Georgia Global Utilities JSC

Interim condensed combined financial statements for three and six months ended

30 June 2020 (unaudited)

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 30 June 2020, the related interim combined statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, interim combined statement of changes in equity and interim combined statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Other matter

The comparative financial information as at 30 June 2019 and for the three-month and six-month periods then ended was not reviewed.

Alexey Loza

On behalf of EY LLC

Tbilisi, Georgia

29 September 2020

Interim combined statement of financial position
As at 30 June 2020
(Amounts expressed in thousands of Georgian Lari)

	Note	30 June 2020 (unaudited)	31 December 2019
Assets			
Non−current assets			
Property, plant and equipment	5	882,809	842,032
Investment property		8,641	8,641
Right−of−use assets		998	1,305
Restructured trade receivables	6	97	209
Other non−current assets		6,766	3,526
Total non−current assets		**899,311**	**855,713**
Current assets			
Inventories		4,417	3,928
Trade and other receivables	6	20,755	24,424
Loans issued		141	82
Prepaid taxes other than income tax		3,021	2,214
Reimbursement assets	12	41,979	46,457
Prepayments		2,864	3,805
Other current assets	14	196	−
Restricted cash		7,022	6,581
Cash at bank		56,902	46,806
Total current assets		**137,297**	**134,297**
Total assets		**1,036,608**	**990,010**
Equity			
Share capital		2	2
Additional paid−in capital		123,284	101,205
Retained earnings		128,239	145,421
Other reserves		1,059	(4,253)
Revaluation reserve for property, plant and equipment		4,813	4,813
Equity attributable to the owners of the parent		**257,397**	**247,188**
Non−controlling interests	7	-	24,896
Total equity	7	**257,397**	**272,084**
Liabilities			
Non−current liabilities			
Borrowings	8	630,462	608,929
Deferred revenue		24,512	24,569
Lease liabilities		808	1,064
Other non−current liabilities		2,449	1,538
Total non−current liabilities		**658,231**	**636,100**
Current liabilities			
Borrowings	8	93,219	44,437
Advances received		7,027	6,242
Trade and other payables	9	12,957	13,601
Provisions for liabilities and charges		812	614
Deferred revenue		4,786	4,764
Lease liabilities		191	248
Derivative financial liabilities	14	913	1,919
Other taxes payable		468	5,479
Other current liabilities		607	4,522
Total current liabilities		**120,980**	**81,826**
Total liabilities		**779,211**	**717,926**
Total liabilities and equity		**1,036,608**	**990,010**

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 29 September 2020:

Giorgi Vakhtangishvili
Chief Executive Officer

Giorgi Gureshidze
Chief Financial Officer

Interim combined statement of profit or loss and other comprehensive income

For the six months ended 30 June 2020

(Amounts expressed in thousands of Georgian Lari)

		For the three months ended		*For the six months ended*	
	Note	***30 June 2020 (unaudited)***	***30 June 2019 (unaudited, not reviewed)***	***30 June 2020 (unaudited)***	***30 June 2019 (unaudited, not reviewed)***
Revenue from water supply and related services	10	20,504	35,021	50,682	64,955
Revenue from electric power sales	11	11,769	8,287	18,538	10,655
Income from government grant	2	6,633	–	6,633	–
Business interruption reimbursement gain	12	2,294	–	2,620	–
Other revenue		362	394	628	561
Total revenue, income and gains		**41,562**	**43,702**	**79,101**	**76,171**
Electricity and transmission costs		(5,209)	(4,221)	(9,392)	(8,400)
Salaries and other employee benefits		(4,649)	(5,219)	(9,651)	(10,001)
Allowance for expected credit losses	6	(1,291)	(3,145)	(2,891)	(4,508)
Taxes other than income tax		(2,327)	(1,643)	(4,184)	(2,944)
General and administrative expenses		(844)	(958)	(1,919)	(1,806)
Professional fees		(695)	(780)	(1,221)	(1,421)
Raw materials, fuel and other consumables		(797)	(842)	(1,542)	(1,387)
Maintenance expenditure		(390)	(502)	(1,158)	(1,008)
(Charge for) / reversal of provisions and legal claims related expenses		(91)	20	(198)	43
Other operating expenses		(1,832)	(1,740)	(3,484)	(3,363)
Other income		206	476	477	826
		(17,919)	**(18,554)**	**(35,163)**	**(33,969)**
EBITDA		**23,643**	**25,148**	**43,938**	**42,202**
Finance income		387	370	1,237	540
Finance costs	8	(13,540)	(7,054)	(27,982)	(12,295)
Net foreign exchange loss		7,409	(10,610)	(10,845)	(8,984)
Depreciation and amortisation	5	(12,289)	(8,324)	(23,775)	(15,876)
Non−recurring expenses	13	(76)	1,135	(489)	(1,727)
(Loss)/profit before income tax expense		**5,534**	**665**	**(17,916)**	**3,860**
Income tax expense		–	–	–	–
(Loss)/profit for the period		**5,534**	**665**	**(17,916)**	**3,860**
Attributable to:					
Owners of the parent		5,534	762	(17,182)	4,012
Non−controlling interests		–	(97)	(734)	(152)
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
(Loss) / gain from currency translation differences		(7,526)	3,365	7,179	3,773
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(7,526)**	**3,365**	**7,179**	**3,773**
Other comprehensive income for the period		**(7,526)**	**3,365**	**7,179**	**3,773**
Total comprehensive (loss)/income for the period		**(1,992)**	**4,030**	**(10,737)**	**7,633**
Attributable to:					
Owners of the parent		(1,992)	2,950	(8,542)	6,465
Non−controlling interests		–	1,080	(2,195)	1,168

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 six months ended 30 June 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	–	–	–	4,012	–	**4,012**	(152)	**3,860**
Foreign currency translation reserve	–	–	2,453	-	–	**2,453**	1,320	**3,773**
Total comprehensive income for the period	**–**	**–**	**2,453**	**4,012**	**–**	**6,465**	**1,168**	**7,633**
Share–based payments	–	4,206	–	–	–	**4,206**	–	**4,206**
Transfers to parent under share–based compensation program	–	–	(1,768)	–	–	**(1,768)**	–	**(1,768)**
Capital decrease	–	(7,511)	–	–	–	**(7,511)**	(4,044)	**(11,555)**
Balance as at 30 June 2019 (unaudited, not reviewed)	**2**	**56,043**	**(5,591)**	**134,912**	**8,200**	**193,566**	**23,582**	**217,148**
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	–	–	–	(17,182)	–	**(17,182)**	(734)	**(17,916)**
Foreign currency translation reserve	–	–	8,640	–	–	**8,640**	(1,461)	**7,179**
Total comprehensive income for the period	**–**	**–**	**8,640**	**(17,182)**	**–**	**(8,542)**	**(2,195)**	**(10,737)**
Share–based payments	–	1,237	–	–	–	**1,237**	–	**1,237**
Contribution from the shareholder (Note 7)	–	3,068	–	–	–	**3,068**	–	**3,068**
Capital decrease (Note 7)	–	(4,927)	–	–	–	**(4,927)**	–	**(4,927)**
Acquisition of non–controlling interests in existing subsidiaries (Note 7)	–	22,701	–	–	–	**22,701**	(22,701)	**–**
Transfers to the parent under share–based compensation program	–	–	(3,328)	–	–	**(3,328)**	–	**(3,328)**
Balance as at 30 June 2020 (unaudited)	**2**	**123,284**	**1,059**	**128,239**	**4,813**	**257,397**	**–**	**257,397**

Interim combined statement of cash flows
For the six months ended 30 June 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	*For the six months ended 30 June 2020 (unaudited)*	*For the six months ended 30 June 2019 (unaudited, not reviewed)*
Cash flows from operating activities			
(Loss)/profit before income tax		**(17,916)**	**3,860**
Adjustments for:			
Depreciation and amortisation	5	23,775	15,876
Allowance for expected credit losses	6	2,891	4,508
(Charge for) / reversal of provisions and legal claims related expenses		198	(43)
Net loss from disposal of property, plant and equipment		(17)	44
Net foreign exchange loss		10,845	8,984
Finance income		(1,237)	(540)
Finance costs		27,982	12,295
Non−recurring expenses, net		413	(1,135)
Share−based payment expense		553	3,453
Working capital changes:			
Change in inventories		(489)	(96)
Change in trade and other receivables		(1,352)	(7,799)
Change in prepaid taxes other than income tax		(807)	(8,114)
Change in prepayments		408	(703)
Change in trade and other payables		404	5,334
Change in deferred revenue – current portion		22	2,996
Change in advances received		785	(115)
Change in reimbursement asset		7,053	−
Change in other tax payables		(3,915)	8,982
Change in restricted cash		−	329
Operating cash flows after working capital changes		**49,596**	**48,116**
Change in deferred revenue − non−current portion		(57)	333
Net cash flows from operating activities		**49,539**	**48,449**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(44,440)	(54,319)
Proceeds from sale of property, plant and equipment		−	75
Settlement of deferred consideration for acquisitions of subsidiaries		(6,008)	−
Loans issued		(59)	−
Interest received		1,238	535
Net cash used in investing activities		**(49,269)**	**(53,709)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(160)	(111)
Proceeds from borrowings		56,226	57,921
Repayment of borrowings		(15,468)	(9,169)
Transaction costs related to bonds issuance		(1,294)	−
Interest paid		(26,202)	(11,785)
Dividend paid to the Group's owner	7	(4,927)	−
Contributions from the shareholders	7	3,068	−
Distribution to the parent	7	−	(11,555)
Contributions under share−based payment plan		(897)	(1,768)
Net cash from financing activities		**10,346**	**23,533**
Effect of foreign exchange rate changes on cash and cash equivalents		(520)	215
Net change in cash and cash equivalents		**10,096**	**18,488**
Cash and cash equivalents at the beginning of the period		46,806	14,358
Cash and cash equivalents at the end of the period		**56,902**	**32,846**

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 ("the Company") 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 electric power 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 as defined by IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance.* The Group recognized income from government grant of GEL 6,633 for the six months ended 30 June 2020. In determination of the amount of revenue from water supply for the six months ended 30 June 2020 under IFRS 15 *Revenue from contracts with customers* requirements, the management determined it was highly probable that the amount of revenue cumulatively recognized by 30 June 2020 will not be subject to a material reversal in the future.

During the April−June 2020, the government paid GEL 6,633 to the Group as a compensation to the price concessions provided by the Group to certain of its customers for March−May 2020 water supply services and the Group does not have any receivables from the Government as at 30 June 2020.

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. The terminal value of the electric power generation and sales segment assets will not be significantly affected by the current economic downturn. 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 be less than their carrying value as at 30 June 2020.

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 30 June 2020 and concluded that no impairment indicators existed. The key consideration and assumption of the management in making that assessment was that 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.

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.

(Amounts expressed in thousands of Georgian Lari)

2. Operating environment (continued)

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, as at 30 June 2020, was already incorporated into the Group's ECL models. But, in addition, the management considered to account for post−model overlays and reflected correction adjustment in the ECL estimates as at 30 June 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 117 ECL charge in profit and loss for the six months ended 30 June 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 30 June 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 and determined that the real estate prices as at 30 June 2020 decreased to a moderate extend 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 relatively stable in the six months ended 30 June 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 30 June 2020 continue to remain within those ranges and, thus, no further revaluation is required to be recognized in these interim condensed combined financial statements.

3. Basis of preparation

These interim condensed combined financial statements for the six months ended 30 June 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 annual combined financial statements of Georgian Global Utilities JSC as at and for the year ended 31 December 2019, signed and authorized for release on 15 May 2020.

Basis of consolidation used in preparation of these interim condensed combined financial statements is consistent with that used and disclosed in the Georgian Global Utilities JSC's annual combined financial statements as at and for the year ended 31 December 2019.

The interim condensed 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 interim condensed combined financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

(Amounts expressed in thousands of Georgian Lari)

3. Basis of preparation (continued)

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 Georgian Global Utilities JSC'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*.

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 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)

4. Segment information (continued)

The following table present financial results information of the Group's operating segments for the six months ended 30 June 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		–	50,682	–	**50,682**
Revenue from electric power sales		20,400	–	(1,862)	**18,538**
Income from government grant		–	6,633	–	**6,633**
Business interruption reimbursement gain		2,620	–	–	**2,620**
Other revenue		–	628	–	**628**
Total revenue, income and gains	1	**23,020**	**57,943**	**(1,862)**	**79,101**
Electricity and transmission costs	2	(866)	(10,388)	1,862	**(9,392)**
Salaries and other employee benefits		(1,415)	(8,236)	–	**(9,651)**
Allowance for expected credit losses		–	(2,891)	–	**(2,891)**
Taxes other than income tax		(1,344)	(2,840)	–	**(4,184)**
General and administrative expenses		(229)	(1,690)	–	**(1,919)**
Professional fees		(308)	(913)	–	**(1,221)**
Raw materials, fuel and other consumables		(70)	(1,472)	–	**(1,542)**
Maintenance expenditure		(553)	(605)	–	**(1,158)**
Charge for provisions and legal claims related expenses		–	(198)	–	**(198)**
Other operating expenses		(1,591)	(1,893)	–	**(3,484)**
Other income		5	472	–	**477**
EBITDA		**16,649**	**27,289**	**–**	**43,938**
Finance income	3	189	1,048	–	**1,237**
Finance costs	3	(13,544)	(14,438)	–	**(27,982)**
Net foreign exchange loss		(798)	(10,047)	–	**(10,845)**
Depreciation and amortisation		(7,466)	(16,309)	–	**(23,775)**
Non−recurring expenses		–	(489)	–	**(489)**
Loss before income tax expense		**(4,970)**	**(12,946)**	**–**	**(17,916)**
Income tax expense		–	–	–	**–**
Loss for the period		**(4,970)**	**(12,946)**	**–**	**(17,916)**

(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 six months ended 30 June 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		–	64,955	–	**64,955**
Revenue from electric power sales		12,525	–	(1,870)	**10,655**
Other revenue		–	561	–	**561**
Total revenue	1	**12,525**	**65,516**	**(1,870)**	**76,171**
Electricity and transmission costs	1	(67)	(10,203)	1,870	**(8,400)**
Salaries and other employee benefits	2	(1,085)	(8,916)	–	**(10,001)**
Allowance for expected credit losses		–	(4,508)	–	**(4,508)**
Taxes other than income tax		(367)	(2,577)	–	**(2,944)**
General and administrative expenses		(149)	(1,657)	–	**(1,806)**
Professional fees		(89)	(1,332)	–	**(1,421)**
Raw materials, fuel and other consumables		(30)	(1,357)	–	**(1,387)**
Maintenance expenditure		(4)	(1,004)	–	**(1,008)**
Reversal of provisions and legal claims related expenses		–	43	–	**43**
Other operating expenses		(515)	(2,848)	–	**(3,363)**
Other income		5	821	–	**826**
EBITDA		**10,224**	**31,978**	**–**	**42,202**
Finance income	3	7	533	–	**540**
Finance costs	3	(3,460)	(8,835)	–	**(12,295)**
Net foreign exchange gain/(loss)/		54	(9,038)	–	**(8,984)**
Depreciation and amortisation		(1,749)	(14,127)	–	**(15,876)**
Non−recurring expenses		(1,431)	(296)	–	**(1,727)**
Profit before income tax expense		**3,645**	**215**	**–**	**3,860**
Income tax expense		–	–	–	**–**
Profit for the period		**3,645**	**215**	**–**	**3,860**

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 six months ended 30 June 2020 and 2019, the Group consumed electric power internally generated by Zhinvali HPP. For the purpose of segment disclosure for six−month period ended 30 June 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.

(Amounts expressed in thousands of Georgian Lari)

5. Property, plant and equipment

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

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

The movements in property, plant and equipment during the six months ended 30 June 2019 were as follow:

	Land plots	*Real estate*	*Water Infrastruc-ture assets*	*Energy Infrastruc-ture 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	–	–	6,714	494	16	41	92,565	**99,830**
Disposals	–	–	(270)	(19)	(708)	–	–	**(997)**
Transfers	1,350	4,504	15,173	165,181	1,384	113	(187,705)	**–**
30 June 2019 (unaudited, not reviewed)	**5,522**	**36,120**	**551,004**	**204,917**	**28,229**	**7,681**	**63,902**	**897,375**
Accumulated depreciation and impairment								
31 December 2018	**417**	**9,191**	**193,883**	**12,025**	**9,902**	**3,867**	**1,724**	**231,009**
Depreciation charge	–	353	11,903	1,584	1,232	398	–	**15,470**
Disposals	–	–	(244)	(18)	(358)	–	–	**(620)**
Transfers	–	–	–	589	–	–	(589)	**–**
30 June 2019 (unaudited, not reviewed)	**417**	**9,544**	**205,542**	**14,180**	**10,776**	**4,265**	**1,135**	**245,859**
Net book value								
31 December 2018	**3,755**	**22,425**	**335,504**	**27,236**	**17,635**	**3,660**	**157,318**	**567,533**
30 June 2019 (unaudited, not reviewed)	**5,105**	**26,576**	**345,462**	**190,737**	**17,453**	**3,416**	**62,767**	**651,516**

The Group has pledged property, plant and equipment as collateral for its borrowings with carrying amount of GEL 342,305 as at 30 June 2020 (31 December 2019: GEL 319,936).

(Amounts expressed in thousands of Georgian Lari)

6. Trade and other receivables

	30 June 2020 (unaudited)	*31 December 2019*
Non−current		
Trade receivables for water supply services from general population	138	263
	138	**263**
Less allowance for expected credit losses	(41)	(54)
Total restructured trade receivables, net	**97**	**209**
Current		
Trade receivables for water supply services from general population	21,162	20,697
Trade receivables for water supply services from legal entities	17,343	17,110
Trade receivables for installation of water meters	82	86
Trade receivables for connection service	3,340	3,000
Trade receivables for electric power sales	4,118	5,546
	46,045	**46,439**
Less allowance for expected credit losses	(26,731)	(24,200)
Total current trade receivables, net	**19,314**	**22,239**
Other receivables	2,756	3,259
Less allowance for expected credit losses	(1,315)	(1,074)
Total other receivables, net	**1,441**	**2,185**
Total current trade and other receivables, net	**20,755**	**24,424**

As at 30 June 2020, the Group recognised GEL 2,756 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	(112)	4,620	**4,508**
Bad debts written off	−	(130)	**(130)**
30 June 2019 (unaudited, not reviewed)	**92**	**23,575**	**23,667**
31 December 2019	**54**	**25,274**	**25,328**
Allowance/(reversal) for expected credit losses	(13)	2,904	**2,891**
Bad debts written off	−	(132)	**(132)**
30 June 2020 (unaudited)	**41**	**28,046**	**28,087**

(Amounts expressed in thousands of Georgian Lari)

7. Equity

Share capital

As at 30 June 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 22,702.

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

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

In March 2019, Svaneti Hydro JSC decreased its share capital by distributing GEL 11,555 to the shareholders.

8. Borrowings

	30 June 2020 (unaudited)		*31 December 2019*	
	Current liabilities	***Non−current liabilities***	***Current liabilities***	***Non−current liabilities***
Loans from international financial institutions	26,831	281,555	25,917	234,476
Loans from Georgian financial institutions	24,792	318,650	18,119	308,552
Debt securities issued	247	30,257	256	30,355
Loans from the Parent and entities under common control	41,349	−	145	35,546
Total borrowings	**93,219**	**630,462**	**44,437**	**608,929**

As at 30 June 2020, borrowings comprise of GEL denominated loans of GEL 201,605 (31 December 2019: GEL 204,409), USD denominated loans of GEL 291,454 (31 December 2019: GEL 272,333) and EUR denominated loans of GEL 200,118 (31 December 2019: GEL 146,013).

As at 30 June 2019, the Group has GEL denominated debt securities issued of GEL 30,504 (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 30 June 2020, the Group has GEL 14,181 of undrawn borrowing facilities (31 December 2019: GEL 58,559).

As at 30 June 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 30 June 2020.

During the six months ended 30 June 2020, the Group incurred borrowings costs of GEL 28,458 (six months ended 30 June 2019: GEL 15,825) of which GEL 476 has been capitalized to property, plant and equipment (six months ended 30 June 2019: GEL 3,530).

(Amounts expressed in thousands of Georgian Lari)

9. Trade and other payables

	30 June 2020 (unaudited)	*31 December 2019*
Trade payables	6,685	5,393
Payables for non−current assets	3,164	4,223
Payables to employees	2,836	3,742
Other payables	272	243
Total trade and other payables	**12,957**	**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 six months ended 30 June 2020 (unaudited)	*For the six months ended 30 June 2019 (unaudited, not reviewed)*
Revenue from water supply to legal entities	35,537	43,336
Revenue from water supply to general population	12,696	19,507
Total revenue from water supply before charges for related services	**48,233**	**62,843**
Charges for connection service	1,957	1,610
Charges for installation of water meters	492	502
Total revenue from water supply and related services	**50,682**	**64,955**

Revenue from water supply to general population was not recognized for majority of the general population customers for the period March – May 2020 and that was compensated by income from government grant of GEL 6,633 (Note 2).

11. Revenue from electric power sales

	For the six months ended 30 June 2020 (unaudited)	*For the six months ended 30 June 2019 (unaudited, not reviewed)*
Revenue from electric power sales to government−related entities	12,440	790
Revenue from electric power sales to legal entities	6,098	9,865
Total revenue from electric power sales	**18,538**	**10,655**

12. Commitments and contingencies

Commitments

As at 30 June 2020, the letters of credit of GEL 145 (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 41,979 (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 six months ended 30 June 2020, the Group received GEL 9,673 attributable to business interruption and property damage in cash settlement. Remaining changes in reimbursement asset during the six months ended 30 June 2020 are mostly attributable to foreign currency translation of GEL 2,575 and gain from actualization of the reimbursement amount GEL 2,620. The management continues to assess the reimbursement as virtually certain as at 30 June 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 30 June 2020 and 2019 are as follows:

	30 June 2020 (unaudited)		***31 December 2019***	
	Parent company	***Entities under common control***	***Parent company***	***Entities under common control***
Assets:				
Trade and other receivables	−	1,256	−	1,822
Prepayments[1]	−	128	2,474	420
Reimbursement asset	−	41,979	−	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	2,048	1,438	65,126	−
Repayment of borrowing including interest during the period / year	−	−	(29,595)	−
Borrowings as at 30 June (unaudited) / 31 December	**37,579**	**1,438**	**35,531**	**−**
Liabilities:				
Advances received	−	−	−	106
Trade and other payables	−	1,562	−	216
Derivative financial liabilities	913	−	1,919	−

[1] Prepayments towards the Parent as at 31 December 2019 represents advances made in compensation of settlement of share−based payment awards. Advances were settled through acquisition of shares and recognized in the Group's interim combined statement of changes in equity for the six months ended 30 June 2020.

The Group received cash settlement of the reimbursement asset due from insurance company under common control in amount of GEL 9,673 during the six months ended 30 June 2020.

	Entities under common control	
	For the six months ended 30 June 2020 (unaudited)	***For the six months ended 30 June 2019 (unaudited, not reviewed)***
Income and expenses		
Revenue from water supply	698	898
Other revenue	36	−
Business interruption reimbursement gain	2,620	−
Other income	−	586
Income from insurance	−	398
Finance costs	(1,883)	−
Insurance expenses	(907)	(646)
Non−recurring expenses[1]	(413)	−
Other operating expenses	(64)	(5)

[1]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.

(Amounts expressed in thousands of Georgian Lari)

13. Related parties disclosures (continued)

Directors' compensation

On 1 April 2020, the Group modified terms of certain share−based awards to its management settled in shares GCAP. At the date of modification, the Group assumed from its parent the liability to settle the awards in amount of GEL 766 resulting from change of classification of those awards from equity−settled to cash−settled. At the modification date, the Group also recognized GEL 864 of shares issued by GCAP held in the employee benefit trust for the purpose of satisfaction of those awards as financial assets measured through fair value through profit or loss, with the difference between modification date carrying values of the assets recognized and share−based payments liability assumed of GEL 98 recognized in the interim combined statement of changes in equity.

As at 30 June 2020, the Group recognized in respect of the modified awards GEL 904 financial assets at fair value through profit or loss (Level 1 of fair value hierarchy) and cash−settled share−based payment liability of GEL 932 presented in other current and non−current assets and other current and non−current liabilities, respectively, in the interim combined statement of financial position. The Group recognized share−based charge of GEL 276 in respect of the modified awards subsequent to the modification date as salaries and other employee benefits in the interim combined statement of profit and loss and other comprehensive income for the six months ended 30 June 2020 and GEL 415 as cost capitalized to property, plant and equipment in the interim combined statement of financial position as at 30 June 2020.

The Group recognized share−based charge of GEL 552 as salaries and other employee benefits in the interim combined statement of profit and loss and other comprehensive income for the six months ended 30 June 2020, out of which GEL 276 is attributable to the awards before the modification date and GEL 276 to the modified awards subsequent to the modification date, GEL 830 as cost capitalized to property, plant and equipment in the interim combined statement of financial position as at 30 June 2020, out of which GEL 415 is attributable to the awards before the modification date and GEL 415 to the modified awards subsequent to the modification date and GEL 145 as additional paid in capital in in the interim combined statement of changes in equity.

Total compensation to key management for the six months ended 30 June 2020 and 2019 was as follows:

	For the six months ended 30 June 2020 (unaudited)	*For the six months ended 30 June 2019 (unaudited, not reviewed)*
Employee share−based compensation	1,382	1,344
Salaries and benefits	790	724
Bonuses	−	815
Termination payments towards executive management personnel	−	2,862
Total management compensation	**2,172**	**5,745**

14. Fair value measurement

Assets and liabilities measured at fair value in the interim combined statement of financial position as at 30 June 2020 include derivative financial liabilities with fair value of GEL 913 (Level 2 of fair value hierarchy) (31 December 2019: 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 six months ended 30 June 2020 is mostly attributable to change in EUR/GEL exchange rate. EUR/GEL and USD/GEL exchange rates as at 30 June 2020 were 3.4466 and 3.0552, respectively (31 December 2019: 3.2095 and 2.8677, respectively).

There were no transfers between levels during the six months ended 30 June 2020 and 2019. There were no changes in valuation techniques for Level 2 and 3 recurring fair value measurements during the six months ended 30 June 2020 and 2019. Information about significant judgments and assumptions involved in valuation of investment property as at 30 June 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.

(Amounts expressed in thousands of Georgian Lari)

15. Events after the reporting period

In July 2020, Georgia Capital JSC contributed to the Group its 100% interests in Georgia Wind Company LLC (parent company of Qartli Wind Farm LLC), Georgia Energy Holding LLC (parent company of Hydrolea LLC), Georgian Energy Trading Company LLC and Svaneti Hydro JSC, in exchange for corresponding increase in the Company's share capital by GEL 104,663. As a result of such contribution, the Company became 100% shareholder of the contributed companies.

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

On 23 July 2020, the Company successfully priced an inaugural US$ 250 million green bonds. The Regulation S/Rule 144A senior unsecured US$−denominated 7.75% green notes, with a 5−year non−call 2−year bullet maturity ("the Notes"), were settled on 30 July 2020. The Notes were issued and sold at par value. The Notes are listed on the Global Exchange Market of the Irish Stock Exchange and rated B+ (stable) by Fitch and B (positive) by S&P. The proceeds of the Notes will be used to refinance all existing loan arrangements of the Group and to finance capital expenditures in the water supply and wastewater collection services. As at 28 September 2020, all borrowings recognized in the combined statement of financial position at 30 June 2020 have been refinanced.

In July, August and September 2020, the Group received GEL 12,043 in settlement of reimbursement asset related to business interruption and property damages (Note 12).

On September 28, 2020 the Group declared dividend of GEL 5,000 which will be paid in USD not later than September 30, 2020 according to USD/GEL exchange rate.