

**UNITED AIRPORTS OF GEORGIA LLC**

**Financial Statements, Management Report and  
Independent Auditor's Report**

**31 December 2020**

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### OTHER INFORMATION - Management Report - Overview of the Company's Activities 2020



## Independent Auditor's Report

To the Owner and Management of United Airports of Georgia LLC

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### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Airports of Georgia LLC (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Other information

Management is responsible for the other information. The other information comprises the Management Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the information given in the Management Report complies with the requirements of paragraph 6 of article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

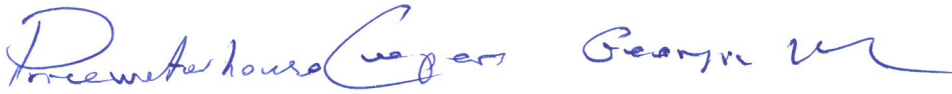
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

  
Lasha Janelidze (Reg.#SARAS-A-562091)

15 September 2021  
Tbilisi, Georgia

**UNITED AIRPORTS OF GEORGIA LLC**  
**Statement of Financial Position**

<i>In thousands of Georgian Lari</i>	<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	79,047	79,181
Tbilisi Airport assets transferred to the Operator	8	202,261	211,083
Batumi Airport assets transferred to the Operator	9	76,477	76,618
Other investment properties		434	446
Intangible assets		255	79
Other non-current assets	10	4,848	6,567
<b>Total non-current assets</b>		<b>363,322</b>	<b>373,974</b>
<b>Current assets</b>			
Inventories		1,194	1,099
Trade and other receivables	11	9,045	7,901
Prepayments		453	991
Prepaid and recoverable taxes		345	678
Cash and cash equivalents	12	28,138	59,596
<b>Total current assets</b>		<b>39,175</b>	<b>70,265</b>
<b>TOTAL ASSETS</b>		<b>402,497</b>	<b>444,239</b>
<b>EQUITY</b>			
Charter and paid capital		394,724	394,354
Accumulated deficit		(135,165)	(98,449)
<b>TOTAL EQUITY</b>		<b>259,559</b>	<b>295,905</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current payables		97	147
Deferred revenue	13	104,751	122,028
Other liabilities	16	2,556	14,000
<b>Total non-current liabilities</b>		<b>107,404</b>	<b>136,175</b>
<b>Current liabilities</b>			
Trade and other payables	15	4,534	10,474
Contract liabilities	14	1,556	1,685
Other current liabilities	16	29,444	-
<b>Total current liabilities</b>		<b>35,534</b>	<b>12,159</b>
<b>TOTAL LIABILITIES</b>		<b>142,938</b>	<b>148,334</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>402,497</b>	<b>444,239</b>

Approved for issue and signed on behalf of Management on 15 September 2021 by:


\_\_\_\_\_  
Tamara Archuadze  
Director

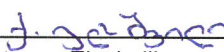
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Ketevan Eloshvili  
Finance Manager

**UNITED AIRPORTS OF GEORGIA LLC**  
**Statement of Financial Position**

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Approved for issue and signed on behalf of Management on 15 September 2021 by:

  
 Tamara Archuadze  
 Director

  
 Ketevan Elosvili  
 Finance Manager

The accompanying notes on pages 5 to 36 are integral part of these financial statements

**UNITED AIRPORTS OF GEORGIA LLC**  
**Statement of Profit and Loss and Comprehensive Income**

<i>In thousands of Georgian Lari</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Revenue	17	35,228	67,997
Other income	1	484	644
Impairment of non-current assets	7,10	(35,235)	(17,790)
Route marketing and development expenses	9	(4,993)	(15,004)
Depreciation and amortisation		(11,029)	(11,270)
Security expenses		(10,863)	(9,588)
Salaries and benefits		(7,147)	(7,541)
(Impairment)/recovery of bad debts	10, 11	(543)	108
Other operating expenses	20	(7,422)	(9,284)
<b>Operating loss</b>		<b>(41,520)</b>	<b>(1,728)</b>
Finance income		2,587	2,933
Net foreign exchange gain, net		2,217	867
<b>(Loss)/profit before income tax</b>		<b>(36,716)</b>	<b>2,072</b>
Income tax expense		-	-
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(36,716)</b>	<b>2,072</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(36,716)</b>	<b>2,072</b>

**UNITED AIRPORTS OF GEORGIA LLC**  
**Statement of Changes in Equity**

<i>In thousands of Georgian Lari</i>	<b>Charter capital</b>	<b>Accumulated deficit</b>	<b>Total equity</b>
<b>Adjusted at 1 January 2019</b>	<b>394,660</b>	<b>(100,521)</b>	<b>294,139</b>
Capital contributions	67	-	67
Withdrawals from the capital	(373)	-	(373)
Profit for the year	-	2,072	2,072
Total comprehensive income for the year	-	2,072	2,072
<b>Balance at 31 December 2019</b>	<b>394,354</b>	<b>(98,449)</b>	<b>295,905</b>
Capital contributions	420	-	420
Withdrawals from the capital	(50)	-	(50)
Loss for the year	-	(36,716)	(36,716)
Total comprehensive loss for the year	-	(36,716)	(28,937)
<b>Balance at 31 December 2020</b>	<b>394,724</b>	<b>(135,165)</b>	<b>259,559</b>

**UNITED AIRPORTS OF GEORGIA LLC**  
**Statement of Cash Flows**

<i>In thousands of Georgian Lari</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax		(36,716)	2,072
Adjustments for:			
Depreciation and amortisation		11,029	11,270
Impairment of non-current assets	7,10	35,235	17,790
(Recovery)/impairment loss recognised on trade receivables and other non-current receivables	10,11	543	(108)
Amortisation of deferred revenue	3	(17,277)	(17,277)
(Gain)/loss from disposal of property, plant and equipment		(36)	86
Finance income		(2,587)	(2,933)
Gain from foreign currency revaluation, net		(2,217)	(867)
<b>Operating cash flows before working capital changes</b>		<b>(12,026)</b>	<b>10,033</b>
<b>Changes in working capital</b>			
Increase in trade and other receivables		(3,229)	(8,001)
(Increase)/decrease in inventories		(95)	92
Decrease in prepayments		538	339
Decrease in prepaid and recoverable taxes		333	1,525
(Decrease)/increase in trade and other payables		(5,807)	4,218
Decrease in advances received		(308)	(528)
<b>Cash (outflows)/generated from operations</b>		<b>(20,594)</b>	<b>7,678</b>
Interest income received		2,587	2,933
<b>Net cash (used in)/from operating activities</b>		<b>(18,007)</b>	<b>10,611</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(31,913)	(20,397)
Proceeds from disposal of property, plant and equipment		17	-
Purchase of intangible assets		(200)	-
<b>Net cash used in investing activities</b>		<b>(32,096)</b>	<b>(20,397)</b>
<b>Cash flows from financing activities</b>			
Financing from Municipal Development Fund	16	16,000	14,000
<b>Net cash from financing activities</b>		<b>16,000</b>	<b>14,000</b>
Effect of exchange rate changes on cash and cash equivalents		2,645	775
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(31,458)</b>	<b>4,989</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12	<b>59,596</b>	<b>54,607</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>28,138</b>	<b>59,596</b>

The accompanying notes on pages 5 to 36 are integral part of these financial statements

## **1. United Airports of Georgia LLC and its Operations**

United Airports of Georgia LLC (the “Company” or “UAG”) was incorporated on 1 November 2010. On 19 April 2011, the Company merged with Tbilisi International Airport JSC and became its legal successor in respect with all existing contractual relationships. The Company is a limited liability company, set up in accordance with Georgian regulations, domiciled in Georgia and is registered by Tbilisi Tax Inspection with identification number: 404389693.

The Company’s immediate and ultimate controlling party is the Government of Georgia (the “Owner”) represented by the Ministry of Economy and Sustainable Development of Georgia (the “MoESD”).

**Principal activity.** The Company is engaged in development, operation and supervision of civil airports in Georgia. The Company is owner of international airports in Tbilisi, Batumi and Kutaisi; and domestic airports in Mestia and Ambrolauri. Kutaisi, Mestia and Ambrolauri airports are operated by the Company, while Tbilisi and Batumi airports are operated under concession and leasing agreements, respectively.

On 6 September 2005 Tbilisi International Airport JSC concluded “Build, Operate and Transfer Agreement for Tbilisi International Airport terminal building and the related infrastructure” (the “Original BOT Agreement”) with TAV Urban Georgia LLC (the “TAV”, “Operator”) to transfer the land of the Tbilisi Airport with all buildings, equipment and vehicles, machinery and inventory with the right to use. Under the Original BOT Agreement (further amended in 2006 and 2010) TAV undertook to build a new airport terminal and related infrastructure and maintain in a good operational condition, in exchange of the right to operate Tbilisi International Airport during the concession period, which was for a total period of 10.5 years from the date of operations commencing from the new terminal. Operations were commenced on 7 February 2007 at the new terminal.

On 4 August 2006 under the amendment made in the Original BOT agreement, TAV agreed to spend minimum USD 28.5 million in Batumi airport in exchange of extension of concession period by 9.5 year at Tbilisi airport.

On 25 May 2015 the Owner contributed the land and buildings of Batumi airport in the capital of the Company. On 28 May 2015 UAG concluded lease agreement with Batumi Airport LLC, 100% owned by Government of Georgia and managed by TAV Batumi Operations LLC, for transfer and operation of Batumi international airport until 10 August 2027.

On 28 May 2015 TAV and UAG signed the amended and restated “Build Operate and Transfer Agreement relating to Tbilisi International Airport” (the “Restated BOT Agreement”), whereby TAV undertook to construct the additional arrival terminal and related infrastructure. The concession period was defined up to 21 January 2027. In July 2017 the additional arrival terminal was put in operation.

According to the above-described agreements, the Company receives the project fees from Tbilisi and Batumi airports’ operators, which represent the share of landing and ground handling fees charged by the operators to their customers. Additionally, the Company generates the security service revenue from airlines for aircrafts and passengers’ security services provided in respective airports.

Kutaisi airport is international airport, which is focused to develop cheap international flights in order to attract low budget airlines and increase the competition, popularise Georgian macroeconomic, political and business environment and as a result encourage low prices for tickets in order to increase passenger flow and to support tourism development in Georgia.

In order to maintain regular flights to Batumi, Mestia and Ambrolauri airports, the Company gets financial assistance from the Government of Georgia, to subsidise the part of costs incurred to arrange such flights.

**Registered address and place of business.** The Company’s registered address is Airport Settlement, Isani-Samgori district 0109, Tbilisi, Georgia. The Company’s principal place of business is Tbilisi, Kutaisi, Batumi, Mestia and Ambrolauri airports in Georgia.

**Presentation currency.** These financial statements are presented in thousands of Georgian Lari (GEL).

## **2. Operating Environment of the Company**

The Company's principal business activities are within Georgia. Georgia displays certain characteristics of an emerging market, including relatively high interest rates. Georgian tax legislation is subject to varying interpretations and frequent changes.

The future economic direction of Georgia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

On 12 March 2020, the World Health Organization officially declared the Covid-19 pandemic. In order to limit the impact of the pandemic, the Georgian government took appropriate measures and imposed restrictions such as quarantine, curfew, international flight restrictions and other business restrictions. There were also other international restrictions imposed by the different countries, which negatively impacted the number of passengers, as well as the frequency of the flights. These measures have had a negative impact on the economy and local businesses, including the Company's operations. The Company's management has taken appropriate steps to minimize the impact of the pandemic on the Company's operations. In more detail, the Company reviewed periodically its own budget and cut operating costs where possible, ceased capital expenditures except renovation of Kutaisi International Airport, which is mostly financed by interest free loan from Municipal Development Fund of Georgia. During 2020, the Company had accumulated sufficient cash to maintain operations in 2020 without any liquidity issues. The Company's management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

## **3. Significant Accounting Policies**

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Going concern.** Management prepared these financial statements on a going concern basis. Refer to Note 4 for more details.

The principal accounting policies applied in the preparation of these financial statements are set out below:

**Foreign currency translation.** Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency is the national currency of Georgia, Georgian Lari ("Lari", "GEL").

**Transactions and balances.** Monetary assets and liabilities are translated into entity's functional currency at the official exchange rate of the National Bank of the Georgia ("NBG") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into entity's functional currency at year-end official exchange rates of the NBG are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

As at 31 December 2020, the official rate of exchange, as determined by the National Bank of Georgia, was US Dollar ("USD") 1 = GEL 3.2766 and Euro ("EUR") 1 = GEL 4.0233 (31 December 2019: USD 1 = 2.8677 and EUR 1 = GEL 3.2095). At present, the Georgian Lari is not a freely convertible currency outside of Georgia.

### **3 Significant Accounting Policies (Continued)**

**Property, plant and equipment.** Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

**Service concession assets and deferred revenue.** The Company recognises an asset and/or an upgrade to the existing assets provided by the Operator as a service concession asset if:

- a) The Company controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- b) The Company controls – through ownership, beneficial entitlement or otherwise – any significant residential interest in the asset at the end of the term of the arrangement.

The Company initially measures such service concession asset at its fair value. Where an existing asset of the Company meets the conditions specified in (a) and (b) above, the Company reclassifies the existing asset as a service concession asset, but continues to measure it at its carrying amounts. After initial recognition or reclassification, service concession assets are accounted for as a separate class of assets in accordance with IAS 16 at cost, less accumulated depreciation and impairment.

Where the Company recognises a service concession asset, it also recognises a liability and measures it initially at the same amount as service concession asset. The Company does not recognise a liability when an existing asset of the Company is reclassified as a service concession asset. Where the Company does not have an unconditional obligation to pay cash or another financial asset to the Operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the Operator the right to earn revenue from third-party users, the Company accounts for this liability as the unearned portion of the revenue arising from the exchange of assets between the Company and the Operator. The liability is presented within "Deferred revenue" line for the purposes of the financial statements.

The Company recognises revenue and reduces the liability according to the economic substance of the service concession arrangement, being that the Company earns to the benefit associated with the assets received in the service concession arrangement in exchange for the right granted to the Operator over the period of the arrangement. Revenue is recognised and the liability is reduced on a straight-line bases as access to the service concession asset is provided to the Operator over the term of the service concession arrangement.

Refer to Note 4 for significant judgement regarding application of IPSAS 32 "Service concession arrangements: Grantor" for grantor accounting treatment of concession arrangements.

**Depreciation.** Land and construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

• Buildings	10 to 50 years
• Plant and equipment	5 to 20 years
• Vehicles	8 to 10 years
• Other	5 to 10 years

### **3 Significant Accounting Policies (Continued)**

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**Intangible assets.** The Company's intangible assets have definite useful lives and primarily include capitalised computer software and licences.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee benefits expense of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives. Useful lives for the Company's software and licences ranges from 5 years to 25 years.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

**Investment property.** Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. Investment property include Batumi Airport assets transferred to the Operator and other assets under construction for future use as investment property.

Investment properties are stated at cost, less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Company estimates the recoverable amount as the higher of value in use and fair value less costs of disposal. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment.

**Impairment of non-financial assets.** Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**Financial instruments – key measurement terms.** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

### **3 Significant Accounting Policies (Continued)**

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost ("AC")* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

**Financial instruments – initial recognition.** Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the Company becomes a party to the contractual provisions of the instrument.

**Financial assets – classification and subsequent measurement – measurement categories.** The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

### **3 Significant Accounting Policies (Continued)**

**Financial assets – classification and subsequent measurement – business model.** The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

**Financial assets – classification and subsequent measurement – cash flow characteristics.** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

**Financial assets – reclassification.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

**Financial assets impairment – credit loss allowance for ECL.** The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables, loans issued and contract assets are presented in the statement of financial position net of the allowance for ECL.

The Company applies simplified approach for impairment of trade and lease receivable. For other financial assets the Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition.

**Financial assets – write-off.** Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Financial assets – derecognition.** The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

### **3 Significant Accounting Policies (Continued)**

**Financial assets – modification.** The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial liabilities – measurement categories.** Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

**Financial liabilities – derecognition.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

**Financial liabilities designated at FVTPL.** The Company may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

**Offsetting financial instruments.** Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

### **3 Significant Accounting Policies (Continued)**

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

**Trade and other receivables.** Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

**Trade and other payables.** Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

**Borrowings.** Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

**Capitalisation of borrowing costs.** General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

**Financial guarantees.** Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

**Operating lease income.** Where the Company is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as income on a straight-line basis. Modification of a lease is accounted for by the lessor as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

**Income taxes.** Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

On 13 May 2016 the Government of Georgia enacted the changes in the Tax Code of Georgia whereby companies (other than banks, credit unions, insurance companies, microfinance organizations and pawn shops) do not have to pay income tax on their profit earned since 1 January 2017, until that profit is distributed or deemed distributed in a form of dividend.

### **3 Significant Accounting Policies (Continued)**

15 % income tax is payable on gross up value (i.e. net dividends shall be grossed up by withholding tax 5%, if applicable, and divided by 0.85) at the moment of the dividend payment to individuals or to non-resident legal entities. Dividends paid to resident legal entities from the profits earned since 1 January 2017 are tax exempted.

Dividends on earnings accumulated during the period from 1 January 2008 to 1 January 2017 is subject to income tax on grossed up value, reduced by respective tax credit calculated as a share of corporate income tax declared and paid on taxable profits vs total net profits for the same period multiplied to the dividend to be distributed. However, tax credit amount should not exceed the actual income tax imposed on dividend distribution.

Income tax arising from distribution of dividends is accounted for as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. As a result, the Company derecognised all deferred tax assets and liabilities as of 31 December 2016 and accounted the respective impact in the profit and loss in 2016. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position.

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under Taxes other than on income within operating expenses.

**Uncertain tax positions.** The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

**Value added tax.** Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

### **3 Significant Accounting Policies (Continued)**

**Charter capital.** The amount of Company's charter capital is defined by the Owner of the Company. The changes in the Company's Charter (including changes in charter capital, ownership, etc.) shall be made only based on the decision of the Company's owner. Non-cash contribution by the owner to the Company's charter capital is measured at fair value of underlying assets contributed. Difference between fair value and respective charter capital contribution defined by the owner's resolution is recorded directly in retained earnings/accumulated deficit account of the Company's equity.

**Dividends.** Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

**Asset retirement obligations.** Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. When there are changes in the measurement of an existing asset retirement obligation due to changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or from changes in the discount rate, the cost of the related asset is adjusted if the related asset is measured using the cost model or the revaluation surplus is adjusted if the asset is measured using the revaluation model.

**Revenue recognition.** Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes.

**Financing components.** The Company has contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the company adjusts transaction prices for the time value of money.

**Contract assets and liabilities.** If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

**Sales of services.** Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**Aviation revenues** includes revenues from various airport services, including the revenues from security services, parking area and other services. Revenues are recognised based on the daily reports obtained from ground staff and airline companies related to number of passengers, utilisation of runway (for landing and take-off), parking areas, apron and other services.

**Non-aviation revenues** include the project fees collected from the operators of Tbilisi and Batumi airports. Revenue from project fee comprise the share of landing and ground handling fees charged by the operators of Tbilisi and Batumi airports. Ground handling service revenues are recognised when services are provided based on monthly reports obtained from operators. Landing fees rates to be charged by the Operators are defined in BOT agreement and are recognised when services are provided based on monthly reports obtained from operators.

### **3 Significant Accounting Policies (Continued)**

Non-aviation revenue also includes revenues from counterparties with exclusive rights for passengers transportation, advertisements, petrol and other services accounted on accrual bases based on the rental period (month) and/or utilised areas in the airport. Compensations for issued rights are fixed or varies depending on the volume/quantity of services delivered.

*Revenue from issued concession rights* are recognised from the date when those right are available for use over the concession period to reflect the pattern of the economic benefit which are expected to be consumed by the Operator.

*Interest income.* Interest income is recognised on a time-proportion basis using the effective interest method.

**Government grants.** Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants (subsidies) relating to reimbursement of costs are netted with related costs in profit or loss.

Fair value gain at initial measurement of a government loan with a below-market rate of interest, is treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 *Financial Instruments*. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

**Employee benefits.** Wages, salaries, contributions to the state pension, paid annual leave and sick leave, bonuses, are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond.

**Changes in presentation.** During the year, the Company has changed its classification of Batumi and Tbilisi Airports assets transferred/leased to the Operators within the statement of financial position. The Company believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2019:

<i>In thousands of Georgian Lari</i>	<b>As originally presented</b>	<b>Reclassification</b>	<b>As reclassified at 31 December 2019</b>
Property, plant and equipment	366,882	(287,701)	79,181
Tbilisi Airport assets transferred to the Operator	-	211,083	211,083
Batumi Airport assets transferred to the Operator	-	76,618	76,618

The effect of reclassifications for presentation purposes was as follows on amounts at 1 January 2019:

<i>In thousands of Georgian Lari</i>	<b>As originally presented</b>	<b>Reclassification</b>	<b>As reclassified at 1 January 2019</b>
Property, plant and equipment	371,712	(297,041)	74,671
Tbilisi Airport assets transferred to the Operator	-	220,168	220,168
Batumi Airport assets transferred to the Operator	-	76,873	76,873

**Amendment of the financial statements after issue.** Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

#### **4. Critical Accounting Estimates and Judgements in Applying Accounting Policies**

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Going concern.** Management prepared these financial statements on a going concern basis. In making this judgement management considered the Company's nature, financial position, current intentions, profitability of operations and access to financial resources. The Company had a net loss of GEL36,716 thousand in 2020 (2019: net profit GEL 2,072 thousand). In 2020 the Company's operating cash outflows and EBITDA were GEL 18,007 thousand and GEL 4,744 thousand respectively (2019: inflows GEL 10,611 thousand and GEL 27,332 thousand). The Company's liquidity and accomplishment of large capital projects will depend on government support. Management believes that such support will be available enabling the Company to carry on its business without a significant curtailment of operations for the foreseeable future. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**Accounting treatment of service concession arrangements.** There is no direct IFRS guidance regarding the accounting of service concession assets by the Grantor. In the absence of the direct IFRS guidance regarding the accounting by the grantor, the Company decided to develop its accounting policy based on the guidance provided by IPSAS 32 "Service concession arrangements: Grantor", issued by International Public Sector Accounting Standards Board (IPSASB), which approach is consistent with that used for the operator's accounting in IFRIC 12 "Service Concession Arrangements" and does not contradict any of IFRS standards. According to IPSAS 32 guidance the Company recognised infrastructure assets on its balance sheet, together with a deferred revenue balance.

**Fair value estimation of property plant and equipment and assets transferred to the Operators.** Property, plant and equipment asset and/or an upgrade to the existing assets provided by the Operator as a service concession asset and capital contributions of land and buildings from the Owner are initially recognised at fair value has been determined by an independent appraiser. The market approach was used in cases when quoted market prices directly or indirectly were available for the assets. When the property, plant and equipment item is specialised in nature and is rarely sold on the open market, other than as part of a continuing business, the fair values of property, plant and equipment is primarily determined using a depreciated replacement cost bases of valuation, as the market for similar property, plant and equipment is not active in Georgia and does not provide evidence for using a market-based approach for determining their fair values. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence. In addition to the determination of the depreciated replacement cost, the income approach was applied to assess the reasonableness of those values. Depreciated replacement costs were adjusted to the values determined based of the income approach, when values determined based on the income approach were lower than depreciated replacement costs.

The carrying values and depreciation of property, plant and equipment are affected by the estimates and assumptions related to market values, replacement cost, depreciated replacement cost, estimated future net incomes, weighted average cost of capital, expected economic usage of the assets and etc. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment.

#### **4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)**

**Impairment of property plant and equipment.** The Company is the owner of international airports in Tbilisi, Batumi and Kutaisi and domestic airports in Mestia and Ambrolauri. Each airport is defined as individual cash generating unit. Kutaisi, Mestia and Ambrolauri airports are loss making airports, so on annual basis those airports assets, including CIP, are tested for impairments and assets' value are impaired to salvage value in cases there isn't secondary market for the respective property, plant and equipment items. Estimating recoverable amounts of assets is based on management's evaluations, including estimates of future performance of the airports, the revenue generating capacity of the assets and assumptions of the future market and salvage value of the assets.

Covid-19 negative impacts were considered to be the impairment indicators for the Company's PPEs for the year ended 31 December 2020. The independent appraiser was hired to perform the impairment assessment. The performed impairment test for Batumi, Mestia and Ambrolauri airports considered the alternative use of the land plots and the value of the land plots were determined based on Market approach, which did not reveal any impairment losses on these CGUs. The appraiser has used an income approach represented by the DCF method for determining the Value in Use ("VIU") of the Tbilisi airport CGU, based on which no impairment loss was revealed. Fair Value Less Cost to Sell ("FVLCTS") analysis was performed for the individual assets for Kutaisi CGU. Lands at Kutaisi CGU were valued via market approach. Airport terminal of Kutaisi airport was valued at DCF approach using the expected rental income, associated costs to finish the construction and a discount rate. Other assets at Kutaisi CGU were valued via market approach. As a result the impairment loss of GEL 35,235 was identified and recorded, mainly on Kutaisi airport CGU for the year ended 31 December 2020.

Were the estimated salvage value to differ by 10% from management's estimates, the impact on impairment for the year ended 31 December 2020 would be GEL 3,523 thousand (2019: GEL 1,779 thousand).

**Useful lives of property, plant and equipment.** The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

**Expected credit loss.** The Company creates expected credit loss to account for estimated losses resulting from the inability of customers to make the required payments or suppliers to deliver agreed products or service. When evaluating the adequacy of an expected credit loss, management bases its estimate on current overall economic conditions, ageing of the receivables and prepayments balances, historical write-off experience, customer and supplier creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer and supplier conditions may require adjustments to the expected credit loss recorded in the financial statements.

As at 31 December 2020 and 31 December 2019 expected credit losses for trade receivables amounted to GEL 2,300 and GEL 1,757 thousand, respectively.

## **5. Adoption of New or Revised Standards and Interpretations**

**COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.** The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. The Company did not have any material impact regarding this change.

Additionally, the following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

## **6. New Accounting Pronouncements**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company does not expect any impact of the new standard on its financial statements.

**IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Company does not expect any impact of the new standard on its financial statements.

## **6. New Accounting Pronouncements (Continued)**

**Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of the interpretation on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of the amendments on its financial statements.

**Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2019-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).** The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2019 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2019 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

## **6. New Accounting Pronouncements (Continued)**

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test. Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Company is currently assessing the impact of the interpretation on its financial statements.

***Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).*** The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Company is currently assessing the impact of the amendments on its financial statements.

## **6. New Accounting Pronouncements (Continued)**

**Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Company is currently assessing the impact of the amendments on its financial statements.

**Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Company is currently assessing the impact of the amendments on its financial statements.

**Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).** The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

**Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).** In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

## 7. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment operated by the Company for the year ended 31 December 2020 and 31 December 2019 were as follows:

<i>In thousands of Georgian Lari</i>	Land	Buildings	Plant and equipment	Vehicles	CIP and others*	Total
<b>Cost</b>						
<b>At 1 January 2019</b>	<b>54,658</b>	<b>9,695</b>	<b>9,365</b>	<b>8,483</b>	<b>49,887</b>	<b>132,088</b>
Additions	-	28	230	382	19,078	19,718
Disposals	(170)	(32)	-	(24)	-	(226)
<b>At 31 December 2019</b>	<b>54,488</b>	<b>9,691</b>	<b>9,595</b>	<b>8,841</b>	<b>68,965</b>	<b>151,580</b>
Additions	184	117	5,691	5	27,126	33,123
Transfers	-	3,591	272	-	(3,863)	-
Disposals	-	(15)	(792)	-	-	(807)
<b>At 31 December 2020</b>	<b>54,672</b>	<b>13,384</b>	<b>14,766</b>	<b>8,846</b>	<b>92,228</b>	<b>183,896</b>
<b>Depreciation and impairment</b>						
<b>At 1 January 2019</b>	<b>-</b>	<b>(2,221)</b>	<b>(6,538)</b>	<b>(3,583)</b>	<b>(45,075)</b>	<b>(57,417)</b>
Depreciation charge	-	(416)	(818)	(847)	-	(2,081)
Disposals	-	18	-	10	-	28
Impairment charge	-	(21)	(149)	-	(12,759)	(12,929)
<b>At 31 December 2019</b>	<b>-</b>	<b>(2,640)</b>	<b>(7,505)</b>	<b>(4,420)</b>	<b>(57,834)</b>	<b>(72,399)</b>
Depreciation charge	-	(317)	(725)	(884)	-	(1,926)
Disposals	-	2	790	-	-	792
Impairment charge	-	(1,669)	(3,145)	(380)	(26,122)	(31,316)
<b>At 31 December 2020</b>	<b>-</b>	<b>(4,624)</b>	<b>(10,585)</b>	<b>(5,684)</b>	<b>(83,956)</b>	<b>(104,849)</b>
<b>Carrying amount</b>						
<b>At 31 December 2019</b>	<b>54,488</b>	<b>7,051</b>	<b>2,090</b>	<b>4,421</b>	<b>11,131</b>	<b>79,181</b>
<b>At 31 December 2020</b>	<b>54,672</b>	<b>8,760</b>	<b>4,181</b>	<b>3,162</b>	<b>8,272</b>	<b>79,047</b>

CIP and others\* - Uninstalled equipment and construction in progress

GEL 2,000 thousand of interest expense was capitalized on Kutaisi terminal building in 2020.

Impairment losses were recognised as a result of the impairment test described in Note 4. The impairment charge recorded for the year ended 31 December 2020 and 31 December 2019 represents mainly the impairment of the Kutaisi airport assets, based on the impairment assessment performed by third party appraiser. For the assumptions and methods used for the impairment assessment refer to Note 4.

**8. Tbilisi Airport Assets Transferred to the Operator**

Movements in the carrying amount of service concession assets under the service concession arrangements for the year ended 31 December 2020 and 31 December 2019 were as follows:

<i>In thousands of Georgian Lari</i>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost</b>					
<b>At 1 January 2019</b>	<b>43,832</b>	<b>206,038</b>	<b>1,211</b>	<b>220</b>	<b>251,301</b>
Disposals	(195)	-	-	-	(195)
<b>At 31 December 2019</b>	<b>43,637</b>	<b>206,038</b>	<b>1,211</b>	<b>220</b>	<b>251,106</b>
Additions	-	-	-	-	-
<b>At 31 December 2020</b>	<b>43,637</b>	<b>206,038</b>	<b>1,211</b>	<b>220</b>	<b>251,106</b>
<b>Depreciation and impairment</b>					
<b>At 1 January 2019</b>	<b>-</b>	<b>(30,408)</b>	<b>(549)</b>	<b>(176)</b>	<b>(31,133)</b>
Depreciation charge	-	(8,731)	(149)	(10)	(8,890)
<b>At 31 December 2019</b>	<b>-</b>	<b>(39,139)</b>	<b>(698)</b>	<b>(186)</b>	<b>(40,023)</b>
Depreciation charge	-	(8,754)	(61)	(7)	(8,822)
<b>At 31 December 2020</b>	<b>-</b>	<b>(47,893)</b>	<b>(759)</b>	<b>(193)</b>	<b>(48,845)</b>
<b>Carrying amount</b>					
<b>At 31 December 2019</b>	<b>43,637</b>	<b>166,899</b>	<b>513</b>	<b>34</b>	<b>211,083</b>
<b>At 31 December 2020</b>	<b>43,637</b>	<b>158,145</b>	<b>452</b>	<b>27</b>	<b>202,261</b>

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**9. Batumi Airport Assets Transferred to the Operator**

Movements in the carrying amount of the assets transferred to the Operator under lease agreement for the year ended 31 December 2020 and 31 December 2019 were as follows:

<i>In thousands of Georgian Lari</i>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost</b>			
<b>At 1 January 2019</b>	<b>71,022</b>	<b>6,773</b>	<b>77,795</b>
Disposals	-	-	-
<b>At 31 December 2019</b>	<b>71,022</b>	<b>6,773</b>	<b>77,795</b>
Additions	120	-	120
Disposals	-	(25)	(25)
<b>At 31 December 2020</b>	<b>71,142</b>	<b>6,748</b>	<b>77,890</b>
<b>Depreciation and impairment</b>			
<b>At 1 January 2019</b>	<b>-</b>	<b>(922)</b>	<b>(922)</b>
Depreciation charge	-	(255)	(255)
<b>At 31 December 2019</b>	<b>-</b>	<b>(1,177)</b>	<b>(1,177)</b>
Depreciation charge	-	(245)	(245)
<b>At 31 December 2020</b>	<b>-</b>	<b>(1,413)</b>	<b>(1,413)</b>
<b>Carrying amount</b>			
At 31 December 2019	71,022	5,596	76,618
<b>At 31 December 2020</b>	<b>71,142</b>	<b>5,335</b>	<b>76,477</b>

Fair value of land plots of Batumi Airport as of 31 December 2020 was GEL 169,099 thousand.

Where the Company is the lessor, the future minimum lease payments receivable under operating leases of Batumi properties are as follows:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
1 year	821	836
2 year	806	821
3 year	793	807
4 year	780	793
5 year	768	780
Later than 5 years	1,052	1,820
<b>Total undiscontinued operating lease payments receivable at 31 December</b>	<b>5,020</b>	<b>5,857</b>

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**10. Other Non-Current Assets**

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade receivables from non-aviation services	3,786	5,370
Less: expected credit loss	(79)	(117)
<b>Non-current receivables, net</b>	<b>3,707</b>	<b>5,253</b>
Prepayments for PPE	5,060	6,175
Impairment of prepayments for PPE	(3,919)	(4,861)
<b>Total other non-current assets, net</b>	<b>4,848</b>	<b>6,567</b>

Non-current receivables as at 31 December 2020 and 31 December 2019 represent non-overdue balances and are allocated to the Stage 2. For the year 2020 expected credit loss was recovered GEL 38 thousand.

Impairment charge is related to the impairment of Kutaisi International Airport terminal and infrastructure construction costs.

Movements in prepayments for PPE are as follows:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
<b>Carrying value at 1 January</b>	<b>1,314</b>	<b>767</b>
Additions	4,748	6,175
Prepayments derecognised on receipt of related goods or services, or transferred to construction in progress	(1,002)	(767)
Impairment of prepayment	(3,919)	(4,861)
<b>Total prepayments for PPE at 31 December, net</b>	<b>1,141</b>	<b>1,314</b>

**11. Trade and Other Receivables**

At 31 December 2020 and 31 December 2019 trade and other receivables were as follows:

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade receivables	11,264	9,538
Less: expected credit loss/impairment loss provision for trade receivables	(2,221)	(1,640)
<b>Total financial assets within trade and other receivables</b>	<b>9,043</b>	<b>7,898</b>
Other receivables	2	3
<b>Total trade and other receivables</b>	<b>9,045</b>	<b>7,901</b>

**11. Trade and Other Receivables (Continued)**

Movements in the expected credit loss for current and non-current trade and other receivables are as follows:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
<b>Provision for impairment at 1 January</b>	<b>1,640</b>	<b>1,798</b>
Expected credit loss for trade receivables	581	36
Recovery of provision for impairment during the year	-	(194)
<b>Provision for impairment at 31 December</b>	<b>2,221</b>	<b>1,640</b>

Analysis by credit quality of current and non-current trade receivables is as follows:

<b>31 December 2020</b>							
<i>In thousands of Georgian Lari</i>	<b>Non-Overdue</b>	<b>1-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181-360</b>	<b>Over 360&lt; Days</b>	<b>Total</b>
Estimated total gross carrying amount at default	11,227	275	155	160	1,113	2,120	15,050
Lifetime ECL	(99)	(3)	(3)	(19)	(56)	(2,120)	(2,300)
<b>31 December 2019</b>							
<i>In thousands of Georgian Lari</i>	<b>Non-Overdue</b>	<b>1-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181-360</b>	<b>Over 360&lt; Days</b>	<b>Total</b>
Estimated total gross carrying amount at default	11,408	423	495	919	327	1,336	14,908
Lifetime ECL	(132)	(3)	(1)	(28)	(265)	(1,328)	(1,757)

The table below provides a credit risk rating grade disclosure:

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>		<b>Total</b>
	<b>Stage 2 Lifetime ECL - not credit-impaired</b>	<b>Stage 3 Lifetime ECL – credit-impaired</b>	
Non-overdue	99	-	99
0-30 past due	3	-	3
30-90 past due	3	-	3
90-180 past due	19	-	19
180-360 past due	56	-	56
360> past due	-	2,120	2,120
<b>Total</b>	<b>180</b>	<b>2,120</b>	<b>2,300</b>

# **11. Trade and Other Receivables (Continued)**

<i>In thousands of Georgian Lari</i>	31 December 2019		Total
	Stage 2 Lifetime ECL - not credit- impaired	Stage 3 Lifetime ECL – credit- impaired	
Non-overdue	132	-	132
0-30 past due	3	-	3
30-90 past due	1	-	1
90-180 past due	28	-	28
180-360 past due	9	256	265
360> past due	-	1,328	1,328
<b>Total</b>	<b>173</b>	<b>1,584</b>	<b>1,757</b>

# **12. Cash and Cash equivalents**

<i>In thousands of Georgian Lari</i>	31 December 2020	31 December 2019
Cash on hand	-	1
Bank current accounts and on-demand deposits	28,138	59,595
<b>Total cash and cash equivalents</b>	<b>28,138</b>	<b>59,596</b>

None of the balances with banks are past due. No loss allowance is recognised for balances with banks due to short-term nature. Bank balances include current accounts and on-demand deposits at banks in Georgia and are used for the purpose of the daily activities of the Company.

# **13. Deferred Revenue**

Revenue is recognised and the liability is reduced on a straight-line bases as access to the service concession asset is provided to the Operator over the term of the service concession arrangement.

<i>In thousands of Georgian Lari</i>	2020	2019
<b>Deferred revenue at 1 January</b>	<b>122,028</b>	<b>139,305</b>
Increase of deferred revenue	-	-
Amortisation of deferred revenue	(17,277)	(17,277)
<b>Deferred revenue at 31 December</b>	<b>104,751</b>	<b>122,028</b>

# **14. Liabilities Arising from Contracts with Customers**

The Company has recognised the following liabilities arising from contracts with customers:

<i>In thousands of Georgian Lari</i>	31 December 2020	31 December 2019
Contract liabilities - advances received from customers	1,556	1,685
<b>Total current contract liabilities</b>	<b>1,556</b>	<b>1,685</b>

#### **14. Liabilities Arising from Contracts with Customers (Continued)**

GEL 1,050 thousand of revenue was recognised in the current reporting period related to the contract liabilities as at 31 December 2020 (2019: GEL 2,035 thousand).

Management expects that 100% (GEL 1,556 thousand) of the transaction price allocated to the unsatisfied contracts as at 31 December 2020 will be recognised as revenue during the next reporting period.

#### **15. Trade and Other Payables**

Trade and other accounts payable as at 31 December 2020 and 31 December 2019 were as follows:

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade payables	3,715	8,287
Liabilities for purchased property, plant and equipment	422	1,685
<b>Total financial liabilities</b>	<b>4,137</b>	<b>9,972</b>
Received advances and customer deposits	396	502
Other	1	-
<b>Total trade and other payables</b>	<b>4,534</b>	<b>10,474</b>

#### **16. Other Liabilities**

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Financial liabilities - MDF	-	12,212
Differed income - MDF	2,556	1,788
<b>Total other non-current liabilities</b>	<b>2,556</b>	<b>14,000</b>

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Financial liabilities - MDF	29,444	-
<b>Total other current liabilities</b>	<b>29,444</b>	<b>-</b>

On 26 December 2019, based on #2477 decree of the Government of Georgia dated 28 November 2020 (the "Decree"), the Company received GEL 14 million out of total GEL 40 million financing committed by Municipal Development Fund of Georgia (MDF) for ongoing construction works of Kutaisi passenger terminal extension project. This is interest free funding repayable not later than February 2021. The Government of Georgia committed to inject GEL 40 million in the Company's charter capital such that the Company can pay back the received funds to MDF. During the year 2020 the Company received GEL 16 million from MDF. Fair value gain of GEL 2,556 thousand on this financing was treated as a government grant related to asset and was recognised as deferred income. In 2020 the Company capitalized interest expense in the amount of 2,000 thousand on respective qualified asset. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the actual borrowing cost on specific borrowings, in this case 12.00%-12.20%.

GEL 10,000 thousand further financing is received from MDF in 2021 (Note 25).

**UNITED AIRPORTS OF GEORGIA LLC**  
**Notes to the Financial Statements – 31 December 2020**

**17. Revenue**

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
<b>Aviation revenue</b>		
Tbilisi	8,627	25,045
Kutaisi	1,319	5,762
Batumi	458	3,809
Mestia	26	68
Ambrolauri	11	19
<b>Total aviation revenue</b>	<b>10,441</b>	<b>34,703</b>
<b>Non-aviation revenue</b>		
Tbilisi	5,808	11,959
Kutaisi	146	440
Batumi	19	28
Mestia	2	-
Ambrolauri	1	-
<b>Total non-aviation revenue</b>	<b>5,976</b>	<b>12,427</b>
<b>Total revenue from issued concession rights (Note 13)</b>	<b>17,277</b>	<b>17,277</b>
<b>Total revenue from contracts of customers</b>	<b>33,694</b>	<b>64,407</b>
<b>Lease income</b>		
Tbilisi	302	296
Kutaisi	443	1,684
Batumi	786	1,607
Ambrolauri	3	3
<b>Total lease income</b>	<b>1,534</b>	<b>3,590</b>
<b>Total revenue</b>	<b>35,228</b>	<b>67,997</b>

Total lease income includes GEL 556 thousand of variable part in 2020 (2019: GEL 1,368 thousand).

Timing of revenue recognition from contracts with customers is as follows:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
At a point in time	10,441	34,752
Over time	23,253	29,655
<b>Total revenue from contracts with customers</b>	<b>33,694</b>	<b>64,407</b>

## 18. Other Income

During the years ended 31 December 2020 and 2019, the other income of the Company consisted of the following:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
Compensation received	169	-
Income from fines	129	113
Commission income	47	226
Income from sale of PP&E	36	-
Income from sales of inventory	12	108
Other non-operating income	91	197
<b>Total other income</b>	<b>484</b>	<b>644</b>

## 19. Route Marketing and Development Expenses

Route marketing and development expenses include incentive amounts paid for airlines, stipulated in various non-exclusive incentive packages defined by the Company, oriented on growth of the routes, frequencies or/and passenger flow at Kutaisi and Tbilisi international airports. For route marketing and development activities the Company pays monthly amounts based on airlines' performance (e.g. new routes, passengers per period of time, frequencies per period of time, etc.), essentially linked with the incentive package requirements.

## 20. Other Operating Expenses

During the years ended 31 December 2020 and 2019, the other operating expenses of the Company consisted of the following:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
Taxes, other than on income tax	4,457	4,192
Insurance	421	413
Utility costs	410	489
Cleaning expenses	385	409
IT expenses	279	316
Fuel and lubricants	233	360
Consultation expenses *	156	265
Repair and maintenance	139	726
Business trips	117	489
Marketing expenses	94	245
Communication costs	89	104
Representative expenses	5	31
Loss from disposal of PPE items	-	86
Other expenses	637	1,159
<b>Total other operating expenses</b>	<b>7,422</b>	<b>9,284</b>

(\*) 2020 consultation expenses includes GEL 135 thousand - fees incurred for audit and other professional services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing (2019: GEL 115 thousand).

## 21. Financial Risk Management

**Credit risk.** The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Company's maximum exposure to credit risk by class of assets is as follows:

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Other non-current receivables</b>		
- Other non-current receivables	3,707	5,253
<b>Trade and other receivables</b>		
- Trade receivables	9,043	7,898
<b>Cash and cash equivalents</b>		
- Cash and cash equivalents	28,138	59,596
<b>Total on-balance sheet exposure</b>	<b>40,888</b>	<b>72,747</b>
<b>Total maximum exposure to credit risk</b>	<b>40,888</b>	<b>72,747</b>

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review. The Company's management performs assessment of creditworthiness for trade receivables and other non-current receivables. Details of the impairment policy are given in Note 3.

**Market risk.** The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

**Currency risk.** Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. The Company does not use any derivatives to manage foreign currency risk exposure.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities as at 31 December 2020 and 31 December 2019 were as follows:

<i>In thousands of Georgian Lari</i>	<b>At 31 December 2020</b>			<b>At 31 December 2019</b>		
	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>
Georgian Lari	19,948	(32,399)	(12,451)	50,648	(15,245)	35,403
US Dollars	14,514	(212)	14,302	11,555	(85)	11,470
Euros	6,426	(1,464)	4,962	10,544	(7,503)	3,041
<b>Total</b>	<b>40,888</b>	<b>(34,075)</b>	<b>6,813</b>	<b>72,747</b>	<b>(22,833)</b>	<b>49,914</b>

## 21. Financial Risk Management (Continued)

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The table below details the Company's sensitivity to strengthening/weakening of functional currency against foreign currencies by 20% as at 31 December 2020 and 31 December 2019. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
US Dollar strengthening by 10%	15,732	12,617
US Dollar weakening by 10%	(15,732)	(12,617)
Euro strengthening by 10%	5,458	3,345
Euro weakening by 10%	(5,458)	(3,345)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Company.

**Interest rate risk.** The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

<i>In thousands of Georgian Lari</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>More than 5 years</b>	<b>Total</b>
<b>31 December 2020</b>						
Total financial assets	31,978	2,101	3,140	3,669	-	<b>40,888</b>
Total financial liabilities	(4,078)	(29,452)	(51)	(494)	-	<b>(34,075)</b>
<b>Net interest sensitivity gap at 31 December 2020</b>	<b>27,900</b>	<b>(27,351)</b>	<b>3,089</b>	<b>3,175</b>	<b>-</b>	<b>6,813</b>
<b>31 December 2019</b>						
Total financial assets	65,727	1,153	614	5,253	-	<b>72,747</b>
Total financial liabilities	(10,154)	(8)	(311)	(12,360)	-	<b>(22,833)</b>
<b>Net interest sensitivity gap at 31 December 2019</b>	<b>55,573</b>	<b>1,145</b>	<b>303</b>	<b>(7,107)</b>	<b>-</b>	<b>49,914</b>

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of trade and other payables.

The table below shows liabilities at 31 December 2020 and 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the official exchange rate at the end of the reporting period.

## 21. Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

<i>In thousands of Georgian Lari</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Trade and other payables</b>						
Trade and other payables	(4,078)	(8)	(51)	(494)	-	(4,631)
Financing from MDF	(32,000)	-	-	-	-	(32,000)
<b>Total future payments, including future principal and interest payments</b>	<b>(36,078)</b>	<b>(8)</b>	<b>(51)</b>	<b>(494)</b>	<b>-</b>	<b>(36,631)</b>

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

<i>In thousands of Georgian Lari</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Trade and other payables</b>						
Trade and other payables	(10,154)	(8)	(311)	(148)	-	(10,621)
Financing from MDF	-	-	-	(14,000)	-	(14,000)
<b>Total future payments, including future principal and interest payments</b>	<b>(10,154)</b>	<b>(8)</b>	<b>(311)</b>	<b>(14,148)</b>	<b>-</b>	<b>(24,621)</b>

## 22. Fair Value Disclosure

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**Assets and liabilities not measured at fair value but for which fair value is disclosed.** Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

**22. Fair Value Disclosure (Continued)**

<i>In thousands of Georgian Lari</i>	<b>Level 1 fair value</b>	<b>31 December 2020 Level 2 fair value</b>	<b>Level 3 fair value</b>	<b>Carrying value</b>
<b>ASSETS</b>				
<b>Financial assets</b>				
- Cash and cash equivalents	28,138	-	-	28,138
- Trade and other financial receivables	-	9,043	-	9,043
- Other non-current assets	-	3,707	-	3,707
<b>TOTAL ASSETS</b>	<b>28,138</b>	<b>12,750</b>	<b>-</b>	<b>40,888</b>
<b>LIABILITIES</b>				
<b>Other financial liabilities</b>				
- Trade and other financial payables	-	4,137	-	4,137
- Other non-current liabilities	-	97	-	97
- Financial liabilities - MDF	-	29,444	-	29,444
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>33,678</b>	<b>-</b>	<b>33,678</b>

<i>In thousands of Georgian Lari</i>	<b>Level 1 fair value</b>	<b>31 December 2019 Level 2 fair value</b>	<b>Level 3 fair value</b>	<b>Carrying value</b>
<b>ASSETS</b>				
<b>Financial assets</b>				
- Cash and cash equivalents	59,596	-	-	59,596
- Trade and other financial receivables	-	7,898	-	7,898
- Other non-current assets	-	5,253	-	5,253
<b>TOTAL ASSETS</b>	<b>59,596</b>	<b>13,151</b>	<b>-</b>	<b>72,747</b>
<b>LIABILITIES</b>				
<b>Other financial liabilities</b>				
- Trade and other financial payables	-	9,972	-	9,972
- Other non-current liabilities	-	147	-	147
- Financial liabilities - MDF	-	12,212	-	12,212
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>22,331</b>	<b>-</b>	<b>22,331</b>

The fair values in Level 2 and Level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

**Financial assets carried at amortised cost.** The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

## **22. Fair Value Disclosure (Continued)**

**Liabilities carried at amortised cost.** The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

## **23. Related Party Transactions**

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties under common control were as follows:

<i>In thousands of Georgian Lari</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade receivables	303	335
Trade and other payables	(2,140)	(958)
Financing from MDF (Note 16)	(29,444)	(12,212)
Deferred revenue from financing from MDF	(2,556)	(1,788)

The payables bear no interest.

The income and expense items with related parties under common control were as follows:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
Revenue related to non-aviation and aviation services	368	404
Government subsidies for domestic flights	3,045	5,791
Security expenses	(10,859)	(9,588)
Other operating expenses	(112)	(284)

There are no other rights and obligations connected to related parties.

**Key management compensation.** Key management includes the Director of the Company. Key management compensation is presented below:

<i>In thousands of Georgian Lari</i>	<b>2020</b>	<b>2019</b>
<i>Short-term benefits:</i>		
- Salaries	92	99
- Short-term bonuses	-	8
<b>Total key management compensation</b>	<b>92</b>	<b>107</b>

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

There are no commitments and contingent obligations towards key management personnel.

## **24. Contingencies and Commitments**

**Commitments.** The Company had no material commitments outstanding as at 31 December 2020 and 31 December 2019.

**Legal proceedings.** As at 31 December 2020 and 31 December 2019 the Company was not engaged in any significant litigation proceedings. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

**Tax legislation.** The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open longer. These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

**Operating environment.** Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations. The future direction of Georgia's economy is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. During recent years Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during 2019 and 2020 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

**Environmental matters.** The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

## **25. Events after the End of the Reporting Period**

In 2021 the Company received GEL 10,000 thousand additional financing from MDF (Note 16).

On 13 April 2021 the expansion and upgrade works on Batumi Airport terminal executed by the Operator in the amount of GEL 51,224 thousand were completed and were taken into operation. Management considering the impact of this on the Company's financial statements.

On 9 June 2021 the new terminal of Kutaisi International Airport was officially opened.

No other significant events have occurred after the end of the reporting period that would require adjustment or disclosure in the financial statements.

## **“United Airports of Georgia” LLC**

### **Management Report**

#### **Overview of the Company’s Activities**

##### **I. About the Company**

“United Airports of Georgia” LLC (hereinafter – “UAG” / “Company”) is 100% state-owned enterprise, carrying out management of domestic and international, civil airports existing in Georgia on the basis of delegation of the state. UAG was incorporated by the state on November 1, 2010. The mission of its incorporation was to unify the civil airports existing in a variety of form in Georgia under single “umbrella” to ensure their harmonious and systematic development.

The Company unites 3 international and 2 domestic civil airports, namely:

- Shota Rustaveli Tbilisi International Airport;
- Alexander Kartveli Batumi International Airport;
- David Agmashenebeli Kutaisi International Airport;
- Mestia Queen Tamar Domestic Airport;
- Ambrolauri Domestic Airport.

In addition, UAG owns land plots and infrastructure of former Zugdidi and Poti airports, although these airports are not functioning at this stage.

On April 19, 2011, UAG was merged with the owner company of Tbilisi International Airport - JSC “Tbilisi International Airport”, which was also 100% state-owned company and UAG became its legal successor.

As for the other airports, at the same period the process of inputting of assets of various airports into the equity of UAG has started and has been gradually carried out. This process was organized only regarding the property and UAG has no legal relationship in any form of successorship with those state companies previously owing / operating other airports before.

##### **Main Directions of Activities of the Company**

Main directions of activities of the Company are as follows:

- Supervision of the civil airports of Georgia;
- Ensuring aviation security in the civil airports of Georgia directly or through a contractor company;
- Provision of airport services to airlines in the civil airports of Georgia directly or through a contractor company;
- Ensuring design, construction, modernization and development of the civil airports of Georgia;
- Management and optimization of human and technical resources existing in the civil airports of Georgia;
- Drafting of unified guidance documentation regarding airport services and fees for the civil airports of Georgia;
- Management of property of the civil airports of Georgia in agreement with the partner and the supervisory board;
- Introduction and maintenance of applicable international standards and norms (ICAO, IATA, etc.) in the civil airports;
- Drafting of the development plans for the civil airports of Georgia.

## **Managing Bodies of the Company**

Managing bodies of the Company are as follows:

- Partner;
- Supervisory Board;
- Director.

### **Partner**

LEPL “National Agency of State Property” under the governance of the Ministry of Economy of Georgia carries out the functions of Partner of the Company. “National Agency of State Property” approves the annual business plan of UAG, discusses the business-plan performance reports, approves the decisions about disposal of considerable assets owned by UAG and performs other activities as provided for in the Charter of the Company.

### **Supervisory Board**

The Supervisory Board of the Company is created by the decision of the Government of Georgia. The Board consists of 7 (seven) members, namely:

- Deputy Minister of Economy and Sustainable Development of Georgia;
- Deputy Minister of Regional Development and Infrastructure of Georgia;
- Deputy Minister of Environment Protection and Agriculture of Georgia;
- Deputy Minister of Defense of Georgia;
- Deputy Minister of Internal Affairs of Georgia;
- Deputy Minister of Justice of Georgia;
- Deputy Minister of Finance of Georgia.

The Supervisory Board approves the annual business plan of UAG, discusses the business-plan performance reports, approves the decisions about disposal of considerable assets owned by UAG, reviews and approves non-standard or special issues raised regarding the activities of the Company and performs other activities defined by the Charter Company.

### **Director**

The Supervisory Board is responsible for a decision on appointment or reassignment of the director of UAG, in agreement with the partner. The Director has standard rights and responsibilities and carries out the standard activities defined by the applicable legislation of Georgia and the Charter of the Company.

## **Structure of UAG**

The structure of the Company consists of the abovementioned airports and the Headquarter, which carries out the activities that are common for all of the airports or are needed for the entire Company.

By the end of 2020 in total, 406 employees are employed in UAG, namely:

- “United Airports of Georgia” LLC (Central Office) - 83 employees;
- Tbilisi International Airport - 17 employees;
- Kutaisi International Airport - 265 employees;
- Mestia Queen Tamar Airport - 17 employees;
- Ambrolauri Airport - 17 employees;
- Batumi International Airport - 7 employees.

## **Company Development Plans**

The Company permanently carries out the activities for improvement and perfection of the Company’s management system. In this regard, there are several events that have been implemented in recent years and will continue in terms of future plans as well. These events are:

- The Company used to carry out the accounting activities and financial reporting in accordance with the requirements of the Georgian Tax Legislation basically. Since 2016, the company has launched a project aimed at implementation of the International Financial Reporting Standards (IFRS) in the Company and financial accounting and drafting of financial statements in accordance with these standards. It should be noted, that drafting of financial statements according to IFRS was not

mandatory at the time of initiation and launching of the above project and this decision was the company's willingness to take the financial accounting - important part of management activity - on a new level. The project is being completed in 2018.

- Accounting and management software "SAP Business One" was implemented in UAG. The main part of the project was implemented in 2017 - 2018. At this time, the accounting module and its associated reporting modules are introduced. Gradual introduction of the management modules is planned in future, aiming to more automation of the processes in the longer term and transition to more or less full ERP systems. Additionally, in 2020 year POS system was launched in Kutaisi with integration SAP Business One.
- According to the legislation, UAG is a critical information system subject. Therefore, introduction of the Information Security Management System (ISMS) is underway. Introduction of this system will facilitate systematization of business processes in the Company and protection of existing information assets and increase of their security.

It should be noted, that from 2020 reporting year the Company's status changed to Public Interest Entity, which means the additional reporting requirements for the Company (after employees exceed to 500) and necessity of Audit Committee according to the current legislation. UAG currently is in the process to analyzing those requirements for future implementation.

In addition, the Company permanently plans the events for raising of qualification of the staff through organization of their professional training, and their participation in appropriate conferences or other events.

In the terms of infrastructure, construction of a new central office of the Company is completed in 2020, which is arranged and equipped in compliance with the modern standards and the best practices and ensure the proper working environment for the employees.

In addition, the plans related to the specific measures of development are mostly related to a particular airport; therefore, the relevant information is given below, in the sub-chapters of the appropriate airport.

## Analyses of financial results

As of the year of 2020, we had high decrease in revenues compared to the year 2018, because of COVID-19 restrictions on flights.

In more details, numbers are presented below:

<b>Revenue</b>	<b>2020</b>	<b>2019</b>	<b>Difference %</b>
Aviation Income	<b>10,442</b>	<b>34,703</b>	<b>-70%</b>
<i>Tbilisi</i>	8,628	25,045	-66%
<i>Kutaisi</i>	1,319	5,762	-77%
<i>Batumi</i>	458	3,809	-88%
<i>Mestia</i>	26	68	-62%
<i>Ambrolauri</i>	11	19	-42%
Non-aviation Income	<b>7,509</b>	<b>16,017</b>	<b>-53%</b>
<i>Tbilisi</i>	6,110	12,255	-50%
<i>Kutaisi</i>	589	2,124	-72%
<i>Batumi</i>	805	1,635	-51%
<i>Mestia</i>	2	-	0%
<i>Ambrolauri</i>	3	3	0%
Revenue from issued rights	17,277	17,277	0%
			0%
<b>Total Revenue</b>	<b>35,228</b>	<b>67,997</b>	<b>-48%</b>

The Company reviewed the annual budget several times during the year due to revenue decreases, operating costs were cut where it was doable, some capital projects weren't executed, except for renovation of Kutaisi International Airport, which is mostly financed by non-percentage loan received from Municipal Development Fund. Despite of this the Company was able to keep the existed staff fully.

Results from operating activities excluded non-cash revenues and expenses are presented below:

	2020	2019
<b>Total comprehensive (loss)/profit for the year</b>	<b>-36,716</b>	<b>2,072</b>
<b>Adjustment:</b>	<b>24,690</b>	<b>7,961</b>
Depreciation and amortization	11,029	11,270
Impairment	35,235	17,790
Amortization of deferred revenue	-17,277	-17,277
(Gain)/loss on disposal of property, plant and equipment	-36	86
ECL of account receivables	543	-108
Foreign Exchange gain/loss (net)	-2,217	-867
Finance income	-2,587	-2,933
<b>Results from Operating activities</b>	<b>-12,026</b>	<b>10,033</b>

#### Other Information about Outcomes and Status of Development of the Activities

- Detailed information about financial performance indicators of the Company is given in the financial statements published together with the present management statement.
- No additional explanations for financial statements and financial performance indicators are required in the present management statement, since all such explanations are provided in the financial statement itself.
- Essential research have not been conducted in the field of development during 2020.
- The Company have not bought its own shares.
- Development plans and non-financial indicators are discussed below per airport.

## II. Information about the Airports

As it has been already mentioned, 5 civil airports operate within UAG. Three of them - Kutaisi, Ambrolauri and Mestia airports are fully operated by UAG itself.

As for Tbilisi and Batumi International Airports, they are handed over to private companies – “TAV Urban Georgia” LLC and “TAV Batumi Operations” LLC for management. However, the property of these airports belong to UAG and the aviation security in these airports is provided by “United Airports of Georgia” LLC. In addition, UAG carries out monitoring of management of the airports by the management companies.

It should be noted, that for implementation of the aviation security measures directly in the field of aviation security, UAG signed an agreement with LEPL “Security Police Department” of the Ministry of Internal Affairs, which carries out the aviation security measures directly in exchange for a certain compensation.

#### Shota Rustaveli Tbilisi International Airport

Tbilisi International Airport is the largest airport in the country. Nowadays dozens of arrivals and departures are fulfilled there on daily basis and it serves many of the world's famous airlines.

The history of Tbilisi Airport starts from the 50'ies of the XX century. During this period, it has changed its appearance and scale from time to time. At the end of the 90'ies, the need for renewal of obsolete infrastructure and its formation as modern airport became more and more urgent, which required large investments and special experience. To that end, the airport was handed over for temporary management to one of the largest companies in the field of operation of airports – “TAV Holding”, namely “TAV Urban Georgia” LLC created for this purpose, in 2005.

The main principle of the contract is that the management company shall take certain investment liabilities for development of the airport infrastructure, in exchange for the right to run the airport for a certain period of time and to receive income, after which the renewed airport should be returned to the owner. However, it should be noted, that the investor shall also pay a certain part of its revenues to UAG during the period of management of the airport. During the entire period of transfer into management, the investor shall fully be subject to the aviation legislation and standards of Georgia and is obliged to operate the airport in full compliance with them and international standards. In addition, the contract on transfer into management stipulates a number of requirements and mechanisms, which ensure that the airport management is carried out by the investor in consideration of bilateral interests and at the same time maximally effectively.

The contract has been amended for several times for its completion and adaptation with the existing circumstances. Among them, the amendments made within the frameworks of negotiations carried out in 2013-2015 may be considered as the most significant amendments, resulting in signing of a contract of renewed edition in May 2015. Abovementioned amendments envisaged arrangement of a number of additional infrastructure and investments by the operator company, as well as indicating new mechanisms for the effective management and monitoring, etc. It is noteworthy that the term of transfer of the airport into management did not change during these amendments and the deadline for transferring it back to UAG in 2027, remained unchanged.

The main quantitative indicators of the Tbilisi Airport regarding the airlines, destinations and passenger traffics are listed below, in the unified table, for each airport.

As for the future plans for development of the airport, it is worth to mention, that the relevant measures were detailed in the latest edition of the contract on transfer of management signed by and between “United Airports of Georgia” LLC and “TAV Urban Georgia” LLC. Many important projects were implemented within the frameworks of this plan - new arrival terminal was built, runway was significantly renovated, aircraft parking lots were repaired and expanded, new car parking lots were arranged, etc.

For the future purposes, UAG continually carries out consultations with the existing investor and other stakeholders regarding the prospects of further development of the airport.

In addition to development of infrastructure, development of the airport implies to increase the number of airlines, destinations and passenger traffics as well. Representatives of both parties work in this direction - as an airport operator company, as well as UAG itself.

### **Alexander Kartveli Batumi International Airport**

100% of share of the Batumi Airport, or rather “Batumi Airport” LLC (which is also the old state company) was transferred to “TAV Batumi Operations” LLC for management. This transfer took place shortly after the Tbilisi airport was transferred, when the negotiations were held between the parties that the investor was ready to invest in the Batumi Airport if the period of management of the Tbilisi Airport would be extended for several years.

The land plot and the main other property of the Airport also belongs to UAG and is leased to the operator company of the Batumi Airport.

The flights and passenger traffic load in the Batumi Airport is mainly seasonal, however in recent years a significant increase in passenger traffic is observed. Because of it terminal expansion decision was taken and development works were executed by the operator during 2020. Upgraded terminal gives possibility to

serve passengers up to 1.2 million. Renovated terminal is taken into operation since April 2021. As for development of the airport in terms of attraction of the new airlines and the addition of new destination, both the operator companies, as well as UAG are working on this.

Basic quantitative indicators of the Batumi Airport (airlines, destinations and passenger traffic) is given below, in the unified table, for each airport.

### **David Aghmashenebeli Kutaisi International Airport**

David Aghmashenebeli Kutaisi International Airport was built in 2011 - 2013 on the site of the former Soviet airport. The airport terminal and the navigation tower were completely rebuilt, while the runway and other airfield infrastructure underwent significant rehabilitation works.

Kutaisi Airport is mainly focused on attraction of low-cost airlines to facilitate the growth of passenger traffic, as well as the growth and development of inbound and outbound tourism, which will play an important role in development of economy of the region and the country as a whole.

The airport was launched at the end of 2012 and continues to grow in terms of destinations and passenger traffic as well as in terms of generation of additional non-aviation revenue.

In addition to the growth of operations, the additional infrastructure development activities of the airport infrastructure used to be carried out from time to time - addition of new parking lots, addition of the Gate and the check-in counters, construction of various technical buildings and structures, procurement of additional special equipment, etc.

However, the works carried out in 2016-2017 can be considered as the largest project, when the second taxiway was built, the apron was expanded and therefore the number of aircraft parking lots was increased from 3 to 9, the entire airfield (300 ha) drainage system was rehabilitated, the lighting system of the apron was totally renewed, etc.

Another large infrastructural project was launched in 2017 and the main works are already completed in 2021. The new passenger terminal, which is connected to the existing terminal was opened in June 2021. So the Company got 6 times larger terminal compared to the old one. This change increased the terminal throughput by 4 times (2.5 million passenger) and will make the airport more attractive for new airlines in conjunction with extended aerodrome infrastructure, which we mentioned above.

This will be facilitated by another project that will be implemented by the Georgian Railway through coordination with UAG - construction of the railway station near the airport, which will provide additional comfort for passengers.

Besides, there is a discussion on total reconstruction of the airport runway or the construction of a new runway, which will also positively affect the airport's throughput.

As for airlines and destinations, well-known European low-cost airline WIZZ AIR is the largest carrier in Kutaisi International Airport. Before pandemic the Company owned 3 based aircrafts in Kutaisi. In total 31 direct flights were performed from Kutaisi International Airport before pandemic.

From April 2021 Wizz Air relaunched operations in Airport and currently owns 1 based aircraft in Kutaisi, 14 direct flights are performed currently.

In the term of future prospects, UAG is actively working with the existing airlines to increase the scale of their operation, as well as the introduction of new, including low-cost airlines.

In 2021 new airlines started operations in Kutaisi International Airport, such as Fly Arystan with 4 direct flight and Belavia Airline with 1 direct flight.

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### **Mestia Queen Tamar Airport**

Mestia Airport is a domestic airport that was built at the end of 2010. Its main objective is to support development of tourism in the region of Svaneti, as well as to create an alternative of fast and efficient transportation for the local population, thus facilitating to maintenance of the local population in the region. Based on the Government's order, "United Airports of Georgia" also organizes domestic flights, for which some funds are allocated from the state budget.

At this stage, the airport essentially meets the existing needs, however with the purpose of improvement of quality of operation and comfort of passengers, construction of certain auxiliary structures is planned and the possibility of building a new, relatively large-sized terminal is considered.

The main quantitative indicators of the airport (airlines, destinations, passenger traffic) are listed below, in the unified table, for each airport.

### **Ambrolauri Airport**

Ambrolauri Airport, like Mestia Airport, is a domestic airport, built at the end of 2016. Its main objective is to support development of tourism in the region of Racha, as well as to create an alternative of fast and efficient transportation for the local population, thus facilitating to maintenance of the local population in the region. Based on the Government's order, "United Airports of Georgia" also organizes domestic flights to Ambrolauri, for which some funds are allocated from the state budget.

At this stage, the airport meets the existing requirements, however it should be noted that the airport terminal and the airport infrastructure is designed and arranged in such a way as to stipulate future expansion. The issue of further development of the above airport will be discussed in terms of demand in the market and the needs.

The main quantitative indicators of the airport (airlines, destinations, passenger traffic) are listed below, in the unified table, for each airport.

### **Information about the airlines operating in the international airports and destinations before pandemic**

<b>Airport</b>	<b>Airline</b>	<b>Destination</b>
Tbilisi	42	60
Batumi	24	23
Kutaisi	5	31

**Note:** Number of airlines and destinations is variable, according to season.

### Statistics of passenger traffic growth in the airports in 2012-2019

	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Tbilisi</b>	1 220 832	1 436 629	1 575 707	1 847 534	2 252 543	3 164 275	3,808,651	3,692,198	590,112
<b>Tbilisi growth %</b>		17,7%	9,7%	17,3%	21,9%	40,5%	20%	-3.1%	-84.02%
<b>Batumi</b>	168 362	208 935	213 820	226 477	312 379	495 704	598,862	624,178	51,432
<b>Batumi growth %</b>		24,1%	2,3%	5,9%	37,9%	58,7%	21%	4.2%	-91.76%
<b>Kutaisi</b>	12 916	188 682	218 003	182 954	271 363	405 698	617,342	873,907	184,095
<b>Kutaisi growth %</b>		1360,8%	15,5%	-16,1%	48,3%	49,5%	52%	41.6%	-78.93%
<b>Mestia</b>	2 922	881	1 131	4 458	4 214	7 152	6,741	8,266	3,040
<b>Mestia growth %</b>	-	-69,8%	28,4%	294,2%	-5,5%	69,7%	-6%	22.6%	-63.22%
<b>Ambrolauri</b>	-	-	-	-	-	1 609	1,523	1,866	1,161
<b>Ambrolauri growth %</b>	-	-	-	-	-	-	-6%	22.5%	-37.78%

Because of pandemic 2020 figures are very low, as international flights were what was really effected during this period.

### III. Risks

The factors defining the main risks and challenges for the Company's activity may be the general political and economic environment and events in the country (including changes in currency exchange rates) and in the region, as well as economic situation in the region and to some extent - in the European aviation market. In addition, general safety and aviation security challenges for civil aviation should be taken into account.

The Company considers abovementioned risks in its activity, as it is possible in every specific circumstance. For instance, for those cases, when the fulfillment of the obligations of the Company is needed in different currencies, the Company accumulates its amounts in different currencies (as the incomes are in different currencies as well) to avoid or to decrease the possible loss caused by the instability of currency exchange rates.

When it comes to general economic risks, the Company takes into consideration relevant economic situation during preparing and making decisions about the commercial terms within its main activities, such as negotiations with airlines, rendering airport services, managing property, etc.

As for general safety and aviation security challenges, the appropriate units of the Company work on systematic basis to ensure being in line with the relevant standards and requirements, to evaluate risks in every specific situation and enforce all appropriate activities for eliminating or reducing the negative impact of them.

**Covid 19.** Covid-19 restrictions are still in force, which still effect on company revenue generation. Management assumes that during 2021 year restrictions will be eased and the company will be able to generate 40 % of passengers compared to 2019 year. However, as this is still an evolving situation at the time of issuing these financial statements, the future effects cannot be reliably predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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Tamara Archuadze

Director

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Ketevan Eloshvili

Finance Manager

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