 15 (31 December 2020: GEL 3,140), and mainly comprise the penalties on illegal connections.

The carrying amounts of the Group's trade and other receivables approximate their fair values and are mostly denominated in GEL and USD.

*(Amounts expressed in thousands of Georgian Lari)***7. Trade and other receivables (continued)**

The movements in the ECL allowance for the trade and other receivables are as follows:

	<i>Non-current trade and other receivables</i>	<i>Current trade and other receivables</i>	<i>Total</i>
31 December 2019	54	25,274	25,328
Allowance/(reversal) for expected credit losses	(13)	2,904	2,891
Bad debts written off	-	(132)	(132)
30 June 2020 (unaudited)	41	28,046	28,087
31 December 2020	126	30,330	30,456
Allowance/(reversal) for expected credit losses	(68)	3,277	3,209
Bad debts written off	-	(476)	(476)
30 June 2021 (unaudited)	58	33,131	33,189

The management of the Group considered that the specific effect of COVID-19 outbreak, as at 30 June 2021, was already incorporated into the Group's ECL models. The ratio of ECLs to gross receivables increased from 51% as at 31 December 2019 to 68% as at 31 December 2020, and decreased to 53% as at 30 June 2021. The amount of ECLs recognized in the statement of profit or loss and other comprehensive income in respect of trade and other receivables amounted to GEL 3,209 for the six months ended 30 June 2021 (six months ended 30 June 2020: GEL 2,891).

8. Equity**Share capital**

As at 30 June 2021, share capital as presented in these interim condensed consolidated financial statements comprised of GEL 95,195, presenting 95,194,473 ordinary shares of GGU with nominal value of GEL 1 (one) each.

As at 31 December 2020, share capital as presented in these consolidated financial statements comprised of GEL 104,666 presenting 104,665,263 ordinary shares of GGU with nominal value of GEL 1 (one) each.

Contributions from and distributions to the shareholders and acquisitions of non-controlling interests

On 25 February 2020, GCAP acquired additional 34.4% in Georgian Renewable Power Company JSC and, as a result, became the 100% owner of Svaneti Hydro JSC. The Group reflected that transaction as acquisition of non-controlling interest in existing subsidiary in the interim combined statement of changes in equity resulting in decrease in equity attributable to non-controlling interests and increase in equity attributable to owners of the Parent by GEL 22,701.

During the six months ended 30 June 2020, Svaneti Hydro JSC increased share capital in exchange for cash consideration from the shareholders of GEL 3,068.

In March 2020, Georgian Wind Company LLC decreased its charter capital by distributing GEL 4,927 to the shareholder in cash.

In March and June 2021, the Company purchased 4,738,440 and 4,732,350 shares, respectively, of its own shares from the shareholder for cash consideration of GEL 4,739 and GEL 4,732, respectively, and cancelled them upon the acquisition.

9. Borrowings and bonds issued

	30 June 2021 (unaudited)		31 December 2020	
	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>
Eurobonds issued	25,567	779,566	26,459	806,560
Loans from Georgian financial institutions	-	3,639	-	384
Loans from shareholders and other related parties	-	1,971	-	160
Total borrowings	25,567	785,176	26,459	807,104

(Amounts expressed in thousands of Georgian Lari)

9. Borrowings and bonds issued (continued)

As at 30 June 2021, the Group has USD-denominated Eurobonds issued of GEL 805,133 (31 December 2020: GEL 833,019).

As at 30 June 2021, borrowings comprise of EUR denominated loans of GEL 340 (31 December 2020: GEL 384) and USD denominated loans of GEL 5,270 (2020: GEL 160).

As at 30 June 2021, the Group's borrowings from shareholders are denominated in USD with a fixed interest rate of 10% with average maturity of 2 years (31 December 2020: 2 years).

As at 30 June 2021, the Group's borrowings from other related parties are denominated in USD with a fixed interest rate of 10% with average maturity of 2 years.

During first half 2021, the Group borrowed USD-denominated loan from Georgian financial institution of GEL 3,299. Loan matures in 10 years.

Borrowings and bonds issued matures on average in 5 years (2020: 5 years).

At 30 June 2021 and 31 December 2020, the Group does not have any undrawn borrowing facilities.

During the six months period ended 30 June 2021, the Group incurred borrowings costs of GEL 33,228 (six months period ended 30 June 2020: GEL 28,458) of which GEL 860 has been capitalized to property, plant and equipment (six months period ended 30 June 2020: GEL 476).

10. Trade and other payables

	30 June 2021 (unaudited)	31 December 2020
Trade payables	5,617	6,396
Payables for non-current assets	3,116	4,037
Payables to employees	1,995	2,490
Other payables	187	104
Total trade and other payables	10,915	13,027

Trade and other payables are non-interest bearing and are normally settled within 60 days.

11. Revenue from water supply and related services

	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited, restated)
Revenue from water supply to legal entities	53,623	35,537
Revenue from water supply to general population	24,147	19,329
Total revenue from water supply before charges for related services	77,770	54,866
Charges for connection service	2,284	1,957
Charges for installation of water meters	611	492
Total revenue from water supply and related services	80,665	57,315

*(Amounts expressed in thousands of Georgian Lari)***12. Revenue from electric power sales**

	<i>For the six months ended 30 June 2021 (unaudited)</i>		
	<i>GGU Water</i>	<i>GGU Energy</i>	<i>Total</i>
Revenue from electric power sales to government-related entities	225	14,777	15,002
Revenue from electric power sales to legal entities	10,592	3,790	14,382
Total revenue from electric power sales	10,817	18,567	29,384

	<i>For the six months ended 30 June 2020 (unaudited)</i>		
	<i>GGU Water</i>	<i>GGU Energy</i>	<i>Total</i>
Revenue from electric power sales to government-related entities	192	12,248	12,440
Revenue from electric power sales to legal entities	6,098	–	6,098
Total revenue from electric power sales	6,290	12,248	18,538

13. Gain from sale of non-core assets

The Group from time to time sells its non-core assets (such as idle buildings and land plots) and presents the net gain or loss from sale separately in the interim consolidated statement of profit or loss and other comprehensive income. In 2021, the Group reassessed presentation of gain from sale of non-core assets and, starting from 30 June 2021 interim reporting period, the gain from sale of non-core assets, amounting for the six months ended 30 June 2021 interim period to GEL 1,161 (2020: nil) is presented as part of the EBITDA subtotal, which the management determined to result in better consistency with other reporters' EBITDA definition.

14. Non-recurring expenses

	<i>For the six months ended 30 June 2021 (unaudited)</i>	<i>For the six months ended 30 June 2020 (unaudited, restated)</i>
Reassessment of insurance reimbursement asset	976	413
Technical due diligence service fee	829	–
Charity expenses	–	76
Total non-recurring expenses	1,805	489

15. Related parties disclosures

In accordance with IAS 24, *Related Party Disclosures*, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's-length basis.

*(Amounts expressed in thousands of Georgian Lari)***15. Related parties disclosures (continued)**

The volumes of related party transactions, outstanding balances at the period and year end, and related expense and income for the periods ended 30 June 2021 and 2020 are as follows:

	30 June 2021 <i>(unaudited)</i>		31 December 2020	
	Parent company	Entities under common control	Parent company	Entities under common control
Assets				
Trade and other receivables	-	934	-	1,311
Prepayments	-	149	-	113
Other current assets	8,043	-	-	-
Reimbursement assets	-	1,756	-	2,808
	-	-	35,531	-
Borrowings as at 1 January				
Proceeds from borrowings and interest accrued during the year	-	1,675	2,580	2,565
Repayment of borrowing including interest during the year	-	-	(38,111)	(2,565)
	-	1,675	-	-
Borrowings as at 30 June (unaudited) / 31 December				
Liabilities				
Advances received	-	464	-	471
Trade and other payables	-	263	-	146
Derivative financial liabilities	687	-	-	-

In addition, during six months period ended 30 June 2021, the Group purchased investigation report from related party in amount of GEL 702 which is recognized on intangible assets caption.

On 9 March 2021, the Group purchased 2493 Eurobonds of Parent for cash consideration of GEL 8,287. The bonds have coupon rate of 6.125% and are maturing on 9 March 2024. The bonds are accounted as other current assets at fair value through profit or loss (Level 1 of fair value hierarchy). The fair value of the bonds based on market observable inputs as at 30 June 2021 was GEL 8,043.

	Entities under common control	
	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited, restated)
Income and expenses		
Revenue from water supply	1,073	698
Other revenue	443	36
Business interruption reimbursement	-	2,620
Other income	12	-
Finance cost	-	(1,883)
Professional fees	(3)	-
Insurance expenses	(1,077)	(907)
Non-recurring expenses	(976)	(413)
Other operating expenses	(24)	(64)

In March and June 2021, the Company purchased its own shares from the Parent and redeemed the shares acquired. During the six months ended 30 June 2020, the Group received a number of equity contributions from, and made distributions to the Parent company (Note 8).

During the six months period ended 30 June 2021, the contributions to parent under the equity-settled and cash-settled share-based payment plans was GEL 414 (six months period ended 30 June 2020: GEL 3,328).

(Amounts expressed in thousands of Georgian Lari)

15. Related parties disclosures (continued)

Directors' compensation

Total compensation to key management for the six months ended 30 June 2021 and 2020 was as follows:

	<i>For the six months ended 30 June 2021 (unaudited)</i>	<i>For the six months ended 30 June 2020 (unaudited, restated)</i>
Employee share-based compensation	1,257	1,382
Salaries and benefits	1,193	790
Bonuses	662	-
Total management compensation	3,111	2,172

16. Fair value measurement

Assets and liabilities measured at fair value in the interim consolidated statement of financial position as at 30 June 2021 include derivative financial liabilities with fair value of GEL 687 (Level 2 of fair value hierarchy) (31 December 2020: nil), investment property with fair value of GEL 9,754 (Level 3 of fair value hierarchy) (31 December 2020: GEL 9,754) and other current assets with fair value of GEL 8,043 (31 December 2020: nil) (Note 15).

Derivative financial liabilities

As at 30 June 2021, the Group enters into foreign exchange derivatives transactions to economically hedge its foreign exchange risk in relation to its open currency position in USD. Change in derivative valuation for the six months period ended 30 June 2021 is mostly attributable to change in USD/GEL exchange rate from 3.2766 as at 31 December 2020 to 3.1603 as at 30 June 2021.

Investment properties

The Group measures fair value of its investment properties at the end of each reporting period. The real estate market in Georgia is relatively illiquid and inert, with market values tending to be stable over prolonged periods of time. Pricing of real estate in Georgia is often performed in US Dollars. Significant judgment is exercised in determination on whether fair value changes over the interim period since the date of the last revaluation are material and thus warrant recognition in the interim condensed consolidated financial statements.

The management of the Group considered market information available as at reporting date and determined that the real estate prices in GEL as at 30 June 2021 increased up to 8.9% since 31 December 2020. The management compared the valuations as adjusted for the above changes to the fair value ranges determined by independent appraisers at the previous valuation date and reflected in the consolidated statement of financial position as at 31 December 2020, and concluded that valuations of individual properties as at 30 June 2021 continue to remain within those ranges and, thus, no further revaluation is required to be recognized in these interim condensed consolidated financial statements.

There were no transfers between levels during the six months ended 30 June 2021 and 2020. There were no changes in valuation techniques for Level 2 and 3 recurring fair value measurements during the six months ended 30 June 2021 and 2020.

The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair values of fixed and floating rate borrowings (Level 2 of fair value hierarchy) approximate the carrying values of the instruments. Management assessed that the fair values of cash at banks, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.