Georgia Global Utilities JSC

Unaudited interim condensed combined financial statements

31 March 2020

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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.