IMPORTANT NOTICE: NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

IMPORTANT: You must read the following before continuing. The following applies to the attached Listing Particulars (the "**Listing Particulars**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the attached Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the "**Securities**"). You acknowledge that this electronic transmission and the delivery of the attached Listing Particulars is intended for you only and you agree you will not forward this electronic transmission or the attached Listing Particulars to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the U.S. Securities Act of 1933 (the "**Securities Act**") or the applicable laws of other jurisdictions.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR WITHIN THE UNITED STATES ONLY TO QIBs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the Listing Particulars or make an investment decision with respect to the Securities referred to herein, investors must be (i) outside the United States, (ii) QIBs that are acquiring the Securities for their own account or the account of another QIB or (iii) "sophisticated investors" for the purposes of the Law of Georgia on Securities Market (the "**Securities Market Law**") that are acquiring the Securities for their own account or the account of another "sophisticated investor". By accepting this e-mail and accessing the Listing Particulars, you shall be deemed to have represented to us that: (1) (A) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (B) you are a QIB acquiring the Securities referred to herein for your own account and/or for the account of another QIB or (C) you are a "sophisticated investor" (as defined in the Securities Market Law) acquiring the Securities referred to herein for your own account and/or for the account of another "sophisticated investor" and (2) you consent to delivery of such Listing Particulars by electronic transmission.

The Listing Particulars may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply and may be distributed in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**"), or (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Order (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the Listing Particulars are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Listing Particulars relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The Listing Particulars do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer of the Securities in such jurisdiction.

These Listing Particulars are being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of Georgia Global Utilities JSC, Georgian Water and Power LLC, Georgian Energy Trading Company LLC, Hydrolea LLC, Qartli Wind Farm LLC, Svaneti Hydro JSC, Geoenergy LLC, Hydro Georgia LLC, Kasleti 2 LLC, J.P. Morgan Securities plc and TBC Capital LLC nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRIIPs / IMPORTANT - EEA AND UNITED KINGDOM RETAIL INVESTORS

The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and eligible counterparties only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties, professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Securities Market Law / Offering and sale to sophisticated investors only

The Securities are not intended to be advertised, marketed, offered or sold in the territory of Georgia in a "public offering" (defined as an offer to sell securities directly or indirectly on behalf of an issuer or other person to at least 100 persons or to an unspecified number of persons per the Securities Market Law) without a prior or simultaneous delivery/publication of a final prospectus approved by the National Bank of Georgia (the "**NBG**") in accordance with the Securities Market Law. Offering and sale of the Securities to sophisticated investors (as defined in the Securities Market Law) only, however, will not constitute a public offering. In the event, however, that the Securities are placed/listed on the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**"), which is a "recognised stock exchange of the foreign country" under Georgian law, the Securities may be offered in Georgia in a public offering without approval of the Listing Particulars by the NBG, provided that the NBG is notified about the public offering of the Securities in accordance with Georgian law and the International Securities Identification Number (the "**ISIN**") of the Securities, as well as evidence of listing of the Securities on Euronext Dublin, is provided to the satisfaction of the NBG in advance of the offering in Georgia.

None of the Green Bond Framework or the Second Party Opinion (each as defined herein) form part of these Listing Particulars.

Georgia Global Utilities JSC

(incorporated in Georgia with limited liability)

U.S.$250,000,000 7.750% Notes due 2025

Issue Price 100%

The U.S.$250,000,000 7.750% Notes due 2025 (the "**Notes**") will be issued by Georgia Global Utilities JSC (the "**Issuer**" and, together with its subsidiaries, "**GGU**") and guaranteed (the "**Guarantees**") by Georgian Energy Trading Company LLC ("**GETC**"), Georgian Water and Power LLC ("**GWP**"), Hydrolea LLC ("**Hydrolea**"), Svaneti Hydro JSC ("**Svaneti Hydro**"), Qartli Wind Farm LLC ("**Qartli Wind Farm**"), Geoenergy LLC ("**Geoenergy**"), Hydro Georgia LLC ("**Hydro Georgia**") and Kasleti 2 LLC ("**Kasleti**" and, together with GETC, GWP, Hydrolea, Svaneti Hydro, Qartli Wind Farm, Geoenergy and Hydro Georgia, the "**Guarantors**"). Interest on the Notes will accrue at the rate of 7.750% and will be payable semi-annually in arrear on 30 January and 30 July in each year, commencing on 30 January 2021.

The Notes may be redeemed by the Issuer in whole, but not in part, at their principal amount, plus accrued and unpaid interest thereon (if any), if, as a result of a change of law, the Issuer becomes obliged to pay certain additional amounts and otherwise as described under "*Terms and Conditions of the Notes—Condition 6(b) (Redemption for Taxation and Other Reasons)*". Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 30 July 2025 (the "**Maturity Date**"). The Issuer may redeem some or all the Notes on or after 30 July 2022 at the redemption prices set out in these Listing Particulars (as defined below), plus accrued and unpaid interest, if any. Prior to 30 July 2022, the Issuer may redeem some or all the Notes at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, plus a "make whole" premium, as described in these Listing Particulars.

The Notes will constitute unsecured and unsubordinated obligations of the Issuer (subject as described in Condition 4(a) (*Negative Pledge*)). See "*Terms and Conditions of the Notes—Condition 3* (*Status*)". The Guarantees will constitute unsecured and unsubordinated, joint and several obligations of the Guarantors (subject as described in Condition 4 *(Guarantees)*). See "*Terms and Conditions of the Notes—Condition 4 (Guarantees)*".

This document (the "**Listing Particulars**") has been prepared for the purpose of providing disclosure information with regard to the Notes which are to be admitted to the Official List ("**Official List**") of Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin (the "**Global Exchange Market**"). The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**"). Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on its Global Exchange Market and for the approval of this document as listing particulars. Investors should note that securities to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

These Listing Particulars do not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a prospectus for the purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation") or any implementing legislation or rules related thereto. These Listing Particulars have been prepared solely with regard to the Notes which are (i) not to be admitted to listing or trading on any regulated market for the purposes of MiFID II and (ii) not to be offered to the public in a member state of the EEA or in the United Kingdom (other than pursuant to one or more of the exemptions set out in Article 1(4) of the Prospectus Regulation). These Listing Particulars have not been approved or reviewed by any regulator which is a competent authority under the Prospectus Regulation.

The denominations of the Notes shall be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 8 OF THESE LISTING PARTICULARS BEFORE INVESTING IN THE NOTES.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Guarantees are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**") and within the United States only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes and the Guarantees or passed upon the adequacy or accuracy of these Listing Particulars. Any representation to the contrary is a criminal offence. The Notes and the Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. For a more complete description of restrictions on offers, sales and transfers, see "*Transfer Restrictions*" and "*Subscription and Sale*".

The Notes that are being offered and sold in accordance with Regulation S (the "**Regulation S Notes**") will initially be represented by a Regulation S global certificate (the "**Regulation S Global Certificate**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for and will be deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on or about 30 July 2020 (the "**Closing Date**"). Notes that are offered and sold in reliance on Rule 144A (the "**Rule 144A Notes**") will initially be represented by beneficial interests in a restricted global certificate (the "**Rule 144A Global Certificate**" and, together with the Regulation S Global Certificate, the "**Global Certificates**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their account holders. Definitive notes in respect of beneficial interests in the Regulation S Global Certificate and the Rule 144A Global Certificate ("**Regulation S Definitive Certificates**" and "**Rule 144A Definitive Certificates**", respectively, and, together, the "**Definitive Certificates**") will not be issued except as described under "*Terms and Conditions of the Notes*".

The Notes are expected to be rated "B" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") and "B+" by Fitch Ratings Ltd. ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Credit ratings included or referred to in these Listing Particulars have been issued by S&P and Fitch. Fitch is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). S&P is not established in the European Union and has not applied for registration pursuant to the CRA Regulation.

Sole Bookrunner, Green Structuring Agent and Development Finance Structuring Agent

J.P. Morgan

Co-Manager

TBC Capital

Listing Particulars dated 28 July 2020

IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

These Listing Particulars do not comprise a prospectus for the purposes of the Prospectus Regulation and constitute listing particulars for the purpose of giving information with regard to the Issuer, the Guarantors or GGU taken as a whole, as well as with regard to the Notes and the Guarantees, which, according to the particular nature of GGU and the Notes and the Guarantees, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of GGU and of the rights attaching to the Notes and the Guarantees.

The Issuer and Guarantors accept responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer and the Guarantors (which have taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors, the Lead Manager (as defined in "*Subscription and Sale*"), the Co-Manager (as defined in "*Subscription and Sale*") or the Trustee to subscribe for or purchase any Notes in any jurisdiction where it is unlawful to make such an offer or invitation. The distribution of these Listing Particulars and the offering of the Notes and the Guarantees in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Guarantors, the Lead Manager, the Co-Manager and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and the Guarantees and distribution of these Listing Particulars, see "*Transfer Restrictions*" and "*Subscription and Sale*".

No person is authorised to provide any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors, the Lead Manager, the Co-Manager or the Trustee. The delivery of these Listing Particulars at any time does not imply that the information contained in them is correct as at any time subsequent to its date. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantors since the date of these Listing Particulars.

None of the Issuer, the Guarantors, the Lead Manager, the Co-Manager, the Trustee or any of its or their respective representatives or affiliates makes any representation to any offeree or purchaser of the Notes and the Guarantees offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes and the Guarantees.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes and Guarantees or possess these Listing Particulars. Any consents or approvals that are needed in order to purchase any Notes and the Guarantees must be obtained. The Issuer, the Guarantors, the Lead Manager, the Co-Manager and the Trustee are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes and the Guarantees under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Notes and the Guarantees, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, the Notes and the Guarantees constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

The contents of GGU's website do not form any part of these Listing Particulars.

No representation or warranty, express or implied, is made by the Lead Manager, the Co-Manager, the Trustee or any of their respective affiliates or any person acting on their behalf as to the accuracy or completeness of the information set forth in these Listing Particulars. Nothing contained in these Listing Particulars is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving these Listing Particulars acknowledges that such person has not relied on the Lead Manager, the Co-Manager, the Trustee or any of its or their affiliates or any person acting on their behalf in connection with its investigation of the accuracy or completeness of such information or its investment decision. Each person contemplating making an investment in the Notes and the Guarantees from time to time must make its own investigation and analysis of the creditworthiness of GGU and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

NOTICE TO INVESTORS IN GEORGIA

These Listing Particulars have not been approved by the National Bank of Georgia (the "**NBG**"). These Listing Particulars and the information contained herein are not a "public offer" or "advertisement" (each as defined in Georgian law) of the Notes in Georgia and are not an offer, or an invitation to make offers, to purchase, sell, exchange or transfer any securities in Georgia or to or for the benefit of any Georgian person or entity, unless and to the extent otherwise permitted under Georgian law, and must not be made publicly available in Georgia. The Notes have not been and will not be registered in Georgia and are not intended for "placement", "public circulation", "offering" or "advertising" (each as defined in Georgian law) in Georgia except to "sophisticated investors" (as defined in the Law of Georgia on Securities Market (the "**Securities Market Law**")), or as otherwise permitted by Georgian law.

NOTICE TO PROSPECTIVE U.S. INVESTORS

THE NOTES AND THE GUARANTEES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES AND GUARANTEES OR THE ACCURACY OR THE ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THIS OFFERING IS BEING MADE IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF THE NOTES AND THE GUARANTEES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. IN MAKING YOUR PURCHASE, YOU WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS. SEE "*TRANSFER RESTRICTIONS*" AND "*SUBSCRIPTION AND SALE*".

THESE LISTING PARTICULARS ARE BEING PROVIDED (1) TO A LIMITED NUMBER OF INVESTORS IN THE UNITED STATES THAT GGU REASONABLY BELIEVES TO BE "QIBS" FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH THEIR CONSIDERATION OF THE PURCHASE OF THE NOTES AND THE GUARANTEES AND (2) TO INVESTORS OUTSIDE THE UNITED STATES IN CONNECTION WITH OFFSHORE TRANSACTIONS COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the initial allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes and Guarantees are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

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OVERVIEW OF THE OFFERING

This overview describes the principal terms of the Notes and the Guarantees. This overview does not purport to be complete and is qualified in its entirety by the remainder of these Listing Particulars. See "Terms and Conditions of the Notes" for a more detailed description of the Notes and the Guarantees.

The Offering	Offering of U.S.$250,000,000 7.750% Notes due 2025. The Notes and the Guarantees are being offered by the Issuer and the Guarantors (i) in the United States only to certain QIBs (as defined in Rule 144A) in reliance on Rule 144A; and (ii) outside the United States in offshore transactions in reliance on Regulation S.
Issuer	Georgia Global Utilities JSC.
Sole Bookrunner, Green Structuring Agent and Development Finance Structuring Agent	J.P. Morgan Securities plc.
Co-Manager	TBC Capital LLC.
Trustee	Citibank, N.A. London Branch.
Principal Paying Agent	Citibank, N.A. London Branch.
Registrar and Transfer Agent	Citigroup Global Markets Europe AG.
Issue Price	100% of the principal amount of the Notes.
Interest	The Notes will bear interest at the rate of 7.750% per annum from and including 30 July 2020 to but excluding 30 July 2025. Interest on the Notes will be payable semi-annually in arrear on 30 January and 30 July in each year, commencing on 30 January 2021.
Status and Ranking of the Notes	The Notes constitute unsecured and unsubordinated obligations of GGU (subject as described in Condition 4(a) (*Negative Pledge*)) and shall (i) be guaranteed by the Guarantors (subject to contractual limitations that reflect limitations under applicable law) and (ii) at all times rank *pari passu* and without preference amongst themselves. The Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Covenants*), at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Issuer.
Guarantors	Georgian Energy Trading Company LLC, Georgian Water and Power LLC, Hydrolea LLC, Svaneti Hydro JSC, Qartli Wind Farm LLC, Geoenergy LLC, Hydro Georgia LLC and Kasleti 2 LLC.
Guarantees	The Notes will be, subject to contractual limitations that reflect limitations under applicable law, guaranteed, jointly and severally, on a senior unsecured basis, by each of the Guarantors. The Guarantees may be released without the consent of the holders of the Notes under certain circumstances. See "*Terms and Conditions of the Notes—Condition 4 (Guarantees)*". Not all of the Issuer's subsidiaries will guarantee the Notes (such subsidiaries being referred to as the "**Non-Guarantor Subsidiaries**"). In the event of a bankruptcy, liquidation or reorganisation of any of

the Non-Guarantor Subsidiaries, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to their parent entity. The Non-Guarantor Subsidiaries generated 16.9% and 13.8% of GGU's combined EBITDA for the three months ended 31 March 2020 and the year ended 31 December 2019, respectively, and held 0.7% of GGU's combined net assets as at 31 March 2020. As at 31 March 2020, the Non-Guarantor Subsidiaries had external financial indebtedness of GEL 45.9 million outstanding. For additional information regarding the Guarantors, see "*Legal Information in Respect of the Guarantors*".

The Guarantees are subject to the limitations as set forth under "*Terms and Conditions of the Notes—Condition 4 (Guarantees)*".

Form	The Notes will be issued in registered form, without coupons attached, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be represented by interests in a Regulation S Global Certificate and a Rule 144A Global Certificate, each in registered form without coupons. The Regulation S Global Certificate will be deposited with, and registered in the name of, a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Global Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee for DTC. Ownership interests in the Regulation S Global Certificate and the Rule 144A Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg. The Global Certificates will be exchangeable for Definitive Certificates only in the limited circumstances described under "*Overview of Provisions Relating to the Notes in Global Form*".
Redemption	Subject to early redemption or acceleration, the Notes will be redeemed on 30 July 2025. The Issuer may redeem some or all the Notes on or after 30 July 2022 at the redemption prices set out in these Listing Particulars, plus accrued and unpaid interest, if any. Prior to 30 July 2022, the Issuer may redeem some or all the Notes at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, plus a "make whole" premium, as described in these Listing Particulars.
Tax Redemption	Upon the occurrence of certain events relating to taxation in Georgia as a result of which the Issuer becomes obligated to pay additional amounts on the Notes, the Issuer may redeem the outstanding Notes in whole (but not in part) at any time, at their principal amount plus accrued interest thereon (if any) to, but excluding the redemption date. See "*Terms and Conditions of the Notes—Condition 7(b)* (*Redemption for Taxation and Other Reasons*)".
Negative Pledge and Other Covenants	Condition 5 (*Covenants*) contains a negative pledge on the Issuer and the Guarantors; covenants limiting mergers by the Issuer and its Material Subsidiaries (as defined in the terms and conditions of the Notes (the "**Conditions**")), disposals by the Issuer and its Material Subsidiaries and transactions between the Issuer, its Material Subsidiaries and its Affiliates (as defined in the Conditions); the payment of dividends and other distributions and payments by the Issuer and the Guarantors, restrictions on the payment of dividends by Material Subsidiaries and the incurrence of Indebtedness (as defined

in the Conditions) by the Issuer and the Guarantors; certain information furnishing requirements (including the provision of compliance certificates); and other covenants. See "*Terms and Conditions of the Notes—Condition 5* (*Covenants*)".

Events of Default

If an Event of Default (as defined in Condition 10 (*Events of Default*)) has occurred, the Trustee may give notice that the Notes are, and the Notes shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Notes—Condition 10* (*Events of Default*)".

Credit Ratings

The Notes are expected to be rated "B" by S&P and "B+" by Fitch.

Fitch assigned an expected long-term issuer default rating of "B+" to GGU, with a stable outlook, while S&P assigned GGU a long-term issuer credit rating of "B" with a positive outlook.

Fitch is established in the European Union and registered under the CRA Regulation. S&P is not established in the European Union and has not applied for registration pursuant to the CRA Regulation.

Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the Maturity Date. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Withholding Tax or Increased Costs; Gross up

All payments of principal and interest by or on behalf of the Issuer or, as the case may be, any of the Guarantors, in respect of the Notes or Guarantees (as applicable) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Georgia or any authority therein or thereof having power to tax, in accordance with "*Terms and Conditions of the Notes—Condition 9 (Taxation)*", unless such withholding is required by law, in which event the Issuer shall, save in certain circumstances provided in "*Terms and Conditions of the Notes—Condition 9 (Taxation)*", pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

Use of Proceeds

The net proceeds to be received by GGU from the issuance of the Notes (after the deduction of underwriting fees, legal counsel fees, rating agency expenses, listings expenses and other expenses) are expected to be approximately U.S.$247.6 million. An amount equal to the net proceeds will be used to finance and/or refinance Eligible

	Green Projects (as defined herein). Specifically, GGU plans to use the proceeds as follows: • approximately U.S.$220,000,000 will be used to refinance existing loan arrangements; and • approximately U.S.$30,000,000 will be used to finance capital expenditure in the water supply and sanitation business. A portion of the Notes is being allocated to existing lenders to GWP, including DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH ("**DEG**") and The Netherlands Development Finance Company ("**FMO**"), whose outstanding loans to GWP will be refinanced with the proceeds of the Notes. See "*Subscription and Sale—Subscriptions by the IFIs*".
Subscriptions by International Financial Institutions	DEG, an existing lender to GWP, has approval to commit to purchase from the Issuer up to U.S.$50 million in aggregate principal amount of the Notes. DEG will be allocated U.S.$45 million in aggregate principal amount of Notes. DEG's commitment to purchase is subject to certain conditions being met, including the Issuer's agreement to comply with certain international standards related to environmental, social, anti-money laundering, corruption and sanctionable practices by which DEG is bound while it remains a Noteholder. DEG has executed an investment agreement with regard to its investment. The terms of DEG's investment will not restrict its ability to buy or sell Notes in the future (or to buy additional Notes as part of the initial distribution of the Notes by the Issuer) and, as a result, DEG may buy or sell the Notes in open market transactions at any time following the completion of the offering of the Notes. DEG is a wholly owned subsidiary of Kreditanstalt für Wiederaufbau and a member of the KfW Bankengruppe, Germany. In addition, the Issuer has entered into investment agreements with certain other development financial institutions and multi-lateral development banks (including FMO, the Dutch development bank and an existing lender to GWP, which has a committed portfolio of €10.4 billion spanning over 92 countries, making it the largest bilateral private sector development bank globally, and Asian Development Bank ("**ADB**"), a regional development bank with its headquarters located in Manila, the Philippines) pursuant to which each IFI will purchase Notes, subject to certain conditions as described in each investment agreement. Among other things, the investment agreements include the Issuer's undertaking to comply with each IFI's policy requirements relating to matters including, but not limited to, environmental and social matters, sanctions, anti-money laundering, anti-corruption and fraud. For information on the final allocations of the Notes to the IFIs, see "*Subscription and Sale—Subscriptions by the IFIs*".
Listing and Admission to Trading	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on its Global Exchange Market.
Selling Restrictions	The Notes and the Guarantees have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be

	offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in Georgia, the United Kingdom and other jurisdictions. See "*Subscription and Sale*".
Governing Law	The Notes, the Guarantees and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.
Arbitration and Jurisdiction	The Notes, the Guarantees and the Trust Deed provide that disputes are to be resolved by arbitration in the London Court of International Arbitration (the "**LCIA**").
Risk Factors	Prospective purchasers of the Notes and the Guarantees should consider carefully all of the information set forth in these Listing Particulars and, in particular, the information set forth under "*Risk Factors*" before making an investment in the Notes and the Guarantees.
Security Codes	Regulation S Notes: ISIN: XS2208644059 Common Code: 220864405 Rule 144A Notes: ISIN: US373196AA29 Common Code: 373196AA2 CUSIP: 220978915

Overview of GGU

GGU is a water utility and renewable energy business which supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia and generates electricity through its portfolio of eight hydro power plants ("**HPPs**") (with one HPP comprising two separate generation units) and one on-shore wind farm with an aggregate installed capacity of 240 MW. A majority of the electricity generated by GGU is sold to third parties, while the remaining electricity is used by its water supply and sanitation services business for internal consumption to power its water distribution network. In the three months ended 31 March 2020 and the year ended 31 December 2019, GGU sold 41.2 million and 178.3 million cubic metres of water and generated 89.0 million and 414.3 million KWh of net electricity, of which 41.9 million and 174 million KWh were used internally by the water supply and sanitation services business, respectively.

For the three months ended 31 March 2020, 80%, 18% and 2% of revenue and gains was attributable to water supply and related services, electricity power sales and other revenue, respectively, and 74%, and 26% of segmented EBITDA was attributable to water supply and wastewater collection services, and electric power generation and sales segment, respectively. For the year ended 31 December 2019, 79%, 15% and 6% of revenue and gains was attributable to water supply and related services, electricity power sales and other revenue, respectively, and 70%, and 30% of segmented EBITDA was attributable to water supply and wastewater collection services, and electric power generation and sales segment, respectively.

GGU's water supply and sanitation services business is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta, supplying these areas with potable water. The customer base for this business includes both business and residential customers, of which it had 36,112 and 567,938 as at 31 March 2020, respectively. GGU earns a regulated return in relation to its water business, which is based on a methodology adopted by the Georgian National Energy and Water Supply Regulatory Commission ("**GNERC**") in August 2017. Allowed revenue is determined by applying a weighted average cost of capital ("**WACC**") of 15.99% to GGU's regulated asset base ("**RAB**"), taking into account depreciation and operating expenses. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. During the past several years, GGU has been expanding its RAB through capital investments in water and wastewater infrastructure which have been intended to improve the quality of water supply and sanitation services to customers and contribute to operating efficiencies.

Historically, GGU operated HPPs with a total installed capacity of 149 MW primarily to power its water distribution network. Separately, GGU's parent company, Georgia Capital JSC ("**Georgia Capital**"), operated a renewable energy business via GRPC, in which it held a stake of 65.59%. In February 2020, Georgia Capital bought the 34.41% stake in GRPC held by RP Global Investment GmbH, an Austrian hydro power company ("**RP Global**"), thereby becoming the sole shareholder of GRPC. In October 2019, Georgia Capital, through its subsidiary, Georgia Energy Holding LLC, acquired Hydrolea, which owned and operated the Kasleti, Debeda and Akhmeta HPPs, and in December 2019, through its subsidiary, Georgian Wind Company LLC, it acquired Qartli Wind Farm. Subsequently, in July 2020, Georgia Capital arranged for the transfer of the Mestiachala HPP (which was owned by GRPC through its subsidiary Svaneti Hydro) and the Kasleti, Debeda and Akhmeta HPPs (all of which were owned by Hydrolea) and Qartli Wind Farm to the Issuer. These plants have an aggregate installed capacity of 91 MW, increasing the installed capacity of GGU's total renewable energy portfolio to 240 MW.

In June 2017, the Law of Georgia on Electricity and Natural Gas was amended, deregulating all HPPs constructed prior to August 2008 with an installed capacity below 40 MW and gradually moving large industrial customers from a regulated pricing scheme to market pricing. As a result, out of all generation facilities operated by GGU, only the Zhinvali HPP is subject to regulation by GNERC in terms of its pricing. All of the HPPs transferred to the Issuer in July 2020 as well as the Bodorna HPP and Qartli Wind Farm sell the electricity they generate pursuant to power purchase agreements ("**PPAs**") with the Electricity System Commercial Operator ("**ESCO**") as the offtaker. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). For the period from May to August, electricity generated by these plants is sold at market prices.

During the three months ended 31 March 2020, GGU generated revenue and gains of GEL 37.5 million and EBITDA of GEL 20.3 million and as at 31 March 2020, it had assets of GEL 1,043.7 million. During the year ended 31 December 2019, GGU generated revenue and gains of GEL 175.5 million and EBITDA of GEL 108.4 million and as at 31 December 2019, it had assets of GEL 990.0 million.

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of Notes should carefully read these Listing Particulars. In addition to the other information in these Listing Particulars, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment in the Notes. Any of the risks described below could have a material adverse effect on GGU's business, financial condition and results of operations. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. Although management believes that the risk factors described below represent the principal risks inherent in investing in the Notes, there may be additional risks and uncertainties that management currently considers immaterial or of which management is currently unaware, and any of these risks and uncertainties could have similar effects to those set forth below. Accordingly, the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Relating to GGU

GGU's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business.

Substantially all of GGU's revenue is derived from Georgian customers. Accordingly, GGU's results of operations are, and are expected to continue to be, affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. In addition to gross domestic product ("**GDP**") growth, factors such as inflation, interest and foreign currency exchange rates, as well as unemployment, personal income, tourism levels and the financial condition of Georgian companies, can have a material impact on customer demand for GGU's products and services. In particular, the ongoing outbreak of the novel coronavirus ("**COVID-19**") may have an adverse effect on GDP growth and other macroeconomic indicators. See "*—The Georgian economy, and hence GGU's business, may be adversely affected by the ongoing outbreak of COVID-19*".

Any deterioration or instability in the Georgian economy will adversely affect GGU's business. The Georgian economy may be more vulnerable to external shocks due to a mix of its historically high current account deficit, low domestic savings rate and high level of dollarization. The current account deficit has been improving, with Georgia having posted its first ever current account surplus in the third quarter of 2018, representing 0.3% of GDP, although this subsequently turned into a deficit in 2019, representing 5.1% of GDP. There can be no assurance, however, that the current account deficit will continue to be lower than it has been historically.

Starting in the second half of 2014, the Georgian economy was affected by falling global commodity prices and the contagion effect of the recession in Russia, as well as by the depreciation of the currencies of Georgia's main trading partners. Since the end of 2016, economic growth in Georgia has been accelerating due to more favourable external conditions. According to the Legal Entity of Public Law National Statistics Office of Georgia ("**Geostat**"), real GDP growth was 4.8% in the years ended 31 December 2017 and 2018 and was 5.1% in the year ended 31 December 2019. Exports and remittances have also been increasing during the past several years. There can be no assurance, however, that these trends will continue. Any adverse macroeconomic developments in the Georgian or global economy could have a material adverse effect on GGU's business, financial condition and results of operations.

The Georgian economy, and hence GGU's business, may be adversely affected by the ongoing outbreak of COVID-19.

The Georgian economy may be affected by adverse developments in the global economy arising from the outbreak of COVID-19. The outbreak, which originated in the city of Wuhan in Hubei province in China in November 2019, has since spread to the rest of the country and globally. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. It was reported, as of 13 July 2020, that more than 13 million people had been infected globally and over 570,000 deaths have resulted from COVID-19 infection. A number of countries have implemented travel restrictions and/or advised against travel and imposed travel bans on visitors travelling from China, Northern Italy and certain other countries. Fully effective vaccines have yet to be developed and there can be no assurance that an effective vaccine will be discovered or commercially manufactured in light of the highly contagious nature of COVID-19. It is expected that the COVID-19 outbreak will have a severe impact on global macroeconomic conditions, with the International Monetary Fund ("**IMF**") forecasting in April 2020 that the global economy would swing from a 2.9% growth rate in 2019 to a contraction of 3% in 2020. This may in turn adversely affect the Georgian economy. While real GDP grew by 2.2% in the first quarter of 2020, the IMF is forecasting that Georgia's real GDP will contract by 4% in 2020.

Furthermore, there can be no assurance that COVID-19 will not spread to Georgia on a large scale, which would directly impact the Georgian economy, particularly in light of its significant reliance on tourism and remittances. In February 2020, Georgia suspended direct air traffic between Georgia and China and Georgia and Iran. On 3 March 2020, Georgia banned inbound foreigners who had transited via China or Iran in the last 14 days and introduced medical screening for travellers who had been in South Korea, Italy and Japan in the past 21 days. On 12 March 2020 and 14 March 2020, Georgia extended medical screening for travellers from Spain, Germany, Austria and France, and Switzerland, Norway and Denmark, respectively. On 14 March 2020, Georgia and Azerbaijan and Georgia and Armenia closed their borders for the movement of people for ten days, other than for the return of the citizens of each country to their country of origin. On 16 March 2020, Georgia and Russia also closed their borders for the movement of people. Tourism levels fell by 26% in the first quarter of 2020 and by 97% in the second quarter of 2020 as a result of these measures. As of 13 July 2020, Georgia had confirmed 995 recorded cases of COVID-19 and 15 deaths.

On 21 March 2020, the President of Georgia declared a nationwide state of emergency effective until 21 April 2020, which was subsequently extended to 22 May 2020. The state of emergency included the following measures:

- suspending international air, maritime and land travel (excluding freight transportation) subject to certain exceptions determined by the Government of Georgia (the "**Government**");
- authorising the Government to modify the rules for public services and administrative proceedings;
- authorising the Government to restrict private ownership rights for quarantine, isolation or other medical purposes, including commandeering private property and material resources;
- restricting any type of gatherings and manifestations subject to certain exceptions determined by the Government;
- authorising the Government to intervene in the management of businesses and private companies to restrict or prohibit their activities or to instruct them to carry out specific tasks; and
- authorising the Government to regulate prices for basic consumption products, drugs and medical services essential for human life and health.

On 23 March 2020, the Government closed two municipalities in one of the Georgian regions and declared both municipalities as quarantine zones due to the possible transmission of COVID-19. Among other restrictions, exit from and entrance into the municipality territories (excluding the residents of these municipalities) were prohibited during the term of the state of emergency.

On 30 March and 31 March 2020, the Government announced certain additional measures during the term of the state of emergency comprising, among other things, the following measures:

- a nationwide curfew in effect from 9 p.m. to 6 a.m. starting from 31 March 2020;
- a suspension of all public transport, including the metro;

- a prohibition of gatherings of more than three people (later changed to ten people), excluding, *inter alia*, pharmacies and food markets, where people must keep a distance from one another;

- a suspension of economic activities, except in relation to, *inter alia*, banking activities, financial services, medical services, food and essential industries and other principal industries in the country (the list of permitted economic activities was amended by the Government on several occasions), such as major infrastructure projects, oil, minerals, metals and other principal production materials; and

- screening via special checkpoints in Tbilisi, Batumi, Kutaisi, Rustavi, Poti, Zugdidi, Akhaltsikhe, Telavi and Gori.

During the term of the state of emergency, all permitted economic activities were required to be carried out in compliance with the recommendations issued by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia.

The Government attracted approximately U.S.$1.5 billion from IFIs, including the IMF, World Bank, ADB, European Bank for Reconstruction and Development ("**EBRD**"), EIB, KfW and AFD, to help Georgia withstand COVID-19 related shocks. In addition, approximately U.S.$1.5 billion has been made available for the banking sector to address COVID-19 related shocks, ensure fast recovery and support long-term sustainable growth. The Government has announced a GEL3.5 billion package to address the crisis, which has included social aid (GEL 1.03 billion), economic support and business aid (GEL 2.1 billion) and anti-pandemic measures (GEL 0.35 billion). The package included the suspension of property and income taxes for companies operating in the tourism industry, an interest subsidy for small- and medium-sized hotels, acceleration of VAT refunds, increased capital expenditure, payment for utility services for low-income households, unemployment benefits, subsidies for nine products, including sugar, wheat, buckwheat, beans, rice, pasta, sunflower oil and milk powder, hedging against increases in costs of construction materials, income tax exemptions for hired employees with a salary of up to GEL 750, one-off transfers to the self-employed, additional aid for families that fall below a specified social score threshold or with three or more children, as well as disabled people, pension indexation from January 2021, credit guarantee schemes, agriculture grants and a relaxation of upper limits on financing through the programme "Produce in Georgia". Moreover, special support packages have been unveiled in support of the agriculture and real estate sectors comprising co-financing for the agriculture sector, direct subsidies and grants for farmers, mortgage interest rate subsidies, guarantees and insurance for the real estate sector, and a sharp acceleration of government demand for housing intended for refugees. The Government also plans to direct additional funds to address increased health care expenditure. Commercial banks have also suspended loan payments for retail loans.

Business activity in Georgia has begun a gradual recovery since 27 April 2020 as the six-stage lockdown exit plan has been brought forward due to favourable epidemiological developments, and largely all economic activity was resumed by mid-June 2020. The Government allowed domestic tourism from 15 June 2020. On 8 July 2020, Georgia opened its borders to travellers from Germany, France, Latvia, Lithuania and Estonia.

Management expects certain adverse impacts on GGU's business arising from the COVID-19 outbreak. In relation to the electricity business, management expects that electricity demand from commercial customers will decrease. Water inflows to HPPs are typically at their peak from May to June and the energy market may face an oversupply of electricity during these months. To address imbalances in the system, generation levels at Georgian power plants may be restricted temporarily, which would result in GGU's run-of-the-river HPPs running at lower than maximum capacity during periods of potential oversupply from May to June.

In relation to the water supply and sanitation business, management expects that the COVID-19 outbreak will result in lower demand from legal entities for GGU's services in 2020, which in turn will result in decreased revenue. Based on the tariff methodology applicable as of the date of the Listing Particulars, management expects to recover unearned revenue in subsequent regulatory periods, although there can be no assurance that this will be the case.

Furthermore, there can be no assurance, that the measures introduced by the Government will be effective in preventing the further spread of COVID-19 or reducing the negative economic effects caused by the pandemic in Georgia or that more restrictive measures will not be implemented, any of which could have a material adverse effect on macroeconomic conditions and in turn, GGU's business.

Changes in regulated tariffs could have an adverse effect on GGU's results of operations and financial condition.

GGU is subject to a substantial degree of regulation, particularly with respect to the tariffs it may charge for its regulated activities, which include its water supply and sanitation business as well as the Zhinvali HPP, being the only power plant owned by GGU with an installed capacity above 40 MW (in June 2017, the Law of Georgia on Electricity and Natural Gas was amended to deregulate all HPPs constructed prior to August 2008 with an installed capacity below 40 MW). As a result, GGU is affected by the tariff pricing decisions of GNERC.

GGU's return in relation to its regulated water businesses is based on a methodology adopted by the GNERC in August 2017. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, GGU applies WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets plus capital expenditure it has made. RAB is then multiplied by regulated WACC, providing the return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period is 15.99%, whereas the previously applicable WACC was 13.54%. GGU is required to submit a new tariff application no later than 4 July of the year immediately preceding the next tariff period. This means that the tariff application for the regulatory period running from 1 January 2021 to 31 December 2023 was required to be submitted no later than 6 July 2020 (since 4 July 2020 fell on a weekend). Together with the tariff application, GGU was required to submit its most recent audited financials. GNERC is authorised to request any additional information it requires and the tariff is set through public proceedings, based on the same methodology as applied previously. The final deadline for the completion of the tariff-setting process is established by GNERC itself. However, it must be finalised prior to the start of the new regulatory period.

In relation to the Zhinvali HPP, GGU's only regulated HPP, the Zhinvali HPP charges GWP, GGU's main water supply subsidiary, the regulated tariff for its internal electricity consumption, the cost of which is then included in "allowed revenue" under the above methodology and is reimbursed through the water tariff. External electricity sales are made by GETC, GGU's electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies, other affiliated HPPs and third parties, and sells it to direct consumers on the free market.

As a result of the application of the above methodology, GGU has a degree of predictability in relation to its revenue stream for its water supply and sanitation business. There can be no assurance, however, that the tariff it is permitted to charge will not be adjusted following the end of the first regulatory period on 31 December 2020 in a manner that is adverse to GGU, although GNERC is expected to continue using the currently applicable methodology going forward. Furthermore, upon demonstration of proper justification, GNERC may in the future amend tariffs in a manner that could be adverse to GGU, or may change the conditions of access to such regulated tariffs. Any adverse changes in regulated tariffs could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU is subject to service quality regulations, which may place additional obligations on it and may reduce its profitability.

In July 2016, GNERC adopted commercial service quality rules containing service quality standards applicable to all utility companies. These rules were subsequently replaced with revised service quality rules adopted by GNERC in December 2018 and effective from 1 July 2019. The rules are intended to incentivise improvements in overall service quality among utility companies and include standards in relation to the response time for customer complaints, new customer registration requests and phone calls. The rules also require that subscribers are informed about planned supply interruptions through "out of service" notifications via email and/or text (sms) messages. The rules contain a clear framework for handling unplanned service interruptions and new customer connections. Planned interruptions in the case of simple maintenance works shall not exceed six hours. For complex maintenance works, the permissible duration of interruption of water supply services is dependent on the number of impacted subscribers and may last from 12 to 48 hours. Information on all interruptions shall be kept in physical as well as electronic form for the duration of three years thereafter. Service standards are divided into two types: (i) general standards; and (ii) guaranteed standards. Certain standards came into force in 2016, while others came into force in 2017, 2019 and 2020. In the event the general standards are breached, GNERC applies incentives or fines, which are later reflected in tariffs. See "*Business—Regulation—Service Quality Rules*" for further detail. In relation to breaches of the general standards, each 1% increase/decrease in set milestones shall cause an increase/decrease in the regulatory cost base of 0.01% for the purposes of calculation of the applicable tariff. In relation to breaches of the guaranteed standards, the service provider is required to pay compensation to the affected customers for each breach (GEL 5 for individuals and GEL 10 for legal entities). Such compensation shall be reflected as a credit on the bill of the relevant customer within 10 calendar days of the breach. While there have been no material breaches in the past, any future breaches of the service quality rules or any additional service quality obligations placed upon GGU could have a material adverse effect on its business, results of operations and financial condition.

Climate conditions, the availability of water and wind and natural hazards can affect GGU's ability to supply water to its customers as well as its ability to generate electricity from its power plants.

The amount of water in the Zhinvali Reservoir, GGU's main water source for its water supply and sanitation business, and in groundwater storage depends on climate conditions. During drought periods, demand for water will be higher while the amount of available water will be lower, with the reverse also being true. Insufficient water in the Zhinvali Reservoir may result in GGU incurring additional costs in order to secure additional water sources, although this has never occurred in the past and is unlikely to occur given the level of water inflows into the reservoir. Drawing upon alternative water sources would likely be more expensive for GGU because sourcing water from the Natakhtari and Mukhrani water conduits requires more electricity which would affect short-term liquidity but would be reimbursed in subsequent regulatory periods in accordance with the current tariff-setting methodology.

Adverse weather conditions can also affect GGU's renewable energy business. In drought conditions, the level of electricity produced by GGU's HPPs for sale to third parties may be lower, which would result in lower revenue, and in prolonged cases, Zhinvali HPP may be unable to generate sufficient electricity for internal electricity consumption of GWP. In that event, GWP would need to purchase electricity from third party sources, which would entail additional costs, which would in turn harm GGU's short-term liquidity, but would be reimbursed during subsequent regulatory periods according to the current tariff-setting methodology. Water availability is also seasonal, especially for GGU's run-of-river HPPs, which include the Mestiachala HPP and the Kasleti HPP, with the strongest water flow typically occurring during the months of March, April and May for the Kasleti HPP and July and August for the Mestiachala HPP due to thawing snow. Moreover, the Akhmeta, Debeda and Tetrikhevi HPPs are located on irrigation channels and the supply of water to these HPPs may be diverted for irrigation purposes, which will have priority over the supply of water for electricity generation purposes during the irrigation season in the summer months. Any rehabilitation works carried out on irrigation channels can also limit water supply to the aforementioned HPPs. In addition, due to its acquisition of Qartli Wind Farm, GGU is dependent on suitable wind conditions, which exhibit seasonal patterns and are difficult to predict. In addition, windiness may be reduced by neighbouring wind farms or other large structures. Winds exceeding certain speeds may also require GGU to halt its turbines.

In addition to drought conditions and adverse wind conditions, natural disasters such as earthquakes and landslides can disrupt GGU's water supply. The Dusheti region, where the Zhinvali Reservoir is located, is particularly exposed to these risks. In the event of any such natural disaster, GGU would be required to incur additional expenses to manage the resulting disruption to its operations.

In July 2019, the Mestiachala HPP was affected by flooding resulting from a rock avalanche and both generation units were taken offline. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity. In relation to the 20 MW generation unit, surveys are ongoing for the restoration design which will be submitted to the relevant government authorities for the purpose of obtaining a construction permit. The recommissioning of the 20 MW unit is planned for the second half of 2021. The restoration budget is expected to be covered by insurance proceeds. The payout under GGU's business interruption insurance for 2019 has already been agreed with the insurance company. Insurance proceeds will also cover business interruption for the period up to July 2020, with coverage for a 12-month period in total. Notwithstanding this payout, the design and permitting processes and construction works may be delayed, which will negatively affect generation and electricity sales.

Finally, while GGU projects electricity generation on the basis of normal weather representing a long-term historical average and considers possible variations in normal weather patterns, taking a conservative approach where necessary, and the potential impact on its operations, there can be no assurance that such planning can address an impact of adverse weather conditions or accurately predict future weather conditions. To the extent climate change causes changes in temperature, variability in precipitation and wind patterns or exacerbates the intensity or frequency of extreme weather events, this could negatively impact GGU's business.

Any adverse weather conditions, whether as a result of climate change or otherwise, could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU requires significant capital expenditure in relation to its aging water supply network and there can be no assurance that it will continue to be able to fund such capital expenditure.

Certain parts of the water supply network in Georgia date back to the Soviet period and are in poor condition. As a result, disruptions to the water supply have historically been frequent and water losses have been relatively high. GGU has been investing in its water supply network, including in order to fulfil its privatisation obligation to invest an amount of not less than U.S.$220 million in aggregate during the post-privatisation period. As a result, GGU has been able to reduce its water loss ratio, which was 65.1%, 67.2% and 71.4% in 2019, 2018 and 2017, respectively. The water loss ratio for the three months ended 31 March 2020 and 2019 was 63.0% and 66.4%, respectively. GGU was also able to decrease its consumption of self-produced electricity (which is the primary cost driver of the water supply and sanitation business and therefore a major focus of GGU's management). Self-produced electricity was 174.0 million KWh, 193.2 million KWh and 239.4 million KWh in 2019, 2018 and 2017, respectively. Self-produced electricity was 41.9 million KWh and 41.7 million KWh in the three months ended 31 March 2020 and 2019, respectively. GGU is continuing to invest in its water supply network, having incurred GEL 87.4 million, GEL 150.2 million and GEL 119.0 million in capital expenditure in connection with its water supply and sanitation business in 2019, 2018 and 2017, respectively. It incurred GEL 17.1 million and GEL 15.6 million of capital expenditure related to its water supply and sanitation business in the three months ended 31 March 2020 and 2019, respectively. See "*Business—Operations—Water Supply and Sanitation Services—Capital Expenditure*" for further detail. There can be no assurance, however, that GGU will continue to reduce water losses and consumption of self-produced electricity or that its capital expenditure will be sufficient to maintain its water supply network.

Furthermore, capital expenditure undertaken by GGU may place significant demands on management time and on its financial resources. Such projects are subject to the risk of cost overruns and may not be completed on time or at all. Although GGU has a degree of predictability in relation to the return on investment for the capital expenditure it undertakes due to the methodology applied in its tariff calculation model, there can be no assurance that GGU will achieve the objectives it intends in connection with its capital expenditure. In particular, GGU makes assumptions regarding water loss improvements, cost savings, synergies and revenue enhancements when it budgets capital expenditure and these assumptions may prove to be incorrect. GGU may also be required to make additional capital expenditure beyond the currently envisaged capital expenditure programme to ensure its uninterrupted operations. If GGU's capital expenditure programme does not achieve the stated objectives or if sufficient financial resources are not available to fund additional capital expenditure, its business, results of operations and financial condition could be materially adversely affected.

Contamination of water, either from naturally occurring compounds or man-made sources, may result in the interruption of water supply and/or exposure of humans to hazardous substances, which could in turn result in liability for GGU.

The main water source for GGU's water supply and sanitation business is the Zhinvali Reservoir, which is located in the Dusheti region of Georgia. The Zhinvali Reservoir may become subject to contamination from naturally occurring compounds as well as pollution resulting from man-made sources. Although GGU monitors water quality on hourly basis via an early notification system covering the entire Aragvi Valley, any possible contamination due to factors beyond its control could force GGU to shut down or temporarily disrupt water supply to its customers. In that event, supplying water from alternative sources (such as the Natakhtari or Mukhrani water conduits), would result in increased operating costs. The treatment of contaminated water would also entail additional expenses for GGU, which would harm its short-term liquidity but would be reimbursed in subsequent regulatory periods in accordance with the current tariff-setting methodology. Since GGU has never experienced a contamination of its water supply, it is unable to quantify these additional costs but they could be material depending upon the severity of the contamination. In addition, GGU may be held liable for environmental damage and other consequences arising from the exposure of humans to hazardous substances and may become subject to civil, administrative or criminal enforcement actions, private litigation and clean-up obligations, which could result in financial and reputational damage. If GGU's water supply is contaminated and it is unable to substitute its water supply in a timely and cost effective manner, or if it incurs liabilities in connection with any such contamination, its business, results of operations and financial condition could be materially adversely affected.

GGU uses gaseous chlorine deposited in gas tanks for water purification, which gives rise to the risk of explosions which can threaten human lives and result in substantial environmental damage.

Water is carried from the Zhinvali Reservoir to end users, with chlorination occurring on the five head works which are part of the water infrastructure and are supplied from the Zhinvali Reservoir with crude water. Each headwork has a separate chlorination system and discharges water to supply network. The water may require additional purification in certain instances. For example, when the distance to the end user is relatively long, this can result in a decrease in chlorine levels in the water. For these reasons, chlorine tanks are installed on the water units located across the districts of the cities GGU serves. GGU complies with rules and regulations applicable to the use of gaseous substances and conducts specialised trainings for its personnel in relation to the handling of gaseous chlorine. Nevertheless, gaseous chlorine deposited in gas tanks gives rise to the risk of explosions, although GGU has not yet experienced such an event. In the event of an explosion, GGU will be subject to sanctions under relevant environmental laws and may also become subject to private litigation to the extent private property is damaged, as well as reputational damage.

Currently, all of GGU's chlorine stations are equipped with all necessary protective systems and equipment and Emergency Response Plans are in place. Despite this, since 2018, when installing new chlorine systems, preference has been given to the method of sodium hypochlorite instead of gaseous chlorine. In addition, GGU is actively studying opportunities for the gradual replacement of gaseous chlorine systems with sodium hypochlorite in all of GGU's chlorine stations that are being actively studied.

Notwithstanding these measures, any explosion of gaseous chlorine could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU's cash flows may be adversely affected if it does not maintain its collection rates for its water supply and sanitation customers.

GGU provides water supply and sanitation services to both business and residential customers. The Georgian water utility sector has historically had relatively low receivable collection rates for residential customers. This is because water utility companies operating outside of Tbilisi have historically not cut off electricity to residential customers for missed payments, unlike GWP. GWP's collection rate has improved significantly from 2011, due to the changes to the Georgian law, pursuant to which electricity suppliers are entitled to cut off electricity to customers if they do not pay their water bills. As a result, Tbilisi's electricity suppliers receive flat monetary compensation from GWP (approximately GEL1.3 million annually since 2011) for assisting in the collection process. Following these changes, GGU's collection rates improved and have remained at approximately 96.5%. Collection rates were 98.7%, 97.9% and 96.7% for business customers and 94.2%, 94.2% and 93.6% for residential customers in 2019, 2018 and 2017, respectively. Collection rates were 101.0% and 105.6% for business customers and 93.0% and 95.1% for residential customers in the three months ended 31 March 2020 and 2019, respectively. There can be no assurance, however, that this trend will continue, particularly if economic conditions in Georgia were to deteriorate, which could affect customers' ability to pay their water bills. See "*—GGU's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business*". The decrease in collection rates could have a corresponding adverse effect on GGU's business, results of operations and financial condition.

GGU is dependent upon its PPAs with ESCO in relation to its renewable energy business, although all of GGU's PPAs (with the exception of the Akhmeta and Debeda HPP PPAs) expire after the maturity of the Notes.

All of the HPPs transferred to the Issuer in July 2020 as well as the Bodorna HPP and Qartli Wind Farm sell the electricity they generate pursuant to PPAs with ESCO as the offtaker. See "*Business—Regulation—ESCO*" for further detail relating to ESCO and its PPA arrangements with power plants. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). PPAs can typically only be terminated in circumstances of force majeure or default (which is not remedied despite written warnings) by either of the parties. Purchase prices for electricity generated under these PPAs are pre-determined. For the period from May to August, electricity generated by these plants is sold at market prices. PPAs with ESCO are typically not extended and there can be no assurance that GGU will be able to find arrangements for the sale of the electricity it generates that are as favourable as those under the relevant PPA (although all of GGU's PPAs (with the exception of the Akhmeta and Debeda HPP PPAs) expire after the maturity of the Notes). In addition, at the time of expiration of GGU's PPAs, market prices may be volatile as a result of various factors. See "*—GGU is exposed to the risk of fluctuations in electricity prices, which can be volatile*". The Government offers PPAs, which are effectively intended to serve as a price hedge, as an incentive to HPP developers. From 2018, the PPA process is determined by the new public private partnership ("**PPP**") agency, which conducts a cost/benefit analysis and concludes whether the project requires any support from the Government and decides on the mechanism of support. Notwithstanding changes to Georgian energy regulations, the PPAs already entered into by the Government remain effective. However, the offering of new PPAs will be limited due to associated fiscal risks. As a result, in the future some projects will be offered PPAs and possibly other forms of support (e.g. contracts for difference). If GGU is unable to find suitable arrangements for the replacement of its existing PPAs, this could, in the longer term, have a material adverse effect on its business, results of operations and financial condition.

GGU is exposed to the risk of fluctuations in electricity prices, which can be volatile.

To the extent electricity generated by the Zhinvali HPP is not used for internal consumption by GGU's water supply and sanitation business, it is sold by GETC, GGU's electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies, other affiliated HPPs and third parties and sells it to direct consumers on the free market. In 2019, 55.6% of net electricity generated by Zhinvali HPP was used for internal consumption by GGU's water supply and sanitation services business. In addition, with the exception of Qartli Wind Farm (for which the PPA applies for the entire year), the PPAs to which GGU is party apply only for the period from September to April (inclusive), with electricity generated during the period from May to August being sold at market prices. Pursuant to its PPA with ESCO, while Qartli Wind Farm is obliged to sell electricity to ESCO during the eight months from September to April (inclusive), it is permitted to select an offtaker and market the electricity it generates for the remainder of the year, subject to the restriction that, during the first 13 years of operation, electricity generated by Qartli Wind Farm must be sold exclusively to satisfy the internal Georgian demand. As a result of these arrangements, GGU is exposed to the risk of fluctuations in electricity prices. Electricity prices can be volatile due to various factors, including changes in electricity demand and/or prevailing economic conditions. In addition, while currently there is a supply deficit in the Georgian electricity generation market, any future supply coming on-stream could result in increased competition and lower electricity prices. Georgian electricity prices have historically been relatively stable, with the weighted balancing electricity selling price reported by ESCO being GEL 0.135 per KWh in 2019, compared to GEL 0.129, GEL 0.127, GEL 0.110, GEL 0.131, GEL 0.100, GEL 0.890 and GEL 0.870 in 2018, 2017, 2016, 2015, 2014, 2013 and 2012, respectively. There can be no assurance, however, that this will continue to be the case, particularly in light of recent developments in relation to the outbreak of COVID-19, which is expected to have a severe impact on the global, and potentially the Georgian, economy, given the correlation of electricity consumption with GDP growth. See "*—GGU's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business*".

In addition, GGU's power plants built after 2010 have priority access to the Turkish energy market. To the extent it exports electricity to Turkey, which is Georgia's main export market for electricity, it will be exposed to Turkish energy prices, which have been volatile in the past and have declined significantly early in the last decade. The average market clearing price in Turkey was U.S.$c 4.7 per KWh in 2019, compared to U.S.$c 4.8, U.S.$c 4.6, U.S.$c 4.8, U.S.$c 5.2, U.S.$c 7.6, U.S.$c 8.2 and U.S.$c 8.7 in 2018, 2017, 2016, 2015, 2014, 2013 and 2012, respectively.

Any fluctuations in electricity prices in Georgia or any of GGU's current or future export markets could have a material adverse effect on its business, results of operations and financial condition.

Maintenance and refurbishment of power plants involve significant risks that could result in unplanned power outages, reduced output and unanticipated capital expenditure.

The operation of GGU's power plants involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency and the inability to transport electricity to customers in an efficient manner due to a lack of transmission capacity or transmission infrastructure issues. Such failures and performance issues can stem from a number of factors, including errors in operation, lack of maintenance and general wear over time. As a result, GGU's facilities may require planned periodic major overhaul activities, which may also include improvements. Unplanned outages of power plants may occur from time to time and are an inherent risk of GGU's renewable energy business. Unplanned outages of GGU's power plants will typically increase GGU's expenses which may not be recoverable under the applicable PPA (where relevant) and may reduce GGU's revenue as a result of selling lower volumes of electricity.

In addition, critical equipment or parts may not always be readily available when needed. GGU also cannot be certain of the level of capital expenditure that will be required due to changing environmental, health and safety laws and regulations (including changes in the interpretation or enforcement thereof), necessary facility repairs and unexpected events (such as natural or man-made disasters or terrorist attacks). Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditure at GGU's power plants, could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU's business is reliant on its IT infrastructure, and delays or outages in, or any potential cyber-attacks to, its IT systems and networks could have an adverse effect on the results of its operations.

GGU's business relies heavily on the efficient and uninterrupted operation of its information technology ("**IT**") infrastructure, which includes complex and sophisticated computer, telecommunications, supervisory control, data processing, data acquisition and data monitoring systems. GGU may be subject to IT failures in, and disruptions to, such systems and networks, which are used throughout its business, including at its power plants and for the distribution and supply of power. These may be caused by issues with system updates, natural disasters, malicious cyber-attacks, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic breaches or similar events or disruptions.

Disruptions to GGU's IT systems, as well as those of other energy industry participants, could severely disrupt administrative and business operations, including a loss of operational capacity and critical data. It could also result in a loss of service to customers and create significant expense to repair security breaches or system damage. Further, as well as adversely impacting business operations, a failure in its operations monitoring systems (which focus on plant availability, activity and efficiency, operational oversight, health and safety, and compliance with environmental laws and regulations) could lead to non-compliance with permit requirements and the imposition of fines or penalties. Any of the foregoing could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU's ability to generate, distribute and supply electricity is dependent upon the Georgian transmission system.

The distribution of electricity to GGU's distribution networks, as well as the distribution of electricity to customers, is dependent upon the infrastructure of the transmission systems in Georgia. GGU has no control over the operation of the transmission system and it is entirely reliant on the transmission system operator, which is a state-owned entity. Any failure in the transmission system in Georgia, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent GGU from distributing electricity to its end customers. As a result, any failure in the transmission system could in turn have an adverse effect on GGU's business, results of operations and financial condition.

GGU operates in a highly regulated environment and changes in laws, government policy and regulations can significantly affect its operations and financial performance.

GGU is subject to the laws of Georgia and to regulation by GNERC, the Ministry of Regional Development and Infrastructure of Georgia ("**MRDI**"), the Ministry of Environmental Protection and Agriculture of Georgia ("**MEPA**"), the Ministry of Economy and Sustainable Development of Georgia ("**MoESD**") and the National Food Agency of Georgia (the "**NFA**"). These laws and regulations affect many aspects of GGU's business and, in many respects, determine the manner in which GGU conducts its business. As a provider of water supply and sanitation services and an owner and operator of renewable energy power plants, GGU is subject to extensive governmental and other regulations in Georgia. Any new regulation or any changes in existing regulations, including those arising from Georgia's alignment of its regulatory framework with that of the European Union, may require significant changes in GGU's business in ways that cannot be predicted. Any new regulations or requirements that require GGU to restructure or otherwise change its business in any way, or that affect water supply and sanitation services or electricity generation, could have a material adverse effect on GGU's business, results of operations and financial condition. See "*Business—Regulation*" for further detail on the regulatory regime.

In December 2019, the new Law of Georgia on Energy and Water Supply ("**Energy Law**") was enacted to replace the old Law of Georgia on Electricity and Natural Gas adopted in June 1997. The Energy Law requires all licensed water utility companies to apply to GNERC for a new authorisation (license) within two months of the Energy Law's entry into force. Although GWP and the Issuer's other water utility company subsidiaries complied with this requirement and filed their respective applications with GNERC, GNERC postponed its decision until November 2020 due to the lack of rules prescribing specific documents to be filed together with the application for authorisation purposes. These rules were adopted in May 2020 and the water utility companies are aiming to supplement their applications as soon as practicable. Although GGU believes that its water utility companies will be able to obtain new authorisations, the failure to do so could have a material adverse effect on GGU's business, results of operations and financial condition.

Similarly, any non-compliance or breach of licence conditions or other regulatory requirements could lead to financial sanctions and, in extreme cases, the revocation of licences. In addition, GGU may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the water supply and sanitation and renewable energy industries generally.

GGU currently complies in all material respects with the regulatory regime applicable to it in Georgia and continues to allocate adequate resources to achieve and maintain compliance with such regulations. However, the relevant authorities in Georgia may enforce existing regulations more strictly than they have in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present. Any of the foregoing could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU is subject to environmental and health and safety laws and regulations and is required to obtain certain regulatory approvals and it may be exposed to significant liabilities if it fails to comply with such laws or maintain such approvals.

GGU is subject to various environmental and health and safety laws and regulations governing, among other things, pollution caused by GGU's operations and the health and safety of GGU's employees. GGU is also required to obtain environmental and safety permits from various governmental authorities for its operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and compliance reporting. GGU may not always be able to renew such permits or there may be material changes to its permits requiring significant expenditure. Violations of these laws, regulations or permits could result in fines or legal proceedings being commenced against GGU or other sanctions, in addition to negative publicity and significant damage to GGU's reputation.

GGU has adopted environmental standards applicable to its operations. While as at the date of these Listing Particulars GGU is in compliance with all applicable environmental and health and safety regulations in force in Georgia in all material respects, there can be no guarantee that it will continue to be in compliance in the future. Should any GGU company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable health and safety legislation may result in disruption to GGU's services or cause reputational harm and significant liability could be imposed on GGU for damages, clean-up costs and penalties and/or compensation as a result. The occurrence of any of these events may also cause disruption to GGU's operations and result in additional costs to GGU.

Although environmental laws and regulations have an increasing impact on GGU's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on GGU's business. While GGU has budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted. Any of the foregoing could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU is subject to the risk of foreign exchange rate fluctuations in relation to its water supply and sanitation business.

GGU's water supply and sanitation business is a Lari denominated business. Its renewable energy business, by contrast, is a U.S. Dollar denominated business, with revenue under the PPAs to which GGU is party and market sales denominated in U.S. Dollars and approximately 90% of the funding costs and capital expenditures of the renewable energy business being denominated in U.S. Dollars. As a result of the Lari exposure of the water supply and sanitation business, fluctuations in the U.S. Dollar/Lari exchange rate can adversely affect GGU. In 2019, the Lari depreciated against the U.S. Dollar by 7.1%, after depreciating by 3.3% in 2018. The depreciation in 2019 was largely due to negative expectations surrounding Russia's flight ban, while the depreciation in 2018 was largely due to the depreciation of the Turkish Lira. Russia and Turkey are key trading partners of Georgia and hence any adverse movements in their currencies can affect the value of the Lari. The Lari depreciated against the U.S. Dollar in the first three months of 2020 mainly due to the uncertainty caused by the COVID-19 pandemic, although it subsequently stabilised in the second quarter of 2020. Any adverse foreign exchange movements could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU's business will suffer if it fails to attract and retain key management, employees or other qualified personnel.

The success of GGU's business depends, in part, on the continued service of its key management and employees and its ability to continue to attract, retain and motivate qualified personnel. Given the nature of its business, GGU requires highly trained employees, including engineers, and these employees may be particularly difficult to recruit and retain. In addition, certain of GGU's key management and other personnel have established important working relationships with regulators and have detailed knowledge of GGU's business and the markets in which it operates. There can be no assurance that GGU will be able to attract, recruit and retain sufficient qualified personnel. Any failure to do so could have a material adverse effect on GGU's business, results of operations and financial condition.

Strikes and other actions could disrupt GGU's operations and/or make it costlier to operate GGU's facilities.

As at 31 March 2020, GGU employed 2,468 full-time equivalent employees. Certain employees of GGU's water utility business are members of a trade union and there is a collective bargaining agreement between GGU and this trade union which was entered into on 22 January 2015 and has no expiration date. As at 31 March 2020, approximately 35.5% of GGU's work force was covered by the collective bargaining agreement. Any planned reductions in the work force or in pay could lead to labour disputes which could disrupt GGU's business. While GGU has not experienced any strikes or litigation or voluntary refusal to fulfil contractual obligations under Georgian employment law since its privatisation, there can be no assurance that it will not experience such events in the future. Any labour disputes or disruptions could have a material adverse effect on GGU's business, results of operations and financial condition.

GGU may encounter certain risks in relation to its acquisitions and certain of GGU's operations have a limited operating history and may not perform as management expects.

GGU is subject to certain risks in connection with the acquisitions it undertakes, including the following:

- unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions;
- significant unexpected liabilities or contingencies arising from the acquisitions, for which GGU is not fully indemnified; and
- performance of acquired assets may not meet GGU's expectations or plans.

In October 2019, Georgia Capital announced the acquisition of Hydrolea through its wholly owned subsidiary, Georgia Energy Holding LLC, which owned three HPPs with an aggregate installed capacity of 21MW. In November 2019, Georgia Capital won a public auction held by Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire 100% of the six-turbine Qartli Wind Farm. The acquisition closed in December 2019. Subsequently, in July 2020, these assets were transferred to the Issuer. If GGU encounters any of the above risks in relation to these acquisitions or any other acquisitions it may undertake in the future, its business, results of operations and financial condition could be materially adversely affected.

GGU is unable to or may not insure itself against all potential risks and/or may become subject to higher insurance premiums.

Management believes that GGU maintains adequate insurance cover in respect of its businesses. These covers are maintained in such amounts and with deductibles that are commensurate with best local practice and industry standards. GGU also maintains business interruption covers and political violence coverage. Nevertheless, GGU's operations may be affected by risks for which full insurance cover is either not available or not available on commercially reasonable terms. In addition, the severity and frequency of various insurance events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose GGU to liabilities in excess of its insurance coverage. There can be no assurance that GGU's insurance coverage will be sufficient to cover losses arising from any, or all, of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

In addition, GGU's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and GGU will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. Therefore, insurance policies may not cover all losses incurred by GGU and no assurance is given that GGU will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies. For example, in relation to the rock avalanche at the Mestiachala HPP in July 2019, while the applicable business interruption insurance policy covers a 12-month period up to July 2020, GGU does not have coverage for the period after July 2020 up until the planned recommissioning of the second generation unit in the second half of 2021. See "*—Climate conditions, the availability of water and wind and natural hazards can affect GGU's ability to supply water to its customers as well as its ability to generate electricity from its power plants*" for further details of the rock avalanche.

Should an incident occur in relation to which GGU has no insurance coverage or inadequate insurance coverage, GGU could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, GGU may remain liable for financial obligations related to the impacted property. Any of these occurrences could have a material adverse effect on GGU's business, results of operations and financial condition.

The Combined Financial Statements may be of limited use in assessing the financial position of the Guarantors.

GGU has requested, and Euronext Dublin has granted, a derogation under Rule 3.3(3)(c) of the Global Exchange Market Listing and Admission to Trading Rules for Debt Securities from the requirement for guarantors to include their individual financial statements in these Listing Particulars. The results of the Guarantors have been included in the Combined Financial Statements and, except in the case of Hydrolea and Qartli Wind Farm (for which standalone financial statements as at and for the year ended 31 December 2019 are included in these Listing Particulars), have not been presented separately herein. However, the Combined Financial Statements include the accounts of both the Guarantors and the Non-Guarantor Subsidiaries. The Non-Guarantor Subsidiaries generated 16.9% and 13.8% of GGU's combined EBITDA for the three months ended 31 March 2020 and the year ended 31 December 2019, respectively, and held 0.7% of GGU's combined net assets as at

31 March 2020. Nevertheless, the Combined Financial Statements may be of limited use in assessing the financial position of the Guarantors.

Changes in GGU's accounting policies or in accounting standards could materially affect how it reports its financial condition and results of operations or could result in non-comparability of historical financial information.

From time to time, the International Accounting Standards Board (the "**IASB**") and other regulatory bodies responsible for developing accounting standards make changes to international financial accounting and reporting standards that govern the preparation of GGU's financial statements. These changes can be difficult to predict and can materially impact how GGU records and reports its results of operations and financial condition. In some cases, GGU could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements or adjusting opening balances. In other cases, no restatement of comparative period financial statements will be required and therefore the historical financial information for such prior periods may become non-comparable to the financial information prepared in accordance with new accounting policies or standards.

The Issuer's shareholder's interests may, in certain circumstances, be different from the interests of the Noteholders.

The Issuer's controlling shareholder is Georgia Capital, which owns 100 per cent. of the shares of the Issuer. As a result, Georgia Capital is in a position to control the outcome of actions requiring shareholders' approval and also has the ability to approve the election of all the members of the supervisory board of the Issuer (the "**Supervisory Board**") and thus influence its decisions. The interests of Georgia Capital may be different from those of the Issuer's creditors, including the Noteholders.

Macroeconomic and Political Risks Related to Georgia

GGU is subject to risks associated with political, financial and economic instability in Georgia and the wider region.

GGU's operations are primarily located in, and most of its income is sourced from, Georgia. Accordingly, GGU's results of operations are, and are expected to continue to be, significantly affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. Factors such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and corporate finance, can have a material impact on customer demand for its products and services.

Real GDP growth in Georgia was 5.1% in 2019, 4.8% in both 2018 and 2017 and 2.9% in 2016, according to Geostat. This rebound in growth was supported by the stronger external economic environment, which was reflected in increased foreign currency remittances from Georgians working abroad, higher net exports from Georgia and increased foreign direct investment ("**FDI**"). According to Geostat, Georgia had average inflation of 4.9% in 2019, above the NBG's target of 3.0%. Global growth is expected to be severely impacted by the COVID-19 outbreak, with shrinking demand and damaged global supply chains. Georgia's growth is also vulnerable to COVID-19 related shocks. In particular, tourism revenues, which comprise a substantial portion of Georgia's GDP, are expected to be severely affected, with remittances and merchandise exports as well as foreign capital inflows also being adversely affected. This is expected to result in an adverse effect on the liquidity and financial condition of customers in Georgia. In addition, the ongoing price war between Russia and Saudi Arabia and plunging oil prices have had an adverse effect on the regional outlook and could accelerate capital outflow from the region. Market turmoil and economic deterioration and political instability in Georgia may cause consumer spending to decline and have a material adverse effect on Georgia's growth prospects. Uncertain and volatile global and regional economic conditions, such as the unpredictability of U.S. regulatory and fiscal policies, the outbreak of COVID-19 and the resulting impact on global economic conditions and travel restrictions, the potential adoption of trade restrictions, the United Kingdom's post-Brexit-related uncertainties, economic and political instability in Turkey and heightened geopolitical risk, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy.

The Georgian economy is diversified, with no significant dependency on a single country, although Russia, Turkey, Azerbaijan and Armenia are significant trading partners. Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 13.0% and 13.2% of Georgia's total exports and approximately 10.2% and 10.8% of Georgia's total imports in 2018 and 2019, respectively, according to Geostat. Following a recession and depreciation in 2015 and 2016, the Russian Rouble rebounded in 2017 against the U.S. Dollar. In 2018, the Russian Rouble depreciated again against the U.S. Dollar by 17.1%, with an appreciation of 10.9% in 2019. COVID-19 related recession risks and plunging oil prices have led to further depreciation in the Russian Rouble. Turkey represents the largest source of Georgian imports, accounting for 17.3%, 16.1% and 17.8% of total imports in 2017, 2018 and 2019, respectively, according to figures published by Geostat. Turkey's economy grew by 7.5% in 2017, 2.8% in 2018, and 0.2% in 2019. Adverse economic conditions in Turkey are a potential obstacle to the growth of the Georgian economy. Azerbaijan and Armenia accounted for 9.9% and 7.7% of Georgia's total exports in 2017, respectively, and 15.0% and 8.3% and 13.2% and 10.9% of total exports in 2018 and 2019, respectively. Following its devaluation by 49.7% against the U.S. Dollar and 44.1% against the euro as at 31 December 2015, the Azerbaijan Manat stabilised throughout 2017, 2018 and 2019. The Armenian Dram also experienced a period of stability during 2017, 2018 and 2019, having depreciated by 14.9% against the U.S. Dollar in the period between 1 October 2014 and 27 February 2015.

The economic slowdowns and currency depreciations experienced by Georgia's main trading partners resulted in lower exports from and remittances to Georgia during the period from 2014 to 2016, while the acceleration of growth in regional economies since 2017 has supported strong growth in exports and remittances. However, as Russia and Azerbaijan depend significantly on oil prices and the wider region in turn depends significantly on Russia, Georgia is also exposed to oil price shocks, which affect it both as an importer of energy as well as a small open economy that depends on regional economic conditions. Any continued oil price volatility and/or pandemic related restrictions, as well as any further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy.

Regional tensions and disruptions in neighbouring markets could have a negative effect on Georgia's economy.

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories within its borders, Abkhazia and the Tskhinvali Region/South Ossetia. Ongoing political tensions within the region have led to sporadic outbreaks of violence and the straining of diplomatic relations between Georgia and Russia, and in the region generally. Russia imposed sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed the international border and a state of war was declared. Although a French-brokered ceasefire was signed, calling for the withdrawal of Russian troops, Russia recognised the independence of the breakaway regions and tensions persist. Russia is opposed to the eastward enlargement of NATO, including former Soviet republics such as Georgia. Therefore, Georgia's continued progression towards closer economic and political ties with the European Union and NATO may exacerbate tensions between Georgia and Russia. Developments, such as the introduction of a free trade regime between Georgia and the European Union in September 2014, and the visa-free travel in the European Union granted to Georgian citizens in March 2017, similarly contributed to such tensions. In July 2019, the Russian President ordered a ban on direct flights to Georgia as part of the Russian state response to mass anti-Russia demonstrations in Tbilisi in June 2019. The geopolitical relationship between Russia and Ukraine also remains strained following the crisis which began in 2013. Sanctions imposed by the United States and the European Union against Russia continue and there is uncertainty as to how and when the conflict between Russia and Ukraine will be resolved.

The civil unrest which took place in Turkey during 2016 has placed significant doubt over Turkey's ability to function as a stable regional trading partner for Georgia. The failed coup attempt of 2016 has led to increasingly autocratic governance of Turkey, and in April 2017, amendments to the Turkish constitution were approved by voters in a referendum. The proposed constitutional changes were originally scheduled for November 2019. However, in June 2018, as a result of early parliamentary and presidential elections, the amendments became effective. The amendments, which grant the President broader powers, transformed Turkey's system of government from a parliamentary system into an executive presidential system.

Further geopolitical disharmony in the region, most notably between Azerbaijan and Armenia and among Turkey, Syria and Russia, may also have an adverse impact on Georgia. The downing of a Russian jet by Turkey over a violation of the Turkey-Syria border in November 2015 triggered a major crisis between Turkey and Russia. On 31 May 2019, Turkey accused Russia and Syria of bombing a hospital in Idlib. In response, Russia imposed a number of economic sanctions on Turkey. These included the suspension of visa-free travel to Russia for Turkish citizens, limits on Turkish residents and companies doing business in Russia and restrictions on imports of Turkish products. Although the relationship has since normalised to a certain extent and the sanctions were lifted, Georgia's political and economic stability may be affected by potential deterioration in relations between these two countries. In particular, tensions between Turkey and Syria have recently escalated, with Syrian troops being backed by Russia.

Political and governmental instability in Georgia could have a material adverse effect on the local economy and GGU's business.

Since its independence from the former USSR in 1991, Georgia has experienced an ongoing and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of existing reform policies, or as a result of a rejection of reform policies by the president, the parliament or others.

In October 2010, the Georgian Parliament approved certain amendments to the Constitution of Georgia (the "**Constitution**") that were intended to enhance the primary governing authority of the Georgian Parliament, to increase the powers of the prime minister of Georgia, and to limit the scope of functions of the president of Georgia. The Georgian Parliament adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013. In October 2017 and March 2018, the Georgian Parliament made numerous changes to the Constitution introducing, inter alia, the indirect election of the president by the Georgian Parliament, a fully proportional electoral system of the Georgian Parliament starting from 2024, special status for agricultural land, and raising the minimum age for members of the Georgian Parliament and the president. The changes adopted in October 2017 and March 2018 entered into force in December 2018. Furthermore, following public demonstrations in June 2019 that began after certain Russian officials visited the Georgian Parliament, the Government committed to switching to a fully proportional electoral system for the 2020 elections, instead of the 2024 elections. This commitment was not approved by the Georgian Parliament, which led to protests by major political parties in Georgia. As a political consensus, which was reached with the involvement of foreign diplomats stationed in Georgia, it was agreed that, for the purposes of 2020 elections, 30 members of the Georgian Parliament would be selected through a majoritarian system, while the remaining 120 members of the Georgian Parliament would be selected through proportional representation with the electoral threshold of 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. On 29 June 2020, however, the Georgian Parliament voted to adopt the constitutional amendments. Any further changes to Georgian parliamentary, presidential or prime ministerial powers may create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

Parliamentary elections are scheduled to be held in Georgia by October 2020 to elect 150 members of the Georgian Parliament. The outcome of the elections cannot be predicted and there can be no assurance that there will not be instability following the elections if, for example, a government is unable to be formed.

Uncertainties in the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business.

Georgia's legal framework is still developing, with several fundamental civil, criminal, tax, administrative, financial and commercial laws having only recently become effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in its application, including in relation to such legislation's enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in financial, commercial and corporate law matters than in certain other countries, particularly in the European Union and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on GGU.

There may be challenges associated with legislative harmonisation of the Georgian regulatory environment with the European Union driven by the DCFTA.

On 27 June 2014, Georgia entered into the E.U. Association Agreement and established the Deep and Comprehensive Free Trade Area ("**DCFTA**") (effective since 1 September 2014) with the European Union, which envisages bilateral trade liberalisation with the European Union with effect from 1 July 2016. The implementation of the E.U. Association Agreement is expected to create new business opportunities, although it may pose challenges for businesses, households and the state. The implementation of the E.U. Association Agreement and the DCFTA may require Georgia to conform to E.U. trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and customer safety, including product and safety information, among others.

Georgia has been gradually conforming its trade legislation to E.U. norms and practices since it became a member of the World Trade Organisation in 2000. For example, in 2013, it introduced amendments to the labour code to bring Georgian labour laws closer to commitments under the E.U. Association Agreement and the DCFTA. These amendments required employers to pay overtime, increased severance pay (from one to two months' salary), strengthened workers' rights to challenge employers' decisions in court, prohibited dismissal without clear cause, and guaranteed basic working conditions. In December 2019, the Georgian Parliament adopted the Energy Law, which lays down the foundation for the reform of the energy sector in Georgia in line with the Energy Community Treaty and European energy legislation and seeks to establish a legal framework for the generation, supply, dispatch, distribution, and trade of electricity and water supply. These legislative developments were consistent with Georgia's commitments under the E.U. Association Agreement to align its legislation with the relevant E.U. norms. Certain amendments to the personal data protection framework have also been introduced to the Georgian Parliament aiming to bring Georgian personal data protection standards in line with the standards of the E.U. General Data Protection Regulation (Regulation (EU) 2016/67).

Other changes in governmental policy are expected, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the E.U. Association Agreement may place a significant burden on regulatory bodies, divert their resources from ongoing reforms and slow their efficiency.

As a result of expected regulatory amendments to achieve harmonisation with E.U. legislation, GGU may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations. For example, GGU has made changes to its labour contracts to reflect changes to the labour code described above. It has also made certain changes in anticipation of changes to data protection legislation. GGU expects that there will be further changes, although it cannot predict the extent to which it may be affected by, or able to comply with, any such changes. If any of these risks materialise, they could have a material adverse effect on GGU's business, results of operations and financial condition.

Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against GGU and there may be changes in current tax laws and policies.

Tax laws have been in force in Georgia for a relatively short period of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. Tax law enforcement can also be unpredictable.

Moreover, tax laws are subject to changes and amendments, which can result in complexities for businesses. A new tax code (the "**Tax Code**") came into effect on 1 January 2011. In December 2010, the Constitution had been amended to prohibit the introduction of new state-wide taxes or increases in existing tax rates (other than excise taxes) without a public referendum initiated by the Government (except in certain limited circumstances). In January 2011, the Georgian Parliament passed the Organic Law of Georgia on Economic Liberty reflecting the same constitutional guarantee. This law has been in effect since 31 December 2013 and will remain in effect for 12 years from 16 December 2018. In October 2017, the Constitution was amended to retract the provision prohibiting the introduction of new taxes and tax increases. The Organic Law of Georgia on Economic Liberty was however also amended to guarantee that the prohibition on new taxes and tax increases will remain in place until December 2030. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does allow for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While management believes that GGU and members of GGU operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that GGU could face fines or penalties as a result of regular tax audits.

In addition, tax laws and government tax policies may be subject to change in the future, including changes resulting from a change in the Government. See "*—Political and governmental instability in Georgia could have a material adverse effect on the local economy and GGU's business*". Such changes could include the introduction of new taxes or an increase in the tax rates applicable to GGU or its customers, which may, in turn, have a material adverse effect on its business.

In May 2016, the Georgian Parliament adopted amendments to the Tax Code which provide that an enterprise will not be liable for the payment of corporate profit tax until it distributes its profit to shareholders, or incurs costs, or makes supplies or payments that are subject to corporate profit tax. These amendments have applied from 1 January 2017 for all entities apart from certain financial institutions, including banks, credit unions, microfinance organizations and insurance businesses (the changes shall become applicable to above said financial institutions from 1 January 2023).

Payments of interest on Notes will be exempt from withholding tax and such payments of interest shall not be included in the gross taxable income of individual Noteholders and certain legal entities, such as commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers, until 1 January 2023, so long as the Notes are issued by a Georgian resident and listed and admitted to trading on a "recognised stock exchange of the foreign country". For these purposes, Euronext Dublin is a "recognised stock exchange of the foreign country" under Georgian law. Interest received by Georgian resident legal entities (except commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers, until 1 January 2023) may be subject to taxation.

Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on GGU.

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, the total volume of trading turnover in the Lari-U.S. Dollar and Lari-euro markets (including activities of the NBG) amounted to U.S.$48.8 billion and €28.7 billion in 2019, respectively, as compared to U.S.$32.0 billion and €11.4 billion, respectively, in 2018, and U.S.$24.9 billion and €6.9 billion, respectively, in 2017. Excluding activities of the NBG, the total volume of trading turnover in the Lari-U.S. Dollar market amounted to U.S.$48.5 billion in 2019, as compared to U.S.$31.8 billion in 2018, and U.S.$24.8 billion in 2017 (the NBG was not active in the euro market). According to the NBG, it had U.S.$3.5 billion in gross official reserves as at December 2019 as compared to U.S.$3.3 billion as at December 2018 and U.S.$3.0 billion as at December 2017. While these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the businesses of GGU's corporate customers and, in turn, on GGU's business, results of operations and financial condition. Moreover, to the extent that U.S. Dollars are not available in the market, this may impact GGU's ability to pay amounts due under the Notes.

In addition, any lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari/U.S. Dollar exchange rate following the Russian financial crisis of August

1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 28.5% and by a further 10.5% in 2016, in a measure aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. The Lari generally appreciated against the U.S. Dollar and other major international currencies in the first half of 2016, primarily due to an increase in the number of tourists travelling to Georgia, but experienced depreciation in the second half of 2016 and in 2017 and 2018 due to negative expectations surrounding the collapse of the Turkish Lira, and in 2019 due to negative expectations surrounding Russia's direct flight ban. The Lari depreciated significantly in March 2020 as a result of the ongoing COVID-19 outbreak, which resulted in capital outflows and deterioration in the outlook for traditional sources of foreign exchange inflows such as tourism revenues, remittances and merchandise exports. The NBG introduced a U.S.$400 million currency swap facility, sold U.S.$210 million to provide foreign currency liquidity and reduced the monetary policy rate by 75 basis points to 8.25%. The NBG has committed to remaining active in providing foreign currency liquidity and curbing Lari depreciation expectations. Although foreign currency reserves provide adequate cover in the short term and exchange rates against hard currencies have stabilised in the second quarter of 2020, any sustained depreciation in the Lari could create risks regarding the scope of policy action.

According to information published by Geostat, annual inflation in Georgia, as measured by the end-of-period Consumer Price Index, was 6.7%, 1.5% and 7.0% in 2017, 2018 and 2019, respectively. There is no guarantee that the Georgian economy will not be further affected by domestic or global increases in food, consumer products and oil prices. Deflation, while increasing the purchasing power of the Lari, could adversely affect FDI and profitability in the lending activities of GGU. On the other hand, high and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect GGU's customers, which could, in turn, have a material adverse effect on GGU's business, results of operations and financial condition.

There are additional risks associated with investing in emerging markets such as Georgia.

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavouring an entire region or class of investment, a phenomenon known as "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following the 1998 Russian financial crisis, the 2008-2009 global financial crisis and recent regional turbulence due to lower oil prices, and it may be affected by similar events in the future.

Increased volatility in global financial markets and lower capital flows to emerging market economies world-wide, weakness in global trade, elevated geopolitical risks, highly volatile and large and sustained declines in commodity prices, wide-ranging spillovers from Russia's recession, and the slowdown of the global and Chinese economies due to, among other things, the outbreak of the coronavirus and the rebalancing of China's economy may have an adverse effect on Georgia's economy. Financial and/or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in these Listing Particulars.

Risks Relating to the Notes and Guarantees

The Notes may not be a suitable investment for all investors seeking exposure to green assets.

Pursuant to the recommendation in the voluntary process guidelines for issuing green bonds published by the International Capital Market Association (the "**Green Bond Principles**") that issuers use external review to confirm their alignment with the key features of the Green Bond Principles, at GGU's request, Sustainalytics issued a Second Party Opinion dated 20 April 2020 in relation to GGU's published green bond framework (the "**Green Bond Framework**"). GGU also intends to commission a compliance review within one year of the date of these Listing Particulars confirming that the proceeds of the Notes have been allocated in accordance with the use of proceeds specified in the Green Bond Framework.

The Second Party Opinion is not incorporated into, and does not form part of, these Listing Particulars. None of the Issuer, the Lead Manager or the Co-Manager makes any representation as to the suitability of the Second Party Opinion. The Second Party Opinion is not subject to any specific regulatory or other regime or oversight and is not a recommendation to buy, sell or hold securities and is only current as of the date it was initially issued. Furthermore, the Second Party Opinion is for information purposes only and Sustainalytics does not accept any form of liability for the substance of its Second Party Opinion and/or any liability for loss arising from the use of its Second Party Opinion and/or the information provided therein. A withdrawal of the Second Party Opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

GGU has committed to certain use of proceeds and reporting obligations as described in *"Use of Proceeds"*. Prospective investors should have regard to the information regarding the use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by GGU, the Lead Manager or the Co-Manager that the use of such proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. However, on 18 December 2019 the Council of the European Union and European Parliament reached a political agreement on the proposed regulation for the establishment of a framework to facilitate sustainable investment (the "**Taxonomy Regulation**") which would create an EU-wide classification system (or "taxonomy") and a common framework for determining the extent to which economic activities are "environmentally sustainable". On 22 June 2020, the Taxonomy Regulation was published in the Official Journal of the European Union and it came into force on 12 July 2020. Nonetheless, the European Commission still needs to develop a delegated act on climate change mitigation and climate change adaptation under the Taxonomy Regulation defining the applicable technical screening criteria. Establishment of this taxonomy and the related delegated act is targeted for the end of 2020 in order for its full application to take effect by the end of 2021. However, the full scope and applicability of this taxonomy, as well as exactly when it will take effect, remains uncertain. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

In the event that the Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by GGU, the Lead Manager, the Co-Manager or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance can be given or made by GGU, the Lead Manager, the Co-Manager or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Furthermore, there can be no assurance that the Eligible Green Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by GGU will not constitute an Event of Default under the Notes.

The Issuer is a holding company and there is a risk that the Notes will be structurally subordinated to any debt incurred by Non-Guarantor Subsidiaries.

The Issuer is a holding company and conducts the vast majority of its operations through subsidiaries. The Issuer holds no significant assets other than shares of its subsidiaries and is therefore dependent upon the receipt of dividends from its subsidiaries and the divesting of its shareholdings, to meet its obligations. Noteholders will be structurally subordinated to the creditors of the Non-Guarantor Subsidiaries, in that the Issuer's ability to benefit from the distribution of any assets upon the liquidation of any of the Non-Guarantor Subsidiaries will be subject to the prior claims of such Non-Guarantor Subsidiaries' direct creditors. The Conditions will impose limitations on the ability of the Issuer and its Restricted Subsidiaries (as defined in the Conditions), including any Restricted Subsidiaries that are Non-Guarantor Subsidiaries (the "**Non-Guarantor Restricted Subsidiaries**"), to incur indebtedness, subject to certain permissive carveouts ("**debt baskets**") specified in the Conditions. For example, Non-Guarantor Restricted Subsidiaries will not be permitted to incur debt under Condition 5(i)(i) (the "ratio debt test"), Condition 5(i)(ii)(G) (the debt basket for certain guarantees of other indebtedness, but only to the extent that the relevant Non-Guarantor Restricted Subsidiary guarantees indebtedness of the Issuer (other than the Notes) or a Guarantor) or Condition 5(i)(ii)(N) (the "**general debt basket**"), as well as any refinancing indebtedness permitted under the Conditions in respect thereof, in an aggregate principal amount at any time outstanding in excess of a specified cap (the "**Non-Guarantor Debt Cap**"). However, Non-Guarantor Restricted Subsidiaries will be permitted to incur indebtedness under certain other debt baskets in an amount that is not subject to the Non-Guarantor Debt Cap provided that the other conditions and limitations applicable to the relevant debt basket(s) are satisfied. The Notes will be structurally subordinated to any indebtedness so incurred by such Non-Guarantor Restricted Subsidiaries. See "*Terms and Conditions of the Notes—Condition 5(i) (Indebtedness)*" for more information.

The Non-Guarantor Subsidiaries generated 16.9% and 13.8% of GGU's combined EBITDA for the three months ended 31 March 2020 and the year ended 31 December 2019, respectively, and held 0.7% of GGU's combined net assets as at 31 March 2020.

Any decrease in dividend or interest income from, the incurrence of additional debt or the granting of security by, or the insolvency or liquidation of one or more of, the Issuer's subsidiaries could adversely affect the market price of the Notes and the Issuer's ability to service the notes without regard to GGU's business, results of operations and financial condition.

Noteholders may face difficulties enforcing judgments, including foreign arbitral awards, in respect of the Notes and the Guarantees and against the Issuer and/or the Guarantors.

On the basis of certain precedents established by foreign judiciaries, it may not be possible to effect service of process against the Issuer and/or the Guarantors in courts outside Georgia or in a jurisdiction to which the Issuer and/or the Guarantors have not explicitly submitted.

The Issuer and the Guarantors have not submitted to the jurisdiction of any courts, but instead have agreed to resolve disputes by arbitration in accordance with the rules and procedures of the LCIA. Georgia is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958) (the "**New York Convention**"). Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to compliance with the terms of the New York Convention and Georgian law. Pursuant to Article 45.1 of the Law of Georgia on Arbitration (the "**Arbitration Law**"), arbitral awards against the Issuer and/or the Guarantors, irrespective of the country in which they are rendered, may not be recognised and enforceable in Georgia if:

(i) the party against whom the award is made proves before Georgian courts that: (a) a party to the arbitration at the time of entering into an arbitration agreement lacked legal authorisation or was a beneficiary of support (a person lacking legal capacity) who had an appointed supporter in relation to issues under the arbitration agreement but did not receive relevant support, or the arbitration agreement is void or set aside pursuant to the law specified by the parties in the arbitration agreement or, in the absence of such, based on the laws of the place where the award was made; (b) a party was not duly informed about the appointment of an arbitrator or the arbitration proceedings, or was not otherwise able to present its position or defend its interests; (c) the arbitral tribunal issued the award on a subject matter which was not submitted to arbitration by the parties or the arbitral award goes beyond the scope of the claim of the parties in the arbitration, provided that if decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced; (d) the composition of the arbitral tribunal or the procedure of the arbitration was not in accordance with the arbitration agreement, or, in the absence of such agreement, the arbitration was conducted in violation of the laws of the place of arbitration; or (e) the arbitral award has not yet become binding and/or has been set aside or suspended by the courts of the state in which, or under the laws of which, the award was made; or (ii) the court establishes that: (a) the subject matter of the dispute is not subject to arbitration under Georgian law; or (b) the recognition and enforcement of the award is contrary to public order (for instance by alleging that the lack of a specified limit for the Georgian Guarantors' obligations under the Guarantees is contrary to a mandatory norm of Georgian law). It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial and/or financial transactions, certain procedural irregularities and Georgian courts' inability to enforce such orders, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in GGU's and/or the Guarantors' operating results, actual or anticipated variations in the operating results of GGU's competitors, adverse business developments, changes to the regulatory environment in which GGU operates, changes in financial estimates by securities analysts and actual or expected sales of a large volume of Notes, as well as any other factors affecting GGU, including economic and market conditions in Georgia and its neighbouring countries and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the Member States of the European Union and elsewhere. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations (for example, as a result of COVID-19), which, if repeated in the future, could adversely affect the market price of the Notes without regard to GGU's business, results of operations and financial condition. There can be no assurance that an active trading market for the Notes will develop, or that if such a trading market does develop that events in Georgia or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Notes or that economic and market conditions will not have any other adverse effect. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the financial condition and prospects of GGU or other factors, some of which may be beyond the control of GGU.

The Notes and the Guarantees are pari passu securities.

Subject to the restrictions on the incurrence of indebtedness set out in the Conditions, there is no restriction on the amount of securities that the Issuer and the Guarantors may issue and which may rank equally in right of payment with the Notes and the Guarantees. The issue of any such securities may reduce the amount investors may recover in respect of the Notes or the Guarantees in certain scenarios as the incurrence of additional debt could affect the Issuer's or the Guarantors' ability to repay principal of, and make payments of interest on, the Notes or the Guarantees. This could have a material adverse effect on the trading price of the Notes.

The Notes and the Guarantees constitute unsecured obligations of the Issuer and Guarantors.

The Issuer's obligations under the Notes, and the Guarantors' obligations under the Guarantees, will constitute unsecured obligations of the Issuer and Guarantors, respectively. Accordingly, any claims against the Issuer under the Notes or the Guarantors under the Guarantees would be unsecured claims, which would be satisfied only after recovery by secured creditors, if at all. The ability of the Issuer and Guarantors to pay such claims will depend on, among other factors, their liquidity, overall financial strength, the extent of any security interests granted to future creditors (if any) and ability to generate asset flows. As at 31 March 2020, GGU had GEL 266.6 million of secured indebtedness. The security is expected to be released upon repayment of the relevant financing arrangements using the proceeds of the Notes. See "*Use of Proceeds*".

Any change of law in England in the future may have a material adverse effect on the Notes and the Guarantees.

The Terms and Conditions of the Notes and the Guarantees are based on the laws of England in effect as of the date of these Listing Particulars. There can be no assurance as to the impact of any possible judicial decision or change in law or administrative practice in England after the date of these Listing Particulars.

Any fluctuations in the credit ratings assigned to Georgia, the Issuer or the Notes may cause trading in the Notes to be volatile and/or adversely affect the trading price of the Notes.

The Notes are expected to be rated "B" by S&P and "B+" by Fitch. Fitch assigned an expected long-term issuer default rating of "B+" to GGU, with a stable outlook, while S&P assigned GGU a long-term issuer credit rating of "B" with a positive outlook. S&P assigned a long-term foreign currency issuer rating of "BB" to Georgia, with a stable outlook, while Fitch assigned Georgia a long-term foreign and local currency issuer default rating of "BB" with a negative outlook.

As of the date of these Listing Particulars, Fitch is established in the European Union and is registered under the CRA Regulation. S&P is not established in the European Union and has not applied for registration pursuant to the CRA Regulation.

The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Issuer has no obligation to inform Noteholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to Georgia, the Issuer or the Notes may cause trading in the Notes to be volatile or adversely affect the trading price of the Notes.

The credit ratings may not reflect the potential impact of the risks discussed above or of any other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the Maturity Date. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Investors whose financial activities are denominated in a currency or currency unit other than U.S. Dollars may receive less interest or principal than expected, or no interest or principal on the Notes, as a result of fluctuations in exchange rates or changes to exchange controls.

The Issuer and the Guarantors (as applicable) will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Issuer's and the Guarantors' currency or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Changes in the value of the Investor's Currency relative to the U.S. Dollar could be caused by a variety of factors, including changes to the monetary policies maintained in the relevant central banks and vacillating demand for various currencies in the global marketplace. As a result of COVID-19, global demand for the U.S. Dollar has increased, causing it to appreciate against a variety of currencies. Additionally, in response to the economic fallout of COVID-19, global central banks have endeavoured to bolster local economies by implementing substantial stimulus programmes which can dramatically impact the availability of, and demand for, certain currencies (thus impacting foreign exchange rates). In some cases, these stimulus measures can be, or may be perceived to be, catalysts for future inflation, which can also impact the relative present and future value of a currency.

Furthermore, governmental and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal on the Notes and the Guarantees.

An investment in the Notes and the Guarantees involves certain legal investment considerations.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes and Guarantees are legal investments for it, (ii) Notes and Guarantees can be used by it as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of Notes and Guarantees. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes and the Guarantees under any applicable risk-based capital or similar rules.

Transfer of the Notes and the Guarantees will be subject to certain restrictions.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell the Notes and the Guarantees, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should read the discussion under the heading "*Notice to Prospective U.S. Investors*" for further information about these transfer restrictions. It is each investor's obligation to ensure that offers and sales of the Notes and the Guarantees within the United States and other countries comply with any applicable securities laws.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures.

The Regulation S Notes will be represented on issue by a Regulation S Global Certificate that will be deposited with a nominee for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Regulation S Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Regulation S Global Certificate. While the Notes are represented by the Regulation S Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Rule 144A Notes will be represented on issue by a Rule 144A Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the Rule 144A Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Rule 144A Global Certificate. While the Notes are represented by the Rule 144A Global Certificate, investors will be able to trade their beneficial interests only through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Certificates, the Issuer or the Guarantors (as applicable) will discharge their respective payment obligations under the Notes or the Guarantees by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer and the Guarantors have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Terms and Conditions of the Notes and the Guarantees may be modified or waivers for breaches of the Terms and Conditions of the Notes or the Guarantees may be given in the future.

The Terms and Conditions of the Notes and the Guarantees contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

There may not be an active trading market for the Notes and trading in the Notes may be limited given the allocations of Notes expected to be granted to certain anchor or other investors.

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected by a number of factors, some of which may be beyond the control of GGU. Furthermore, it is expected that certain anchor or other investors may be granted allocations of Notes as part of the initial issuance, although there can be no assurance to this effect or as to the amount of any such allocations. See "*Subscription and Sale—Other Investors*". Allocations to these investors may result in trading in the Notes being less liquid than would otherwise be the case. Furthermore, these investors may vote in a manner that is adverse to other Noteholders. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of GGU.

The Notes may be impacted by further issuances of securities unless issued in a qualified reopening.

The Issuer may create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except the issue price, issue date, and/or first payment of interest on them), and so that such further issue is consolidated and forms a single series with the Notes or upon such other terms as the Issuer may determine at the time of their issue. Additional securities may not be fungible for U.S. federal income tax purposes unless they are issued in a "qualified reopening" of the issuance of the original Notes (within the meaning of the applicable U.S. Treasury Regulations). Whether the issuance of additional securities is a "qualified reopening" will depend on certain factors, such as the interval after the original offering, the yield of the outstanding Notes at that time (based on their fair market value), whether the additional debt securities would otherwise be issued with original issue discount, and whether any outstanding Notes are publicly traded or quoted at the time. If issuance of the additional securities is not a "qualified reopening", the additional securities may have original issue discount. If such additional securities have original issue discount, that may adversely affect the market value of the outstanding Notes unless the additional securities can be distinguished from the Notes.

FORWARD-LOOKING STATEMENTS

These Listing Particulars include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. All statements other than statements of historical facts included in these Listing Particulars are forward-looking statements. They appear in a number of places throughout these Listing Particulars, involve known and unknown risks and uncertainties, many of which are beyond GGU's control and all of which are based on management's intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of GGU and the industry in which it operates and the general economic outlook. In particular, the statements under the headings "*Risk Factors*", "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" regarding GGU's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in these Listing Particulars regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved as a result of risks and uncertainties facing GGU. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in these Listing Particulars speak only as of the date of these Listing Particulars. The Issuer, the Guarantors, the Lead Manager and the Co-Manager expressly disclaim any obligation or undertaking to publicly update or revise these forward-looking statements contained in the Listing Particulars to reflect any change in underlying expectations, new information or any change in events, conditions, or circumstances on which such statements are based, unless required to do so by Euronext Dublin or applicable law.

In light of these risks, uncertainties and assumptions, the forward-looking events and/or circumstances discussed in these Listing Particulars might not occur or may occur in a materially different manner or timetable than indicated.

The contents of these sections relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in these Listing Particulars.

ENFORCEABILITY OF FOREIGN JUDGMENTS AND ARBITRAL AWARDS

The Issuer and the Guarantors are incorporated under the Law of Georgia on Entrepreneurs dated 28 October 1994 (the "**Law on Entrepreneurs**"). The Issuer's and the Guarantors' executive officers reside outside the United Kingdom and the United States and substantially all of the assets of the Issuer, the Guarantors and such persons are located outside of the United States and the United Kingdom. The Issuer and the Guarantors have not submitted to the jurisdiction of any courts, but instead have agreed to resolve disputes by arbitration in accordance with the rules and procedures of the LCIA. Georgia is a party to the New York Convention. Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to compliance with the terms of the New York Convention and Georgian law.

Pursuant to Article 45.1 of the Arbitration Law, arbitral awards against the Issuer and/or the Guarantors, irrespective of the country in which they are rendered, may not be recognised and enforceable in Georgia if:

(i) the party against whom the award is made proves before Georgian courts that:

  (a) a party to the arbitration at the time of entering into an arbitration agreement lacked legal authorisation or was a beneficiary of support (a person lacking legal capacity) who had an appointed supporter in relation to issues under the arbitration agreement but did not receive relevant support, or the arbitration agreement is void or set aside pursuant to the law specified by the parties in the arbitration agreement or, in the absence of such, based on the laws of the place where the award was made;

  (b) a party was not duly informed about the appointment of an arbitrator or the arbitration proceedings, or was not otherwise able to present its position or defend its interests;

  (c) the arbitral tribunal issued the award on a subject matter which was not submitted to arbitration by the parties or the arbitral award goes beyond the scope of the claim of the parties in the arbitration, provided that if decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced;

  (d) the composition of the arbitral tribunal or the procedure of the arbitration was not in accordance with the arbitration agreement, or, in the absence of such agreement, the arbitration was conducted in violation of the laws of the place of arbitration; or

  (e) the arbitral award has not yet become binding and/or has been set aside or suspended by the courts of the state in which, or under the laws of which, the award was made; or

(ii) the court establishes that:

  (a) the subject matter of the dispute is not subject to arbitration under Georgian law; or

  (b) the recognition and enforcement of the award is contrary to public order.

It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial and/or financial transactions and certain procedural irregularities, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

The Issuer and the Guarantors have appointed an agent for service of process in England; however, it may not be possible for investors to effect service of process within the United States or the United Kingdom on the supervisory board members and executive officers of the Issuer and/or the Guarantors or enforce judgments against such persons or the Issuer and/or the Guarantors. In addition, on the basis of certain precedents established by foreign judiciaries, it may not be possible to effect service of process against the Issuer and/or the Guarantors in courts outside Georgia or in a jurisdiction to which the Issuer and/or the Guarantors have not explicitly submitted. See "*Risk Factors—Risks Relating to the Notes—Noteholders may face difficulties* *enforcing judgments, including foreign arbitral awards, in respect of the Notes and the Guarantees and against the Issuer and/or the Guarantors*".

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Combined Financial Information

The unaudited interim condensed combined financial statements of GGU as at and for the three months ended 31 March 2020 (with comparative information for the three months ended 31 March 2019) (the "**Interim Combined Financial Statements**") have been prepared in accordance with *IAS 34 Interim Financial Reporting*. The audited combined financial statements of GGU as at and for the years ended 31 December 2019, 2018 and 2017 (the "**Audited Combined Financial Statements**", and, together with Interim Combined Financial Statements, the "**Combined Financial Statements**") have been prepared in accordance with IFRS as issued by the IASB.

The Combined Financial Statements present the combined results of operations and financial position of GGU and certain companies which were under common control with GGU and were transferred to GGU from other Georgia Capital companies in July 2020, including Svaneti Hydro, Hydrolea and Qartli Wind Farm. For further detail, see "*Business—History*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability Across Periods*".

The Audited Combined Financial Statements were audited by GGU's independent auditors, EY LLC ("**EY**"), in accordance with International Standards on Auditing. The Interim Combined Financial Statements were reviewed by EY, in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The comparative financial information as at 31 March 2019 and for the three-month period then ended, which is included in the Interim Combined Financial Statements, was not reviewed.

Unless otherwise noted, financial information in these Listing Particulars has been extracted from the Combined Financial Statements.

Additional Financial Statements

In October 2019, Georgia Capital announced the acquisition of Hydrolea through its wholly owned subsidiary, Georgia Energy Holding LLC. Hydrolea operates three HPPs with an aggregate installed capacity of 21MW, namely the Debeda, Kasleti and Akhmeta HPPs. In November 2019, Georgia Capital won a public auction held by Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire a 100% equity interest in the six-turbine Qartli Wind Farm, an on-shore wind farm, for U.S.$14.4 million. The acquisition closed in December 2019. The acquisition was undertaken by Georgia Capital's wholly owned subsidiary, Georgian Wind Company LLC.

These Listing Particulars include standalone financial statements for each of Hydrolea (the "**Hydrolea Standalone Financial Statements**"), prepared in accordance with IFRS for SMEs, and Qartli Wind Farm, prepared in accordance with IFRS (the "**Qartli Wind Farm Standalone Financial Statements**" and, together with the Hydrolea Standalone Financial Statements, the "**Standalone Financial Statements**"), in each case as at and for the year ended 31 December 2019. The Standalone Financial Statements were audited by EY, in accordance with International Standards on Auditing. The comparative information as at and for the year ended 31 December 2018, which is included in the Standalone Financial Statements, was audited by another auditor.

In addition, these Listing Particulars include unaudited pro forma condensed combined financial statements (the "**Pro Forma Financial Statements**") which present the condensed combined statement of income of GGU as if Hydrolea and Qartli Wind Farm had been acquired on 1 January 2019. See "*Unaudited Pro Forma Financial Information*".

Non-IFRS Information

These Listing Particulars include certain financial measures that are not measures of performance specifically defined by IFRS. GGU presents EBITDA on the face of its combined income statement. EBITDA is not defined in IFRS and is defined by GGU as earnings before interest, taxes, depreciation and amortisation, and is derived as GGU's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, finance costs, net foreign exchange losses, gains from sale of non-core assets and non-recurring expenses.

GGU has presented EBITDA in these Listing Particulars because management uses EBITDA to measure GGU's operational performance and the profitability of its operations. Prospective investors should use caution when reviewing EBITDA and should not consider it as an absolute measure of GGU's financial performance or liquidity, as an alternative to operating profit, net income or any other performance measures derived in accordance with IFRS, or as an alternative to cash flow from operating activities. In addition, prospective investors should not consider EBITDA to be comparable to EBITDA as presented by other companies, which may be computed on a different basis.

In addition, in the section entitled "*Capitalisation and Indebtedness*" and elsewhere in these Listing Particulars, certain non-IFRS measures, including current indebtedness, non-current indebtedness, capitalisation, unsecured and secured indebtedness, are presented. While based on financial information contained in the Combined Financial Statements, these measures are not in accordance with IFRS.

EBITDA, current indebtedness, non-current indebtedness, capitalisation, unsecured and secured indebtedness are not uniformly or legally defined measures and are not recognised under IFRS or any other generally accepted accounting principles. These measures have important limitations as analytical tools and prospective investors should not consider them in isolation or as a substitute for analysis of GGU's results of operations, cash flows or leverage.

Market, Industry and Economic Information

Georgian macroeconomic data presented in these Listing Particulars was principally obtained from Geostat, the NBG, the Georgian National Tourism Agency, the Ministry of Finance of Georgia and the IMF. Further macroeconomic and industry data was obtained from the National Centre for Disease Control and Public Health of Georgia (the "**NCDC**"). Certain information regarding the electricity market in Georgia has been obtained from reports produced by JSC Galt & Taggart ("**Galt & Taggart**") and the Co-Manager. Galt & Taggart is a wholly owned brokerage subsidiary of Bank of Georgia Group plc, the parent company of JSC Bank of Georgia. The Co-Manager is a wholly owned subsidiary of JSC TBC Bank.

GGU accepts responsibility for having accurately reproduced information obtained from third parties, and, so far as it is aware and has been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Rounding

Certain numerical figures set out in the Listing Particulars, including financial information presented in millions or thousands and percentages have been subject to rounding adjustments and, as a result, the total of the data in the Listing Particulars may vary from the actual arithmetic totals of such information.

Currencies

In these Listing Particulars, all references to "**Lari**" and "**GEL**" are to the lawful currency of Georgia; all references to "**U.S. Dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America; and all references to "**euros**", "**€**" and "**EUR**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. References to billions are to thousands of millions.

The following table sets out, for the years indicated, the high, low, average and year-end official exchange rates as reported by the NBG, in each case, for the purchase of GEL, all expressed in Lari per U.S. Dollar.

	High	Low	Average	Period End
	(GEL per USD)			
2019	2.9808	2.6404	2.8192	2.8677
2018	2.7656	2.3912	2.5345	2.6766
2017	2.7674	2.3824	2.5090	2.5922

Source: NBG.

The following table sets out, for the months indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per U.S. Dollar.

	High	Low	Average	Period End
	(GEL per USD)			
July 2020 (up to and including 13 July 2020)	3.0624	3.0463	3.0552	3.0624
June 2020	3.1172	2.9562	3.0429	3.0552
May 2020	3.2106	3.1761	3.1980	3.1761
April 2020	3.2816	3.1334	3.1717	3.2032
March 2020	3.4842	2.7735	3.0407	3.2845
February 2020	2.8898	2.7905	2.8516	2.7905
January 2020	2.8999	2.8661	2.8829	2.8934

Source: NBG.

The Lari per U.S. Dollar exchange rate reported by the NBG on 13 July 2020 was GEL 3.0624.

USE OF PROCEEDS

The net proceeds to be received by GGU from the issuance of the Notes (after the deduction of underwriting fees, legal counsel fees, rating agency expenses, listings expenses and other expenses) are expected to be approximately U.S.$247.6 million. An amount equal to the net proceeds will be used to finance and/or refinance Eligible Green Projects. Specifically, GGU plans to use the proceeds as follows:

- approximately U.S.$220,000,000 will be used to refinance existing loan arrangements; and
- approximately U.S.$30,000,000 will be used to finance capital expenditure in the water supply and sanitation business.

A portion of the Notes is being allocated to existing lenders to GWP, including DEG and FMO, whose outstanding loans to the Issuer will be refinanced with the proceeds of the Notes. See "*Subscription and Sale—Subscriptions by the IFIs*".

In relation to the facilities and instruments being refinanced with the proceeds of the issuance of the Notes, there will be a delay between the receipt of the proceeds of the Notes and the repayment of such facilities and instruments. As these facilities and instruments contain various covenants restricting the relevant GGU entity's ability to incur or guarantee other indebtedness as well as certain other restrictions, these entities have obtained consents or waivers from the counterparties to such facilities and instruments prior to the Closing Date. In addition, there are certain encumbrances on the assets of Svaneti Hydro, Hydrolea, Geoenergy, Hydro Georgia, Kasleti and Qartli Wind Farm in connection with financing arrangements at the asset level and pledges over the equity of Svaneti Hydro and Hydrolea. Such encumbrances are expected to be released shortly following the Closing Date following the refinancing of such arrangements with the proceeds of the Notes.

In these Listing Particulars, the "**Eligible Green Projects**" mean projects for financing and/or refinancing of renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management and climate change adaptation which meet the Eligibility Criteria.

"**Eligibility Criteria**" means the criteria prepared by GGU as set out in the Green Bond Framework (available on GGU's website at: www.ggu.ge/green-bonds).

Allocations of funds to Eligible Green Projects will be reviewed by an external provider in accordance with the recommendations of the Green Bond Principles, and reported by GGU on an annual basis.

GGU intends to allocate to Eligible Green Projects an amount equal to the net proceeds raised by the issuance of the Notes within two years of the date of issuance. No assurance is given by GGU, the Green Structuring Agent, the Development Finance Structuring Agent, the Lead Manager or the Co-Manager that investing in the securities or the use of proceeds by GGU will satisfy, whether in whole or in part, any present or future investor expectations or requirements with respect to green bonds, sustainability or development impact.

Pending the use of the net proceeds to finance or refinance Eligible Green Projects, GGU shall maintain net proceeds in cash or cash equivalents, bank deposits and/or use them for repayment of short-term indebtedness, in each case, to the extent not directly linked to the financing of activities which may conflict with the environmental objectives of the Notes.

GREEN BOND FRAMEWORK

GGU has developed the Green Bond Framework which follows the guidelines specified in the 2018 edition of the Green Bond Principles published by the Executive Committee of the Green Bond Principles with the support of the International Capital Market Association (ICMA). The Green Bond Framework has been published at GGU's website www.ggu.ge/green-bonds.

Sustainalytics provided a Second Party Opinion available at https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2020/07/Georgia-Global-Utilities-Green-Bond-Framework-Second-Party-Opinion.pdf.

GGU also intends to commission a "Compliance Review" within one year of these Listing Particulars and annually thereafter, until proceeds of the Notes are fully allocated in accordance with the use of proceeds.

None of the Green Bond Framework or the Second Party Opinion is incorporated in or forms part of, these Listing Particulars or is a recommendation to buy, sell or hold the Notes. See "*Risk Factors—Risks Relating to the Notes and Guarantees—The Notes may not be a suitable investment for all investors seeking exposure to green assets*".

DEVELOPMENT IMPACT

GGU provides water and wastewater services in Georgia, a country in which according to the World Bank World Development Indicators, 10% of the population lack access to basic sanitation services and approximately 2% of the population lack access to basic drinking water.

The net proceeds to be received by GGU from the issuance of the Notes are anticipated to enable the following development outputs:

- refinancing the existing loan arrangements in a bond format is expected to improve GGU's liquidity management and freeing up exposures from local banks will increase the capacity for borrowing from local lenders for the subsidiaries of Georgia Capital, thus enhancing their ability to implement their planned capital expenditures;

- ongoing maintenance of capital expenditures to the water network infrastructure, metering, water treatment plants, pumping station and reservoirs made in the period between 2017-2019 are expected to maintain the reduction of over 96 million cubic meters of annual technical water loss against the 2017 baseline and produce incremental efficiency gains in technical water loss;

- water network infrastructure development and maintenance will assist new customer connections authorised by regulators;

- ongoing maintenance of capital expenditures of the water supply system including the water flow meters, water pressure loggers, internal electricity consumption meters, pump efficiency monitors, the Geographic Information System, and Supervisory Control and Data Acquisition systems made in the period between 2017-2019 are expected to maintain the reduction of over 70 million KWh of annual self-produced electricity consumption vis-à-vis the 2017 baseline and produce incremental efficiency gains in electricity consumption;

- continuous investments in the Environmental and Social Management Systems ("**ESMS**") will support obtaining ISO 14001 at the project level for all projects; and

- issuance of the first corporate green bonds in the Georgian market may demonstrate the viability of such notes which may be replicated by other market participants.

CAPITALISATION AND INDEBTEDNESS

The table below sets out the combined capitalisation and indebtedness of GGU as at 31 March 2020:

	As at 31 March 2020
	(GEL thousands)
Indebtedness	
Current borrowings	51,101
Current lease liabilities	214
Current indebtedness	**51,315**
Non-current borrowings	661,316
Non-current lease liabilities	877
Total non-current indebtedness	**662,193**
Equity	
Share capital	2
Additional paid-in capital	122,004
Retained earnings	122,705
Other reserves	9,438
Revaluation reserve for property, plant and equipment	4,813
Equity attributable to the owners of the parent	**258,962**
Non-controlling interests	—
Total equity	**258,962**
Total capitalisation[(1)]	**921,155**

Note:

(1) Represents total non-current indebtedness plus total equity.

Since 31 March 2020, there has been no material change in GGU's capitalisation and indebtedness other than the issuance of the Notes and the application of the proceeds as described in these Listing Particulars.

SELECTED COMBINED FINANCIAL INFORMATION

The selected combined historical financial information for GGU set out below has been extracted without material adjustment from the Combined Financial Statements.

Combined Income Statement

	Three Months ended 31 March		Year ended 31 December		
	2020	2019	2019	2018	2017
	(unaudited)	*(unaudited, not reviewed)*		*(audited)*	
		(GEL thousands)			
Revenue from water supply and related services	30,178	29,934	137,855	136,039	122,143
Revenue from electric power sales	6,769	2,368	26,341	9,052	9,755
Business interruption reimbursement gain	326	—	10,047	—	—
Other revenue	266	167	1,227	677	635
Total revenue and gains	**37,539**	**32,469**	**175,470**	**145,768**	**132,533**
Electricity and transmission costs	(4,183)	(4,179)	(16,917)	(18,695)	(18,303)
Salaries and other employee benefits	(5,002)	(4,782)	(20,539)	(18,620)	(18,923)
Allowance for expected credit losses	(1,600)	(1,363)	(7,325)	(5,033)	(1,675)
Taxes other than income tax	(1,857)	(1,301)	(6,631)	(4,631)	(4,312)
General and administrative expenses	(1,075)	(848)	(3,751)	(3,784)	(3,817)
Professional fees	(526)	(641)	(2,890)	(3,082)	(2,793)
Raw materials, fuel and other consumables	(745)	(545)	(2,792)	(2,495)	(3,077)
Maintenance expenditure	(768)	(506)	(1,966)	(2,247)	(3,205)
Charge for provisions and legal claims related expenses	(107)	23	(120)	(231)	3
Other operating expenses	(1,652)	(1,623)	(7,968)	(7,013)	(7,798)
Other income	271	350	3,785	3,790	2,153
Total expenses	**(17,244)**	**(15,415)**	**(67,114)**	**(62,041)**	**(61,747)**
EBITDA	**20,295**	**17,054**	**108,356**	**83,727**	**70,786**
Finance income	850	170	1,995	589	1,692
Finance costs	(14,442)	(5,241)	(33,992)	(15,172)	(14,287)
Net foreign exchange (loss)/gain	(18,254)	1,626	(7,544)	(5,278)	(676)
Depreciation and amortisation	(11,486)	(7,552)	(34,960)	(23,695)	(18,077)
Gain from sale of non-core assets	—	—	2,364	—	—
Non-recurring expenses	(413)	(2,862)	(1,891)	(4,044)	(3,001)
(Loss)/profit before income tax expense	**(23,450)**	**3,195**	**34,328**	**36,127**	**36,437**
Income tax expense	—	—	—	—	—
(Loss)/profit for the period	**(23,450)**	**3,195**	**34,328**	**36,127**	**36,437**

Segmental Income Statement

	Three months ended 31 March 2020			
	Electric power generation	**Water supply and wastewater collection services**	**Intersegment transactions**	**Total**
		(unaudited)		
		(GEL thousands)		
Revenue from water supply	—	30,178	—	**30,178**
Revenue from electric power sales	7,677	—	(908)	**6,769**
Business interruption reimbursement	326	—	—	**326**
Other revenue	—	266	—	**266**
Total revenue	**8,003**	**30,444**	**(908)**	**37,539**
Electricity and transmission costs	(64)	(5,027)	908	**(4,183)**
Salaries and other employee benefits	(754)	(4,248)	—	**(5,002)**
Allowance for ECL of trade receivables	—	(1,600)	—	**(1,600)**
Taxes other than income tax	(522)	(1,335)	—	**(1,857)**
General and administrative expenses	(199)	(876)	—	**(1,075)**
Professional fees	(77)	(449)	—	**(526)**
Raw materials, fuel and other consumables	(44)	(701)	—	**(745)**
Maintenance expenditure	(405)	(363)	—	**(768)**
Charge for provisions and legal claim related expenses	—	(107)	—	**(107)**
Other operating expenses	(600)	(1,052)	—	**(1,652)**
Other income	3	268	—	**271**
EBITDA	**5,341**	**14,954**	**—**	**20,295**
Finance income	175	675	—	**850**
Finance costs	(7,076)	(7,366)	—	**(14,442)**
Net foreign exchange (loss)/gain	(1,225)	(17,029)	—	**(18,254)**
Depreciation and amortisation	(3,466)	(8,020)	—	**(11,486)**
Non-recurring expenses	—	(413)	—	**(413)**
Loss before income tax expense	**(6,251)**	**(17,199)**	**—**	**(23,450)**
Income tax expense	—	—	—	—
Loss for the period	**(6,251)**	**(17,199)**	**—**	**(23,450)**

	Three months ended 31 March 2019			
	Electric power generation	**Water supply and wastewater collection services**	**Intersegment transactions**	**Total**
		(unaudited, not reviewed)		
		(GEL thousands)		
Revenue from water supply	—	29,934	—	**29,934**
Revenue from electric power sales	3,273	—	(905)	**2,368**
Other revenue	—	167	—	**167**

Total revenue	**3,273**	**30,101**	**(905)**	**32,469**
Electricity and transmission costs	(10)	(5,074)	905	**(4,179)**
Salaries and other employee benefits	(488)	(4,294)	—	**(4,782)**
Allowance for ECL of trade receivables	—	(1,363)	—	**(1,363)**
Taxes other than income tax	(35)	(1,266)	—	**(1,301)**
General and administrative expenses	(40)	(808)	—	**(848)**
Professional fees	(47)	(594)	—	**(641)**
Raw materials, fuel and other consumables	(13)	(532)	—	**(545)**
Maintenance expenditure	—	(506)	—	**(506)**
Charge for provisions and legal claim related expenses	—	23	—	**23**
Other operating expenses	(252)	(1,371)	—	**(1,623)**
Other income	3	347	—	**350**
EBITDA	**2,391**	**14,663**	**—**	**17,054**
Finance income	3	167	—	**170**
Finance costs	(903)	(4,338)	—	**(5,241)**
Net foreign exchange (loss)/gain	(97)	1,723	—	**1,626**
Depreciation and amortisation	(935)	(6,617)	—	**(7,552)**
Non-recurring expenses	(1,431)	(1,431)	—	**(2,862)**
(Loss)/profit before income tax expense	**(972)**	**4,167**	**—**	**3,195**
Income tax expense	—	—	—	**—**
(Loss)/profit for the period	**(972)**	**4,167**	**—**	**3,195**

	Year ended 31 December 2019			
	Electric power generation	**Water supply and wastewater collection services**	**Intersegment transactions**	**Total**
		(audited)		
		(GEL thousands)		
Revenue from water supply	—	137,855	—	137,855
Revenue from electric power sales	30,116	—	(3,775)	26,341
Business interruption reimbursement	10,047	—	—	10,047
Other revenue	—	1,227	—	1,227
Total revenue	**40,163**	**139,082**	**(3,775)**	**175,470**
Electricity and transmission costs	(195)	(20,497)	3,775	(16,917)
Salaries and other employee benefits	(2,362)	(18,177)	—	(20,539)
Allowance for ECL of trade receivables	—	(7,325)	—	(7,325)
Taxes other than income tax	(1,332)	(5,299)	—	(6,631)
General and administrative expenses	(381)	(3,370)	—	(3,751)
Professional fees	(286)	(2,604)	—	(2,890)
Raw materials, fuel and other consumables	(85)	(2,707)	—	(2,792)
Maintenance expenditure	(33)	(1,933)	—	(1,966)
Charge for provisions and legal claim related expenses	—	(120)	—	(120)
Other operating expenses	(2,998)	(4,970)	—	(7,968)

Other income	10	3,775	—	3,785
EBITDA	**32,501**	**75,855**	**—**	**108,356**
Finance income	15	1,980	—	1,995
Finance costs	(12,001)	(21,991)	—	(33,992)
Foreign exchange gains/(losses)	(629)	(6,915)	—	(7,544)
Depreciation and amortisation	(5,859)	(29,101)	—	(34,960)
Gain from sale of non-core assets	–	2,364	—	2,364
Non-recurring expenses	(2,061)	170	—	(1,891)
Profit before income tax expense	**11,966**	**22,362**	—	**34,328**
Income tax expense	–	–	—	–
Profit for the year	**11,966**	**22,362**	—	**34,328**

	Year ended 31 December 2018			
	Electric power generation	**Water supply and wastewater collection services**	**Intersegment transactions**	**Total**
	(audited)			
	(GEL thousands)			
Revenue from water supply	—	136,039	—	136,039
Revenue from electric power sales	13,051	—	(3,999)	9,052
Other revenue	—	677	—	677
Total revenue	**13,051**	**136,716**	**(3,999)**	**145,768**
Electricity and transmission costs	(91)	(22,603)	3,999	(18,695)
Salaries and other employee benefits	(1,885)	(16,735)	—	(18,620)
Allowance for ECL of trade receivables	—	(5,033)	—	(5,033)
Taxes other than income tax	(521)	(4,110)	—	(4,631)
General and administrative expenses	(167)	(3,617)	—	(3,784)
Professional fees	(104)	(2,978)	—	(3,082)
Raw materials, fuel and other consumables	(61)	(2,434)	—	(2,495)
Maintenance expenditure	(5)	(2,242)	—	(2,247)
Reversal of provisions and legal claim related expenses	—	(231)	—	(231)
Other operating expenses	(2,189)	(4,824)	—	(7,013)
Other income	13	3,777	—	3,790
EBITDA	**8,041**	**75,686**	**—**	**83,727**
Finance income	61	528	—	589
Finance costs	(2,237)	(12,935)	—	(15,172)
Foreign exchange gains/(losses)	(308)	(4,970)	—	(5,278)
Depreciation and amortisation	(1,574)	(22,121)	—	(23,695)
Non-recurring expenses	(1,294)	(2,750)	—	(4,044)
Profit before income tax expense	**2,689**	**33,438**	—	**36,127**
Income tax expense	–	–	—	–
Profit for the year	**2,689**	**33,438**	**—**	**36,127**

	Year ended 31 December 2017			
	Electric power generation	Water supply and wastewater collection services	Intersegment transactions	Total
		(audited)		
		(GEL thousands)		
Revenue from water supply	—	122,143	—	122,143
Revenue from electric power sales	14,011	—	(4,256)	9,755
Other revenue	—	635	—	635
Total revenue	**14,011**	**122,778**	**(4,256)**	**132,533**
Electricity and transmission costs	(91)	(22,468)	4,256	(18,303)
Salaries and other employee benefits	(761)	(18,162)	—	(18,923)
Allowance for impairment of trade receivables	—	(1,675)	—	(1,675)
Taxes other than income tax	(772)	(3,540)	—	(4,312)
General and administrative expenses	(231)	(3,586)	—	(3,817)
Professional fees	(60)	(2,733)	—	(2,793)
Raw materials, fuel and other consumables	(103)	(2,974)	—	(3,077)
Maintenance expenditure	(10)	(3,195)	—	(3,205)
Reversal of provisions and legal claim related expenses	—	3	—	3
Other operating expenses	(2,233)	(5,565)	—	(7,798)
Other income	52	2,101	—	2,153
EBITDA	**9,802**	**60,984**	—	**70,786**
Finance income	56	1,636	—	1,692
Finance costs	(1,308)	(12,979)	—	(14,287)
Foreign exchange gains/(losses)	(218)	(458)	—	(676)
Depreciation and amortisation	(1,182)	(16,895)	—	(18,077)
Non-recurring expenses	(142)	(2,859)	—	(3,001)
Profit before income tax expense	**7,008**	**29,429**	—	**36,437**
Income tax expense	—	—	—	—
Profit for the year	**7,008**	**29,429**	—	**36,437**

Combined Statement of Financial Position

	As at 31 March 2020	As at 31 December		
		2019	2018	2017
	(unaudited)		*(audited)*	
		(GEL thousands)		
Assets				
Non-current assets				
Property, plant and equipment	899,338	842,032	567,533	354,887
Investment property	8,641	8,641	9,865	11,286
Right-of-use assets	1,034	1,305	—	—
Restructured trade receivables	122	209	204	133
Other non-current assets	6,107	3,526	41,204	47,009

Total non-current assets	**915,242**	**855,713**	**618,806**	**413,315**
Current assets				
Inventories	4,479	3,928	3,913	3,787
Trade and other receivables	20,695	24,424	19,514	23,210
Loans issued	120	82	—	—
Current income tax prepayments	—	—	—	184
Prepaid taxes other than income tax	2,384	2,214	3,747	5,436
Reimbursement assets	47,623	46,457	—	3,222
Prepayments	2,298	3,805	1,648	1,469
Derivative financial assets	747	—	—	450
Restricted cash	7,538	6,581	877	7,656
Cash at bank	42,591	46,806	14,357	65,502
Total current assets	**128,475**	**134,297**	**44,056**	**110,916**
Total assets	**1,043,717**	**990,010**	**662,862**	**524,231**
Equity				
Charter capital	2	2	2	2
Additional paid-in capital	122,004	101,205	59,348	12,757
Retained earnings	122,705	145,421	130,900	128,875
Other reserves	9,438	(4,253)	(6,276)	(4,505)
Revaluation reserve for property, plant and equipment	4,813	4,813	8,200	9,698
Equity attributable to the owners of the parent	**258,962**	**247,188**	**192,174**	**146,827**
Non-controlling interests	—	24,896	26,458	5,294
Total equity	**258,962**	**272,084**	**218,632**	**152,121**
Liabilities				
Non-current liabilities				
Borrowings	661,316	608,929	366,534	305,321
Deferred revenue	24,831	24,569	18,948	16,023
Lease liabilities	877	1,064	—	—
Other non-current liabilities	1,786	1,538	1,334	1,299
Total non-current liabilities	**688,810**	**636,100**	**386,816**	**322,643**
Current liabilities				
Borrowings	51,101	44,437	24,424	6,884
Advances received	6,867	6,242	8,424	8,562
Trade and other payables	19,840	13,601	15,360	24,662
Provisions for liabilities and charges	721	614	525	3,103
Deferred revenue	4,757	4,764	3,921	3,451
Lease liabilities	214	248	—	—
Derivative financial liabilities	—	1,919	1,777	—
Other current liabilities	6,441	5,479	676	—
Other taxes payable	6,004	4,522	2,307	2,805
Total current liabilities	**95,945**	**81,826**	**57,414**	**49,467**
Total liabilities	**784,755**	**717,926**	**444,230**	**372,110**
Total liabilities and equity	**1,043,717**	**990,010**	**662,862**	**524,231**

Combined Statement of Cash Flows

	Three months ended 31 March		Year ended 31 December		
	2020	2019	2019	2018	2017
	(unaudited)			*(audited)*	
			(GEL thousands)		
Net cash flows from operating activities....	30,551	20,676	103,920	94,756	64,823
Net cash used in investing activities..........	(19,665)	(26,178)	(193,342)	(217,646)	(189,940)
Net cash (used in)/from financing activities	(16,262)	18,620	121,795	73,715	155,181
Effect of foreign exchange rate changes on cash and cash equivalents..........................	1,161	(242)	75	(1,970)	4,834
Net change in cash and cash equivalents	**(4,215)**	**12,876**	**32,448**	**(51,145)**	**34,898**
Cash and cash equivalents at beginning of period	46,806	14,358	14,358	65,503	30,605
Cash and cash equivalents at end of period	**42,591**	**27,234**	**46,806**	**14,358**	**65,503**

Non-IFRS Information

In these Listing Particulars, secured and unsecured indebtedness is presented. Secured indebtedness is not a uniformly or legally defined measure and is not recognised under IFRS or any other generally accepted accounting principles. See "*Presentation of Financial Information—Non-IFRS Information*".

	As at 31 March 2020
	(unaudited)
	(GEL millions)
Total current and non-current borrowings..	712.4
Less - unsecured indebtedness...	445.8
Secured indebtedness...	**266.6**

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following Pro Forma Financial Statements present the condensed combined statement of income of GGU as if Hydrolea and Qartli Wind Farm had been acquired on 1 January 2019.

	Year ended 31 December 2019							
	GGU Historical	**Hydrolea Historical**	**Qartli Wind Farm Historical**	**Reclassification Adjustments**	**Notes**	**Transaction Adjustments**	**Notes**	**Pro Forma Combined**
				(unaudited) *(GEL thousands)*				
Revenue from water supply and related services	137,855	—	—	—		—		137,855
Revenue from electric power sales	26,341	9,508	16,545	—		(1,394)	(f)	51,000
Business interruption reimbursement gain	10,047	—	—	—		—		10,047
Other revenue	1,227	243	—	—		—		1,470
Total revenue and gains	**175,470**	**9,751**	**16,545**	**—**		**(1,394)**		**200,372**
Cost of sales	—	—	(6,609)	6,609	(a)	—		—
Electricity and transmission costs	(16,917)	—	—	—		31	(f)	(16,886)
Salaries and other employee benefits	(20,539)	(1,141)	—	(292)	(a)	109	(f)	(21,863)
Allowance for expected credit losses	(7,325)	—	—	—		—		(7,325)
Taxes other than income tax	(6,631)	—	—	(1,116)	(a), (b)	155	(f)	(7,592)
Other expenses[(1)]	(11,519)	(203)	(1,177)	(1,887)	(a)	69	(f)	(14,717)
Other operating expenses	(7,968)	(1,453)	—	178	(a),(b)	114	(f)	(9,129)
Other income	3,785	—	—	—		—		3,785
EBITDA	**108,356**	**6,954**	**8,759[(2)]**	**3,492**		**(916)**		**126,645**
Interest income	1,995	134	786	—		—		2,915
Finance costs	(33,992)	(5,057)	(4,205)	—		(3,315)	(c), (f)	(46,569)
Net foreign exchange losses	(7,544)	(4,199)	(3,258)	—		4,720	(d), (f)	(10,281)
Depreciation and amortisation	(34,960)	(1,636)	—[(2)]	(3,492)	(a)	(133)	(e), (f)	(40,221)
Gain from sale of non-core assets	2,364	—	—	—		—		2,364
Non-recurring expenses, net	(1,891)	—	—	—		—		(1,891)
Profit before income tax expense	**34,328**	**(3,804)**	**2,082**	**—**		**356**		**32,962**
Income tax expense	—	—	—	—		—		—
Profit for the year	**34,328**	**(3,804)**	**2,082**	**—**		**356**		**32,962**

Notes:

(1) Other expenses include general and administrative expenses, professional fees, raw materials, fuel and other consumables, maintenance expenditure and charge for provisions and legal claims related expenses as condensed from the historical combined financial information of GGU.

(2) For the purposes of presentation in the unaudited pro forma condensed combined statement of income, the historical EBITDA subtotal for Qartli Wind Farm is defined as Qartli Wind Farm's historical profit before income tax expense excluding interest income, finance costs and net foreign exchange losses, which is different from GGU's EBITDA definition. Depreciation and amortisation is not excluded from Qartli Wind Farm's historical EBITDA subtotal due to the difference in presentation of depreciation and amortisation in the historical statements of income between GGU and Qartli Wind Farm. For the purposes of presenting pro forma combined EBITDA, the difference is adjusted in the unaudited pro forma condensed combined financial statements through a reclassification pro forma adjustment as described in Note 2(a).

Notes to Unaudited Pro Forma Condensed Combined Statement of Income

Note 1 – Basis of presentation

The unaudited pro forma condensed combined financial statements are based on the Audited Combined Financial Statements and the Standalone Financial Statements as adjusted to give effect to pro forma events that are (1) directly attributable to the acquisitions of Hydrolea and Qartli Wind Farm, (2) factually supportable, and (3) expected to have a continuing impact on the combined results following the acquisitions. The unaudited pro forma condensed combined statement of income for the 12 months ended 31 December 2019 gives effect to the Hydrolea and Qartli Wind Farm acquisitions as if they had occurred on 1 January 2019.

Acquisitions of Hydrolea and Qartli Wind Farm were accounted for as an asset acquisition in accordance with IFRS 3. As the acquirer for accounting purposes, GGU estimated Hydrolea's and Qartli Wind Farm's carrying values of assets acquired and liabilities assumed and conformed the accounting policies of Hydrolea and Qartli Wind Farm to its own accounting policies. Information about the acquisitions of Hydrolea and Qartli Wind Farm is disclosed in Note 30 to the Audited Combined Financial Statements.

The pro forma combined financial statements do not necessarily reflect what the combined company's results of operations would have been had the acquisitions occurred on 1 January 2019. They also may not be useful in predicting the future results of operations of the combined company. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The combined pro forma financial information does not reflect the realisation of any expected cost savings or other synergies from the acquisition of Hydrolea and Qartli Wind Farm as a result of restructuring activities and other planned cost savings initiatives following the completion of the business combination, except to the extent already reflected in the Audited Combined Financial Statements.

Note 2 — Reclassification adjustments

Certain reclassifications have been made to the historical presentation of Hydrolea and Qartli Wind Farm to conform to the financial statement presentation of GGU, as follows:

(a) GGU presents expenses in combined statement of income by nature, while Qartli Wind Farm presents expenses by function. Therefore, the following pro forma adjustment is made to conform the presentation of expenses of Qartli Wind Farm to that of GGU:

	(GEL thousands)
Cost of sales	6,609
General and administrative expenses (presented in other expenses in pro forma condensed combined statement of income)	922
Depreciation and amortisation	(3,492)
Maintenance expenditure (presented in other expenses in pro forma condensed combined statement of income)	(2,809)
Taxes other than on income	(630)
Salaries and other employee benefits	(292)
Other operating expenses	(308)

(b) GGU presents taxes other than income tax separately in the combined statement of income, while Hydrolea presents them within other operating expenses. Therefore, this adjustment conforms the presentation of taxes other than income tax to the GGU's presentation:

	(GEL thousands)
Taxes other than on income	(486)
Other operating expenses	486

Note 3 – Transaction adjustments

(c) The adjustment to record interest expense assumes the bridge loans to finance Hydrolea and Qartli Wind Farm acquisitions, respectively, were obtained by GGU on 1 January 2019 and were outstanding as follows:

(i) In respect of Hydrolea acquisition, U.S.$12,700 thousand (GEL 33,993 thousand) bridge loan was assumed to be outstanding for a period from 1 January 2019 to 5 March 2019, at which date U.S.$10,320 thousand (GEL 27,561 thousand) was assumed to be refinanced by loans from Georgian commercial banks and the remaining U.S.$2,380 thousand (GEL 6,356 thousand) was assumed to be outstanding for the entire 12 months ended 31 December 2019. This is consistent with the bridge loan of U.S.$12,700 thousand (GEL 33,993 thousand) obtained on 28 October 2019 from Georgia Capital to finance acquisition of Hydrolea, and which was then refinanced by a commercial loan on 30 December 2019. Interest rates assumed for the purposes of preparing this pro forma financial information are 10% for the bridge loan and 7.7% for the commercial loans (as adjusted for the effects of any loan origination fees and costs), which are the actual rates on the bridge loan obtained from Georgia Capital and loans obtained from commercial banks, respectively.

(ii) In respect of Qartli Wind Farm acquisition, U.S.$10,010 thousand (GEL 26,793 thousand) bridge loan was assumed to be outstanding for the entire 12 months ended 31 December 2019. Interest rate assumed for the purposes of preparing this pro forma financial information is 10%, which is the actual rate on the bridge loan to finance the acquisition of U.S.$10,010 thousand (GEL 26,793 thousand) obtained from Georgia Capital on 30 December 2019.

The following pro forma adjustment was recorded to finance costs:

	Hydrolea	**Qartli Wind Farm**	**Total Hydrolea and Qartli Wind Farm**
		(GEL thousands)	
Estimated interest expenses on bridge loan facility	(1,171)	(2,821)	(3,992)
Estimated interest expense on bank loan..........................	(1,847)	—	(1,847)
Less – actual finance costs in respect of bridge loans and bank loans recorded in the historical financial information of GGU	662	—	662
Total pro forma adjustment to finance costs	(2,356)	(2,821)	(5,177)

(d) The adjustment is to align functional currencies of Hydrolea and Qartli Wind Farm to that determined for the purposes of the Audited Combined Financial Statements. At the dates of acquisition of Hydrolea and Qartli Wind Farm, their functional currency was determined to be USD for the purpose of the respective historical financial information (as changed from GEL on prospective basis from the dates of acquisition), and for the purpose of their incorporation into the Audited Combined Financial Statements. As change in functional currency was driven by acquisitions, the following pro forma adjustment is posted to adjust historical financial results of Hydrolea and Qartli Wind Farm as if their functional currency was changed from GEL to USD on 1 January 2019:

	Hydrolea	**Qartli Wind Farm**	**Total Hydrolea and Qartli Wind Farm**
		(GEL thousands)	
Net foreign exchange losses...	2,502	2,319	4,821

(e) The adjustment is to recognise depreciation charge on property, plant, equipment of Hydrolea and Qartli Wind Farm based on their carrying values as measured and recognised at respective acquisition dates in the Audited Combined Financial Statements, as if the acquisition occurred on 1 January 2019. For the purpose of this pro forma adjustment, useful lives of property, plant, equipment were aligned with accounting policies used in preparation of the Audited Combined Financial Statements:

	Carrying Value Recognised at Acquisition			Estimated Useful Lives in Years	Annual 2019 Depreciation and Amortisation Expense		
	Hydrolea	**Qartli Wind Farm**	**Total Hydrolea and Qartli Wind Farm**		**Hydrolea**	**Qartli Wind Farm**	**Total Hydrolea and Qartli Wind**
				(GEL thousands)			
Energy infrastructure assets	106,866	74,479	181,345	20-60	(2,042)	(3,931)	(5,973)
Vehicles	320	—	320	5-10	(52)	—	(52)
Fixtures and fittings	6	—	6	5-10	—	—	—
					(2,094)	(3,931)	(6,025)
Historical depreciation expense					1,636	3,492	5,128
Pro forma adjustment to depreciation..............................					(458)	(439)	(897)

(f) The adjustment is to eliminate post-acquisition performance results of Hydrolea and Qartli Wind Farm already recognised in the Audited Combined Financial Statements:

	(GEL thousands)
Revenue from electric power sales..	(1,394)
Electricity and transmission costs	31
Salaries and other employee benefits	109
Taxes other than income	155
Other expenses..	69
Other operating expenses	114
Finance costs...	1,862
Net foreign exchange losses...	(101)
Depreciation and amortisation	764

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial condition and results of operations of GGU covers the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017. Unless otherwise specified, the financial information for the periods presented in this discussion has been extracted from the Combined Financial Statements. This section should be read in conjunction with the Combined Financial Statements and the notes thereto and the other financial information included elsewhere in these Listing Particulars.

Unless otherwise noted, all financial and operational information presented in this section is based on the Combined Financial Statements and reflects the operations of the assets owned by GGU from their date of acquisition by the relevant Georgia Capital subsidiary. See "Unaudited Pro Forma Financial Information" for an indication of the impact of acquiring Hydrolea and Qartli Wind Farm on GGU's results of operations had they been acquired on 1 January 2019.

Certain information contained in the discussion and analysis set forth below and elsewhere in these Listing Particulars includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the sections entitled "Risk Factors" and "Forward-Looking Statements".

Overview

GGU is a water utility and renewable energy business which supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia and generates electricity through its portfolio of eight HPPs (with one HPP comprising two separate generation units) and one on-shore wind farm with an aggregate installed capacity of 240 MW. A majority of the electricity generated by GGU is sold to third parties, while the remaining electricity is used by its water supply and sanitation services business for internal consumption to power its water distribution network. In the three months ended 31 March 2020 and the year ended 31 December 2019, GGU sold 41.2 million and 178.3 million cubic metres of water and generated 89.0 million and 414.3 million KWh of net electricity, of which 41.9 million and 174 million KWh were used internally by the water supply and sanitation services business, respectively.

For the three months ended 31 March 2020, 80%, 18% and 2% of revenue and gains was attributable to water supply and related services, electricity power sales and other revenue, respectively, and 74%, and 26% of segmented EBITDA was attributable to water supply and wastewater collection services, and electric power generation and sales segment, respectively. For the year ended 31 December 2019, 79%, 15% and 6% of revenue and gains was attributable to water supply and related services, electricity power sales and other revenue, respectively, and 70%, and 30% of segmented EBITDA was attributable to water supply and wastewater collection services, and electric power generation and sales segment, respectively.

GGU's water supply and sanitation services business is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta, supplying these areas with potable water. The customer base for this business includes both business and residential customers, of which it had 36,112 and 567,938 as at 31 March 2020, respectively. GGU earns a regulated return in relation to its water business, which is based on a methodology adopted by GNERC in August 2017. Allowed revenue is determined by applying a WACC of 15.99% to GGU's RAB, taking into account depreciation and operating expenses. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. During the past several years, GGU has been expanding its RAB through capital investments in water and wastewater infrastructure which have been intended to improve the quality of water supply and sanitation services to customers and contribute to operating efficiencies.

Historically, GGU operated HPPs with a total installed capacity of 149 MW primarily to power its water distribution network. Separately, GGU's parent company, Georgia Capital, operated a renewable energy business via GRPC, in which it held a stake of 65.59%. In February 2020, Georgia Capital bought the 34.41% stake in GRPC held by RP Global, thereby becoming the sole shareholder of GRPC. In October 2019, Georgia Capital, through its subsidiary, Georgia Energy Holding LLC, acquired Hydrolea, which owned and operated the Kasleti, Debeda and Akhmeta HPPs, and in December 2019, through its subsidiary, Georgian Wind Company LLC, it acquired Qartli Wind Farm. Subsequently, in July 2020, Georgia Capital arranged for the transfer of the Mestiachala HPP (which was owned by GRPC through its subsidiary Svaneti Hydro) and the Kasleti, Debeda and Akhmeta HPPs (all of which were owned by Hydrolea) and Qartli Wind Farm to the Issuer. These plants have an aggregate installed capacity of 91 MW, increasing the installed capacity of GGU's total renewable energy portfolio to 240 MW.

In June 2017, the Law of Georgia on Electricity and Natural Gas was amended, deregulating all HPPs constructed prior to August 2008 with an installed capacity below 40 MW and gradually moving large industrial customers from a regulated pricing scheme to market pricing. As a result, out of all generation facilities operated by GGU, only the Zhinvali HPP is subject to regulation by GNERC in terms of its pricing. All of the HPPs transferred to the Issuer in July 2020 as well as the Bodorna HPP and Qartli Wind Farm sell the electricity they generate pursuant to PPAs with ESCO as the offtaker. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). For the period from May to August, electricity generated by these plants is sold at market prices.

During the three months ended 31 March 2020, GGU generated revenue and gains of GEL 37.5 million and EBITDA of GEL 20.3 million and as at 31 March 2020, it had assets of GEL 1,043.7 million. During the year ended 31 December 2019, GGU generated revenue and gains of GEL 175.5 million and EBITDA of GEL 108.4 million and as at 31 December 2019, it had assets of GEL 990.0 million.

Comparability Across Periods

In July 2020, Georgia Capital arranged for the transfer of the Mestiachala, Kasleti, Debeda and Akhmeta HPPs and Qartli Wind Farm to the Issuer. Since these assets were owned by other Georgia Capital companies and hence were under common control with GGU, their results of operations are included in the Combined Financial Statements. However, the Kasleti, Debeda and Akhmeta HPPs (which together comprise Hydrolea) and Qartli Wind Farm were acquired by the relevant Georgia Capital companies in October 2019 and December 2019, respectively. For that reason, these operations are only included in GGU's results of operations from their respective dates of acquisitions. As a result, their contribution to GGU's results of operations in 2019 will not be indicative of their future contribution. Furthermore, GGU's results of operations for the year ended 31 December 2019 and the three months ended 31 March 2020 will not be directly comparable to GGU's results of operations for the years ended 31 December 2018 and 2017 and the three months ended 31 March 2019, respectively. See "*Unaudited Pro Forma Financial Information*" for an indication of the impact on GGU's results of operations had these assets been acquired on 1 January 2019.

Furthermore, the contribution of the Mestiachala HPP to GGU's results of operations in 2019 will not be indicative of its future contribution, due both to it being included for only a portion of the year and the disruption caused by a flooding incident in the second half of the year. Construction of the Mestiachala HPP commenced in May 2017 and the 30 MW first phase was completed in April 2019, with the second 20 MW phase being completed in June 2019.

In July 2019, the Mestiachala HPP was affected by flooding resulting from a rock avalanche and both generation units were taken offline. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity. In relation to the 20 MW generation unit, surveys are ongoing for the restoration design which will be submitted to the relevant government authorities for the purpose of obtaining a construction permit. The recommissioning of the 20 MW unit is planned for the second half of 2021. The restoration budget is expected to be covered by insurance proceeds. The payout under GGU's business interruption insurance for 2019 has already been agreed with the insurance company. Insurance proceeds will also cover business interruption for the period up to July 2020, with coverage for a 12-month period in total.

Operating Segments

GGU has two operating segments based on products sold and services rendered: (i) water supply and wastewater collection services; and (ii) electricity generation and sales. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. For operating results by segment, see Note 6 to the Audited Combined Financial Statements. For purposes of the discussion below, segmental results are discussed in relation to the total revenue and gains and EBITDA line items.

Factors Affecting Results of Operations

Key factors affecting GGU's results of operations during the periods under review and expected to continue to affect its results of operations in the future are discussed below.

Going forward, management expects that GGU's EBITDA growth will be driven, among other factors, by (i) a potential increase in the water utility tariff for the next regulatory period (which is from 1 January 2021 to 31 December 2023) on the back of extensive capital expenditure programmes (as discussed below under "—*Regulated water tariffs*" and "—*Capital investments in water and wastewater infrastructure*"); (ii) a potential increase in the market price for electricity as a result of electricity market deregulation and increasing demand for electricity (as discussed below under "—*Supply and demand dynamics in the electricity market*"); and (iii) a potential increase in generation levels due to the normalisation of hydrological conditions (as discussed below under "—*Supply and demand dynamics in the electricity market*").

Macroeconomic Conditions

Substantially all of GGU's revenue is derived from Georgian customers. Accordingly, GGU's results of operations are, and are expected to continue to be, affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region.

Certain macroeconomic data relating to Georgia is set out in the table below.

	Year ended 31 December		
	2019	**2018**	**2017**
GDP growth (%)	5.1%	4.8%	4.8%
Nominal GDP (U.S.$ millions)	17,737	17,597	16,249
Nominal GDP per capita (U.S.$)	4,763	4,722	4,359
Current account deficit (U.S.$ millions)	(897)	(1,309)	(1,191)
Current account deficit as a % of GDP	(5.1)%	(6.8)%	(8.1)%
Inflation (end of period, %)	7.0%	1.5%	6.7%
Foreign direct investment (U.S.$ millions)	1,268	1,265	1,963
Foreign direct investment as a % of GDP	7.1%	7.2%	12.1%
Public debt as a % of GDP	39.8%	38.9%	39.4%
Budget expenditures (GEL millions)	14,464(1)	12,353	11,508
Budget expenditures as a % of GDP	28.9%(1)	27.7%	28.2%
Fiscal deficit as a % of GDP	(2.4)%(1)	(2.3)%	(2.7)%
Tourism revenues (U.S.$ millions)	3,269	3,222	2,704
Tourism revenues as a % of GDP	18.4%	18.3%	16.6%
Goods exports (U.S.$ millions)	3,762	3,356	2,736
Goods imports (U.S.$ millions)	9,068	9,136	7,943
Remittances (U.S.$ millions)	1,733	1,580	1,387
Remittances as a % of GDP	9.8%	9.0%	8.5%
Unemployment rate	11.6%	12.7%	13.9%

Source: Geostat, NBG, Georgian Ministry of Finance and Galt & Taggart.

Note:

(1) Estimate.

Economic conditions in Georgia and regionally began to improve in the first quarter of 2017, continuing into 2018 and 2019. Real GDP growth in Georgia was 5.1% in 2019, as compared to 4.8% growth in each of 2018 and 2017. Despite these favourable dynamics, growth in 2020 will be adversely affected by the impact of the COVID-19 outbreak, with both external and domestic demand shrinking significantly. While real GDP grew by 2.2% in the first quarter of 2020, the IMF is forecasting that real GDP will contract by 4% in 2020. The IMF expects real GDP growth to rebound to 4% in 2021. However, a coordinated effort from Georgian fiscal and monetary authorities is underway to mitigate the impact. GDP growth during the periods under review mainly reflected increased foreign currency remittances from Georgians working abroad, higher exports of goods, increased FDI and high levels of tourism revenues, as well as stronger domestic demand. FDI inflows averaged 8.8% of GDP during the period from 2010 to 2018 and was 7.1% of GDP in 2019. Tourism revenues were U.S.$3,269 million, U.S.$3,222 million and U.S.$2,704 million in 2019, 2018 and 2017, respectively. Improving external conditions, mainly as a result of the shrinking trade deficit, have led to a record improvement in the current account deficit, to 5.1% of GDP for 2019, compared to a high of 13.1% of GDP in 2016, although the ultimate impact of COVID-19 on Georgia's current account deficit remains uncertain going forward.

Economic growth during the periods under review has been due in part to structural reforms undertaken by the Government which have been intended to make the economy more resilient by diversifying the economic base and external trade linkages, as well as reforms in the areas of education, pensions, finance and insolvency, which have served to improve the business environment.

Georgia has capped its fiscal deficit at 3% of GDP and its government debt/GDP ratio at 60%. The modified fiscal deficit (IMF programme) was estimated to have been 2.4% of GDP in 2019 and was 2.3% and 2.7% of GDP in 2018 and 2017, respectively. Georgia's economy has been geared towards investments in infrastructure and low social expenditures. Social expenditure as a percentage of GDP has been below the levels of regional peers while capital expenditure as a percentage of GDP has been above the levels of such peers during the past three years, with capital expenditure reaching record levels of GEL 3.6 billion in 2019.

The political environment has also been relatively stable during the period under review with a democratic transfer of political power in successive parliamentary, presidential and local elections, as well as constitutional amendments which were passed in 2013 in order to enhance the powers of the Georgian Parliament and reduce the powers of the president of Georgia. In October 2017 and March 2018, the Georgian Parliament made numerous changes to the Constitution introducing, inter alia, the indirect election of the president by the Georgian Parliament, a fully proportional electoral system of the Georgian Parliament starting from 2024, special status for agricultural land and raising the minimum age for members of the Georgian Parliament and the president. This commitment was not approved by the Georgian Parliament, which led to protests by major political parties in Georgia. As a political consensus, which was reached with the involvement of foreign diplomats stationed in Georgia, it was agreed that, for the purposes of 2020 elections, 30 members of the Georgian Parliament would be selected through a majoritarian system, while the remaining 120 members of the Georgian Parliament would be selected through proportional representation with the electoral threshold of 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. On 29 June 2020, however, the Georgian Parliament voted to adopt the constitutional amendments.

The above factors have contributed to Georgia being ranked seventh (second in Europe and Central Asia) in the World Bank-IFC Doing Business Report for Ease of Doing Business 2020. Its ranking in Transparency International's 2017 Global Corruption Barometer is also consistent with the rankings of EEA Member States. Georgia is also party to free trade agreements with the European Union, China, the CIS Member States, Turkey, Switzerland and Hong Kong, as well as European Free Trade Association countries. It also benefits from a Generalised System of Preferences with the United States, Canada and Japan. Georgia also enjoys political support from NATO, the European Union, the United States, the United Nations and the World Trade Organisation, of which it has been a member since 2000. In February 2019 and October 2019, Fitch and S&P upgraded Georgia's long-term sovereign credit rating to "BB".

The NBG has pursued a programme of inflation targeting since 2009, resulting in relatively stable levels of inflation, although inflation spiked in 2017 due to the excise tax hike on tobacco as well as the depreciation of the Lari. Average inflation was 4.9% in 2019 as a result of inflationary expectations due to sustained nominal effective exchange rate depreciation, as well as the excise tax rate hike. In the second half of 2019, the NBG gradually raised its monetary policy rate from 6.5% to 9.0% to alleviate high inflationary pressures. The NBG reduced this rate to 8.5% on 29 April 2020, and subsequently to 8.25% on 24 June 2020, amid the COVID-19 pandemic. The inflation target of the NBG has been set at 3% for the period from 2019 to 2021.

Georgia has a flexible exchange rate regime and foreign exchange interventions have recently been limited to smoothing out excessive exchange rate volatility. The NBG's gross foreign reserves have increased from U.S.$3.0 billion in 2017 to U.S.$3.5 billion in 2019. However, the depreciation of the Lari has contributed to an overall increase in Georgia's public debt to 39.8% of GDP as at 31 December 2019. The NBG intervened in the foreign exchange market in March 2020 to supply liquidity to the system following the COVID-19 related shock, selling U.S.$100 million, with further interventions to come when deemed necessary.

Georgia has had consistently positive real interest rates, with rates of 3.5%, 9.4% and 4.7% in 2019, 2018 and 2017, respectively. The spread between Lari and foreign currency deposits has remained above 5% in 2019, providing a benefit for investments made in Lari.

Georgia's economy is relatively well diversified and is not significantly dependent on commodities. In the first nine months of 2019, trade, real estate, manufacturing, construction, agriculture, public administration, transport and storage, financial and insurance and other sectors accounted for 14.4%, 11.5%, 10.1%, 8.6%, 7.2%, 6.8%, 6.5%, 5.4% and 29.4% of GDP, respectively. The overall contribution of capital, labour and total factor productivity has been 2.2%, 0.7% and 1.8% over the period from 2011 to 2019, respectively (based on Geostat and Galt & Taggart estimates for 2019).

Although Georgia's economy has been stable in recent periods, it remains exposed to risks associated with neighbouring economies, in particular Russia and Turkey. In 2019, Russia accounted for 13.2% of Georgia's exports and 10.8% of its imports. Turkey accounted for 17.8% of imports in 2019. As a result of these exposures, the economy remains subject to the risk of adverse macroeconomic developments that affect Russia and Turkey, such as the oil price trend in 2020. In 2019, the Lari depreciated against the U.S. Dollar by 7.1%, which was largely due to negative expectations surrounding Russia's flight ban (although GDP growth remained relatively robust, with real GDP growth of 5.8% and 5.1% in the third and fourth quarters of 2019, respectively). Similarly, the Lari depreciated against the U.S. Dollar by 3.3% in 2018 largely due to the depreciation of the Turkish Lira.

Impact of COVID-19

The Government and the NBG have announced a series of support measures designed to mitigate the potential economic impact of the global spread of COVID-19. These measures are expected to ease recessionary pressure arising from demand and supply side shocks and have included the following:

- a three-month grace period on principal and interest payments on all retail loans has been agreed with most Georgian banks (with interest on these loans continuing to accrue during the grace period);
- potential restructuring opportunities for companies whose businesses have been affected by the pandemic and are struggling to service their bank loans have been introduced;
- hotels have been offered the opportunity to turn into quarantine zones at a specified rate reimbursed by the Government;
- companies operating in the hospitality industry (including hotels, restaurants, travel agencies, transport and tour companies) and their employees will also have their property and personal income taxes deferred by the Government for an initial four-month period. In addition, the Government will subsidise interest payments on bank loans for six months for small- and medium-sized hotels with four to 50 rooms nationwide. The Government will subsidise 80% of interest for loans issued in local currency and 70% of interest for loans issued in foreign currencies provided that (i) the principal amount of the loan does not exceed GEL 1,000,000 if issued in local currency, or USD 300,000 or EUR 250,000 if issued in USD or EUR, respectively; and (ii) the bank loan was issued before 1 March 2020 for the purposes of construction, expansion, infrastructure, repair or reconstruction of hotels;
- the Government will double the volume of VAT refunds to companies, from an expected GEL 600 million to an anticipated GEL 1.2 billion in 2020;
- the Government will increase its proposed capital expenditure by GEL 300 million in 2020;

- the Government subsidised electricity, natural gas, water and waste management bills for more than 1.2 million families up to a total amount of GEL 150 million from March until May 2020;
- the NBG eased non-price conditions by simplifying procedures and reducing loan to value and payment to income requirements for Georgian banks;
- the NBG introduced a U.S.$400 million currency swap facility, sold U.S.$210 million to provide foreign currency liquidity and reduced the monetary policy rate by 75 basis points to 8.25%;
- the NBG reduced the capital conservation buffer requirement from 2.5% of risk-weighted assets to 0%;
- the NBG partially lifted Pillar 2 requirements and committed to further easing, if necessary;
- the NBG may also revisit liquidity coverage ratio, reserve requirements and eligibility criteria for repo-eligible securities, if necessary; and
- the Government has approached the IMF, the IFIs and other donor organisations for additional funding.

In April 2020, the Government also announced additional support measures to address the crisis, which included income tax exemptions for hired employees with a salary of up to GEL 750, one-off transfers to the self-employed, additional aid for families that fall below a specified social score threshold or with three or more children, as well as disabled people, pension indexation from January 2021, credit guarantee schemes, agriculture grants and a relaxation of upper limits on financing through the programme "Produce in Georgia". Moreover, special support packages have been unveiled in support of the agriculture and real estate sectors comprising co-financing for the agriculture sector, direct subsidies and grants for farmers, mortgage interest rate subsidies, guarantees and insurance for the real estate sector, and a sharp acceleration of government demand for housing intended for refugees. The Government also plans to direct additional funds to address increased health care expenditure. Commercial banks have also suspended loan payments for retail loans.

These measures are intended to alleviate challenges arising from the COVID-19 outbreak, which are expected to reduce Georgia's GDP growth rate, particularly in relation to the tourism industry, which has already started to experience a high level of cancellations.

Notwithstanding these measures, management expects certain adverse impacts on GGU's business. In relation to the electricity business, management expects that electricity demand from commercial customers will decrease due to the COVID-19 outbreak. Water inflows to HPPs are at their peak from May to June and the energy market may face an oversupply of electricity during these months. To remedy imbalances in the system, generation levels at Georgian power plants may be restricted temporarily, which would result in GGU's run-of-the-river HPPs running at lower than maximum capacity during periods of potential oversupply from May to June.

In relation to the water supply and sanitation business, management expects that the COVID-19 outbreak will result in the lower demand for GGU's services in 2020, which in turn will result in decreased revenue. Based on the tariff methodology applicable as of the date of the Listing Particulars, management expects water supply and sanitation revenues to increase in 2021, although there can be no assurance that this will be the case.

Business activity in Georgia has begun a gradual recovery since 27 April 2020 as the six-stage lockdown exit plan has been brought forward due to favourable epidemiological developments, and largely all economic activity was resumed by mid-June 2020. The Government allowed domestic tourism from 15 June 2020. On 8 July 2020, Georgia opened its borders to travellers from Germany, France, Latvia, Lithuania and Estonia.

Regulated water tariffs

GGU's return in relation to its regulated water businesses is based on a tariff-setting methodology adopted by the GNERC in August 2017. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, GGU applies a WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets plus capital expenditure it has made. RAB is then multiplied by regulated WACC, providing the return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's IFRS financial statements. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period is 15.99%, whereas the previously applicable WACC was 13.54%. GGU is required to submit a new tariff application no later than 4 July of the year immediately preceding the next tariff period. This means that the tariff application for the regulatory period running from 1 January 2021 to 31 December 2023 was required to be submitted no later than 6 July 2020 (since 4 July 2020 fell on a weekend). Together with the tariff application, GGU was required to submit its most recent audited financials. GNERC is authorised to request any additional information it requires and the tariff is set through public proceedings, based on the same methodology as applied previously. The final deadline for the completion of the tariff-setting process is established by GNERC itself. However, it must be finalised prior to the start of the new regulatory period.

Determination by GNERC of the applicable WACC is part of the overall tariff-setting methodology. The current WACC formula prescribed by the methodology is fully aligned with the international best practices and is based on variables such as the average industry portion of debt in capital, cost of debt (the market average is based on NBG data), cost of capital and profit tax. The discretion of GNERC thus is limited through the normative formula, relevant inputs and objective market data. Upon adoption of new tariff-setting methodology in 2017, WACC was calculated by GNERC in accordance with the above principles and by applying objective values for its components (available from the NBG and other market sources). WACC is determined and fixed by GNERC for each tariff regulatory period of three years and it will be calculated for the new regulatory period (2021-2023) on the same basis.

The Zhinvali HPP, which is GGU's only regulated power plant, charges GWP the regulated tariff for its internal consumption, the cost of which is then included in "allowed revenue" under the above methodology and is reimbursed through the water tariff.

As a result of the application of the above methodology, GGU has significant predictability in relation to its revenue stream for its water supply and sanitation business.

Capital investments in water and wastewater infrastructure

During the past several years, GGU has made significant capital investments, including pursuant to its post-privatisation obligation to carry out investments of not less than U.S.$220 million in aggregate. This has affected its results of operations in several ways. First, the capital investments resulted in an increase in GGU's RAB, which is the basis for the regulated water tariff GGU is able to charge, as described above under "*—Regulated water tariffs*". Hence, the capital investments contributed directly to the increases in revenue during the periods under review.

Secondly, the investments in water and wastewater infrastructure have improved the quality of water supply and sanitation services to customers and have contributed to operating efficiencies. In particular, these investments have facilitated a reduction in water losses as well as the electricity used by the water supply and sanitation business, which has in turn allowed GGU to increase its sales of electricity to third parties. The water loss ratio decreased to 65.1% in 2019, compared to 67.2% and 71.4% in 2018 and 2017, respectively. The water loss ratio for the three months ended 31 March 2020 and 2019 was 63.0% and 66.4%, respectively. Self-consumption of electricity decreased to 174 million KWh in 2019, compared to 193.2 KWh and 239.4 KWh in 2018 and 2017, respectively. Self-consumption of electricity was 41.9 million and 41.7 million KWh in the three months ended 31 March 2020 and 2019, respectively.

Supply and demand dynamics in the electricity market

Demand for electricity in Georgia has been growing faster than supply in recent years, which has resulted in a deficit in generation. Increased demand for electricity has been satisfied by imports, which have tripled since 2016 and continued to grow gradually between 2017 and 2020, resulting in Georgia gradually becoming a net electricity importer.

Despite the overall trend, domestic consumption of electricity increased by only 1.4% to reach 12.8 TWh in 2019. This was due to the slowdown in growth being due in part to the decrease in residential cryptocurrency mining, which was in turn caused by lower profitability of the cryptocurrency mining business due to global growth in supply of large data centres. Despite the slowdown in consumption growth, electricity imports and thermal generation increased by 7.8% and 34.3% in 2019, respectively. 68% of electricity was imported from Azerbaijan with the remaining 32% coming from Russia. The growth in imports was due in part to a 10.1% decrease in hydro generation, which was attributable to adverse hydrological conditions. In 2019, the share of hydro generation in the total supply was 66.3%, which was a ten-year low.

In 2018, domestic consumption of electricity increased by 6.1% to reach 12.6 TWh. However, consumption slowed towards the end of the year. Imports grew by only 0.8% in 2018, while hydro generation grew by 8.0% and thermal generation decreased by 5.3%.

The following table sets forth certain information regarding Georgia's electricity market:

	Year ended 31 December		
	2019	**2018**	**2017**
		(GWh)	
Domestic consumption	12,759	12,577	11,856
Abkhazian region	2,060	1,922	2,002
Direct consumers	2,864	1,794	1,427
Distribution companies	7,835	8,862	8,427
Domestic generation	11,865	12,149	11,531
Hydro power plants (HPPs)	8,940	9,949	9,211
Thermal power plants (TPPs)	2,840	2,115	2,233
Wind power plants (WPPs)	85	84	88
Imports	1,627	1,509	1,497
Exports	243	589	686
Trade balance	(1,383)	(920)	(811)

Source: ESCO.

Going forward, management expects demand for electricity to continue to increase, driven by high GDP growth, which is strongly correlated with electricity demand. Increasing penetration of domestic appliances, as well as a rapidly growing tourism industry are also expected to contribute to demand for electricity. The number of international tourists to Georgia has almost tripled since 2011 and increased by 17% in 2018. Management expects further growth in the number of tourists over the next several years, although this may be significantly adversely affected in 2020 due to COVID-19 related restrictions. Tourism revenues in Georgia fell 26% in the first quarter of 2020 and 97% in the second quarter of 2020, as international travel was severely curtailed. In addition, the penetration level of domestic appliances is relatively low in Georgia compared to its peer countries. Penetration levels are expected to grow as a result of GDP growth, declining prices for appliances and decreasing average household size, resulting in growth in demand for electricity.

Galt & Taggart has forecasted that electricity consumption in Georgia will grow by 5.0% in 2020, although this forecast was made in January 2020 (i.e., prior to the escalation of the ongoing COVID-19 outbreak). Based on the MoESD's approved annual forecasted balance of electricity dated 23 December 2019 (as amended), 71.1% of total demand for electricity in 2020 will be met by hydro generation, 20.0% by thermal generation, 0.6% by wind generation and 8.3% by imports.

The balancing electricity price in Georgia was U.S.$ c 4.8/KWh in 2019, which represented a 5.0% decrease compared to 2018. The slight decrease in the average balancing price was attributable to ESCO accessing the Enguri HPP's regulated electricity, which was a one-off event to support the newly deregulated industrial consumers, consequently decreasing the average price of electricity for the year. 21.4% of total electricity supplied to the grid was traded through ESCO, as the market operator, with the remainder having been traded through bilateral contracts. Electricity prices have remained relatively stable notwithstanding the impact of the COVID-19 outbreak. For example, even though electricity consumption in March 2020 decreased 7.7% year-on-year, the balancing electricity price increased by 12.6% to reach U.S.$ c 5.6/KWh.

In Turkey, a key export market for electricity, the average price was U.S.$ c 4.7/KWh in 2019, which represented a 1.3% decrease compared to 2018. In May and June, the main export months for Georgia, average electricity prices in Turkey were U.S.$ c 3.4/KWh and U.S.$ c 4.1/KWh (which represented a 0.8% increase compared to June 2018), respectively. Exports to Turkey decreased in part due to the deregulation in May 2019, which increased liquidity in the Georgian market as new large customers entered the market. Due to high demand in the free market in Georgia, generators of electricity were able to secure arrangements for the sale of electricity in the local market. As a result, prices were higher on the local market compared to the net export price to Turkey.

The following table sets forth electricity prices for Georgia and Turkey for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December		
	2019	**2018**	**2017**
	(U.S.$ c/KWh)		
Balancing electricity price in Georgia	4.8	5.0	5.0
Average price of electricity imports in Georgia	4.8	5.0	4.5
Average price of electricity exports from Georgia	3.2	3.4	3.2
Market clearing price in Turkey	4.7	4.8	4.6

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Source: ESCO, Geostat, NBG, EPIAS.

Results of Operations

Three Months Ended 31 March 2020 and 2019

The following table sets forth GGU's combined results of operations for the three months ended 31 March 2020 and 2019:

	Three months ended 31 March	
	2020	**2019**
	(unaudited)	*(unaudited, not reviewed)*
	(GEL thousands)	
Revenue from water supply and related services	30,178	29,934
Revenue from electric power sales	6,769	2,368
Business interruption reimbursement gain	326	—
Other revenue	266	167
Total revenue and gains	**37,539**	**32,469**
Electricity and transmission costs	(4,183)	(4,179)
Salaries and other employee benefits	(5,002)	(4,782)
Allowance for expected credit losses	(1,600)	(1,363)
Taxes other than income tax	(1,857)	(1,301)
General and administrative expenses	(1,075)	(848)
Professional fees	(526)	(641)
Raw materials, fuel and other consumables	(745)	(545)
Maintenance expenditure	(768)	(506)

Charge for provisions and legal claim related expenses	(107)	23
Other operating expenses	(1,652)	(1,623)
Other income	271	350
Total expenses	**(17,244)**	**(15,415)**
EBITDA	**20,295**	**17,054**
Finance income	850	170
Finance costs	(14,442)	(5,241)
Foreign exchange (loss)/gain	(18,254)	1,626
Depreciation and amortisation	(11,486)	(7,552)
Non-recurring expenses	(413)	(2,862)
Profit before income tax expense	**(23,450)**	**3,195**
Income tax expense	—	—
Profit for the period	**(23,450)**	**3,195**

Revenue and gains

Revenue and gains increased by GEL 5.0 million, or 15.4%, to GEL 37.5 million for the three months ended 31 March 2020, compared to GEL 32.5 million for the three months ended 31 March 2019. The growth in revenue and gains was primarily driven by increased electricity revenues, which was due to inclusion of the Hydrolea HPPs and Qartli Wind Farm in the financial statements from their respective dates of acquisition.

Revenue from water supply

Revenue from water supply and related services increased by GEL 0.3 million, or 1.0%, to GEL 30.2 million for the three months ended 31 March 2020, compared to GEL 29.9 million for the three months ended 31 March 2019. In Georgia, the first COVID-19 case was confirmed by the NCDC in February 2020. The Government immediately introduced number of restrictive measures aimed at containment of the spread of the virus. According to management's assessment, the impact of COVID-19 on water supply revenue amounted to GEL 0.6 million during first quarter of 2020, which was more than offset by organic growth in water consumption.

Revenue from electric power sales

Revenue from electric power sales increased by GEL 4.4 million, or 185.9%, to GEL 6.8 million for the three months ended 31 March 2020, compared to GEL 2.4 million for the three months ended 31 March 2019. The increase was due to an increase in the volume of electricity sales from 21.5 GWh to 47.1 GWh, with 32.6 GWh being attributable to the Hydrolea HPPs and Qartli Wind Farm, which are included in the financial statements from their respective dates of acquisition.

Expenses

Total expenses increased by GEL 1.8 million, or 11.9%, to GEL 17.2 million for the three months ended 31 March 2020, compared to GEL 15.4 million for the three months ended 31 March 2019. The increase was mainly due to a 42.7% increase in taxes other than income tax, a 26.8% increase in general and administrative expenses, a 51.8% increase in maintenance expenditure, a 17.4% increase in allowance for impairment of trade and other receivables and a 36.7% increase in raw materials, fuel and other consumables.

Allowance for impairment of trade receivables

Allowance for impairment of trade receivables increased by GEL 0.2 million, or 17.4%, to GEL 1.6 million for the three months ended 31 March 2020, compared to GEL 1.4 million for the three months ended 31 March 2019. GEL 0.07 million of the change was attributable to an additional provisional charge due to the COVID-19 pandemic, while the remainder of the increase related to several major customers. Collection rates from water sales to residential and commercial customers did not deteriorate in the first quarter of 2020 compared to the first quarter of 2019.

Taxes other than income tax

Taxes other than income tax increased by GEL 0.6 million, or 42.7%, to GEL 1.9 million for the three months ended 31 March 2020, compared to GEL 1.3 million for the three months ended 31 March 2019. The increase was due to higher property tax, which was in line with the property, plant and equipment balance, which includes the Hydrolea HPPs and Qartli Wind Farm from their respective dates of acquisition.

General and administrative expenses

General and administrative expenses increased by GEL 0.3 million, or 26.8%, to GEL 1.1 million for the three months ended 31 March 2020, compared to GEL 0.8 million for the three months ended 31 March 2019. The increase was mainly attributable to additional security expenses related to the Hydrolea HPPs and Qartli Wind Farm, which were included in the financial statements from their respective dates of acquisition.

Maintenance expenditure

Maintenance expenditure increased by GEL 0.3 million, or 51.8%, to GEL 0.8 million for the three months ended 31 March 2020, compared to GEL 0.5 million for the three months ended 31 March 2019. The increase was mainly attributable to an operations and maintenance contract for Qartli Wind Farm.

EBITDA

EBITDA increased by GEL 3.2 million, or 19.0%, to GEL 20.3 million for the three months ended 31 March 2020, compared to GEL 17.1 million for the three months ended 31 March 2019. The increase was due to an increase in EBITDA from the electric power segment as well as, to a lesser extent, an increase in EBITDA from the water supply segment.

Water supply and wastewater collection

EBITDA from the water supply and wastewater collection segment increased by GEL 0.3 million, or 2.0%, to GEL 15.0 million for the three months ended 31 March 2020, compared to GEL 14.7 million for the three months ended 31 March 2019. The increase was due to higher revenue as well as a GEL 0.9 million decrease in other operating expenses.

Electric power generation

EBITDA from the electric power generation segment increased by GEL 3.0 million, or 123.4%, to GEL 5.3 million for the three months ended 31 March 2020, compared to GEL 2.4 million for the three months ended 31 March 2019. The increase was mainly due to the consolidation of the Hydrolea HPPs and Qartli Wind Farm from their respective dates of acquisition.

Finance costs

Finance costs increased by GEL 9.2 million, or 175.6%, to GEL 14.4 million for the three months ended 31 March 2020, compared to GEL 5.2 million for the three months ended 31 March 2019. GEL 3.6 million of the increase in finance costs was attributable to the acquired assets (the Hydrolea HPPs and Qartli Wind Farm) and GEL 2.0 million incurred by Svaneti Hydro was attributable to the commissioning of the Mestiachala HPP in April 2019, as the majority of finance costs was capitalised during the construction stage in 2019. The remainder of the increase was attributable to higher borrowings in water supply and sanitation business. In addition, 22% of GGU's loan book is linked to the NBG's refinancing interest rate, which was on average 2.2 percentage points higher in the first quarter of 2020.

Foreign exchange losses

Foreign exchange losses increased by GEL 19.9 million, to GEL 18.3 million for the three months ended 31 March 2020, compared to foreign exchange gains of GEL 1.6 million for the three months ended 31 March

2019. As at 31 March 2020, 24% and 45% of GGU's total borrowings were denominated in euro and U.S. Dollars, respectively. Borrowings denominated in euro are attributable to the water supply segment, whose functional currency is Lari. Borrowings denominated in U.S. Dollars are wholly attributable to the electric power generation segment, whose functional currency is the U.S. Dollar. Hence, foreign exchange losses during the first three months ended 31 March 2020 were mostly attributable to the depreciation of the Lari against the euro, while borrowings denominated in U.S. Dollars did not affect the income statement. The official NBG Lari/euro exchange rates as at 31 March 2020 and 31 December 2019 were 3.6363 and 3.2095, respectively.

Depreciation and amortisation

Depreciation and amortisation increased by GEL 3.9 million, or 52.1%, to GEL 11.5 million for the three months ended 31 March 2020, compared to GEL 7.6 million for the three months ended 31 March 2019. The increase was mainly driven by the acquisition of the Hydrolea HPPs and Qartli Wind Farm in October and December of 2019, respectively. In addition, the completion of the construction of the Mestiachala HPP increased property, plant and equipment substantially, which also had an impact on depreciation.

Non-recurring expenses

GGU recorded non-recurring expenses in the amount of GEL 2.9 million for the three months ended 31 March 2019. These expenses primarily related to employee share-based compensation. In January 2019, the Executive Chairman of GWP moved to a new position and remained entitled to previously awarded unvested shares, which will continue to vest according to the original schedule. The related share-based payment expense that was not recognised in profit or loss as at the termination date (which would otherwise have been recognised for services received over the remainder of the vesting period) was accelerated and immediately expensed in the amount of GEL 2.9 million.

Years ended 31 December 2019, 2018 and 2017

The following table sets forth GGU's combined results of operations for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December		
	2019	**2018**	**2017**
	(GEL thousands)		
Revenue from water supply	137,855	136,039	122,143
Revenue from electric power sales	26,341	9,052	9,755
Business interruption reimbursement	10,047	—	—
Other revenue	1,227	677	635
Total revenue and gains	**175,470**	**145,768**	**132,533**
Electricity and transmission costs	(16,917)	(18,695)	(18,303)
Salaries and other employee benefits	(20,539)	(18,620)	(18,923)
Allowance for impairment of trade receivables	(7,325)	(5,033)	(1,675)
Taxes other than income tax	(6,631)	(4,631)	(4,312)
General and administrative expenses	(3,751)	(3,784)	(3,817)
Professional fees	(2,890)	(3,082)	(2,793)
Raw materials, fuel and other consumables	(2,792)	(2,495)	(3,077)
Maintenance expenditure	(1,966)	(2,247)	(3,205)
Charge for provisions and legal claim related expenses	(120)	(231)	3
Other operating expenses	(7,968)	(7,013)	(7,798)
Other income	3,785	3,790	2,153
Total expenses	**(67,114)**	**(62,041)**	**(61,747)**
EBITDA	**108,356**	**83,727**	**70,786**
Finance income	1,995	589	1,692

Finance costs	(33,992)	(15,172)	(14,287)
Foreign exchange gains/(losses)	(7,544)	(5,278)	(676)
Depreciation and amortisation	(34,960)	(23,695)	(18,077)
Gain from sale of non-core assets	2,364	—	—
Non-recurring expenses	(1,891)	(4,044)	(3,001)
Profit before income tax expense	**34,328**	**36,127**	**36,437**
Income tax expense	—	—	—
Profit for the year	**34,328**	**36,127**	**36,437**

Revenue and gains

Revenue and gains increased by GEL 29.7 million, or 20.4%, in 2019 to GEL 175.5 million for the year ended 31 December 2019, compared to GEL 145.8 million for the year ended 31 December 2018, and by GEL 13.2 million, or 10.0%, in 2018 compared to GEL 132.5 million for the year ended 31 December 2017. The growth in revenue and gains in 2019 was primarily driven by increased electricity sales, which almost tripled year-on-year and amounted to GEL 26.3 million. This growth reflected significant improvements in the average electricity sales price (which increased from 6.9 Tetri/KWh to 10.9 Tetri/KWh), as well as an 83.9% increase in the volume of third party sales, attributable to the addition of Mestiachala HPP and the Hydrolea HPPs as well as continued improvements in self-produced electricity consumption for the water supply and sanitation business. Higher water supply revenue also contributed to revenue growth in 2019. Revenue from water supply and related services increased by 1.3% in 2019 mainly due to strong business activity across various industries. Moreover, gains from the business interruption insurance reimbursement in connection with the rock avalanche event at the Mestiachala HPP contributed GEL 10.0 million of revenue and gains in 2019.

In 2018, the increase in revenue and gains was due to higher revenue from water supply and related services, which was in turn due to the increased residential tariff effective from 1 January 2018, as described below.

Revenue from water supply

Revenue from water supply and related services increased by GEL 1.9 million, or 1.4%, in 2019 to GEL 137.9 million for the year ended 31 December 2019, compared to GEL 136.0 million for the year ended 31 December 2018, and by GEL 13.9 million, or 11.4% in 2018, compared to GEL 122.1 million for the year ended 31 December 2017. Revenue from water supply and related services includes the deferred portion of revenue from new customer connection services as well as revenue from the installation of water meters. The increase in revenue from water supply and related services in 2019 was driven by an increase in revenue from legal entities, as well as increased revenue from new connection services. The increase in 2018 was attributable to the increased residential tariff effective from 1 January 2018 and applicable for the three-year regulatory period from 2018 to 2020.

Revenue from electric power sales

Revenue from electric power sales increased by GEL 17.2 million, or 189.0%, in 2019 to GEL 26.3 million for the year ended 31 December 2019, compared to GEL 9.1 million for the year ended 31 December 2018, and decreased by GEL 0.7 million, or 7.1%, in 2018, compared to GEL 9.8 million for the year ended 31 December 2017. The increase in 2019 was due to the increased efficiency of GGU's water supply and sanitation business, which freed up electricity for sales to third parties, as well as the Mestiachala HPP coming onstream and the inclusion of the Hydrolea HPPs from their date of acquisition. In total, 240.2 GWh of electricity was sold to third parties in 2019, compared to 130.6 GWh in 2018, a 83.9%, or 109.6 GWh, increase year-on-year. 54.1 GWh of the increase was due to the Mestiachala HPP coming onstream, while 8.6 GWh was attributable to the inclusion of the Hydrolea HPPs from their date of acquisition, being 28 October 2019. 46.9 GWh of the increase was due to the 19.2 GWh decrease in self-produced electricity consumption as well as a 27.8 GWh increase of net generation by the HPPs linked to the water supply and sanitation business. Net generation by these HPPs was 351.6 GWh, 323.8 GWh, and 341.5 GWh, in 2019, 2018, and 2017, respectively.

Business interruption reimbursement

In July 2019, a rock avalanche in Mestia in the Svaneti region of Georgia, which is located in the Mestiachala River valley, caused damage to the 50 MW Mestiachala HPP and the surrounding infrastructure. As a result of this event, both generation units of the Mestiachala HPP were taken offline and ceased to generate revenue. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity. In relation to the 20 MW generation unit, surveys are ongoing for the restoration design which will be submitted to the relevant government authorities for the purpose of obtaining a construction permit. The recommissioning of the 20 MW unit is planned for the second half of 2021. In relation to this loss event, GGU recognised gains from the business interruption insurance reimbursement in the amount of GEL 10.0 million.

Expenses

Expenses increased by GEL 5.1 million, or 8.2%, in 2019 to GEL 67.1 million for the year ended 31 December 2019, compared to GEL 62.0 million for the year ended 31 December 2018, and by GEL 0.3 million, or 0.5%, in 2018, compared to GEL 61.7 million for the year ended 31 December 2017. Despite significant growth in the scale of operations, total expenses have not changed significantly, which has been due to efficient cost management and continued maintenance works, resulting in significant cost savings in infrastructure asset maintenance expenses and raw materials expenses. The increase in expenses in 2019 was primarily due to a 10.3% increase in salaries and other employee benefits, a 45.5% increase in the allowance for impairment of trade receivables, a 43.2% increase in taxes other than income tax, partially offset by a 9.5% decrease in electricity and transmission costs. The increase in expenses in 2018 was due to the adoption of IFRS 9, which tripled the allowance for impairment of trade receivables given the expected credit loss model set forth in the standard. On the other hand, other income was higher in 2018 compared to 2017 due to income from fines.

Electricity and transmission costs

Electricity and transmission costs decreased by GEL 1.8 million, or 9.5%, in 2019 to GEL 16.9 million for the year ended 31 December 2019, compared to GEL 18.7 million for the year ended 31 December 2018, and increased by GEL 0.4 million, or 2.1%, in 2018, compared to GEL 18.3 million for the year ended 31 December 2017. Electricity and transmission costs include payments for guaranteed capacity, transit and dispatching of electricity and sustainability of different voltage sub-stations of distribution companies. All fees are set per KWh of consumed electricity and the fees remained more or less flat during the periods under review. The decrease in 2019 was due to a reduction in electricity consumption. Electricity consumption decreased to 211.8 million KWh in 2019, compared to 237.1 million KWh and 290.7 million KWh in 2018 and 2017, respectively.

Salaries and other employment benefits

Salaries and other employment benefits increased by GEL 1.9 million, or 10.3%, in 2019 to GEL 20.5 million for the year ended 31 December 2019, compared to GEL 18.6 million for the year ended 31 December 2018, and decreased by GEL 0.3 million, or 1.6%, in 2018, compared to GEL 18.9 million for the year ended 31 December 2017. The increases were due to headcount increases across several key departments, including finance, legal, transport and internal audit. The headcount of the transport department was increased in order to cut expenses associated with hiring different transport and machinery services.

Allowance for impairment of trade receivables

Allowance for impairment of trade receivables increased by GEL 2.3 million, or 45.5%, in 2019 to GEL 7.3 million for the year ended 31 December 2019, compared to GEL 5.0 million for the year ended 31 December 2018, and by GEL 3.3 million, or 194.1%, in 2018, compared to GEL 1.7 million for the year ended 31 December 2017. Since 2018, GGU has enhanced its monitoring of illegal connections to its wastewater network. The increased allowance in 2019 was attributable to the unreceived portion of the aforementioned fines. The increase in 2018 was primarily driven by the adoption of IFRS 9, which is intended to result in an earlier recognition of credit losses based on an expected credit loss model, compared with the previous incurred loss impairment approach applicable to financial instruments under IAS 39.

Taxes other than income tax

Taxes other than income tax increased by GEL 2.0 million, or 43.2%, in 2019 to GEL 6.6 million for the year ended 31 December 2019, compared to GEL 4.6 million for the year ended 31 December 2018, and by GEL 0.3 million, or 7.4%, in 2018, compared to GEL 4.3 million for the year ended 31 December 2017. The increases were due to property tax which is correlated with the increase in property, plant and equipment.

General and administrative expenses

General and administrative expenses remained relatively stable at GEL 3.8 million for each of the years ended 31 December 2019, 2018 and 2017. GGU was able to maintain general administrative expenses notwithstanding the growth in its business due to effective cost management and control.

EBITDA

EBITDA increased by GEL 24.7 million, or 29.5%, in 2019, to GEL 108.4 million for the year ended 31 December 2019, compared to GEL 83.7 million for the year ended 31 December 2018, and by GEL 12.9 million, or 18.2%, in 2018, compared to GEL 70.8 million for the year ended 31 December 2017. The increase in 2019 was almost entirely due to higher EBITDA from the electric power generation segment, as described below. The increase in 2018 was due to higher EBITDA from the water supply and wastewater collection segment, with EBITDA from the electric power generation segment having decreased slightly.

Water supply and wastewater collection

EBITDA from the water supply and wastewater collection segment remained relatively stable at GEL 75.9 million and GEL 75.7 million for the years ended 31 December 2019 and 2018, respectively, after having increased by GEL 14.7 million, or 24.1%, compared to GEL 61.0 million for the year ended 31 December 2017. The increase in 2018 was primarily due to the increased residential tariff effective from 1 January 2018, as described above under "*—Revenue and gains—Revenue from water supply*".

Electric power generation

EBITDA from the electric power generation segment increased by GEL 24.5 million, or 304.2%, in 2019 to GEL 32.5 million for the year ended 31 December 2019, compared to GEL 8.0 million for the year ended 31 December 2018, and decreased by GEL 1.8 million, or 18.0%, in 2018, compared to GEL 9.8 million for the year ended 31 December 2017. The significant increase in 2019 was due to the Mestiachala HPP and the Hydrolea HPPs coming online, as well as the increased efficiency of GGU's water supply and sanitation business, which freed up electricity for sales to third parties, as described in further detail above under "*—Revenue and gains—Revenue from electric power sales*".

Finance costs

Finance costs increased by GEL 18.8 million, or 124.0%, in 2019 to GEL 34.0 million for the year ended 31 December 2019, compared to GEL 15.2 million for the year ended 31 December 2018, and by GEL 0.9 million, or 6.2%, in 2018, compared to GEL 14.3 million for the year ended 31 December 2017. Out of the GEL 34.0 million of finance costs in 2019, GEL 26.2 million was attributable to the water supply and sanitation business and GEL 7.8 million was attributable to Svaneti Hydro (in relation to Mestiachala) and Hydrolea (with such expenses being included from the date of acquisition). The significant increase in 2019 in the water supply and sanitation business was due to drawdowns of new borrowings throughout the year. Moreover, as at 31 December 2019, 23% of GGU's loan financing was linked to the NBG's refinancing interest rate which increased by 2% in 2019. The increase in 2018 was due to new borrowings at the end of 2017. Net proceeds from borrowings were GEL 147.0 million, GEL 126.5 million and GEL 193.3 million in 2019, 2018 and 2017, respectively.

Foreign exchange losses

GGU recorded foreign exchange losses of GEL 7.5 million and GEL 5.3 million in 2019 and 2018, respectively, compared to GEL 0.7 million in 2017. The losses in 2019 and 2018 were due to the devaluation of the Lari against the Euro since the majority of GGU's loan financing is denominated in Euro. GGU partially hedged its currency position (the notional value of currency derivatives was €7 million in 2019 and €9.3 million in 2018 and 2017) which led to foreign exchange losses of GEL 0.1 million in 2019 and GEL 2.2 million in 2018 and gains of GEL 0.5 million in 2017.

Exchange rate fluctuations on U.S. Dollar denominated borrowings do not materially affect the income statement for Svaneti Hydro (which includes the Mestiachala HPP), since the functional currency of Svaneti Hydro is the U.S. Dollar. For Hydrolea and Qartli Wind Farm, the functional currency has been changed from Lari to U.S. Dollars from the dates of their respective acquisition by GGU and therefore, going forward, exchange rate movements will not have material effect on their respective income statements.

Depreciation and amortisation

Depreciation and amortisation increased by GEL 11.3 million, or 47.5%, in 2019 to GEL 35.0 million for the year ended 31 December 2019, compared to GEL 23.7 million for the year ended 31 December 2018, and by GEL 5.6 million, or 31.1%, in 2018, compared to GEL 18.1 million for the year ended 31 December 2017. The increases were driven by capital expenditure incurred mainly related to repairs of the water supply and wastewater treatment network. In addition, the completion of construction and rehabilitation projects at the Gardabani Sewage Treatment Plant and the Bodorna and Mestiachala HPPs increased property, plant and equipment substantially, which also had an impact on depreciation.

Gain from sale of non-core assets

In 2019, GGU recorded a gain from sale of non-core assets classified as investment property and property, plant and equipment, in the amount of GEL 2.4 million

Non-recurring expenses

GGU recorded non-recurring expenses in the amount of GEL 1.9 million, GEL 4.0 million and GEL 3.0 million in 2019, 2018 and 2017, respectively. These expenses are primarily related to employee share-based compensation, non-operating tax expenses, charity expenses and expenses related to rock avalanche and are partially offset by income from the transfer of assets under exit from share purchase agreements and gain from insurance reimbursement.

In January 2019, the Executive Chairman of GWP moved to a new position and remained entitled to previously awarded unvested shares, which will continue to vest according to the original schedule. The related share-based payment expense that was not recognised in the combined income statement as of the termination date (that otherwise would have been recognised for services received over the remainder of the vesting period) was accelerated and immediately expensed in the amount of GEL 2.9 million.

On 29 May 2018, BGEO Group PLC ("**BGEO**") completed the demerger of its business activities into a London-listed banking business, Bank of Georgia Group PLC, and a London-listed investment business, Georgia Capital PLC. As a result, Georgia Capital became the ultimate parent of GGU. In 2018, following the demerger process, all outstanding unvested share awards under previous service agreements were converted into one Georgia Capital share vesting according to the original schedule and one Bank of Georgia PLC share vesting immediately per each BGEO share. The related share-based payment expense that was not recognised in the income statement as of the termination date (that otherwise would have been recognised for services received over the remainder of the vesting period) was accelerated and immediately expensed in the amount of GEL 5.2 million.

Financial condition

The following table sets forth GGU's combined financial condition as at 31 March 2020 and as at December 2019, 2018 and 2017:

	As at 31 March 2020	**As at 31 December**		
		2019	**2018**	**2017**
	(unaudited)		*(audited)*	
		(GEL thousands)		

Assets				
Non-current assets				
Property, plant and equipment	899,338	842,032	567,533	354,887
Investment property	8,641	8,641	9,865	11,286
Right-of-use assets	1,034	1,305	—	—
Restructured trade receivables	122	209	204	133
Other non-current assets	6,107	3,526	41,204	47,009
Total non-current assets	**915,242**	**855,713**	**618,806**	**413,315**
Current assets				
Inventories	4,479	3,928	3,913	3,787
Trade and other receivables	20,695	24,424	19,514	23,210
Loans issued	120	82	—	—
Current income tax prepayments	—	—	—	184
Prepaid taxes other than income tax	2,384	2,214	3,747	5,436
Reimbursement assets	47,623	46,457	—	3,222
Prepayments	2,298	3,805	1,648	1,469
Derivative financial assets	747	—	—	450
Restricted cash	7,538	6,581	877	7,656
Cash at bank	42,591	46,806	14,357	65,502
Total current assets	**128,475**	**134,297**	**44,056**	**110,916**
Total assets	**1,043,717**	**990,010**	**662,862**	**524,231**
Equity				
Charter capital	2	2	2	2
Additional paid-in capital	122,004	101,205	59,348	12,757
Retained earnings	122,705	145,421	130,900	128,875
Other reserves	9,438	(4,253)	(6,276)	(4,505)
Revaluation reserve for property, plant and equipment	4,813	4,813	8,200	9,698
Equity attributable to the owners of the parent	**258,962**	**247,188**	**192,174**	**146,827**
Non-controlling interests	—	24,896	26,458	5,294
Total equity	**258,962**	**272,084**	**218,632**	**152,121**
Liabilities				
Non-current liabilities				
Borrowings	661,316	608,929	366,534	305,321
Deferred revenue	24,831	24,569	18,948	16,023
Lease liabilities	877	1,064	—	—
Other non-current liabilities	1,786	1,538	1,334	1,299
Total non-current liabilities	**688,810**	**636,100**	**386,816**	**322,643**
Current liabilities				
Borrowings	51,101	44,437	24,424	6,884
Advances received	6,867	6,242	8,424	8,562
Trade and other payables	19,840	13,601	15,360	24,662
Provisions for liabilities and charges	721	614	525	3,103
Deferred revenue	4,757	4,764	3,921	3,451
Lease liabilities	214	248	—	—
Derivative financial liabilities	—	1,919	1,777	—
Other current liabilities	6,441	5,479	676	—
Other taxes payable	6,004	4,522	2,307	2,805
Total current liabilities	**95,945**	**81,826**	**57,414**	**49,467**

Total liabilities	**784,755**	**717,926**	**444,230**	**372,110**
Total liabilities and equity	**1,043,717**	**990,010**	**662,862**	**524,231**

Total assets

Total assets increased by GEL 53.7 million, or 5.1% to GEL 1,043.7 million as at 31 March 2020, compared to GEL 990.0 million as at 31 December 2019. The increase in the first quarter of 2020 was primarily due to an increase in property, plant and equipment in the amount of GEL 57.3 million, partially offset by a decrease in trade and other receivables and cash at bank.

Total assets increased by GEL 327.1 million, or 49.3%, in 2019 to GEL 990.0 million as at 31 December 2019, compared to GEL 662.9 million as at 31 December 2018, and by GEL 138.7 million, or 26.5%, in 2018, compared to GEL 524.2 million as at 31 December 2017. The increase in 2019 was primarily due to the acquisitions of Hydrolea and Qartli Wind Farm in October and December of 2019, respectively. The increase in total assets in 2018 was due to increases in property, plant and equipment, other non-current assets, trade and other receivables, reimbursement assets and cash at bank.

Property, plant and equipment

Property, plant and equipment increased by GEL 57.3 million, or 6.8%, to GEL 899.3 million as at 31 March 2020, compared to GEL 842.0 million as at 31 December 2019. The balance was significantly driven by currency translation differences compared to 31 December 2019, as property, plant and equipment is denominated in U.S. Dollars for Svaneti Hydro, Georgia Energy Holding LLC and Georgian Wind Company LLC. The official NBG Lari/U.S. Dollar exchange rates as at 31 March 2020 and 31 December 2019 were 3.2845 and 2.8677, respectively.

Property, plant and equipment increased by GEL 274.5 million, or 48.4%, in 2019 to GEL 842.0 million as at 31 December 2019, compared to GEL 567.5 million as at 31 December 2018, and by GEL 212.6 million, or 59.9%, in 2018, compared to GEL 354.9 million as at 31 December 2017. The increase in 2019 was primarily due to the acquisition of Hydrolea and Qartli Wind Farm in October and December of 2019, respectively and the completion of construction of the 50 MW Mestiachala HPP in the second quarter of 2019. In addition, capital expenditure in relation to water supply and sanitation infrastructure carried out during the year in order to upgrade the network contributed to the increase. All regulated capital expenditure is included in the RAB, which is used by GNERC to calculate a fair return on investment. The increase in property, plant and equipment in 2018 was due to capital expenditure incurred in connection with repairs to the water supply and wastewater treatment network and ongoing construction of Mestiachala HPP.

Other non-current assets

Other non-current assets increased by GEL 2.6 million, or 73.2%, to GEL 6.1 million as at 31 March 2020, compared to GEL 3.5 million as at 31 December 2019. The increase in 2020 was primarily attributable to higher prepayments for non-current assets and an increase in intangible assets.

Other non-current assets decreased by GEL 37.7 million, or 91.4%, in 2019 to GEL 3.5 million as at 31 December 2019, compared to GEL 41.2 million as at 31 December 2018, and by GEL 5.8 million, or 12.3%, in 2018, compared to GEL 47.0 million as at 31 December 2017. The decrease in 2019 was primarily attributable to the completion of construction of the Mestiachala HPP in the second quarter of 2019, resulting in the transfer of prepayments for non-current assets to property, plant and equipment. The decrease in 2018 was related to the completion of rehabilitation of the Gardabani Sewage Treatment Plant.

Trade and other receivables and allowance for expected credit losses

Trade and other receivables decreased by GEL 3.7 million, or 15.3%, to GEL 20.7 million as at 31 March 2020, compared to GEL 24.4 million as at 31 December 2019. 76% of trade and other receivables was attributable to the water supply and sanitation business, while 17% related to electric power sales and 7% was attributable to fines and other trade receivables. The decrease in the first quarter of 2020 was due to a decrease in receivables from electric power sales. GGU had higher sales of electric power at the end of 2019, which resulted in increased trade receivables as at 31 December 2019, which were then collected in the first three months of 2020.

Trade and other receivables increased by GEL 4.9 million, or 25.2%, in 2019 to GEL 24.4 million as at 31 December 2019, compared to GEL 19.5 million as at 31 December 2018, and decreased by GEL 3.7 million, or 15.9%, in 2018, compared to GEL 23.2 million as at 31 December 2017. As at 31 December 2019, 68% of total trade and other receivables was attributable to the water supply and sanitation business, 23% was attributable to electric power sales and 9% was accrued from fines and other trade receivables. The increase in 2019 was driven by significant sales of electric power in December 2019 and a temporary delay in cash receipts. The decrease in 2018 related to the adoption of IFRS 9, which led to higher provisions.

Allowance for expected credit losses increased by GEL 1.4 million, or 5.7%, to GEL 26.7 million as at 31 March 2020, compared to GEL 25.3 million as at 31 December 2019.

Allowance for expected credit losses increased by GEL 6.2 million, or 32.4%, in 2019 to GEL 25.3 million as at 31 December 2019, compared to GEL 19.1 million as at 31 December 2018, and decreased by GEL 16.6 million, or 46.6%, in 2018, compared to GEL 35.7 million as at 31 December 2017. The increase in 2019 was driven by the impairment charge for the period. The decrease in 2018 related to bad debt write-offs conditioned by amendments of a decree regarding potable water supply and consumption issued by GNERC, pursuant to which customers were exempted from obligation to pay amounts older than three years.

Reimbursement assets

Reimbursement assets increased by GEL 1.1 million, or 2.4%, to GEL 47.6 million as at 31 March 2020, compared to GEL 46.5 million as at 31 December 2019. During the first quarter of 2020, GGU's insurance company reimbursed GEL 5.0 million in connection with its business interruption coverage. Since the insurance covers 12 months of business interruption, the effect was netted with the accrual of GEL 0.3 million in business interruption attributable to the first quarter of 2020. The currency fluctuation effect for the quarter was GEL 3.6 million.

Reimbursement assets amounted to GEL 46.5 million as at 31 December 2019, compared to nil as at 31 December 2018 and GEL 3.2 million as at 31 December 2017. A rock avalanche event occurred in July 2019, causing damage to the 50MW Mestiachala HPP and the surrounding infrastructure. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019. In relation to the loss event, GGU recognised an insurance claim receivable amounting to GEL 46.5 million as at 31 December 2019, out of which GEL 10.0 million was related to revenue from business interruption and GEL 36.4 million was related to the reimbursement for the damage of property, plant and equipment. In 2017, a heavy flood event occurred in Svaneti, causing damage to the Mestiachala HPP, as a result of which GGU recognised an insurance claim receivable amounting to GEL 3.2 million as at 31 December 2017, which was reimbursed in 2018.

Cash at bank

Cash at bank decreased by GEL 4.2 million, or 9.0%, to GEL 42.6 million as at 31 March 2020, compared to GEL 46.8 million as at 31 December 2019. The decrease was due to drawdowns on GGU's financing arrangements at the end of 2019 which were subsequently spent during the first three months of 2020.

Cash at bank increased by GEL 32.4 million, or 226.0%, in 2019 to GEL 46.8 million as at 31 December 2019, compared to GEL 14.4 million as at 31 December 2018, and decreased by GEL 51.1 million, or 78.1%, in 2018, compared to GEL 65.5 million as at 31 December 2017. The increase in 2019 was driven by the acquisitions of Hydrolea and Qartli Wind Farm, which contributed to the 2019 year-end cash at bank balance in the amount of GEL 9.9 million and GEL 9.8 million, respectively. Moreover, the drawdown of a new loan facility in December 2019 had positive impact on cash at bank. At the end of 2017, GGU incurred new borrowings to support its capital expenditure projects, including the rehabilitation of the Gardabani Sewage Treatment Plant, the Bodorna HPP and the Mestiachala HPP. As a result of these investments, cash and cash equivalents decreased significantly in 2018.

Total equity

Total equity decreased by GEL 13.1 million, or 4.8%, to GEL 259.0 million as at 31 March 2020, compared to GEL 272.1 million as at 31 December 2019. The decrease was mainly attributable to the loss for the three months ended 31 March 2020 of GEL 23.5 million, netted with the positive effect of GEL 13.7 million on other reserves, which was in turn due to the depreciation of the Lari against the U.S. Dollar for entities with U.S. Dollars as their functional currency. On 25 February 2020, Georgia Capital acquired the remaining 34.41% in GRPC which was previously held by RP Global and became the 100% owner of Svaneti Hydro. As a result, the balance of accumulated equity attributable to non-controlling interests was transferred to additional paid-in capital. In addition, GEL 3.1 million in additional paid-in capital was contributed in Svaneti Hydro by the parent company. Moreover, on 31 March 2020, Georgian Wind Company LLC decreased its additional paid-in capital by GEL 4.9 million (U.S.$1.5 million) in exchange for cash consideration payable to the parent.

Total equity increased by GEL 53.5 million, or 24.4%, in 2019 to GEL 272.1 million as at 31 December 2019, compared to GEL 218.6 million as at 31 December 2018, and by GEL 66.50 million, or 43.7% in 2018, compared to GEL 152.1 million as at 31 December 2017. The increases were due to increases in retained earnings due to higher profit for the year as well as the acquisitions of Hydrolea and Qartli Wind Farm during 2019, which increased additional paid-in capital in the amount of GEL 42.1 million, which was contributed by the parent company. In addition, during 2019, Svaneti Hydro issued shares for a consideration of GEL 1.5 million which was offset by a decrease in its share capital in exchange for a cash distribution to shareholders in the amount of GEL 11.6 million. In relation to 2018, borrowings from shareholders in the amount of GEL 59.1 million were contributed to the additional paid-in capital of Svaneti Hydro. In 2019, 2018 and 2017, the entities included in the Combined Financial Statements declared and paid GEL 22.0 million, GEL 28.8 million and GEL 28.0 million of dividends, respectively.

Total liabilities

Total liabilities increased by GEL 66.8 million, or 9.3%, to GEL 784.8 million as at 31 March 2020, compared to GEL 717.9 million as at 31 December 2019. The increase was attributable to significant changes in borrowings and trade and other payables balances.

Total liabilities increased by GEL 273.7 million, or 61.6%, in 2019 to GEL 717.9 million as at 31 December 2019, compared to GEL 444.2 million as at 31 December 2018, and by GEL 72.1 million, or 19.4%, in 2018, compared to GEL 372.1 million as at 31 December 2017. The increases were primarily due to increases in borrowings and other current liabilities as described below.

Borrowings

Total borrowings increased by GEL 59.0 million, or 9.0%, to GEL 712.4 million as at 31 March 2020, compared to GEL 653.4 million as at 31 December 2019. The increase was primarily due to the depreciation of the Lari against the U.S. Dollar and the euro. As at 31 March 2020, 45% and 24% of total borrowings were denominated in U.S. Dollars and euro, respectively. The official NBG Lari/euro exchange rate as at 31 March 2020 and 31 December 2019 were 3.6363 and 3.2095, respectively and the Lari/U.S. Dollar exchange rates as at the same dates were 3.2845 and 2.8677, respectively.

Total borrowings increased by GEL 262.4 million, or 67.1%, in 2019 to GEL 653.4 million as at 31 December 2019, compared to GEL 391.0 million as at 31 December 2018, and by GEL 78.8 million, or 25.2%, in 2018, compared to GEL 312.2 million as at 31 December 2017. The increase in borrowings during 2019 was mainly related to the acquisition of Hydrolea and Qartli Wind Farm. Borrowings by the water supply and sanitation business increased by GEL 59.2 million during 2019. In relation to 2018, borrowings from shareholders in the amount of GEL 59.1 million were contributed to the additional paid-in capital of Svaneti Hydro.

Other current liabilities

Other current liabilities increased by GEL 0.9 million, or 16.4%, to GEL 6.4 million as at 31 March 2020, compared to GEL 5.5 million as at 31 December 2019. The increase in the first quarter of 2020 was attributable to the depreciation of the Lari against the U.S. Dollar, resulting in the revaluation of deferred consideration for the acquisition of Hydrolea.

Other current liabilities increased by GEL 4.8 million, or 713.6%, in 2019 to GEL 5.5 million as at 31 December 2019, compared to GEL 0.7 million as at 31 December 2018, and by GEL 0.7 million in 2018, compared to GEL nil million as at 31 December 2017. The increase in 2019 was primarily attributable to the acquisition of Hydrolea. Pursuant to the sale and purchase agreement, GGU must pay deferred consideration in amount of GEL 5.7 million during 2020.

Liquidity and Capital Resources

Capital Resources

GGU's primary uses of cash are capital investments in its water supply and wastewater treatment network and renewable energy assets. The entities included in the Combined Financial Statements declared and paid dividends to its shareholder in 2019, 2018 and 2017 in the amount of GEL 22.0 million, GEL 28.8 million and GEL 28.0 million, respectively. Its primary sources of liquidity are cash flow generated from its operations and amounts borrowed pursuant to its existing debt instruments.

GGU seeks to prudently manage foreign exchange risk by matching its foreign currency outflows with foreign currency inflows mainly from electricity sales. The Issuer and certain of its subsidiaries are party to various financing arrangements, including term loans with commercial banks or multi-lateral financing agencies for the purpose of financing capital investments both for water supply and sanitation and renewable energy projects. As at 31 March 2020, GGU's aggregate current and non-current borrowings (excluding guarantees and letters of credit) was GEL 712.4 million, including accrued interest.

The most material credit facilities are described below. These facilities have customary financial covenants and certain of them are collateralised by assets of the Issuer and the Guarantors and equity in Svaneti Hydro and Hydrolea. As at 31 March 2020, GGU had GEL 266.6 million of secured indebtedness.

On 6 December 2016, GWP, a subsidiary of the Issuer, issued a bond in the amount of GEL 30 million, with a maturity of 5 years and bearing interest at a coupon set at the NBG refinancing rate plus a margin of 3.50%. The bonds are listed on the Georgian Stock Exchange.

On 15 August 2017, GWP entered into a term facilities agreement (the "**Term Facilities**") consisting of a Lari tranche in the amount of GEL 98.7 million and a euro tranche in the amount of €25 million. FMO acted as Mandated Lead Arranger, Agent and Lender and DEG acted as Lender. GWP used the proceeds of the Term Facilities for refinancing and capital investment purposes. The aggregate amount outstanding under the Term Facilities as at 31 March 2020 was GEL 172.8 million. The Term Facilities have a maturity ranging from 10 to 15 years, including a 2-year grace period. The Lari and Euro tranches of the Term Facilities bear interest at fixed rates.

On 29 November 2019, GWP entered into a term facility agreement in the amount of €30 million with DEG. GWP used the proceeds of the term facility for refinancing and capital investment purposes. The amount outstanding under this facility as at 31 March 2020 was GEL 57.6 million. The facility has a maturity of 10 years, including a 2-year grace period. The loan bears interest at EURIBOR plus a margin of 2.90%.

During 2018 and 2019, GWP entered into several Lari denominated loan agreements with TBC Bank, containing similar restrictive and affirmative covenants but on slightly different commercial terms. GWP used the proceeds of the loans for refinancing and capital investment purposes. The amount outstanding under the loans with TBC Bank as at 31 March 2020 was GEL 94.3 million. The loans have a maturity of 7 to 10 years, including a grace period ranging from 6 months to 2 years. The loans bear interest at the NBG refinancing rate plus a margin of between 3.75 and 4.00%.

On 25 January 2019, Svaneti Hydro, a subsidiary of the Issuer, which owns the Mestiachala HPP, entered into a loan agreement with TBC Bank in the amount of U.S.$40 million. Svaneti Hydro used the proceeds of the loan for refinancing and capital investment purposes. The amount outstanding as at 31 March 2020 was GEL 123.8 million. The loan has a maturity of 15 years, including a 1-year grace period. The loan bears interest at 6 months LIBOR plus a margin of 5.30%.

On 30 and 31 December 2019, Hydrolea, a subsidiary of the Issuer, which owns the Kasleti, Debeda and Akhmeta HPPs, entered into parallel loan agreements with Bank of Georgia and TBC Bank, in the amount of U.S.$20.6 million and U.S.$6 million, respectively. Hydrolea used the proceeds of the parallel loan agreements mainly for refinancing purposes. The amount outstanding as at 31 March 2020 under the Bank of Georgia and TBC Bank loans was GEL 68.7 million and GEL 20.0 million, respectively. The parallel loan agreements have maturity of 15 years, including twelve-month and eleven-month grace periods, respectively. The parallel loans bear interest at 6 months LIBOR plus a margin of 5.50%. The loan agreements contain restrictive and affirmative covenants.

On 11 January 2016, Qartli Wind Farm, a subsidiary of the Issuer, entered into a loan agreement with the EBRD in the amount of U.S.$24 million (which was amended and restated on 26 November 2019). Qartli Wind Farm used the proceeds of the loan agreement for capital investment purposes. The amount outstanding as at 31 March 2020 was GEL 54.1 million. The loan was amended and restated on 26 November 2019 to mature in 2029. The loan bears interest at U.S.$ LIBOR plus a margin of 4.25%.

The aforementioned facilities, the Lari denominated bonds issued by GWP and certain other less material loans will be repaid with the proceeds of the issuance of the Notes. See "*Use of Proceeds*". However, there will be a delay between the receipt of the proceeds of the Notes and the repayment of such facilities and instruments. As these facilities and instruments contain various covenants restricting the relevant GGU entity's ability to incur or guarantee other indebtedness as well as certain other restrictions, these entities have obtained consents or waivers from the counterparties to such facilities and instruments prior to the Closing Date. In addition, there are certain encumbrances on the assets of Svaneti Hydro, Hydrolea, Geoenergy, Hydro Georgia, Kasleti and Qartli Wind Farm in connection with financing arrangements at the asset level and pledges over the equity of Svaneti Hydro and Hydrolea. Such encumbrances are expected to be released shortly following the Closing Date following the refinancing of such arrangements with the proceeds of the Notes.

Cash flows

The following table sets forth GGU's combined cash flows for the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017:

	Three months ended 31 March		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)	*(unaudited, not reviewed)*		*(audited)*	
		(GEL thousands)			
Net cash flows from operating activities	30,551	20,676	103,920	94,756	64,823
Net cash used in investing activities	(19,665)	(26,178)	(193,342)	(217,646)	(189,940)
Net cash (used in)/from financing activities	(16,262)	18,620	121,795	73,715	155,181
Effect of foreign exchange rate changes on cash and cash equivalents	1,161	(242)	75	(1,970)	4,834
Net change in cash and cash equivalents	**(4,215)**	**12,876**	**32,448**	**(51,145)**	**34,898**

Cash and cash equivalents at beginning of period............................	46,806	14,358	14,358	65,503	30,605
Cash and cash equivalents at end of period	**42,591**	**27,234**	**46,806**	**14,358**	**65,503**

Net cash from operating activities

Net cash from operating activities increased by GEL 9.9 million, or 47.8%, to GEL 30.6 million for the three months ended 31 March 2020, compared to GEL 20.7 million for the three months ended 31 March 2019. The increase was mainly due to the settlement of business interruption reimbursement for Mestiachala HPP in the amount of GEL 5.0 million. Moreover, strong EBITDA across the newly acquired companies had a material impact on net cash from operating activities. In addition, increased electric power sales at the end of 2019 led to cash inflows at the beginning of 2020.

Net cash from operating activities increased by GEL 9.1 million, or 9.6%, in 2019 to GEL 103.9 million for the year ended 31 December 2019, compared to GEL 94.8 million for the year ended 31 December 2018, and by GEL 30.0 million, or 46.3%, in 2018, compared to GEL 64.8 million for the year ended 31 December 2017. The increases were mainly due to stronger EBITDA as well as higher water supply receivable collection rates. During 2019, the collection rates for legal entities and households were 99% and 94%, respectively.

Net cash used in investing activities

Net cash used in investing activities decreased by GEL 6.5 million, or 24.9%, to GEL 19.7 million for the three months ended 31 March 2020, compared to GEL 26.2 million for the three months ended 31 March 2019. The higher amount of net cash used in investing activities for the three months ended 31 March 2019 was mainly attributable to construction works for the Mestiachala HPP, which was commissioned in April 2019.

Net cash used in investing activities decreased by GEL 24.3 million, or 11.2%, in 2019 to GEL 193.3 million for the year ended 31 December 2019, compared to GEL 217.6 million for the year ended 31 December 2018, and increased by GEL 27.7 million, or 14.6%, in 2018, compared to GEL 189.9 million for the year ended 31 December 2017. There was a cash outflow of GEL 56.5 million and GEL 31.5 million in 2019 in relation to the acquisition of Hydrolea and Qartli Wind Farm, respectively. There were cash outflows of GEL 22.6 million, GEL 58.0 million and GEL 65.0 million relating to the construction and rehabilitation of Mestiachala HPP in 2019, 2018 and 2017, respectively. Net cash used for the purchase of property, plant and equipment for the water supply and sanitation business together with its linked HPPs, was GEL 91.4 million, GEL 162.1 million, and GEL 127.3 million in 2019, 2018, and 2017, respectively. The GEL 70.6 million decrease in water supply and sanitation business capital expenditure in 2019 was due to the completion of major capital expenditure projects in 2018, the largest being the rehabilitation of the Gardabani Sewage Treatment Plant, which accounted for GEL 40.0 million of expenditure in 2018. On the other hand, GGU sold its property, plant and equipment, investment property and non-core assets during 2019 year and had net cash proceeds of GEL 6.8 million compared to GEL 1.9 million in 2018.

Net cash from financing activities

Net cash used in financing activities was GEL 16.3 million for the three months ended 31 March 2020, compared to a cash inflow of GEL 18.6 million for the three months ended 31 March 2019. The cash outflow in the three months ended 31 March 2020 was mainly due to interest paid in the amount of GEL 11.2 million. The cash inflow in the three months ended 31 March 2019 was mainly due to the proceeds from borrowings in the amount of GEL 32.6 million. Of this amount, GEL 22.6 million was attributable to the funding of the completion of Mestiachala HPP and GEL 10.0 million was drawn down by GWP to support capital expenditures for water segment.

Net cash from financing activities increased by GEL 48.1 million, or 65.2%, in 2019 to GEL 121.8 million for the year ended 31 December 2019, compared to GEL 73.7 million for the year ended 31 December 2018, and decreased by GEL 81.5 million, or 52.5%, in 2018, compared to GEL 155.2 million for the year ended 31

December 2017. The increase in 2019 was attributable to the net contributions from the parent to finance acquisitions from Hydrolea and Qartli Wind Farm of GEL 42.1 million and distribution of GEL 11.6 million by Svaneti Hydro, partially offset by the payment of dividends in the amount of GEL 22.0 million. In addition, net cash from financing activities in 2019 was driven by higher net proceeds from borrowings of GEL 147.0 million in 2019 compared to GEL 126.5 million in 2018, which was to support capital expenditure. The decrease in 2018 was due to lower net proceeds from borrowings, which decreased by GEL 66.8 million, from the high amount of new borrowings from IFIs at the end of 2017, and the payment of dividends in the amount of GEL 28.8 million.

Capital expenditure

The following table sets forth a breakdown of capital expenditure by business for the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017:

	Three months ended 31 March		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(GEL thousands)				
Water supply and sanitation business	17,086	15,593	87,405	150,166	119,023
Renewable energy business...........................	3,392	10,753	26,615	69,980	73,214
Total capital expenditure............................	**20,478**	**26,346**	**114,020**	**220,146**	**192,238**

Capital expenditure decreased by GEL 5.9 million, or 22.3%, to GEL 17.1 million for the three months ended 31 March 2020, compared to GEL 26.3 million for the three months ended 31 March 2019. The decrease in capital expenditure for the water supply and sanitation business was mainly attributable to postponements of payments during first quarter of 2020. Capital expenditure for the renewable energy business for the three months ended 31 March 2020 was mostly attributable to rehabilitation of HPPs, while capital expenditure for the three months ended 31 March 2019 was attributable to the construction and development of the Mestiachala HPP.

Total capital expenditure decreased by GEL 106.1 million, or 48.2%, in 2019 to GEL 114.0 million for the year ended 31 December 2019, compared to GEL 220.1 million for the year ended 31 December 2018, and increased by GEL 27.9 million, or 14.5%, in 2018, compared to GEL 192.2 million for the year ended 31 December 2017. The significant decrease in 2019 was caused by completion of several major projects in 2018, such as rehabilitation of the Gardabani Sewage Treatment Plant, which accounted for GEL 40.0 million of capital expenditure in 2018, and the construction of the Bodorna HPP which accounted for GEL 11.0 million of capital expenditure. Capital expenditure relating to the Mestiachala HPP decreased from GEL 58.0 million to GEL 22.0 million from 2018 to 2019.

For details of capital expenditure incurred across the water supply and sanitation business, see "*Business—Operations—Water Supply and Sanitation Services—Capital expenditure*".

Contractual Obligations

Commitments

Letters of credit

As at 31 March 2020, letters of credit in the amount of GEL 1.5 million had been issued in respect of payables related to construction in progress of GGU, a portion of which is included in restricted cash.

PPAs

In addition, certain GGU entities (GWP, Qartli Wind Farm, Svaneti Hydro, Kasleti, Geoenergy and Hydro Georgia) have active agreements with ESCO for the guaranteed purchase of electric power sales over periods ranging from eight to 15 years. In accordance with the agreements, the companies are obliged to sell electricity exclusively to ESCO during the eight months from September to April (inclusive), except for Qartli Wind Farm, for which the PPA covers 100% of the plant's output throughout the entire year. Pursuant to its PPA with ESCO, while Qartli Wind Farm is obliged to sell electricity to ESCO during the eight months from September to April (inclusive), it is permitted to select an offtaker and market the electricity it generates for the remainder of the year, subject to the restriction that, during the first 13 years of operation, electricity generated by Qartli Wind Farm must be sold exclusively to satisfy the internal Georgian demand. Guaranteed prices vary from U.S.$ c 5.5 to U.S.$ c 6.5 per KWh. See "*Business—Operations—Renewable Energy—Power Plants*" for further details of these PPAs.

Mestiachala HPP

In 2014, Svaneti Hydro signed a Memorandum of Understanding with the Government, Georgian State Electrosystem JSC, United Energy System Sakrusenergo JSC, ESCO and Energotrans LLC in regards to the construction of Mestiachala HPP. Svaneti Hydro committed to complete the construction of the Mestiachala 2 HPP and Mestiachala 1 HPP and commence operations in 2019 and 2020, respectively. These commitments were met since the construction of both units was completed in the first half of 2019.

Exit from the share purchase agreement

On 15 April 2019, an agreement regarding the termination of the 2008 Privatisation Agreement was concluded among Georgian Global Utilities Limited, the Government, the National Agency of State Property of Georgia and the municipal government of the city of Tbilisi, pursuant to which the parties confirmed that all privatisation obligations of Georgian Global Utilities Limited under the Privatisation Agreement (including, without limitation, the 24-hour water supply of Tbilisi and Mtskheta, the achievement and maintenance of certain water quality standards in Tbilisi and Mtskheta, the elimination of sewage inflow to the river Mtkvari in Tbilisi, the rehabilitation and modernisation of the Gardabani Wastewater Treatment Plant and investments of not less than the Georgian Lari equivalent of U.S.$220 million in performance obligations under the Privatisation Agreement) had been fulfilled and Georgian Global Utilities Limited was discharged of all obligations under the Privatisation Agreement and its ownership title over the shareholdings in its privatised subsidiaries (GWP, Mtskheta Water LLC, Rustavi Water LLC and Gardabani Sewage Treatment Plant LLC) and their assets have become unconditional and unencumbered.

As a result of the exit from the Privatisation Agreement, the Issuer's subsidiaries further perfected (registered) their ownership title over certain immovable assets (property, plant and equipment) that were possessed without registered title. In addition, GGU acquired certain other immovable assets (investment property) from the Government for a nominal consideration. At the same time, GWP transferred certain immovable assets (property, plant and equipment), located in the Zhinvali village near Zhinvali HPP, to the Government free of charge. The net effect of these exchange transactions in the amount of GEL 1.6 million was included in non-recurring items in the combined statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement position of government authorities is continually being reconsidered. GGU periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Financial Risk Management

In the ordinary course of its business, GGU is exposed to interest rate, currency, credit and liquidity risks. GGU's management oversees the management of these risks, as described in further detail below.

Off-balance sheet arrangements

As at 31 March 2020, GGU had no off-balance sheet arrangements.

Currency risk

Currency risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. GGU's management monitors open currency positions in each material currency and enters into foreign currency derivatives transactions as necessary.

As at 31 March 2020 and as at 31 December 2019, 2018 and 2017, currency risk arises from euro denominated borrowings and derivative financial liabilities. The following table sets forth GGU's sensitivity to management's view of a reasonable possible change in currency values:

	Year ended 31 December			
	2019		2018	
	Increase/ decrease in %	**Effect on profit**	**Increase/ decrease in %**	**Effect on profit**
	(%)	*(GEL thousands)*	*(%)*	*(GEL thousands)*
EUR	11.00%	16,268	11.00%	17,816
EUR	(8.00)%	(8,926)	(11.00)%	(17,864)
GEL	10.00%	1,207	11.00%	(149)
GEL	(5.00)%	(603)	(11.00)%	149

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on the financial instruments. GGU has floating interest rate borrowings linked to EURIBOR and NBG refinancing rates and is therefore exposed to interest rate risk. The following table sets forth GGU's sensitivity to management's view of a reasonable possible change in interest rates:

	Year ended 31 December			
	2019		2018	
	Increase/ decrease in %	**Effect on profit**	**Increase/ decrease in %**	**Effect on profit**
	(%)	*(GEL thousands)*	*(%)*	*(GEL thousands)*
GEL	(2.00)%	(2,932)	0.75%	472
GEL	2.00%	2,932	(0.75)%	(472)
USD (2019)/EUR (2018)	0.35%	277	0.020%	13
USD (2019)/EUR (2018)	(0.35)%	(277)	(0.020)%	(13)

Credit risk

Credit risk is the risk that GGU will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. GGU manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

As at 31 March 2020 and as at 31 December 2019, 2018 and 2017, GGU has no other significant financial assets subject to credit risk except in relation to cash at bank and restricted cash and trade and other receivables as set forth in Note 28 to the Audited Combined Financial Statements.

The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. In respect of trade and other receivables, the management monitors credit quality based on days past due information. As at 31 March 2020 and as at 31 December 2019, 2018 and 2017, the carrying values of financial instruments best represent their maximum exposure to the credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its payment obligations associated when they fall due under normal or stress circumstances. Management monitors rolling forecasts of GGU's cash flows on a monthly basis. GGU seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables.

The table below sets forth financial liabilities as at 31 December 2019, 2018 and 2017 based on contractual undiscounted repayment obligations:

	As at 31 December 2019				
	Less than 1 year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
	(GEL thousands)				
As at 31 December 2019					
Long-term and short-term borrowings	77,109	214,858	175,934	458,886	926,787
Trade and other payables	13,601	–	–	–	13,601
Lease liabilities	285	637	178	3,772	4,872
Derivative financial liabilities	1,919	–	–	–	1,919
Total future payments	**92,914**	**215,495**	**176,112**	**462,658**	**947,179**
As at 31 December 2018					
Long-term and short-term borrowings	45,397	154,468	104,030	208,699	512,594
Trade and other payables	15,360	–	–	–	15,360
Lease liabilities	1,777	–	–	–	1,777
Total future payments	**62,534**	**154,468**	**104,030**	**208,699**	**529,731**
As at 31 December 2017					
Long-term and short-term borrowings	21,954	79,364	107,553	214,594	423,465
Trade and other payables	24,662	–	–	–	24,662
Total future payments	**46,616**	**79,364**	**107,553**	**214,594**	**448,127**

In managing liquidity risk, the management of GGU considers that GGU will be able to settle the liabilities falling due by applying cash proceeds from operations, draw-down of available loan commitments, refinancing and rolling-over of maturing facilities and, if appropriate, renegotiation of financial covenants.

Significant Accounting Policies

Property, plant and equipment

Water infrastructure assets comprise a network of systems consisting of raw water aqueducts, mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines. Energy infrastructure assets mainly comprise turbine-generators, intakes and reservoirs as well as measurement masts required for wind projects and water-flow measurement stations. Investment expenditure on infrastructure assets relating to increases in capacity or enhancements of the network and asset replacements to maintain the operating capability of the network is treated as an addition and initially recorded at cost, whilst repair and maintenance expenditure which does not enhance the asset's base is charged as an operating cost. As well as the purchase price, cost of property, plant and equipment, including assets under construction, includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Directly attributable costs include professional services provided by technical, environmental and other relevant experts. Additionally, directly attributable costs consider pre-permission expenditures, which include studies and services provided during the project assessment period, such as measurement studies, design expenditure, technical and environmental expertise, geological surveys. Contributions to the local governing bodies incurred for obtaining building permissions of power plants are also part of directly attributable costs. The liability for dismantling and removing items is recognised within provisions.

GGU owns real estate that mainly consists of administrative buildings and operational premises.

All categories of property, plant and equipment are accounted for at cost less accumulated depreciation and impairment.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation of depreciable amount (defined as cost less residual value) is calculated on a straight-line basis over estimated useful lives. Existing useful lives applicable for several classes of property, plant and equipment are:

	Useful lives
Real estate	60 years
Water infrastructure assets	5-45 years
Energy infrastructure assets..	10-50 years
Fixtures and fittings	5-10 years
Vehicles...	5-10 years

The residual value of an asset is the estimated amount that GGU would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Income and expense recognition

Revenue is recognised when GGU satisfies a performance obligation at an amount that reflects the consideration to which GGU expects to be entitled in exchange for promise to transfer the goods and services to a customer. The following specific principles also apply to GGU's major classes of revenues:

Revenue from water supply and related services

Revenue from water supply is recognized over time as a single performance obligation to supply water to customer is satisfied. Amounts billed to customers include billings for water supply as well as charges for connection and installation of water meters, as follows.

Revenue from water supply to legal entities includes amounts billed to the commercial customers based on the metered and estimated usage of water and by application of the relevant tariff for services set per unit of water supplied. Meters are read on a cyclical basis and GGU recognises revenue for unbilled amounts based on estimated usage of water based on the last billing through to the end of the financial year.

Revenue from water supply to general population includes amounts billed on monthly basis to the residential customers (with meter) based on the metered usage of water and by application of the relevant tariff for services set per unit of water supplied. For the residential customers having no meters, revenue is recognised based on the number of individual persons registered by the respective city municipality per each residential address by application of the relevant per capita tariff on a monthly basis.

Charges for installation of water meters include amounts billed to residential customers under GNERC rules. The performance obligations under such contracts are satisfied over time as GGU supplies water to respective customer and the revenue is recognised during the service period. The estimated service period for the meters is considered to be 10 years. The revenue is recognised over the respective time period.

Charges for connection service includes non-refundable amounts billed upfront for connecting customers to water system and providing them with the access to water supply. Charges from connection is recognized as revenue from water supply over time in line with the satisfaction of performance obligation to supply water to respective customer over the life of water meters.

Revenue from electric power sales

Revenue from electric power sales is recognised on the basis of metered electric power transferred and by application of the fixed price according to the agreement formed with customers. Customers are usually obliged to pay the respective balances by the following month end.

Penalty income on illegal connections services

Penalty income on illegal connections services includes fines billed to customers for illegal connections identified by reinforced activities. Amounts billed are defined based on respective tariffs set by GNERC. Penalty income on illegal connections services is included in other income in the combined statement of profit or loss and other comprehensive income (see Note 21 to the Audited Combined Financial Statements).

Electricity and transmission costs

Electricity and transmission costs include payments for guaranteed power, for transit and dispatching of electric power and for maintenance of stations.

Interest and similar income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if GGU revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, and such asset meets definition of credit-impaired, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Non-recurring expenses

GGU separately classifies and discloses those income and expenses that are non-recurring by nature. Any type of income or expense may be non-recurring by nature. GGU defines non-recurring income or expense as income or expense triggered by or originated from an unusual economic, business or financial event that is not inherent to the regular and ordinary business course of GGU and is caused by uncertain or unpredictable external factors.

BUSINESS

Unless otherwise noted, all financial and operational information presented in this section is based on the Combined Financial Statements and reflects the operations of the assets owned by GGU from their date of acquisition by the relevant Georgia Capital subsidiary. See "Unaudited Pro Forma Financial Information" for an indication of the impact on GGU's results of operations had the relevant assets been acquired on 1 January 2019.

Overview

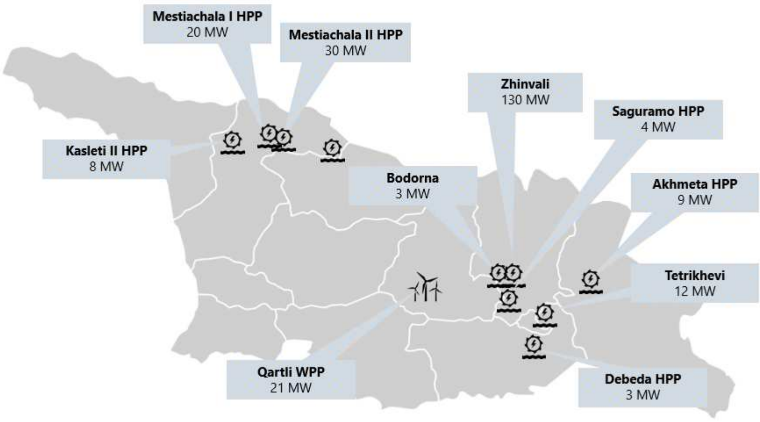
GGU is a water utility and renewable energy business which supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia and generates electricity through its portfolio of eight HPPs (with one HPP comprising two separate generation units) and one on-shore wind farm with an aggregate installed capacity of 240 MW. A majority of the electricity generated by GGU is sold to third parties, while the remaining electricity is used by its water supply and sanitation services business for internal consumption to power its water distribution network. In the three months ended 31 March 2020 and the year ended 31 December 2019, GGU sold 41.2 million and 178.3 million cubic metres of water and generated 89.0 million and 414.3 million KWh of net electricity, of which 41.9 million and 174 million KWh were used internally by the water supply and sanitation services business, respectively.

For the three months ended 31 March 2020, 80%, 18% and 2% of revenue and gains was attributable to water supply and related services, electricity power sales and other revenue, respectively, and 74%, and 26% of segmented EBITDA was attributable to water supply and wastewater collection services, and electric power generation and sales segment, respectively. For the year ended 31 December 2019, 79%, 15% and 6% of revenue and gains was attributable to water supply and related services, electricity power sales and other revenue, respectively, and 70%, and 30% of segmented EBITDA was attributable to water supply and wastewater collection services, and electric power generation and sales segment, respectively.

GGU's water supply and sanitation services business is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta, supplying these areas with potable water. The customer base for this business includes both business and residential customers, of which it had 36,112 and 567,938 as at 31 March 2020, respectively. GGU earns a regulated return in relation to its water business, which is based on a methodology adopted by GNERC in August 2017. Allowed revenue is determined by applying a WACC of 15.99% to GGU's RAB, taking into account depreciation and operating expenses. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. During the past several years, GGU has been expanding its RAB through capital investments in water and wastewater infrastructure which have been intended to improve the quality of water supply and sanitation services to customers and contribute to operating efficiencies.

Historically, GGU operated HPPs with a total installed capacity of 149 MW primarily to power its water distribution network. Separately, GGU's parent company, Georgia Capital, operated a renewable energy business via GRPC, in which it held a stake of 65.59%. In February 2020, Georgia Capital bought the 34.41% stake in GRPC held by RP Global, thereby becoming the sole shareholder of GRPC. In October 2019, Georgia Capital, through its subsidiary Georgia Energy Holding LLC, acquired Hydrolea, which owned and operated the Kasleti, Debeda and Akhmeta HPPs, and in December 2019, through its subsidiary, Georgian Wind Company LLC, it acquired Qartli Wind Farm. Subsequently, in July 2020, Georgia Capital arranged for the transfer of the Mestiachala HPP (which was owned by GRPC through its subsidiary Svaneti Hydro) and the Kasleti, Debeda and Akhmeta HPPs (all of which were owned by Hydrolea) and Qartli Wind Farm to the Issuer. These plants have an aggregate installed capacity of 91 MW, increasing the installed capacity of GGU's total renewable energy portfolio to 240 MW.

The following chart depicts the location of GGU's renewable energy assets:



In June 2017, the Law of Georgia on Electricity and Natural Gas was amended, deregulating all HPPs constructed prior to August 2008 with an installed capacity below 40 MW and gradually moving large industrial customers from a regulated pricing scheme to market pricing. As a result, the Zhinvali HPP is the only generation facility of GGU that is subject to regulation by GNERC in terms of its pricing. All of the HPPs transferred to the Issuer in July 2020 as well as the Bodorna HPP and Qartli Wind Farm sell the electricity they generate pursuant to PPAs with ESCO as the offtaker. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). For the period from May to August, electricity generated by these plants is sold at market prices.

During the three months ended 31 March 2020, GGU generated revenue and gains of GEL 37.5 million and EBITDA of GEL 20.3 million and as at 31 March 2020, it had assets of GEL 1,043.7 million. During the year ended 31 December 2019, GGU generated revenue and gains of GEL 175.5 million and EBITDA of GEL 108.4 million and as at 31 December 2019, it had assets of GEL 990.0 million.

History

When the Soviet Union collapsed and Georgia gained independence in 1991, the quality of its water supply and wastewater treatment infrastructure was relatively low, with rationed and interrupted supply, frequent disruptions and poor drinking water quality. In the years following independence, the sector continued to suffer from a lack of investment, resulting in further deterioration of service quality. After the Rose Revolution in 2003, the new Government focused on improving these services. One of the initiatives undertaken by the Government in this area was the privatisation of Tbilisi Water Supply Company. In May 2008, GWP, together with Rustavi Water, Mtskheta Water and Gardabani Sewage Treatment Plant, was sold to Multiplex Energy Limited, a British Virgin Islands company limited by shares, which was subsequently renamed Georgian Global Utilities Limited. In May 2008, Georgian Global Utilities Limited took over responsibility for water supply and wastewater treatment services in Tbilisi and the adjacent cities of Rustavi and Mtskheta. Georgian Global Utilities Limited was subject to certain privatisation obligations in connection with its acquisition of the companies referred to above. In 2018, it completed the performance of all such privatisation obligations, which included, among others, the rehabilitation and modernisation of the Gardabani Sewage Treatment Plant and carrying out post-privatisation investments of not less than U.S.$220 million in aggregate. In April 2019, Georgian Global Utilities Limited formally exited its privatisation agreement with the Government and obtained unencumbered title over its water utility business and assets. In March 2020, as part of the de-offshorisation/redomiciliation process, Georgian Global Utilities Limited was dissolved and replaced by the Issuer, a newly incorporated Georgian holding company of the water utility business.

In December 2014, BGEO acquired a 25% stake in Georgian Global Utilities Limited for U.S.$26.25 million. In June 2016, it acquired the remaining 75% stake for U.S.$70 million. Effective May 2018, BGEO was demerged into Bank of Georgia Group and its investment business, Georgia Capital. Following the demerger, Georgian Global Utilities Limited became a wholly owned subsidiary of Georgia Capital.

GRPC is a joint stock company which was set up in 2015 to develop renewable energy projects in Georgia. GRPC's shareholders were Georgia Capital, which held 65.59%, and RP Global, which held 34.41%. In February 2020, Georgia Capital bought the entire stake held by RP Global in GRPC, thereby becoming the sole shareholder of GRPC.

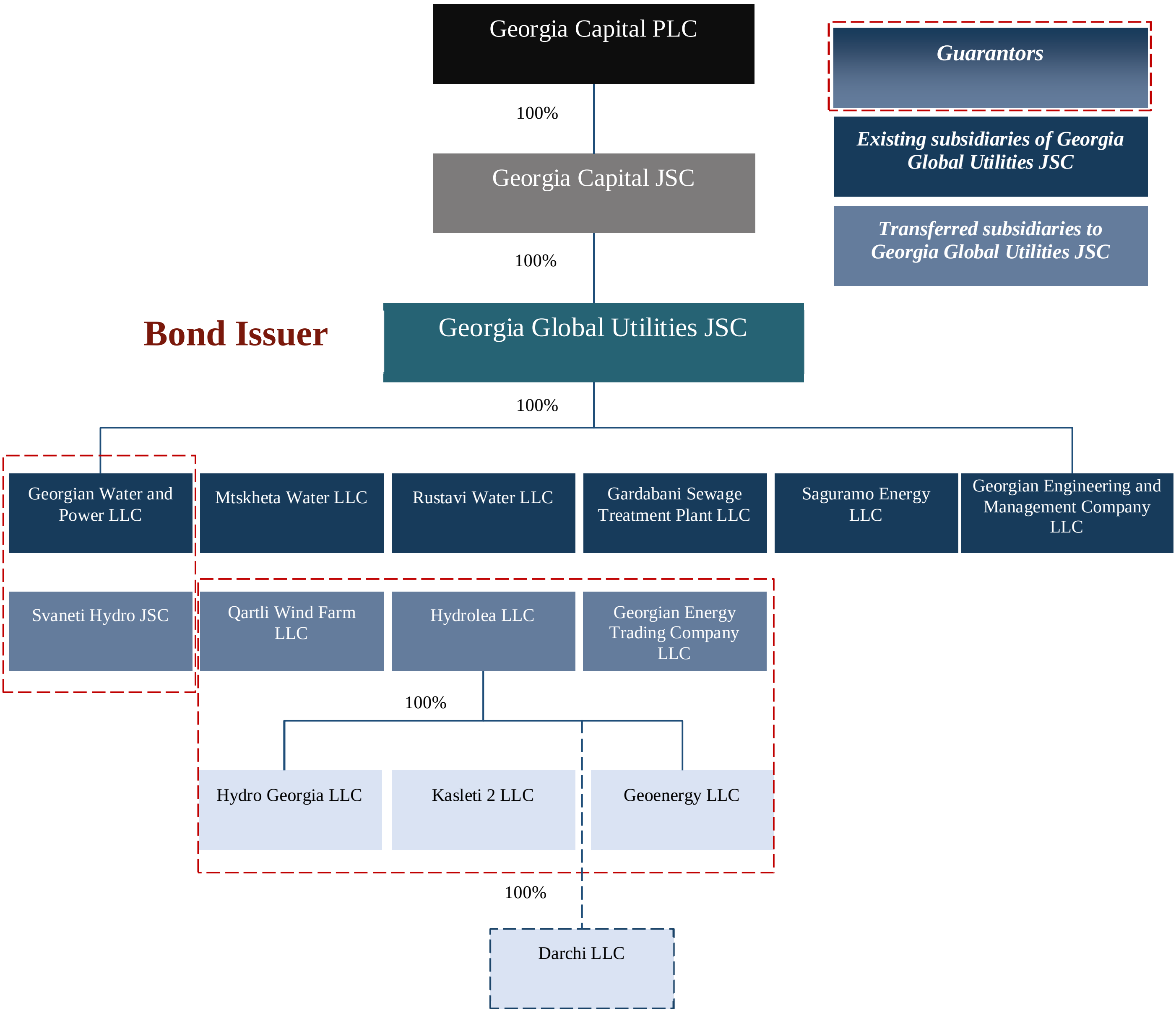
In October 2019, Georgia Capital announced the acquisition of Hydrolea through its wholly owned subsidiary, Georgia Energy Holding LLC. Hydrolea operates three HPPs with an aggregate installed capacity of 21MW, namely the Debeda, Kasleti and Akhmeta HPPs. All of the operational HPPs of Hydrolea benefit from guaranteed prices via their PPAs with ESCO during the period from September to April (inclusive) of each year. See "—*Renewable Energy—Power Plants*" for further detail of these PPAs. Hydrolea also owned the Darchi greenfield HPP project with a 19MW targeted installed capacity. This project is expected to be spun off from GGU by the end of 2020.

In November 2019, Georgia Capital won a public auction held by Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire a 100% equity interest in the 20.7 MW six-turbine Qartli Wind Farm, an on-shore wind farm, for U.S.$14.4 million. The acquisition closed in December 2019. The acquisition was undertaken by Georgia Capital's wholly owned subsidiary, Georgian Wind Company LLC. The PPA between Qartli Wind Farm and ESCO runs to 2029 and covers 100% of the plant's output throughout the entire year. Pursuant to its PPA with ESCO, while Qartli Wind Farm is obliged to sell electricity to ESCO during the eight months from September to April (inclusive), it is permitted to select an offtaker and market the electricity it generates for the remainder of the year, subject to the restriction that, during the first 13 years of operation, electricity generated by Qartli Wind Farm must be sold exclusively to satisfy internal Georgian demand.

Subsequently, in July 2020, Georgia Capital arranged for the transfer of Svaneti Hydro (which owns the Mestiachala HPP), Hydrolea (which owns the Kasleti, Debeda and Akhmeta HPPs) and Qartli Wind Farm to the Issuer.

Organisation

Following the transfers of assets completed in July 2020 and described above under "—*History*", GGU's organisational structure is as follows:



Strengths

Management believes that GGU has the following competitive strengths:

Water Supply and Sanitation

Monopoly position through asset ownership of the water and wastewater infrastructure in Georgia's capital city of Tbilisi and surrounding areas

GGU's water supply and sanitation services business is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta. Management believes that GGU is the largest private water utility company in Georgia, providing water supply and sanitation services to approximately 35% of its population, with the remainder being mostly supplied by state-owned companies. Of the five largest cities, which account for 46.8% of the Georgian population, two (Tbilisi and Rustavi) are fully serviced by GGU.

Most profitable player in Georgia's water supply and sanitation services market

Management believes that GGU is the most profitable player in Georgia's water supply and sanitation market, whereas the other players operating in this market are subsidised state-owned water utility companies. GGU distinguishes itself in terms of its service quality, 24-hour water supply and the quality of potable water. GGU has made significant investments in its infrastructure, which have significantly improved quality of service. In addition, across the Georgian water supply and sanitation services market, the water loss ratio is on average approximately 70% and collection rates from Georgian households are much lower than those of GGU. By contrast, GGU's water losses were 65.1% in 2019 and are on a declining trend, having decreased from 67.2% in 2018 and 71.4% in 2017. The water loss ratio for the three months ended 31 March 2020 and 2019 was 63.0% and 66.4%, respectively. In addition, GGU enjoys relatively high collection rates, which have averaged approximately 96.5% across its business during the past several years. Collection rates were 98.7%, 97.9% and 96.8% for business customers and 94.2%, 94.2% and 93.6% for residential customers in 2019, 2018 and 2017, respectively. Collection rates were 101.0% and 105.6% for business customers and 93.0% and 95.1% for residential customers in the three months ended 31 March 2020 and 2019, respectively.

Self-sufficiency in electricity supply for the water supply and sanitation business

GGU's water supply and sanitation business is self-sufficient in terms of electricity supply via the Zhinvali HPP, which was historically operated primarily for the purpose of powering GGU's water distribution network. Self-produced electricity consumption from the Zhinvali HPP was 174 million KWh in 2019, out of a total of 414.3 KWh of net electricity generated by GGU. Self-sufficiency in energy supply is important in terms of the overall efficiency of GGU's water supply and sanitation business, since energy costs are typically the most significant marginal costs for water supply companies.

Strong revenue visibility due to regulatory regime

GGU has strong revenue visibility across its water supply and sanitation business due to the regulatory regime applicable to this business. In 2017, GNERC approved a hybrid incentive-based and cost-plus tariff calculation methodology. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The new regime is intended to result in the gradual unification of residential and business tariffs, whereas historically business tariffs were approximately 13 times higher than residential tariffs, effectively subsidising residential customers. While the new regime has resulted in a 0.4% decrease in tariffs for water and sewage services for business customers, this has been more than compensated by a 23.7% increase in such tariffs for unmetered and metered residential customers, in each case based on the 2018-2020 regulatory period compared to the period from 2010 to 2017. In addition, pursuant to recent changes in legislation, GNERC will only be permitted to set different tariffs for business and residential customers until 1 January 2027, following which water tariffs will be the same for both types of customers, unless the deadline is further postponed.

Renewable energy

Stable cash flows with strong revenue visibility due to significant PPA coverage and low maintenance capital expenditure requirements

GGU's renewable energy business has stable cash flows due to the high visibility of its revenue base as well as its relatively low maintenance capital expenditure requirements. All of the HPPs transferred to the Issuer in July 2020 as well as the Bodorna HPP and Qartli Wind Farm sell the electricity they generate pursuant to PPAs with ESCO as the offtaker. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). For the period from May to August, electricity generated by these plants is sold at market prices. The PPAs to which GGU is party contain fixed pricing, providing it with significant revenue predictability. For the year ended 31 December 2019, 39.5% of EBITDA from electricity sales was attributable to PPAs, with the remaining 60.5% being attributable to sales at market prices.

The maintenance capital expenditure requirements for GGU's power plants is relatively low. This is due in part to the fact that most maintenance activities, including full operations and maintenance coverage from suppliers for Qartli Wind Farm, and all relevant maintenance activities for the HPPs, are already included in operating expenses. In addition, very low levels of maintenance are required in the first 30 years of operation of HPPs. A special maintenance fund is also included in operating expenses for the HPPs, whereby GGU sets aside approximately U.S.$100 thousand per year for each project in the event that capital expenditure will be required in 10 to 15 years.

Exposure to favourable electricity market dynamics

GGU has exposure to favourable electricity market dynamics, with a deficit in supply resulting from growing electricity demand. Increased demand for electricity has been satisfied by imports, which resulted in Georgia gradually becoming a net electricity importer.

Management expects demand for electricity to continue to increase, driven by GDP growth, which is strongly correlated with electricity demand. Increasing penetration of domestic appliances, as well as a rapidly growing tourism industry are also expected to contribute to demand for electricity. The number of international tourist arrivals to Georgia has almost tripled since 2011 and increased by 17% in 2018. Management expects continued growth in the number of tourists over the next several years, although this may be significantly adversely affected by the ongoing COVID-19 outbreak. In addition, the penetration level of domestic appliances is relatively low in Georgia compared to its peer countries. Penetration levels are expected to grow as a result of GDP growth, declining prices for appliances and decreasing average household size, resulting in growth in demand for electricity.

Favourable regulatory regime, with deregulation providing further opportunities

On 27 June 2014, Georgia entered into the E.U. Association Agreement and established the DCFTA (effective since 1 September 2014) with the European Union. As part of this process, Georgia has introduced reforms in the electricity markets. One of the key initiatives of these reforms was the introduction of a new model for setting prices for regulated utilities, as described above under "*—Water Supply and Sanitation—Strong revenue visibility due to regulatory regime*". In addition, in June 2017, the Law of Georgia on Electricity and Natural Gas was amended, deregulating all HPPs with an installed capacity below 40 MW and gradually moving large industrial customers from a regulated pricing scheme to market pricing. In January 2019, the Government defined new criteria for "direct customers" which buy electricity directly from producers on the wholesale market under deregulated conditions. In particular, from 1 May 2019, customers with consumption of at least 5 GWh per month have been required to register as direct customers. This followed deregulation from 1 May 2018 in relation to customers consuming at least 15 GWh per month. The intent of these changes was to move large industrial customers to the free market while maintaining relatively cheap electricity prices for residential customers. These changes resulted in the size of the deregulated electricity market in Georgia more than tripling. The deregulation in May 2019 also enabled GGU to immediately increase the selling price per KWh due to the increased liquidity of the free market. Overall, management believes that energy market deregulation will positively affect electricity sales prices and market liquidity.

Strong position in the deregulated electricity market with stable generation capacity

Management believes that GGU is one of the most strongly positioned players in the deregulated electricity market in Georgia. The Zhinvali HPP, which has an installed capacity of 130 MW and water storage capacity of approximately 400 million cubic metres in its reservoir, is the second largest hydropower station constructed on a dam in Georgia. This provides GGU with stable generating capacity and flexibility to shift its generation pattern according to its needs, which is bolstered by its additional HPPs and Qartli Wind Farm. Through these assets, GGU is able to offer third party customers year-round arrangements and the volume of electricity GGU offers to its customers throughout the year differentiates it from its competitors on the free market.

Balanced foreign exchange position

GGU's renewable energy business has a balanced foreign exchange position due to the fact that revenue under its PPAs is denominated in U.S. Dollars. In addition, sales to third parties on the open market are typically conducted in U.S. Dollars rather than Lari. This effectively provides GGU with a hedge against Lari depreciation, which is particularly valuable given recent fluctuations in the U.S. Dollar/Lari exchange rate. For the year ended 31 December 2019, 40.1% of EBITDA was attributable to U.S. Dollar denominated inflows.

Strategy

The key elements of GGU's business strategy are set forth below:

Continue to pursue cost efficiencies across the water supply and sanitation services business

GGU is aiming to continue to achieve efficiencies across its water supply and sanitation services business in order to remain fully aligned with the relevant regulatory standards and provisions. For example, GGU is specifically targeting operating efficiencies in high elevation areas, which are the costliest to supply water to, whereas water losses in lower elevation areas do not result in significantly higher costs. In the highest elevation areas, GGU has introduced a metering programme and rehabilitation works. Efficiency improvements are expected to continue to contribute to decreases in self-produced electricity consumption, which has decreased at a compound annual rate of 10.8%, from 309 million KWh in 2014 to 174 KWh in 2019. This frees up electricity generated by HPPs for third party electricity sales, which is in turn expected to contribute to increased cash flows, particularly in light of electricity market deregulation.

Increase electricity sales by consolidating renewable energy assets

Historically, GGU operated HPPs primarily to power its water distribution network. Going forward, it aims to increase its electricity sales, both as a result of lower internal electricity consumption for the water supply and sanitation services business, as described above, and due to the consolidation of Hydrolea HPPs, Mestiachala HPP and Qartli Wind Farm following the transfer of these assets to the Issuer from GRPC and other Georgia Capital subsidiaries in July 2020. These plants have an aggregate installed capacity of 91 MW, increasing the installed capacity of GGU's total renewable energy portfolio to 240 MW. These plants are party to PPAs with ESCO as the offtaker for the period from September to April (inclusive) and sell electricity at market rates outside this period (with the exception of Qartli Wind Farm, for which the PPA applies for the entire year). Due to the favourable electricity market dynamics described above under "*—Strengths—Exposure to favourable electricity market dynamics*", management believes that GGU's increased exposure to unregulated renewable energy assets will provide additional opportunities for revenue and cash flow growth. For example, the efficient management of the Zhinvali HPP reservoir provides GGU with an advantage over its competitors in terms of its ability to offer stable generation and supply of electricity to its customers throughout the year and its ability to benefit from the deregulated market to enter into full-year market deals with direct consumers.

Operations

GGU primarily generates revenue through two activities: (i) the provision of water supply and sanitation services; and (ii) electricity sales to third parties. It generates electricity through its portfolio of eight HPPs (with one HPP comprising two separate generation units) and one on-shore wind farm with an aggregate installed capacity of 240 MW. A majority of the electricity generated by GGU is sold to third parties, while the remaining electricity is used by its water supply and sanitation services business for internal consumption to power its water distribution network. GGU also generates revenue from new connections for its water supply and sanitation services business. In 2019, GGU had 5,439 new connections. In the first quarter of 2020, it had 872 new connections.

The following table sets forth a breakdown of revenue and gains for the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017:

	Three Months ended 31 March		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(GEL thousands)				
Revenue from water supply and related services	30,178	29,934	137,855	136,039	122,143
Revenue from electricity power sales	6,769	2,368	26,341	9,052	9,755
Business interruption reimbursement gain	326	—	10,047	—	—
Other revenue	266	167	1,227	677	635
Total revenues and gains	**37,539**	**32,469**	**175,470**	**145,768**	**132,533**

Water Supply and Sanitation Services

GGU supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia. It is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta. In the Tbilisi area, potable water is supplied by GWP, while in the Rustavi and Mtskheta areas, it is supplied by Rustavi Water LLC and Mtskheta Water LLC, respectively. Gardabani Sewage Treatment Plant LLC is a wastewater treatment plant serving the customer bases of water utility customers. During the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017, GGU sold 41.2 million, 42.0 million, 178.3 million, 178.4 million and 173.8 million cubic metres of water, respectively.

The following table sets forth certain data regarding the water supply and sanitation business for the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017:

	Three Months ended 31 March		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
Water sales *(millions of cubic metres)*	41.2	42.0	178.3	178.4	173.8
Self-produced electricity consumption *(millions of KWh)*	41.9	41.7	174.0	193.2	239.4
Water loss ratio *(%)*	63.0%	66.4%	65.1%	67.2%	71.4%
Capital repair of water network *(km)*	13.8	32.5	92.3	121.1	171.2
Capital repair of wastewater network *(km)*	7.7	4.7	21.8	15.7	24.9
Number of water failures[(1)]	2,283	2,459	9,345	9,620	9,935
Number of wastewater failures	4,057	3,662	16,983	17,010	19,397
Network failures per kilometre	1.7	1.7	7.1	7.6	8.7

Note:

(1) When GGU is notified of a potential failure, its technical team visits the respective site. If no damage is identified, the event is not considered a failure. If the failure is significant, it is classified as a rehabilitation.

Water Supply and Water Treatment Infrastructure

The majority of raw water used by GGU in the provision of water supply and sanitation services to its customers is sourced from the Aragvi River Valley. After the water flows through the Zhinvali HPP (discussed below under "*—Renewable Energy*"), it flows to the Bodorna distribution reservoir through a tunnel that is approximately 9 kilometres in length. From the Bodorna reservoir, the water flows at approximately 12-13 cubic metres per second towards Tbilisi via a 40-kilometre tunnel while water is spilled back to Aragvi River at a rate of approximately 30-35 cubic metres per second. 5-6 cubic metres of water from the 40-kilometre tunnel is delivered and treated at the Ghrmaghele water treatment plant and the remainder is deposited into the Tbilisi water reservoir, which serves as a buffer reservoir.

Surface water from the Aragvi River is processed and treated in natural sand and gravel infiltration areas situated on extended land owned by GGU in the Aragvi River Valley outside Tbilisi. This surface water is subsequently delivered to service reservoirs where it is chlorinated and distributed in the water supply network. Water processed by the Rustavi water infrastructure is sourced entirely from the Khrami River and is treated at the Khrami water treatment plant.

As part of the treatment process, water is chlorinated and, if necessary, coagulated with aluminium sulphate. All water supplied complies with World Health Organisation recommendations and national water quality standards. Water quality is monitored on a daily basis, and regular monitoring procedures are carried out in Tbilisi and its surroundings at 374 points of the water supply network. To assist with this process, GGU operates a chemical micro-biological laboratory located on the premises of the Ghrmaghele water treatment plant in Tbilisi. The laboratory is accredited according to the ISO 17025:2018 (certificate number: CAC-TL-0249) standard. Water quality fully satisfies the standards set out in National Technical Regulations on Drinking Water Quality (Decree No. 58 of the Government dated 15 January 2014).

Once treated and processed, water is distributed via an approximately 3,700-kilometre network of water pipelines. This network consists of main water lines, aqueducts, distribution networks and branches to customers, all of which are operated by GGU. In total, in 2019, the distribution network involved 58 pumping stations, 118 service reservoirs of pure water with a total capacity of approximately 380,900 cubic metres. The most important reservoirs are equipped with level detectors monitored by a central dispatch service.

GGU provides wastewater collection and treatment services to the customer bases of water utility customers in Georgia at the Gardabani Sewage Treatment Plant. As part of its post-privatisation obligations, GGU was required to rehabilitate and modernise the wastewater treatment plant, which it completed in 2018.

Customers

GGU supplies the capital city of Tbilisi, as well as the neighbouring cities of Rustavi and Mtskheta, with potable water. GGU's total customer base includes both business and residential consumers. Among its residential customers there are households that are not metered. GGU receives information regarding unmetered customers from a public service database, which enables it to generate bills based on per capita tariff.

The following table sets forth certain data regarding the customer base of the water supply and sanitation services business as at and for the three months ended 31 March 2020 and 2019 and as at and for the years ended 31 December 2019, 2018 and 2017:

	As at and for the Three Months Ended		**As at and for the year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
Number of business customers	36,112	33,829	35,647	33,271	32,640
Number of residential customers	567,938	537,929	562,456	535,390	527,857
Revenue from water supply to legal entities *(GEL thousands)*	19,340	19,248	93,556	92,691	85,523
Revenue from water supply to general population *(GEL thousands)*	9,690	9,662	39,728	39,585	32,921
Charges for connection service *(GEL thousands)*	903	773	3,566	2,741	2,604
Cash receipts from water supply to business customers *(GEL thousands)*	19,769	18,972	92,379	89,583	81,759
Cash receipts from water supply to residential customers *(GEL thousands)*	9,059	9,151	37,349	36,722	30,842
Cash collection for business customers *(%)*	101.0%	105.6%	98.7%	97.9%	96.7%
Cash collection for residential customers *(%)*	93.0%	95.1%	94.2%	94.2%	93.6%
New connections	872	1,176	5,439	5,015	2,347

Billing and Collections

Water sales are billed on a monthly basis for both business and residential customers, regardless of whether they are metered or unmetered. All business customers are metered clients. A metering process has been also implemented among GGU's residential customers, although approximately 60% of residential customers remain unmetered. Customers who do not have a meter are billed based on the number of individuals registered on the civil register at a particular residence and by the application of the relevant fixed tariff per capita per month.

In order to minimise lost revenue from water theft by clients, GGU has a monitoring and investigation team. A client inspection is performed in the following cases:

- Call centre information: if a call centre receives information that a specific customer is stealing water, the investigations team inspects the customer to ascertain whether the information received is accurate;
- Database review: old and new bills for the same customers are regularly compared; if a significant discrepancy is observed, the investigations team visits the site and inspects the metering machine and water pipe infrastructure; and
- Peer review: bills of similar entities are compared regularly; if material differences in terms of water usage are identified, the investigations team undertakes an inspection of the customer.

GGU's receivables collection rates have historically ranged between 93% and 97%. The Georgian water utility sector has historically had relatively low receivable collection rates. Across the Georgian water supply and sanitation services market, collection rates from Georgian households are much lower than those of GGU. This is because water utility companies operating outside of Tbilisi have historically not cut off electricity to residential customers for missed payments, unlike GWP. GWP's collection rate has improved significantly from 2011, due to the changes to the Georgian law, pursuant to which electricity suppliers are entitled to cut off electricity to customers if they do not pay their water bills. As a result, Tbilisi's electricity supplier receives flat monetary compensation from GWP (approximately GEL1.3 million annually since 2011) for assisting in the collection process. Following these changes, GGU's collection rates improved and have remained at approximately 96.5%.

Sales and Tariffs

GGU earns a regulated return in relation to its water supply and sanitation business, which is based on a tariff-setting methodology adopted by GNERC in August 2017. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, GGU applies a WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets plus capital expenditures it has made. RAB is then multiplied by regulated WACC, providing return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's IFRS financial statements. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period is 15.99%, whereas the previously applicable WACC was 13.54%. GGU is required to submit a new tariff application no later than 4 July of the year immediately preceding the next tariff period. This means that the tariff application for the regulatory period running from 1 January 2021 to 31 December 2023 was required to be submitted no later than 6 July 2020 (since 4 July 2020 falls on a weekend). Together with the tariff application, GGU must also submit its most recent audited financials. GNERC is authorised to request any additional information it requires and the tariff is set through public proceedings, based on the same methodology as applied previously. The final deadline for the completion of the tariff-setting process is established by GNERC itself. However, it must be finalised prior to the start of the new regulatory period.

The new regime is intended to result in the gradual unification of residential and business tariffs, whereas historically business tariffs were approximately 13 times higher than residential tariffs, effectively subsidising residential customers. While the new regime has resulted in a 0.4% decrease in tariffs for water and sewage services for business customers, this has been more than compensated by a 23.7% increase in such tariffs for unmetered and metered residential customers, in each case based on the 2018-2020 regulatory period compared to the period from 2010 to 2017. In addition, pursuant to recent changes in legislation, GNERC will only be permitted to set different tariffs for business and residential customers until 1 January 2027, following which water tariffs will be the same for both types of customers, unless the deadline is further postponed.

The following table sets forth details of the changes in GWP's tariffs arising from the change in methodology:

	2007-2009[1]	2010-2017[1]	% change	2018-2020[1]	% change
			(GEL, including VAT)		
Legal entities (per cubic meter)					
Water and sewage	4.40	4.42	0.4%	4.40	(0.4)%
Unmetered residential customers (per capita)					
Water and sewage	2.40	3.15	31.13%	3.89	23.7%
Metered residential customers (per cubic meter)					
Water and sewage	0.10	0.27	166.0%	0.33	23.7%

Note:

(1) Tariffs are as of the end of the period.

Raw Materials

GGU is self-sufficient in relation to its water supply as well as its electricity supply, as described below under "—*Renewable Energy*". The other raw materials it requires include fuel, chlorine and coagulant, which it acquires at market prices. It participates in annual tenders for fuel supplies and monthly/quarterly tenders for chlorine and coagulant supplies. For the three months ended 31 March 2020 and the year ended 31 December 2019, fuel, chlorine and coagulant collectively comprised approximately 1.9% and 2.1% of operating expenses, respectively.

Capital expenditure

GGU's capital expenditure in relation to its water supply and sanitation services business primarily comprises expenditures for network infrastructure development, incidents repair, expenditure on water treatment plants, pumping stations and reservoirs, infrastructure capital repairs and new equipment, its metering programme (described above under "—*Customers*") and new customer connections. In addition, GGU incurred capital expenditure in connection with the rehabilitation and modernisation of the Gardabani Sewage Treatment Plant, which was one of its post-privatisation obligations. The following table sets forth a breakdown of capital expenditure for the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017:

	Three Months Ended 31 March		Year ended 31 December		
	2020	2019	2019	2018	2017
			(GEL thousands)		
Network infrastructure development	6,908	4,594	31,643	47,345	46,636
Incidents repair	2,348	2,454	11,760	12,444	8,712
Water treatment plants	67	225	1,186	1,537	1,378
Pumping stations and reservoirs	270	1,012	2,457	4,976	1,489
Infrastructure capital repair and new equipment	259	359	2,633	8,031	7,596
Metering programme	506	333	3,816	9,178	12,780
Connection of new customers	5,103	4,954	22,465	19,815	9,192
Transport maintenance and acquisition	752	382	4,370	5,501	13,139
Security, office and IT	555	785	2,279	3,812	6,299
Gardabani Sewage Treatment plant	318	495	4,796	37,527	11,802
Water supply and sanitation business	**17,086**	**15,593**	**87,405**	**150,166**	**119,023**
Renewable energy business [1]	**3,392**	**10,753**	**26,615**	**69,980**	**73,214**

Total capital expenditure....................................	**20,478**	**26,346**	**114,020**	**220,146**	**192,238**

Note:

(1) For details of the HPPs, see " — *Renewable Energy*" below.

Network infrastructure development

GGU's network infrastructure development programme for its water supply and sanitation business is divided into two categories: (i) rehabilitation of the amortised water pipeline network where the failure rate and operational expenses are highest; and (ii) development of new water supply systems within Tbilisi's new and developing boundaries. This programme contributes to lower water loss ratios and lower failure rates, driving lower operational expenses and self-produced electricity consumption. The programme also delivers increased water supply reliability and efficient use of GGU's own infrastructure.

Metering programme

GGU's metering programme can be divided into two main categories: (i) metering of residential customers; and (ii) metering of business customers. The metering programme facilitates accurate accounting of consumed water by customers, leading to water and self-produced energy consumption savings for residential customers and increased revenue for both residential and business customers.

GGU is focused on metering customers in high elevation zones, where electricity consumption required to deliver 1 cubic meter of water to the customer far exceeds the electricity need to do deliver the same amount of water for customers in lower elevation zones. The metering programme is also focused on customers with unusually high consumption.

Connection of new customers

This programme entails connecting new customers to GGU's water and wastewater infrastructures, primarily in suburban areas outside of Tbilisi as well as within several large developments within Tbilisi's new administrative boundaries. The cost of connecting new customers is passed on to such customers with any difference between the actual costs (within industry standards) and received revenue accounted for in subsequent tariff periods.

Renewable Energy

Historically, GGU operated HPPs with a total installed capacity of 149 MW primarily to power its water distribution network. In July 2020, Georgia Capital arranged for the transfer of the Mestiachala HPP (which was owned by GRPC through its subsidiary Svaneti Hydro) and the Kasleti, Debeda and Akhmeta HPPs (all of which were owned by Hydrolea) and Qartli Wind Farm to the Issuer. These plants have an aggregate installed capacity of 91 MW, increasing the installed capacity of GGU's total renewable energy portfolio to 240 MW. As described above under "—*Water Supply and Sanitation Services*", the efficiency improvements made by GGU have resulted in decreases in self-produced electricity consumption. This, along with the expansion of the renewable energy portfolio via the transfer of assets to GGU, has increased the proportion of third party sales.

The following table sets forth certain data regarding the renewable energy business for the three months ended 31 March 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017:

	Three Months Ended 31 March		**Year Ended 31 December**		
	2020	**2019**	**2019[1]**	**2018**	**2017**
Net generation *(millions of KWh)*[2]	89.0	63.2	414.3	323.8	341.5
Self-produced consumption for water supply and sanitation business *(millions of KWh)*......................	41.9	41.7	174.0	193.2	239.4
Sales to third parties *(millions of KWh)*	47.2	21.5	240.2	130.6	102.0
Sales to third parties *(GEL millions)*[1].....................	8.1	2.4	26.2	9.0	9.7

Average sales tariff *(GEL per KWh)*........................	0.17	0.11	0.11	0.07	0.10

Notes:

(1) The operations of the Pshavela HPP are included until 1 October 2019, the date the operating lease in respect of the HPP was terminated.

(2) 2019 full year net generation for the Hydrolea HPPs (Kasleti, Debeda and Akhmeta) and Qartli Wind Farm were 77.8 million KWh and 84.6 million KWh, with annual sales of GEL 9.5 million and GEL 16.5 million, respectively. These entities are only consolidated in the Combined Financial Statements from their respective dates of acquisition. Net generation for the Hydrolea HPPs from the date of acquisition was 8.6 million KWh, with sales of GEL 1.4 million. Generation and sales of Qartli Wind Farm are included from 2020.

Power Plants

GGU's portfolio of renewable energy assets includes eight HPPs (with one HPP comprising two separate generation units) and one on-shore wind farm. The details of these plants are set forth in the table below:

	Type of plant	Commissioning date	Installed capacity	2019 Generation	Annual generation (P50)	PPA price (U.S.$ c per KWh)	PPA coverage	PPA expiration year	Annual gross generation covered by PPA
Zhinvali......	Hydro (dam)	1985	130.0 MW	315 GWh	377 GWh	n.a.	n.a.	n.a.	n.a.
Tetrikhevi ..	Hydro (built on water supply network)	1955	12.4 MW	3 GWh	17 GWh	n.a.	n.a.	n.a.	n.a.
Saguramo...	Hydro (built on water supply network)	2016	4.2 MW	15 GWh	28 GWh	n.a.	n.a.	n.a.	n.a.
Bodorna	Hydro (built on water supply network)	2018	2.5 MW	8 GWh	13 GWh	U.S.$c 6.0	September - April	2028	63.2%
Mestiachala	Hydro (run-of-the-river)	2019	50.0 MW	56 GWh	175 GWh	U.S.$ c 5.5	September - April	2034	32.5%
Debeda.......	Hydro (irrigation)	2015	3.2 MW	16 GWh	20 GWh	U.S.$ c 5.5	September - April	2023	81.7%
Kasleti........	Hydro (run-of-the-river)	2018	8.1 MW	34 GWh	35 GWh	U.S.$ c 5.6	September - April	2028	46.7%
Akhmeta	Hydro (irrigation)	2014	9.1 MW	29 GWh	50 GWh	U.S.$ c 5.5	September - April	2022	71.8%
Qartli Wind Farm...........	Wind (on-shore)	2016	20.7 MW	85 GWh	86 GWh	U.S.$ c 6.5	Full year	2029	100.0%
Total			**240.2 MW**	**560 GWh**	**799 GWh**				**57.57%**

ESCO is the counterparty for all PPAs referred to in the table above. ESCO is the state-owned market operator that is responsible for balancing electricity and guaranteed capacity trading and is a counterparty for all power plants with PPAs. See "*Regulation—ESCO*" below for further details.

Zhinvali HPP. The Zhinvali HPP was commissioned in 1986 and has an installed capacity of 130 MW and water storage capacity of approximately 400 million cubic metres in its reservoir. It is the second largest hydropower station constructed on a dam in Georgia. It is the only HPP supplying the water supply and sanitation business. In 2019, 55.6% of net electricity generated by the Zhinvali HPP was used for internal consumption by GGU's water supply and sanitation services business.

Georgian law provides that HPPs constructed before August 2008 with installed capacity equal to or greater than 40 MW, as well as all power plants representing a guaranteed source of capacity, are subject to regulation by GNERC in relation to, among other things, setting electricity sales tariffs. Accordingly, the energy tariffs set by Zhinvali HPP are regulated. The Zhinvali HPP charges GWP the regulated tariff for its internal consumption, the cost of which is then included in "allowed revenue" under the methodology described under "*—Water Supply and Sanitation—Sales and Tariffs*" and is reimbursed through the water tariff. External sales are made by GETC, GGU's electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies, other affiliated HPPs and third parties, and sells it to direct consumers on the free market.

Tetrikhevi HPP. The Tetrikhevi HPP is a small run-of-the-river plant that sources water from the Sioni water reservoir. The installed capacity of the plant is 12.4 MW.

Saguramo HPP. The Saguramo HPP was commissioned in September 2016 and is built on GGU's existing tunnel infrastructure in the Mtskheta Region. The plant also receives water from the Zhinvali water reservoir via the Bodorna-Ghrmaghele water supply tunnel. The Saguramo HPP's installed capacity is 4.2 MW.

Bodorna HPP. The Bodorna HPP is a dam-fed plant that was commissioned in 2018. The Bodorna HPP sources water from the Bodorna Reservoir and its installed capacity is 2.5 MW. For the first ten years after the commencement of power generation, the Bodorna HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at U.S.$ c 6.0 per KWh during the period from September to April (inclusive).

Mestiachala HPP. The Mestiachala HPP is located in Svaneti region and comprises two run-of-the-river power generation units with an aggregate installed capacity of 50 MW. Construction commenced in May 2017 and the 30 MW first phase was completed in April 2019, with the second 20 MW phase being completed in June 2019. The actual cost of construction per MW was approximately U.S$1.2 million, with approximately 70% of the total project cost being financed through long-term debt facility. For the first 15 years after the commencement of power generation, the Mestiachala HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.5 per KWh during the period from September to April (inclusive).

In July 2019, the Mestiachala HPP was affected by flooding resulting from a rock avalanche and both generation units were taken offline. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity. In relation to the 20 MW generation unit, surveys are ongoing for the restoration design which will be submitted to the relevant government authorities for the purpose of obtaining a construction permit. The recommissioning of the 20 MW unit is planned for the second half of 2021. The restoration budget is expected to be covered by insurance proceeds. The payout under GGU's business interruption insurance for 2019 has already been agreed with the insurance company. Insurance proceeds will also cover business interruption for the period up to July 2020, with coverage for a 12-month period in total.

Debeda HPP. The Debeda HPP was acquired by Georgia Capital in October 2019 as part of the Hydrolea acquisition and subsequently transferred to the Issuer in July 2020. It is an HPP built on irrigation infrastructure located in the Kvemo Kartli region that was commissioned in 2015. The installed capacity of the Debeda HPP is 3.2 MW. Until 2023, the Debeda HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.5 per KWh during the period from September to April (inclusive).

Kasleti HPP. The Kasleti HPP was acquired by Georgia Capital in October 2019 as part of the Hydrolea acquisition and subsequently transferred to the Issuer in July 2020. The Kasleti HPP is a run-of-the-river plant located in the Svaneti region that was commissioned in 2018. The installed capacity of the Kasleti HPP is 8.1 MW. Until 2028, the Kasleti HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.6 per kWh during the period from September to April (inclusive).

Akhmeta HPP. The Akhmeta HPP was acquired by Georgia Capital in October 2019 as part of the Hydrolea acquisition and subsequently transferred to the Issuer in July 2020. The Akhmeta HPP is built on irrigation infrastructure located in the Kakheti region that was commissioned in 2014. The installed capacity of the Akhmeta HPP is 9.1 MW. Until 2022, the Akhmeta HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.5 per KWh during the period from September to April (inclusive).

Qartli Wind Farm. In November 2019, Georgia Capital won a public auction held by Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire a 100% equity interest in the 20.7 MW six-turbine Qartli Wind Farm, an on-shore wind farm located in the Shida Kartli region, for U.S.$14.4 million. The wind farm was subsequently transferred to the Issuer in July 2020. Qartli Wind Farm is the only operational wind farm in Georgia and has been generating power since late 2016. The PPA between Qartli Wind Farm and

ESCO sets the price at U.S.$ c 6.5 per KWh, runs to 2029 and covers 100% of the plant's output throughout the entire year. Pursuant to its PPA with ESCO, while Qartli Wind Farm is obliged to sell electricity to ESCO during the eight months from September to April (inclusive), it is permitted to select an offtaker and market the electricity it generates for the remainder of the year, subject to the restriction that, during the first 13 years of operation, electricity generated by Qartli Wind Farm must be sold exclusively to satisfy the internal Georgian demand.

Regulation

Regulators

GNERC is an independent regulatory body and is not subject to direct supervision from any state authority. GNERC's independence is guaranteed by a legally mandated, self-sufficient revenue stream, funded predominantly by regulatory fees paid by all energy market participants, which are currently calculated based on a 0.002 coefficient multiplied by total revenue of each regulatory entity. This independence is a fundamental requirement for synchronisation with the E.U. energy market and is in line with best practices of energy market regulation.

GNERC has the authority to issue licences for the companies of electricity, natural gas and water supply sectors and to supervise such licencees. GNERC regulates, monitors and controls sales tariffs, service quality, coverage areas and key performance indicators of market participants. GNERC's main goal is to maintain a balance between service provider companies and customers in order to maintain the financial sustainability of regulated companies, and at the same time ensure that products and services are affordable to customers. The key regulatory objectives of GNERC include increased transparency and trust among regulated companies and customers, harmonisation of Georgian laws and regulations with E.U. norms, the enforcement of key performance indicators to measure service quality and the development of new regulations, including in relation to alignment with E.U. standards.

Other regulatory bodies that oversee different aspects of GGU's operations include the MRDI, the MEPA, the MoESD and the NFA. MEPA oversees environmental safety and sustainability aspects of GGU's business. MoESD oversees license-related aspects of the recovery of underground water. MRDI and the Tbilisi Municipality are responsible for channelling the funds and planning infrastructure development. The NFA is authorised to ensure standards of drinking water quality.

Price control

In August 2017, GNERC adopted a new pricing methodology applicable to regulated utilities. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, in relation to its water supply and sanitation business, GGU applies a WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets plus capital expenditures it has made. RAB is then multiplied by regulated WACC, providing return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's IFRS financial statements. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period for natural gas and water supply sectors is 15.99%, whereas the previously applicable WACC was 13.54%. The WACC was increased from 13.54% to 16.40% for electricity generation, dispatch, transmission and distribution companies.

After approving this methodology, GNERC developed supplementary regulations setting forth rules and procedures for all components included in tariffs. It introduced regulatory audit rules that set forth step-by-step procedures for tariff calculations, including guidance regarding eligible and ineligible operating expenses for purposes of the above calculation. It also introduced investment valuation rules which set out investment plan agreements and appraisal processes and set rules for eligibility of investments for tariff purposes. Finally, its service quality rules set minimum standards for service quality that utility companies must provide. See "—*Service Quality Rules*" below. The new pricing methodology and supplementary regulations adopted by GNERC have increased clarity and transparency regarding tariff setting and returns on investment.

ESCO

The Government historically effectively provided incentives to investments in the energy sector via PPAs that the state-owned market operator, ESCO, granted to new HPP operators. These PPAs typically entailed a fixed contract for a specified period for the purchase of electricity during eight months in autumn, winter and early spring from newly constructed HPPs for a fixed price. This policy provided a stable and predictable cash flow for new projects (the prices set by PPAs mostly varied between U.S.$ c 5.0 to U.S.$ c 6.5 per KWh).

The main function of ESCO is the purchase and sale of balancing electricity (capacity) (including medium- and long-term agreements for imports and exports). ESCO has exclusive rights to execute import and export agreements in emergency situations.

Moreover, ESCO defines volumes of balancing electricity, settles with eligible parties for balancing electricity purchased or sold in a given month and sets the balancing electricity price for each month. This balancing electricity price is regarded as the benchmark price on the free market, and trading on the free market often takes place at a specified discount to ESCO's balancing price, usually within the range of 3% to 10%.

From 1 May 2018 customers consuming at least 15 GWh per month were required to register as direct customers. From 1 May 2019, this requirement has applied to customers with consumption of at least 5 GWh per month. The intent of this change was to move large industrial customers to the free market while maintaining subsidised electricity prices for residential customers. Following this change, large industrial customers will be required to buy electricity from generators, traders and importers directly rather than from distribution companies.

From July 2018, the newly established PPP agency on behalf of the Government addresses investors' requests for PPAs in accordance with regulations and procedures established under the new Law of Georgia on Public and Private Partnership. The PPP agency conducts a cost/benefit analysis and concludes whether the project requires any support from the Government and decides on the mechanism of support. In December 2019, the Georgian Parliament adopted the Energy Law, which replaced the Law of Georgia on Electricity and Natural Gas adopted in June 1997. The Energy Law is aimed to reshape the Georgian energy market with the primary objective of achieving harmonisation with E.U. rules. As part of these amendments, on 16 April 2020, the Government approved the Concept of Electricity Market Model. According to the Concept of Electricity Market Model, the wholesale electricity market will consist of the bilateral electricity market, the day ahead market, the intra-day market and the market for balancing and ancillary services. The key players in the wholesale market are the exchange market operator, generation units, traders, suppliers and transmission system operator. The exchange market operator will operate day ahead, intra-day and bilateral electricity (forward) markets, register market participants and ensure transparent, accessible and trustworthy payment system. There is a separate operator for the balancing market, which will, among other things, define market products and calculate non-balancing prices.

The concept paper also sets additional preconditions for public service obligations, which can be imposed on, among others, generation licence holders. Such obligations should be temporary in nature and can be imposed only after proper consultations with the Government, GNERC, the Energy Community Secretariat and other competent bodies. In case of generation licence holders, a public service obligation can be imposed in the form of a contract for differences (where tariffs are sent by GNERC) in accordance with which (a) in case of a positive difference, the generation unit pays the wholesale public service organisation; and (b) in the case of negative difference, the wholesale public service organisation pays the generation unit.

ESCO continues to operate in its current form until 1 July 2021 and registers wholesale market participants, conducts balance electricity and guaranteed capacity trading, as well as other functions currently provided under the law. After 1 July 2021, ESCO becomes wholesale public service provider and most importantly, will ensure compliance with the guaranteed PPAs executed prior to the enactment of the new Energy Law.

Normative losses

GNERC defines "normative loss" as the permissible loss of potable water or electricity, as the case may be. Losses are calculated in accordance with specially prescribed rules. Normative losses are determined for each utility company separately. A new methodology for calculating normative losses of potable water was adopted by GNERC in December 2017. This methodology distinguishes between production losses, technical losses and losses caused as a result of excessive consumption. When calculating normative losses, the aim is for utility companies to be compensated for any loss suffered. The distinction between types of losses and the relative weighting in compensation levels is intended to trigger incentive mechanisms available for utility companies to reduce amount of non-revenue generating water in the network.

Service Quality Rules

In July 2016, GNERC adopted commercial service quality rules containing service quality standards applicable to all utility companies. These rules were subsequently replaced with revised service quality rules adopted by GNERC in December 2018 and effective from 1 July 2019. The rules are intended to incentivise improvements in overall service quality among utility companies and include standards in relation to the response time for customer complaints, new customer registration requests and phone calls. The rules also require that subscribers are informed about planned supply interruptions through "out of service" notifications via email and/or text (sms) messages. The rules contain a clear framework for handling unplanned service interruptions and new customer connections. Planned interruptions in the case of simple maintenance works shall not exceed 6 hours. For complex maintenance works, the permissible duration of interruption of water supply services is dependent on the number of impacted subscribers and may last from 12 to 48 hours. Information on all interruptions shall be kept in physical as well as electronic form for the duration of three years thereafter. Service standards are divided into two types: (i) general standards; and (ii) guaranteed standards. Certain standards came into force in 2016, while others came into force in 2017, 2019 and 2020. In the event the general standards are breached, GNERC applies incentives or fines, which are later reflected in tariffs.

General standards are annual targets and relate to the service of customers as a whole. These standards include the aforementioned requirements on informing customers of service interruptions, restoring supply to customers whose service is disrupted and the time permitted to answering calls and responding to customer complaints. In relation to breaches of the general standards, each 1% increase/decrease in set milestones shall cause an increase/decrease in the regulatory cost base of 0.01% for the purposes of calculation of the applicable tariff.

Guaranteed standards apply to the service of specific customers. These standards relate to restoring water supply to customers that were disconnected due to non-payment for services, providing responses to customer applications, inspecting meters at the request of customers, connecting new customers and inspecting the technical quality of supply at the request of a customer. In relation to breaches of the guaranteed standards, the service provider is required to pay compensation to the affected customers for each breach (GEL 5 for individuals and GEL 10 for legal entities). Such compensation shall be reflected as a credit on the bill of the relevant customer within 10 calendar days of the breach.

In addition, the commercial service quality rules provide for an electronic journal, which is a CRM software tool that must be installed and maintained by all utility companies providing services to customers. All applications (whether in electronic or in written form) of customers and actions taken by service providers must be immediately uploaded to the electronic journal. This requirement has been in force since 1 July 2017.

In October 2018, GNERC adopted a resolution implementing mystery customer research in order to evaluate utility companies' compliance with the commercial service quality rules described above. Mystery customer research was performed until 1 September 2019 and included inspections in relation to utility companies' compliance with both general and guaranteed standards.

Harmonisation with E.U. Law

The European Union liberalised its electricity market by introducing Directive 96/92/EC on the common rules for the internal electricity market in the 1990s, Directive 2003/54/EC enabling suppliers to enter E.U. member countries, and Directive 2009/72/EC, commonly known as the 3rd Energy Package, which established common rules for the generation, transmission, distribution and supply of electricity in the European Union. The 3rd Energy Package directive includes the following rules:

- All customers should have access to electricity regardless of the supplier's member state, as long as the supplier follows applicable trading and balancing rules;

- Customers must be able to switch suppliers;

- Electricity projects should strive to be energy-efficient by providing energy management services, developing innovative pricing mechanisms, and introducing intelligent metering systems and smart grids;

- A single point of contact shall provide consumers with all the necessary information regarding their rights, current legislation, and dispute settlement means available to them in the event of a dispute with their electricity supplier;

- The energy ombudsman or a similar consumer body should be established to ensure the efficient treatment of complaints and out-of-court settlements.

On 27 June 2014, Georgia signed the E.U. Association Agreement and established the DCFTA (effective since 1 September 2014) with the European Union. As part of this process, Georgia has introduced reforms in the water supply and sanitation services and electricity markets to bring them in line with the 3rd Energy Package. On 14 October 2016, Georgia signed the Protocol on the Accession of Georgia to the Energy Community Treaty which took effect on 21 April 2017.

The Protocol of the Accession of Georgia to the Energy Community Treaty and the E.U. Association Agreement provide for harmonisation of the Georgian legislation with E.U. requirements, aiming to establish a competitive market in the energy sector. Under the E.U. Association Agreement and the Accession Protocol, Georgia has agreed to implement the following directives and regulations in the electricity sector:

- E.U. Directive 2009/72/EC, which defines transmission systems operators ("**TSOs**") as grid owners and proposes an unbundling of that ownership by separating the assets of the TSOs or transforming them into independent systems operators ("**ISOs**"), if it is part of a vertically integrated structure. Under that directive, Georgia was required to include a public service obligation to customers to ensure a regular supply of electricity and to nominate a "supplier of last resort";

- Regulation 714/2009 on the conditions for access to the network for cross-border exchanges of electricity between Georgia and E.U. member states, which is possible with the involvement of Turkey as an intermediary trading partner;

- Directive 2005/89/EC, which obligates states to safeguard the security of continuous electricity supply and infrastructure investment, take measures to facilitate a stable investment climate, ensure sufficient transmission and generation reserve capacity and establish liquid wholesale markets and opportunities for cross-border cooperation in relation to the security of electricity supply, among other requirements;

- Directive 2009/28/EC, which obliges member states to open their power grids to energy from renewable sources, including via priority grid access (priority dispatch);

- Directive 2012/27/EU on energy efficiency and Directive 2010/31/EU on the energy performance of buildings, which are aimed at improving energy efficiency; and

- Directive 2008/92/EC, which seeks to improve the transparency of gas and electricity prices and the terms of sale to industrial end-users.

To date, to implement the above directives and regulations into its legal framework, Georgia has adopted the Energy Law and the Law of Georgia on Promotion of the Production and Use of Energy from Renewable Sources. In addition, on 16 April 2020 the Government approved the Concept of Electricity Market Model.

In 2017 and 2018, Georgia introduced new legislation and regulations concerning the utilities market, including the following rules (some of which are discussed above):

- from 1 May 2018, consumers of at least 15 GWh per month have been required to register as direct customers. With effect from 1 May 2019, the criteria for direct customers were amended to define direct customers as customers of 5 GWh per month and meeting additional criteria defined by the Government;

- power plants with installed capacity of less than 40 MW have been deregulated since 2018;

- from September to May, wholesale electricity prices paid on electricity purchase from small capacity power plants by ESCO will be equivalent to lowest of the upper price limits set for regulated HPPs by the regulator;
- distribution companies are given certain grace periods and conditions to create digital maps of distribution grid and integrate Supervisory Control and Data Acquisition elements in their accounting processes; and
- tariffs for regulated generation, dispatch, transmission, and distribution companies will be based on three-year development plans developed by service companies.

The Energy Law was adopted on 20 December 2019, which repealed and replaced the Law of Georgia on Electricity and Natural Gas adopted in June 1997. The Energy Law lays down the foundation to reform energy sector in Georgia in line with the Energy Community Treaty and European energy legislation and seeks to establish a legal framework for the generation, supply, dispatch, distribution, and trade of electricity and water supply. The changes introduced by the new Energy Law contains, among others, the following provisions:

- ensuring supplier switching and a supplier of last resort (nominated by the Government);
- unbundling of TSOs and distribution system operators in electricity and natural gas sectors;
- introducing the goals of increased energy efficiency and decreased carbon emissions based on Georgia's environmental, economic, and social security policy;
- integration of smart technologies into the electricity market;
- promotion of renewable energy;
- supporting cross-border electricity trade to increase competition and diversification;
- deregulating electricity prices;
- implementing measures related to the security and reliability of electricity supply;
- protecting consumer rights and increasing affordability of electricity;
- introducing a public service obligation for distribution companies; and
- abolishing cross subsidies among vertically integrated companies.

The Energy Law maintained and upheld electricity generation licences issued prior to its enactment. The water supply licence holders were required to apply to GNERC for an updated authorisation by 27 February 2020.

The changes in relation to deregulation, unbundling, and supplier switching will support the establishment of market-based electricity supply prices. However, prices for electricity generated by some plants will continue to be set by GNERC. The new energy model also lays the groundwork for an electricity trading mechanism. It allows the Government to launch a bilateral electricity market, a day-ahead market, an intra-day market, and a market for balancing and ancillary services.

Currently, ESCO is trading balancing electricity (including imports), as described above under "—*ESCO*". This model of the market is not harmonised with E.U. practices of free electricity markets. A new electricity trading mechanism will eventually replace the existing model with a more liberalised electricity market.

Law on Renewable Energy Sources

Also on 20 December 2019, the Georgian Parliament adopted the Law of Georgia on Promotion of the Production and Use of Energy from Renewable Sources establishing a legal framework for the promotion, facilitation and utilisation of energy from renewable sources. Renewable energy is energy derived from renewable non-fossil sources, including wind, solar, hydropower, biomass, aerothermal, geothermal, hydrothermal and ocean energy, gas derived from the decomposition of organic material in landfills, wastewater treatment plants and biogas.

The Law of Georgia on Promotion of the Production and Use of Energy from Renewable Sources sets national targets for the overall share of energy from renewable energy sources in total energy consumption. According to the law, by 2030 Georgia should increase its share of renewable energy in total energy consumption from 29.5% (the share of renewables in 2019) to 35%. At the same time, by 2030 the share of energy generated from renewable sources for all transport vehicles shall be at least 10% of all energy consumed by transport vehicles in Georgia. Total energy consumption in addition to electricity consumption includes consumption of natural gas, petroleum products (gasoline, diesel), coal and biofuels. In order to achieve the target, by the end of 2020 the Government must develop a national 10-year action plan detailing activities, deadlines, responsible persons, budget and sources of funding.

The Law of Georgia on Promotion of the Production and Use of Energy from Renewable Sources allows for the introduction of incentive mechanisms. Incentives can be implemented in a variety of ways, including: tax reliefs, direct price support schemes, fixed and variable premium payments, including feed-in tariffs, contract for differences, green certificates, auctions, etc. The Government is given a one-year deadline for approval of the precise list of incentives and implementation conditions.

Environmental Regulation

In June 2017, the Georgian Parliament adopted the Environmental Impact Assessment Code which repealed and replaced the Law of Georgia on Environmental Impact Permit. The Environmental Impact Assessment Code, which entered into force on 1 January 2018, introduced rules and requirements for screening, environmental decision and approval of strategic documents. Various procedures may be applicable to the economic activity in question depending on the gravity of its impact on the environment. Most part of GGU's activities fall under the regulations of this Code. In particular, construction and exploitation of HPPs with an installed capacity exceeding 5 MW are subject to the obligation of obtaining an environmental decision (which includes preparing, public discussions and approval of scoping and subsequent full scale Environment Impact Assessment reports). An obligation to undergo an environmental impact assessment and to obtain an environmental decision in respect of HPPs with an installed capacity of between 2 MW and 5 MW is determined by a screening procedure. HPPs with an installed capacity of less than 2 MW are not subject to environmental impact assessment.

Environment impact permits issued under the old law prior to 1 January 2018 remain valid until 1 January 2021. Persons who obtained environmental permits prior to 1 January 2018 are obliged to apply for environmental decisions by 1 January 2021. However, the law also contains a simplified procedure for issuing an environmental decision for projects already holding environmental impact permits. If the project details remain the same, an environmental decision can be issued through a simple administrative procedure ensuring that the new authorisation is based on the previously issued permits. An environmental decision is a detailed and individually tailored document outlining rules, procedures and mechanisms for mitigating the potential negative impact of each particular project.

In addition, the Environmental Impact Assessment Code introduced the concept of a strategic document. This is a governance tool for the authorised body to set milestones and strategic directions in areas having nationwide impact (e.g. water resource management, waste management, transport). The procedures included in the Code ensure wide participation of interested parties, as well as various layers of governance.

Employees

As at 31 March 2020, GGU had 2,468 employees on a full-time equivalent basis, including 2,400 employees at its water supply and sanitation services business and 68 employees at its renewable energy business. The following table sets forth a breakdown of employees as at 31 March 2020 and as at 31 December 2019, 2018 and 2017:

	As at 31 March 2020	**Year ended 31 December**		
		2019	**2018**	**2017**
Water supply and sanitation business	2,400	2,366	2,494	2,620
Renewable energy business....................................	68	73	15	6
Total	**2,468**	**2,439**	**2,509**	**2,626**

Health, Safety and Environmental Matters

Health, safety and environmental issues are governed by a number of laws and guidelines that affect businesses operating in Georgia. GGU is required to comply with a number of health, safety and environmental requirements in each of the sectors in which it operates. The realisation of environmental and social objectives is part of GGU's strategy.

In 2017, GGU introduced its Environmental and Social Policy, and subsequently revised in April 2020, demonstrating its commitment to the principles of sustainable development as well as its compliance with the performance requirements of IFIs.

Under the Environmental and Social Policy, GGU has developed ESMS plans and procedures, which is in accordance with Good International Industry Practice and is applicable to all companies managed by GGU and all types of projects. In parallel, the Environmental and Social Department was established to oversee the process of introducing the ESMS.

The aim is to ensure that mitigation measures and monitoring requirements set forth in the Environmental and Social Action Plan ("**ESAP**") of GGU will be complied with during GGU's operations and maintenance activities, as well as during the implementation of various reconstruction or development projects. GGU places strong emphasis on the proper implementation of ESAP, to ensure compliance with international environmental standards throughout the project cycle. A properly implemented ESAP, as well as various project level Environmental and Social Management Plans ("**ESMPs**") contribute to the achievement of a number of objectives, including compliance with Georgian environmental regulations and with international best practice, including various IFIs' performance standards.

GGU's environmental and social policy framework consists of a combination of environmental and social policy statements, legal and regulatory reviews, overview of the company's activities and environmental impacts, description of the management system including various plans, procedures and practices, description of monitoring program and the stakeholders' engagement process.

In particular, corporate level and site specific ESMPs are developed for all GGU projects under the ESMS package, which include:

- Community Health Safety and Security Management Plans;
- Occupational Health and Safety Management Plans;
- Pollution Prevention and Control Plans;
- Waste Management Plans;
- Transport Management Plans;
- Reinstatement Management Plans;
- Stakeholder Engagement Plans; and
- Contractor Management Plans.

In order to maintain GGU's activities in line with ESMS requirements, all plans defined by the ESMS have been completed since 2017. All necessary corrective actions are undertaken to bring GGU's environmental, health and safety performance in full compliance with IFIs' frameworks.

In September 2019, GWP applied for ISO 14001; 2015 on Environmental Management Systems. After the detailed audit process implemented by the independent international company, G-CERTI, GWP was certified as meeting the requirement and scope of registration - ISO 14001; 2015 (GKGR-0004-EC) on 30 January 2020.

Information Technology

GGU relies on its IT systems in relation to its customer billing and CRM functions. Its IT systems include two fully-featured data centres with uninterruptible power sources; environmental controls; physical security systems; maintained software and hardware designed to support business-critical applications and provide services such as data storage; an enterprise resources planning ("**ERP**") system by Microsoft Dynamics AX with more than 30 modules; and multi-function portable system for information gathering, such as water metering, rehabilitation control and other functions. Nearly all of these systems are connected to the central ERP system. All business-critical systems are backed up with clustering services to ensure minimal to no connectivity loss. All communication channels are doubled and encrypted in accordance with recognised standards. Also, GGU uses multiple layer next generation firewalls ("**NGFWs**") for access control and deep network visibility to prevent cyber-attacks. It uses security features such as application control, web filtering, deep Secure Sockets Layer inspection, antivirus and sandbox. NGFWs prevent and detect against known attacks using continuous threat intelligence from artificial intelligence-powered security services. Client computers are protected by third party antivirus software with advanced threat protection to ensure security across all layers.

GGU is implementing a data loss prevention system to monitor and control the movement of sensitive data. All communication traffic is controlled to prevent data leaks and optimise operating costs.

Insurance

GGU's water supply and sanitation and renewable energy businesses maintain comprehensive insurance coverage in respect of their businesses, properties, liabilities and health/safety of employees. This coverage is maintained in such amounts and with deductibles that are commensurate with local best practice and industry standards.

GGU's insurance coverage includes, but is not limited to, Property All Risk and Business Interruption and Machinery Breakdown and Machinery Breakdown Loss of Profit, Contractor's All Risk, Construction and Erection All Risk and Delay in Start-up, CASCO, Plant and Machinery, Political Violence (including terrorism), Comprehensive Third Party Liability, Employer's Liability, Director's and Officer's Liability, Employees Health and Personal Accident policies.

Litigation and Other Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which GGU is aware), during the 12 months preceding the date of these Listing Particulars which may have, or have had in the recent past, significant effects on GGU and/or GGU's financial position or profitability.

LEGAL INFORMATION IN RESPECT OF THE GUARANTORS

All Guarantors are direct or indirect wholly owned subsidiaries of the Issuer.

GWP

GWP was incorporated as a limited liability company under the Law on Entrepreneurs on 25 June 1997. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia. GWP is registered with the National Agency of Public Registry of Georgia under identification number 203826002.

GWP is the principal subsidiary of the water supply and sanitation business, serving Tbilisi and the surrounding areas. All risk factors presented in the Listing Particulars in relation to the water supply and sanitation business primarily relate to GWP. There are no encumbrances on the assets of GWP that could materially affect its ability to meet its obligations under the Guarantee.

GETC

GETC was incorporated as a limited liability company under the Law on Entrepreneurs on 23 April 2019. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia. GETC is registered with the National Agency of Public Registry of Georgia under identification number 405331591.

Hydrolea

Hydrolea was incorporated as a limited liability company under the Law on Entrepreneurs on 6 July 2012. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia. Hydrolea is registered with the National Agency of Public Registry of Georgia under identification number 406073029.

Qartli Wind Farm

Qartli Wind Farm was incorporated as a limited liability company under the Law on Entrepreneurs on 10 September 2012. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia. Qartli Wind Farm is registered with the National Agency of Public Registry of Georgia under identification number 404957338.

Svaneti Hydro

Svaneti Hydro was incorporated as a joint stock company under the Law on Entrepreneurs on 6 December 2013. Its registered address is 79 D. Aghmashenebeli Avenue, Tbilisi 0102, Georgia. Svaneti Hydro is registered with the National Agency of Public Registry of Georgia under identification number 405021275.

Svaneti Hydro is one of the principal subsidiaries of GGU's renewable energy business, which owns the Mestiachala HPP. All risk factors presented in the Listing Particulars in relation to the renewable energy business relate to, among other assets of GGU, Svaneti Hydro. There are certain encumbrances on the assets of Svaneti Hydro in connection with financing arrangements at the asset level and pledges over its equity. However, such encumbrances are expected to be released shortly following the Closing Date following the refinancing of such arrangements with the proceeds of the Notes. Following this, there will be no encumbrances that could materially affect Svaneti Hydro's ability to meet its obligations under the guarantee.

Geoenergy

Geoenergy was incorporated as a limited liability company under the Law on Entrepreneurs on 26 January 2012. It is a wholly owned subsidiary of Hydrolea. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia. Geoenergy is registered with the National Agency of Public Registry of Georgia under identification number 406062353.

Hydro Georgia

Hydro Georgia was incorporated as a limited liability company under the Law on Entrepreneurs on 08 May 2012. It is a wholly owned subsidiary of Hydrolea. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia. Hydro Georgia is registered with the National Agency of Public Registry of Georgia under identification number 404943941.

Kasleti

Kasleti was incorporated as a limited liability company under the Law on Entrepreneurs on 18 November 2013. It is a wholly owned subsidiary of Hydrolea. Its registered address is 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia, Georgia. Kasleti is registered with the National Agency of Public Registry of Georgia under identification number 406107118.

Unaudited Supplemental Information Regarding the Guarantors

Not all of the Issuer's subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganisation of any of the Non-Guarantor Subsidiaries, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to their parent entity.

Historical Financial Information

The following table sets forth the combined EBITDA and net assets of the Issuer, each Guarantor and the Non-Guarantor Subsidiaries as at and for the three months ended 31 March 2020 and the year ended 31 December 2019.

The measures in the tables below are computed, where appropriate, by reference to the standalone IFRS financial statements of the respective Guarantor or the Non-Guarantor Subsidiary, which might differ from their accounting records prepared for the purposes of the Combined Financial Statements. The measures below are provided before intragroup eliminations in respect of a specific Guarantor or Non-Guarantor Subsidiary.

	As at and for the three months ended 31 March 2020				**As at and for the year ended 31 December 2019**			
	EBITDA		**Net assets**		**EBITDA**		**Net assets**	
	(GEL thousands)	*(%)*	*(GEL thousands)*	*(%)*	*(GEL thousands)*	*(%)*	*(GEL thousands)*	*(%)*
Issuer.............	(56)	(0.3%	(57)	(0.0)%	(258)	(0.2)%	4	0.0%
GWP	13,364	65.9%	136,193	52.6%	80,205	74.0%	149,974	55.1%
GETC............	(1,345)	(6.6)%	(1,373)	(0.5)%	(22)	(0.0)%	(40)	(0.0)%
Hydrolea[(1)]......	1,120	5.5%	31,099	12.0%	916	0.8%	28,947	10.6%
Qartli Wind Farm..............	3,926	19.3%	9,950	3.8%	(48)	(0.0)%	12,574	4.6%
Svaneti Hydro.	(150)	(0.7)%	81,236	31.4%	12,588	11.6%	72,369	26.6%
Total Guarantors....	**16,858**	**83.1%**	**257,048**	**99.3%**	**93,381**	**86.2%**	**263,828**	**97.0%**
Non-Guarantor Subsidiaries	3,436	16.9%	1,914	0.7%	14,975	13.8%	8,255	3.0%
Total	**20,295**	**100.0%**	**258,962**	**100.0%**	**108,356**	**100.0%**	**272,084**	**100.0%**

Note:

(1) Geoenergy, Hydro Georgia and Kasleti, which are also Guarantors, are wholly owned subsidiaries of Hydrolea.

Pro forma

Since the above table is presented on a historical basis, it does not reflect the full-year contribution of the Mestiachala, Kasleti, Debeda and Akhmeta HPPs and Qartli Wind Farm to GGU for the year ended 31 December 2019. The following table sets forth the combined EBITDA of the Issuer, each Guarantor and the Non-Guarantor Subsidiaries for the year ended 31 December 2019 reflecting the full year contribution of those entities based on the Hydrolea Standalone Financial Statements and the Qartli Wind Farm Standalone Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability Across Periods*" and "*Unaudited Pro Forma Financial Information*" for further detail on these acquisitions and an indication of the impact on GGU's results of operations had these assets been acquired on 1 January 2019.

	Year ended 31 December 2019	
	EBITDA	
	(GEL thousands)	*(%)*
Issuer	(258)	(0.2)%
GWP	80,205	63.3%
GETC	(22)	0.0%
Hydrolea[1]	6,954	5.5%
Qartli Wind Farm	12,588	9.9%
Svaneti Hydro	12,251	9.7%
Total Guarantors	**111,718**	**88.2%**
Non-Guarantor Subsidiaries	14,927	11.8%
Total	**126,645**	**100.0%**

Note:

(1) Geoenergy, Hydro Georgia and Kasleti, which are also Guarantors, are wholly owned subsidiaries of Hydrolea.

MANAGEMENT AND EMPLOYEES

Overview

Pursuant to the laws of Georgia and the Issuer's charter (the "**Charter**"), the control and management of the Issuer is divided among the shareholder, the Supervisory Board and the general director (the "**CEO**"), who is in charge of the day-to-day management and representation of the company.

General Meeting of Shareholders

All shareholders registered on the share register on the record date of the general meeting of shareholders (the "**GMS**") have the right to attend and vote (if applicable) at the meeting. As of the date of these Listing Particulars, the Issuer is wholly owned by Georgia Capital, which in turn is owned by Georgia Capital plc, a UK incorporated holding company, listed on the premium segment of the London Stock Exchange. Georgian law provides that holders of preferred shares are not entitled to voting rights at the GMS, unless the charter or any relevant share issue prospectus allocates voting rights to preferred shareholders. According to the Charter, holders of preferred shares are not entitled to voting rights at the GMS. As of the date of these Listing Particulars, the Issuer has not issued any preferred shares. Shareholders may be represented at the GMS by a proxy. A shareholder holding more than 75.0% of the Issuer's voting shares may pass a resolution without convening a GMS. Such decision will be equivalent to the minutes of the GMS and is considered a resolution of the GMS. In such cases, the remaining shareholders (if any) are notified of the resolution. If more than one shareholder owns more than 75.0% of the Issuer's voting shares, convening the GMS is mandatory.

Under Georgian law and the Charter, shareholders are authorised to pass resolutions, *inter alia*, on the following issues at a GMS:

- changing the share capital of the Issuer;
- approval of amendments to the Charter;
- liquidation of the Issuer;
- any merger, division or transformation of the Issuer into another legal entity;
- full or partial cancellation of pre-emptive rights during an increase of share capital;
- distributions of profits;
- election and dismissal of the members of the Supervisory Board and determination of its members' terms of service;
- approval of the reports of the Supervisory Board and the CEO;
- acquisition, sale, transfer, exchange or encumbrance (whether through a single transaction or a series of related transactions) of the Issuer's assets, with a value exceeding GEL 20,000,000 (twenty million);
- approval of the annual accounts of the Issuer;
- election and/or dismissal of an external auditor; and
- other matters provided by law and the Charter.

The rights of the Issuer's shareholder are contained in the Charter and the Issuer will be managed in accordance with the Charter and with the provisions of Georgian law. See "*Business—Organisation*" for the structure chart of GGU.

Supervisory Board

The Supervisory Board shall consist of at least three members, each of whom is elected by shareholders at the GMS. The Supervisory Board members are required to act in the best interests of the Issuer and its business when performing their duties.

The responsibilities of the Supervisory Board, *inter alia*, include:

- appointing and dismissing the CEO and controlling his/her activities;
- approving and amending the Issuer's policies and other regulatory documentation;
- inspecting the Issuer's accounts and property, personally or with the help of invited experts;
- requesting reports of the Issuer's activities from the CEO (including information concerning related companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- convening extraordinary general meetings, if necessary;
- reviewing annual reports and the proposals on profit distribution; and
- approving the annual budget.

The following activities can only be carried out with the prior approval of the Supervisory Board:

- acquisition and disposal of shareholdings in other companies if the amount of such shares exceeds 50.0% of the total equity of such company or the value of the transaction exceeds GEL 1,000,000 (one million);
- establishment, reorganisation and liquidation of branches and subsidiaries of the Issuer;
- adopting general principles of business strategy and the business plan of the Issuer and approving the annual budget and long-term obligations;
- taking and securing obligations (whether through a single transaction or a series of related transactions) the value of which exceeds GEL 1,000,000 (one million) (securing liabilities of the Supervisory Board members and of the CEO shall be approved by the GMS);
- acquisition, sale, exchange, encumbrance or otherwise disposal of property and property rights, if the value of such transaction (whether through a single transaction or a series of related transactions) exceeds GEL 1,000,000 (one million);
- taking or granting loans and credits if the value of such transaction (whether through a single transaction or a series of related transactions) exceeds GEL 1,000,000 (one million);
- entering into any agreement or transaction if the value of such transaction (whether through a single transaction or a series of related transactions) exceeds GEL 1,000,000 (one million);
- commencing any new economic activities or terminating existing ones;
- appointment and dismissal of trade representatives;
- issuance/allocation of new shares within the limits of authorised share capital and approving listing of the Issuer's securities on a particular stock market or other security market;
- redemption of the Issuer's shares in cases envisaged by the applicable laws, including the redemption of treasury shares;
- determination of the remuneration and/or additional benefits for the Issuer's senior management (CEO, other members of the executive management team) and its submission for approval at the GMS; and
- other activities that may be prescribed by applicable laws.

Each current member of the Supervisory Board was appointed by the sole shareholder on 21 January 2020. The business address of all members of the Supervisory Board is at the registered address of the Issuer. No potential conflict of interest exists between the duties of the members of the Supervisory Board and their private interests or other duties.

Set out below are details regarding the members of the Supervisory Board:

Name	Age	Title	Expiration of Term of Office / Reappointment
Avtandil Namicheishvili	46	Chairman	21 March 2024
Irakli Gilauri	44	Deputy Chairman	21 March 2024
Giorgi Vakhtangishvili	35	Member	21 March 2024

Avtandil Namicheishvili is the Chairman of the Supervisory Board of the Issuer and a deputy CEO at Georgia Capital. He joined GGU in 2016 and assumed the role of interim CEO of GGU between January 2019 and March 2020. Mr. Namicheishvili was BGEO Group's General Counsel between 2015 and 2018 and General Counsel at the Bank of Georgia between 2007 and 2015. Prior to that, he was a Partner at a leading Georgian law firm. Mr. Namicheishvili has extensive transactional experience, including over 25 mergers and acquisitions transactions and a number of equity and debt raises on the capital markets. He holds an LL.M. in international business law from Central European University, Hungary.

Irakli Gilauri is the Deputy Chairman of the Supervisory Board. He joined GGU in 2015. Mr. Gilauri serves as a Chairman and CEO at Georgia Capital. Mr. Gilauri has served as CEO of BGEO since his appointment in 2011, and was appointed the Chairman of the Bank of Georgia in September 2015, having previously served as CEO of the Bank of Georgia since May 2006. Before his employment with the Bank of Georgia, Mr. Gilauri was a banker at the EBRD's Tbilisi and London offices for five years, where he worked on transactions involving debt and private equity investments in Georgian companies. Mr. Gilauri received his undergraduate degree in Business Studies, Economics and Finance from the University of Limerick, Ireland, in 1998. He was later awarded the Chevening Scholarship, granted by the British Council, to study at the CASS Business School of City University, London, where he obtained his MSc in Banking and International Finance.

Giorgi Vakhtangishvili has served as a member of the Supervisory Board since 2020. Prior to his appointment as a CEO at GGU in March 2020, Mr. Vakhtangishvili served as a CFO at GGU since 2016. Prior to this, he held different managerial positions at JSC BGEO Group's companies between 2007 and 2015, including the CEO position of m^2 Real Estate between 2011 and 2015. Mr. Vakhtangishvili holds a BBA degree from European School of Management.

The CEO

The CEO, as appointed by the Supervisory Board, is responsible for the day-to-day management and representation against third parties of the Issuer (subject to approvals of GMS and the Supervisory Board, as may be required by the Charter).

The responsibilities of the CEO include:

- conducting the Issuer's day-to-day activities;
- reviewing agenda items for the GMS or Supervisory Board meetings, obtaining all the necessary information, preparing proposals and draft resolutions;
- preparing and presenting to the Supervisory Board for approval the business plan for the following year (such business plan to include the budget, profit and loss forecast and the Issuer's investments plan);
- ensuring fulfilment of resolutions passed at the GMS and the Supervisory Board;
- developing policies, by-laws and other regulatory documents which are to be approved by the Supervisory Board and ensure compliance with such policies, by-laws and regulatory documents;

- deciding on the appointment, dismissal, training and remuneration of staff;
- convening extraordinary general meetings; and
- any other issues which may be assigned to the CEO by the Supervisory Board and/or the GMS.

The following activities may be carried out by the CEO:

- coordinating and managing operations of the Issuer;
- acting on behalf of the Issuer, without a power of attorney, and solely and independently representing the Issuer in relation to any issues, any third parties, and before any state authorities, as well as issue powers of attorney;
- entering into transactions on behalf of the Issuer, subject to any necessary consents or approvals of the GMS and/or Supervisory Board;
- applying incentives and/or sanctions to the Issuer's staff with the consent of the Supervisory Board, in accordance with internal regulations and provisions;
- appointing and dismissing staff;
- preparing necessary materials/reports and presenting these for approval at the GMS or meetings of the Supervisory Board;
- ensuring enforcement of resolutions passed by the GMS and/or the Supervisory Board; and
- any other activities deemed necessary for the achievement of the aims of the Issuer, with the exception of those specifically reserved for the GMS and/or the Supervisory Board.

Executive management team

The executive management team is managed by the CEO.

The executive management team is accountable to the CEO, the Supervisory Board and the shareholders. The Supervisory Board approves the remuneration and other material conditions of employment for each member of the executive management team. Certain resolutions of the executive management team are subject to the prior approval of the Supervisory Board.

Set out below are details regarding the members of the executive management team:

Name	Age	Title
Giorgi Vakhtangishvili	35	Chief Executive Officer
Giorgi Gureshidze	26	Chief Financial Officer
Jaba Mamulashvili	41	Chief Legal Officer
Luka Chachibaia	47	Chief Technical Officer
Irakli Babukhadia	39	Head of Water
Zurab Gordeziani	43	Head of Energy

Giorgi Vakhtangishvili has served as a member of the Supervisory Board since 2019. See "—*Supervisory Board*" for details of his background.

Giorgi Gureshidze has served as a member of the executive management team since 2020. Mr. Gureshidze joined GGU in March 2017 as an investment analyst. In March 2019, he became head of the Business Development department. Before joining GGU, Giorgi worked at the Investor Relations department of JSC TBC Bank, one of the leading banks in Georgia. He holds a Bachelor degree in Economics from Yale University.

Jaba Mamulashvili has served as a member of the executive management team since 2019. Mr. Mamulashvili joined GGU in February 2016. Before joining GGU, he held the position of partner at Begiashvili & Co. Limited, one of the leading Georgian law firms. Mr. Mamulashvili specialises in commercial law and has a notable experience in equity investments, corporate and project financing. He holds a Bachelor degree in Law from Tbilisi State University and a Master's degree in International Business Law from the University of Manchester.

Luka Chachibaia has served as a member of the executive management team since 2019. Mr. Chachibaia joined GGU in 2017. Previously he served as a Vice President of Operations at Tethys Petroleum for 9 years. Prior to that, Mr. Chachibaia has carried out a number of crucial roles within Schlumberger, including Operations Manager for Northern Europe and Business Manager in North Africa. He holds a Bachelor of Science degree in Engineering from Tbilisi State University and a MBA degree from Hult International Business School.

Irakli Babukhadia has served as a member of the executive management team since 2019. Mr. Babukhadia joined GGU in 2015 as chief commercial officer. He has extensive experience in financial and commercial business consulting. Previously he held numerous executive positions in Georgian and international companies such as Tetra Tech, PA Consulting, and Energo-Pro Georgia. He holds a BBA degree in International Business Law from Tbilisi State University.

Zurab Gordeziani has served as a member of the Management Board since 2019. Mr. Gordeziani joined GGU in January 2015. Mr. Gordeziani joined BGEO in 2013 to develop hydro projects. Before that, he was involved in the energy sector of Georgia for 14 years and was part of the team that developed the current legislative framework for the energy sector in Georgia. He also served on executive positions in JSC Energo-Pro Georgia, Georgian Electrosystem and Ministry of Energy. Mr. Gordeziani holds degrees in Law and Economics from Tbilisi State University.

The business address of each member of the executive management team is at the registered address of GGU.

Corporate Governance

GGU fully complies with all requirements regarding corporate governance stipulated under the Law on Entrepreneurs.

Loans to Management

There were no net loans issued to members of the Supervisory Board and the executive management team outstanding as at 31 March 2020.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Supervisory Board, or the executive management team of GGU towards GGU and their private interest and/or other duties.

Litigation Statement

As of the date of these Listing Particulars, no member of the Supervisory Board or the executive management team for at least the previous five years:

- has any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Pensions

Following the entry into force of the Law of Georgia on Funded Pension dated 21 July 2018, on 1 January 2019, GGU became subject to the mandatory state pension scheme, which encompasses an investment of up to 6% of a person's income into a personal pension account, with 2% contributed by each of the employee and the employer and the additional state contribution varying depending on the employee's income. At present, the Government contributes, in favour of the participant of the pension scheme, 2% of the amount of the taxable income of an employee whose total yearly income does not exceed GEL 24,000 and 1% of the amount of the taxable income of an employee whose annual taxable income falls within the range of GEL 24,000 to GEL 60,000. The Government does not make any contributions if the annual taxable income of an employee exceeds GEL 60,000.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

The following table sets forth the ownership of the Issuer's shares as at the date of these Listing Particulars:

	Shares Owned	
Owner	**Number**	**%**
Georgia Capital JSC	1,700	100%
Total shares outstanding	**1,700**	**100%**

Georgia Capital PLC

Georgia Capital PLC is the parent company of Georgia Capital JSC, the Issuer's sole shareholder. It is a platform for buying, building, developing and selling businesses in Georgia. Its primary business is to develop or buy businesses, help them institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. As at 31 December 2019, the total value of its portfolio was GEL 2.3 billion. Its portfolio consists of investments in Georgia Healthcare, Bank of Georgia and GGU as well as investments in companies operating in the housing development, property and casualty insurance, hospitality and commercial real estate, beverages, education, auto services and digital services. Georgia Capital PLC is listed on the premium segment of the London Stock Exchange.

As at 31 March 2020, the shareholders of record of Georgia Capital PLC were as follows:

Name of shareholder	% of Total
M&G Investment Management Ltd	7.49%
Schroder Investment Management Ltd	4.34%
LGM Investments Ltd	3.39%
Vanguard Group Inc	3.19%
Norges Bank Investment Management	3.15%
Consilium Investment Management LLC	2.99%
Dunross & Co AB	2.75%
Van Eck Global	2.71%
Firebird Management LLC	2.35%
T Rowe Price	2.05%
	34.41%

Related Party Transactions

In the ordinary course of its business, GGU has engaged, and continues to engage, in transactions with related parties. Related parties include, among others, shareholders, all managers and the members of the executive management team of GGU, companies affiliated with GGU and certain shareholders and managers of such affiliated companies. Furthermore, parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control. GGU seeks to conduct all related party transactions on market terms and at market prices.

According to the Charter, any transaction with related parties of the Issuer is subject to the prior approval of the Supervisory Board if the value of such transaction exceeds GEL 500,000 (five hundred thousand). The Supervisory Board may delegate this authority to the CEO, provided that the latter may not participate in discussions or adopt decisions with respect to transactions where the CEO has a conflict of interest.

Pursuant to Georgian securities law applicable to reporting companies (as such term is defined in the Securities Market Law) such as subsidiaries of the Issuer, including GWP, certain approval and transparency requirements apply to transactions in which the members of the governing bodies of a reporting company and direct or indirect owners of 20% or more of its shares are regarded as "interested parties" (as such term is defined in the Securities

Market Law). A transaction involving "interested parties" must be approved by a supervisory board or a general meeting of shareholders. Transactions involving "interested parties" with a value of 10% of the value of the assets of a reporting company or more must be approved by a general meeting of shareholders.

The following tables show volumes of related party transactions, outstanding balances at the period end and related party expense and income for the periods indicated. For further details of certain transactions, see Note 29 to the Audited Combined Financial Statements and Note 13 to the Interim Combined Financial Statements.

	As at 31 March 2020		**As at 31 December**					
			2019		**2018**		**2017**	
	Parent company	**Entities under common control**	**Parent company**	**Entities under common control**	**Parent company**	**Entities under commo n control**	**Parent Compa ny**	**Entities under common control**
	(Unaudited)		*(Audited)*					
	(GEL thousands)							
Assets								
Cash and cash equivalents	—	—	—	—	—	—	—	14,992
Trade and other receivables	—	1,184	—	1,822	—	181	—	116
Prepayments(1)	—	372	2,474	420	—	403	—	347
Derivative financial assets	747	—	—	—	—	—	450	—
Reimbursement asset	—	47,623	—	46,457	—	—	—	3,222
Other non-current assets	—	—	—	—	—	—	—	446
Property, plant and equipment	8,277	—	8,277	—	8,277	—	2,952	—
Borrowings as at 1 January	**35,531**	**—**	**—**	**—**	**52,562**	**—**	**—**	**521**
Proceeds from borrowings and interest accrued during the period/year	589	60	65,126	—	6,506	—	52,562	11,556
Repayment of borrowing including interest during the period/year	—	—	(29,595)	—	—	—	—	(12,077)
Currency translation and other changes	5,707	—	—	—	—	—	—	—
Conversion of loan into share capital	—	—	—	—	(59,068)	—	—	—
Borrowings as at 31 December	**41,827**	**60**	**35,531**	**—**	**—**	**—**	**52,562**	**—**
Liabilities								
Advances received	—	171	—	106	—	43	—	311
Trade and other payables	735	162	—	216	—	206	—	170
Derivative financial liabilities	—	—	1,919	—	1,777	—	—	—

Note:

(1) Prepayments towards Georgia Capital represent advances made in compensation of settlement of share-based payment awards.

GGU received cash settlement of the reimbursement asset due from insurance company under common control in amount of GEL 5.0 million during three months ended 31 March 2020. All income and expense items on transactions with related parties are with entities under common control.

	Three months ended 31 March 2020	**Year ended 31 December**		
		2019	**2018**	**2017**
Income and expenses	*(unaudited)*	*(audited)*		

Revenue from water supply	374	1,745	1,704	1,550
Revenue from technical support	—	47	249	16
Other revenue	19	7	216	1
Business interruption reimbursement(1)	326	10,047	—	—
Other income	—	1,032	5	553
Gain from sale of non-core assets(2)	—	2,364	—	(11)
Income from insurance reimbursement(3)	—	36,706	—	—
Finance costs	(589)	(36)	—	(1,964)
Non-recurring expenses	(413)	—	—	—
Other operating expenses	(460)	(636)	(1,262)	(1,204)

Notes:

(1) Business interruption reimbursement income in 2019 represents the business interruption insurance reimbursement.

(2) In 2019, GGU sold non-core assets to an entity under common control, classified as investment property and property, plant and equipment in the combined statement of financial position. Carrying amount of assets disposed amounted to GEL 4,522 thousand and the consideration received was GEL 6,886 thousand, of which GEL 861 thousand is outstanding as receivable as at 31 December 2019. GGU presented gain from sale of those assets as gain from sale of non-core assets in the combined statement of profit and loss and other comprehensive income.

(3) Other non-recurring items represents reimbursement of flood-related damages due from Insurance Company Aldagi JSC, an entity under common control. In 2019, GGU recognised an insurance reimbursements asset of GEL 0.4 million from a related party (insurance company) related to a warehouse fire. The amount was reversed in 2020 as a non-recurring expense.

Remuneration and Benefits

GGU's key management personnel in 2019, 2018 and 2017 included non-executive directors of GGU, the Executive Chairman of the supervisory board of GWP and members of the executive management board of GWP. Compensation paid to key executive management personnel (including the Executive Chairman of the supervisory board and six members of executive management board of GWP) for their services in full-time executive management positions is made up of salaries, employee share-based compensation and performance bonuses depending on the financial performance of GWP. The total compensation paid to key management personnel amounted to GEL 9,244 thousand, GEL 11,432 thousand and GEL 5,967 thousand for the years ended 31 December 2019, 2018 and 2017, respectively.

	Year ended 31 December		
	2019	**2018**	**2017**
	(GEL thousands)		
Salaries and benefits	1,936	2,300	1,894
Bonuses	1,323	1,258	1,290
Employee share-based compensation	3,123	7,874	2,783
Termination payments towards executive management personnel	2,862	—	—
Total management compensation	**9,244**	**11,432**	**5,967**

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions in the form in which they will be endorsed on the Notes:

The issue of U.S.$250,000,000 7.750% Notes due 2025 (the "**Notes**", which expression shall include any further Notes issued pursuant to Condition 19 (*Further Issues*) and consolidated and forming a single series therewith) was authorised by a resolution of the Board of Directors of Georgia Global Utilities JSC (the "**Issuer**") passed on 23 July 2020. The Notes are constituted by a trust deed dated 30 July 2020 (the "**Trust Deed**", which expression includes any such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) between the Issuer, Georgian Energy Trading Company LLC ("**GETC**"), Georgian Water and Power LLC ("**GWP**"), Hydrolea LLC ("**Hydrolea**"), Svaneti Hydro JSC ("**Svaneti**"), Qartli Wind Farm LLC ("**QWF**"), Geoenergy LLC ("**Geoenergy**"), Hydro Georgia LLC ("**Hydro Georgia**") and Kasleti 2 LLC ("**Kasleti**", and together with GETC, GWP, Hydrolea, Svaneti, QWF, Geoenergy and Hydro Georgia, the "**Guarantors**" and each individually a "**Guarantor**") and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. Copies of the Trust Deed, and of the agency agreement dated 30 July 2020 (the "**Agency Agreement**", which expression includes any such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) relating to the Notes between the Issuer, the Guarantors, the Trustee, Citibank N.A., London Branch as the initial principal paying agent (the "**Principal Paying Agent**") and transfer agent (the "**Transfer Agent**"), and Citigroup Global Markets Europe AG as registrar (the "**Registrar**"), and any other agents named in it, are available for inspection during usual business hours following satisfactory proof of holding and identity and by prior appointment at the specified offices of the Principal Paying Agent, the Transfer Agent and the Registrar. However if the Principal Paying Agent, the Transfer Agent and the Registrar are not able to make available for inspection at their respective specified office such documents by any event beyond their reasonable control, the Principal Paying Agent, the Transfer Agent and the Registrar may provide such documents for inspection to any holder of a Note electronically, subject to such holder being able to provide evidence satisfactory to the Issuer, the Principal Paying Agent, the Transfer Agent and the Registrar as to its holding and identity. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed pursuant to the Agency Agreement from time to time with respect to the Notes. The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

As of the Issue Date (as defined below), all of the Issuer's Subsidiaries (other than Darchi LLC) will be "Restricted Subsidiaries". However, under the circumstances described below in the definition of "Unrestricted Subsidiaries", the Issuer will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. The Issuer's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in these Conditions.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed, the absence of any such meaning indicating that such term is not applicable to the Notes.

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Notes are issued in registered form, without interest coupons attached, and shall be serially numbered. Notes, whether sold (i) in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or (ii) to QIBs (as defined in the Trust Deed) in reliance on Rule 144A under the U.S. Securities Act, will be issued in the denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000.

The Notes are represented by registered certificates (the "**Certificates**") and, save as provided in Condition 2(a) (*Transfer*), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered.

2. TRANSFERS OF NOTES

(a) **Transfer**: One or more Notes may be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement (the "**Regulations**"). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current Regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) (*Transfer*) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(b), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Noteholder may require the transfer of a Note (or any part thereof) to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(b) (*Redemption for Taxation and Other Reasons*), (iii) after any such Note has been called for redemption in accordance with these Conditions or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

The Notes constitute direct, unconditional and (subject to Condition 5 (*Covenants*)) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The Issuer shall ensure that at all times the claims against it under the Notes and the Trust Deed rank at least *pari passu* in right of payment with the claims of all other unsecured and unsubordinated creditors of the

Issuer (subject to Condition 5 (*Covenants*)), save for those claims that are preferred by mandatory provisions of applicable law.

4. GUARANTEES

(a) **Guarantees**: The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantors on a joint and several basis (the "**Guarantees**" and each a "**Guarantee**") in the Trust Deed. The Guarantees will become effective on the Issue Date.

(b) **Status of the Guarantees:** The Guarantees constitute direct, unconditional and (subject to the provisions of Condition 5 (*Covenants*)) unsecured obligations of each Guarantor and the Guarantors shall ensure that at all times the claims against them under the Guarantees and the Trust Deed rank at least *pari passu* in right of payment with the claims of all other unsecured and unsubordinated creditors of each Guarantor (subject to Condition 5 (*Covenants*)), save for those claims that are preferred by mandatory provisions of applicable law.

(c) **Additional Guarantors:**

(i) The Issuer shall ensure that on the last date of a period for which each annual or interim financial report referred to in Condition 5(j) is prepared (each a "**Guarantor Testing Date**"):

(A) Consolidated Total Assets of the Guarantors (calculated in accordance with IFRS or under GAAP local to each such Guarantor where IFRS financials are not available in respect of such Guarantor), comprise 85% or more of the consolidated net assets of the Group (calculated in accordance with IFRS), in each case with reference to the balance sheets of the Guarantors and the consolidated balance sheet of the Group at the Guarantor Testing Date; and

(B) Consolidated EBITDA of the Guarantors (calculated in accordance with IFRS or under GAAP local to each such Guarantor where IFRS financials are not available in respect of such Guarantor), comprises 85% or more of the Consolidated EBITDA of the Group (calculated in accordance with IFRS) in each case for the last two semi-annual periods ending on the Guarantor Testing Date and by reference to the income statements of the Guarantors and the consolidated income statements of the Group for such periods.

(ii) In the event that either or both of the tests in Condition 4(c)(i) are not satisfied on any Guarantor Testing Date, the Issuer will cause additional Subsidiaries of the Issuer to execute and deliver to the Trustee a deed supplemental to the Trust Deed, pursuant to which each such Subsidiary (an "**Additional Guarantor**") will unconditionally and irrevocably, on a joint and several basis with each other Guarantor, guarantee the payment of all moneys payable under the Trust Deed and the Notes and will become vested with all the Obligations of a Guarantor as if originally named a Guarantor under the Trust Deed and the Agency Agreement (an "**Additional Guarantee**"), as soon as practicable (but in any event no later than 30 days after the date on which reports referred to in Condition 5(j) are furnished to the Noteholders and the Trustee), such that, following such execution and delivery, if such additional Subsidiaries had been included as Guarantors prior to or as of such date, each of the tests in Condition 4(c)(i) would have been satisfied, and the Issuer shall confirm the same to the Trustee (and the Trustee shall be entitled to rely upon such confirmation without enquiry and without any liability). The Issuer shall provide no less than five Business Days' notice to the Trustee of the proposed granting of an Additional Guarantee by any Subsidiary and such notice shall specify the relevant Subsidiary or Subsidiaries that will become Additional Guarantor(s).

In addition, the Issuer will cause to be delivered on the date of execution of each deed supplemental to the Trust Deed pursuant to which such Subsidiary will become an Additional Guarantor an Opinion of Counsel addressed to the Trustee (at the expense of the

Issuer), in form and substance reasonably satisfactory to the Trustee, stating that the Additional Guarantor has due capacity to enter into such deed supplemental to the Trust Deed and perform its obligations thereunder and that the obligations set out in such deed supplemental to the Trust Deed constitute the legal, valid and binding obligations of the respective Additional Guarantor, enforceable in accordance with its terms, subject to customary exceptions, qualifications and limitations.

(iii) In the event that any Restricted Subsidiary that is not a Guarantor, on any Guarantor Testing Date, would constitute a Material Subsidiary, the Issuer shall, within 30 days of such determination, cause such Restricted Subsidiary to become an Additional Guarantor in accordance with the procedures set out in Condition 4(c)(ii) above.

(iv) Any Additional Guarantees shall be issued on substantially the same terms as the Guarantees (limited only to the extent necessary under applicable law).

(v) For the purposes of the Trust Deed and these Conditions, references to the Guarantees include references to any Additional Guarantees and references to the Guarantors include references to any Additional Guarantors.

(vi) Notwithstanding anything in this Condition 4(c) to the contrary, no Subsidiary shall be obligated to become a Guarantor to the extent and for so long as the incurrence of such Guarantee is reasonably likely to give rise to or result in:

(A) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalisation rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction;

(B) direct personal liability for the officers, directors, supervisory board members or (except in the case of a Subsidiary that is a partnership) shareholders of such Subsidiary (or, in the case of a Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or

(C) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the relevant Guarantee itself) that cannot be avoided by reasonable measures available to the Issuer other than reasonable out of pocket expenses (but, in such a case each of the Issuer and the Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit).

At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognise certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.

(d) **Release of Guarantees:** The Guarantee of a Guarantor will be released automatically and without further action on the part of any Noteholder or the Trustee:

(i) in the event that such Guarantor is disposed of in a manner which is permitted by these Conditions (*provided* that, in any event, the disposal is not made to a Restricted Subsidiary that is not a Guarantor) and the proceeds of such disposal are applied for a purpose permitted by these Conditions;

(ii) when a Guarantor is not a Material Subsidiary and is liquidated, merged into a Restricted Subsidiary or reorganised in any other manner within 180 days of its release as a Guarantor;

(iii) upon the merger of a Guarantor into another Guarantor or the Issuer in a manner which is permitted by these Conditions;

(iv) upon the full and final payment and performance of all Obligations of the Issuer under the Trust Deed and the Notes; and

(v) to the extent allowed pursuant to actions described in Condition 13 (*Meeting of Noteholders*) and these Conditions,

provided that in the case of clauses (i), (ii), and (iii) above, after giving *pro forma* effect to such release, each of the tests in Condition 4(c)(i) would have been satisfied on the relevant Guarantor Testing Date.

A Guarantor or Guarantors shall also be released from the Guarantee on request of the Issuer if, after giving *pro forma* effect to such release, (i) each of the tests in Condition 4(c)(i) would have been satisfied on the relevant Guarantor Testing Date; and (ii) such Guarantor is not a Material Subsidiary (the "**Guarantor Release Tests**").

No release or discharge of a Guarantee will be effective against the Trustee or the Noteholders until the Issuer shall have delivered to the Trustee an Officers' Certificate (in the case of release pursuant to Conditions 5(d)(i), (ii) and (iii), certifying that an event specified in Conditions 5(d)(i), (ii) or (iii), as applicable, has occurred and certifying compliance with the tests set out in Condition 4(c)(i) on the relevant Guarantor Testing Date, and in the case of release pursuant to the preceding paragraph, certifying compliance with the Guarantor Release Tests, in each case after giving *pro forma* effect to such release) and an Opinion of Counsel, each stating that all conditions precedent provided for in the Trust Deed relating to such release and discharge have been satisfied and that such release and discharge is authorised and permitted under these Conditions. The Trustee shall be entitled to rely on such Officers' Certificate and Opinion of Counsel absolutely and without enquiry or liability, and upon receipt of which, the Trustee shall be irrevocably authorised by the Noteholders to take all reasonable actions requested by the Issuer or the relevant Guarantor to effect and evidence any release in accordance with these Conditions and the Trust Deed (subject to customary protections and indemnifications and at the cost of the Issuer or the relevant Guarantor). The Noteholders by purchasing the Notes hereby authorise and instruct the Trustee to enter into such release documentation upon acceptance of such Officers' Certificate and Opinion of Counsel.

None of the Issuer, the Trustee or the Guarantors will be required to make a notation on the Notes to reflect any such release, termination or discharge.

(e) **Notice to Trustee and Noteholders:** The Issuer will give notice to the Trustee and to Noteholders in accordance with Condition 16 (*Notices*) forthwith upon a Guarantor ceasing to be a Guarantor and/or any additional Subsidiary of the Issuer becoming a Guarantor. In addition, for long as the Notes are listed on the Irish Stock Exchange and/or any other securities exchange on which the Notes may be listed or quoted from time to time, the Issuer shall comply with the applicable rules of the Irish Stock Exchange and/or such other securities exchange in relation to any Guarantor ceasing to be a Guarantor or any of the Subsidiaries of the Issuer becoming Guarantors.

(f) **Trustee not obliged to monitor**: The Trustee shall not be obliged to monitor compliance by the Issuer with Condition 4(c) or Condition 4(d) and shall have no liability to any person for not doing so. The Trustee shall be entitled to rely, without liability to any person, on a notice of the Issuer provided under this Condition 4 and shall be entitled to assume the factual accuracy of any information contained in such notice.

5. COVENANTS

(a) **Negative Pledge**: The Issuer shall not, and shall not cause or permit any of its Material Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness upon any of its property or assets (whether now owned or hereafter acquired), except (a) Permitted Liens or (b) if such Lien is not a Permitted Lien, to the extent that all payments due under the Trust Deed and the Notes (or a Guarantee in the case of Liens of a Guarantor) are secured on an equal and ratable basis with the obligations so secured (and if such obligations so secured are subordinated or junior in right of payment to either the Notes or any Guarantee, as the case may be, then the Liens securing such Indebtedness shall be subordinate or junior in priority to the Lien securing the Notes or such Guarantee at least to the same extent as such Indebtedness is subordinate or junior to the Notes or such Guarantee, as the case may be), until such time as such obligations are no longer secured by a Lien. Any such Lien thereby created in favour of the Noteholders pursuant to this Condition 5(a) will be automatically and unconditionally released and discharged upon the release and discharge of the initial Lien to which it relates, subject to any formalities required under applicable local law.

(b) Continuance of Business, Maintenance of Authorisations and Legal Validity:

(i) The Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its or their respective corporate existence (except as otherwise permitted by Condition 5(c) (*Mergers and Consolidations*), and its or their respective business, and the use of all material intellectual property relating to its or their respective business and the Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of all consents, licences, approvals and authorisations necessary in that regard.

(ii) The Issuer and each of the Guarantors shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the laws and regulations of the jurisdictions where they were formed or in which they operate to enable them lawfully to perform their respective obligations under the Notes, the Guarantees and the Trust Deed and ensure the legality, validity, enforceability or admissibility in evidence in Georgia of the Notes, the Guarantees and the Trust Deed.

(c) Mergers and Consolidations:

(i) The Issuer shall not, without the prior written consent of the Trustee, (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

(A) immediately after the transaction referred to in (x) or (y) above:

(I) the resulting or surviving Person or the transferee (the "**Successor Entity**") shall be the Issuer or, if not the Issuer, the Successor Entity shall expressly assume by a deed supplemental to the Trust Deed in form and substance reasonably satisfactory to the Trustee, executed and delivered to the Trustee, all the rights and obligations of the Issuer under the Notes, the Trust Deed and the Agency Agreement;

(II) the Successor Entity (if not the Issuer) shall retain or succeed to all of the rights and obligations of the Issuer under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates; and

(III) the Successor Entity (if not the Issuer) is a corporation organised or existing under the laws of any member state of the European Economic Area, the United Kingdom, the United States or any State thereof or the District of Columbia, Georgia, Israel, Canada, South Korea, Turkey, Armenia, Azerbaijan or Russia;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom;

(C) each Guarantor (unless it is the other party to the transactions above, in which case clause (i)(A)(II) shall apply) shall have by a deed supplemental to the Trust Deed confirmed that its Guarantee shall apply to any Successor Entity's obligations in respect of the Trust Deed, the Agency Agreement and the Notes and shall continue to be in effect; and

(D) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(ii) The Guarantors shall not, without the prior written consent of the Trustee, (x) enter into any re-organisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Guarantors' properties or assets (determined on a consolidated basis), unless, in any case:

(A) immediately after the transaction referred to in (x) or (y) above:

(I) the Successor Entity is a Guarantor; or

(II) the Successor Entity (if not a Guarantor) shall retain or succeed to all of the rights and obligations of the relevant Guarantor under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

provided that the Successor Entity is a corporation organised or existing under the laws of any member state of the European Economic Area, the United Kingdom, the United States or any State thereof or the District of Columbia, Georgia, Israel, Canada, South Korea, Turkey, Armenia, Azerbaijan or Russia;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

(C) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(iii) Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary as a result of any such transaction undertaken in compliance with this covenant, and any Permitted Refinancing Indebtedness with respect thereto, shall be deemed to have been incurred in compliance with the covenant described in Condition 5(i) (*Indebtedness*); *provided, however,* that at the time of such transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur U.S.$1.00 additional Indebtedness pursuant to Condition 5(i)(i) (*Indebtedness*) after giving pro forma effect to the incurrence of such Indebtedness or (y) the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would not be more than it was immediately prior to giving pro forma effect to the incurrence of such Indebtedness.

(iv) For the purpose of this Condition 5(c), the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer or a Guarantor (as applicable), which properties and assets, if held by the Issuer or such Guarantor (as applicable) instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or such Guarantor (as applicable) on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Issuer. In addition, neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

(v) The Successor Entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or Guarantor (as applicable) under the Trust Deed and the Notes.

(vi) Nothing in these Conditions will prevent and this Condition 5(c) will not apply to (i) any Restricted Subsidiary consolidating with, merging with or into or transferring all or part of its properties and assets to the Issuer or a Guarantor, or (ii) any Restricted Subsidiary that is not a Guarantor consolidating with, merging with or into or transferring all or part of its properties and assets to any other Restricted Subsidiary.

(vii) In the event the Issuer or any Guarantor merges into or is consolidated with another entity and such merger or consolidation is permitted by these Conditions, all references to the Issuer or such Guarantor in these Conditions or the Trust Deed shall be deemed to refer to the Successor Entity in such merger or consolidation.

(viii) In connection with this Condition 5(c) the Trustee shall:

(A) be entitled to rely, without further enquiry, on an Officers' Certificate of the Issuer (or, if applicable, the Successor Entity) confirming that the requirements set out in Condition 5(c)(i) or Condition 5(c)(ii), as applicable, are satisfied and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; and/or

(B) have no obligation to determine whether any relevant transaction referred to in Conditions 5(c)(i) or 5(c)(ii) shall result in a Material Adverse Effect but shall be entitled either:

(I) to rely, without further enquiry, on any opinion of a Financial Adviser which confirms that, in the opinion of such Financial Adviser, the relevant transaction would not result in a Material Adverse Effect and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; or

(II) to refrain from taking any action or providing any consent to the Issuer in the absence of a direction from the Noteholders (by way of Extraordinary Resolution).

(d) Asset Sales:

(i) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(A) the Issuer or any of its Restricted Subsidiaries receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(B) at least 75% of the consideration received in the Asset Sale by the Issuer or its relevant Restricted Subsidiary is in the form of cash or Cash Equivalents.

(ii) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer or one or more of its Restricted Subsidiaries may apply an amount equal to the amount of such Net Proceeds:

(A) to purchase the Notes (x) through open market purchases or in privately negotiated transactions at market prices (which may be below par), or (y) pursuant to an offer to all Noteholders in accordance with the provisions set forth below for an Asset Sale Offer (which offer shall be deemed to be an Asset Sale Offer for purposes hereof);

(B) to repay, repurchase, prepay or redeem (x) to the extent such Net Proceeds are from an Asset Sale of assets of a Restricted Subsidiary that is not a Guarantor, any Indebtedness of a Restricted Subsidiary that is not a Guarantor, (y) any Indebtedness that is secured by a Lien on the assets or property subject to such Asset Sale and, if the Indebtedness repaid, repurchased, prepaid or redeemed is revolving credit facility Indebtedness, to correspondingly reduce commitments with respect thereto or (z) Pari Passu Indebtedness that is not Public Debt at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness *plus* accrued and unpaid interest to the date of such repayment, repurchase, prepayment or redemption;

(C) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(D) to make capital expenditures;

(E) to acquire other assets (other than Capital Stock) that are not classified as current assets under IFRS and which are used or useful in a Permitted Business;

(F) pursuant to a binding commitment to apply the Net Proceeds pursuant to the foregoing clauses (A) through (E); *provided*, *however*, that any such binding commitment will be treated as a permitted application of Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period;

(G) to invest in Cash Equivalents; or

(H) any combination of the foregoing.

(iii) Pending the final application of any Net Proceeds, the Issuer or any of its Restricted Subsidiaries may otherwise invest the Net Proceeds in any manner that is not prohibited by these Conditions.

(iv) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Condition 5(d)(ii) will constitute "**Excess Proceeds**". On the 366th day after an Asset Sale (or such later date as is contemplated by Condition 5(d)(ii)(F) above) if the aggregate amount of Excess Proceeds exceeds U.S.$25 million (or an equivalent amount in any other currency or currencies), within 20 Business Days thereof, the Issuer or one or more of its Restricted Subsidiaries will make an offer (an "**Asset Sale Offer**") to all Noteholders and may make an offer to all holders of other Pari Passu Indebtedness (to the extent such Pari Passu Indebtedness is subject to provisions similar to those set forth in these Conditions with respect to offers to purchase or redeem or obligations to repay with the proceeds from sales of assets) to purchase, prepay or redeem the maximum principal amount of Notes and such other Pari Passu Indebtedness (*plus* all accrued and unpaid interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, *plus* accrued and unpaid interest and additional amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of Noteholders on the relevant Record Date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. If the aggregate principal amount of Notes and other Pari Passu Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and any other Pari Passu Indebtedness, if applicable, in definitive form to be purchased shall be selected by the drawing of lots in such place and in such manner as is fair and reasonable in the circumstances taking account of prevailing market practices (or, in the case of Notes issued in global form, based on a method that most nearly approximates a *pro rata* selection as prescribed by the relevant clearing systems) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed; *provided* that Notes of U.S.$200,000 or less may only be purchased in whole and not in part, and in integral multiples of U.S.$1,000 in excess thereof. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(v) The Issuer will comply with the requirements of all securities laws and regulations (including securities exchange rules) to the extent those laws and regulations are applicable in connection with each repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Condition 5(d)(iv), the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Condition 5(d)(iv) by virtue of such compliance.

(e) Transactions with Affiliates:

(i) The Issuer shall not, and shall not cause or permit any of its Material Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) in any twelve-month period which has or in aggregate have a value in excess of the greater of U.S.$5 million (or an equivalent amount in any other currency or currencies) and 2.0% of the Issuer's Consolidated Total Assets with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") unless the terms of such Affiliate Transaction are not materially less favourable to the Issuer or such Material Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer or such Material Subsidiary, as the case may be.

(ii) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the foregoing Condition 5(e)(i):

(A) any employment agreement, collective bargaining agreement, employee benefit plan, officer, director or supervisory board member indemnification agreement, including any stock option, stock appreciation rights, stock incentive or similar plans or any similar arrangement entered into by the Issuer or any of its Material Subsidiaries in the ordinary course of business or consistent with past practice and payments or other transactions pursuant thereto;

(B) transactions (including a merger) between or among the Issuer and any of its Restricted Subsidiaries or between or among any Restricted Subsidiaries;

(C) payment of reasonable fees to, reimbursements of expenses and indemnity provided on behalf of, officers, directors, supervisory board members, employees or consultants of the Issuer or any of its Restricted Subsidiaries or any Parent;

(D) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer or any Material Subsidiary to Affiliates of the Issuer or to any director, supervisory board member, officer, employee or consultant of the Issuer, or receipt of cash capital contributions from Affiliates of the Issuer or any Material Subsidiary in exchange for Equity Interests of the Issuer (other than Disqualified Stock);

(E) Restricted Payments and Permitted Investments (other than Permitted Investments described in clauses (c) and (o) of the definition thereof) that do not violate Condition 5(g) (*Restricted Payments*);

(F) transactions in the ordinary course of business with a Person that is an Affiliate of the Issuer or a Material Subsidiary solely because the Issuer or a Material Subsidiary or any Affiliate of the Issuer or a Material Subsidiary owns, directly or indirectly, an Equity Interest in or otherwise controls such Person;

(G) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers or other providers of goods or services, or lessors or lessees of property, in each case in the ordinary course of business and otherwise in compliance with the terms of these Conditions which are fair to the Issuer or its Material Subsidiaries or on terms at least as favourable to the Issuer or its Material Subsidiaries as might reasonably have been obtained at such time from an unaffiliated party (in each case, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(H) transactions effected pursuant to or contemplated by agreements or arrangements in effect or entered into on the Issue Date and any amendments, modifications or replacements of such agreements or arrangements (so long as such amendments, modifications or replacements are not materially more disadvantageous to the Noteholders, taken as a whole, than the original agreements or arrangements as in effect on or entered into on the Issue Date) (as determined in good faith by a responsible accounting or financial officer of the Issuer);

(I) transactions effected pursuant to or contemplated by agreements or arrangements between any Person and an Affiliate of such Person existing at the time such Person is acquired by, merged into or amalgamated, arranged or consolidated with the Issuer or any of its Material Subsidiaries; *provided* that such agreements or arrangements were not entered into in contemplation of such acquisition, merger, amalgamation, arrangement or consolidation, and any amendments, modifications or replacements of such agreements or arrangements (so long as such amendments, modifications or replacements are not materially more disadvantageous to the Noteholders, taken as a whole, than the original agreements or arrangements as in effect on the date of such acquisition, merger, amalgamation, arrangement or consolidation) (as determined in good faith by a responsible accounting or financial officer of the Issuer);

(J) Hedging Obligations entered into from time to time for bona fide hedging purposes and not for speculative purposes of the Issuer and the Material Subsidiaries and the unwinding of any Hedging Obligations;

(K) execution, delivery and performance of any consolidated group arrangements for tax or accounting purposes, provided that any payments to be made pursuant to such arrangements are made in compliance with the covenant as set forth in Condition 5(g) (*Restricted Payments*);

(L) without duplication in respect of payments made pursuant to sub-clause (M) hereof, (a) payments by the Issuer or any Material Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed U.S.$5 million (or an equivalent amount in any other currency or currencies) per fiscal year and (b) customary payments by the Issuer or any Material Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith;

(M) payments to any Parent of all reasonable out of pocket expenses incurred by such Parent in connection with its direct or indirect investment in the Issuer and its Restricted Subsidiaries;

(N) (a) issuances or sales of Equity Interests (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Trust Deed; and

(O) the Spin-Off, and any transactions ancillary or incidental thereto.

(f) Payment of Taxes and Other Claims: The Issuer shall, and shall ensure that its Material Subsidiaries will, pay or discharge or cause to be paid or discharged, before the same shall become overdue, all Tax, assessments and governmental charges levied or imposed upon or upon the income, profits or property of the Issuer and/or its Material Subsidiaries, provided that neither the Issuer nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such Tax, assessment, charge or claim (i) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (ii) the amount of which, together with all such other unpaid or undischarged Tax, assessments, charges and claims, does not in the aggregate exceed U.S.$5 million (or an equivalent amount in any other currency or currencies).

(g) Restricted Payments:

(i) The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(A) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer or in Subordinated Shareholder Funding and other than dividends or distributions (including through capital/equity reductions and/or share redemptions) payable to the Issuer or to a Restricted Subsidiary);

(B) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect Parent of the Issuer, in each case, held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Equity Interests of the Issuer (other than Disqualified Stock));

(C) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries) except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement;

(D) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(E) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (A) through (D) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment:

(I) no Potential Event of Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(II) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test set forth in Condition 5(i)(i) (*Indebtedness*); and

(III) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by Condition 5(g)(ii)(B), (C), (D), (E), (F), (G), and (J) below) is less than the sum, without duplication, of:

(1) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from 1 January 2019 to the end of the Issuer's most recently ended fiscal quarter for which financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, *less* 100% of such deficit); *plus*

(2) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of the Issuer or Subordinated Shareholder Funding or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case, that have been converted into or exchanged for Qualifying Equity Interests of the Issuer or Subordinated Shareholder Funding (other than Qualifying Equity Interests, Subordinated Shareholder Funding and convertible or exchangeable Disqualified Stock or debt securities sold to a Restricted Subsidiary and other than net cash proceeds used to incur Indebtedness pursuant to Condition 5(i)(P)) and 100% of any cash capital contribution received by the Issuer from its shareholder subsequent to the Issue Date; *plus*

(3) to the extent that any Restricted Investment that was made after the Issue Date is (x) sold for cash or otherwise cancelled, liquidated or repaid for cash, or (y) made in an entity that subsequently becomes a wholly-owned Restricted Subsidiary, the initial amount of such Restricted Investment.

(ii) Condition 5(g)(i) will not prohibit:

(A) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of these Conditions;

(B) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from the calculation of amounts under sub-clause (III)(2) above;

(C) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;

(D) the declaration or payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a *pro rata* basis;

(E) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(F) so long as no Potential Event of Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any Guarantor or any Preferred Stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the Consolidated Net Leverage Ratio test set forth in Condition 5(i)(i) (*Indebtedness*);

(G) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(H) so long as no Potential Event of Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed U.S.$25 million (or an equivalent amount in any other currency or currencies), since the Issue Date;

(I) so long as no Potential Event of Default or Event of Default has occurred and is continuing, any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to any such Restricted Payment does not exceed 3.0 to 1.0; and

(J) any Restricted Payment made in connection with the Spin-Off.

(iii) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

(iv) Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

(h) No Limitations on Dividends from Restricted Subsidiaries:

(i) The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(B) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(C) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

(ii) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(A) agreements governing Existing Indebtedness as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);

(B) the Trust Deed, the Notes (including further issuances as described in Condition 19 (*Further Issues*)) and the Guarantees;

(C) applicable law, rule, regulation or order or the terms of any license, authorisation, approval, concession or permit or similar restriction;

(D) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of these Conditions to be incurred;

(E) customary non-assignment and similar provisions (including subletting restrictions) in contracts, leases and licenses (including, without limitation, licenses of intellectual property) entered into in the ordinary course of business;

(F) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in Condition 5(h)(i)(C);

(G) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the assets of a Restricted Subsidiary that restricts distributions by the applicable Restricted Subsidiary pending the sale or other disposition;

(H) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);

(I) Liens permitted to be incurred under the provisions of the covenant described in Condition 5(a) (*Negative Pledge*) that limit the right of the debtor to dispose of the assets subject to such Liens;

(J) provisions limiting the disposition or distribution of assets or property in, or transfer of Capital Stock of, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets, property or Capital Stock that are the subject of such agreements;

(K) agreements governing other Indebtedness of the Issuer or any of its Restricted Subsidiaries or the issuance of Preferred Stock by a Restricted Subsidiary or the payment of dividends thereon in accordance with the terms thereof permitted to be incurred subsequent to the Issue Date or issued, as applicable, under the covenant described in Condition 5(i) (*Indebtedness*); and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; *provided* that such encumbrance or restriction contained in such Indebtedness is not materially more restrictive taken as a whole than customary in comparable financings in such jurisdictions as such Indebtedness is being incurred (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);

(L) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements and similar documents and agreements;

(M) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

(N) encumbrances or restrictions contained in Hedging Obligations permitted from time to time under these Conditions;

(O) restrictions on cash, Cash Equivalents or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case under contracts entered into in the ordinary course of business;

(P) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in this Condition 5(h)(ii); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially more restrictive taken as a whole than those under or pursuant to the agreement so extended, renewed, refinanced or replaced (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer); and

(Q) encumbrances on property that exist at the time the property was acquired by the Issuer or Restricted Subsidiaries, *provided* that such encumbrance was not created in anticipation of such acquisition and is not applicable to any property other than the property so acquired.

(i) Indebtedness:

(i) The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt) or issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however*, that the Issuer and any Guarantor may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue Preferred Stock, if the Consolidated Net Leverage Ratio for the Issuer's most recently ended four full fiscal quarters for which consolidated financial statements prepared in accordance with IFRS are available immediately preceding the date on which such additional Indebtedness is incurred is less than:

(A) 5.0 to 1.0 for any such incurrence or issuance on or before 30 July 2022

(B) 4.5 to 1.0 for any such incurrence or issuance after 30 July 2022 and on or before 30 July 2024; or

(C) 4.0 to 1.0 for any such incurrence or issuance after 30 July 2024,

in each case determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the Preferred Stock has been issued, as the case may be, at the beginning of such four-quarter period.

(ii) Condition 5(i)(i) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

(A) the incurrence by the Issuer of Indebtedness represented by the Notes to be issued on the Issue Date and the incurrence by any Guarantor of a Guarantee at any time;

(B) the incurrence by the Issuer or any of its Restricted Subsidiaries of Existing Indebtedness;

(C) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness, in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by these Conditions to be incurred under Condition 5(i)(i) or 5(i)(ii)(A), (B), (L) or this clause (C);

(D) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries; *provided, however*, that:

(1) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Guarantee, in the case of a Guarantor; and

(2) (x) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (D);

(E) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its other Restricted Subsidiaries of shares of Preferred Stock; *provided*, *however,* that:

(1) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Issuer or a Restricted Subsidiary; and

(2) any sale or other transfer of any such Preferred Stock to a Person that is not either the Issuer or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (E);

(F) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible financial or accounting officer of the Issuer);

(G) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or a Restricted Subsidiary that was permitted to be incurred by another provision of this Condition 5(i); *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, as applicable, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(H) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(I) Indebtedness in respect of self-insurance obligations or captive insurance companies or consisting of the financing of insurance premiums in the ordinary course of business;

(J) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or any of its Restricted Subsidiaries providing for indemnification, obligations in respect of earnouts or other adjustment of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Subsidiary, *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(K) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of (x) letters of credit, bank guarantees, bid, performance, appeal, surety and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or similar instruments issued for the account of the Issuer and any of its Restricted Subsidiaries in the ordinary course of business (in each case, (a) other than an obligation for money borrowed and (b) to the extent such obligations are reimbursed within 30 days of incurrence), including guarantees and obligations of the Issuer or any of its Restricted Subsidiaries with respect to letters of credit or similar instruments supporting such obligations or in respect of self-insurance and workers compensation obligations; and (y) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(L) Indebtedness or Preferred Stock of a Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Issuer or a Restricted

Subsidiary or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or a Restricted Subsidiary (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary) in accordance with these Conditions or (ii) incurred to provide all or any portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by or merged into the Issuer or a Restricted Subsidiary; *provided*, *however*, with respect to this clause (L) that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (a) the Issuer would have been able to incur U.S.$1.00 of additional Indebtedness pursuant to Condition 5(i)(i) after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (L) or (b) the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would not be more than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (L);

(M) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in the form of customer deposits and advance payments received in the ordinary course of business from customers for purchases in the ordinary course of business;

(N) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness, or the issuance of Disqualified Stock by the Issuer or a Guarantor or any issuance by a Restricted Subsidiary of Preferred Stock and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed U.S.$25 million (or an equivalent amount in any other currency or currencies);

(O) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness or Preferred Stock, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of design, development, construction, lease, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Permitted Business (including Equity Interests of any Person owning such assets) (including any reasonable related fees or expenses incurred in connection therewith), and any Permitted Refinancing Indebtedness in respect thereof, in an aggregate principal amount at any time outstanding not to exceed U.S.$10 million (or an equivalent amount in any other currency or currencies);

(P) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof, will not exceed 100% of the net cash proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Equity Interests (other than Disqualified Stock) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock) of the Issuer, in each case, subsequent to the Issue Date; *provided*, however, that (i) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Conditions 5(g)(i) and 5(g)(ii)(B) to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (P) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under Conditions 5(g)(i) and 5(g)(ii)(B) in reliance thereon; and

(Q) Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes and the Guarantees in an aggregate principal amount at any time outstanding not to exceed U.S.$25 million (or an equivalent amount in any other currency or currencies); *provided* that the final maturity date of Indebtedness incurred pursuant to this clause (Q) is later than the Maturity Date of the Notes.

(iii) Notwithstanding the foregoing, the Issuer's Restricted Subsidiaries that are not Guarantors may not, directly or indirectly, incur Non-Guarantor Debt in an aggregate principal amount at any time outstanding greater than U.S.$10 million (or an equivalent amount in any other currency or currencies) *less* the aggregate outstanding principal amount of Indebtedness secured by a Lien pursuant to clause (dd) of the definition of Permitted Liens (except, to avoid duplication, to the extent such Liens secure Non-Guarantor Debt).

(iv) The Issuer shall not incur, and shall not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.

(v) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant:

(A) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in Condition 5(i)(ii), or is entitled to be incurred pursuant to Condition 5(i)(i), the Issuer, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses although the Issuer may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant;

(B) guarantees of, or obligations in respect of letters of credit, bank guarantees, bankers' acceptances or other similar instruments relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

(C) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

(vi) The amount of any Indebtedness outstanding as of any date will be:

(A) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(B) in the case of any Indebtedness owed to any export credit agency, adjusted to exclude the effect of the increase in the principal amount of such Indebtedness in accordance with IFRS resulting solely from the effect of the amortisation of the insurance premium initially applied to reduce the principal of the Indebtedness;

(C) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(D) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(1) the Fair Market Value of such assets at the date of determination; and

(2) the amount of the Indebtedness of the other Person; and

(E) in the case of Hedging Obligations, the net amount payable if such Hedging Obligations were terminated at that time due to default by such Person (after giving effect to any contractually permitted set-off).

(vii) the principal amount of any Disqualified Stock of the Issuer or a Guarantor, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

(viii) Accrual of interest, accrual of dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant.

(ix) Notwithstanding any other provision of this covenant (including pursuant to any Permitted Refinancing Indebtedness permitted pursuant to this covenant), the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

(x) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this Condition 5(i) the Issuer shall be in default of this covenant).

(xi) For purposes of determining compliance with any US dollar-denominated restriction on the incurrence of Indebtedness, the US dollar-equivalent principal amount of Indebtedness denominated in a different currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided, however*, that (x) if such Indebtedness denominated in non-US dollar currency is subject to a Currency Exchange Protection Agreement with respect to US dollars, the amount of such Indebtedness expressed in US dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (y) the US dollar-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the US dollar-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(A) such US dollar-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Permitted Refinancing Indebtedness will be determined in accordance with the preceding sentence;

(B) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the US dollar-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred; and

(C) the principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

(j) Financial Information:

(i) The Issuer hereby undertakes that it will make available on its website, within 120 days after the end of each of its financial years, its audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied with corresponding financial statements for the preceding period and together with the audit report of the Auditors thereon.

(ii) The Issuer hereby undertakes that it will deliver to the Trustee, within 90 days after the end of the second quarter of each of its financial years, copies of the Issuer's unaudited consolidated financial statements for the six month period then ended, prepared in accordance with IFRS consistently applied with corresponding financial statements for the preceding period and together with the review report of the Auditors thereon (if any).

(iii) The Issuer hereby undertakes that it will deliver to the Trustee, upon request and without delay, such additional information regarding the financial position or the business of the Issuer, any of its Subsidiaries and/or the Group as the Trustee may request.

(iv) The Issuer hereby undertakes that if any of its Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, would comprise 5.0% or more of the Consolidated EBITDA or Consolidated Total Assets of the Issuer and its Restricted Subsidiaries, in each case, as at the date of the balance sheet included in a report required by clauses (i) and (ii) above, then the semi-annual and annual financial information required in such report will include a reasonably detailed description of the material differences between the results of operations of the Unrestricted Subsidiaries of the Issuer and the Issuer and its Restricted Subsidiaries.

(v) In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuer shall furnish to the holders of the Notes (with a copy to the Trustee) and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(k) Maintenance of Property: The Issuer shall, and shall procure that its Material Subsidiaries shall, cause all property used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgement of the Issuer or any such Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times.

(l) Maintenance of Insurance: The Issuer shall, and shall procure that its Material Subsidiaries shall, keep those of their properties which are of an insurable nature insured with insurers, believed by the Issuer or such Material Subsidiary to be of good standing, against loss or damage to the extent that property of similar character is usually so insured by corporations in the same jurisdictions similarly situated and owning like properties in the same jurisdiction.

(m) Compliance with Applicable Laws: The Issuer shall, and shall procure that each of its Material Subsidiaries shall, at all times comply, in all material respects, with all provisions of applicable laws, including directives of governmental authorities and regulations.

(n) **Change of Business**: The Issuer shall not, and shall procure that no Material Subsidiary shall, make any material change to the general nature of the business of the Issuer, the relevant Material Subsidiary or the Group, as the case may be, from that carried on at the Issue Date.

(o) **Role of the Trustee:** Notwithstanding anything to the contrary contained in these Conditions:

(i) at no time shall the Trustee have any obligation to determine whether any relevant transaction, event, breach, disposal or payment would result in, or could be reasonably expected to cause or to have caused, a Material Adverse Effect and, at all times, the Trustee shall be entitled:

(A) to rely, without further enquiry, on any opinion of a Financial Adviser which confirms that, in the opinion of such Financial Adviser, the relevant transaction, event, breach, disposal or payment would or would not result in, or could be reasonably expected to cause or have caused, a Material Adverse Effect and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; and/or

(B) to refrain from taking any action or providing any consent to the Issuer in relation to any relevant transaction, event, breach, disposal or payment under this Condition 5 in the absence of a direction from the Noteholders (by way of Extraordinary Resolution);

(ii) the Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter (including the Fair Market Value of any transaction) or the expediency of any transaction or thing an Officers' Certificate of the Issuer and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any losses or liabilities that may be occasioned by it or any other person acting on such certificate;

(iii) the Trustee shall be entitled to rely, without further enquiry, on any written opinion from the Auditors or from an Independent Appraiser delivered to the Trustee and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; and

(iv) at no time shall the Trustee have any obligation to review any information provided to it under Condition 5(j) (*Financial Information*) or to perform any calculations in relation to figures provided in such financial statements or to monitor whether the Issuer or any of its Subsidiaries has complied or is complying with the provisions of this Condition 5 and, in the absence of express written notice to the contrary, shall be entitled to assume that the Issuer and each of its relevant Subsidiaries has complied in full with its obligations under this Condition 5.

6. INTEREST

Each Note bears interest from and including the Issue Date at the rate of 7.750% *per annum* payable semi-annually in arrear on 30 January and 30 July in each year (each an "**Interest Payment Date**"), commencing on 30 January 2021. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

7. REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Redemption for Taxation and Other Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee an Officers' Certificate stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders.

(c) **Optional Redemption at Make Whole**: At any time prior to 30 July 2022, the Issuer may, at its option, on giving not less than 15 nor more than 60 days' irrevocable notice (the "**Call Option Notice**") to the Trustee and the Noteholders, redeem the Notes in whole but not in part, at the price which shall be the following:

(i) the aggregate principal amount of the outstanding Notes; *plus*

(ii) interest and any additional amounts or other amounts that may be due thereon (if any) accrued but unpaid to but excluding the date on which the call option is to be settled (the "**Call Settlement Date**"); *plus*

(iii) the Make Whole Premium.

The Call Option Notice shall specify the Call Settlement Date.

(d) **Redemption at the Option of the Noteholders upon a Change of Control or Prohibited Person Event**:

Upon the occurrence of a Change of Control or Prohibited Person Event (each as defined below), unless the Issuer has given notice to redeem all of the Notes as described under Conditions 7(b), 7(c) or 7(e), each Noteholder shall have the right to require that the Issuer repurchase all or any part of that Noteholder's Notes (in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase *plus* accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).

For the purposes of this Condition 7(d), "**Change of Control**" means:

(i) the direct or indirect sale, lease, transfer, conveyance or other disposition (including by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries (taken as a whole) to any person other than one or more Permitted Holders; or

(ii) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of (i) the issued Capital Stock of the Issuer or (ii) the voting rights of the Issuer (including by trust, contract or otherwise), provided that for the purposes of this clause, any holding company whose only asset is the Capital Stock of the Issuer will not itself be considered a "person" or "group".

For the purposes of this Condition 7(d), "**Prohibited Person Event**" means:

(i) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that a Prohibited Person becomes the direct beneficial owner of any of (i) the issued Capital Stock of the Issuer or (ii) the voting rights of the Issuer (including by trust, contract or otherwise). For the avoidance of doubt, a Prohibited Person Event for the purpose of this Condition 7(d) will also be deemed to have occurred if a Prohibited Person acquires, by any means, the power to appoint and/or remove all or a majority of the members of the Board of Directors or any other governing body of the Issuer; or

(ii) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that a Prohibited Person becomes the direct or indirect beneficial owner of 5% or more of (i) the issued Capital Stock of Georgia Capital or (ii) the voting rights of Georgia Capital (including by trust, contract or otherwise).

Within 30 days following any Change of Control or Prohibited Person Event, unless the Issuer has given notice to redeem all of the Notes as described under Conditions 7(b), 7(c) or 7(e), the Issuer will notify the Noteholders (with a copy to the Trustee) in accordance with Condition 16 (*Notices*) (an offer upon the occurrence of a Change of Control, a "**Change of Control Offer**" and an offer upon the occurrence of a Prohibited Person Event, a "**Prohibited Person Event Offer**") stating:

(i) that a Change of Control or a Prohibited Person Event, as relevant, has occurred and that such Noteholder has the right to require the Issuer to purchase such Noteholder's Notes (in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, *plus* accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Noteholders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date);

(ii) the circumstances and relevant facts regarding such Change of Control or Prohibited Person Event, as relevant;

(iii) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is made); and

(iv) the procedures determined by the Issuer, consistent with the Agency Agreement, that a Noteholder must follow in order to have its Notes purchased.

The Issuer will not be required to make a Change of Control Offer or a Prohibited Person Event Offer following a Change of Control or Prohibited Person Event, respectively, if a third party makes the Change of Control Offer or Prohibited Person Event Offer, respectively, in the manner, at the times and otherwise in compliance with the requirements of these Conditions and the Trust Deed applicable to a Change of Control Offer or a Prohibited Person Event Offer, respectively, made by the Issuer and purchases all

Notes validly tendered and not withdrawn under such Change of Control Offer or Prohibited Person Event Offer, respectively. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control and a Prohibited Person Event Offer may be made in advance of a Prohibited Person Event, conditioned upon the consummation of such Change of Control or Prohibited Person Event, respectively, if a definitive agreement is in place for the Change of Control or the Prohibited Person Event at the time the Change of Control Offer or Prohibited Person Event Offer, respectively, is made.

(e) Optional Redemption after Non-Call Period:

On or after 30 July 2022, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 15 nor more than 60 days' prior written notice, at the redemption prices (expressed as percentages of principal amount) set forth below, *plus* accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed on or after the dates indicated below, subject to the rights of Noteholders on the relevant record date to receive interest on the relevant interest payment date:

Date	Redemption Price
30 July 2022	103.875%
30 July 2023	101.9375%
30 July 2024 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, the incurrence of Indebtedness the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded if any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

(f) Partial Redemption: If less than all of the Notes are to be redeemed at any time and such Notes are in definitive form, selection of such Notes for redemption will be made in compliance with the rules, if any, of any stock exchange on which the Notes are listed or, if such Notes are not then listed or there are no such applicable rules, such Notes shall be selected by the drawing of lots in such place and in such manner as is fair and reasonable in the circumstances taking account of prevailing market practices. If less than all of the Notes are to be redeemed at any time and such Notes are in global form and held through the clearing systems, selection of such Notes for redemption will be made in compliance with the rules, if any, of any stock exchange on which the Notes are listed and in the manner prescribed by the relevant clearing system. Where some but not all of the Notes in respect of which a Certificate is issued are to be redeemed, the notice of redemption that relates to such Certificate shall state the portion of the principal amount of the Notes to be redeemed, and where applicable, a new Certificate in a principal amount equal to the unredeemed Notes will be issued in the name of the Noteholder thereof upon cancellation of the original Certificate. Any such new Certificate will be delivered to the specified office of an Agent or (at the risk and, if mailed at the request of the Noteholders otherwise than by ordinary uninsured mail, at the expense of the Noteholder) sent by mail to the Noteholder.

(g) Purchase: The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the

Noteholders or whether any required threshold for Noteholder directions or instructions has been met for the purposes of Condition 13(a) (*Meetings of Noteholders*) or Condition 14 (*Enforcement*) or the relevant provisions of the Trust Deed.

(h) **Cancellation**: All Certificates representing Notes purchased by or on behalf of the Issuer (provided the aggregate principal amount of such Notes is not less than U.S.$1 million) may be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and Guarantors in respect of any such Notes and related Guarantees shall be discharged.

8. PAYMENTS

(a) **Method of Payment:**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifteenth Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest and principal on each Note shall be made by transfer to an account maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Appointment of Agents**: The Principal Paying Agent, the Registrar, and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Agent, the Registrar, or any Transfer Agent and to appoint additional or other Agents, *provided* that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(d) **Delay in Payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(e) **Non-Business Days**: If any date for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

9. TAXATION

All payments of principal and interest by or on behalf of the Issuer and/or the Guarantors in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of or within the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event the Issuer and/or the Guarantors shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

(a) **Other connection**: by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Georgia other than the mere holding of the Note; or

(b) **Exemption**: by or on behalf of a holder who is able to avoid such taxes, duties, assessments or governmental charges in respect of such Note by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or

(c) **Surrender more than 30 days after the Relevant Date**: more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of this Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of this Condition 9) any law implementing an intergovernmental approach thereto.

In these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, *provided* that payment is in fact made upon such surrender; and any reference to principal or interest shall be deemed to include any premium which may be payable by the Issuer under Condition 7 (*Redemption and Purchase*).

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (*provided* that the Trustee shall have been indemnified and/or pre-funded and/or secured to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at 100% of their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: the Issuer or the Guarantors fail to pay the principal of, any interest or any other sum due on any of the Notes or the Guarantees (as applicable) or due pursuant to the Trust Deed when due and such failure to pay is not remedied within five days of the due date for payment; or

(b) **Breach of Other Obligations**: the Issuer or any of the Guarantors do not perform or comply with any one or more of their other obligations (other than those in Condition 10(a)) in the Notes or the Trust Deed which default is incapable of remedy or, in the opinion of the Trustee, if it is capable of remedy, it is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Payment Default and Cross-Acceleration**: default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer, the Guarantors, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary (or the payment of which is guaranteed by the Issuer, the Guarantors, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary) other than Indebtedness owed to the Issuer, the Guarantors, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, whether such Indebtedness or guarantee exists on the Issue Date, or is created after the Issue Date, which default: (x) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or (y) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"); and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates U.S.$20 million (or an equivalent amount in any other currency or currencies) or more; or

(d) **Insolvency:**

(i) the occurrence of any of the following events: (A) the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidation commission, temporary administration or a similar officer; (B) the presentation or filing of a petition in respect of the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary in any court or arbitration forum or before any Agency alleging its bankruptcy, insolvency, dissolution or liquidation or adoption of any resolution by any Agency in respect of any of the foregoing, except, in the case of any presentation or filing of a petition, where such presentation or filing is (x) initiated by any Person which is not a member of the Group or a Holding Company of any member of the Group; and (y) discharged or dismissed within 60 days from the date of presentation or filing; (C) the institution of supervision, temporary administration, external management, liquidation, rehabilitation or bankruptcy management to the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary; (D) the convening of a meeting of creditors of the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary for the purposes of considering an amicable settlement; or (E) any extra-judicial liquidation or analogous act in respect of the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary by any Agency in or of Georgia; or

(ii) the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary: (A) fails or is unable to pay its debts generally as they become due; or (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property; or (C) an Agency or court of competent jurisdiction declares the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary to be insolvent or bankrupt or enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Issuer, any Guarantor, any Material Subsidiary, any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary or any part of their respective property; or

(iii) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer; or

(e) **Unsatisfied Judgments, Governmental or Court Actions**: the aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary exceeds U.S.$10 million (or an equivalent amount in any other currency or currencies), or any such unsatisfied judgment, decree or order results in (a) the management of the Issuer, any Guarantor or any Material Subsidiary being wholly or partially displaced or the authority of the Issuer, any Guarantor or any Material Subsidiary in the conduct of its business being wholly or partially curtailed or (b) all or a majority of the issued shares of the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary or the whole or any part (comprising 20.0% or more) of the Consolidated Total Assets of the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, as the case may be, which are being seized, nationalised, expropriated or compulsorily acquired; or

(f) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Condition 10(d) (or Condition 10(e); or

(g) **Execution and Distress**: any execution or distress is levied against, or an encumbrancer takes possession of or sells, the whole or any material part (on a consolidated basis) of, the property, undertaking, revenues or assets of the Issuer, any Guarantor, any Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary; or

(h) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, decree, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and Guarantors lawfully to enter into, exercise their material rights and perform and comply with their payment obligations under the Notes, the Guarantees and the Trust Deed, their obligations under Condition 5 (*Covenants*) and their other material obligations under the Notes, the Guarantees, the Trust Deed or the Agency Agreement, (ii) to ensure that those Obligations are legally binding and enforceable and (iii) to make the Notes, the Guarantees, the Trust Deed and the Agency Agreement admissible in evidence in the courts of England is not taken, fulfilled or done; or

(i) **Validity and Illegality**: the validity of the Notes, the Guarantees, the Trust Deed or the Agency Agreement is contested by the Issuer and/or the Guarantors or the Issuer and/or the Guarantors deny any of their obligations under the Notes, the Guarantees, the Trust Deed or the Agency Agreement or they are, or will become, unlawful for the Issuer and/or the Guarantors to perform or comply with any one or more of their obligations under any of the Notes, the Guarantees, the Trust Deed or the Agency Agreement or any of such obligations becomes unenforceable or ceases to be legal, valid and binding.

The Issuer and the Guarantors have undertaken in the Trust Deed that they will promptly upon becoming aware of the same inform the Trustee of the occurrence of any Event of Default or event or circumstance that would, with the giving of notice, lapse of time and/or issue of a certificate, become an Event of Default (a "**Potential Event of Default**").

The Issuer and the Guarantors have also undertaken in the Trust Deed that they shall, within 14 days of the Issuer's annual audited financial statements being made available to its members, within 14 days of each Interest Payment Date and also within 14 days of any request by the Trustee, send to the Trustee an Officers' Certificate confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate, no Event of Default or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it and that, during the period from and including the Certification Date of the last such certificate or (if none) the date of the Trust Deed, the Issuer and the Guarantors have complied with all their obligations contained in these Conditions and the Trust Deed (including Condition 5 (*Covenants*) or (if such is not the case) specifying the respects in which they have not complied.

The Trustee shall be entitled to rely conclusively upon such certificates and shall not be liable to any person by reason thereof.

11. PRESCRIPTION

Claims against the Issuer and the Guarantors for payment in respect of the Notes and the Guarantees shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided* that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification or abrogation of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10.0% in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes, inter alia, consideration of the following proposals: (i) to change any date fixed for payment of principal or interest in respect of the Notes; (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes; (iii) to alter the method of calculating the amount of any payment in respect of the Notes (except where such alteration is, in the opinion of the Trustee, bound to result in an increase) or the date for any such payment; (iv) to change the amount of principal and interest payable in respect of the Notes; (v) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other entity; (vi) to change the currency of payments under the Notes; (vii) to change or modify the Guarantees; (viii) to change the quorum requirements relating to Noteholders' meetings or the majority required to pass an Extraordinary Resolution; (ix) to alter the governing law of the Conditions or the Trust Deed; or, (x) without prejudice to the rights under Condition 13(b) below, change the definition of "Events of Default" under these Conditions, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Notes outstanding will for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed, Waiver and Determination**: The Trustee may agree with the Issuer, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or may determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such, *provided* that, in any such case, it is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation, waiver or determination shall be binding on the Noteholders and, if the Trustee so requires, such modification, authorisation, waiver or determination shall be notified to the Noteholders as soon as practicable.

(c) **Substitution**: The Trust Deed contains provisions permitting the Trustee to agree with the Issuer and Guarantors, subject to the conditions provided for in the Trust Deed (including that the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution) and to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of any Subsidiary of the Issuer or its successor in business (subject to Condition 5(c) (*Mergers and Consolidations*)) in place of the Issuer or any Guarantor, or of any previous substituted company, as principal debtor or as a Guarantor, as applicable, under the Trust Deed, the Notes and the Guarantees. In the case of such a substitution the Trustee may agree with the Issuer and Guarantors, without the consent of the Noteholders, to a change of the law governing the Notes, the Guarantees and/or the Trust Deed, *provided* that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Under the Trust Deed, if the Issuer's Successor in Business or any Subsidiary of the Issuer or any Guarantor or its Successor in Business (the "**Substituted Obligor**") is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**") or to which the relevant Guarantor is subject generally (the "**Guarantor's Territory**"), the Substituted Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 (*Taxation*) with the substitution for the references in that Condition to the Issuer's Territory or the Guarantor's Territory, as the case may be, of references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly.

(d) **Entitlement of the Trustee**: In connection with the exercise of its trusts, powers, authorities, discretions and other functions (including but not limited to those referred to in this Condition 13) the Trustee shall have regard to the general interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) and, in particular but without limitation, the Trustee shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer the Guarantors, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 9 (*Taxation*).

14. ENFORCEMENT

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantors as it may think fit to enforce the terms of the Trust Deed, the Notes and the Guarantees, but it need not take any such proceedings and/or other steps or action unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer and/or the Guarantors unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for it to be paid its costs and expenses in priority to the claims of the Noteholders and for its relief from responsibility and liability towards the Issuer, the Guarantors and Noteholders, including *inter alia* (a) provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and (b) provisions limiting or excluding its liability in certain circumstances. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (x) to enter into business transactions with the Issuer, the Guarantors or any of their Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantors and/or any of their Subsidiaries, (y) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (z) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Noteholders on a report, information, confirmation or certificate from, or any opinion or advice of any auditors, lawyers, valuers, auctioneers, surveyors, brokers, independent appraiser, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, information, confirmation, certificate, opinion or advice and such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

16. NOTICES

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes and the Guarantees under the Contracts (Rights of Third Parties) Act 1999.

18. DEFINITIONS

Expressions used in these Conditions shall have the following meanings:

"**Acquired Debt**" means, with respect to any specified Person:

(a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Additional Guarantees**" has the meaning given to such term in Condition 4 (*Guarantees*).

"**Additional Guarantors**" has the meaning given to such term in Condition 4 (*Guarantees*).

"**Affiliate**" of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person (for the purposes of this definition, "**control**" when used with respect to any Person means the power to direct or cause the direction of the management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise) or (b) any other Person who is a director, supervisory board member or officer of such specified Person, of any Subsidiary of such specified Person or of any other Person described in (a).

"**Affiliate Transaction**" has the meaning given to such term in Condition 5(e) (*Transactions with Affiliates*).

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body.

"**Agency Agreement**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Agents**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Asset Sale**" means (x) the sale, lease, conveyance or other disposition of any assets or rights by the Issuer or any Restricted Subsidiary; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, will be governed by the provisions of the Trust Deed described in Condition 7(d) (*Redemption at the Option of the Noteholders upon a Change of Control or Prohibited Person Event*) and/or the provisions described in Condition 5(c) (*Mergers and Consolidation*) and not by the provisions of Condition 5(d) (*Asset Sales*); and (y) the sale by the Issuer or any of its Restricted Subsidiaries of Equity Interests in any of its or their Subsidiaries.

Notwithstanding the foregoing, none of the following items will be deemed to be an Asset Sale:

(a) any single transaction or series of related transactions that involves assets or Equity Interests of any Restricted Subsidiary having a Fair Market Value of less than U.S.$5 million (or an equivalent amount in any other currency or currencies);

(b) a transfer of assets or Equity Interests between or among the Issuer and its Restricted Subsidiaries or between or among Restricted Subsidiaries;

(c) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to a Restricted Subsidiary;

(d) the sale or lease of products, services, equipment, accounts receivable or other assets in the ordinary course of business;

(e) any sale or other disposition of damaged, unserviceable, worn-out or obsolete assets in the ordinary course of business;

(f) the sale or other disposition of cash or Cash Equivalents in the ordinary course of business;

(g) for purposes of Condition 5(d) (*Asset Sales*) only, the making of a Permitted Investment or any other transaction expressly allowed pursuant to Condition 5(g)(ii) (*Restricted Payments*);

(h) granting of Liens not prohibited by the covenant described in Condition 5(a) (*Negative Pledge*);

(i) the licensing or sublicensing of intellectual property and licenses, leases or subleases of other property in the ordinary course of business and which do not materially interfere with the business of the Issuer and its Restricted Subsidiaries, taken as a whole;

(j) a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind in the ordinary course of business;

(k) sale or discounting of accounts receivable in the ordinary course of business, dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(l) foreclosure, condemnation or any similar action with respect to any property or other assets and any sale of assets received by the Issuer or any of its Restricted Subsidiaries upon the foreclosure of any Lien;

(m) unwinding of Hedging Obligations; or

(n) the Spin-Off, and any transactions ancillary or incidental thereto.

"**Asset Sale Offer**" has the meaning given to such term in Condition 5(d) (*Asset Sales*).

"**Auditors**" means the auditors of the consolidated financial statements of the Group from time to time.

"**Board of Directors**" means (a) generally: (i) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board, (ii) with respect to a partnership, the board of directors of the general partner of the partnership, (iii) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof, (iv) with respect to joint stock companies formed under the laws of Georgia, the supervisory board thereof (if any) or, in absence of the supervisory board, the shareholder(s) meeting thereof, (v) with respect to limited liability companies formed under the laws of Georgia, the supervisory board (if any) or, in absence of the supervisory board, the partner(s) meeting thereof and, and (vi) with respect to any other Person, the board or committee of such Person serving a similar function; and (b) with respect to the Issuer, its supervisory board from time to time.

"**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including in foreign exchange and foreign currency deposits) in New York City, London and Tbilisi and, in the case of presentation or surrender of a Certificate, in the place of the specified office of the Registrar or relevant Agent, to whom the relevant Certificate is presented or surrendered.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid or terminated by the lessee without payment of a penalty.

"**Capital Stock**" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"**Cash Equivalents**" means:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union on 31 December 2003, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union, the United States of America, Switzerland or Canada, as the case may be, having maturities of not more than twelve months from the date of acquisition and which are not callable or redeemable at the Issuer's option;

(b) any investment in internationally issued and placed securities issued by or guaranteed by the government of Georgia or the National Bank of Georgia up to a limit of U.S.$50 million (or an equivalent amount in any other currency or currencies) at any time;

(c) certificates of deposit, time deposits, eurodollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than twelve months from the date of acquisition thereof issued by any commercial bank provided that either (i) the long term debt of such bank is rated at the time of acquisition thereof at least "A+" or the equivalent thereof by S&P, or "A1" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognised rating agency, and having combined capital and surplus in excess of U.S.$250 million (or the foreign currency equivalent thereof as of the date of such investment) or (ii) such bank has its primary registration in a jurisdiction in which the Issuer or a Restricted Subsidiary conducts its business or is organized and which (x) would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top ten such banks registered in such jurisdiction and (y) the long term debt of such bank is rated at the time of acquisition at least "B1" by Moody's or "B+" by Fitch;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) above entered into with any financial institution meeting the qualifications specified in clause (b) above;

(e) commercial paper having one of the two highest ratings obtainable from S&P or Moody's, or carrying an equivalent rating by an internationally recognised rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(f) interests in any investment company or money market fund the assets of which consist of at least 95% or more of Cash Equivalents of the type referred to in clauses (a) through (d) above.

"**Certificates**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Certification Date**" has the meaning given to such term min Condition 10 (*Events of Default*).

"**Change of Control**" has the meaning given to such term in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control or Prohibited Person Event*).

"**Change of Control Offer**" has the meaning given to such term in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control or Prohibited Person Event*).

"**Code**" has the meaning given to such term in Condition 9 (*Taxation*).

"**Conditions**" means the terms and conditions of the Notes.

"**Consolidated EBITDA**" means, without duplication, the Consolidated Net Income of the Issuer and its Restricted Subsidiaries for any period, *plus* the following to the extent deducted in calculating such Consolidated Net Income and without duplication with any other item excluded pursuant to the definition of Consolidated Net Income:

(a) Consolidated Interest Expense;

(b) Consolidated Income Taxes;

(c) consolidated depreciation expense;

(d) consolidated amortisation expense;

(e) consolidated foreign exchange gains or losses;

(f) other non-cash charges, write-downs or items reducing Consolidated Net Income including, but not limited to, write-off of goodwill, loss on the sale of equipment or any other disposal of assets, provisions and recovery of provisions for asset impairment, and inventory write-down, and any items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items *less* other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period),

in each case, for such period on a consolidated basis determined in accordance with IFRS.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"**Consolidated Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, *plus* or including (without duplication) any interest, costs and charges consisting of:

(a) interest expense attributable to Capital Lease Obligations;

(b) amortisation of debt discount, debt issuance cost and premium;

(c) non-cash interest expense (excluding any non-cash interest expense on Subordinated Shareholder Funding);

(d) commissions, discounts and other fees and charges owed with respect to financings not included in clause (b) above; and

(e) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer.

"**Consolidated Net Income**" means, with respect to any specified Person for any period, the aggregate of the net income/(loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS and without any reduction in respect of Preferred Stock dividends; *provided*, however, that there will not be included in such Consolidated Net Income:

(a) consolidated depreciation expense;

(b) consolidated amortisation expense;

(c) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an officer or the Board of Directors of the Issuer);

(d) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value of changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations; and

(e) the impact of capitalised, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"**Consolidated Net Leverage**" means, with respect to any specified Persons and as at any date of determination, an amount equal to (and without duplication) the aggregate of (a) Indebtedness of the specified Person and its Restricted Subsidiaries on a consolidated basis as calculated in accordance with the then most recently available consolidated financial statements of such Person prepared in accordance with IFRS (excluding, for the avoidance of doubt, any Non-Recourse Indebtedness of an Unrestricted Subsidiary), *less* (b) the aggregate cash and Cash Equivalents of such Person and its Restricted Subsidiaries on a consolidated basis in accordance with IFRS (other than cash and/or Cash Equivalents which are the proceeds of Indebtedness incurred on the date of determination in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made).

"**Consolidated Net Leverage Ratio**" means, with respect to any specified Person and as at any date of determination, the ratio of Consolidated Net Leverage of such Person on such date to Consolidated EBITDA of such Person for the most recent four consecutive fiscal quarters for which consolidated financial statements for the specified Person (prepared in accordance with IFRS) are publicly available (or are made available) immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued, as the case may be. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Consolidated EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "**Calculation Date**"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(a) acquisitions of businesses or assets that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or other business combinations and including any related financing transactions during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date (or that are to be made on the Calculation Date), will be given *pro forma* effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA and Consolidated Net Leverage for such reference period will be calculated on a *pro forma* basis in accordance with IFRS;

(b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(d) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(e) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

For the purposes of this definition and the definitions of Consolidated EBITDA and Consolidated Net Income, *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer. Notwithstanding anything else in the Trust Deed and/or these Conditions, in determining the Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of the incurrence of which the calculation of the Consolidated Net Leverage Ratio is to be made.

"**Consolidated Total Assets**" means, with respect to any specified Person and as at any date of determination, the consolidated total assets of such Person and its consolidated Subsidiaries, shown in the most recently available consolidated accounts prepared by such Person in accordance with IFRS.

"**Currency Exchange Protection Agreement**" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"**Dispute**" has the meaning given to such term in Condition 20 (*Governing Law and Jurisdiction*).

"**Disqualified Stock**" means Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is six months after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 5(g) (*Restricted Payments*).

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Event of Default**" has the meaning given to such term in Condition 10 (*Events of Default*).

"**Excess Proceeds**" has the meaning given to such term in Condition 5(d) (*Asset Sales*).

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Existing Indebtedness**" means all Indebtedness of the Issuer and its Subsidiaries in existence as at the Issue Date, assuming any facilities are fully drawn.

"**Fair Market Value**" of a transaction means the value that would be obtained in an arm's-length commercial transaction between an informed and willing seller (under no undue pressure or compulsion to sell) and an informed, unaffiliated and willing buyer (under no undue pressure or compulsion to buy), determined in good faith by a responsible accounting or financial officer of the Issuer.

"**Financial Adviser**" means an independent credit or financial services institution of international repute and appropriate expertise appointed by the Issuer and approved by the Trustee. The Trustee shall be entitled to approve (and shall suffer no liability for so approving) such credit or financial services institution if it has received an Officers' Certificate from the Issuer stating that, in the Issuer's opinion (having made reasonable enquiries), such credit or financial services institution (a) has the necessary expertise to perform the role of Financial Advisor, (b) is of international repute and (c) is independent.

"**Fitch**" means Fitch Ratings Limited, its affiliates and any successor to its ratings business.

"**Georgia Capital**" means Georgia Capital PLC, and any successor thereto (by merger, consolidation, transfer, conversion of legal form or otherwise).

"**Group**" means the Issuer and its Subsidiaries, from time to time, taken as a whole.

"**Guarantee**" has the meaning given to such term in Condition 4 (*Guarantees*).

"**guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay all or any part of such Indebtedness, including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness.

"**Guarantor**" means, Georgian Energy Trading Company LLC ("**GETC**"), Georgian Water and Power LLC ("**GWP**"), Hydrolea LLC ("**Hydrolea**"), Svaneti Hydro JSC ("**Svaneti**"), Qartli Wind Farm LLC ("**QWF**"), Geoenergy LLC ("**Geoenergy**"), Hydro Georgia LLC ("**Hydro Georgia**") and Kasleti 2 LLC ("**Kasleti**"), unless and until such time as a successor replaces a Guarantor and/or an Additional Guarantor is named in accordance with Conditions 5(c)(ii) (*Mergers and Consolidations*) and 4(c) (*Additional Guarantors*), respectively, in which case thereafter references to Guarantor will include such successor or Additional Guarantor (as applicable).

"**Guarantor Testing Date**" has the meaning given to such term in Condition 4(c)(i) (*Additional Guarantees*).

"**Hedging Obligation**" means, with respect to any specified Person, the obligations of such Person under:

(a) currency exchange, interest rate or commodity swap agreements, currency swap, interest rate or commodity cap agreements, currency exchange, interest rate or commodity collar agreements and foreign exchange contracts or futures contracts;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"**Holding Company**" means any Person who (a) directly or indirectly controls the affairs and policies of the Issuer or (b) owns directly or indirectly more than 50% of the capital, Voting Stock or other right of ownership of the Issuer and "**control**", as used in this definition, means the power to direct the management and the policies of the Issuer, whether through the ownership of share capital, by contract or otherwise.

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time) as endorsed by the European Union as in effect at any given time.

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables, and without duplication):

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments;

(c) representing reimbursement obligations in respect of letters of credit, bank guarantees, banker's acceptances or similar instruments (except to the extent any such reimbursement obligations relate to trade payables), in each case, only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(d) representing Capital Lease Obligations;

(e) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(f) representing any Hedging Obligations;

(g) any amount raised under any other transaction (including without limitation any forward sale or purchase agreement) having the economic or commercial effect of a borrowing, and the amount of indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above; or

(h) all Indebtedness of others secured by a Lien on any asset of the specified Person, whether or not such Indebtedness is assumed by the specified Person (*provided, however,* that the amount of such Indebtedness will be the lesser of (i) the Fair Market Value of such asset at such date of determination (as determined in good faith by the Issuer) and (ii) the amount of such Indebtedness of such other Persons), and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

provided that the foregoing indebtedness shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with IFRS.

The aggregate amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be equal to the total amount of funds borrowed and then outstanding.

The term "**Indebtedness**" shall not include:

(a) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes;

(b) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(c) deposits or prepayments received by the Issuer or a Restricted Subsidiary for services or products to be provided or delivered; or

(d) Subordinated Shareholder Funding.

"**Independent Appraiser**" means an investment banking firm or third-party expert in the matter to be determined of international standing selected by the Issuer and approved by the Trustee, *provided* that the Issuer has confirmed to the Trustee in writing that such firm or third-party appraiser is not an Affiliate of the Issuer.

"**Interest Payment Date**" has the meaning given to such term in Condition 6 (*Interest*).

"**Interest Period**" has the meaning given to such term in Condition 6 (*Interest*).

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including by way of guarantee or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in clause (iii) of Condition 5(g) (*Restricted Payments*). The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in clause (iii) of Condition 5(g) (*Restricted Payments*). Except as otherwise provided in these Conditions, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary", the definition of "Restricted Payment" and Condition 5(g) (*Restricted Payments*):

(a) "**Investment**" shall include the portion (proportionate to the Issuer's Capital Stock in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (i) the Issuer's "Investment" in such Subsidiary at the time of such redesignation *less* (ii) the portion (proportionate to the Issuer's Capital Stock in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"**Issue Date**" means 30 July 2020.

"**Issuer**" means Georgia Global Utilities JSC, unless and until such time as a successor replaces it in accordance with Condition 5(c)(i) (*Mergers and Consolidations*) and thereafter means such successor.

"**LCIA**" has the meaning given to such term in Condition 20 (*Governing Law and Jurisdiction*).

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the laws of any jurisdiction.

"**Make Whole Premium**" means, with respect to any Note redeemed pursuant to Condition 7(c) (*Optional Redemption at Make Whole*) on any redemption date, the greater of:

(a) 1% of the principal amount of the Note; or

(b) the excess of: (i) the present value at such redemption date of the redemption price of such Note at 30 July 2022 (such redemption price being set forth in the table appearing in Condition 7(e) (*Optional Redemption after Non-Call Period*)), plus any required interest payments that would otherwise be due to be paid on such Note from the Call Settlement Date through 30 July 2022 (excluding accrued but unpaid interest to the redemption date), calculated using a discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (ii) the outstanding aggregate principal amount of the Note at the Call Settlement Date,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage. For the avoidance of doubt, the calculation of the Make Whole Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"**Material Adverse Effect**" means a material adverse change in, or material adverse effect on, (a) the business, properties, condition (financial or otherwise), results of operations or prospects of the Issuer or the Group, (b) the Issuer's and/or the Guarantors' ability to perform their obligations under the Notes, the Guarantees or the Trust Deed (as applicable) or (c) the validity or enforceability of Notes, the Guarantees or the Trust Deed.

"**Material Subsidiary**" means any Subsidiary (other than an Unrestricted Subsidiary) of the Issuer which meets any of the following conditions:

(a) the Issuer's and/or its other Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations and determined in accordance with IFRS) of such Subsidiary exceeds 10.0% of the Consolidated Total Assets of the Issuer and its Restricted Subsidiaries as of the end of the most recently completed financial year; or

(b) the Issuer's and/or its other Restricted Subsidiaries' equity in the consolidated income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Subsidiary exceeds 10.0% of such Consolidated EBITDA of the Issuer and its Restricted Subsidiaries for the most recently completed financial year; or

(c) it is a Subsidiary to which is transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction); or

(d) is a Guarantor.

"**Maturity Date**" means 30 July 2025.

"**NBG**" means the National Bank of Georgia.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or any Cash Equivalents received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation:

(a) all legal, accounting, investment banking, commissions and other fees and expenses incurred, title and recording tax expenses, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS, as a consequence of such Asset Sale after taking into account any available tax credits or deductions and any tax sharing arrangements;

(b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

(c) all distributions and other payments required to be made to holders of minority interests in Subsidiaries or joint ventures as a result of such Asset Sale; and

(d) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by the Issuer or any Restricted Subsidiary after such Asset Sale.

"**Non-Guarantor Debt**" means the total amount of Indebtedness incurred by the Issuer's Restricted Subsidiaries that are not Guarantors under (a) Conditions 5(i)(i), 5(i)(ii)(G) (to the extent a Restricted Subsidiary that is not a Guarantor guarantees Indebtedness of the Issuer (other than the Notes) or a Guarantor) and 5(i)(ii)(N) and (b) any Permitted Refinancing Indebtedness in respect thereof or hereof.

"**Non-Recourse Indebtedness**" means Indebtedness with respect to which:

(a) none of the Issuer and the Restricted Subsidiaries (i) provides credit support or security of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (ii) is directly or indirectly liable as a guarantor or otherwise, or (iii) constitutes the lender;

(b) no default (including any rights that the holders thereof may have to take enforcement action against the obligor thereof) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of any of the Issuer or the Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; and

(c) the lenders or holders thereof expressly agree that they will look for payment solely to the assets or properties of such Unrestricted Subsidiary.

"**Noteholder**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**OFAC**" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

"**Officers' Certificate**" means a certificate signed by two officers of the Issuer or a Guarantor or, for purposes of Condition 5(c) (*Mergers and Consolidations*), a Successor Entity.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee. Such legal counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"**Parent**" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date resulting in such Person possessing the direct or indirect power to direct or cause the direction of the management and policies of the Issuer, whether through ownership of voting securities, by contract or otherwise.

"Pari Passu Indebtedness" means (a) any Indebtedness of the Issuer that ranks equally in right of payment to the Notes and (b) with respect to any Guarantee, Indebtedness that ranks equally in right of payment to such Guarantee.

"Permitted Business" means any business, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries on the Issue Date, and in each case all activities reasonably necessary to, or undertaken in connection with, the foregoing, or any business activity that is a reasonable extension, development or expansion thereof or ancillary thereto, or any business reasonably related thereto.

"Permitted Debt" has the meaning given to such term in Condition 5(i)(ii) (*Indebtedness*).

"Permitted Holder" means, collectively, (1) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made, or any one or more Persons whose beneficial ownership constitutes or results in a Prohibited Person Event in respect of which a Prohibited Person Event Offer is made, in each case, in accordance with the requirements of the Trust Deed and these Conditions, (2) any previous or current officers, directors, supervisory board members and other members of senior management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity, and (4)

Georgia Capital and any Affiliate thereof (including, for the avoidance of doubt, any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) that is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of (i) the issued Capital Stock of Georgia Capital or (ii) the voting rights of Georgia Capital (including by trust, contract or otherwise)). Any person or group that includes a Permitted Holder shall also be deemed to be a Permitted Holder, provided that Permitted Holders as defined in clauses (1), (2) and (4) above retain exclusive beneficial ownership and control of at least 50.1% of the total voting power of the Voting Stock of the Issuer beneficially owned by any group that becomes a Permitted Holder at any time as a result of the application of this sentence (without giving effect to the existence of such group or any other group).

"**Permitted Investment**" means:

(a) any Investment in the Issuer or any Restricted Subsidiary;

(b) any Investment in cash and Cash Equivalents;

(c) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (i) such Person becomes a Restricted Subsidiary; or

  (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Condition 5(c) (*Asset Sales*);

(e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;

(f) any Investments received in compromise or resolution of (i) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (ii) litigation, arbitration or other disputes with Persons who are not Affiliates;

(g) Investments represented by Hedging Obligations;

(h) Investments in the Notes;

(i) any guarantee of Indebtedness permitted to be incurred by Condition 5(i) (*Indebtedness*) or Condition 5(c) (*Mergers and Consolidations*) other than a guarantee of Indebtedness of an Affiliate of the Issuer that is not a Restricted Subsidiary;

(j) guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course of business of the Issuer and its Restricted Subsidiaries, including obligations under licences or concessions related to the ordinary course of the business of the Issuer and its Restricted Subsidiaries;

(k) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the Issue Date or (ii) as otherwise permitted under these Conditions;

(l) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries, or all or substantially all of the assets of another Person, in each case, in a transaction that is not prohibited by Condition 5(c) (*Mergers and Consolidations*) after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(m) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of Condition 5(e)(ii) (except those described in clauses (E), (F), (G) or (H) of that paragraph);

(n) any Investment to the extent made using Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Equity Interests of any Parent as consideration; and

(o) Investments, taken together with all other Investments made pursuant to this clause (o) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed U.S.$25 million (or an equivalent amount in any other currency or currencies); *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause.

"**Permitted Liens**" means:

(a) Liens in favour of the Issuer or any of its Restricted Subsidiary;

(b) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated or amalgamated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger, consolidation or amalgamation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged into or consolidated or amalgamated with the Issuer or such Restricted Subsidiary;

(c) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Restricted Subsidiary; *provided* that such Liens were in existence prior to such acquisition, and not incurred in contemplation of such acquisition;

(d) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(e) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(f) survey exceptions, easements or reservations of, or rights of others for, licenses, rights of way, sewers, pipe lines, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(g) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Issuer or its Restricted Subsidiaries relating to such property or assets;

(h) Liens in favour of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(i) any attachment, prejudgment or judgment Lien that does not constitute an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(j) Liens granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition, *provided* that the maximum amount of Indebtedness thereafter secured by such Liens does not exceed the purchase price of such property, transactional expenses and/or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(k) Liens arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market relating to interest rate and foreign currency hedging operations and not for speculative purposes;

(l) Liens created for the benefit of (or to secure) the Notes (or the Guarantees);

(m) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Trust Deed and/or these Conditions; *provided*, however, that:

(i) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (*plus* improvements and accessions to, such property or proceeds or distributions thereof); and

(ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(n) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depositary institution;

(o) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(p) any (i) interest or title of a lessor or sublessor under any lease and for compliance with the terms of such leases; (ii) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, carriers' liens, warehousemen's liens, bankers' liens, repairmen's liens, tax liens, and easements); or (iii) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding clause (ii);

(q) Liens arising under the Trust Deed in favour of the Trustee for its own benefit and similar Liens in favour of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under these Conditions, *provided*, *however*, that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(r) Liens securing Hedging Obligations, which obligations are permitted by Condition 5(i)(ii)(F) (*Indebtedness*);

(s) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(t) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord, contractor or other third-party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary (including those arising from progress or partial payments by a third-party relating to such property or assets) and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(u) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under these Conditions and securing that Indebtedness;

(v) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(w) Liens over treasury stock of the Issuer or a Restricted Subsidiary purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(x) Liens to secure Indebtedness permitted by Condition 5(i)(ii)(O) (*Indebtedness*) covering only the assets acquired with or financed by such Indebtedness;

(y) Liens securing reimbursement obligations with respect to commercial letters of credit or bank guarantees which encumber documents and other assets relating to such letters of credit or bank guarantees and products and proceeds thereof;

(z) Liens on escrowed proceeds for the benefit of related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(aa) Liens in favour of the issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of business;

(bb) the following ordinary course items:

(i) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Issuer and its Restricted Subsidiaries, taken as a whole;

(ii) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or the like Liens arising by contract or statute in the ordinary course of business;

(iii) pledges or deposits made in the ordinary course of business (A) in connection with leases, tenders, bids, statutory or regulatory obligations, surety, appeal or indemnity bonds, government contracts, performance bonds and similar obligations warranty, contractual, netting or set-off requirements, or (B) in connection with workers' compensation, unemployment insurance and other social security legislation (including, in each case, Liens to secure letters of credit or bank guarantees issued to assure payment of such obligations);

(iv) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;

(v) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(vi) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(vii) Liens arising in the ordinary course of business in connection with the provision to the Issuer or any Restricted Subsidiary of clearing bank facilities, overdraft facilities or cash pooling arrangements permitted under these Conditions;

(cc) Liens, *provided* that the maximum amount of Indebtedness secured in the aggregate at the time of incurrence pursuant to this clause (cc) does not exceed the greater of U.S.$25 million (or an equivalent amount in any other currency or currencies) and 5.0% of the Issuer's Consolidated Total Assets;

(dd) Liens incurred by the Issuer or any Restricted Subsidiary with respect to Indebtedness at any one time outstanding that does not exceed U.S.$10 million (or an equivalent amount in any other currency or currencies) *less* the aggregate principal amount of Non-Guarantor Debt at any time outstanding (except, to avoid duplication, to the extent such Non-Guarantor Debt is secured by a Lien incurred pursuant to this clause (dd)); and

(ee) Liens on assets of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of a Restricted Subsidiary that is not a Guarantor permitted to be incurred pursuant to Condition 5(i).

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(a) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(b) such Permitted Refinancing Indebtedness has (i) a final maturity date that is either (A) later than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (B) after the final maturity date of the Notes and (ii) has a Weighted Average Life to Maturity that is greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged;

(c) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes or the Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes or the Guarantees, as the case may be, on terms at least as favourable to the Noteholders as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(d) if the Issuer or any Guarantor was the obligor on the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or by a Guarantor,

and, *provided further* that, the Permitted Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, in each case, whether or not having a separate legal personality.

"**Potential Event of Default**" means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 (*Events of Default*), become an Event of Default.

"**Preferred Stock**" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Principal Paying Agent**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Prohibited Person Event**" has the meaning given to such term in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control or Prohibited Person Event*).

"**Prohibited Person Event Offer**" has the meaning given to such term in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control or Prohibited Person Event*).

"**Prohibited Persons**" means any person, organisation or vessel (i) designated on the OFAC list of Specially Designated Nationals and Blocked Persons, the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions, or the Consolidated List of Financial Sanctions Targets maintained by Her Majesty's Treasury, or on any list of targeted persons issued by an Agency administering Sanctions; (ii) that is, or is part of, a government of a Sanctioned Country; (iii) owned or controlled by, or acting on behalf of, any of the foregoing; or (iv) located within or operating from a Sanctioned Country.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering or (b) a private placement to institutional investors whether or not it is underwritten for resale in accordance with Rule 144A or Regulation S under the US Securities Act and whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the United States Securities and Exchange Commission for public resale.

"**Qualifying Equity Interests**" means Equity Interests of the Issuer other than Disqualified Stock.

"**Record Date**" has the meaning given to such term in Condition 8(a) (*Payments*).

"**Register**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Registrar**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Regulations**" has the meaning given to such term in Condition 2 (*Transfer of Notes*).

"**Relevant Date**" has the meaning given to such term in Condition 9 (*Taxation*).

"**Relevant Jurisdiction**" means (in the case of payment by the Issuer or Guarantors), Georgia, or any political subdivision or any authority thereof or therein having the power to tax, or in any case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or any Guarantor becomes subject in respect of payments made by it of principal or interest on the Notes.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Payment**" has the meaning given to such term in Condition 5(g) (*Restricted Payments*).

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Rules**" has the meaning given to such term in Condition 20 (*Governing Law and Jurisdiction*).

"**Sanctioned Country**" means a country, region or territory that is the subject or the target of Sanctions, including, without limitation, Crimea, Cuba, Iran, Myanmar, North Korea, South Sudan, Sudan, Syria and Sevastopol.

"**Sanctions**" means any sanctions or other similar restrictive measures administered and/or enforced by the United States government, the United Nations, the European Union (or any of its member states), the United Kingdom or any other equivalent governmental or regulatory authority, institution or agency that administers economic, financial or trade sanctions, or the respective governmental institutions and agencies of any of the foregoing, including, without limitation, OFAC, the United States Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person", the United States Department of Commerce, the United Nations Security Council and Her Majesty's Treasury.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Spin-Off**" means the spin-off of Darchi LLC from Hydrolea LLC, to be effected by a disposition of 100% of the assets and Equity Interests in Darchi LLC to Georgian Renewable Power Company JSC or any Affiliate thereof.

"**Stated Maturity**" means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the terms of these Conditions, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the relevant Guarantee pursuant to a written agreement, as the case may be.

"**Subordinated Shareholder Funding**" means any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Equity Interests, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Equity Interests issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, however, that such Subordinated Shareholder Funding:

(a) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Equity Interests (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);

(b) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(c) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(d) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries;

(e) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Shareholder Funding at maturity; and

(f) pursuant to its terms or other agreement, is fully subordinated and junior in right of payment to the Notes and the Guarantees pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"**Subsidiary**" means, with respect to any specified Person:

(a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, supervisory board members, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership, joint venture, limited liability company or similar entity of which (i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Successor Entity**" has the meaning given to such term in Condition 5(c) (*Mergers and Consolidations*).

"**Tax**" means any tax (including interest or penalties thereon) which are not or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by a Relevant Jurisdiction or any tax authority thereof or therein and the term "**Taxation**" shall be construed accordingly.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"**Transfer Agent**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)); *provided*, *however*, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used; and

"**Trust Deed**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Trustee**" has the meaning given to such term in Condition 1 (*Form, Specified Denomination and Title*).

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(b) any Subsidiary of an Unrestricted Subsidiary,

provided that, prior to the consummation of the Spin-Off, Darchi LLC shall constitute an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(a) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(b) such Subsidiary has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any of its Restricted Subsidiaries;

(c) such Subsidiary has no Indebtedness other than Non-Recourse Indebtedness;

(d) except as permitted by Condition 5(e) (*Affiliate Transactions*), such Subsidiary is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favourable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer;

(e) such Subsidiary is a Person in respect of which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(f) such designation and the Investment of the Issuer in such Subsidiary complies with Condition 5(g) (*Restricted Payments*) or is permitted under one of the clauses of the definition of "Permitted Investment"; and

(g) immediately after giving effect to such designation, the Issuer (or any other Restricted Subsidiary) could incur U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test set forth in Condition 5(i)(i) (*Indebtedness*).

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors, as applicable, of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions.

If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Condition 5(g) (*Restricted Payments*) or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer.

If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Trust Deed and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Condition 5(i) (*Indebtedness*), the Issuer will be in default of such covenant.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* immediately after giving effect to such designation (1) no Potential Event of Default or Event of Default would result therefrom and (2) either (x) the Issuer could incur at least U.S.$1.00 of additional Indebtedness under Condition 5(i)(i) or (y) the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would not be worse than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the

Trustee a copy of the resolution of the Board of Directors, as applicable, giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**Voting Stock**" means, in relation to any Person, Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of supervisory board members, directors, managers or trustees thereof.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(b) the then outstanding principal amount of such Indebtedness.

19. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions of the Notes in all respects (or in all respects except the issue price, issue date and/or first payment of interest on such securities) and so that such further issue is consolidated and forms a single series with the Notes or upon such other terms as the Issuer may determine at the time of their issue. References in these Conditions include (unless the context requires otherwise) any other securities issued pursuant to this Condition 19 and forming a single series with the Notes. Any further securities forming a single series with the Notes constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

20. GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed (including the Guarantees) and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**: Any dispute which may arise out of or in connection with the Trust Deed, the Notes or the Guarantees (including any claim, dispute or difference as to (i) the existence of the Notes and/or the Guarantees, (ii) termination or validity of the Trust Deed, the Notes and/or the Guarantees, (iii) any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Guarantees, (iv) the consequences of the nullity of the Trust Deed, the Notes and/or the Guarantees, or (v) this Condition 20(b)) (each, a "**Dispute**") shall be finally settled by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition 20(b), which Rules shall be deemed incorporated into this Condition 20(b). The number of arbitrators shall be three. Each party shall appoint one arbitrator in the Request for Arbitration or the Response, as the case may be. The third arbitrator, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators. If such nomination is not made within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated or either party fails to nominate an arbitrator in the Request for Arbitration or Response, as applicable, then such nomination shall be chosen by the LCIA court. The seat of arbitration shall be London, England and the language of arbitration shall be English. The arbitrators shall have power to award on a provisional basis any relief that they would have power to grant on a final award. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) **Waiver of immunity**: To the extent that the Issuer, the Guarantors or any of their assets have (on the date of issue of the Notes and the Guarantees), or thereafter may acquire, any right to immunity from set-off, legal proceedings, attachment prior to judgement, other attachment or execution of judgement on the grounds of sovereignty or otherwise, the Issuer and the Guarantors hereby irrevocably waive any such right to immunity and any similar defence, and irrevocably consent to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any proceedings.

(d) **Agent for Service of Process:** The Issuer and the Guarantors irrevocably appoint Georgia Capital PLC, at 84 Brook Street, London W1K 5EH, United Kingdom as their agent in England to receive service of process in any proceedings in England. If for any reason such agent shall cease to be such agent for service of process, the Issuer and the Guarantors shall appoint a new agent for service of process in England and deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

1. INITIAL ISSUE OF CERTIFICATES

The Regulation S Notes shall be represented by a permanent Regulation S Global Certificate, in fully registered form without interest coupons, deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg.

The Rule 144A Notes shall be represented by a permanent Rule 144A Global Certificate, in fully registered form without interest coupons, deposited with Citibank N.A. as custodian for, and registered in the name of Cede & Co. as nominee of, the Depository Trust Company ("**DTC**").

Upon the registration of the Regulation S Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Regulation S Global Certificate to the common depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid as represented by the Regulation S Global Certificate.

Upon the registration of the Rule 144A Global Certificate in the name of Cede & Co. as nominee of DTC and delivery of the Rule 144A Global Certificate to the custodian for DTC, DTC will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid as represented by the Rule 144A Global Certificate.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by GGU or the Guarantors (as applicable) to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against GGU and/or the Guarantors in respect of payments due on the Notes or the Guarantees for so long as the Notes are represented by the Global Certificate and such obligations of GGU and the Guarantors will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

3. EXCHANGE FOR DEFINITIVE CERTIFICATES

The following will apply in respect of transfers of Notes held in DTC, Euroclear or Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 2(b) (*Delivery of New Certificates*) may only be made in part:

(i) if the Global Certificate is held by or on behalf of DTC, Euroclear or Clearstream, Luxembourg and such clearing system notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC; or

(ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 9 (*Taxation*) which would not be suffered were the Notes in definitive form and a note to such effect signed by two members of the Supervisory Board is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders, of its intention to exchange the Global Certificate for Definitive Certificates on or after the Exchange Date specified in the notice.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent is located.

4. AMENDMENT TO CONDITIONS

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the Terms and Conditions of the Notes set out in these Listing Particulars. The following is an overview of certain of those provisions:

4.1 Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

4.2 Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificates shall (unless the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

4.3 Trustee's Powers

In considering the interests of Noteholders while the Global Certificates are held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Certificate.

5. TRUSTEE'S POWERS

Subject as provided in the Trust Deed, each person who is for the time being shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg as entitled to a particular principal amount of the Notes represented by the Global Certificates (in which regard any certificate or other document issued by DTC, Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Notes for all purposes other than with respect to payments of principal and interest on the Notes or the Guarantees for which purpose the registered holder of this Global Certificate shall be deemed to be the holder of such principal amount of the Notes in accordance with and subject to the terms of this Global Certificate and the Trust Deed.

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or DTC, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or DTC (as the case may be) for communication to the relative accountholders provided that all requirements of any relevant stock exchange have been complied with. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg or DTC (as the case may be) as aforesaid.

Whilst any Notes held by a Noteholder are represented by the Global Certificate, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, may approve for this purpose.

TAXATION

The following is a general description of certain material United States Federal, E.U., and Georgian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in the United States, the United Kingdom, the E.U. and Georgia or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law in effect on the date of these Listing Particulars and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below). This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), final, temporary and proposed U.S. Treasury Regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. This summary does not address the U.S. federal estate and gift tax, the Medicare tax on net investment income, alternative minimum tax considerations or non-U.S., state or local tax considerations.

This summary deals only with initial purchasers of the Notes for cash at their original "issue price" (i.e., the first price at which a substantial amount of the Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that (i) are U.S. Holders; and (ii) will hold the Notes as capital assets as defined according to U.S. federal income tax laws. This summary does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the purchase, ownership or disposition of the Notes by a particular investor in light of the investor's circumstances or to special classes of investors, including (but not limited to) dealers in securities or currencies, certain securities traders, banks, regulated investment companies, real estate investment trusts, grantor trusts, tax-exempt organisations and life insurance companies, traders in securities that elect to mark to market, persons that hold the Notes as part of a hedging transaction or a position in a straddle or conversion transaction, former citizens or long-term residents of the United States, partnerships or other entities classified as partnerships or pass-through entities for U.S. federal income tax purposes, or persons holding the Notes through partnerships or other entities or arrangements classified as partnerships or pass-through entities for U.S. federal income tax purposes, U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. Dollar, persons subject to the alternative minimum tax, U.S. Holders who are required to include certain items of revenue in income no later than when such item is taken into account in their financial statements, U.S. Holders who hold their Notes through non-U.S. intermediaries, or holders that own (directly, indirectly, or by attribution) 10 per cent. or more of the vote or value of the Issuer's stock.

For purposes of this overview, a "**U.S. Holder**" is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- an individual citizen or resident of the United States;
- a corporation or other entity taxable as a corporation organised in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes; or (ii) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions.

If a partnership (or other entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of the partnership and person treated as a partner in such partnership will generally depend on the status of the partner and the activities of the partnership (or such entity or arrangement). Such partner or partnership should consult its own tax adviser with regard to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

THE OVERVIEW OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF PURCHASING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAWS.

Payments of Additional Amounts Upon Optional Redemption

The Issuer has the option of making payments to Noteholders of additional amounts above the principal amount under the circumstances described in "*Terms and Conditions of the Notes—Condition 7(c) (Optional Redemption at Make Whole)*" herein. The Issuer's payment of such additional amounts may implicate the provisions of the U.S. Treasury Regulations relating to "contingent payment debt instruments." Under these regulations, however, a contingency will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, the contingency is "remote" or is considered to be "incidental". The Issuer intends to take the position that the possibility of any payment of additional amounts upon an optional redemption is remote and/or incidental, and does not result in the Notes being treated as "contingent payment debt instruments" under the applicable U.S. Treasury Regulations. The Issuer's position is binding on a U.S Holder unless such U.S. Holder discloses its contrary position in the manner required by applicable Treasury Regulations. It is possible that the Internal Revenue Service (the "**IRS**") may take a different position, in which case a U.S. Holder may, among other things, be required to accrue interest income at a higher rate than the stated interest rate and to treat as ordinary interest income any gain realised on a disposition of the Notes. The remainder of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. Holders should consult their tax advisers regarding the possible application of the contingent payment debt instrument rules to the Notes and the consequences thereof.

Payments of Interest

It is expected, and this summary assumes, that the Issue Price of the Notes will equal their stated principal amount. Generally, the Notes will be treated as issued with less than a *de minimis* amount of original issue discount if the excess of the Notes' principal amount over their issue price is less than 0.25 per cent. of the principal amount multiplied by the number of complete years to maturity.

Therefore, interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States and generally will be considered "passive category income", or in the case of certain U.S. Holders "general category income" for purposes of applying foreign tax credit rules. There are significant complex limitations on a U.S. Holder's ability to claim foreign tax credits. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit rules and the source of income rules to income attributable to the Notes.

Sale, Retirement, Redemption or Other Taxable Disposition of the Notes

A U.S. Holder will generally recognise gain or loss on the sale, retirement, redemption or other taxable disposition of a Note equal to the difference between the amount realised on the sale, retirement or other taxable disposition, and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will generally be the amount paid for the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income by the U.S. Holder. Gain or loss recognised by a U.S. Holder on the sale, retirement, redemption or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations.

If Georgian tax is withheld on the sale, retirement, redemption or other taxable disposition of a Note, the amount realised by a U.S. Holder will include the gross amount of the proceeds of that sale or other disposition before deduction of the Georgian tax withheld. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any Georgian income taxes withheld by the Issuer. Gain or loss realised by a U.S. Holder on the sale, retirement, redemption or other taxable disposition of a Note generally will be U.S. source income for U.S. foreign tax credit purposes. Therefore, in the case of gain from the disposition of a Note that is subject to Georgian tax, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any Georgian tax imposed on the sale or disposition. The rules relating to foreign tax credits and deducting foreign taxes are extremely complex. Prospective purchasers should consult their tax advisers as to the foreign tax credit and the foreign tax deduction implications of the sale, retirement, redemption or other taxable disposition of the Notes.

Substitution of Issuer

As described under "*Terms and Conditions of the Notes—Condition 13(c) (Substitution)*" herein, a Subsidiary of the Issuer may substitute for the Issuer or any Guarantor as principal debtor or as a Guarantor, as applicable, under the Trust Deed, the Notes and the Guarantees. Such substitution may be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a substitution of the Issuer or a Guarantor.

Backup Withholding & Information Reporting

Non-exempt U.S. Holders are subject to information reporting requirements with respect to proceeds of the sale, redemption or other disposition of the Notes if the interest, principal, or proceeds are paid within the United States or through certain U.S.-related financial intermediaries. Backup withholding at a rate of 24 per cent. with respect to payments within the United States or through certain U.S.-related financial intermediaries would generally apply unless the U.S. Holder (i) provides a complete IRS Form W-9, (ii) either (A) provides a correct taxpayer identification number and certain other information under penalties of perjury or (B) certifies that it is not subject to backup withholding, and (iii) otherwise complies with applicable requirements of the backup withholding rules.

Certain persons are exempt from information reporting and backup withholding, including corporations and financial institutions. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Reporting With Respect to Foreign Financial Assets

Certain U.S. persons that own "specified foreign financial assets", including securities issued by any foreign person either directly or indirectly or through certain foreign financial institutions, may be required to report their ownership of such assets on IRS Form 8938. The Notes are expected to constitute reportable "specified foreign financial assets" unless they are held in an account at certain financial institutions. Substantial penalties may be imposed, and the period of limitations on the assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply with these reporting requirements. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Notes.

Certain Georgian Tax Considerations

The analysis below is a general overview of certain Georgian tax implications related to the Notes prepared in accordance with Georgian tax legislation as of the date of these Listing Particulars. As with other areas of Georgian legislation, tax law and practice in Georgia is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that changes may be made in the law or in the current interpretation of the law or current practice, including changes that could have a retroactive effect. Accordingly, it is possible that payments to be made to the Noteholders could become subject to taxation in Georgia, or that rates currently in effect with respect to such payments could be increased, in ways that cannot be anticipated as of the date of *these Listing Particulars. Each prospective purchaser of Notes should also consider any further tax implications that may be relevant to it under the laws and regulations of other countries in connection with its purchase, holding and sale of Notes.*

Furthermore, the analysis below relates to Notes listed on a "recognised stock exchange of the foreign country" under Georgian law, such as Euronext Dublin. It does not address tax issues arising from any future listing of the Notes on an exchange in Georgia, or another country that is not a "recognised stock exchange of the foreign country" under Georgian law, for which a prospective purchaser of Notes should consult its tax advisors.

Withholding Tax on Interest

Payments of interest on Notes will be exempt from withholding tax and such payments of interest shall not be subject to further taxation in Georgia for Noteholders (whether they are individuals (physical persons) or legal entities). See "*Risk Factors—Macroeconomic and Political Risks Related To Georgia—Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against GGU and there may be changes in current tax laws and policies*".

Enforceability of Tax Gross-up under the Terms and Conditions of the Notes

Pursuant to Condition 9 (*Taxation*), in the case of withholding or deduction of any taxes (subject to certain customary exceptions) in respect of any payment on the Notes, the Issuer is required to increase the amount of the relevant payment by such amount as would result in the receipt by the relevant Noteholder of the amount which would have been received by it had no such withholding or deduction been required. The Tax Code neither prohibits nor permits the inclusion of tax gross-up clauses (such as that set out in Condition 9 (*Taxation*)) in agreements or instruments made by Georgian companies. In practice, however, such gross-up provisions are widely respected by the tax authorities in Georgia.

Taxation of Sale of Notes by Non-Resident Legal Entity Noteholders

Non-resident legal entities will be assessed profit tax on the difference between the initial purchase and subsequent sale price and the relevant non-resident entity will be under an obligation to properly report and pay such profit tax to the Georgian tax authorities at a 15% tax rate. If the sale is carried out through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax at a 10% rate or at a 15% rate if the seller is registered in an offshore jurisdiction. The applicability of Georgian profit tax may be affected by a double tax treaty between Georgia and the country of residency of the selling entity.

Taxation of Sale of Notes by Non-Resident Individual Noteholders

Individuals in Georgia are subject to income tax at a current rate of 20%, with the tax base being calculated after permitted deductions. For the non-resident individuals the income tax will be assessed on the difference between the initial purchase and subsequent sale price. A relevant non-resident individual will be under an obligation to properly report and pay such income tax to the Georgian tax authorities. If the sale is done through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax at a 10% rate or at a 15% rate if the seller is registered in an offshore jurisdiction. The applicability of Georgian income tax may be affected by a double tax treaty between Georgia and the country of residency of the seller individual.

Certain exemptions may also be available to individual Noteholders if such individuals maintain ownership of Notes for more than two calendar years.

Taxation of Sale of Notes by Resident Individual Noteholders

Georgian resident individual Noteholders will become liable to pay income tax at 20% upon the disposal of the Notes. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax. Certain exemptions may be available to Georgian resident individual Noteholders if such individuals maintain ownership of Notes for more than two calendar years.

Taxation of Sale of Notes by Resident Legal Entity Noteholders

Georgian resident legal entities (except commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers, until 1 January 2023) will be subject to a 15% corporate profit tax on any gain (the difference between initial purchase and subsequent sale price) received from the disposal of the Notes after they distribute profit. Until 1 January 2023, the gain received from the sale of the Notes (i.e. the difference between the initial purchase price and the subsequent sale price of the Notes) by commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers will be included in their gross taxable income and, after the permitted deductions, will be subject to profit tax at the rate of 15%. See "*Risk Factors—Macroeconomic and Political Risks Related To Georgia—Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against GGU and there may be changes in current tax laws and policies*".

Value Added Tax

Sales (supply) of the Notes are exempt from value added tax in Georgia.

Other Considerations

The Tax Code expressly provides for ability of the tax inspection to re-examine the transaction price indicated by the respective parties, subject to certain procedural requirements.

TRANSFER RESTRICTIONS

Rule 144A Securities

Each purchaser of Rule 144A Notes, by purchasing such Notes and Guarantees, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(a) It is (i) a QIB; (ii) acquiring the Notes and the Guarantees for its own account or for the account of one or more QIBs; (iii) not acquiring the Notes and the Guarantees with a view to further distribute such Notes; and (iv) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(b) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (i) pursuant to a registration statement that has been declared effective under the Securities Act; (ii) in reliance on Rule 144A to a person that the holder and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of another QIB; (iii) in an offshore transaction in accordance with Regulation S; (iv) pursuant to Rule 144 under the Securities Act (if available); or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

(c) It acknowledges that the Notes and the Guarantees offered and sold hereby in the manner set forth in paragraph (a) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Notes and the Guarantees.

(d) It understands that any offer, sale, pledge or other transfer of such Notes made other than in compliance with the above-stated restrictions may not be recognised by the Issuer.

(e) It understands that such Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ***SECURITIES ACT***), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (***RULE 144A***) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A ***QIB***) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (***REGULATION S***) OR (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES AND THE GUARANTEES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH

ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE TRUST DEED.

(f) It agrees that it will give each person to whom it transfers any Notes notice of any restrictions on transfer of such Notes.

(g) If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account. GGU, the Guarantors, the Registrar, the Lead Manager, the Co-Manager and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(h) It understands that the Notes and the Guarantees offered in reliance on Rule l44A will be represented by the Rule 144A Global Certificate. Before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that the sellers of the Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Securities

Each purchaser of Regulation S Notes, by purchasing such Notes, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(a) It understands that such Notes have not been and will not be registered under the Securities Act, and such Notes are being offered and sold in accordance with Regulation S.

(b) It or any person on whose behalf it is acting is, or at the time such Notes are purchased will be, the beneficial owner of such Notes and (i) it is purchasing such Notes in an offshore transaction (within the meaning of Regulation S) and (ii) it is not an affiliate of GGU or the Guarantors or a person acting on behalf of such an affiliate.

(c) It will not offer, sell, pledge or otherwise transfer Notes, except in accordance with the Securities Act and any applicable securities laws of any state of the United States.

(d) The Issuer, the Guarantors, the Registrar, the Lead Manager, the Co-Manager and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

SUBSCRIPTION AND SALE

Each of J.P. Morgan Securities plc (the "**Lead Manager**") and TBC Capital LLC (the "**Co-Manager**") has, pursuant to a subscription agreement dated 28 July 2020 (the "**Subscription Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the aggregate principal amount of the Notes listed next to its name in the table below at the issue price of 100.00%. The Issuer has agreed that it will pay a management and underwriting commission and selling concession to the Lead Manager and the Co-Manager pursuant to the Subscription Agreement. The Subscription Agreement entitles the Lead Manager and the Co-Manager to terminate it in certain circumstances prior to payment being made to the Issuer.

Manager	**Principal Amount of the Notes**
	(U.S.$)
J.P. Morgan Securities plc	249,800,000
TBC Capital LLC	200,000
Total	**250,000,000**

Subscriptions by the IFIs

DEG, an existing lender to GWP, has approval to commit to purchase from the Issuer up to U.S.$50 million in aggregate principal amount of the Notes. DEG will be allocated U.S.$45 million in aggregate principal amount of Notes. DEG's commitment to purchase is subject to certain conditions being met, including the Issuer's agreement to comply with certain international standards related to environmental, social, anti-money laundering, corruption and sanctionable practices by which DEG is bound while it remains a Noteholder. DEG has executed an investment agreement with regard to its investment. The terms of DEG's investment will not restrict its ability to buy or sell Notes in the future (or to buy additional Notes as part of the initial distribution of the Notes by the Issuer) and, as a result, DEG may buy or sell the Notes in open market transactions at any time following the completion of the offering of the Notes. DEG is a wholly owned subsidiary of Kreditanstalt für Wiederaufbau and a member of the KfW Bankengruppe, Germany.

In addition, the Issuer has entered into investment agreements with other development financial institutions and multi-lateral development banks (including FMO, the Dutch development bank and an existing lender to GWP, which has a committed portfolio of €10.4 billion spanning over 92 countries, making it the largest bilateral private sector development bank globally, and ADB, a regional development bank with its headquarters located in Manila, the Philippines) pursuant to which each IFI will purchase Notes, subject to certain conditions as described in each investment agreement. Among other things, the investment agreements include the Issuer's undertaking to comply with each IFI's policy requirements relating to matters including, but not limited to, environmental and social matters, sanctions, anti-money laundering, anti-corruption and fraud.

The final allocations of the Notes to the IFIs are as follows:

	Allocation of Notes
	(U.S.$)
ADB	35,000,000
DEG	45,000,000
FMO	65,000,000

General

No action has been or will be taken in any jurisdiction by the Lead Manager, the Co-Manager, the Issuer or the Guarantors that would permit a public offering of the Notes and the Guarantees, or possession or distribution of any other offering materials relating to the Notes and the Guarantees (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of the Lead Manager and the Co-Manager has agreed that it will comply to the best of its knowledge and belief with all applicable laws and regulations in each jurisdiction in which it offers or sells any Notes and Guarantees or distributes or publishes these Listing Particulars or any such other material.

Prohibition of Sales to European Economic Area and United Kingdom Retail Investors

Each of the Lead Manager and the Co-Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or the United Kingdom.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

(ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except in certain transaction exempt from, or not subject to, the registration requirements of the Securities Act. Each of the Lead Manager and the Co-Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes and Guarantees within the United States, except as permitted by the Subscription Agreement. The Notes and Guarantees are being offered and sold by the Lead Manager and the Co-Manager outside the United States in accordance with Regulation S.

The Subscription Agreement provides that the Lead Manager and the Co-Manager may offer and sell the Notes and Guarantees within the United States to QIBs in reliance on Rule 144A. Any offers and sales by the Lead Manager or the Co-Manager in the United States will be conducted by broker-dealers registered with the SEC.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes and Guarantees within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A or another available exemption from registration under the Securities Act.

United Kingdom

In the United Kingdom, these Listing Particulars may be distributed only to and may be directed only at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) high net worth entities falling within Article 49(2) (a) to (d) of the Order; or (c) other persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). Neither these Listing Particulars nor any other offering material have been submitted to the clearance procedures of the Financial Conduct Authority in the United Kingdom. The Notes may not be offered or sold to persons in the United Kingdom except to "qualified investors" as referenced in Section 86 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**").

Each of the Lead Manager and the Co-Manager has represented and agreed that:

i. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to GGU or the Guarantors; and

ii. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

In relation to member states of the EEA, there may be further rules and regulations of such country or jurisdiction within the EEA relating to the offering of the Notes or distribution or publication of this these Listing Particulars or any other offering material or advertisement; persons into whose possession these Listing Particulars comes should inform themselves about and observe any restrictions on the distribution of these Listing Particulars and the offer of the Notes applicable in such EEA Member State.

Georgia

Each of the Lead Manager and the Co-Manager has represented and agreed that the Notes shall not be advertised, marketed, offered or sold in the territory of Georgia in a public offering without a prior or simultaneous delivery/publication of a final prospectus approved by the NBG in accordance with the Securities Market Law. A "public offering" is defined as an offer to sell securities directly or indirectly on behalf of an issuer or other person to at least 100 persons or to an unspecified number of persons. Offering and sale of the Notes to sophisticated investors (as defined in the Securities Market Law) only, however, will not constitute a public offering.

In the event, however, that the Notes are placed/listed on Euronext Dublin, which is a "recognised stock exchange of the foreign country", the Notes may be offered in Georgia in a public offering without the approval of these Listing Particulars by the NBG, provided that the NBG is notified about the public offering of the Notes in accordance with Georgian law and the ISIN of the Notes, as well as evidence of listing of the Notes on Euronext Dublin, is provided to the satisfaction of the NBG in advance of the offering in Georgia.

Without limitation of any of the foregoing, each of the Lead Manager and the Co-Manager has represented, warranted and agreed that it has complied and will comply with all applicable provisions of Georgian law with respect to anything done by it in relation to the Notes in, from or otherwise involving Georgia.

Hong Kong

Each of the Lead Manager and Co-Manager has represented and agreed that:

i. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any of the Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as de-fined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O); and

ii. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the con-tents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each of the Lead Manager and Co-Manager has acknowledged the Listing Particulars has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Lead Manager and the Co-Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the

Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Switzerland

Each of the Lead Manager and Co-Manager has acknowledged that the Listing Particulars are not intended to constitute an offer or solicitation to purchase or invest in the Notes. Each of the Lead Manager and Co-Manager has represented and agreed that the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Each of the Lead Manager and Co-Manager has acknowledged that neither the Listing Particulars nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither the Listing Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Canada

Each of the Lead Manager and Co-Manager has acknowledged that the Notes have not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof and represented and agreed that it has not offered, sold or distributed, and that it will not offer, sell or distribute, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof. Each of the Lead Manager and Co-Manager has also agreed not to distribute or deliver the Listing Particulars, or any other offering material relating to the Notes in Canada in contravention of the securities laws of Canada or any province or territory thereof.

Other Relationships

The Lead Manager, the Co-Manager (which is a wholly owned subsidiary of JSC TBC Bank) and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager, the Co-Manager or their respective affiliates from time to time have provided in the past, and may provide in the future investment banking financial advisory and/or commercial banking services to the Issuer, the Guarantors and their affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Lead Manager, the Co-Manager and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their affiliates. The Lead Manager, the Co-Manager and their affiliates may receive allocations of the Notes. The Lead Manager, the Co-Manager or their respective affiliates may be a lender and/or agent bank and/or security agent under existing lending arrangements with the Issuer, the Guarantors and/or the bank, in connection with which the Lead Manager, the Co-Manager or their respective affiliates may each receive customary fees and commissions for these roles. The Lead Manager, the Co-Manager and their respective affiliates may, in the future, act as hedge counterparties to GGU and/or Guarantors consistent with its customary risk management policies. Typically, the Lead Manager, the Co-Manager and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Lead Manager, the Co-Manager and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. Application has been made to the Euronext Dublin for the Notes to be admitted to the Official List and trading on its Global Exchange Market, through the Listing Agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or trading on the Global Exchange Market.

2. It is expected that the listing of the Notes on Euronext Dublin and the admission of the Notes to trading on the Euronext Dublin's Global Exchange Market for listed securities will take place on or about 30 July 2020, subject to the issuance of the Global Notes.

3. EY is the auditor of the Issuer and the Guarantors, has been the only auditor of the Issuer since its incorporation. EY is included in the register of the Georgian Federation of Professional Accountants and Auditors with the right to perform statutory and non-statutory audits and its registered office is Kote Abkhazi Street, 44, Tbilisi 0105, Georgia.

4. The Issuer and the Guarantors have obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the Notes and the Guarantees. The issue of the Notes was authorised by a resolution of the Supervisory Board of the Issuer passed on 23 July 2020 and a shareholder's resolution passed on 23 July 2020. Each of the Guarantors has obtained all necessary consents and each Guarantee was approved by the resolution of the sole shareholder of each Guarantor passed on 23 July 2020 and, if applicable, the resolution of the supervisory board of the relevant Guarantor passed on 23 July 2020.

5. There has been no significant change in the financial or trading position of the Issuer or of GGU since 31 March 2020 and, other than as disclosed in "*Risk-Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*", no material adverse change in the prospects of the Issuer or of GGU since 31 December 2019.

6. In the previous 12 months, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) which may have, or have had in the recent past, a significant effect on the Issuer and/or GGU's financial position or profitability.

7. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg for the Regulation S Notes and DTC for the Rule 144A Notes. The Common Code, ISIN and CUSIP number, as applicable, for the Regulation S Notes and the Rule 144A Notes are as follows:

   Regulation S Notes:

   ISIN: XS2208644059

   Common Code: 220864405

   Rule 144A Notes:

   ISIN: US373196AA29

   Common Code: 373196AA2

   CUSIP: 220978915

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041, United States.

8. The Issuer was incorporated on 22 January 2020 as a joint stock company with the name Georgia Global Utilities JSC and registered with the National Agency of Public Registry of Georgia under identification

number 404591599. The issued and fully paid up capital of the Issuer was GEL 1,700 as at the date of these Listing Particulars.

9. For as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market physical copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) during the contractual period of the Notes from the date of publication of these Listing Particulars at the offices of GGU:

   a. the Trust Deed (which includes the form of the Global Certificates and the Definitive Certificates);

   b. the Agency Agreement;

   c. the Issuer's Charter;

   d. the Interim Combined Financial Statements;

   e. the Audited Combined Financial Statements;

   f. a copy of these Listing Particulars; and

   g. the Green Bond Framework.

   These Listing Particulars will also be published on the website of Euronext Dublin at: http://www.ise.ie/.

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Audited Combined Financial Statements	Audited combined financial statements of GGU as at and for the years ended 31 December 2019, 2018 and 2017.
Certificates	Registered certificates representing the Notes.
CIS	Commonwealth of Independent States.
Clearstream, Luxembourg	Clearstream Banking, S.A.
Closing Date	30 July 2020.
Combined Financial Statements	The Interim Combined Financial Statements and the Audited Combined Financial Statements.
Constitution	The Constitution of Georgia.
COVID-19	The novel coronavirus which originated in the city of Wuhan in Hubei province in China in November 2019.
Definitive Certificates	Regulation S Definitive Certificates and Rule 144A Definitive Certificates.
DTC	The Depositary Trust Company.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
EBRD	European Bank for Reconstruction and Development.
EEA	The European Economic Area.
ERP	Enterprise resources planning.
ESCO	Electricity System Commercial Operator of Georgia.
ESMS	Environmental and Social Management System.
E.U. Association Agreement	The association agreement between the E.U. and Georgia signed on 27 June 2014.
EY	EY LLC.
Euroclear	Euroclear Bank S.A./N.V.
Euronext Dublin	The Irish Stock Exchange plc, trading as Euronext Dublin.
Euros, Euro, €	The lawful currency of the European Economic and Monetary Union.
FDI	Foreign direct investment.
Fitch	Fitch Ratings Ltd.
GDP	Gross domestic product.
GEL	Georgian Lari.

Geoenergy	Geoenergy LLC, a company incorporated under the laws of Georgia with identification number 406062353, whose registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
Geostat	Legal Entity of Public Law National Statistics Office of Georgia.
GETC	Georgian Energy Trading Company LLC, a company incorporated under the laws of Georgia with identification number 405331591, whose registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
GRPC	Georgian Renewable Power Company JSC, a company incorporated under the laws of Georgia with identification number 404500857, whose registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
Global Certificates, Global Notes	Regulation S Global Certificate and Rule 144A Global Certificate.
Global Exchange Market	The Euronext Dublin's Global Exchange Market.
GNERC	Georgian National Energy and Water Supply Regulatory Commission.
Guarantors	Georgian Energy Trading Company LLC, Georgian Water and Power LLC, Hydrolea LLC, Svaneti Hydro JSC, Qartli Wind Farm LLC, Geoenergy LLC, Hydro Georgia LLC and Kasleti 2 LLC.
GWP	Georgian Water and Power LLC, a company incorporated under the laws of Georgia with identification number 203826002, whose registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
HPP	Hydro power plant.
Hydrolea Standalone Financial Statements	The audited standalone financial statements for Hydrolea as at and for the year ended 31 December 2019.
Hydro Georgia	Hydro Georgia LLC, a company incorporated under the laws of Georgia with identification number 404943941, whose registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards, as adopted by the IASB.
IMF	International Monetary Fund.
Interim Combined Financial Statements	The unaudited interim condensed combined financial statements of GGU as at and for the three months ended 31 March 2020 (with comparative information for the three months ended 31 March 2019).
ISO	Independent system operator.
Issuer	Georgia Global Utilities JSC, a company incorporated under the laws of Georgia with identification number 404591599, whose

	registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
Kasleti	Kasleti 2 LLC, a company incorporated under the laws of Georgia with identification number 406107118, whose registered address is at 10 Medea (Mzia) Jugheli Street, Tbilisi 0179, Georgia.
LCIA	London Court of International Arbitration.
MEPA	Ministry of Environment Protection and Agriculture of Georgia.
MoESD	Ministry of Economy and Sustainable Development of Georgia.
MRDI	Ministry of Regional Development and Infrastructure of Georgia.
NBG	National Bank of Georgia.
NFA	National Food Agency of Georgia.
New York Convention	United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958).
Noteholders	Holders of Notes.
Notes	The U.S.$250,000,000 7.750% Notes due 2025.
Official List	The Official List of Euronext Dublin.
PPA	Power purchase agreement.
PPP	Public private partnership.
Pro Forma Financial Statements	The unaudited pro forma financial statements which present the income statement of GGU as if Hydrolea and Qartli Wind Farm had been acquired on 1 January 2019.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Qartli Wind Farm Standalone Financial Statements	The audited standalone financial statements of Qartli Wind Farm as at and for the year ended 31 December 2019.
Qualified Institutional Buyers, QIBs	Qualified Institutional Buyers as defined in Rule 144A.
RAB	Regulated asset base.
Regulation S	Regulation S under the Securities Act.
Regulation S Notes	Notes that are being offered and sold in accordance with Regulation S.
Regulation S Definitive Certificates	Definitive notes in respect of beneficial interests in the Regulation S Global Certificate.
Regulation S Global Certificate	Global certificate representing the Regulation S Notes.

RP Global	RP Global Investment GmbH.
Rule 144A	Rule 144A under the Securities Act.
Rule 144A Notes	Notes that are offered and sold in reliance on Rule 144A.
Rule 144A Definitive Certificates	Definitive notes in respect of beneficial interests in the Rule 144A Global Certificate.
Rule 144A Global Certificate	Restricted global certificate representing beneficial interests in Rule 144A Notes.
S&P	Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.
Sole Bookrunner, Green Structuring Agent, Development Finance Structuring Agent	J.P. Morgan Securities plc.
Stabilising Manager	J.P. Morgan Securities plc.
Standalone Financial Statements	Hydrolea Standalone Financial Statements and Qartli Wind Farm Standalone Financial Statements.
Supervisory Board	The supervisory board of the Issuer.
Tax Code	The Georgian tax code which came into effect on 1 January 2011.
Trustee	Citibank N.A., London Branch.
TSO	Transmission system operator.
U.S. Dollars, Dollars, U.S.$	The U.S. Dollar, the lawful currency of the United States of America.
WACC	Weighted average cost of capital.

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Georgia Global Utilities JSC

Unaudited interim condensed combined financial statements

31 March 2020

Contents

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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 combined financial statements of Georgia Global Utilities JSC and its subsidiaries and certain entities under common control, which comprise the interim combined statement of financial position as at 31 March 2020 and the related interim combined statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-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*.

Other matter

The comparative financial information as at 30 March 2019 and for the three-month period then ended was not reviewed.

Alexey Loza

On behalf of EY LLC

Tbilisi, Georgia

2 June 2020

Interim combined statement of financial position

As at 31 March 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	31 March 2020 (unaudited)	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	5	899,338	842,032
Investment property		8,641	8,641
Right-of-use assets		1,034	1,305
Restructured trade receivables		122	209
Other non-current assets	5	6,107	3,526
Total non-current assets		**915,242**	**855,713**
Current assets			
Inventories		4,479	3,928
Trade and other receivables	6	20,695	24,424
Loans issued		120	82
Prepaid taxes other than income tax		2,384	2,214
Reimbursement assets		47,623	46,457
Prepayments		2,298	3,805
Derivative financial assets	14	747	-
Restricted cash		7,538	6,581
Cash at bank		42,591	46,806
Total current assets		**128,475**	**134,297**
Total assets		**1,043,717**	**990,010**
Equity			
Share capital	7	2	2
Additional paid-in capital	7	122,004	101,205
Retained earnings		122,705	145,421
Other reserves	7	9,438	(4,253)
Revaluation reserve for property, plant and equipment	7	4,813	4,813
Equity attributable to the owners of the parent		**258,962**	**247,188**
Non-controlling interests		-	24,896
Total equity		**258,962**	**272,084**
Liabilities			
Non-current liabilities			
Borrowings	8	661,316	608,929
Deferred revenue		24,831	24,569
Lease liabilities		877	1,064
Other non-current liabilities		1,786	1,538
Total non-current liabilities		**688,810**	**636,100**
Current liabilities			
Borrowings	8	51,101	44,437
Advances received		6,867	6,242
Trade and other payables	9	19,840	13,601
Provisions for liabilities and charges		721	614
Deferred revenue		4,757	4,764
Lease liabilities		214	248
Derivative financial liabilities	14	-	1,919
Other current liabilities		6,441	5,479
Other taxes payable		6,004	4,522
Total current liabilities		**95,945**	**81,826**
Total liabilities		**784,755**	**717,926**
Total liabilities and equity		**1,043,717**	**990,010**

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 2 June 2020.

Giorgi Vakhtangishvili
Chief Executive Officer

Giorgi Gureshidze
Chief Financial Officer

The accompanying notes on pages 5 to 16 are an integral part of these Interim combined financial statements.

Interim combined statement of profit or loss and other comprehensive income

For the three months ended 31 March 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	For the three months ended 31 March 2020 (unaudited)	For the three months ended 31 March 2019 (unaudited, not reviewed)
Revenue from water supply and related services	10	30,178	29,934
Revenue from electric power sales	11	6,769	2,368
Business interruption reimbursement gain	12	326	-
Other revenue		266	167
Total revenue and gains		**37,539**	**32,469**
Electricity and transmission costs		(4,183)	(4,179)
Salaries and other employee benefits		(5,002)	(4,782)
Allowance for expected credit losses	6	(1,600)	(1,363)
Taxes other than income tax		(1,857)	(1,301)
General and administrative expenses		(1,075)	(848)
Professional fees		(526)	(641)
Raw materials, fuel and other consumables		(745)	(545)
Maintenance expenditure		(768)	(506)
Charge for provisions and legal claims related expenses		(107)	23
Other operating expenses		(1,652)	(1,623)
Other income		271	350
		(17,244)	**(15,415)**
EBITDA		**20,295**	**17,054**
Finance income		850	170
Finance costs	8	(14,442)	(5,241)
Net foreign exchange (loss)/gain	8	(18,254)	1,626
Depreciation and amortisation	5	(11,486)	(7,552)
Non-recurring expenses	13	(413)	(2,862)
(Loss)/profit before income tax expense		**(23,450)**	**3,195**
Income tax expense		-	-
(Loss)/profit for the period		**(23,450)**	**3,195**
Attributable to:			
Owners of the parent		(22,716)	3,250
Non-controlling interests		(734)	(55)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Gain from currency translation differences		14,705	408
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**14,705**	**408**
Other comprehensive income for the period		**14,705**	**408**
Total comprehensive (loss)/income for the period		**(8,745)**	**3,603**
Attributable to:			
Owners of the parent		(6,550)	3,515
Non-controlling interests		(2,195)	88

The accompanying notes on pages 5 to 16 are an integral part of these interim condensed combined financial statements

Interim combined statement of changes in equity

For the three months ended 31 March 2020

(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 2018	**2**	**59,348**	**(6,276)**	**130,900**	**8,200**	**192,174**	**26,458**	**218,632**
Profit for the period	-	-	-	3,250	-	**3,250**	(55)	**3,195**
Foreign currency translation reserve	-	-	265	-	-	**265**	143	**408**
Total comprehensive income for the period	**-**	**-**	**265**	**3,250**	**-**	**3,515**	**88**	**3,603**
Share-based payments	-	3,425	-	-	-	**3,425**	-	**3,425**
Capital decrease	-	(7,511)	-	-	-	**(7,511)**	(4,044)	**(11,555)**
Realised revaluation reserve for property, plant and equipment	-	-	-	568	(568)	**-**	-	**-**
Balance as at 31 March 2019 (unaudited, not reviewed)	**2**	**55,262**	**(6,011)**	**134,718**	**7,632**	**191,603**	**22,502**	**214,105**
Balance as at 31 December 2019	**2**	**101,205**	**(4,253)**	**145,421**	**4,813**	**247,188**	**24,896**	**272,084**
Loss for the period	-	-	-	(22,716)	-	**(22,716)**	(734)	**(23,450)**
Foreign currency translation reserve	-	-	16,900	-	-	**16,900**	(2,195)	**14,705**
Total comprehensive income for the period	**-**	**-**	**16,900**	**(22,716)**	**-**	**(5,816)**	**(2,929)**	**(8,745)**
Share-based payments	-	691	-	-	-	**691**	-	**691**
Contribution from the shareholder (Note 7)	-	3,068	-	-	-	**3,068**	-	**3,068**
Distribution to the shareholders (Note 7)	-	(4,927)	-	-	-	**(4,927)**	-	**(4,927)**
Acquisition of non-controlling interests in existing subsidiaries (Note 7)	-	21,967	-	-	-	**21,967**	(21,967)	**-**
Transfers to the parent under share-based compensation program	-	-	(3,209)	-	-	**(3,209)**	-	**(3,209)**
Balance as at 31 March 2020 (unaudited)	**2**	**122,004**	**9,438**	**122,705**	**4,813**	**258,962**	**-**	**258,962**

Interim combined statement of cash flows

For the three months ended 31 March 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	For the three months ended 31 March 2020 (unaudited)	For the three months ended 31 March 2019 (unaudited, not reviewed)
Cash flows from operating activities			
(Loss)/profit before income tax		**(23,450)**	**3,195**
Adjustments for:			
Depreciation and amortisation	5	11,486	7,552
Allowance for expected credit losses	6	1,600	1,363
Reversal of provisions		107	(23)
Net loss from disposal of property, plant and equipment		91	67
Net foreign exchange loss/(gain)		18,254	(1,626)
Finance income		(850)	(170)
Finance costs		14,442	5,241
Business interruption reimbursement gain		(326)	-
Insurance reimbursements asset write-off		413	-
Share-based payment expense		276	3,110
Working capital changes			
Change in inventories		(551)	220
Change in trade and other receivables		1,834	(2,766)
Change in prepaid taxes other than income tax		(170)	2,595
Change in prepayments		(953)	(2,352)
Change in trade and other payables		1,355	982
Change in deferred revenue – current portion		(7)	(0)
Change in advances received		625	(158)
Change in reimbursement asset		5,023	-
Change in other tax payables		1,090	2,058
Operating cash flows after working capital changes		**30,289**	**19,288**
Change in deferred revenue - non-current portion		262	1,388
Net cash flows from operating activities		**30,551**	**20,676**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(20,478)	(26,345)
Loans issued		(37)	-
Interest received		850	167
Net cash used in investing activities		**(19,665)**	**(26,178)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(88)	(83)
Proceeds from borrowings	13	60	32,580
Repayment of borrowings	8	(3,132)	(396)
Interest paid		(11,243)	(1,926)
Contributions from the shareholders		3,068	-
Distribution to the parent		(4,927)	(11,555)
Net cash (used in)/from financing activities		**(16,262)**	**18,620**
Effect of foreign exchange rate changes on cash and cash equivalents		1,161	(242)
Net change in cash and cash equivalents		**(4,215)**	**12,876**
Cash and cash equivalents at the beginning of the period		46,806	14,358
Cash and cash equivalents at the end of the period		**42,591**	**27,234**

The accompanying notes on pages 5 to 16 are an integral part of these interim condensed combined financial statements

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

These combined financial statements of Georgia Global Utilities JSC include the financial statements of Georgian Global Utilities LTD, Svaneti Hydro JSC, Georgia Energy Holding LLC with its subsidiaries and Georgian Wind Company LLC with its immediate subsidiary, 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 as compared to 31 December 2019.

2. Operating environment

In March 2020, the World Health Organization confirmed the novel coronavirus (“COVID-19”) as a global pandemic. There is uncertainty over the magnitude of the global slowdown that will result from this pandemic and its impact on Georgian economy. 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. The Group is 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.

In response to those developments, on 1 April 2020 the Government of Georgia announced a GEL 3.5 billion economy support initiative. The initiative package includes, among other measures, coverage of March-May 2020 water supply services payments by the government on behalf of the certain categories of individuals that account for the majority of the Group’s individual customer’s base.

The management of the Group considered and assessed the effect of COVID-19 outbreak on these interim condensed combined financial statements as follows.

Government support initiatives

In April 2020, the Government of Georgia released certain category of individuals, determined based on the certain threshold of electricity consumption for a respective period, from obligation to settle their water utility bills for March, April and May 2020. Instead, the Government of Georgia have provided a cash compensation to the Group in respect of the amounts that would have otherwise be billed to the exempt customers. The Group determined that the compensation arrangement represents a government grant, which is to be recognized in a subsequent period, as the respective initiative was announced and formalized in April 2020, after the reporting date. In respect of March 2020 billing period, the Group determined the amount of revenue from water supply without taking into account the terms and conditions of the government grant. In determination of the amount of revenue from water supply for the three months ended 31 March 2020 under IFRS 15 *Revenue from contracts with customers* requirements, the Group did not consider the effects of any future price concessions to be granted to customers, as the management determined it was highly probable that the amount of revenue cumulatively recognized by 31 March 2020 will not be subject to a material reversal in the future. The management considers price concession as a non-adjusting event after the reporting period.

Significant judgment is involved in assessment of whether the terms of the government support initiatives give rise to a government grant as defined by IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, and determination of whether government grant recognition criteria were met as at the reporting date, as well as in determination of future price concessions expectations whether or not to be accounted for in recognition and measurement of revenue from water supply for the three months ended 31 March 2020.

Subsequent to the reporting date, the government paid GEL 2,008 to the Group as a compensation to the price concessions provided by the Group to certain of its customers for March 2020 water supply services.

Impairment of property, plant and equipment

The management of the Group concluded that COVID-19 outbreak did not have any material impact on recoverability of the electric power generation and sales segment assets, as majority of the energy business revenues derive from long-term USD-denominated fixed or predetermined tariff power purchase agreements (“PPA”) with Electricity System Commercial Operator (“ESCO”), with the remaining 2020 revenues for the periods not covered by PPAs mostly contracted in bilateral contracts with the direct consumers. The management expects, based on the available macroeconomic forecasts, that electricity consumption will return to the historical levels in 2021-2022, so the terminal value of the electricity generation and sales segment assets will not be significantly affected by the current economic downturn. As such, the management assessed that no significant decrease in operating free cash flows from the energy business assets is expected that would result in their recoverable amount, at the level of individual assets or cash-generating unit, to become less than their carrying value as at 31 March 2020.

(Amounts expressed in thousands of Georgian Lari)

2. Operating environment (continued)

The management of the Group considered the effects of COVID-19 outbreak in assessment of whether impairment of water supply and wastewater collection services segment assets is required as at 31 March 2020, and concluded that no impairment indicators existed. The key considerations and assumptions of the management in making that assessment were as follows:

- water supply tariff model in Georgia is designed in a way to provide the investor with predetermined return on regulatory asset base and operating expenditures, and is, as such, not sensitive, in the long term, to the fluctuations in water supply volumes. As no material contraction in the regulatory tariff base is expected as the result of COVID-19 outbreak, the Group expects to maintain stable medium and long-term cash flow from water supply through tariff adjustments, notwithstanding expected decrease in the supply volumes over 2020;
- majority of the recoverable amount of the assets reside in their terminal value derived from the terminal period free cash flow, which is not expected to be affected, as outlined above, by what the management considers short-term decrease in water supply and related revenues arising from COVID-19 outbreak.

Significant judgment was involved in the above considerations, and, in particular, in developing expectations in relation to water supply tariffs to be applied in subsequent periods (including assumptions about particular capital and operating expenditures eligible for incorporation to the tariff base, and regulatory weighted average cost of capital), expected water supply volumes and forecasted operating expenditures and maintenance capital expenditures and their interrelation with the resulting free cash flow from water and wastewater segment assets.

Expected credit losses on trade and other receivables and measurement of other financial instruments

Under IFRS 9 *Financial Instruments*, measurement of expected credit losses ("ECL") should be based on an unbiased, probability-weighted amount that is determined by evaluating the range of possible outcomes and reflecting time value of money, considering all reasonable and supportable information available about past events, current conditions and forecasts about future economic conditions.

The management of the Group considered that the specific effect of COVID-19 outbreak cannot be, as at 31 March 2020, incorporated into the Group's ECL models on a reasonable and supportable basis. Accordingly, the management considered whether any post-model overlays and adjustments would be required to be reflected in the ECL estimates as at 31 March 2020. In making that assessment, the management exercised significant judgment in considering current macroeconomic forecasts for Georgia published by the various government bodies and independent research agencies, the effects of government support initiatives, expectations about timing of quarantine restrictions lifting, and collection enforcement measures available to the Group. As the result, the Group recognized additional GEL 76 ECL charge in profit and loss for the three months ended 31 March 2020 (Note 6).

Other than ECL on trade and other receivables, the management did not identify any other material effect of COVID-19 outbreak on other financial instruments held by the Group. The Group only has foreign exchange derivative financial instruments measured at fair value through profit or loss, for which valuation models are not sensitive to changes in market interest rates and credit risk of the counterparties due to their short-term nature. No credit loss events were identified in respect of the Group's cash at bank as at 31 March 2020.

Valuation of 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 Dollar. 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 combined financial statements.

As the result of COVID-19 outbreak, the market liquidity decreased. The management of the Group considered market information available as at reporting date, including results of inquiries to independent appraisers, and determined that the real estate prices as at 31 March 2020 decreased up to 10% since 31 December 2019 as measured in USD, which was largely offset by the effect of GEL depreciation against USD. As a result, the fair value of the Group's investment property as measured in GEL remained unchanged in the three months ended 31 March 2020. The management further compared the valuations as adjusted for the above COVID-19 related changes to the fair value ranges determined by independent appraisers at the previous valuation date and reflected in the combined statement of financial position as at 31 December 2019, and concluded that valuations of individual properties as at 31 March 2020 continue to remain within those ranges and, thus, no further revaluation is required to be recognized in these interim condensed combined financial statements.

(Amounts expressed in thousands of Georgian Lari)

2. Operating environment (continued)

Going concern

The management of the Group updated its assessment of the Group's ability to continue as a going concern as compared to that made on 15 May 2020, the date of issuance of the Group's 2019 annual combined financial statements. As the result of the reassessment, the management did not become aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the interim condensed combined financial statements continue to be prepared on a going concern basis. Evaluation of the appropriateness of going concern basis of preparation and existence of any material uncertainty in respect of the going concern assumption requires significant judgment in forecasting cash flows from operations, required capital expenditures, as well as in the assessment of the Group's ability to service the existing debt as it falls due and maintain financial covenants required by the borrowing arrangements, or, if needed, refinance or prolong the existing borrowings or renegotiate the payment terms and terms of the financial covenants with the lenders.

3. Basis of preparation

These interim condensed combined financial statements for the three months ended 31 March 2020 were prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.*

The interim condensed combined financial statements do not include all the information and disclosures required in the annual combined financial statements and should be read in conjunction with the Group's annual combined financial statements as at and for the year ended 31 December 2019, signed and authorized for release on 15 May 2020.

Basis of combination and consolidation used in preparation of these interim condensed combined financial statements is consistent with that used and disclosed in the Group's annual combined financial statements as at and for the year ended 31 December 2019.

The combined 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 combined financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

The preparation of the interim condensed combined 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 combined financial statements. Although these estimates and assumptions are based on management's best judgment at the date of the interim condensed combined financial statements, actual results may differ from these estimates.

Assumptions and significant estimates in these interim condensed combined financial statements are consistent with those applied in the preparation of the Group's annual combined financial statements for the year ended 31 December 2019, except as described in Note 2.

Adoption of new or revised standards and interpretations

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Group's annual combined financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. 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 2020, but do not have an impact on the interim condensed combined financial statements of the Group:

- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform;
- Amendments to IAS 1 and IAS 8: Definition of Material.

(Amounts expressed in thousands of Georgian Lari)

4. Segment information

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

Electric power generation and sales

The segment owns hydroelectric and wind power stations that generate electric power for own consumption and for sale to external customers.

Water supply and wastewater collection services

The segment provides water supply and wastewater collection services which is the core activity of the Group.

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 standards in the same manner as profit or loss in the combined financial statements.

Transactions between segments are accounted for at actual transaction prices.

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 three months ended 31 March 2020 (unaudited).

	Sub-note	*Electric power generation and sales*	*Water supply and wastewater collection services*	*Intersegment transactions*	*Total*
Revenue from water supply and related services		-	30,178	-	**30,178**
Revenue from electric power sales		7,677	-	(908)	**6,769**
Business interruption reimbursement		326	-	-	**326**
Other revenue		-	266	-	**266**
Total revenue	1	**8,003**	**30,444**	**(908)**	**37,539**
Electricity and transmission costs	2	(64)	(5,027)	908	**(4,183)**
Salaries and other employee benefits		(754)	(4,248)	-	**(5,002)**
Allowance for expected credit losses		-	(1,600)	-	**(1,600)**
Taxes other than income tax		(522)	(1,335)	-	**(1,857)**
General and administrative expenses		(199)	(876)	-	**(1,075)**
Professional fees		(77)	(449)	-	**(526)**
Raw materials, fuel and other consumables		(44)	(701)	-	**(745)**
Maintenance expenditure		(405)	(363)	-	**(768)**
Charge for provisions and legal claims related expenses		-	(107)	-	**(107)**
Other operating expenses		(600)	(1,052)	-	**(1,652)**
Other income		3	268	-	**271**
EBITDA		**5,341**	**14,954**	**-**	**20,295**
Finance income	3	175	675	-	**850**
Finance costs	3	(7,076)	(7,366)	-	**(14,442)**
Net foreign exchange (loss)/gain		(1,225)	(17,029)	-	**(18,254)**
Depreciation and amortisation		(3,466)	(8,020)	-	**(11,486)**
Non-recurring expenses		-	(413)	-	**(413)**
Loss before income tax expense		**(6,251)**	**(17,199)**	**-**	**(23,450)**
Income tax expense		-	-	-	**-**
Loss for the period		**(6,251)**	**(17,199)**	**-**	**(23,450)**

(Amounts expressed in thousands of Georgian Lari)

4. Segment information (continued)

The following table present financial results information of the Group's operating segments for the three months ended 31 March 2019 (unaudited, not reviewed).

	Sub-note	*Electric power generation and sales*	*Water supply and wastewater collection services*	*Intersegment transactions*	*Total*
Revenue from water supply and related services		-	29,934	-	**29,934**
Revenue from electric power sales		3,273	-	(905)	**2,368**
Other revenue		-	167	-	**167**
Total revenue	1	**3,273**	**30,101**	**(905)**	**32,469**
Electricity and transmission costs	1	(10)	(5,074)	905	**(4,179)**
Salaries and other employee benefits	2	(488)	(4,294)	-	**(4,782)**
Allowance for expected credit losses		-	(1,363)	-	**(1,363)**
Taxes other than income tax		(35)	(1,266)	-	**(1,301)**
General and administrative expenses		(40)	(808)	-	**(848)**
Professional fees		(47)	(594)	-	**(641)**
Raw materials, fuel and other consumables		(13)	(532)	-	**(545)**
Maintenance expenditure		-	(506)	-	**(506)**
Reversal of provisions and legal claims related expenses		-	23	-	**23**
Other operating expenses	5	(252)	(1,371)	-	**(1,623)**
Other income		3	347	-	**350**
EBITDA		**2,391**	**14,663**	**-**	**17,054**
Finance income	3	3	167	-	**170**
Finance costs	3	(903)	(4,338)	-	**(5,241)**
Net foreign exchange (loss)/gain		(97)	1,723	-	**1,626**
Depreciation and amortisation		(935)	(6,617)	-	**(7,552)**
Non-recurring expenses		(1,431)	(1,431)	-	**(2,862)**
(Loss)/profit before income tax expense		**(972)**	**4,167**	**-**	**3,195**
Income tax expense		-	-	-	**-**
(Loss)/profit for the period		**(972)**	**4,167**	**-**	**3,195**

(Amounts expressed in thousands of Georgian Lari)

4. Segment information (continued)

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:

1. **Revenue** – during the three months ended 31 March 2020 and 2019, the Group consumed electric power internally generated by Zhinvali HPP. For the purpose of segment disclosure for three-month period ended 31 March 2020 and 2019, the revenue from the internally used electric power was recorded at a regulated tariff set by GNERC (Decree No. 50, dated 27 December 2017).
2. **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.
3. **Finance income and finance costs** were allocated according to the amount of borrowings received for each segment.

5. Property, plant and equipment

The movements in property, plant and equipment during the three months ended 31 March 2020 were as follows:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost								
31 December 2019	**7,092**	**34,548**	**629,526**	**364,276**	**31,236**	**8,239**	**29,156**	**1,104,073**
Additions	-	2	3,597	1,298	45	91	17,016	**22,049**
Disposals	-	-	(134)	-	(220)	(6)	(20)	**(380)**
Transfers	-	215	8,651	1,885	724	303	(11,778)	**-**
Currency translation	169	-	-	46,485	62	21	26	**46,763**
31 March 2020 (unaudited)	**7,261**	**34,765**	**641,640**	**413,944**	**31,847**	**8,648**	**34,400**	**1,172,505**
Accumulated depreciation and impairment								
31 December 2019	**423**	**9,396**	**218,841**	**15,647**	**11,525**	**4,729**	**1,480**	**262,041**
Depreciation charge	-	146	6,783	3,181	673	290	-	**11,073**
Disposals	-	-	(133)	-	(98)	(3)	-	**(234)**
Transfers	-	-	(250)	907	-	-	(657)	**-**
Currency translation	-	-	-	272	3	12	-	**287**
31 March 2020 (unaudited)	**423**	**9,542**	**225,241**	**20,007**	**12,103**	**5,028**	**823**	**273,167**
Net book value								
31 December 2019	**6,669**	**25,152**	**410,685**	**348,629**	**19,711**	**3,510**	**27,676**	**842,032**
31 March 2020 (unaudited)	**6,838**	**25,223**	**416,399**	**393,937**	**19,744**	**3,620**	**33,577**	**899,338**

(Amounts expressed in thousands of Georgian Lari)

5. Property, plant and equipment (continued)

The movements in property, plant and equipment during the three months ended 31 March 2019 were as follow:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost 31 December 2018	**4,172**	**31,616**	**529,387**	**39,261**	**27,537**	**7,527**	**159,042**	**798,542**
Additions	112	-	11,369	837	68	202	18,861	**31,449**
Disposals	(716)	-	(184)	(14)	(7)	(39)	(29)	**(989)**
Transfers	-	772	12,926	952	670	184	(15,504)	**-**
Currency translation	-	-	-	2	-	-	1,802	**1,804**
31 March 2019 (unaudited, not reviewed)	**3,568**	**32,388**	**553,498**	**41,038**	**28,268**	**7,874**	**164,172**	**830,806**
Accumulated depreciation and impairment								
31 December 2018	**417**	**9,191**	**193,883**	**12,025**	**9,902**	**3,867**	**1,724**	**231,009**
Depreciation charge	13	296	6,237	419	319	124	-	**7,408**
Disposals	(184)	-	(69)	(4)	-	(21)	-	**(278)**
Currency translation	-	-	-	1	-	-	3	**4**
31 March 2019 (unaudited, not reviewed)	**246**	**9,487**	**200,051**	**12,441**	**10,221**	**3,970**	**1,727**	**238,143**
Net book value								
31 December 2018	**3,755**	**22,425**	**335,504**	**27,236**	**17,635**	**3,660**	**157,318**	**567,533**
31 March 2019 (unaudited, not reviewed)	**3,322**	**22,901**	**353,447**	**28,597**	**18,047**	**3,904**	**162,445**	**592,663**

The Group has pledged property, plant and equipment as collateral for its borrowings with carrying amount of GEL 365,121 as at 31 March 2020 (31 December 2019: GEL 319,936) (Note 8).

Most of increase in other non-current assets during three months ended 31 March 2020 is related to prepayments made by the Group for acquisition of non-current assets for both water and energy rehabilitation projects.

(Amounts expressed in thousands of Georgian Lari)

6. Trade and other receivables

	31 March 2020 (unaudited)	*31 December 2019*
Non-current		
Trade receivables for water supply services from general population	160	263
	160	**263**
Less allowance for expected credit losses	(38)	(54)
Total restructured trade receivables, net	**122**	**209**
Current		
Trade receivables for water supply services from general population	21,647	20,697
Trade receivables for water supply services from legal entities	16,361	17,110
Trade receivables for installation of water meters	85	86
Trade receivables for connection service	3,206	3,000
Trade receivables for electric power sales	3,491	5,546
	44,790	**46,439**
Less allowance for expected credit losses	(25,543)	(24,200)
Total current trade receivables, net	**19,247**	**22,239**
Other receivables	2,624	3,259
Less allowance for expected credit losses	(1,176)	(1,074)
Total other receivables, net	**1,448**	**2,185**
Total current trade and other receivables, net	**20,695**	**24,424**

As at 31 March 2020, the Group recognised GEL 2,624 of other receivables, which relate to the income that is not in scope of IFRS 15 (31 December 2019: GEL 3,259), and mainly comprise from the penalties on illegal connections.

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

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

	Non-current trade and other receivables	*Current trade and other receivables*	*Total*
31 December 2018	**204**	**19,085**	**19,289**
Allowance/(reversal) for expected credit losses	(36)	1,399	**1,363**
Bad debts written off	-	(137)	**(137)**
31 March 2019 (unaudited, not reviewed)	**168**	**20,347**	**20,515**
31 December 2019	**54**	**25,274**	**25,328**
Allowance/(reversal) for expected credit losses	(16)	1,616	**1,600**
Bad debts written off	-	(171)	**(171)**
31 March 2020 (unaudited)	**38**	**26,719**	**26,757**

(Amounts expressed in thousands of Georgian Lari)

7. Equity

Share capital

As at 31 March 2020 and 31 December 2019, share capital as presented in these combined financial statements comprised of GEL 2, presenting 1,700 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 21,967.

During the three months ended 31 March 2020, Svaneti Hydro JSC increased share capital in exchange for cash consideration from the shareholders of GEL 3,068.

In March 2020, Georgia Energy Holding LLC decreased its charter capital by distributing GEL 4,927 to the shareholder.

In March 2019, Svaneti Hydro JSC decreased its share capital by distributing GEL 11,555 to the shareholder.

8. Borrowings

	31 March 2020 (unaudited)		*31 December 2019*	
	Current liabilities	***Non-current liabilities***	***Current liabilities***	***Non-current liabilities***
Loans from international financial institutions	31,039	249,737	25,917	234,476
Loans from Georgian financial institutions	19,651	345,563	18,119	308,552
Debt securities issued	267	30,471	256	30,355
Loans from the shareholders	144	35,545	145	35,546
Total borrowings	**51,101**	**661,316**	**44,437**	**608,929**

As at 31 March 2020, borrowings comprise of GEL denominated loans of GEL 206,482 (31 December 2019: GEL 204,409), USD denominated loans of GEL 308,531 (31 December 2019: GEL 272,333) and EUR denominated loans of GEL 166,666 (31 December 2019: GEL 146,013).

As at 31 March 2019, the Group has GEL denominated debt securities issued of GEL 30,738 (31 December 2019: GEL 30,611). The debt securities were issued on 6 December 2016 and mature in 2021.

Debt matures on average in 10 years (31 December 2019: 11 years).

At 31 March 2020, the Group has GEL 58,180 of undrawn borrowing facilities (31 December 2019: GEL 58,559).

As at 31 March 2020, 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 2019: 2 years).

The Group is subject to certain covenants related to its borrowings, such as maintaining different limits for debt to EBITDA ratio, capital investments and others. Non-compliance with such covenants may result in event of default for the Group including termination of the loan agreement and withdrawal of loan amount or any part thereof. The Group was in compliance with covenants as at 31 March 2020.

During the three months ended 31 March 2020, the Group incurred borrowings costs of GEL 14,705 (three months ended 31 March 2019: GEL 7,125) of which GEL 263 has been capitalized to property, plant and equipment (three months ended 31 March 2019: GEL 1,884).

As at 31 March 2020, 24% of the Group's borrowings are denominated in EUR. As the Group has significant short open currency position in EUR, 13.3% devaluation of GEL against it and other foreign currencies resulted in significant foreign exchange losses recognized in the profit or loss the three months ended 31 March 2020.

(Amounts expressed in thousands of Georgian Lari)

9. Trade and other payables

	31 March 2020 (unaudited)	*31 December 2019*
Payables for non-current assets	5,148	4,223
Trade payables	7,157	5,393
Payables to employees	6,565	3,742
Payables to Parent	735	-
Other payables	235	243
Total trade and other payables	**19,840**	**13,601**

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

10. Revenue from water supply and related services

	For the three months ended 31 March 2020 (unaudited)	*For the three months ended 31 March 2019 (unaudited, not reviewed)*
Revenue from water supply to legal entities	19,340	19,248
Revenue from water supply to general population	9,690	9,662
Total revenue from water supply before charges for related services	**29,030**	**28,910**
Charges for connection service	903	773
Charges for installation of water meters	245	251
Total revenue from water supply and related services	**30,178**	**29,934**

11. Revenue from electric power sales

	For the three months ended 31 March 2020 (unaudited)	*For the three months ended 31 March 2019 (unaudited, not reviewed)*
Revenue from electric power sales to government-related entities	6,440	57
Revenue from electric power sales to legal entities	329	2,311
Total revenue from electric power sales	**6,769**	**2,368**

12. Commitments and contingencies

Commitments

As at 31 March 2020, the letters of credit of GEL 1,545 (31 December 2019: GEL 682) are issued for the payables related to construction in progress of the Group and is partly presented in restricted cash.

Reimbursement assets

The Group recognized reimbursement asset from an insurance company under common control in amount of GEL 47,623 (31 December 2019: GEL 46,457) in relation to damages and business interruption reimbursement event that occurred at Mestiachala hydro power plan in 2019. During the three months ended 31 March 2020, the Group received GEL 5,023 in cash settlement. Remaining changes in reimbursement asset during the three months ended 31 March 2020 are mostly attributable to foreign currency translation, as well as GEL 326 gain from actualization of the reimbursement amount. The management continues to assess the reimbursement as virtually certain as at 31 March 2020.

(Amounts expressed in thousands of Georgian Lari)

13. 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.

The volumes of related party transactions, outstanding balances at the period and year end, and related expense and income for the periods ended 31 March 2020 and 2019 are as follows:

	31 March 2020 (unaudited)		*31 December 2019*	
	Parent company	***Entities under common control***	***Parent Company***	***Entities under common control***
Assets:				
Trade and other receivables	-	1,184	-	1,822
Prepayments[1]	-	372	2,474	420
Derivative financial assets	747	-	-	-
Reimbursement asset (Note 7)	-	47,623	-	46,457
Property, plant and equipment (capitalized costs)	8,277	-	8,277	-
Borrowings as at 1 January	**35,531**	**-**	**-**	**-**
Proceeds from borrowings and interest accrued during the period / year	589	60	65,126	-
Repayment of borrowing including interest during the period / year	-	-	(29,595)	-
Currency translation and other changes	5,707	-	-	-
Borrowings as at 31 March (unaudited) / 31 December	**41,827**	**60**	**35,531**	**-**
Liabilities:				
Advances received	-	171	-	106
Trade and other payables	735	162	-	216
Derivative financial liabilities	-	-	1,919	-

[1] Prepayments towards the Parent as at 31 December 2019 represents advances made in compensation of settlement of share-based payment awards.

The Group received cash settlement of the reimbursement asset due from insurance company under common control in amount of GEL 5,023 during three months ended 31 March 2020.

	Entities under common control	
	For the three months ended 31 March 2020 (unaudited)	***For the three months ended 31 March 2019 (unaudited, not reviewed)***
Income and expenses		
Revenue from water supply	374	462
Other revenue	19	23
Business interruption reimbursement	326	-
Other income	-	16
Finance costs	(589)	-
Non-recurring expenses	(413)	
Other operating expenses	(460)	(292)

In 2019, the Group recognized insurance reimbursements asset of GEL 413 from a related party (insurance company) related to a warehouse fire. The amount was reversed in 2020 as a non-recurring expense.

Transactions with the Parent are disclosed in Note 7.

(Amounts expressed in thousands of Georgian Lari)

13. Related parties disclosures (continued)

Directors' compensation

Total compensation to key management for the three months ended 31 March 2020 and 2019 was as follows:

	For the three months ended 31 March 2020 (unaudited)	*For the three months ended 31 March 2019 (unaudited, not reviewed)*
Salaries and benefits	390	335
Bonuses	-	331
Employee share-based compensation	691	563
Total management compensation	**1,081**	**1,229**

14. Fair value measurement

Assets and liabilities measured at fair value in the interim combined statement of financial position as at 31 March 2020 include derivative financial assets with fair value of GEL 747 (Level 2 of fair value hierarchy) (31 December 2019: derivative financial liabilities with fair value of GEL 1,919) and investment property with fair value of GEL 8,641 (Level 3 of fair value hierarchy) (31 December 2019: GEL 8,641). The Group enters into foreign exchange derivatives transactions to economically hedge its foreign exchange risk in relation to its open currency position in EUR. Change in derivative valuation for the three months period ended 31 March 2020 is mostly attributable to change in EUR/GEL exchange rate.

There were no transfers between levels during the three months ended 31 March 2020 and 2019. There were no changes in valuation techniques for Level 2 and 3 recurring fair value measurements during the three months ended 31 March 2020 and 2019. Information about significant judgments and assumptions involved in valuation of investment property as at 31 March 2020 is disclosed in Note 2.

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.

15. Events after the reporting period

In April and May 2020, the Group received GEL 2,227 in settlement of reimbursement asset related to business interruption.

Georgia Global Utilities JSC

Combined financial statements

for the years ended 31 December 2019, 2018 and 2017
with independent auditor’s report

Contents

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Building a better working world

Independent auditor's report

To the Shareholder and Supervisory Board of Georgia Global Utilities JSC

Opinion

We have audited the combined financial statements of Georgia Global Utilities JSC and its subsidiaries and certain entities under common control (hereinafter, the "Group"), which comprise the combined statement of financial position as at 31 December 2019, 2018 and 2017, and the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the years then ended, and the notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Group as at 31 December 2019, 2018 and 2017 and its combined financial performance and its combined cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the combined financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Supervisory Board for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Alexey Loza

On behalf of EY LLC

15 May 2020

Tbilisi, Georgia

Combined statement of financial position

As at 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2019	31 December 2018	31 December 2017
Assets				
Non-current assets				
Property, plant and equipment	7	842,032	567,533	354,887
Investment property	8	8,641	9,865	11,286
Right-of-use assets	4	1,305	-	-
Restructured trade receivables		209	204	133
Other non-current assets	9	3,526	41,204	47,009
Total non-current assets		**855,713**	**618,806**	**413,315**
Current assets				
Inventories		3,928	3,913	3,787
Trade and other receivables	10	24,424	19,514	23,210
Loans issued		82	-	-
Current income tax prepayments		-	-	184
Prepaid taxes other than income tax		2,214	3,747	5,436
Reimbursement assets	7	46,457	-	3,222
Prepayments		3,805	1,648	1,469
Derivative financial assets	24	-	-	450
Restricted cash	28	6,581	877	7,656
Cash at bank	28	46,806	14,357	65,502
Total current assets		**134,297**	**44,056**	**110,916**
Total assets		**990,010**	**662,862**	**524,231**
Equity				
Share capital	11	2	2	2
Additional paid-in capital	11	101,205	59,348	12,757
Retained earnings		145,421	130,900	128,875
Other reserves	11	(4,253)	(6,276)	(4,505)
Revaluation reserve for property, plant and equipment	11	4,813	8,200	9,698
Equity attributable to the owners of the parent		**247,188**	**192,174**	**146,827**
Non-controlling interests		24,896	26,458	5,294
Total equity		**272,084**	**218,632**	**152,121**
Liabilities				
Non-current liabilities				
Borrowings	12	608,929	366,534	305,321
Deferred revenue	14	24,569	18,948	16,023
Lease liabilities		1,064	-	-
Other non-current liabilities		1,538	1,334	1,299
Total non-current liabilities		**636,100**	**386,816**	**322,643**
Current liabilities				
Borrowings	12	44,437	24,424	6,884
Advances received	14	6,242	8,424	8,562
Trade and other payables	13	13,601	15,360	24,662
Provisions for liabilities and charges		614	525	3,103
Deferred revenue	14	4,764	3,921	3,451
Lease liabilities		248	-	-
Derivative financial liabilities	24	1,919	1,777	-
Other current liabilities	30	5,479	676	-
Other taxes payable		4,522	2,307	2,805
Total current liabilities		**81,826**	**57,414**	**49,467**
Total liabilities		**717,926**	**444,230**	**372,110**
Total liabilities and equity		**990,010**	**662,862**	**524,231**

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 15 May 2020:

Giorgi Vakhtangishvili
Chief Executive Officer

Giorgi Gureshidze
Chief Financial Officer

The accompanying notes on pages 5 to 43 are an integral part of these combined financial statements.

Combined statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	2019	2018	2017
Revenue from water supply and related services	15	137,855	136,039	122,143
Revenue from electric power sales	16	26,341	9,052	9,755
Business interruption reimbursement gain	7	10,047	-	-
Other revenue	17	1,227	677	635
Total revenue and gains		**175,470**	**145,768**	**132,533**
Electricity and transmission costs	4	(16,917)	(18,695)	(18,303)
Salaries and other employee benefits	18	(20,539)	(18,620)	(18,923)
Allowance for expected credit losses	10	(7,325)	(5,033)	(1,675)
Taxes other than income tax		(6,631)	(4,631)	(4,312)
General and administrative expenses	19	(3,751)	(3,784)	(3,817)
Professional fees	20	(2,890)	(3,082)	(2,793)
Raw materials, fuel and other consumables		(2,792)	(2,495)	(3,077)
Maintenance expenditure		(1,966)	(2,247)	(3,205)
Charge for provisions and legal claims related expenses		(120)	(231)	3
Other operating expenses	22	(7,968)	(7,013)	(7,798)
Other income	21	3,785	3,790	2,153
		(67,114)	**(62,041)**	**(61,747)**
EBITDA		**108,356**	**83,727**	**70,786**
Finance income		1,995	589	1,692
Finance costs	23	(33,992)	(15,172)	(14,287)
Net foreign exchange losses		(7,544)	(5,278)	(676)
Depreciation and amortisation	7, 9	(34,960)	(23,695)	(18,077)
Gain from sale of non-core assets	29	2,364	-	-
Non-recurring expenses, net	26	(1,891)	(4,044)	(3,001)
Profit before income tax expense		**34,328**	**36,127**	**36,437**
Income tax expense		-	-	-
Profit for the year		**34,328**	**36,127**	**36,437**
Attributable to:				
Owners of the parent		33,295	35,938	36,775
Non-controlling interests		1,033	189	(338)
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Gain from currency translation differences		5,195	825	290
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**5,195**	**825**	**290**
Other comprehensive income for the year		**5,195**	**825**	**290**
Total comprehensive income for the year, net of tax		**39,523**	**36,952**	**36,727**
Attributable to:				
Owners of the parent		37,086	36,475	36,963
Non-controlling interests		2,437	477	(236)

The accompanying notes on pages 5 to 43 are an integral part of these combined financial statements.

Combined statement of changes in equity

For the year ended 31 December 2019

(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 1 January 2017	**2**	**4,267**	**543**	**120,067**	**9,731**	**134,610**	**2,459**	**137,069**
Profit for the year	-	-	-	36,775	-	**36,775**	(338)	**36,437**
Other comprehensive income	-	-	189	-	-	**189**	101	**290**
Total comprehensive income for the year	**-**	**-**	**189**	**36,775**	**-**	**36,964**	**(237)**	**36,727**
Share-based payments (Note 25)	-	2,783	-	-	-	**2,783**	-	**2,783**
Transfers to parent under share-based compensation program (Note 25)	-	-	(5,237)	-	-	**(5,237)**	-	**(5,237)**
Contributions from the shareholders (Note 11)	-	5,707	-	-	-	**5,707**	3,072	**8,779**
Realised revaluation reserve for investment property	-	-	-	33	(33)	**-**	-	**-**
Dividends declared (Note 11)	-	-	-	(28,000)	-	**(28,000)**	-	**(28,000)**
Balance as at 31 December 2017	**2**	**12,757**	**(4,505)**	**128,875**	**9,698**	**146,827**	**5,294**	**152,121**
Effect from adoption of IFRS 9 (Note 4)	-	-	-	(6,571)	-	**(6,571)**	-	**(6,571)**
Balance as at 1 January 2018	**2**	**12,757**	**(4,505)**	**122,304**	**9,698**	**140,256**	**5,294**	**145,550**
Profit for the year	-	-	-	35,938	-	**35,938**	189	**36,127**
Other comprehensive income	-	-	536	-	-	**536**	289	**825**
Total comprehensive income for the year	**-**	**-**	**536**	**35,938**	**-**	**36,474**	**478**	**36,952**
Share-based payments (Note 25)	-	8,171	-	-	-	**8,171**	-	**8,171**
Contributions under share-based compensation program	-	-	(2,307)	-	-	**(2,307)**	-	**(2,307)**
Conversion of loan to equity (Note 11)	-	38,420	-	-	-	**38,420**	20,686	**59,106**
Realised revaluation reserve for investment property	-	-	-	1,498	(1,498)	**-**	-	**-**
Dividends declared (Note 11)	-	-	-	(28,840)	-	**(28,840)**	-	**(28,840)**
Balance as at 31 December 2018	**2**	**59,348**	**(6,276)**	**130,900**	**8,200**	**192,174**	**26,458**	**218,632**
Profit for the year	-	-	-	33,295	-	**33,295**	1,033	**34,328**
Other comprehensive income	-	-	3,791	-	-	**3,791**	1,404	**5,195**
Total comprehensive income for the year	**-**	**-**	**3,791**	**33,295**	**-**	**37,086**	**2,437**	**39,523**
Share-based payments (Note 25)	-	5,881	-	-	-	**5,881**	-	**5,881**
Transfers to parent under share-based compensation program (Note 25)	-	-	(1,768)	-	-	**(1,768)**	-	**(1,768)**
Contributions from the shareholders (Note 11)	-	43,110	-	-	-	**43,110**	510	**43,620**
Distributions to the shareholders (Note 11)	-	(7,580)	-	-	-	**(7,580)**	(3,975)	**(11,555)**
Acquisition of non-controlling interests in existing subsidiaries	-	446	-	(161)	-	**285**	(534)	**(249)**
Realised revaluation reserve for investment property	-	-	-	3,387	(3,387)	**-**	-	**-**
Dividends declared (Note 11)	-	-	-	(22,000)	-	**(22,000)**	-	**(22,000)**
Balance as at 31 December 2019	**2**	**101,205**	**(4,253)**	**145,421**	**4,813**	**247,188**	**24,896**	**272,084**

The accompanying notes on pages 5 to 43 are an integral part of these combined financial statements.

Combined statement of cash flows

For the year ended 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	2019	2018	2017
Cash flows from operating activities				
Profit before income tax		**34,328**	**36,127**	**36,437**
Adjustments for:				
Depreciation and amortisation	7, 9	34,960	23,695	18,077
Allowance for expected credit losses	10	7,325	5,033	1,675
Reversal of provisions		120	231	(3)
Net (gain)/loss from disposal of property, plant and equipment, non-core assets and investment property	29	(2,188)	88	1,360
Revaluation gain on investment property	8	(988)	(269)	(554)
Net foreign exchange losses		7,544	5,278	676
Finance income		(1,995)	(589)	(1,692)
Finance costs	23	33,992	15,172	14,287
Derecognition of unclaimed advances received and trade payables	21	(845)	(360)	(257)
Business interruption reimbursement gain	7	(10,047)	-	-
Non-recurring expenses, net		(971)	(1,287)	142
Share-based payment expense	25	4,187	6,077	1,391
Working capital changes				
Change in inventories		(1,093)	(126)	(729)
Change in trade and other receivables		(10,628)	(7,977)	(4,920)
Change in prepaid taxes other than income tax		1,839	1,689	(2,171)
Change in prepayments		316	117	260
Change in trade and other payables		532	1,442	(2,212)
Change in deferred revenue – current portion		843	470	(23)
Change in advances received		(1,860)	222	4,744
Change in reimbursement asset		-	568	-
Change in other tax payables		2,275	(494)	(234)
Change in restricted cash		653	6,540	(2,966)
Operating cash flows after working capital changes		**98,299**	**91,647**	**63,288**
Income tax paid		-	184	281
Change in deferred revenue - non-current portion		5,621	2,925	1,254
Net cash flows from operating activities		**103,920**	**94,756**	**64,823**
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		(114,020)	(220,146)	(192,238)
Purchase of investment property		-	-	(12)
Proceeds from sale of property, plant and equipment	29	4,029	456	16
Acquisition of subsidiaries, net of cash acquired	30	(88,014)	-	-
Loans issued		(74)	-	-
Interest received		1,995	589	1,692
Proceeds from sale of investment property and non-core assets		2,742	1,455	602
Net cash used in investing activities		**(193,342)**	**(217,646)**	**(189,940)**
Cash flows from financing activities				
Payment of principal portion of lease liabilities	4	(259)	-	-
Proceeds from borrowings	12	309,822	132,284	354,588
Repayment of borrowings	12	(162,813)	(5,764)	(161,240)
Interest paid	23	(30,528)	(21,658)	(13,709)
Dividend paid	11	(22,000)	(28,840)	(28,000)
Contributions from the shareholders	11	43,620	-	8,779
Distribution to the parent	11	(11,555)	-	-
Contributions under share-based payment plan	25	(4,492)	(2,307)	(5,237)
Net cash from financing activities		**121,795**	**73,715**	**155,181**
Effect of exchange rate changes on cash and cash equivalents		75	(1,970)	4,834
Net change in cash and cash equivalents		**32,448**	**(51,145)**	**34,898**
Cash and cash equivalents at the beginning of year	28	14,358	65,503	30,605
Cash and cash equivalents at the end of year	28	**46,806**	**14,358**	**65,503**

The accompanying notes on pages 5 to 43 are an integral part of these combined financial statements

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

These combined financial statements of Georgia Global Utilities JSC include the financial statements of Georgian Global Utilities LTD together with its subsidiaries, Svaneti Hydro JSC, Georgia Energy Holding LLC with its subsidiaries and Georgian Wind Company LLC with its immediate subsidiary, collectively referred to as the "Group".

The Group has two operating segments based on products sold and services rendered: (1) water supply and wastewater collection services, and (2) electricity generation and sales.

Georgian Global Utilities LTD

Georgian Global Utilities LTD ("GGU"), formerly known as Multiplex Energy Limited, was incorporated in British Virgin Islands on 16 August 2007 as a private limited liability company. GGU is a holding parent company of the following: entities:

	Country of incorporation	*Date of incorporation*	*Date of acquisition*	*31 December 2019*	*31 December 2018*	*31 December 2017*
Georgian Water and Power LLC ("GWP")	Georgia	25 June 1997	14 May 2008	100%	100%	100%
Rustavi Water LLC	Georgia	31 August 1999	14 May 2008	100%	100%	100%
Mtskheta Water LLC	Georgia	1 September 1999	14 May 2008	100%	100%	100%
Gardabani Sewage Treatment Plant LLC	Georgia	20 December 1999	14 May 2008	100%	100%	100%
Georgian Engineering and Management Company LLC	Georgia	29 March 2011	29 March 2011	100%	100%	100%
Saguramo Energy LLC	Georgia	11 December 2008	19 December 2015	100%	100%	100%
Georgian Energy and Trading Company LLC ("GETC")	Georgia	23 April 2019	15 December 2019	0%[1]	N/A	N/A

[1] GETC is owned by Georgia Capital JSC, GGU's parent. On 15 December 2019, a tri-party agreement was conducted among Georgia Capital JSC, GGU and GWP. Under the terms of the agreement, Georgia Capital JSC irrevocably assigned GGU and GWP with the power and rights to direct relevant activities of GETC in exchange for variable consideration linked to the GETC's net profit and revenue. GGU assessed that the terms of the agreement provide GGU with the control over GETC. This assessment represents a significant judgment. GGU combined GETC under the pooling of interests' method since its incorporation, 23 April 2019. Consolidation of GETC had no material effect on the consolidated financial statements.

GGU's principal business activities are rendering water supply and wastewater collection services to legal entities and general population of Tbilisi, Rustavi, Mtskheta cities and the nearby villages. GGU owns and operates water and wastewater infrastructure assets used in water supply and wastewater collection. GGU also owns and operates hydroelectric power stations generating electric power for own use and for sale. GGU engages in electric power trading.

The GGU's registered address is at Pasea Estate, P.O. Box 958, Road Town, Tortola, VG 1110, British Virgin Islands.

As at 31 December 2019 and 2018, 100% of GGU's shares were owned by Georgia Capital JSC, the ultimate parent of which is Georgia Capital PLC ("GCAP"), domiciled in the United Kingdom.

As at 31 December 2017, 100% of the GGU's shares were owned by BGEO Group PLC ("BGEO").

On 29 May 2018, BGEO completed demerger of its business activities into a London-listed banking business, Bank of Georgia Group PLC, and a London-listed investment business, GCAP. As a result, GCAP became the ultimate parent of GGU.

Svaneti Hydro JSC

JSC Svaneti Hydro ("SH") was founded in 2013 as a joint stock company in accordance with Georgian regulations.

SH's main activities present development of renewable energy projects in Georgia. In 2017, SH started construction of 50MW Mestiachala hydro power plants ("HPPs") in the north-western part of Georgia.

As at 31 December 2019 and 2018, 100% of the SH's shares were owned by JSC Georgian Renewable Power Company ("GRPC"), the ultimate parent of which is GCAP. RP Global, an Austrian based business controlled by Dr. Gerhard Matzinger and the family, owns 35% non-controlling interest stake in GRPC.

As at 31 December 2017, 100% of the Company's shares are owned by GRPC, the ultimate parent of which is BGEO.

SH's registered address is N 79, Agmashenebeli Ave., Tbilisi, Georgia.

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information (continued)

Georgia Energy Holding LLC

Georgia Energy Holding LLC ("GEH") was founded in 2019 as a limited liability company in accordance with Georgian regulations.

GEH is a holding parent company of the following subsidiaries:

Name	Country of operation	Proportion of ownership interest 2019
Hydrolea LLC ("HYDL")	Georgia	100%
Hydro Georgia LLC	Georgia	100%
Geoenergy LLC	Georgia	100%
Darchi LLC	Georgia	100%
Hydro S LLC	Georgia	100%
Kasleti 2 LLC	Georgia	100%

GEH acquired HYDL on 28 October 2019 (Note 30). HYDL controls all of the other subsidiaries listed above. HYDL is engaged in development of renewable energy projects in Georgia. HYDL operates three HPPs with an aggregate 21MW installed capacity and has a greenfield HPP project with a 19MW targeted installed capacity.

As at 31 December 2019, 100% of GEH is ultimately owned by GCAP.

GEH registered address is 10 Medea (Mzia) Jugheli Str, Tbilisi, 0179.

Georgian Wind Company LLC

Georgian Wind Company LLC ("GWC") was founded in 2019 as a limited liability company in accordance with Georgian regulations.

GWC is a parent holding company which owns 100% interest in Qartli Wind Farm LLC ("QWF"). GWC acquired QWF on 30 December 2019 (Note 30). QWF is engaged in development and operation of renewable energy projects in Georgia.

As at 31 December 2019, 100% of GWC shares are ultimately owned by GCAP.

GWC's registered address is 10 Medea (Mzia) Jugheli Str, Tbilisi, 0179.

Reorganization of the Group

In the beginning of 2020, GGU implemented a planned de-offshorisation (re-domiciliation) process, pursuant whereto, change has been made to the GGU's shareholding structure. GGU has been replaced by Georgia Global Utilities JSC, a Georgian resident and 100% owned subsidiary of Georgia Capital JSC. Other than replacement of GGU by Georgian Global Utilities JSC, there were no other changes to the GGU structure. In March 2020, GGU was liquidated. Georgia Global Utilities JSC is considered a continuation of GGU for the purpose of preparation of these combined financial statements.

Taking into account the Georgian Global Utilities JSC's intention to issue Eurobonds in 2020, management of the Group considered preparation of these combined financial statements to be appropriate in the circumstances (Note 3).

2. Operating environment

The Group's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets, including the risk that the Georgian Lari is not freely convertible outside the country, there are currency exchange fluctuation risks, debt and equity markets are not well developed. However, over the last years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to enhance banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation, including new Tax Code and procedural laws. In the view of the Management, these steps contribute to mitigation of the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the developed countries, such as economic uncertainty caused by the global COVID-19 pandemic (Note 31).

(Amounts expressed in thousands of Georgian Lari)

3. Basis of preparation

These combined financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2019 reporting.

The combined 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 combined financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

Basis of combination and consolidation

These combined financial statements have been prepared from the financial statements of the combined entities as if Georgia Global Utilities JSC has been established and the Group reorganization (Note 1) has been completed as at 31 December 2019, and assuming that GGU's date of transition to IFRS is the initial date of transition to IFRS of Georgian Global Utilities LTD. The assets and liabilities of Georgia Global Utilities LTD, Georgia Wind Company LLC, Georgia Energy Holding LLC and Svaneti Hydro JSC and their consolidated subsidiaries, as appropriate, were recognized in these combined financial statements at their carrying values as presented in their respective consolidated and standalone IFRS financial statements, for all the periods presented as long as they were under common control. Transactions and balances between entities included to the combined financial statements were eliminated.

Subsidiaries controlled by entities that comprise these combined financial statements are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. Summary of significant accounting policies

Adoption of new or revised standards and interpretations

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the combined financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. The amendments become mandatorily effective on 1 January 2020, with an early adoption option.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

The Group early adopted the amendments from 1 January 2019, and applied the amended requirements of IFRS 3, including those of optional fair value concentration test, in respect of acquisitions that occurred in 2019 (Note 30).

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

Transition to IFRS 16

The Group is a lessee of a limited number of real estates and land leases. The Group's lease arrangement usually do not include any variable component, are concluded for the average period from 20 to 30 years and are denominated in GEL or US Dollar ("USD").

The Group adopted IFRS 16 using the modified method of adoption with the date of initial application of 1 January 2019. The Group recognized cumulative catch-up adjustment on 1 January 2019 without the restatement of prior period comparative financial information. At transition, the Group recognised a lease liability for leases previously classified as an operating lease applying IAS 17. Lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Only the lease payments specified in IFRS 16 are included in the recognised lease liability. Variable lease payments that do not depend on an index or a rate and are not in-substance fixed, such as those based on the performance or usage of the underlying asset, are not reflected in the recognised lease liability. The Group also recognised a right-of-use asset for such leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statement of financial position immediately before the date of initial application.

The effect of adoption IFRS 16 is as follows:

Impact on the combined statement of financial position as at 1 January 2019:

	1 January 2019
Right-of-use assets	587
Total assets	**587**
Lease liabilities	587
Total liabilities	**587**

The adoption had no impact on the shareholder equity.

The weighted average incremental borrowing rates were 11% and 8% for lease payments in GEL and USD, respectively.

The Group's leases in the scope of IFRS 16 are mostly for real estate. The movements in right-of-use assets were as follows:

	Real Estate
Balance as at 31 December 2018	**-**
The effect of adoption of IFRS 16	587
Balance as at 1 January 2019	**587**
Additions	983
Balance as at 31 December 2019	**1,570**
Depreciation charge for the period	(265)
Right-of-use assets as at 31 December 2019	**1,305**

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

Set out below are the carrying amounts of lease liabilities and the movements:

At 1 January 2019	**587**
Additions	983
Interest expense on lease liabilities	121
Payment of principal portion of lease liabilities	(259)
Payment of lease interest	(121)
At 31 December 2019	**1,311**

Impact on the combined statement of profit or loss and other comprehensive income:

	2019
Depreciation expense of right-of-use assets (Depreciation and amortization)	265
Interest expense on lease liabilities (Finance costs)	121
Rent expenses on short-term leases (Other operating expenses)	304
Net effect recognized in the Combined statement of profit or loss and other comprehensive income	**690**

In 2019, total lease payments, including low-value and short-term leases were GEL 537.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include in-substance fixed payments. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group also has certain leases of vehicles and equipment with lease terms of 12 months or less and the actual value of what is considered to be low-value. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

Other standards and interpretations

The following standards/interpretations relevant to the Group’s activities that became effective on 1 January 2019 had no impact on the Group’s combined financial position or results of operations:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28: Long-term interests in associates and joint ventures;
- Annual Improvements to IFRSs 2015-2017 Cycle: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured in the combined financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, FVOCI, and fair value through profit or loss ("FVPL").

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For purposes of subsequent measurement, financial assets of the Group are classified as financial assets at amortised cost, which include trade and other receivables, restricted cash and cash at bank. The Group does not have any financial assets measured at either FVOCI or FVPL, except for derivative financial instruments. The Group's financial assets are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Derivative financial instruments

The Group uses forward currency contracts, to mitigate its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair values are estimated based on standard forward pricing models that take into accounting observable and non-observable information about spot and forward exchange rates and interest rates. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains and losses resulting from these instruments are included in the combined statement of profit or loss and other comprehensive income in net foreign exchange losses.

Impairment of receivables

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence of impairment may include:

- significant financial difficulty of the counterparty;
- a breach of agreement, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

If, in a subsequent year, the amount of the estimated ECLs increases or decreases, the previously recognised ECLs are increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss in the allowance for impairment of trade receivables line with a negative sign as a reversal of impairment.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the asset.

Uncollectible assets are written off against the related ECL allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. In addition, a customer may file an application with the regulator – Georgian National Energy and Water Supply Regulatory Commission ("GNERC") – for derecognition of a receivable overdue for more than 3 years. If such an application is approved by GNERC, the Group is required to derecognize respective receivable by law.

Note 10 provides further details on assessment and judgement applied in respect with ECL and write-off of trade and other receivables.

Renegotiated receivables

Renegotiated (restructured) receivables comprise carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated. Only trade receivables for water supply services and from penalties for illegal connections can be restructured. The restructuring is caused by the financial difficulties of the Group's counterparty, and is treated as a modification original financial asset, and the difference in the respective carrying amounts, calculated using original effective interest rate, is recognised in the profit or loss as a modification gain or loss.

Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews renegotiated receivables to ensure that all criteria are met and that future payments are likely to occur.
The renegotiated receivables continue to be subject to an ECL assessment as other trade receivables as described above.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

All of the Group's financial liabilities, including borrowings and trade and other payables, are carried at amortised cost except for derivative financial liabilities held at fair value. The Group's borrowings comprise of debt securities issued and loans from Georgian and international financial institutions.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Debt to equity swaps

When the terms of a financial liability are renegotiated and result in the Group issuing equity instruments to a creditor to extinguish all or part of the financial liability (so called "debt to equity swap"), the Group's instruments issued to a creditor to extinguish all or part of a financial liability are treated as consideration paid and are measured at their fair value at the date of extinguishment. If that fair value cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability and the consideration paid (including the equity instruments issued) is be recognised in profit or loss. In debt to equity swaps with the existing shareholders of the Group, the equity instruments issued are measured at carrying value of extinguished liability, with no gain or loss is recognized in profit or loss.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Property, plant and equipment

Water infrastructure assets comprise a network of systems consisting of raw water aqueducts, mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines. Energy infrastructure assets mainly comprise of turbine-generators, intakes and reservoirs as well as measurement masts required for wind projects and water-flow measurement stations. Investment expenditure on infrastructure assets relating to increases in capacity or enhancements of the network and asset replacements to maintain the operating capability of the network is treated as an addition and initially recorded at cost, whilst repair and maintenance expenditure which does not enhance the asset's base is charged as an operating cost. As well as the purchase price, cost of property, plant and equipment, including assets under construction, includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Directly attributable costs include professional services provided by technical, environmental and other relevant experts. Additionally, directly attributable costs consider pre-permission expenditures, which include studies and services provided during the project assessment period, such as measurement studies, design expenditure, technical and environmental expertise, geological surveys. Contributions to the local governing bodies incurred for obtaining building permissions of power plants are also part of directly attributable costs. The liability for dismantling and removing items is recognised within provisions.

The Group owns real estate that mainly consists of administrative buildings and operational premises.

All categories of property, plant and equipment are accounted for at cost less accumulated depreciation and impairment.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation of depreciable amount (defined as cost less residual value) is calculated on a straight-line basis over estimated useful lives. Existing useful lives applicable for several classes of property, plant and equipment are:

	Useful lives
Real estate	60 years
Water infrastructure assets	5-45 years
Energy infrastructure assets	10-50 years
Fixtures and fittings	5-10 years
Vehicles	5-10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Investment property

Investment property is represented by land and buildings that are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income, capital appreciation or both. Investment property also includes land held for undetermined future use..

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition. The revaluation reserve for investment property in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

Contingencies

Contingent liabilities are not recognized in the combined statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. If the possibility of outflow becomes probable, the Group recognizes respective Provisions for liabilities and charges to provisions. Contingent assets are not recognized in the combined statement of financial position unless reimbursement is virtually certain (which is usually the case with reimbursement from insurance companies) but disclosed when an inflow of economic benefits is probable.

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include acquired software licenses and are amortised on a straight-line basis over their estimated useful lives (3-5 years) from the date the asset is available for use.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations are not taxed in Georgia starting from 1 January 2017. Corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia.

Georgian tax legislation also provides for charging corporate income tax on abnormal water losses. Pursuant to the regulation published by GNERC, normative loss rate has been increased and the Group does not expect to be subject to respective taxes. Taxation of such transactions is not considered to be in scope of *IAS 12 Income taxes* and is accounted as non-recurring expenses in the combined statement of profit or loss and other comprehensive income.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventory is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash at bank and restricted cash

Cash at bank includes deposits held at call with banks with original maturities of three months or less and are subject to insignificant risk of change in value. Cash at bank are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash at bank for the purposes of the cash flow statement. Balances restricted from being immediately exchanged or used to settle a liability at discretion of the Group are included in restricted cash separately.

Share capital

In these combined financial statements, share capital of Georgia Global Utilities JSC after its incorporation in 2020 is presented throughout all the reporting periods as if it had always been incorporated. Any increases or decreases in charter or share capital of the entities comprising these combined financial statements are presented in correspondence with retained earnings in the combined statement of changes in equity.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Value added tax

Value added tax ("VAT", charged at 18% in Georgia) related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is recognised upon the receipt of a tax invoice from a supplier but is reclaimable against sales VAT only upon a payment of such invoice. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the combined statement of financial position on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from borrowings in foreign currency to the extent that they are regarded as an adjustment to interest costs. Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. The amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred on that borrowing during the period of respective property construction phase. The capitalization rate for borrowing costs was 8.5% in 2019 (2018: 5.5%, 2017: 7.2%).

Provisions for liabilities and charges to provisions

Provisions for liabilities are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

In the normal course of business, the Group is a party to legal actions. As at the reporting date, management is unaware of any actual, pending or threatened claims against the Group that would have a material impact on the Group's financial position.

Management does not consider it feasible to accurately estimate when the provision will be fully utilised, given the number of court hearings and appeal processes that each claim may be subject to. However, it is expected that all cases will be settled within the next three years. In addition, there remains uncertainty as to the merits of each individual claim and the final decision of the court in respect of each claim. After taking appropriate legal advice, management considers that the outcome of these legal claims will not give rise to any significant loss beyond the amounts accrued in these combined financial statements.

EBITDA

The Group separately presents EBITDA on the face of combined statement of profit or loss and other comprehensive income. EBITDA is not defined in IFRS and is defined by the Group as earnings before interest, taxes, depreciation and amortisation, and is derived as the Group's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, finance costs, net foreign exchange losses, gains from sale of non-core assets and non-recurring expenses.

Gain from sale of non-core assets

The Group holds certain property, plant and equipment and investment property that are no longer used in the Group's daily business operations. Gain or loss from disposal of such assets is separately presented in the combined statement of profit and loss and other comprehensive income.

Non-recurring expenses

The Group separately classifies and discloses those income and expenses that are non-recurring by nature. Any type of income or expense may be non-recurring by nature. The Group defines non-recurring income or expense as income or expense triggered by or originated from an unusual economic, business or financial event that is not inherent to the regular and ordinary business course of the Group and is caused by uncertain or unpredictable external factors.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the combined statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Functional currencies and foreign currency translation

The Group's combined financial statements are presented in Georgian Lari. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For entities of electric power generation and sales, US Dollar, and for other entities of the Group, Georgian Lari was determined to be the functional currency.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Gains and losses resulting from the translation of foreign currency transactions related to borrowings and other foreign currency transactions are recognised in the profit or loss within net foreign exchange losses.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia ("NBG") exchange rate on the date of the transaction are included in foreign exchange losses less gains. The official NBG exchange rates as at 31 December 2019, 2018 and 2017 were 3.2095, 3.0701 and 3.1044 GEL to 1 Euro, respectively. The official NBG exchange rates as at 31 December 2019, 2018 and 2017 were 2.8677, 2.6766 and 2.5922 GEL to 1 USD, respectively.

Income and expense recognition

Revenue is recognized when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for promise to transfer the goods and services to a customer. The following specific principles also apply to the Group's major classes of revenues:

Revenue from water supply and related services

Revenue from water supply is recognized over time as a single performance obligation to supply water to customer is satisfied. Amounts billed to customers include billings for water supply as well as charges for connection and installation of water meters, as follows.

Revenue from water supply to legal entities includes amounts billed to the commercial customers based on the metered and estimated usage of water and by application of the relevant tariff for services set per unit of water supplied. Meters are read on a cyclical basis and the Group recognises revenue for unbilled amounts based on estimated usage of water based on the last billing through to the end of the financial year.

Revenue from water supply to general population includes amounts billed on monthly basis to the residential customers (with meter) based on the metered usage of water and by application of the relevant tariff for services set per unit of water supplied. For the residential customers having no meters, revenue is recognized based on the number of individual persons registered by the respective city municipality per each residential address by application of the relevant per capita tariff on a monthly basis.

Charges for installation of water meters includes amounts billed to residential customers under GNERC rules.
The performance obligations under such contracts are satisfied over time as the Group supplies water to respective customer and the revenue is recognised during the service period. The estimated service period for the meters is considered to be 10 years. The revenue is recognized over the respective time period.

Charges for connection service includes non-refundable amounts billed upfront for connecting customers to water system and providing them with the access to water supply. Charges from connection is recognized as revenue from water supply over the time in line with the satisfaction of performance obligation to supply water to respective customer over the life of water meters.

Revenue from electric power sales

Revenue from electric power sales is recognised on the basis of metered electric power transferred and by application of the fixed price according to the agreement formed with customers. Customers are usually obliged to pay the respective balances by a following month end.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

Penalty income on illegal connections services

Penalty income on illegal connections services includes fines billed to customers for illegal connections identified by reinforced activities. Amounts billed are defined based on respective tariffs set by GNERC. Penalty income on illegal connections services is included in other income in the combined statement of profit or loss and other comprehensive income (Note 21).

Electricity and transmission costs

Electricity and transmission costs include payments for guaranteed power, for transit and dispatching of electric power and for maintenance of stations.

Interest and similar income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, and such asset meets definition of credit-impaired, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Employee benefits

Wages, salaries, annual leave and sick leave, bonuses, share-based compensations and other benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

Employee stock ownership plan

Share-based payment transactions

Senior executives of the Group receive share-based remuneration settled in equity instruments of GCAP, the Group's ultimate parent. Grants are made by GCAP. Grants that the Group does not have a liability to settle are accounted for as equity-settled transactions (even if the Group may subsequently recharge the cost of the award to the settling entity, which is recognized as deduction from Other reserves in the statement of changes in equity at respective payment date).

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the shares is determined at the grant date using market quotations available at the stock exchange.

The cost of equity settled transactions is recognized together with the corresponding increase in additional paid in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Settlements to the parent for the shares granted to the employees of the Group are accounted as decrease in Other reserves.

Standards issued but not yet effective

Up to the date of approval of the combined financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. Standards issued but not yet effective are:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform;
- Amendments to IAS 1: Classification of Liabilities.

These new standards are not expected to have material impact on the Group's combined financial statements.

(Amounts expressed in thousands of Georgian Lari)

5. Significant accounting judgements and estimates

The Group makes estimates and assumptions that affect the amounts recognised in the combined financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the combined financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern

The management of the Group made an assessment of the Group's ability to continue as a going concern. As the result of the assessment, the management did not became aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the combined financial statements continue to be prepared on a going concern basis. Evaluation of the appropriateness of going concern basis of preparation and existence of any material uncertainty in respect of the going concern assumption requires significant judgment in forecasting cash flows from operations, required capital expenditures, as well as in the assessment of Group's ability to service the existing debt as it falls due and maintain financial covenants required by the borrowing arrangements, or, if needed, refinance or prolong the existing borrowings or renegotiate the payment terms and terms of the financial covenants with the lenders.

Fair value of investment property

The fair value of investment properties is determined by independent professionally qualified appraisers on an annual basis. Fair value is determined using a combination of the income approach and the sales comparison method (Note 8).

Impairment of property, plant and equipment

For the years ended 31 December 2019, 2018 and 2017, the Group analysed property, plant and equipment impairment or recovery indicators. Management found no indications of potential impairment of property, plant and equipment nor recovery of previously recognized impairment, except as in relation to an impairment due to physical damage or loss event. In case of any impairment as a result of physical damage or destruction of assets, the Group assesses the extent of such damage for each individual item and writes off respective items of the property, plant and equipment that are no longer usable. Such assessment requires judgment in determination whether the assets can be usable.

In assessment of recoverable amount of water supply and wastewater collection services cash generating unit assets as at 1 January 2017, and in subsequent assessment of whether indicators of impairment or recovery of previously recognized impairment exist, significant judgment is required in determination of appropriate discount rate and assessment of its subsequent changes, developing expectations in relation to water supply tariffs to be applied in subsequent periods (including assumptions about particular capital and operating expenditures eligible for incorporation to the tariff base, and regulatory weighted average cost of capital), expected water supply volumes and forecasted operating expenditures and maintenance capital expenditures, and other relevant impairment or recovery indicators.

Measurement of reimbursement assets

Significant judgment is required to assess whether an insurance reimbursement for a loss event is virtually certain and whether recognition of respective insurance claim receivable is appropriate, as well as in the measurement of the insurance claim receivable at the reporting date. Information about impairment losses and the respective insurance reimbursement recognised in 2017-2019 is disclosed in Note 7.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates. Useful lives for new additions are established considering GNERCs requirements.

(Amounts expressed in thousands of Georgian Lari)

5. Significant accounting judgements and estimates (continued)

Expected credit losses in respect of trade and other receivables

The Group applied the simplified approach for estimation of expected credit losses on trade receivables. The impairment provision for accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the purposes of a collective evaluation of ECLs accounts receivable are grouped on the basis of revenue classes, overdue days and active/passive status per each counterparty. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and, in rare cases, of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The amount of ECLs recognized in respect of trade and other receivables amounted to GEL 25,328 as at 31 December 2019 (2018: GEL 19,289, 2017: GEL 35,958) (Note 10).

Acquisition of subsidiaries

The Group accounted for acquisitions of Hydrolea LLC and Qartli Wind Farm LLC as asset acquisitions, as opposed to business combination, based on the results of the optional concentration test provided by IFRS 3 *Business Combinations* (Note 30). Significant judgment is required, in respect of each acquisition, in determination of single group of similar identifiable assets and assessment of whether substantially all of the fair value of the acquired gross assets is concentrated in such single group for the purpose of the optional concertation test.

6. Segment information

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

Electric power generation and sales

The segment owns hydroelectric and wind power stations that generate electric power for own consumption and for sale to external customers.

Water supply and wastewater collection services

The segment provides water supply and wastewater collection services which is the core activity of the Group.

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 standards in the same manner as profit or loss in the combined financial statements.

Transactions between segments are accounted for at actual transaction prices.

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

(Amounts expressed in thousands of Georgian Lari)

6. Segment information (continued)

	Sub-note	Electric power generation, 2019	Water supply and wastewater collection services, 2019	Intersegment transactions, 2019	Total, 2019
Revenue from water supply and related services		-	137,855	-	**137,855**
Revenue from electric power sales[1]		30,116	-	(3,775)	**26,341**
Business interruption reimbursement		10,047	-	-	**10,047**
Other revenue		-	1,227	-	**1,227**
Total revenue	1	**40,163**	**139,082**	**(3,775)**	**175,470**
Electricity and transmission costs		(195)	(20,497)	3,775	**(16,917)**
Salaries and other employee benefits	2	(2,362)	(18,177)	-	**(20,539)**
Allowance for ECL of trade receivables		-	(7,325)	-	**(7,325)**
Taxes other than income tax		(1,332)	(5,299)	-	**(6,631)**
General and administrative expenses		(381)	(3,370)	-	**(3,751)**
Professional fees		(286)	(2,604)	-	**(2,890)**
Raw materials, fuel and other consumables		(85)	(2,707)	-	**(2,792)**
Maintenance expenditure		(33)	(1,933)	-	**(1,966)**
Reversal of provisions and legal claims related expenses		-	(120)	-	**(120)**
Other operating expenses		(2,998)	(4,970)	-	**(7,968)**
Other income		10	3,775	-	**3,785**
EBITDA		**32,501**	**75,855**	**-**	**108,356**
Finance income	3	15	1,980	-	**1,995**
Finance costs	3	(12,001)	(21,991)	-	**(33,992)**
Foreign exchange gains/(losses)		(629)	(6,915)	-	**(7,544)**
Depreciation and amortization		(5,859)	(29,101)	-	**(34,960)**
Gain from sale of non-core assets		-	2,364	-	**2,364**
Non-recurring expenses, net	4	(2,061)	170	-	**(1,891)**
Profit before income tax expense		**11,966**	**22,362**	**-**	**34,328**
Income tax expense		-	-	-	**-**
Profit for the year		**11,966**	**22,362**	**-**	**34,328**
Attributable to:					
Owners of the parent		10,933	22,362	-	**33,295**
Non-controlling interests		1,033	-	-	**1,033**
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		-	-	-	**-**
Gain from currency translation differences		5,195	-	-	**5,195**
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**5,195**	**-**	**-**	**5,195**
Other comprehensive income for the year, net of tax		**5,195**	**-**	**-**	**5,195**
Total comprehensive income/(loss) for the year, net of tax		**17,161**	**22,362**	**-**	**39,523**
Attributable to:					
Owners of the parent		14,724	22,362	-	**37,086**
Non-controlling interests		2,437	-	-	**2,437**

[1]*60% of total revenue from electric power sales is generated from one customer.*

(Amounts expressed in thousands of Georgian Lari)

6. Segment information (continued)

	Sub note	*Electric power generation, 2018*	*Water supply and wastewater collection services, 2018*	*Intersegment transactions, 2018*	*Total, 2018*
Revenue from water supply and related services		-	136,039	-	**136,039**
Revenue from electric power sales		13,051	-	(3,999)	**9,052**
Other revenue		-	677	-	**677**
Total revenue	1	**13,051**	**136,716**	**(3,999)**	**145,768**
Electricity and transmission costs		(91)	(22,603)	3,999	**(18,695)**
Salaries and other employee benefits	2	(1,885)	(16,735)	-	**(18,620)**
Allowance for ECL of trade receivables		-	(5,033)	-	**(5,033)**
Taxes other than income tax		(521)	(4,110)	-	**(4,631)**
General and administrative expenses		(167)	(3,617)	-	**(3,784)**
Professional fees		(104)	(2,978)	-	**(3,082)**
Raw materials, fuel and other consumables		(61)	(2,434)	-	**(2,495)**
Maintenance expenditure		(5)	(2,242)	-	**(2,247)**
Reversal of provisions and legal claims related expenses		-	(231)	-	**(231)**
Other operating expenses		(2,189)	(4,824)	-	**(7,013)**
Other income		13	3,777	-	**3,790**
EBITDA		**8,041**	**75,686**	**-**	**83,727**
Finance income	3	61	528	-	**589**
Finance costs	3	(2,237)	(12,935)	-	**(15,172)**
Foreign exchange gains/(losses)		(308)	(4,970)	-	**(5,278)**
Depreciation and amortization		(1,574)	(22,121)	-	**(23,695)**
Non-recurring expenses, net	4	(1,294)	(2,750)	-	**(4,044)**
Profit before income tax expense		**2,689**	**33,438**	**-**	**36,127**
Income tax expense		-	-	-	**-**
Profit for the year		**2,689**	**33,438**	**-**	**36,127**
Attributable to:					
Owners of the parent		2,500	33,438	-	**35,938**
Non-controlling interests		189	-	-	**189**
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		-	-	-	**-**
Gain from currency translation differences		825	-	-	**825**
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**825**	**-**	**-**	**825**
Other comprehensive income for the year, net of tax		**825**	**-**	**-**	**825**
Total comprehensive income/(loss) for the year, net of tax		**3,514**	**33,438**	**-**	**36,952**
Attributable to:					
Owners of the parent		3,037	33,438	-	**36,475**
Non-controlling interests		477	-	-	**477**

(Amounts expressed in thousands of Georgian Lari)

6. Segment information (continued)

	Sub note	*Electric power generation, 2017*	*Water supply and wastewater collection services, 2017*	*Intersegment transactions, 2017*	*Total, 2017*
Revenue from water supply		-	122,143	-	**122,143**
Revenue from electric power sales		14,011	-	(4,256)	**9,755**
Other revenue		-	635	-	**635**
Total revenue	1	**14,011**	**122,778**	**(4,256)**	**132,533**
Electricity and transmission costs		(91)	(22,468)	4,256	**(18,303)**
Salaries and other employee benefits	2	(761)	(18,162)	-	**(18,923)**
Allowance for impairment of trade receivables		-	(1,675)	-	**(1,675)**
Taxes other than income tax		(772)	(3,540)	-	**(4,312)**
General and administrative expenses		(231)	(3,586)	-	**(3,817)**
Professional fees		(60)	(2,733)	-	**(2,793)**
Raw materials, fuel and other consumables		(103)	(2,974)	-	**(3,077)**
Maintenance expenditure		(10)	(3,195)	-	**(3,205)**
Reversal of provisions and legal claims related expenses		-	3	-	**3**
Other operating expenses		(2,233)	(5,565)	-	**(7,798)**
Other income		52	2,101	-	**2,153**
EBITDA		**9,802**	**60,984**	**-**	**70,786**
Finance income	3	56	1,636	-	**1,692**
Finance costs	3	(1,308)	(12,979)	-	**(14,287)**
Foreign exchange gains/(losses)		(218)	(458)	-	**(676)**
Depreciation and amortization		(1,182)	(16,895)	-	**(18,077)**
Non-recurring expenses, net	4	(142)	(2,859)	-	**(3,001)**
Profit before income tax expense		**7,008**	**29,429**	**-**	**36,437**
Income tax expense		-	-	-	-
Profit for the year		**7,008**	**29,429**	**-**	**36,437**
Attributable to:					
Owners of the parent		7,345	29,430	-	**36,775**
Non-controlling interests		(338)	-	-	**(338)**
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		-	-	-	**-**
Gain from currency translation differences		290	-	-	**290**
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**290**	**-**	**-**	**290**
Other comprehensive income for the year, net of tax		**290**	**-**	**-**	**290**
Total comprehensive income/(loss) for the year, net of tax		**7,297**	**29,430**	**-**	**36,727**
Attributable to:					
Owners of the parent		7,533	29,430	-	**36,963**
Non-controlling interests		(236)	-	-	**(236)**

(Amounts expressed in thousands of Georgian Lari)

6. Segment information (continued)

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:

1. **Revenue** – in 2019, 2018 and 2017 the Group consumed electric power internally generated by Zhinvali HPP and Tetrikhevi HPP. For the purpose of segment disclosure in 2019, the revenue from the internally used electric power was recorded at a regulated tariff set by GNERC (Decree No. 50, dated 27 December 2017). For the purpose of the segment disclosure in 2017, the revenue from the internally used electric power was recorded at a regulated tariff set by GNERC (Decree No. 33, dated 4 December 2008).
2. **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.
3. **Interest income and finance costs** were allocated according to the amount of borrowings received for each segment.
4. **Non-recurring expenses, net** include non-operating tax expenses and net income from transfer of assets upon exit from the share purchase agreement (Note 27), both are directly attributable to the Water supply and wastewater collection services segment. Employee share-based acceleration expense and termination benefits, both are allocated equally to each segment in GGU. Non-recurring items related to rock avalanche event in Mestiachala (Note 26) are presented in the Electric power generation segment.

7. Property, plant and equipment

The movements in property, plant and equipment in 2019 were as follows:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost								
31 December 2018	**4,172**	**31,616**	**529,387**	**39,261**	**27,537**	**7,527**	**159,042**	**798,542**
Additions	191	2	13,973	5,268	65	180	137,360	**157,039**
Disposals	(78)	(927)	(38)	(275)	(1,465)	(3)	(362)	**(3,148)**
Acquisition of subsidiaries (Note 30)	887	-	-	181,170	320	6	175	**182,558**
Transfers	1,905	3,857	86,204	169,848	4,750	495	(267,059)	**-**
Impairment and write-off	-	-	-	(39,011)	-	-	-	**(39,011)**
Currency translation	15	-	-	8,015	29	34	-	**8,093**
31 December 2019	**7,092**	**34,548**	**629,526**	**364,276**	**31,236**	**8,239**	**29,156**	**1,104,073**
Accumulated depreciation and impairment								
31 December 2018	**417**	**9,191**	**193,883**	**12,025**	**9,902**	**3,867**	**1,724**	**231,009**
Depreciation charge	-	569	24,696	5,443	2,404	858	-	**33,970**
Disposals	-	(372)	(6)	(260)	(794)	(2)	-	**(1,434)**
Impairment	-	-	-	(1,675)	-	-	-	**(1,675)**
Transfers	6	8	268	-	13	1	(296)	**-**
Currency translation	-	-	-	114	-	5	52	**171**
31 December 2019	**423**	**9,396**	**218,841**	**15,647**	**11,525**	**4,729**	**1,480**	**262,041**
Net book value								
31 December 2018	**3,755**	**22,425**	**335,504**	**27,236**	**17,635**	**3,660**	**157,318**	**567,533**
31 December 2019	**6,669**	**25,152**	**410,685**	**348,629**	**19,711**	**3,510**	**27,676**	**842,032**

(Amounts expressed in thousands of Georgian Lari)

7. Property, plant and equipment (continued)

The movements in property, plant and equipment in 2018 were as follows:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost								
31 December 2017	**3,716**	**20,291**	**389,025**	**27,963**	**26,333**	**5,821**	**90,514**	**563,663**
Additions	75	23	14,991	15	135	197	215,624	**231,060**
Disposals	(4)	(163)	(809)	-	(22)	(40)	(4)	**(1,042)**
Transfers	382	11,465	126,180	11,274	1,086	1,549	(151,936)	**-**
Currency translation	3	-	-	9	5	-	4,844	**4,861**
31 December 2018	**4,172**	**31,616**	**529,387**	**39,261**	**27,537**	**7,527**	**159,042**	**798,542**
Accumulated depreciation and impairment								
31 December 2017	**410**	**8,811**	**174,235**	**10,720**	**7,573**	**3,254**	**3,773**	**208,776**
Depreciation charge	-	352	18,310	1,296	2,314	620	-	**22,892**
Disposals	-	(95)	(575)	-	(2)	(30)	-	**(702)**
Transfers	7	123	1,913	-	17	23	(2,083)	**-**
Currency translation	-	-	-	9	-	-	34	**43**
31 December 2018	**417**	**9,191**	**193,883**	**12,025**	**9,902**	**3,867**	**1,724**	**231,009**
Net book value								
31 December 2017	**3,306**	**11,480**	**214,790**	**17,243**	**18,760**	**2,567**	**86,741**	**354,887**
31 December 2018	**3,755**	**22,425**	**335,504**	**27,236**	**17,635**	**3,660**	**157,318**	**567,533**

The movements in property, plant and equipment in 2017 were as follows:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost 31 December 2016	**3,137**	**18,528**	**312,380**	**24,610**	**12,661**	**4,105**	**25,779**	**401,200**
Additions	1	23	10,859	205	677	300	151,432	**163,497**
Disposals	-	(163)	(1,327)	(1)	(121)	(6)	(644)	**(2,262)**
Transfers	580	1,903	67,113	3,145	13,117	1,422	(87,280)	**-**
Currency translation	(2)	-	-	4	(1)	-	1,227	**1,228**
31 December 2017	**3,716**	**20,291**	**389,025**	**27,963**	**26,333**	**5,821**	**90,514**	**563,663**
Accumulated depreciation and impairment								
31 December 2016	**388**	**8,918**	**161,384**	**9,610**	**4,909**	**2,541**	**3,884**	**191,634**
Depreciation charge	17	(7)	13,004	1,043	2,623	706	-	**17,386**
Disposals	-	(115)	(708)	67	(54)	(4)	570	**(244)**
Transfers	5	15	555	-	95	11	(681)	**-**
31 December 2017	**410**	**8,811**	**174,235**	**10,720**	**7,573**	**3,254**	**3,773**	**208,776**
Net book value								
31 December 2016	**2,749**	**9,610**	**150,996**	**15,000**	**7,752**	**1,564**	**21,895**	**209,566**
31 December 2017	**3,306**	**11,480**	**214,790**	**17,243**	**18,760**	**2,567**	**86,741**	**354,887**

(Amounts expressed in thousands of Georgian Lari)

7. Property, plant and equipment (continued)

The Group has pledged property, plant and equipment as collateral for its borrowings with carrying amount of GEL 319,936 as at 31 December 2019. The carrying amount of the land plots and real estate pledged as at 31 December 2018 and 2017 was GEL 114,270 and GEL 45,876, respectively (Note 12).
In 2017, the Group started construction of the 30MW Mestiachala 1 and 20MW Mestiachala 2 HPPs. Mestiachala HPPs are run-of-the-river plants located in Mestia, Svaneti, a mountainous region of Georgia. In September 2017, a heavy flood event occurred at the Mestiachala river and damaged the construction site. As a result, the Group wrote off the damaged items of property, plant and equipment of GEL 495 and incurred expense for settling flood related charges of third parties of GEL 160. In addition, the Group recognized provision for additional liabilities to the its contactors of GEL 2,709 as at 31 December 2017.

In relation to this loss event, the Group recognized a reimbursement assets (insurance claim receivable) of GEL 3,222 as at 31 December 2017. The resulting net loss of GEL 142 was recognized as non-recurring expense in the combined statement of profit or loss and other comprehensive income of 2017.

In 2018, the Group received the insurance reimbursement of GEL 3,605. The Group recognized the gain of GEL 1,287 as non-recurring income in the combined statement of profit or loss and other comprehensive income. In 2018, the Group covered all liabilities related to the flood event.

In July 2019, a rock avalanche event in the valley of the Mestiachala river caused damage to the Mestiachala HPPs and the surrounding infrastructure. As a result of the rock avalanche event, Mestiachala HPPs were damaged and stopped operations. Mestiachala 2 HPP resumed generation in December 2019. Mestiachala 1 HPP is expected to resume generation by the end of 2020. As a result of this natural disaster, the Group wrote off damaged items of property, plant and equipment of GEL 37,336 in 2019. The loss was included in Non-recurring items in the combined statement of profit or loss and other comprehensive income for 2019.

In relation to the loss event, the Group recognized a reimbursement assets (insurance claim receivable) from an insurance company, an entity under common control, of GEL 46,457 in the combined statement of financial position as at 31 December 2019, the related business interruption reimbursement income of GEL 10,047, reimbursement of incurred damages of GEL 36,706 and currency translation difference of GEL 296, included in the Non-recurring items, in the combined statement of profit or loss and comprehensive income for 2019. The Group considers insurance reimbursement to be virtually certain.

Impairment and related insurance reimbursements described above relate to the Electric power generation segment.

8. Investment property

	Land	*Buildings*	*Total*
As at 1 January 2017	**17,615**	**1,307**	**18,922**
Additions	12	-	**12**
Disposals	(564)	(33)	**(597)**
Transfer to property, plant and equipment	(7,692)	(317)	**(8,009)**
Transfer from property, plant and equipment	404	-	**404**
Net gain from fair value remeasurement	478	76	**554**
As at 31 December 2017	**10,253**	**1,033**	**11,286**
Disposals	(1,689)	-	**(1,689)**
Net gain from fair value remeasurement	228	41	**269**
As at 31 December 2018	**8,791**	**1,074**	**9,865**
Additions	1,547	**83**	**1,630**
Disposals	(3,842)	**-**	**(3,842)**
Net gain from fair value remeasurement	1,032	**(44)**	**988**
As at 31 December 2019	**7,528**	**1,113**	**8,641**

The investment property pledged as collateral for Group's borrowings as at 31 December 2019 was nil (2018: GEL 2,211, 2017: nil).

(Amounts expressed in thousands of Georgian Lari)

8. Investment property (continued)

Fair value measurement

Investment properties are stated at fair value. The date of the latest valuation performed by an independent appraiser is 30 September 2019. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee, consistent with IFRS 13, *Fair Value Measurement*, and applied on a consistent basis.

Valuation method used for majority of investment property represents the market approach. Certain properties were appraised applying income approach by the independent valuator.

Market approach

This method is based on the direct comparison of the subject property to another property, which has been sold or has been entered to the sale registry. Adjustments to value are determined mainly based on the following considerations: (1) physical condition, (2) location, (3) highest and the best use, and (4) property liens.

The valuation technique and inputs used in the fair value measurement of the investment property attributed to Level 3 in the fair value hierarchy. The elated sensitivity to reasonably possible changes in inputs are as follows:

Class of investment property	*Fair value as at 31 December 2019*	*Valuation technique*	*Significant unobservable inputs used*	*Value of input / range/weighted average/Rent price per square meter*
Land plots	7,528	Income approach Market approach	WACC, Price per square meter, Rent price per square meter	11.5%, 0.007-1.061 (0.05); 0.269;
Buildings	1,113	Market approach	Price per square meter,	0.118-2.269 (0.347)
Total investment property	**8,641**			

Class of investment property	*Fair value as at 31 December 2018*	*Valuation technique*	*Significant unobservable inputs used*	*Value of input / range (weighted average)*
Land plots	8,791	Income approach Market approach	WACC, Price per square meter	12.2%, 0.014-1.56 (0.717)
Buildings	1,074	Market approach	Price per square meter	0.165-1.63 (0.496)
Total investment property	**9,865**			

Class of investment property	*Fair value as at 31 December 2017*	*Valuation technique*	*Significant unobservable inputs used*	*Value of input / range (weighted average)*
Land plots	10,253	Income approach Market approach	Cap. rate, Price per square meter	18%, 0.012-1.53 (0.071)
Buildings	1,033	Market approach	Price per square meter	0.163-1.49 (0.476)
Total investment property	**11,286**			

The increase or decrease in the price per square meter would result in increase or decrease, respectively, of the fair value of investment property.

The increase or decrease in the discount rate would result in decrease or increase, respectively, of the fair value of investment property.

(Amounts expressed in thousands of Georgian Lari)

9. Other non-current assets

	31 December 2019	*31 December 2018*	*31 December 2017*
Intangible assets	2,106	1,255	1,867
Prepayments for non-current assets	1,211	39,304	43,628
Other non-current assets	209	645	1,514
Total other non-current assets	**3,526**	**41,204**	**47,009**

Historical cost of intangible assets and accumulated amortisation and impairment as at 31 December 2019 amounted to GEL 6,792 and GEL 4,686, respectively (2018: GEL 5,216 and GEL 3,961, 2017: GEL 5,025 and GEL 3,158).

Intangible assets amortisation charge, including software licenses, was GEL 725 in 2019 (2018: GEL 803, 2017: GEL 691).

10. Trade and other receivables

	31 December 2019	*31 December 2018*	*31 December 2017*
Non-current			
Trade receivables for water supply services from general population	263	408	373
	263	**408**	**373**
Less allowance for expected credit losses	(54)	(204)	(240)
Total restructured trade receivables, net	**209**	**204**	**133**
Current			
Trade receivables for water supply services from general population	20,697	16,184	33,917
Trade receivables for water supply services from legal entities	17,110	17,013	18,340
Trade receivables for installation of water meters	86	100	1,225
Trade receivables for connection service	3,000	3,161	2,874
Trade receivables for electric power sales	5,546	700	1,202
	46,439	**37,158**	**57,558**
Less allowance for expected credit losses	(24,200)	(18,938)	(35,365)
Total current trade receivables, net	**22,239**	**18,220**	**22,193**
Other receivables	3,259	1,441	1,370
Less allowance for expected credit losses	(1,074)	(147)	(353)
Total other receivables, net	**2,185**	**1,294**	**1,017**
Total current trade and other receivables, net	**24,424**	**19,514**	**23,210**

As at 31 December 2019, the Group recognised GEL 3,259 of other receivables, which relate to the income that is not in scope of IFRS 15, *Revenue from Contracts with Customers* (2018: GEL 1,441, 2017: GEL 1,370), and mainly comprise from the penalties on illegal connections.

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

Analysis by credit quality of trade and other receivables as at 31 December 2017 is as follows:

	Neither past due nor impaired 31 December 2017	*Past due but not individually impaired 31 December 2017*	*Individually impaired 31 December 2017*	*Total 31 December 2017*
Non-current trade receivables	-	373	-	**373**
Current trade receivables	16,291	41,242	584	**58,117**
Other receivables	1,001	353	-	**1,354**
Total	**17,292**	**41,968**	**584**	**59,844**

(Amounts expressed in thousands of Georgian Lari)

10. Trade and other receivables (continued)

The Group has no internal credit grading system to evaluate credit quality of its trade and other receivables and assesses credit risk based on days past due information.

Aging analysis of trade and other receivables per classes as at 31 December 2019 is as follows:

31 December 2019	*Contract assets*	*Current*	*Less than 30 days*	*30 to 60 days*	*61 to 90 days*	*Over 91 days*	*Total*
Expected credit loss rate	0.00%	0.00%	4.75%	26.12%	40.52%	94.32%	**50.69%**
Carrying amount at default	2,993	6,352	13,582	804	496	25,734	**49,961**
Expected credit loss	**-**	**-**	**645**	**210**	**201**	**24,272**	**25,328**

Aging analysis of trade and other receivables per classes as at 31 December 2018 is as follows:

31 December 2018	*Contract assets*	*Current*	*Less than 30 days*	*30 to 60 days*	*61 to 90 days*	*Over 91 days*	*Total*
Expected credit loss rate	0.00%	0.00%	1.39%	19.95%	32.30%	91.01%	**49.45%**
Carrying amount at default	3,346	3,763	9,680	782	870	20,566	**39,007**
Expected credit loss	**-**	**-**	**135**	**156**	**281**	**18,717**	**19,289**

Aging analysis of trade and other receivables per classes as at 31 December 2017 is as follows:

31 December 2017	*Less than 30 days*	*30 to 90 days*	*91 to 180 days*	*181 to 360 days*	*Over 360 days*	*Total*
Non-current trade receivables	-	-	-	-	373	**373**
Current trade receivables	2,021	2,118	1,481	3,590	32,032	**41,242**
Other receivables	-	-	-	-	353	**353**
Total	**2,021**	**2,118**	**1,481**	**3,590**	**32,758**	**41,968**

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

	Non-current trade and other receivables	*Current trade and other receivables*	*Total*
31 December 2016	**293**	**35,945**	**36,238**
Allowance for expected credit losses	3	1,672	**1,675**
Write-off	(56)	(1,899)	**(1,955)**
31 December 2017	**240**	**35,718**	**35,958**
IFRS 9 transition effect	-	6,571	**6,571**
Charge	51	4,982	**5,033**
Bad debts written off	(87)	(28,186)	**(28,273)**
31 December 2018	**204**	**19,085**	**19,289**
Allowance /reversal for expected credit losses	(150)	7,475	**7,325**
Bad debts written off[1]	-	(1,286)	**(1,286)**
31 December 2019	**54**	**25,274**	**25,328**

In 2019 and 2018, the Group wrote off aged receivables arisen more than three years ago. In 2018, bad debt write-offs were conditioned by amendments of a decree regarding potable water supply and consumption issued by GNERC, pursuant to which customers were exempted from obligation to pay amounts older than three years. Written off receivables have been previously fully provided for.

(Amounts expressed in thousands of Georgian Lari)

11. Equity

Share capital

As at 31 December 2019, 2018 and 2017, share capital as presented in these combined financial statements comprised of GEL 2, presenting 1000 ordinary shares of GGU with nominal value of US dollar 1 (one) each.

Contributions from and distributions to the shareholders

In 2019, Georgia Capital JSC contributed GEL 42,139 in cash to the share capital of Georgian Energy Holding LLC and Georgian Wind Company LLC, the Group's combined subsidiaries.

In 2019, Svaneti Hydro JSC increased share capital in exchange of cash consideration from the shareholders of GEL 1,481. In March 2019, Svaneti Hydro JSC decreased its share capital in exchange of cash distribution to shareholders of GEL 11,555.

In 2018, borrowings from the shareholders with carrying value of GEL 59,106 were converted into the share capital of Svaneti Hydro JSC without change in the Group's share of ownership interest in Svaneti Hydro JSC, which remained at 65% before and after conversion.

In 2017, Svaneti Hydro JSC issued 3,600 shares with the nominal value of one USD to its shareholders for cash consideration of GEL 8,779.

Dividends

In 2019, dividends of GEL 22,000 were declared and paid (2018: GEL 28,840, 2017: GEL 28,000).

Additional paid-in capital

Additional paid-in capital reflects the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration (Note 25).

Other reserves

Other reserves reflect the transfers of cash to the parent for the Parent's shares granted to the employees of the Group (Note 25) and unrealised gains/(losses) from transactions with owners of non-controlling interests in existing subsidiaries, and foreign currency translation reserve.

Revaluation reserve

Revaluation reserve reflect amount of revaluation reserve of property, plant and equipment revalued at the point of transfer to investment property.

Management of capital

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain sufficient size to make the operation of the Group cost-efficient.

To achieve these goals the Group performs a detailed analysis of capital structure considering the cost of borrowed funds and level of own capital available. The Group defines capital for capital management purposes as equity recognized in the combined financial statements. There are no externally imposed capital requirements to which the Group is subject to.

There were no changes in the objectives, policies or processes for managing capital in 2019, 2018 and 2017.

(Amounts expressed in thousands of Georgian Lari)

12. Borrowings

	31 December 2019		31 December 2018		31 December 2017	
	Current liabilities	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*
Loans from international financial institutions	25,917	234,476	17,755	220,661	717	212,301
Loans from Georgian financial institutions	18,119	308,552	6,445	116,117	5,943	10,736
Debt securities issued	256	30,355	224	29,756	224	29,722
Loans from the shareholders	145	35,546	-	-	-	52,562
Total borrowings	**44,437**	**608,929**	**24,424**	**366,534**	**6,884**	**305,321**

As at 31 December 2019, borrowings comprise of GEL denominated loans of GEL 204,409 (2018: GEL 127,669, 2017: GEL 100,083), USD denominated loans of GEL 272,333 (2018: GEL 70,711, 2017: GEL 64,848) and EUR denominated loans of GEL 146,013 (2018: GEL 162,598, 2017: GEL 117,328).

As at 31 December 2019, the Group has GEL-denominated debt securities issued of GEL 30,611 (2018: GEL 29,980, 2017: GEL 29,946). The debt securities were issued on 6 December 2016 and mature in 2021.

Debt matures on average in 11 years (2018: 10 years, 2017: 8 years).

At 31 December 2019, the Group has GEL 58,559 of undrawn borrowing facilities (2018: GEL 19,623, 2017: GEL 110,426).

As at 31 December 2019, the Group's borrowings from shareholders are denominated in USD with a fixed interest rate of 10% with average maturity of 2 years (2018: nil, 2017: fixed interest rate of 10.5% with average maturity of 5 years).

The Group is subject to certain covenants related to its borrowings, such as maintaining different limits for debt to EBITDA ratio, capital investments and others. Non-compliance with such covenants may result in negative consequences for the Group including termination of the loan agreement and withdrawal of loan amount or any part thereof. The Group was in compliance with covenants as at 31 December 2019, 2018 and 2017.

Certain property, plant and equipment and investment property were pledged as collateral for borrowings as at 31 December 2019, 2018 and 2017 (Notes 7, 8).

Hydrolea LLC has pledged 100% shareholding in Hydro Georgia LLC, Kasleti 2 LLC and 94% of its shareholding in GeoEnergy LLC as a security to the loan from Georgian banks.

In 2019, the Group incurred borrowings costs of GEL 38,548 (2018: GEL 29,759, 2017: GEL 19,460) of which GEL 4,804 has been capitalized to property, plant and equipment (2018: GEL 15,192, 2017: GEL 5,812).

On 25 December 2018, borrowings from the shareholders with carrying value of GEL 59,106 were converted into share capital of Svaneti Hydro JSC (Note 11).

(Amounts expressed in thousands of Georgian Lari)

12. Borrowings (continued)

Changes in liabilities arising from financial activities

	Borrowings	*Debt securities issued*	*Lease liabilities*	**Total**
Carrying amount at 31 December 2016	**73,700**	**32,567**	**-**	**106,267**
Foreign currency translation	8,750	-	-	8,750
Cash proceeds	314,588	40,000	-	354,588
Cash repayments	(118,657)	(42,583)	-	(161,240)
Interest accrued	15,358	4,741	-	20,099
Interest paid	(8,974)	(4,735)	-	(13,709)
Other	(2,506)	(44)	-	(2,550)
Carrying amount at 31 December 2017	**282,259**	**29,946**	**-**	**312,205**
Foreign currency translation	5,256	-	-	5,256
Cash proceeds	132,284	-	-	132,284
Cash repayments	(5,764)	-	-	(5,764)
Interest accrued	27,176	3,188	-	30,364
Interest paid (classified as operating cash outflows)	(18,470)	(3,188)	-	(21,658)
Conversion of loan into share capital	(59,106)	-	-	(59,106)
Other	(2,657)	34	-	(2,623)
Carrying amount at 31 December 2018	**360,978**	**29,980**	**-**	**390,958**
Foreign currency translation	8,748	-	-	8,748
Cash proceeds	309,822	-	-	309,822
Acquisition of subsidiaries (Note 30)	98,194	-	-	98,194
Cash repayments	(162,813)	-	(259)	(163,072)
Interest accrued	35,550	3,125	121	38,796
Interest paid (classified as operating cash outflows)	(27,314)	(3,093)	(121)	(30,528)
Other	(410)	599	1,570	1,759
Carrying amount at 31 December 2019	**622,755**	**30,611**	**1,311**	**654,677**

[1] *Includes IFRS 16 adoption effect and lease liability additions.*

13. Trade and other payables

	31 December 2019	*31 December 2018*	*31 December 2017*
Payables for non-current assets	4,223	5,437	15,561
Trade payables	5,393	6,034	5,989
Payables to employees	3,742	3,665	2,913
Other payables	243	224	199
Total trade and other payables	**13,601**	**15,360**	**24,662**

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

(Amounts expressed in thousands of Georgian Lari)

14. Contract assets and liabilities

The Group recognised GEL 164,196 of revenue from contracts with customers in 2019 (2018: GEL 145,091, 2017: GEL 131,898). The disaggregation of revenue from contracts with customers by types are presented in the combined statement of profit and loss and other comprehensive income for 2019 and in Notes 15, 16.

Contract balances

The Group recognised the following revenue-related contract balances:

	31 December 2019	*31 December 2018*	*31 December 2017*
Receivables			
Trade receivables	22,448	18,424	22,326
Total	**22,448**	**18,424**	**22,326**
Contract liabilities			
Advances received	6,242	8,424	8,562
Deferred revenue	29,333	22,869	19,474
Total	**35,575**	**31,293**	**28,036**

The Group recognised GEL 3,921 of revenue that relates to carried-forward contract liabilities in 2019 (2018: GEL 3,451).

Increase in receivables in 2019 mostly relates to outstanding settlement on electric power sales (2018: Decrease in receivables in 2018 is due to recovery of outstanding receivables).

Change in advances received in 2019 was mostly caused by completion of services provided in 2019.

In 2019 and 2018, change in deferred revenue was mostly attributed to conclusion of the new water supply connection contracts of GEL 11,049 (2018: GEL 6,230), as offset by amounts recognized as revenue in profit or loss.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as at 31 December 2019:

	In 2020	*In 2021*	*In 2022*	*In 3 to 5 years*	*In 5 to 10 years*	*Total*
Revenue expected to be recognized on contracts with customers	4,764	4,610	4,046	6,353	9,560	**29,333**

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as at 31 December 2018:

	In 2019	*In 2020*	*In 2021*	*In 3 to 5 years*	*In 5 to 10 years*	*Total*
Revenue expected to be recognized on contracts with customers	3,921	3,659	3,505	5,168	6,616	**22,869**

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as at 31 December 2017:

	In 2018	*In 2019*	*In 2020*	*In 3 to 5 years*	*In 5 to 10 years*	*Total*
Revenue expected to be recognized on contracts with customers	3,451	3,277	3,015	6,741	2,990	**19,474**

The Group applies practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected duration of 1 year or less.

(Amounts expressed in thousands of Georgian Lari)

15. Revenue from water supply and related services

	2019	2018	2017
Revenue from water supply to legal entities	93,556	92,691	85,523
Revenue from water supply to general population	39,728	39,585	32,921
Total revenue from water supply before charges for related services	**133,284**	**132,276**	**118,444**
Charges for connection service	3,566	2,741	2,604
Charges for installation of water meters	1,005	1,022	1,095
Total revenue from water supply and related services	**137,855**	**136,039**	**122,143**

16. Revenue from electric power sales

	2019	2018	2017
Revenue from electric power sales to legal entities	23,849	8,814	8,557
Revenue from electric power sales to government-related entities	2,492	238	1,198
Total revenue from electric power sales	**26,341**	**9,052**	**9,755**

17. Other revenue

	2019	2018	2017
Income from rent	661	631	598
Other revenue	566	46	37
Total other revenue	**1,227**	**677**	**635**

18. Salaries and other employee benefits

	2019	2018	2017
Salaries	16,787	15,588	15,421
Bonuses	2,427	2,118	2,111
Employee share-based compensation	1,325	914	1,391
Total salaries and benefits	**20,539**	**18,620**	**18,923**

19. General and administrative expenses

	2019	2018	2017
Security expenses	1,289	964	980
Utility expenses	818	843	670
Office expenses	797	753	745
Communication expenses	447	460	377
Advertising expenses	178	454	543
Business trip expenses	79	154	143
Representation expenses	72	156	359
Management service	71	-	-
Total general and administrative expenses	**3,751**	**3,784**	**3,817**

(Amounts expressed in thousands of Georgian Lari)

20. Professional fees

	2019	*2018*	*2017*
Consulting expenses	2,086	2,460	2,225
Legal and other professional fees	804	622	568
Total professional fees	**2,890**	**3,082**	**2,793**

21. Other income

	2019	*2018*	*2017*
Penalty income on illegal connection services	1,028	1,896	-
Net gain from revaluation of investment property	988	269	554
Derecognition of unclaimed advances received and trade payables	845	360	257
Other income	924	1,265	1,342
Total other income	**3,785**	**3,790**	**2,153**

22. Other operating expenses

	2019	*2018*	*2017*
Bill processing expenses	1,697	1,710	1,735
Insurance expense	1,805	1,321	1,104
Electricity production facilities utilization costs	1,302	1,425	1,591
Compensation for damage	657	309	189
Regulation fee	322	288	203
Charity expenses	297	293	132
Net loss from disposal of property, plant and equipment	176	88	1,360
Rent expenses	307	711	957
Fines and penalties	136	537	241
Research and certification expenses	109	28	-
Cost of wastewater treatment	96	91	65
Maintenance expenditure	65	26	12
Other expenses	999	186	209
Total other operating expenses	**7,968**	**7,013**	**7,798**

23. Finance costs

	2019	*2018*	*2017*
Interest expenses on borrowings	33,744	14,567	13,648
Bank fees and charges	127	605	639
Interest expenses on lease liabilities	121	-	-
Total finance costs	**33,992**	**15,172**	**14,287**

(Amounts expressed in thousands of Georgian Lari)

24. Derivative financial liabilities

The Group is exposed to foreign currency risks relating to its ongoing business operations and it uses foreign currency forwards to manage the risk. The fair values of derivative financial assets and liabilities included in Level 2 of fair value hierarchy.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or liability is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	Notional Amount	2019 Liability	Notional Amount	2018 Liability	Notional Amount	2017 Asset
Forward - domestic	22,467	(1,919)	28,579	(1,777)	28,898	450
Derivative financial assets/(liabilities)	**22,467**	**(1,919)**	**28,579**	**(1,777)**	**28,898**	**450**

25. Share-based payments

Prior to the demerger (Note 1), Executive Chairman of the GWP, was compensated with shares of BGEO. Upon the demerger, previous service contract with BGEO was terminated and new contracts were signed with GCAP. Any share-based payment expense related to BGEO's share plan was accelerated and recognized in the combined statement of profit or loss and other comprehensive income as of the termination date of the service agreement as non–recurring expense (Note 26).

In 2018, Georgia Capital PLC introduced GCAP's Executives' Equity Compensation Plan ("EECP"). Under the EECP, shares of GCAP are granted to senior executives of the Group. In July 2018, the executives of the Group signed new six-year fixed contingent share-based compensation agreements with a total of 525,000 ordinary shares of GCAP. The total amount of shares fixed to each executive will be awarded in five equal instalments during the six consecutive years starting January 2019, of which each award will be subject to a six-year vesting period subject to continued employment within the Group during such vesting period. The fair value of the shares is determined at the grant date using available market quotations. The Group considers 12 July 2018 as the grant date for those awards and estimates that the fair value of the shares at that date was GEL 33.4 per share.

In addition to the Executive's Equity Compensation Plan, the Group grants shares of GCAP to the employees of the Group.

The following table illustrates the number and weighted average prices of, and movements in, GCAP shares awards during the year:

	2019	2018
Shares outstanding at 1 January	**525,000**	**–**
Granted during the year	6,400	525,000
Forfeited during the year	(239,000)	–
Vested during the year	(113,400)	–
Shares outstanding at 31 December	**179,000**	**525,000**

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2019 was 4.4 years (5.4 as at 31 December 2018). The weighted average fair value of shares granted during the year was GEL 38 (33.4 for shares granted in 2018). The weighted average fair value of shares forfeited and vested during 2019 was GEL 37.7.

In addition to GCAP's shares, executives are awarded class B shares of GGU, of which each award is subject to a five-year vesting period subject to continued employment within the Group during such vesting period.

The expense recognised for employee services received during the year and the respective increase in equity arising from equity-settled share-based payments is shown in the following table:

	2019	*2018*	*2017*
Increase in equity arising from equity-settled share-based payments	5,881	7,874	2,783
Expense arising from equity-settled transactions	4,187	6,077	1,391

In 2019, the contributions to parent under the share-based payment plan was GEL 4,492 (2018: GEL 2,307, 2017: GEL 5,237).

(Amounts expressed in thousands of Georgian Lari)

25. Share-based payments (continued)

There were no cancellations or modifications to the awards in 2019, 2018 or 2017, except for BGEO share awards described above and termination of Executive Chairman benefits upon resignation (Note 26).

The Group does not have an obligation to settle the above awards, but it is expected that the Group will transfer cash to the Parent to compensate it for the settlement of the Group's awards. In 2019, the amount of such transfer was GEL 1,768 (2018: GEL 2,307, 2017: 5,237).

26. Non-recurring expenses

	2019	***2018***	***2017***
Termination benefits	2,862	-	-
Demerger-related share-based acceleration expense	-	5,163	-
Non-operating tax expenses	-	168	2,609
Net income from transfer of assets upon exit from the share purchase agreement (Note 27)	(1,601)	-	-
Charity expenses	-	-	250
Non-recurring expenses/(income) related to loss events, net (Note 7)	630	(1,287)	142
Total non-recurring expenses	**1,891**	**4,044**	**3,001**

In January 2019, the Executive Chairman of the GWP has resigned and remained entitled to previously awarded unvested shares, that will continue to vest according to the original schedule. The related share-based payment expense that has not been recognized in profit or loss as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed.

In 2018, following the demerger process (Note 1) all outstanding unvested share awards under old service agreement were converted into 1 GCAP share vesting according to original schedule and 1 Bank of Georgia PLC share vesting immediately per each BGEO share. The related share-based payment expense that has not been recognized in the combined statement of profit or loss and other comprehensive income as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed.

The loss of GEL 37,336 related to the property, plant and equipment write-off was included in non-recurring items in the combined statement of profit or loss and other comprehensive income for 2019, as offset against gain on insurance reimbursement of GEL 36,706 (Note 7).

In 2018 and 2017, non-operating tax expenses mainly comprise of corporate income tax derived from change in abnormal loss rate. The Group had significant water losses related to the subsidiaries' operating activities which were classified as "abnormal" and subject to corporate income tax (Note 4). According to the recent regulation of GNERC, the normative loss rate has been calculated by taking into consideration the Group's actual water losses. No subsequent tax expenditure regarding abnormal losses are expected.

27. Commitments and contingencies

Commitments

As at 31 December 2019, the letters of credit of GEL 682 (2018: GEL 2,670) are issued for the payables related to construction in progress of the Group and is partly presented in restricted cash balance (Note 28).

As at 31 December 2019, certain entities of the Group (Qartli Wind Farm LLC, Svaneti Hydro JSC, Kasleti 2 LLC Geoenergy LLC, Hydro Georgia LLC) have active agreements with Electricity System Commercial Operation (ESCO) on the guaranteed purchase of electric power sales for the period from ten to fifteen years. In accordance with the agreements, the companies are obliged to provide electricity to ESCO during winter months, except for Qartli Wind Farm LLC, which has full year obligation of providing electricity. Guaranteed prices vary from 5.4 to 6.5 USD cents per 1 kWh.

In 2014, Svaneti Hydro JSC signed the Memorandum of Understanding with the Government of Georgia, Georgian State Electrosystem JSC, United Energy System Sakrusenergo JSC, Electricity System Commercial Operator JSC and Energotrans LLC in regards to the construction of Mestiachala HPPs. Svaneti Hydro JSC committed to finish the construction of the Mestiachala 2 HPP and Mestiachala 1 HPP and commence the operations in 2019 and 2020, respectively. Commitments were met since construction of Svaneti Hydro HPPs was completed in the first half of 2019.

(Amounts expressed in thousands of Georgian Lari)

27. Commitments and contingencies (continued)

Commitments (continued)

Exit from the share purchase agreement

On 15 April 2019, an agreement on termination of 2008 Privatization Agreement (the "SPA") was concluded among Georgian Global Utilities LTD, Government of Georgia, National Agency of State Property and Government of the Tbilisi City, pursuant whereto the parties confirmed that all privatisation obligations of Georgian Global Utilities LTD under the SPA (including, without limitation, 24-hour water supply of Tbilisi and Mtskheta, water quality in Tbilisi and Mtskheta, elimination of sewage inflow in river Mtkvari in Tbilisi, rehabilitation and modernization of Gardabani Wastewater Treatment Plant and investment of not less that USD 220 million equivalent in GEL in performance of obligations under the SPA) have been fulfilled and Georgian Global Utilities LTD has been discharged off all obligations under the SPA and its ownership title over the shareholdings in privatized subsidiaries (Georgian Water and Power LLC, Mtskheta Water LLC, Rustavi Water LLC and Gardabani Sewage Treatment Plant LLC) and their assets have become unconditional and unencumbered.

As a result of the exit from the SPA, GGU's subsidiaries further perfected (registered) their ownership title over certain immovable assets (property, plant and equipment) that were possessed without registered title. In addition, the Group also acquired certain other immovable assets (investment property) from the Government for a nominal consideration. At the same time, Georgian Water and Power LLC transferred certain immovable assets (property, plant and equipment), located in the Zhinvali village near Zhinvali Hydro Power Plant, to the Government free of charge. The net effect of these exchange transactions of GEL 1,601 was included in non-recurring items in the statement of profit or loss and other comprehensive income.

Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement position of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Taxation

In Georgia, tax returns remain open and subject to inspection for a period of up to three years. If an understatement of a tax liability is detected as a result of an inspection, penalties and fines to be paid might be material in respect of the tax liability misstatement. The Group's management does not expect the outcome of the inspections to have a material impact on the Group's combined financial position or results of operations. Management believes that the Group has paid and accrued all taxes that are applicable.

28. Financial instruments

Financial instruments overview

Restricted cash

Included in restricted cash as at 31 December 2019, 2018 and 2017 comprise funds blocked on the current account in a Georgian bank. The funds are pledged as collateral under the letters of credit granted by local banks (Note 27).

Cash at bank

Cash at bank as at 31 December 2019, 2018 and 2017 includes the funds placed on current accounts in Georgian banks. All cash at bank balances are classified as current and not impaired.

As at 31 December 2019, 2018 and 2017, the Group did not have any significant financial assets that are past due, except for trade and other receivables (Note 10).

(Amounts expressed in thousands of Georgian Lari)

28. Financial instruments (continued)

Fair value measurement

All financial instruments for which fair values are disclosed by the Group as at 31 December 2019, 2018 and 2017, are measured at fair value using a valuation technique with market observable and unobservable inputs. There were no changes in valuation techniques for Level 3 recurring fair value measurements in 2019, 2018 and 2017.

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. 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 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.

Risk arising from financial instruments

In the course of its ordinary activity the Group is exposed to interest rate, currency, credit and liquidity risks. The Group's management oversees the management of these risks.

Currency risk

Currency risk is the risk that the value or a cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The management of the Group monitors open currency positions in each material currency and enters into foreign currency derivatives transactions as necessary.

As at 31 December 2019, 2018 and 2017, currency risk arises from the EUR denominated borrowings and derivative financial liabilities.

Currency	*Increase/ decrease in % 2019*	*Effect on profit 2019*
EUR	11.00%	16,268
EUR	-8.00%	(8,926)
GEL	10.00%	1,207
GEL	-5.00%	(603)

Currency	*Increase/ decrease in % 2018*	*Effect on profit 2018*
EUR	11.00%	17,816
EUR	-11.00%	(17,864)
GEL	11.00%	(149)
GEL	-11.00%	149

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on the financial instruments. The Group has floating interest rate borrowings linked to EURIBOR and NBG refinancing rates and is therefore exposed to interest rate risk. The following table demonstrates sensitivity to a reasonable possible change:

Currency	*Increase/ decrease in % 2019*	*Effect on profit 2019*
GEL	-2.00%	(2,932)
GEL	2.00%	2,932
USD	0.35%	277
USD	-0.35%	(277)

Currency	*Increase/ decrease in % 2018*	*Effect on profit 2018*
GEL	0.75%	472
GEL	-0.75%	(472)
EUR	0.020%	13
EUR	-0.020%	(13)

(Amounts expressed in thousands of Georgian Lari)

28. Financial instruments (continued)

Risk arising from financial instruments (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

As at 31 December 2019, 2018 and 2017, the Group has no other significant financial assets subject to credit risk except for:

- Cash at bank and restricted cash: as at 31 December 2019 out of total cash at bank and restricted cash of respectively GEL 53,387 (2018: 15,234, 2017: GEL 73,158) and GEL 47,598 (2018: GEL 6,542, 2017: GEL 51,727) was kept with banks having ratings of "BB-/bb-" from Standard & Poor's, "B1/NP" (FC) & "Ba3/NP" (LC) from Moody's and "BB-/bb-" from Fitch Ratings;
- Trade and other receivables (Note 10).

The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. In respect of trade and other receivables, the management monitors credit quality based on days past due information. As at 31 December 2019, 2018 and 2017, carrying values of financial instruments best represent their maximum exposure to the credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its payment obligations associated when they fall due under normal or stress circumstances. Management monitors rolling forecasts of the Group's cash flows on a monthly basis. The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables.

The table below shows financial liabilities as at 31 December 2019, 2018 and 2017 based on contractual undiscounted repayment obligations.

	Less than 1 year	*1-3 years*	*3-5 years*	*Over 5 years*	*Total*
As at 31 December 2019					
Long-term and short-term borrowings	77,109	214,858	175,934	458,886	**926,787**
Trade and other payables	13,601	-	-	-	**13,601**
Lease liabilities	285	637	178	3,772	**4,872**
Derivative financial liabilities	1,919	-	-	-	**1,919**
Total future payments	**92,914**	**215,495**	**176,112**	**462,658**	**947,179**
As at 31 December 2018					
Long-term and short-term borrowings	45,397	154,468	104,030	208,699	**512,594**
Trade and other payables	15,360	-	-	-	**15,360**
Derivative financial liabilities	1,777	-	-	-	**1,777**
Total future payments	**62,534**	**154,468**	**104,030**	**208,699**	**529,731**
As at 31 December 2017					
Long-term and short-term borrowings	21,954	79,364	107,553	214,594	**423,465**
Trade and other payables	24,662	-	-	-	**24,662**
Total future payments	**46,616**	**79,364**	**107,553**	**214,594**	**448,127**

In managing liquidity risk, the management of the Group considers the Group will be able to settle the liabilities falling due by applying cash proceeds from operations, draw-down of available loan commitments, refinancing and rolling-over of maturing facilitiesb and, if appropriate, renegotiation of financial covenants (Note 12).

(Amounts expressed in thousands of Georgian Lari)

29. 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.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	31 December 2019		*31 December 2018*		*31 December 2017*	
	Parent company	***Entities under common control***	***Parent Company***	***Entities under common control***	***Parent Company***	***Entities under common control***
Assets:						
Cash and cash equivalents	-	-	-	-	-	14,992
Trade and other receivables	-	1,822	-	181	-	116
Prepayments[1]	2,474	420	-	403	-	347
Derivative financial assets	-	-	-	-	450	-
Reimbursement asset (Note 7)	-	46,457	-	-	-	3,222
Other non-current assets	-	-	-	-	-	446
Property, plant and equipment (capitalized costs)	8,277	-	8,277	-	2,952	-
Borrowings as at 1 January	-	-	52,562	-	-	521
Proceeds from borrowings and interest accrued during the year	65,126	-	6,506	-	52,562	11,556
Repayment of borrowing including interest during the year	(29,595)	-	-	-	-	(12,077)
Conversion of loan into share capital	-	-	(59,068)	-	-	-
Borrowings as at 31 December	35,531	-	-	-	52,562	-
Liabilities:						
Advances received	-	106	-	43	-	311
Trade and other payables	-	216	-	206	-	170
Derivative financial liabilities	1,919	-	1,777	-	-	-

[1] Prepayments towards the Parent represents advances made in compensation of settlement of share-based payment awards

	Entities under common control	***Entities under common control***		***Entities under common control***
	2019	***2018***	***2018[1]***	***2017***
Income and expenses				
Revenue from water supply	1,745	1,704	141	1,550
Revenue from technical support	47	249	-	16
Other revenue	7	216	-	1
Business interruption reimbursement[2]	10,047	-	-	-
Other income	1,032	5	4	553
Gain from sale of non-core assets[3]	2,364	-	-	(11)
Income from insurance reimbursement[4]	36,706	-	-	-
Finance cost	(36)	-	(1,344)	(1,964)
Other operating expenses	(636)	(1,262)	(50)	(1,204)

[1] *Includes income and expenses generated before demerger (Note 1) by the companies not included in GCAP Group entities as at 31 December 2018.*

[2] *Business interruption reimbursement income in 2019 represents the business interruption insurance reimbursement.*

[3] *In 2019, the Group sold non-core assets to an entity under common control, classified as investment property and property, plant and equipment in the combined statement of financial position. Carrying amount of assets disposed amounted to GEL 4,522 and the consideration received was GEL 6,886, of which GEL 861 is outstanding as receivable as at 31 December 2019. The Group presented gain from sale of those assets as gain from sale of non-core assets in the Combined statement of profit and loss and other comprehensive income.*

[4] *Other non-recurring items represents reimbursement of flood-related damages due from Insurance company Aldagi JSC, an entity under common control.*

(Amounts expressed in thousands of Georgian Lari)

29. Related parties disclosures (continued)

Directors' compensation

The Group's key management personnel in 2019, 2018 and 2017 included non-executive Directors of GGU, executive Chairman of the Supervisory Board of GWP and members of executive management board of GWP. Compensation paid to key executive management personnel (including the executive Chairman of the Supervisory Board and 6 members of executive management board of GWP) for their services in full time executive management positions is made up of salary, employee share-based compensations and performance bonuses depending on financial performance of GWP. Total compensation paid to key management amounted to GEL 9,244, GEL 11,432 and GEL 5,967 for the years ended 31 December 2019, 2018 and 2017, respectively as follows:

	2019	*2018*	*2017*
Salaries and benefits	1,936	2,300	1,894
Bonuses	1,323	1,258	1,290
Employee share-based compensation (Note 25)	3,123	7,874	2,783
Termination payments towards executive management personnel (Note 26)	2,862	-	-
Total management compensation	**9,244**	**11,432**	**5,967**

30. Acquisitions of subsidiaries

Acquisition of Hydrolea LLC

On 28 October 2019, Georgia Energy Holding LLC acquired 100% equity interest in Hydrolea LLC, operator of three HPPs with an aggregate 21MW installed capacity. The management considered that substantially all of the fair value of gross assets of Hydrolea LLC is concentrated in a single group of assets, being HPPs and the related land and facilities. Accordingly, this acquisition was accounted for as an asset acquisition by recognizing financial instruments acquired at their fair values and allocating the remaining consideration paid to other non-financial acquired assets and liabilities proportionally to their fair values.

Assets and liabilities of Hydrolea LLC recognized by the Group as at the date of acquisition were as follows:

	Values recognised on acquisition
Cash and cash equivalents	3,137
Amounts due from credit institutions	250
Accounts receivable	1,266
Inventories	52
Property and equipment	107,980
Intangible assets	17
Other assets	1,129
	113,831
Borrowings	47,882
Accounts payable	316
Other liabilities	381
	48,579
Total net assets	**65,252**
Purchase consideration [1]	**65,252**

1 *Purchase consideration comprises of GEL 65,252, which consists of cash payment of GEL 59,600 and deferred consideration with a fair value of GEL 5,652 as at 28 October 2019, presented in Other liabilities in the combined statement of financial position as at 31 December 2019.*

(Amounts expressed in thousands of Georgian Lari)

30. Acquisitions of subsidiaries (continued)

Acquisition of Hydrolea LLC (continued)

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(59,600)
Cash acquired with the subsidiary	3,137
Net cash outflow	**(56,463)**

Acquisition of Qartli Wind Farm LLC

On 30 December 2019, Georgia Wind Company LLC acquired 100% equity interest in Qartli Wind Farm LLC. The management considered that substantially all of the fair value of gross assets of Qartli Wind Farm LLC is concentrated in a single group of assets, being wind power plants and related land and facilities. Accordingly, this acquisition was accounted for as asset acquisition.

Assets and liabilities of Qartli Wind Farm LLC recognized by the Group as at the date of acquisition were as follows:

	Values recognised on acquisition
Cash and cash equivalents	9,772
Amounts due from credit institutions	6,337
Accounts receivable	1,271
Property and equipment	74,578
Other assets	306
	92,264
Borrowings	50,312
Accounts payable	630
	50,942
Total net assets	**41,322**
Purchase consideration	**41,322**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(41,322)
Cash acquired with the subsidiary	9,772
Net cash outflow	**(31,550)**

(Amounts expressed in thousands of Georgian Lari)

31. Events after the reporting period

In the beginning of 2020, GGU implemented a planned de-offshorisation (re-domiciliation) process, pursuant whereto, change has been made to the GGU's shareholding structure. GGU has been replaced by a Georgian resident Georgia Global Utilities JSC, a 100% owned subsidiary o f Georgia Capital JSC. Other than the replacement of GGU by Georgian Global Utilities JSC, there were no other changes to the GGU structure. At the date of authorization for issue of these combined financial statements, Georgian Global Utilities LTD has been liquidated.

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.

In February-May 2020, the Group received GEL 6,299 in settlement of reimbursement asset related to business interruption.

In March 2020 the World Health Organization confirmed the novel coronavirus ("COVID-19") as a global pandemic. There is uncertainty over the magnitude of the global slowdown that will result from this pandemic and its impact on Georgian economy. 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. The Group is monitoring impact of coronavirus (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. The further spread of COVID-19 in Georgia and globally, is expected to have a negative impact on the economy, however it is too early to fully understand the impact this may have on the Group's business.

In response to those developments, on 1 April 2020 the government of Georgia announced GEL 3.5 billion economy support initiative. The initiative package includes, among other measures, coverage of March-May 2020 water supply services payments by the government on behalf of the certain categories of individuals that account for the majority of the Group's individual customer's base.

The management of the Group considers coronavirus (COVID-19) outbreak to be a non-adjusting post balance sheet event, but it is still assessing its impact on the financial position and performance of the Group.

HYDROLEA GROUP

IFRS for SMEs Consolidated Financial Statements and Independent Auditor's Report

31 December 2019

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Independent auditor's report

To the Participant of Hydrolea LLC

Opinion

We have audited the consolidated financial statements of Hydrolea LLC (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Other matter

The consolidated financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 3 September 2019.

Alexey Loza

On behalf of EY LLC

Tbilisi, Georgia

15 May 2020

HYDROLEA GROUP

Consolidated Statement of Financial Position

(Amounts expressed in thousands of Georgian Lari)

	Notes	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	4	39,123	41,643
Intangible assets		16	18
Issued loans	6	20,082	1,508
Other non-current assets	5	380	402
Total non-current assets		**59,601**	**43,571**
Current assets			
Inventories		73	27
Trade receivables	7	759	1,457
Prepayments	8	597	579
Cash and cash equivalents	9	4,265	1,377
Restricted cash	18	244	226
Total current assets		**5,938**	**3,666**
Total assets		**65,539**	**47,237**
Shareholder's (deficit)/equity			
Charter capital	10	5,174	11,602
Other capital reserves	10	91	–
Accumulated deficit		(16,324)	(10,578)
(Deficit)/equity attributable to the Company's owner		**(11,059)**	**1,024**
Non-controlling interest	10	**–**	**162**
Total (deficit)/equity		**(11,059)**	**1,186**
Liabilities			
Non-current liabilities			
Borrowings	11	72,552	39,539
Total non-current liabilities		**72,552**	**39,539**
Current liabilities			
Borrowings	11	3,503	5,719
Trade and other payables	12	543	793
Total current liabilities		**4,046**	**6,512**
Total labilities		**76,598**	**46,051**
Total liabilities and equity		**65,539**	**47,237**

The consolidated financial statements for the year ended 31 December 2019 were approved on behalf of the management on 15 May 2020 by:

Zurab Gordeziani
Director

The accompanying notes on pages 8 to 20 are an integral part of these consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Amounts expressed in thousands of Georgian Lari)

	Notes	2019	2018
Revenue	13	**9,508**	**8,976**
Other income	13	243	79
Depreciation and amortisation		(1,636)	(1,118)
Employee salaries and benefits expense		(1,141)	(924)
Water expenses		(155)	(268)
Raw materials, fuel and other consumables		(48)	(60)
Other operating expenses	15	(1,453)	(1,036)
Operating profit		**5,318**	**5,649**
Loss on sale of subsidiaries	14	–	(517)
Finance costs	16	(5,057)	(5,590)
Finance income		134	100
Foreign exchange loss, net	16	(4,199)	(1,605)
Loss before income tax		**(3,804)**	**(1,963)**
Income tax expense		–	–
Loss for the period		**(3,804)**	**(1,963)**
Other comprehensive income		91	–
Total comprehensive loss for the period		**(3,713)**	**(1,963)**
Attributable to:			
- Owner of the Company		(3,687)	(1,965)
- Non-controlling interest		(26)	2
Total comprehensive loss for the period		**(3,713)**	**(1,963)**

The accompanying notes on pages 8 to 20 are an integral part of these consolidated financial statements

HYDROLEA GROUP

Consolidated Statement of changes in equity

(Amounts expressed in thousands of Georgian Lari)

	Attributable to the Company's owner				Non-controlling interest	Total equity
	Charter capital	Accumulated deficit	Other capital reserves	Total		
31 December 2017	**11,602**	**(8,613)**	**–**	**2,989**	**160**	**3,149**
Comprehensive loss for the period	–	(1,965)	–	(1,965)	2	**(1,963)**
31 December 2018	**11,602**	**(10,578)**	**–**	**1,024**	**162**	**1,186**
Comprehensive loss for the period	–	(3,778)	–	(3,778)	(26)	**(3,804)**
Other comprehensive income	–	–	91	91	–	**91**
Total comprehensive loss for the period	**–**	**(3,710)**	**91**	**(3,687)**	**(26)**	**(3,713)**
Acquisition and other changes of non-controlling interest in subsidiary	2,191	(1,968)	–	223	(136)	**87**
Increase of charter capital (Note 10)	1,418	–	–	1,418	–	**1,418**
Decrease of charter capital (Note 10)	(10,037)	–	–	(10,037)	–	**(10,037)**
31 December 2019	**5,174**	**(16,324)**	**91**	**(11,059)**	–	**(11,059)**

The accompanying notes on pages 8 to 20 are an integral part of these consolidated financial statements

Consolidated Statement of cash flows

(Amounts expressed in thousands of Georgian Lari)

	Notes	2019	2018
Cash flows from operating activities			
Loss before income tax		(3,804)	(1,963)
Adjustments for:			
Depreciation of property, plant and equipment	4	1,636	1,118
Finance costs	16	4,709	4,128
Finance income		(134)	(100)
Loss on disposal of subsidiaries	14	–	517
Foreign exchange loss, net	16	4,199	1,605
Operating cash flows before working capital changes		**6,606**	**5,305**
Working capital changes			
Decrease in trade and other receivables		680	90
Increase in inventories		(46)	(29)
(Decrease)/increase in trade and other payables		(250)	856
Operating cash flows after working capital changes		**6,990**	**6,222**
Interest paid		(6,245)	(3,283)
Interest received		–	71
Net cash from operating activities		**745**	**3,010**
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(8,426)
Loans issued		(21,019)	(920)
Loan repayments received		4,276	2,308
Change in restricted cash	18	(18)	2,915
Proceeds from disposal of subsidiaries, net of disposed cash	14	–	(111)
Net cash used in investing activities		**(16,761)**	**(4,234)**
Cash flows from financing activities			
Proceeds from borrowings	11	76,474	33,538
Repayment of borrowings	11	(48,711)	(32,658)
Increase of non-controlling interest in subsidiary	10	87	–
Increase of charter capital	10	1,418	–
Decrease of charter capital	10	(10,037)	–
Net cash from financing activities		**19,231**	**880**
Net increase/(decrease) in cash and cash equivalents		**3,215**	**(344)**
Cash and cash equivalents at the beginning of the year	9	1,377	1,775
Effect of changes in foreign exchange rate on cash and cash equivalents		(327)	(54)
Cash and cash equivalents at the end of the year	9	**4,265**	**1,377**

The accompanying notes on pages 8 to 20 are an integral part of these consolidated financial statements

1. General Information

Hydrolea LLC (the "Company") was incorporated on 6 July 2012 and is domiciled in Georgia. The Company is a limited liability company, established in accordance with Georgian regulations and is registered by Tbilisi Tax Inspection with identification number: 406073029.

The Company has interests in the following material subsidiaries (together with the Company referred to as the "Group"):

	31 December 2019	31 December 2018
GeoEnergy LLC	100%	94%
Hydro Georgia LLC	100%	100%
Kasleti 2 LLC*	100%	97.5%
Hydro S LLC	100%	100%
Darchi LLC	100%	100%
Kasleti Energy LLC**	-	97.5%

* *Kasleti 2 LLC was a subsidiary of Kasleti Energy LLC as of 31 December 2018.*

***Kasleti Energy LLC merged with Hydrolea LLC in December 2019.*

Principal business activity of the Group is construction and operation of hydro power plants ("HPPs") and generation and sale of electric power in Georgia. All the subsidiaries are domiciled and operating in Georgia.

As at 31 December 2019, 100% of the Group was owned by Georgia Energy Holding LLC (the "Parent"), the ultimate parent of which is Georgia Capital PLC ("GCAP"), a UK-based entity listed on the London Stock Exchange. As of 31 December 2018, the Group's owners were Crosscountry Capital E.A.D. LLC, Bulgaria, owning 62.25% interest and Mr. Ioseb Natroshvili, a Georgian citizen, owning 37.75% interest. The Group was ultimately controlled by Mr. Radoslav Dudolenski, a Bulgarian citizen (Notes 10 and 14).

The Group's registered address is #34 Abuladze Street, Vake-Saburtalo district, Tbilisi, Georgia.

2. Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board and in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing. The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

Basis of consolidation. Subsidiaries controlled by Group are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(Amounts expressed in thousands of Georgian Lari)

2. Summary of Significant Accounting Policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between the Group and its subsidiaries are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests. Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposal to non-controlling interest are also recorded in equity.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

***Foreign currency translation**.* Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Financial statements are presented in Georgian Lari (GEL).

Until 28 October 2019, the functional currency of the entities comprising the Group was Georgian Lari. At the date of the acquisition of the Group by Georgia Energy Holding LLC, the functional currency of the Company and its subsidiaries was reassessed and determined to be US Dollar (USD). In making that assessment, the management considered existence of long-term USD-denominated sales arrangement, USD denominated debt, as well as expectations of further increase in share of transactions denominated and settled in USD in the foreseeable future. Significant judgment was applied by the management in determination of appropriate functional currency and assessment of whether change in the underlying transactions, events and conditions warrant a change in the functional currency.

The Company's presentation currency is different from its functional currency. The Company considers that Georgian Lari as presentation currency is common among Georgian reporters and thus it provides more relevant and appropriate information to the users of the financial statements.

Change in functional currency was applied prospectively starting from 28 October 2019. At the date of change, the Company translated all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

Official rate of the National Bank of Georgia of 1 GEL	USD	EUR
Exchange rate as at 31 December 2019	2.8677	3.2095
Exchange rate as at 31 December 2018	2.6766	3.0701

Cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of financial position and the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

***Trade and other receivables**.* The most sales are made on the sales of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

2. Summary of Significant Accounting Policies (continued)

Loans issued. Loans are unquoted non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. This calculation includes all fees paid or received by parties of the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the profit or loss through the amortization process.

Inventories*.* Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average cost method.

Property, plant and equipment. Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on property, plant and equipment items is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Buildings	10-30 years
Plant and equipment	2-30 years
Vehicles and others	2-5 years

Construction in progress items are not depreciated until ready for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Intangible assets. Separately acquired licences (including software) and other intangible assets are shown at historical cost. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as follows:

Software and related licenses	1-4 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

Impairment of assets. At each reporting date, property, plant and equipment, intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

2. Summary of Significant Accounting Policies (continued)

Similarly, at each reporting date, inventories are assessed for potential write down by comparing the carrying amount of each item of inventory (or group of similar items) with its net realizable value. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and write down losses recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Trade and other payables. Trade and other payables are obligations on the basis of the normal credit terms and do not bear interest. Trade and other payables denominated in a foreign currency are translated into functional currency using the exchange rate at the reporting date.

Borrowings. Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the lender, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

***Provisions*.** Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Charter capital. The amount of Group's charter capital is defined by the Company's Charter. The changes in the Company's Charter (including changes in charter capital, ownership, etc) shall be made only based on the decision of the Company's owner. Excess or shortage of the stated charter capital to the value of the actual contribution is recorded as additional paid-in capital or unpaid capital, respectively. Also, all other cash or in-kind capital contributions, made by the Company's owners that were dedicated to increase the Company's capital but were not reflected in the Charter as at balance sheet date, are recognised as paid-in capital.

Revenue recognition. Revenue from electric power sales is recognised on the basis of metered electric power transferred and by application of the fixed price according to the agreement formed with customers. Customers are usually obliged to pay the respective balances by a following month end.

Sales of electric power are recognised when customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Interest income is recognised on a time-proportion basis using the effective interest method.

Income taxes. The annual profit earned by entities other than banks, insurance companies and microfinance organizations are not taxed in Georgia starting from 1 January 2017. Corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia.

2. Summary of Significant Accounting Policies (continued)

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under Taxes other than on income within operating expenses.

Value added tax. Output value added tax related to sales is payable to tax authorities on the on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the consolidated statement of financial position on a net basis. Self-generated electric power sales provided not to final customer, also export sales are exempt from VAT per Georgian tax legislation.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Payroll expenses and related contributions. Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Company. The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees.

Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

A lessee recognises its rights of use and obligations under finance leases as assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Any initial direct costs of the lessee (incremental costs that are directly attributable to negotiating and arranging a lease) are added to the amount recognised as an asset. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. A lessee shall apportion minimum lease payments between the finance charge and the reduction of the outstanding liability using the effective interest method.

A lessor recognises assets held under a finance lease in their statements of financial position and present them as a receivable at an amount equal to the net investment in the lease. The net investment in a lease is the lessor's gross investment in the lease discounted at the interest rate implicit in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Dividend distribution. Dividend distribution to the Group's owners is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's owners.

Reclassifications. Certain prior year balances have been reclassified to conform to the current year presentation.

3. Information about Key Sources of Estimation, Uncertainty and Judgements

The preparation of consolidated financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

***Useful lives of property, plant and equipment*.** The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Going concern. These consolidated financial statements are prepared on a going concern basis. Evaluation of the appropriateness of going concern basis of preparation and existence of any material uncertainty in respect of the going concern assumption requires significant judgment in forecasting cash flows from operations, required capital expenditures, as well as in the assessment of Group's ability to service the existing debt as it falls due and maintain financial covenants required by the borrowing arrangements, or, if needed, refinance or prolong the existing borrowings or renegotiate the payment terms and terms of the financial covenants with the lenders. The Group's operations and financial liquidity will depend on availability of long-term financial resources. Management believes that such financial resources, inlcuding the shareholder funding, will be available enabling the Group to carry on its business without a significant curtailment of operations for the foreseeable future.

The Group incurred a net loss for the year ended 31 December 2019 of GEL 3,804 (2018: net loss of GEL 1,963) and, as at that date, its total liabilities exceeded its total assets by GEL 11,059 (2018: GEL 1,186). The Group is dependent on the Parent's support. The management has negotiated with the Parent to receive adequate funds, if nessecary, to enable the Group to continue normal operations on ongoing basis.The consolidated financial statements are prepared on the basis that the Group will continue to be a going concern.This basis of preparation presumes that the Group is going to repay its obligations within 12 months with the support of the Parent and the Parent has both, the financial ability and the intention to provide the financial support to the Group, if nessecary, that will allow the Group to realize its assets and discharge its liabilities in the ordinary course of business.

(Amounts expressed in thousands of Georgian Lari)

4. Property, Plant and Equipment

	Land	HPP buildings	Plant and equipment	Vehicles and others	CIP	Total
Cost						
At 1 January 2018	**339**	**18,743**	**7,113**	**730**	**11,058**	**37,983**
Additions	8	–	2	5	9,222	**9,237**
Disposals	(23)	–	(944)	(567)	–	**(1,534)**
Transfers	–	6,062	14,218	–	(20,280)	**–**
At 31 December 2018	**324**	**24,805**	**20,389**	**168**	–	**45,686**
Additions	–	–	10	–	181	**191**
Disposals	–	(14)	–	–	–	**(14)**
Translation	(9)	(666)	(547)	(4)		**(1,226)**
Transfers	–	–	–	–	–	**–**
At 31 December 2019	**315**	**24,125**	**19,852**	**164**	**181**	**44,637**
Accumulated depreciation						
At 1 January 2018	**–**	**(2,168)**	**(1,079)**	**(275)**	**–**	**(3,522)**
Depreciation charge	–	(962)	(58)	(96)	–	**(1,116)**
Disposals	–	–	377	218	–	**595**
At 31 December 2018	**–**	**(3,130)**	**(760)**	**(153)**	**–**	**(4,043)**
Depreciation charge	–	(857)	(749)	(30)	-	**(1,636))**
Translation	–	112	27	26	-	**165**
At 31 December 2019	**–**	**(3,875)**	**(1,482)**	**(157)**	**–**	**(5,514)**
Carrying amount						
At 1 January 2018	**339**	**16,575**	**6,034**	**455**	**11,058**	**34,461**
At 31 December 2018	**324**	**21,675**	**19,629**	**15**	**–**	**41,643**
At 31 December 2019	**315**	**20,250**	**18,370**	**7**	**181**	**39,123**

Property, plant and equipment have been pledged in favour of Bank of Georgia JSC and TBC Bank JSC as a guarantee for the borrowings (Note 18).

5. Other Non-Current Assets

	31 December 2019	31 December 2018
Prepayments for non-current assets	107	132
Receivables from owners for capital contribution	273	270
Total other non-current receivables	**380**	**402**

(Amounts expressed in thousands of Georgian Lari)

6. Issued Loans

	31 December 2019	31 December 2018
Issued loans to related parties under common control	–	1,508
Issued loans to the Parent	20,082	–
Total non-current issued loans	**20,082**	**1,508**

As at 31 December 2019, loans are issued to the Parent earned interest rate of 10.0% per annum with maturity of five years.

As at 31 December 2018, the loans are issued to related parties under common control and interest rates ranged from 7.6% to 8.9% per annum and from 10.8% to 11.4% per annum for loans issued in USD and Georgian Lari, respectively. The interests and principals were repaid during the acquisition of the Group.

7. Trade receivables

As at 31 December 2019, trade receivables comprised of GEL 759 (2018: GEL 1,457) receivables for sales of electric power. The Group recognised an allowance in amount of GEL 18 (2018: 0).

8. Prepayments

	31 December 2019	31 December 2018
Prepayments	102	280
Prepaid taxes	495	299
Total prepayments	**597**	**579**

9. Cash and Cash Equivalents

	31 December 2019	31 December 2018
Cash at bank in USD	4,112	1,374
Cash at bank in GEL	153	–
Cash on hand	–	3
Total cash and cash equivalents	**4,265**	**1,377**

10. Charter Capital

According to the Company's Charter, the charter capital was defined at GEL 2,983, comprising:

	31 December 2019	31 December 2018
Charter capital	9,706	11,862
Unpaid capital	(4,532)	(4,532)
Share contribution	–	4,272
Total charter capital	**5,174**	**11,602**

(Amounts expressed in thousands of Georgian Lari)

10. Charter Capital (continued)

On 14 April 2015, the charter capital of the Company was increased by GEL 8,804 thousand, as a result of exchange of shares between Geo Energy LLC and the Company in the amount of USD 1,905 thousand (GEL 4,272) and deferred consideration of USD 2,020 thousand (GEL 4,532) payable by Mr. Ioseb Natroshvili until 2023. Based upon these transactions, Mr. Ioseb Natroshvili obtained 37.75% ownership in the Company in exchange for his 30% ownership in GeoEnergy LLC and consideration payable. The Company assumed obligation in respect with unpaid capital contribution of Mr. Ioseb Natroshvili of GEL 767 thousand into GeoEnergy LLC. The unpaid portion of the Company's charter capital of GEL 4,532 is recorded as a deduction in the consolidated statement of changes in equity. As a result of this share exchange transaction, the difference of GEL 3,846 (resulting from an aggregate of purchase price of GEL 4,272 and unpaid portion of capital of GEL 767 and the carrying value of NCI of GEL 1,193), has been recorded as a deduction within the consolidated statement of changes in equity.

In November 2019, the charter capital increased by cash consideration of GEL 1,422. In December 2019, the charter capital of the Company was decreased by GEL 10,037, paid in cash.

On 8 November 2019, the Parent, that also directly owns 6% in GeoEnergy LLC, contributed cash consideration of GEL 87 into the capital of GeoEnergy LLC.

On 20 November 2019, the Parent, contributed 6% ownership in GeoEnergy LLC, 2,5% ownership in Kasleti Energy LLC and GEL 2,191 into the capital of the Company.

11. Borrowings

	31 December 2019	31 December 2018
Current		
Borrowings from banks	3,503	5,719
Total current borrowings	**3,503**	**5,719**
Non-current		
Borrowings from related parties	–	3,150
Borrowings from banks	72,552	36,389
Total non-current borrowings	**72,552**	**39,539**
Total borrowings	**76,055**	**45,258**

As of 31 December 2019, borrowings from banks comprised long-term loans of USD 26,600 thousand from Georgian banks bearing 6m LIBOR plus 5.5% per annum. The borrowings mature in December 2034.

As at 31 December 2018, interest rates on borrowings obtained from banks ranged from 9.15% to 13% per annum for borrowings in USD and 11% per annum in Georgian Lari. Borrowing from Bank of Georgia JSC bears floating interest rate, which range from 6 months LIBOR plus 6.1% to 6 months LIBOR plus 10%. Interest and principal payments are based on the agreed schedules, which vary from monthly to semi-annual payments.

As of 31 December 2018, interest rates on borrowings obtained from related parties, mainly from the owner, range from 7.9% to 24% per annum and from 11% to 20% per annum in USD and in Georgian Lari, respectively.

The interests and principals were early repaid in 2019 at the acquisition of the Group by the controlling shareholder of the Parent.

The Group is subject to certain financial and non-financial covenants related to its borrowings. The Group was in compliance with covenants as at 31 December 2019.

(Amounts expressed in thousands of Georgian Lari)

12. Trade and Other Payables

	31 December 2019	31 December 2018
Trade payables	64	418
Tax payables other than on income	479	375
Total trade and other payables	**543**	**793**

13. Revenue

	2019	2018
Revenue from electric power sales	9,508	8,976
Other income	243	79
Total revenue	**9,751**	**9,055**

14. Disposal of Subsidiaries

On 28 January 2018, the Company sold 100% ownership of it's subsidiary City LLC to Blackwood LLC, the entity under common control, for GEL 48. The Group recorded a loss of GEL 517 on disposal.

15. Other Operating Expenses

	2019	2018
Taxes other than on income	486	519
Professional services	50	136
Insurance expenses	131	83
Rehabilitation expenses	224	–
Fuel expense	21	19
Rent expense	71	12
Representative expenses	–	3
Infrastructure assets maintenance expenditure	9	–
Other expenses	461	264
Total other operating expenses	**1,453**	**1,036**

16. Finance Costs

	2019	2018
Interest expense on bank loans and guarantees	4,709	2,793
Interest expense on related party loans	–	1,334
Foreign exchange loss, net	4,199	1,605
Write off of advances paid to financial institutions	260	969
Bank charges	88	380
Foreign exchange trading losses less gains	–	114
Total finance costs	**9,256**	**7,195**

The Group written off the amounts paid to Proparco (2019: GEL 153; 2018: GEL 407) and European Bank for Reconstruction and development (“EBRD”) (2019: GEL 107; 2018: GEL 562) for upfront, front end and mobilisation fees for Kasleti 2 LLC and Hydrolea LLC loans.

(Amounts expressed in thousands of Georgian Lari)

17. Financial Instruments

	31 December 2019	31 December 2018
Financial assets		
Financial assets measured at amortised cost less impairment	25,332	4,568
Financial liabilities		
Financial liabilities measured at amortised cost	76,119	45,676

18. Contingencies and Commitments

Based on the Memorandum of Understanding ("MOU") signed with Government of Georgia, dated 23 August 2012, the Group has commitment to sell all the power generated by each of its HPP within the framework of this MOU during the months of December, January and February, exclusively for the use within Georgia. This commitment is for the period of ten years from the date of commencement of operations of each of the HPP constructed/operated by the Group.

Based on the Agreement with Government of Georgia, Energotrans LLC and JSC Electricity System Commercial Operator ("ESCO"), dated 17 February 2014, and further amended on 5 December 2014 and 21 October 2016, on construction of Kasleti 2 HPP with capacity of 8.1 MW, the Group is obligated to sell the full output of Kasleti 2 HPP in September, October, November, December, January, February, March and April of each year exclusively to ESCO at a tariff of 5.66 USD cents per 1kWh for 10 years from March 2015 (the date of commencement of operations of Kasleti 2 HPP).

Based on the Agreement with Government of Georgia, Energotrans LLC and ESCO, dated 15 November 2013 on construction of GeoEnergy LLC's HPP, the Group is obligated to sell the full output in September, October, November, December, January, February, March and April of each year exclusively to ESCO at a tariff of 5.54 USD cents per 1kWh for 8 years from November 2013.

Based on the Agreement with Government of Georgia, Energotrans LLC and ESCO, dated on 15 November 2013 on construction of Hydro Georgia LLC's HPP, the Group is obligated to sell the full output in September, October, November, December, January, February, March and April of each year exclusively to ESCO at a tariff of 5.54 USD cents per 1kWh for 8 years from November 2013.

Based on the Agreement with Government of Georgia, Energotrans LLC and ESCO, dated on 17 February 2014, and further amended on 21 October 2016, on construction of Darchi-Ormleti HPP with capacity of 16.91 MW, the Group is committed to:

- obtain construction permit no later than 1 June 2020;
- commence construction of Darchi-Ormleti HPP prior to 1 August 2020;
- complete construction and commencement of operations on Darchi-Ormleti HPP prior to 31 December 2022; and
- sell the full output of Darchi-Ormleti HPP in September, October, November, December, January, February, March and April of each year to exclusively to ESCO at a tariff of 5.66 USD cents per 1kWh for 10 years from the date of commencement of operations of Darchi-Ormleti HPP.

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the four subsequent calendar years, however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these Consolidated Financial Statements, if the authorities were successful in enforcing their own interpretations, could be significant.

(Amounts expressed in thousands of Georgian Lari)

18 Contingencies and Commitments (continued)

Guarantees. Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations.

Within normal course of the business, the contractors request guarantees from the Group issued by the financial institutions for participation in tenders, quality assurance and construction completion. The total guarantees issued by Bank of Georgia JSC compirsed GEL 252 as of 31 December 2019 (31 December 2018: GEL 2,548). The bank will make payments in the event that the Company cannot meet its obligations.

Pledged shareholdings in subsidiaries. The Company has pledged 100% shareholding in Hydro Georgia LLC, Kasleti 2 LLC and 94% of its shareholding in GeoEnergy LLC as a security to the loan from Georgian banks.

Assets pledged and restricted. The Group has the following assets pledged in favour of Georgian banks as a guarantee towards the issued loans and guarantees issued to Government of Georgia and for letter of credit issue to suppliers:

	Note	31 December 2019	31 December 2018
Property, plant and equipment	4	39,123	41,632
Inventories		73	27
Restricted cash		244	226
Total		**39,440**	**41,885**

Environmental matters. The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

19. Balances and Transactions with Related Parties

The outstanding balances with related parties were as follows:

	31 December 2019	31 December 2018
Issued loans to Parent company (Note 6)	20,082	–
Issued loans to related parties under common control (Note 6)	–	1,508
Borrowings from owner (Note 11)	–	3,150
Receivables from owners for capital contribution	273	270

The income and expense items with related parties were as follows:

	2019	2018
Interest expenses to owner (Note 11, 16)	–	(2,445)
Interest income from related party under common control	–	201
Foreign exchange losses less gains on owner's borrowings	–	(65)

(Amounts expressed in thousands of Georgian Lari)

19. Balances and Transactions with Related Parties (continued)

Key management compensation. Key management includes directors of the Group. Compensation paid to key management for the services in full time executive management positions is made up of a contractual salary, performance bonus depending on financial performance of the Group and other compensation in form of reimbursement of rent, transportation, communication and other expenses. Total key management compensation is presented below:

	2019	2018
Salaries and benefits	414	414
Total key management compensation	**414**	**414**

20. Events after the Reporting Period

In March 2020, the World Health Organization confirmed the novel coronavirus ("COVID-19") as a global pandemic. There is uncertainty over the magnitude of the global slowdown that will result from this pandemic and its impact on Georgian economy. 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. The Group is monitoring impact of coronavirus (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. The further spread of COVID-19 in Georgia and globally, is expected to have a negative impact on the economy, however it is too early to fully understand the impact this may have on the Group's business. The management of the Group considers coronavirus (COVID-19) outbreak to be a non-adjusting post balance sheet event, but it is still assessing its impact on the financial position and performance of the Group.

QARTLI WIND FARM LLC

Financial statements

for the year ended 31 December 2019
together with the independent auditor's report

QARTLI WIND FARM LLC

Financial statements

For the year ended 31 December 2019

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Independent auditor's report

To the Participants of Qartli Wind Farm LLC

Opinion

We have audited the financial statements of Qartli Wind Farm LLC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

The financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 19 March 2019.

Alexey Loza
Partner
On behalf of EY LLC

Tbilisi, Georgia

30 April 2020

QARTLI WIND FARM LLC

Statement of financial position

As at 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	4	59,171	62,712
Total non-current assets		**59,171**	**62,712**
Current assets			
Trade and other receivables	5	1,578	1,703
Restricted cash	8	6,337	4,542
Cash and cash equivalents	6	9,772	14,071
Total current assets		**17,687**	**20,316**
Total assets		**76,858**	**83,028**
Equity and liabilities			
Owner's equity			
Charter capital	7	21,509	28,283
Retained earnings		4,410	2,328
Total owner's equity		**25,919**	**30,611**
Non-current liabilities			
Borrowings	8	44,960	45,411
Total non-current liabilities		**44,960**	**45,411**
Current liabilities			
Borrowings	8	5,349	6,441
Trade and other payables	9	630	565
Total current liabilities		**5,979**	**7,006**
Total liabilities		**50,939**	**52,417**
Total owner's equity and liabilities		**76,858**	**83,028**

The financial statements for the year ended 31 December 2019 were approved on behalf of the management on 30 April 2020 by:

Director Z. Gordeziani

Financial Manager N. Mshvidobadze

Notes on pages 5-22 are an integral part of these financial statements.

QARTLI WIND FARM LLC

Statement of comprehensive income

For the year ended 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	2019	2018 (Restated)*
Revenue	10	16,545	14,744
Cost of sales	11	(6,609)	(6,397)
Gross profit		**9,936**	**8,347**
General and administrative expenses	12	(1,177)	(1,166)
Operating profit		**8,759**	**7,181**
Finance income	13	786	591
Finance costs	13	(4,205)	(3,721)
Foreign exchange loss, net	14	(3,258)	(1,381)
Profit before income tax		**2,082**	**2,670**
Income tax expense		–	–
Net profit		**2,082**	**2,670**
Other comprehensive income		–	–
Total comprehensive income for the period		**2,082**	**2,670**

* *Certain amounts do not correspond to the 2018 financial statements as they reflect adjustments made as described in Note 2.*

Notes on pages 5-22 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	Charter capital	Retained earnings / (accumulated loss)	Total
31 December 2017		**28,283**	**(342)**	**27,941**
Net profit and total comprehensive income for the period		–	2,670	**2,670**
31 December 2018		**28,283**	**2,328**	**30,611**
Net profit and total comprehensive income for the period		–	2,082	**2,082**
Decrease of charter capital	7	(6,774)	–	**(6,774)**
31 December 2019		**21,509**	**4,410**	**25,919**

Notes on pages 5-22 are an integral part of these financial statements.

QARTLI WIND FARM LLC

Statement of cash flows

For the year ended 31 December 2019

(Amounts expressed in thousands of Georgian Lari)

	Note	2019	2018 (Restated)*
Cash flows from operating activities			
Profit before income tax		2,082	2,670
Adjustments for:			
Depreciation		3,492	3,502
Finance income	13	(786)	(591)
Finance costs	13	4,205	3,721
Foreign exchange loss, net	14	3,258	1,381
Operating cash inflows before working capital changes		**12,251**	**10,683**
Working capital changes			
(Increase)/decrease in trade and other receivables		(82)	2
Increase/(decrease) in trade and other payables		65	(914)
Operating cash flows after working capital changes		**12,234**	**9,771**
Interest received		682	515
Interest paid		(3,839)	(3,374)
Net cash from operating activities		**9,077**	**6,913**
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(2)
Interest received on restricted cash		104	76
Net cash from investing activities		**104**	**74**
Cash flows from financial activities			
Repayment of borrowings	8	(5,150)	(4,449)
Change in restricted cash		(1,249)	216
Decrease of charter capital	7	(6,774)	–
Net cash used in financing activities		**(13,173)**	**(4,233)**
Net (decrease)/increase in cash and cash equivalents		**(3,992)**	**2,754**
Cash and cash equivalents at the beginning of the year	6	14,071	11,446
Effect of changes in foreign exchange rate on cash and cash equivalents	14	(307)	(129)
Cash and cash equivalents at the end of the year	6	**9,772**	**14,071**

* *Certain amounts do not correspond to the 2018 financial statements as they reflect the adjustments made as described in Note 2.*

Notes on pages 5-22 are an integral part of these financial statements.

1. General information

Qartli Wind Farm LLC (the "Company") was founded in 2014 as a limited liability company in accordance with Georgian state-owned entities legislation. The Company's main activity is the generation of electric power in Georgia.

As at 31 December 2019, 100% of the Company's shares were owned by Georgian Wind Company LLC, the ultimate parent of which is Georgia Capital PLC ("GCAP"), a UK-based entity listed on the London Stock Exchange. Georgian Wind Company LLC acquired ownership in the Company on 30 December 2019.

As at 31 December 2018, participants of the Company were JSC Georgian Energy Development Fund (50.1%) and JSC Georgian Oil and Gas Corporation (49.9%).

The Company's legal address is N 8a, Petre Melikishvili Ave/ N 1 Erekle Tatishvili str., Tbilisi, Georgia.

2. Summary of significant accounting policies

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Operating environment

The Company's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets, including the risk that the Georgian Lari is not freely convertible outside the country, there are currency exchange fluctuation risks, debt and equity markets are not well developed. However, over the last years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to enhance banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation, including new Tax Code and procedural laws. In the view of the Management, these steps contribute to mitigation of the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the developed countries, such as economic uncertainty caused by the global COVID-19 pandemic (Note 19).

2. Summary of significant accounting policies (continued)

Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively, IFRS) issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

(b) Basis of measurement

The financial statements have been prepared under the historical cost bases.

The reporting period for the Company is the calendar year from 1 January to 31 December.

(c) Going concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to develop the business of the Company in Georgia. The management believes that the going concern assumption is appropriate for the Company.

Adoption of new or revised standards and interpretations

(a) New standards, interpretations and amendments not yet effective

The following standards and interpretations that became effective on 1 January 2019 did not have any impact on the Company's financial statements:

- IFRS 17 *Insurance Contracts*;
- Amendments to IFRS 3 *Definition of a Business*;
- Amendments to IAS 1 and IAS 8 *Definition of Material*.

New and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

2. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

(b) New standards, interpretations and amendments effective from 1 January 2019

The following standards or interpretations relevant to the Company's activities became effective on 1 January 2019 and had no impact on the Company's consolidated financial position or results of operations:

- IFRS 16 *Leases*. The Company applied IFRS 16 for the first time. The Company adopted IFRS 16 using the modified method of adoption with the date of initial application of 1 January 2019. The Company does not have any material lease agreements or arrangements, thus there is no effect of IFRS 16 adoption as of 1 January 2019.
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*.
- Annual improvements to IFRSs 2015-2017 cycle: IAS 23 *Borrowing Costs*.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Financial statements are presented in Georgian Lari (GEL).

Until 30 December 2019, the functional currency of the Company was Georgian Lari. At the date of the acquisition of the Company by Georgian Wind Company LLC, the functional currency of the Company was reassessed and determined to be US Dollar (USD). In making that assessment, the management considered existence of long-term USD-denominated sales arrangement, USD-denominated debt, as well as expectations of further increase in share of transactions denominated and settled in USD in the foreseeable future. Significant judgment was applied by the management in determination of appropriate functional currency and assessment of whether change in the underlying transactions, events and conditions warrant a change in the functional currency. The Company's presentation currency is different from its functional currency. The Company considers that Georgian Lari as presentation currency is common among Georgian reporters and thus it provides more relevant and appropriate information to the users of the financial statements.

Change in functional currency was applied prospectively starting from 30 December 2019. At the date of change, the Company translated all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Foreign exchange gains and losses that relate to trade payables and cash and cash equivalents are presented in the statement of comprehensive income within ‘foreign exchange gain/loss’ with other foreign exchange gains and losses.

Official rate of the National Bank of Georgia of 1 GEL	USD	EUR
Exchange rate as at 31 December 2019	2.8677	3.2095
Exchange rate as at 31 December 2018	2.6766	3.0701

Revenue

The Company recognises revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company use five-step model for all contracts with customers:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the company satisfies a performance obligation.

The Company recognises revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods underlying the particular performance obligation is transferred to the customer. Detail accounting policy for significant revenue generative activity is presented below.

Sale of electric power

The Company sells electric power which is generated by own wind power plant. Revenue is recognised when the electric power is transmitted to a customer. The settlements occur within 1 month from the billing date.

In the selling electric power, a customer simultaneously receives and consumes the benefits provided by the Company. Therefore, the Company satisfies its performance obligations and recognises revenue over time. The Company measures the progress toward complete satisfaction of its performance obligation to deliver electricity based on output method. The objective when measuring progress is to depict the Company’s performance in transferring control of the electricity to the customer. Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods transferred to date relative to the remaining goods promised under the contract. The Company uses units of electric power delivered for measuring the progress toward complete satisfaction of its performance obligation. The revenue is measured at the transaction price agreed under a contract. The consideration is due after forming an act of acceptance following electric power transmission.

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. After initial recognition, property, plant and equipment are recorded at historical cost less accumulated depreciation and recognized impairment loss, if any.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income / other expenses in profit or loss.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Assets under constructions include the costs of construction of property, plant and equipment. Cost of the assets construction includes: any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation

Charging depreciation on the property, plant and equipment or particular items starts when such property is ready to use, i.e. brought to the place and conditions ready for use. Once the property is put into exploitation the respective depreciation is charged to the whole useful life of an item, if the item is not added to the category of items held for sale according to IFRS 5 *Non-current Asset Held for Sale and Discontinued Operations*, or upon termination of recognition of the property item.

Property, plant and equipment are charged depreciation under straight line method according to the useful life on an asset. Assets under construction and land are not depreciated. Assets under construction are put into exploitation and depreciation charges start once it is brought to the condition of target use.

See below the table of useful lives of property, plant and equipment per category:

	Useful lives
Wind power plant	20 year
Other	5-20 year

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash deposited in banks due on demand or with original maturities of less than three months.

Financial instruments

Financial assets

Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see “Financial liabilities” section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. The Company does not have any financial assets as being at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade and other receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Expected credit losses for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Company’s financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and restricted cash in the statement of financial position.

Fair value through other comprehensive income

These types of financial assets include strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

As at 31 December 2019 and 2018, the Company does not have any financial assets at fair value through other comprehensive income.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items: borrowings and trade payables.

Bank borrowings is initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017. Corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia.

Recognition of expenses

Expenses are recognized in the income statement if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed.

Expenses are recognized in the income statement immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the statement of financial position.

Charter capital

The amount of Company's authorised Charter capital is defined by the Company's Charter.
The changes in the Company's Charter (changes in charter capital, ownership, etc.) shall be made only based on the decision of the Company's shareholders. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was contributed by the shareholders to the Company. Charter capital is recognized at the fair value of the contributions received by the Company.

Correction of errors

Certain balance in the statement of comprehensive income and the statement of cash flow for the year ended 31 December 2018 were reclassified to conform to the current year presentation. In the statement of comprehensive income and the statement of cash flow for the year ended 31 December 2018 the Company reclassified finance costs of GEL 3,721 and finance income of GEL 591 from interest (expenses)/income, net into two separate lines accordingly. The Company changed the presentation of its financial statements as new presentation provides information that is more relevant to users of the financial statements.

2. Summary of significant accounting policies (continued)

Change in presentation (continued)

Effect on the statement of comprehensive income for 2018 previously reported in the financial statements for the period ended 31 December 2018 is as follows:

Statement of comprehensive income for the year ended 31 December 2018	**As previously reported**	**Adjustment**	**As adjusted**
Interest (expenses)/income, net	(3,130)	3,130	–
Finance income	–	591	591
Finance costs	–	(3,721)	(3,721)
Profit before income tax	**2,670**	**–**	**2,670**
Net profit	**2,670**	**–**	**2,670**

Effect on the statement of cash flows for 2018 previously reported in the financial statements for the period ended 31 December 2018 is as follows:

Statement of cash flows for the year ended 31 December 2018	**As previously reported**	**Adjustment**	**As adjusted**
Interest (expenses)/income, net	(3,130)	3,130	–
Finance income	–	591	591
Finance costs	–	(3,721)	(3,721)
Operating cash inflows before working capital changes	**10,683**	**–**	**10,683**

3. Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

Functional currency

Significant judgment was applied by the management in determination of appropriate functional currency and assessment of whether change in the underlying transactions, events and conditions warrant a change in the functional currency (Note 2).

4. Property, plant and equipment

Property, plant and equipment as at 31 December 2019 and 2018 can be presented as follows:

	Land	Wind Power Plant	Others	Total
Historical cost				
Balance at 31 December 2017	**80**	**68,506**	**1,239**	**69,825**
Additions	–	2	–	**2**
Balance at 31 December 2018	**80**	**68,508**	**1,239**	**69,827**
Disposal	–	(127)	–	**(127)**
Balance at 31 December 2019	**80**	**68,381**	**1,239**	**69,700**
Accumulated depreciation				
Balance at 31 December 2017	**–**	**(3,541)**	**(72)**	**(3,613)**
Depreciation charge for the year	–	(3,469)	(33)	**(3,502)**
Balance at 31 December 2018	**–**	**(7,010)**	**(105)**	**(7,115)**
Depreciation charge for the year	–	(3,472)	(19)	**(3,491)**
Depreciation of disposal	–	77	–	**77**
Balance at 31 December 2019	**–**	**(10,405)**	**(124)**	**(10,529)**
Net book value				
Balance at 31 December 2017	**80**	**64,965**	**1,167**	**66,212**
Balance at 31 December 2018	**80**	**61,498**	**1,134**	**62,712**
Balance at 31 December 2019	**80**	**57,976**	**1,115**	**59,171**

As at 31 December 2019 and 2018, wind power plant with a carrying amount of GEL 57,976 and GEL 61,498, respectively, has been pledged to secure borrowings of the Company (Note 8).

5. Trade and other receivables

Trade and other receivables comprise:

	31 December 2019	31 December 2018
Financial assets		
Trade receivables	1,272	1,190
Total financial assets	**1,272**	**1,190**
Taxes receivables	306	513
Non-financial receivables	**306**	**513**
Total trade and other receivables	**1,578**	**1,703**

Carrying amount of trade receivables approximates fair values due to their short-term maturities. Trade receivables distribution by currency is disclosed in Note 15. All trade receivables are current. Expected credit losses are immaterial as at 31 December 2019 and 2018.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2019	31 December 2018
Cash at bank in GEL	9,772	10,578
Cash at bank in USD	–	3,493
Total	**9,772**	**14,071**

7. Charter capital

Charter capital comprises:

	31 December 2019	31 December 2018
In Issue at 1 January	**28,283**	**28,283**
Capital decrease, paid in cash:		
- JSC Georgian Energy Development Fund	(3,394)	–
- JSC Georgian Oil and Gas Corporation	(3,380)	–
In Issue at 31 December	**21,509**	**28,283**

Ownership in the Company comprises:

	31 December 2019	31 December 2018
Georgian Wind Company LLC	100.0%	00.0%
JSC Georgian Energy Development Fund	00.0%	50.1%
JSC Georgian Oil and Gas Corporation	00.0%	49.9%
Total	**100%**	**100%**

8. Borrowings

Borrowings comprise:

	Interest rate	Currency	Origination date	Maturity date	31 December 2019	31 December 2018
European Bank for Reconstruction and Development						
Non-current borrowings	Six month LIBOR + 4.5%	USD	6 October 2016	1 February 2030	44,960	45,411
Current borrowings	Six month LIBOR + 4.5%	USD	6 October 2016	1 February 2030	5,349	6,441
Total borrowings					**50,309**	**51,852**

European Bank for Reconstruction and Development (“EBRD”) loan contains certain financial and non-financial covenants. The Company is in compliance with such covenants as at 31 December 2019.

8. Borrowings (continued)

As at 31 December 2019 and 2018, the Company has restricted minimal cash reserve balance related to the loan agreement in the amount of GEL 6,337 (USD 2,210) and GEL 4,542 (USD 1,697), respectively.

Reconciliation of liabilities from financing transactions:

As at 31 December 2017	**54,583**
Interest accrued	3,570
Amortization of prepaid fee for EBRD loan	151
Repayment of principal	(4,449)
Interest paid	(3,374)
Effect of exchange rate changes	1,371
As at 31 December 2018	**51,852**
Interest accrued	3,720
Amortization of prepaid fee for EBRD loan	150
Repayment of principal	(5,150)
Interest paid	(3,839)
Effect of exchange rate changes	3,576
As at 31 December 2019	**50,309**

9. Trade and other payables

Trade and other payables comprise:

	31 December 2019	31 December 2018
Financial liabilities		
Trade payables	552	521
Other payables	78	44
Total financial liabilities	**630**	**565**

Carrying amount of trade payable approximates fair values due to their short-term maturity.

10. Revenue

The Company's main activity is the generation of electric power in Georgia. The Company has one main contract on the sale of electric power to JSC Electricity System Commercial Operator ("ESCO").

On 10 May 2016, the Company entered into an agreement with ESCO on the guaranteed purchase of electric power for the period of thirteen years. In accordance with this agreement, the Company is obliged to provide electric power to ESCO during winter months – from September to April - for a guaranteed price of 6.5 US Dollar cent per 1kWh. In the remaining months, the Company has a right to sell, and ECSO has an obligation to purchase electric power from the Company for a guaranteed price of 6.5 US Dollar cent per 1kWh.

Revenue from the main activity totaled GEL 16,545 and GEL 14,744 in 2019 and 2018, respectively.

11. Cost of sale

Cost of sale comprises:

	2019	2018
Depreciation	(3,469)	(3,469)
Maintenance cost	(2,809)	(2,590)
Insurance	(99)	(113)
Salary	(80)	(101)
Security	(70)	(45)
Other	(82)	(79)
Total	**(6,609)**	**(6,397)**

12. General and administrative expenses

General and administrative expenses comprise:

	2019	2018
Taxes other than income tax	(630)	(666)
Staff costs	(292)	(224)
Professional services	(58)	(82)
Site calibration cost	–	(57)
Rent expense	(30)	(35)
Depreciation and amortization	(22)	(33)
Representative expense	(9)	(3)
Business trips	(10)	(3)
Other expense	(126)	(64)
Total	**(1,177)**	**(1,167)**

Site calibration represents verification and approval of the power curve suggested by the turbine manufacturer. The process of calibration takes a one-time research.

13. Finance income and finance costs

Finance income and finance costs comprise:

	2019	2018
Finance costs		
The European Bank for Reconstruction and Development	(4,205)	(3,721)
Total finance costs	**(4,205)**	**(3,721)**
Finance income		
Cash at bank and restricted cash	786	591
Total finance income	**786**	**591**

14. Foreign exchange gain/(loss), net

Foreign exchange gain/(loss), net comprise:

	2019	2018
Effect on cash and cash equivalents	(307)	(129)
Effect on other financial instruments	(2,951)	(1,253)
Total	**(3,258)**	**(1,382)**

15. Financial instruments − risk management

In the course of its ordinary activity the Company is exposed to interest rate, currency, credit and liquidity risks. The Company's management oversees these risks.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2019	31 December 2018
Trade and other receivables	1,271	1,190
Restricted cash	6,337	4,542
Cash and cash equivalents	9,772	14,071
Total financial assets	**17,380**	**19,803**

Bank	Cash and cash equivalents	Amounts due from credit institutions	Total	Rating
JSC TBC Bank	10,489	682	**11,171**	BB-
Citi Bank	5,620	104	**5,724**	AA
Total	**16,109**	**786**	**16,895**	

No significant increase of credit risk occurred since initial recognition in respect of cash and cash equivalent and restricted cash. Expected credit losses are immaterial as at 31 December 2019 and 2018.

Liquidity risk

Liquidity risk arises from the Company's management of its working capital. It is the risk that the Company will encounter difficulties in meeting its current financial obligations as they fall due that may affect adversely the Company's on-going operations and performance. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Liquidity of financial assets and liabilities as at 31 December 2019 and 2018 is as follows:

	Less than 1 year	1-3 years	3-5 years	Over 5 years	Total
As at 31 December 2019					
Long-term and short-term borrowings	5,350	22,784	13,908	25,425	**67,467**
Trade and other payables	630	–	–	–	**630**
Total future payments	**5,980**	**22,784**	**13,908**	**25,425**	**68,097**
As at 31 December 2018					
Long-term and short-term borrowings	6,442	24,587	15,825	42,339	**89,193**
Trade and other payables	565	–	–	–	**565**
Total future payments	**7,007**	**24,587**	**15,825**	**42,339**	**89,758**

15. Financial instruments – risk management (continued)

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company does not use any derivatives to manage interest rate risk exposure. The Company is exposed to cash flow interest rate risk as entities in the Company borrow funds at floating interest rates. As at 31 December 2019 and 2018 the Company's borrowings at variable interest rate were denominated in USD.

A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. For variable interest rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Based on the simulations performed, the impact on profit or loss and equity of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates (basis point: 1/100th of a percentage point)) is presented in the table below:

For the year ended 31 December 2019:

Borrowings denominated in USD	**Interest rate increase 100 base point**	**Interest rate decrease 100 base point**
Profit/(loss) before tax	(514)	514
Impact on equity	(514)	514

For the year ended 31 December 2018:

Borrowings denominated in USD	**Interest rate increase 100 base point**	**Interest rate decrease 100 base point**
Profit/(loss) before tax	(531)	531
Impact on equity	(451)	451

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

15. Financial instruments – risk management (continued)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to currency risk as at 31 December 2019 might not be fully representative of its exposure throughout the year then ended due to change in the Company's functional currency from GEL to USD that occurred on 30 December 2019 (Note 2). Prior to that change, currency risk exposure throughout the year ended 31 December 2019 was similar to that existing as at 31 December 2018.

The Company's exposure to foreign currency exchange rate risk comprise:

	2019	2018
	GEL	GEL
	USD 1 = 2.8677 GEL	USD 1 = 2.6766 GEL
Financial assets		
Cash and cash equivalents	9,722	10,578
Trade and other receivables	1,578	1,703
Total financial assets	**11,350**	**12,281**

Currency risk sensitivity

The following table details the Company's sensitivity to a 20% increase and decrease in USD exchange rate against GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

Impact on profit before tax and equity based on asset values as at 31 December 2019 and 2018 comprise:

	GEL impact	
2019	**GEL/USD +20%**	**GEL/USD -20%**
Profit/(loss)	2,270	(2,270)

	GEL impact	
2018	**GEL/USD +20%**	**GEL/USD -20%**
Profit/(loss)	2,456	(2,456)

Capital disclosures

The Company's objectives when maintaining capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of return capital to shareholders or sell assets to reduce debt.

16. Commitments and contingencies

Commitment under agreement between the Company and JSC Electricity System Commercial Operator

On 10 May 2016, the Company entered into an agreement with ESCO on the guaranteed purchase of electric power for the period of thirteen years. In accordance with this agreement, the Company is obliged to provide electricity to ESCO during winter months – from September to April - for a guaranteed price of 6.5 USD cents per 1kWh.

17. Related parties

Related parties or transactions with related parties, as defined by IAS 24 *Related Party Disclosures*, represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;

(b) Members of key management personnel of the Company or its parent;

(c) Close members of the family of any individuals referred to in (a) or (b);

(d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The remuneration of directors and other members of key management were as follows:

	2019	2018
Key management personnel compensation	**(92)**	**(63)**
Short-term employee benefits	(92)	(63)

18. Events after the reporting date

On 31 March 2020, the Company decreased its charter capital by USD 1,500 (GEL 4,927) in exchange for cash consideration payable to the parent.

In March 2020 the World Health Organization confirmed the novel coronavirus (“COVID-19”) as a global pandemic. There is uncertainty over the magnitude of the global slowdown that will result from this pandemic and its impact on Georgian economy. 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. The Company is monitoring impact of coronavirus (COVID-19) outbreak on its business, customers, suppliers and employees and follows the official guidance introduced by the Government of Georgia to safeguard its people and to maintain business continuity. The further spread of COVID-19 in Georgia and globally, is expected to have a negative impact on the economy, however it is too early to fully understand the impact this may have on the Company’s business. The management of the Company considers coronavirus (COVID-19) outbreak to be a non-adjusting post balance sheet event, but it is still assessing its impact on the financial position and performance of the Company.

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Kasleti 2 LLC
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