UNITED AIRPORTS OF GEORGIA LLC

International Financial Reporting Standards Financial Statements, Management Report and Independent Auditor's Report

31 December 2023

Contents

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Owner and Management of United Airports of Georgia LLC

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 2023, 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 2023;
- 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, comprising material accounting policy information and other explanatory information.

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.

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;
- the information given in the Management Report includes the information required by paragraph 8 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 the 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)

21 June 2024
Tbilisi, Georgia

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PricewaterhouseCoopers Georgia LLC

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

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

21 June 2024
Tbilisi, Georgia

In thousands of Georgian Lari	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	7	81,900	65,260
Tbilisi Airport assets transferred to the Operator	8	181,388	191,289
Batumi Airport assets transferred to the Operator	9	85,652	86,236
Investment property		579	601
Intangible assets		217	194
Other non-current assets	10	2,103	957
Total non-current assets		**351,839**	**344,537**
Current assets			
Inventories	11	1,979	1,765
Trade and other receivables	12	8,440	8,831
Prepayments		65	84
Prepaid and recoverable taxes		469	-
Cash and cash equivalents	13	74,740	55,502
Total current assets		**85,693**	**66,182**
TOTAL ASSETS		**437,532**	**410,719**
EQUITY			
Charter capital	15	366,857	360,316
Additional paid-in capital	15	47,728	40,000
Accumulated deficit	15	(61,616)	(89,684)
TOTAL EQUITY		**352,969**	**310,632**
LIABILITIES			
Non-current liabilities			
Deferred revenue	14	63,629	84,091
Other liabilities	18	6,809	6,348
Total non-current liabilities		**70,438**	**90,439**
Current liabilities			
Trade and other payables	17	8,198	4,736
Contract liabilities	16	4,150	3,067
Other taxes payable		-	68
Other liabilities	18	1,777	1,777
Total current liabilities		**14,125**	**9,648**
TOTAL LIABILITIES		**84,563**	**100,087**
TOTAL LIABILITIES AND EQUITY		**437,532**	**410,719**

Approved for issue and signed on behalf of Management on 21 June 2024 by:

Irakli Karkashadze
General Director

Ketevan Eloshvili
Head of Finance Department

UNITED AIRPORTS OF GEORGIA LLC
Statement of Financial Position

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Irakli Karkashadze
General Director

Ketevan Eloshvili
Head of Finance Department

In thousands of Georgian Lari	Note	2023	2022
Revenue	19	**98,067**	**85,744**
Other income	20	1,175	4,267
Security expenses		(16,267)	(12,081)
Salaries and benefits		(14,930)	(11,903)
Depreciation and amortisation		(13,928)	(13,610)
Route marketing and development expenses	21	(12,661)	(7,296)
Impairment of non-current assets	7	(2,426)	(7,454)
Reversal of provision for bad debts	10,12	168	111
Other operating expenses	22	(15,637)	(12,266)
Operating profit		**23,561**	**25,512**
Finance income		1,515	1,445
Finance cost	18	-	(618)
Foreign exchange gain/(loss), net		1,328	(7,422)
Profit before income tax		**26,404**	**18,917**
Income tax expense		-	-
PROFIT FOR THE YEAR		**26,404**	**18,917**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**26,404**	**18,917**

In thousands of Georgian Lari	**Note**	**Charter capital**	**Accumulated deficit**	**Additional paid-in capital**	**Total equity**
Balance at 1 January 2022		**394,739**	**(116,140)**	**-**	**278,599**
Charter capital contributions		192	-	-	192
Withdrawals from the capital	15	(34,615)	7,539	-	(27,076)
Additional capital contribution	15	-	-	40,000	40,000
Profit for the year		-	18,917	-	18,917
Total comprehensive income for the year		-	18,917	-	18,917
Balance at 31 December 2022		**360,316**	**(89,684)**	**40,000**	**310,632**
Charter capital contributions	15	6,541	1,664	-	8,205
Additional capital contribution	15	-	-	7,728	7,728
Profit for the year		-	26,404	-	26,404
Total comprehensive income for the year		-	26,404	-	26,404
Balance at 31 December 2023		**366,857**	**(61,616)**	**47,728**	**352,969**

In thousands of Georgian Lari	Note	2023	2022
Cash flows from operating activities			
Profit before income tax		26,404	18,917
Adjustments for:			
Depreciation and amortisation		13,927	13,610
Impairment of non-current assets	7	2,426	7,454
Impairment (reversal)/loss recognised on financial assets	10,12	(168)	(111)
Amortisation of deferred revenue	14	(20,462)	(19,928)
Grant amortisation		(164)	(164)
Loss/(gain) from disposal of property, plant and equipment		(24)	44
Finance income		(1,515)	(1,445)
Finance cost		-	618
Other non-operating income		(35)	-
Loss from foreign currency revaluation, net		(1,328)	7,422
Operating cash flows before working capital changes		**19,061**	**26,417**
Changes in working capital			
Increase/(decrease) in trade and other receivables		1,093	(119)
Increase in inventories		(214)	(449)
Decrease in prepayments		20	482
(Increase)/decrease in prepaid and recoverable taxes		(537)	150
Increase in other liabilities		-	1,777
Increase in trade and other payables		3,168	567
Increase in advances received		1,083	1,117
Cash generated from operations		**23,674**	**29,942**
Interest income received		1,515	1,445
Net cash from operating activities		**25,189**	**31,387**
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,879)	(8,584)
Proceeds from disposal of property, plant and equipment		28	16
Acquisition of intangible assets		(35)	-
Net cash used in investing activities		**(14,886)**	**(8,568)**
Cash flows from financing activities			
Repayment of financing from Municipal Development Fund	18	-	(40,000)
Additional capital contributions from owner	18	7,728	40,000
Net cash from financing activities		**7,728**	**-**
Effect of exchange rate changes on cash and cash equivalents, net		1,207	(7,379)
Net increase in cash and cash equivalents		**19,238**	**15,440**
Cash and cash equivalents at the beginning of the year	13	**55,502**	**40,062**
Cash and cash equivalents at the end of the year	13	**74,740**	**55,502**

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”) and the Ministry of Finance of Georgia. On 10 March 2023, the Government Decree #475 was issued, stipulating the transfer of management of 50% shares of UAG to the Ministry of Finance of Georgia from Ministry of Economy and Sustainable Development of Georgia. On 8 June 2023, 50% of shares of UAG was transferred to the Ministry of Finance of Georgia for management.

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, Ambrolauri and Telavi. Kutaisi, Mestia and Ambrolauri airports are operated by the Company, while Tbilisi and Batumi airports are operated under concession and leasing agreements, respectively. Pursuant to Decree #1436 issued by the Government of Georgia on 7 August 2023, Telavi Airport assets were contributed to UAG capital on 2 October 2023. Management plans to demolish existing infrastructure and build new international airport. Once construction works are completed, Telavi Airport will be operated by the Company.

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

In order to maintain regular domestic 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.

1. United Airports of Georgia LLC and its Operations (Continued)

Registered address and place of business. The Company's registered address is # 21 Sh. Chankotadze, Samgori district, Tbilisi, Georgia. The Company's principal place of business is Tbilisi, Kutaisi, Batumi, Mestia, Ambrolauri and Telavi 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.

COVID-19. In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Georgian government implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. 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. As of the year 2023 passenger volume fully recovered compared to the year 2019. 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 given that as of 31 December 2023, there remains a risk that the authorities may impose additional restrictions in 2024 as a response to possible new variants of the virus.

War between Russia and Ukraine. On 24 February 2022, following a significant Russian military build-up near the Russia-Ukraine border Russian troops crossed the border. Internationally considered a war aggression and the invasion is the largest conventional military attack on a European state since World War II. It triggered Europe's largest refugee crisis since that war, with millions of Ukrainians leaving the country and millions more fleeing their homes. As a result of the war in Ukraine, many leading countries and economic unions have announced severe economic sanctions on Russia and there has been a significant depreciation of the Russian Rubble against foreign currencies, as well as a significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. Numerous companies withdrew their businesses from Russia and Belarus. The situation is still unfolding, but it has already resulted in a humanitarian crisis and material economic losses for Ukraine, Russia and the rest of the world.

The war had impacted some of the Company's activities as follows:

- *Revenue generation from the flights.* The estimated impact of the war on the Company's revenues for the year ended 31 December 2023 is GEL 6 million, due to interruptions of the flights to/from Ukraine.

- *Liquidity.* The Company made 100% impairment provision of the outstanding balances of Ukrainian companies in 2022 in the amount of GEL 621 thousand.

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

3. Material Accounting Policy Information

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.

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 2022, the official rate of exchange, as determined by the National Bank of Georgia, was US Dollar ("USD") 1 = GEL 2.7020 and Euro ("EUR") 1 = GEL 2.8844 (31 December 2021: USD 1 = 3.0976 and EUR 1 = GEL 3.5040). At present, the Georgian Lari is not a freely convertible currency outside of Georgia.

***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

3. Material Accounting Policy Information (Continued)

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

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.

3. Material Accounting Policy Information (Continued)

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.

Land is not depreciated. Depreciation on other items of the investment properties 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

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. 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.

3. Material Accounting Policy Information (Continued)

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.

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

3. Material Accounting Policy Information (Continued)

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.

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

3. Material Accounting Policy Information (Continued)

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.

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.

3. Material Accounting Policy Information (Continued)

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.

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.

3. Material Accounting Policy Information (Continued)

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.

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. In the case of non-cash withdrawal of charter capital, any difference between the carrying value of non-cash asset and the respective charter capital withdrawal, as determined by the owner's resolution, is recorded directly in retained earnings/accumulated deficit account of the Company's equity.

Additional paid-in capital. The additional paid-in capital consists of the amounts contributed in the capital by the owner for specific purposes, which are not classified as charter capital.

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.

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.

3. Material Accounting Policy Information (Continued)

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. 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.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants relating to costs are deferred and recognised in profit or loss for the year as other income over the period necessary to match them with the costs that they are intended to compensate. 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.

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:

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.

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

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.

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 (CGU). 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.

As Kutaisi continues to be loss making CGU and salvage value of its specified assets are estimated to be close to nil, additional capital expenditures incurred in respect with Kutaisi Airport trigger impairment indicator, which resulted in impairment charge of GEL 2,426 thousand during the year ended 31 December 2023 (31 December 2022: GEL 7,454 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 2023 and 31 December 2022 the expected credit losses for trade receivables amounted to GEL 2,471 thousand and GEL 2,631 thousand, respectively.

5. Adoption of New of Revised Standards and Interpretations

The following new standards and the amendments became effective from 1 January 2023:

- ***IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).***
- ***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).***
- ***Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).***
- ***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***).
- ***Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).***
- ***Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023).***
- ***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 amendment have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

The application of the amendments had no significant impact on the Company's financial statements.

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 2024 or later, and which the Company has not early adopted.

- ***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).***
- ***Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024)***.
- ***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).***
- ***Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023).***
- ***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).***

The Company is currently assessing the impact of the amendments on its 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 2023 and 31 December 2022 were as follows:

In thousands of Georgian Lari	Land	Buildings	Plant and equipment	Vehicles	CIP and others*	Total
Cost						
At 1 January 2022	**54,682**	**108,873**	**30,616**	**8,846**	**38**	**203,055**
Additions	-	44	315	323	7,541	8,223
Transfers	-	7,541	-	-	(7,541)	-
Disposals	(27,011)	(8)	(948)	(31)	-	(27,998)
At 31 December 2022	**27,671**	**116,450**	**29,983**	**9,138**	**38**	**183,280**
Additions	8,205	3,157	4,888	416	5,815	22,481
Transfers	491	123	-	-	-	614
Disposals	-	-	(143)	(47)	-	(190)
At 31 December 2023	**36,367**	**119,730**	**34,728**	**9,507**	**5,853**	**206,185**
Depreciation and impairment						
At 1 January 2022	**-**	**(82,184)**	**(18,949)**	**(6,481)**	**(6)**	**(107,620)**
Depreciation charge	-	(1,110)	(1,996)	(760)	-	(3,866)
Disposals	-	4	890	26	-	920
Impairment charge to profit or loss	-	(7,454)	-	-	-	(7,454)
At 31 December 2022	**-**	**(90,744)**	**(20,055)**	**(7,215)**	**(6)**	**(118,020)**
Depreciation charge	-	(1,208)	(2,126)	(632)	-	(3,966)
Eliminated on disposal	-	-	140	46	-	186
Impairment charge to profit or loss	-	(621)	-	-	(1,805)	(2,426)
Depreciation of transfer	-	(59)	-	-	-	(59)
At 31 December 2023	**-**	**(92,632)**	**(22,041)**	**(7,801)**	**(1,811)**	**(124,285)**
Carrying amount						
At 31 December 2022	**27,671**	**25,706**	**9,928**	**1,923**	**32**	**65,260**
At 31 December 2023	**36,367**	**27,098**	**12,687**	**1,706**	**4,042**	**81,900**

CIP and others - Uninstalled equipment and construction in progress*

In 2023 the Company recognized the impairment loss of GEL 2,426 thousand related to the rehabilitation of runway and fence lighting at Kutaisi International airport and 150 thousand related to design works of Telavi Airport. For the assumptions and methods used for the impairment assessment refer to Note 4.

Additions to land and buildings include the fair value of capital contributions of Telavi Airport assets in the amount of GEL 8,205 thousand. Refer to Note 1.

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 2023 and 31 December 2022 were as follows:

In thousands of Georgian Lari	Land	Buildings	Plant and equipment	Vehicles	Total
Cost					
At 1 January 2022	**43,637**	**206,038**	**1,211**	**211**	**251,097**
Additions	-	7,004	-	-	7,004
Disposals	-	-	-	(9)	(9)
At 31 December 2022	**43,637**	**213,042**	**1,211**	**202**	**258,092**
Transfers	(491)	-	-	-	(491)
At 31 December 2023	**43,146**	**213,042**	**1,211**	**202**	**257,601**
Depreciation and impairment					
At 1 January 2022	**-**	**(56,623)**	**(806)**	**(191)**	**(57,620)**
Depreciation charge	-	(9,137)	(47)	(7)	(9,191)
Eliminated on disposal	-	8	-	-	8
At 31 December 2022	**-**	**(65,752)**	**(853)**	**(198)**	**(66,803)**
Depreciation charge	-	(9,366)	(40)	(4)	(9,410)
Eliminated on disposal	-	-	-	-	-
At 31 December 2023	**-**	**(75,118)**	**(893)**	**(202)**	**(76,213)**
Carrying amount					
At 31 December 2022	**43,637**	**147,290**	**358**	**4**	**191,289**
At 31 December 2023	**43,146**	**137,924**	**318**	**-**	**181,388**

In 2022, the additions to buildings represent the construction of the new taxiway, which was undertaken by the Operator of Tbilisi Airport at its own cost. According to the contractual agreement, the taxiway represents the Company's asset. On 11 May 2022, the new taxiway was officially put into operation. The Company recorded this addition on its balance sheet as of 11 May 2022 at its fair value. An independent valuator was engaged to determine the fair value of the asset, employing a cost approach as the primary method and an income approach, specifically the discounted cash flow (DCF) method, to evaluate economic obsolescence. The valuator assessed the asset value using the cost approach and the value in use of the cash generating unit (CGU). As of the valuation date, 11 May 2022, the fair value of the new taxiway was determined at GEL 7,004 thousand.

In 2023 there was no addition of concession assets.

Transfers refer change of concession assets to operating assets.

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 2023 and 31 December 2022 were as follows:

In thousands of Georgian Lari	Land	Buildings	Total
Cost			
At 1 January 2022	**71,142**	**17,507**	**88,649**
Additions	-	-	-
Disposals	(58)	-	(58)
At 31 December 2022	**71,084**	**17,507**	**88,591**
Transfer	(12)	(123)	(135)
At 31 December 2023	**71,072**	**17,384**	**88,456**
Depreciation and impairment			
At 1 January 2022	**-**	**(1,845)**	**(1,845)**
Depreciation charge	-	(510)	(510)
At 31 December 2022	**-**	**(2,355)**	**(2,355)**
Depreciation charge	-	(508)	(508)
Eliminated on transfer	-	59	59
At 31 December 2023	**-**	**(2,804)**	**(2,804)**
Carrying amount			
At 31 December 2022	**71,084**	**15,152**	**86,236**
At 31 December 2023	**71,072**	**14,580**	**85,652**

Fair value of land plots of Batumi Airport as of 31 December 2023 was GEL 683,175 thousand (31 December 2022: GEL 362,408 thousand).

Direct operating expenses recognised in 2023 profit or loss include GEL 780 thousand (2022: GEL 858 thousand) relating to investment property that generated rental income.

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

In thousands of Georgian Lari	2023	2022
1 year	780	793
2 year	768	780
3 year	747	768
4 year	307	748
5 year	-	305
Later than 5 years	-	-
Total undiscounted operating lease payments receivable at 31 December	**2,602**	**3,394**

10. Other Non-Current Assets

In thousands of Georgian Lari	31 December 2023	31 December 2022
Trade receivables from non-aviation services	487	870
Less: expected credit loss	(11)	(19)
Non-current receivables, net	**476**	**851**
Prepayments for PPE	1,627	106
Total other non-current assets, net	**2,103**	**957**

Non-current receivables as at 31 December 2023 and 31 December 2022 represent non-overdue balances and are allocated to the Stage 2. For the year 2023 expected credit loss was recovered by GEL 8 thousand.

Movements in prepayments for PPE are as follows:

In thousands of Georgian Lari	2023	2022
Carrying value at 1 January	**106**	**-**
Additions	1,627	106
Prepayments derecognised on receipt of related goods or services, or transferred to construction in progress	(106)	-
Carrying value at 31 December, net	**1,627**	**106**

11. Inventories

In thousands of Georgian Lari	31 December 2023	31 December2022
Fuel and lubricants	530	548
Raw materials	322	231
Construction materials	282	283
Spare parts	265	183
Other inventory	580	520
Total inventories	**1,979**	**1,765**

12. Trade and Other Receivables

At 31 December 2023 and 31 December 2022 trade and other receivables were as follows:

In thousands of Georgian Lari	31 December 2023	31 December 2022
Trade receivables	10,911	11,455
Less: expected credit loss/impairment loss provision	(2,471)	(2,631)
Total financial assets within trade and other receivables	8,440	8,824
Other receivables	-	7
Total trade and other receivables	**8,440**	**8,831**

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

In thousands of Georgian Lari	2023	2022
Provision for impairment at 1 January	**2,631**	**2,914**
Recovery of provision for impairment during the year	(160)	(78)
Write-offs	-	(205)
Provision for impairment at 31 December	**2,471**	**2,631**

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

31 December 2023:

In thousands of Georgian Lari	Non-Overdue	1-30 Days	31-90 Days	91-180 Days	181-360	Over 360< Days	Total
Estimated total gross carrying amount at default	7,047	459	788	644	142	2,319	11,399
Lifetime ECL	(42)	(5)	(16)	(77)	(23)	(2,319)	(2,482)

31 December 2022:

In thousands of Georgian Lari	Non-Overdue	1-30 Days	31-90 Days	91-180 Days	181-360	Over 360< Days	Total
Estimated total gross carrying amount at default	8,117	627	337	437	859	1,948	12,325
Lifetime ECL	(44)	(6)	(7)	(53)	(592)	(1,948)	(2,650)

12. Trade and Other Receivables (Continued)

The table below provides a credit risk rating grade disclosure:

	31 December 2023		
In thousands of Georgian Lari	**Stage 2 Lifetime ECL- not credit-impaired**	**Stage 3 Lifetime ECL- credit-impaired**	**Total**
Non-overdue	42	-	**42**
0-30 past due	5	-	**5**
30-90 past due	16	-	**16**
90-180 past due	77	-	**77**
180-360 past due	23	-	**23**
360> past due	-	2,319	**2,319**
Total	**163**	**2,319**	**2,482**

	31 December 2022		
In thousands of Georgian Lari	**Stage 2 Lifetime ECL- not credit-impaired**	**Stage 3 Lifetime ECL- credit-impaired**	**Total**
Non-overdue	44	-	44
0-30 past due	6	-	6
30-90 past due	7	-	7
90-180 past due	53	-	53
180-360 past due	592	-	592
360> past due	-	1,948	1,948
Total	**702**	**1,948**	**2,650**

13. Cash and Cash Equivalents

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
Cash on hand	1	-
Cash in transit	3	3
Bank current accounts and on-demand deposits	74,736	55,499
Total cash and cash equivalents	**74,740**	**55,502**

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.

14. 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.

In thousands of Georgian Lari	2023	2022
Deferred revenue at 1 January	**84,091**	**97,015**
Increase of deferred revenue (Note 8)	-	7,004
Amortisation of deferred revenue	(20,462)	(19,928)
Deferred revenue at 31 December	**63,629**	**84,091**

15. Equity

Charter capital. Pursuant to Decree #1436 issued by the Government of Georgia on 7 August 2023, Telavi Airport assets were contributed to UAG capital on 2 October 2023. At initial recognition the fair value of the contributed assets exceeded the amount of Owner’s charter capital increase of GEL 6,541 thousand resulted in GEL 1,664 thousand directly recorded in the equity (accumulated deficit) of the Company.

In 2022, the Government of Georgia issued resolution to reduce the charter capital of the Company by GEL 34,558 thousand. As part of this resolution, the Government withdrew certain land plots and buildings in Poti city and Patara Poti village. Those assets were initially recognized in 2016, as a result of capital contribution from the Owner. At initial recognition the fair value of the contributed assets exceeded the amount of Owner’s charter capital increase of GEL 34,558 thousand by GEL 7,539 thousand, which was directly recorded in the accumulated deficit of the Company. Consequently, as a result of withdrawal, the accumulated deficit of the Company was debited by GEL 7,539 thousand, representing the carrying value excess to the amount of charter capital reduction.

Additional paid-in capital. Pursuant to Decree #1596 issued by the Government of Georgia on 4 September 2023, the Company received GEL 7,728 thousand financing (capital transfer) from the Government of Georgia on 29 December 2023 for new infrastructure construction work at Telavi Airport, which was recognized as additional paid-in capital in the equity of the Company.

Pursuant to Decree #2477 issued by the Government of Georgia on 28 November 2019, in 2019-2022 years the Company received GEL 40 million interest-free financing from the Municipal Development Fund of Georgia (MDF) for the construction works of the Kutaisi passenger terminal extension project. Additionally, the Government of Georgia committed to inject GEL 40 million into the Company's capital to facilitate the repayment of the received funds to MDF. On 18 February 2022 the Company received GEL 40 million financing (capital transfer) from the Government of Georgia, which was recognized as Additional paid-in capital in the equity of the Company. On the same date the Company fully repaid MDF liability.

16. Liabilities Arising from Contracts with Customers

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

In thousands of Georgian Lari	31 December 2023	31 December 2022
Contract liabilities - advances received from customers	4,150	3,067
Total current contract liabilities	**4,150**	**3,067**

GEL 2,736 thousand of revenue was recognised in the current reporting period related to the contract liabilities as at 31 December 2022 (2022: GEL 1,472 thousand).

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2023 (GEL 4,150 thousand) will be recognised as revenue during the next reporting period.

17. Trade and Other Payables

Trade and other accounts payable as at 31 December 2023 and 31 December 2022 were as follows:

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
Trade payables	7,049	3,792
Liabilities for purchased property, plant and equipment	310	54
Total financial liabilities	**7,359**	**3,846**
Received advances and customer deposits	769	860
Other	70	30
Total trade and other payables	**8,198**	**4,736**

18. Other Liabilities

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
Deferred income	6,809	6,348
Total other non-current liabilities	**6,809**	**6,348**

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
Deferred income	1,777	1,777
Total other current liabilities	**1,777**	**1,777**

On 28 December 2022 the Company received the government grant in the amount of GEL 1,777 thousand for the purpose of the development of the airports master plans. The received grant is accounted as deferred income. In 2023, the Company did not incur any costs for the development of master plans therefore the grant remained unamortized.

Based on #2477 decree of the Government of Georgia dated 28 November 2019 (the “Decree”), in 2019-2022 the Company received GEL 40 million financing from Municipal Development Fund of Georgia (MDF) for ongoing construction works of Kutaisi passenger terminal extension project. This was interest free funding repayable not later than February 2021. The Government of Georgia committed to inject GEL 40 million in the Company’s capital such that the Company can pay back the received funds to MDF. On 18 February 2022 the Company received GEL 40 million financing from the Government of Georgia (refer to Note 15). On the same date the Company fully repaid MDF liability.

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 as of 31 December 2020.

For the year 2023 GEL 164 thousand was recognised as grant amortisation (2022: GEL 164 thousand).

On 21 January 2021 the Government of Georgia issued #64 Decree, according to which February 2022 was set for MDF financing repayment. This change was considered as substantial modification of the financing, which was treated as a government grant related to asset and was recognised as deferred income in amount of GEL 3,997 thousand.

The finance cost recognised in 2022 profit or loss on MDF financing comprised GEL 618 thousand. 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 12.6%-13.3%.

19. Revenue

In thousands of Georgian Lari	2023	2022
Aviation revenue		
Tbilisi	39,793	36,802
Kutaisi	10,659	7,357
Batumi	5,810	6,585
Mestia	79	79
Ambrolauri	20	28
Total aviation revenue	**56,361**	**50,851**
Non-aviation revenue		
Tbilisi	10,149	9,902
Kutaisi	1,900	1,151
Batumi	14	13
Mestia	-	-
Ambrolauri	-	-
Total non-aviation revenue	**12,063**	**11,066**
Total revenue from issued concession rights (Note 14)	**20,462**	**19,928**
Total revenue from contracts of customers	**88,886**	**81,845**
Lease income		
Kutaisi	7,291	1,891
Batumi	1,664	1,694
Tbilisi	214	308
Mestia	9	3
Ambrolauri	3	3
Total lease income	**9,181**	**3,899**
Total revenue	**98,067**	**85,744**

Total lease income includes GEL 7,589 thousand of variable part in 2023 (2022: GEL 2,637 thousand).

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

In thousands of Georgian Lari	2023	2022
At a point in time	57,459	51,654
Over time	31,427	30,191
Total revenue from contracts with customers	**88,886**	**81,845**

20. Other Income

In thousands of Georgian Lari	2023	2022
Income from fines	335	562
Commission income	283	173
Income from sales of inventory	211	55
Grant income (Note 18)	164	164
Income from sale of PP&E	24	(44)
Compensation for costs*	-	3,223
Other non-operating income	158	134
Total other income	**1,175**	**4,267**

(*) Compensation of costs represents a financing of GEL 3,223 thousand received from the government of Georgia in 2022 for reimbursement of certain costs incurred in the prior years.

21. 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 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.

22. Other Operating Expenses

Other operating expenses of the Company consisted of the following:

In thousands of Georgian Lari	2022	2021
Taxes other than on income	3,654	4,274
Utility costs	2,130	1,978
Repair and maintenance	1,411	683
Cleaning expenses	1,328	1,322
Marketing expenses	1,081	267
Insurance	1,007	794
Reimbursement of security equipment costs**	823	-
Business trips	669	407
Consultation expenses	491	167
Fuel and lubricants	481	427
IT expenses	249	258
Technical inspection costs	392	221
Consumable Supplies	216	174
Third-party service costs	156	132
Communication costs	92	80
Representative expenses	60	29
Other expenses	1,397	1,053
Total other operating expenses	**15,637**	**12,266**

(*) 2023 consultation expenses includes GEL 214 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 (2022: GEL 161 thousand).

(**) Reimbursement of security equipment costs to LEPL 112 according to the Government Decree dated 30 December 2022.

23. Financial Risk Management

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.

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:

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
Other non-current receivables		
- Other non-current receivables	476	851
Trade and other receivables		
- Trade receivables	8,440	8,824
Cash and cash equivalents		
- Cash and cash equivalents	74,740	55,502
Total on-balance sheet exposure	**83,656**	**65,177**
Total maximum exposure to credit risk	**83,656**	**65,177**

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.

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.

23. Financial Risk Management (Continued)

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities as at 31 December 2023 and 31 December 2022 were as follows:

In thousands of Georgian Lari	At 31 December 2023 Monetary financial assets	At 31 December 2023 Monetary financial liabilities	At 31 December 2023 Net balance sheet position	At 31 December 2022 Monetary financial assets	At 31 December 2022 Monetary financial liabilities	At 31 December 2022 Net balance sheet position
Georgian Lari	13,768	(5,058)	8,710	11,820	(3,910)	7,910
US Dollars	30,488	(32)	30,456	22,929	(243)	22,686
Euros	39,400	(2,269)	37,131	30,428	(583)	29,845
Total	**83,656**	**(7,359)**	**76,297**	**65,177**	**(4,736)**	**60,441**

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 10% as at 31 December 2023 and 31 December 2022. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

In thousands of Georgian Lari	2023	2022
US Dollar strengthening by 10%	33,502	24,955
US Dollar weakening by 10%	(33,502)	(24,955)
Euro strengthening by 10%	40,844	32,830
Euro weakening by 10%	(40,844)	(32,830)

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.

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
31 December 2023						
Total financial assets	82,331	277	572	476	-	**83,656**
Total financial liabilities	(5,641)	(1,718)	-	-	-	**(7,359)**
Net interest sensitivity gap at 31 December 2023	**76,690**	**(1,441)**	**572**	**476**	**-**	**76,297**
31 December 2022						
Total financial assets	63,008	407	911	838	13	**65,177**
Total financial liabilities	(4,121)	(581)	(34)	-	-	**(4,736)**
Net interest sensitivity gap at 31 December 2022	**58,887**	**(174)**	**877**	**838**	**13**	**60,441**

23. Financial Risk Management (Continued)

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 2023 and 31 December 2022 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.

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Trade and other payables						
Trade and other payables	(5,641)	(1,718)	-	-	-	**(7,359)**
Total future payments, including future principal and interest payments	**(5,641)**	**(1,718)**	**-**	**-**	**-**	**(7,359)**

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Trade and other payables						
Trade and other payables	(4,121)	(581)	(34)	-	-	**(4,736)**
Total future payments, including future principal and interest payments	**(4,121)**	**(581)**	**(34)**	**-**	**-**	**(4,736)**

24. 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.

24. Fair Value Disclosure (Continued)

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:

	31 December 2023			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
ASSETS				
Financial assets				
- Cash and cash equivalents	74,740	-	-	74,740
- Trade and other financial receivables	-	8,441	-	8,441
- Other non-current assets	-	476	-	476
TOTAL ASSETS	**74,740**	**8,917**	**-**	**83,657**
LIABILITIES				
Other financial liabilities				
- Trade and other financial payables	**-**	7,359	**-**	7,359
TOTAL LIABILITIES	**-**	**7,359**	**-**	**7,359**

	31 December 2022			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
ASSETS				
Financial assets				
- Cash and cash equivalents	55,502	-	-	55,502
- Trade and other financial receivables	-	8,824	-	8,824
- Other non-current assets	-	851	-	851
TOTAL ASSETS	**55,502**	**9,675**	**-**	**65,177**
LIABILITIES				
Other financial liabilities				
- Trade and other financial payables	-	3,846	-	3,846
TOTAL LIABILITIES	**-**	**3,846**	**-**	**3,846**

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.

24. 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.

25. 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:

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
Trade receivables	316	260
Trade and other payables	(3,403)	(2,540)
Deferred revenue from financing from MDF (Note 18)	(6,184)	(6,348)
Deferred income (Note 18)	(1,777)	(1,777)

The payables bear no interest.

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

In thousands of Georgian Lari	**2023**	**2022**
Revenue related to non-aviation and aviation services	242	216
Government subsidies for domestic flights	4,714	4,763
Compensation for costs (Note 20)	-	3,223
Security expenses	(16,267)	(12,081)
Other operating expenses	(1,288)	(276)

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

Key management compensation. Key management includes the General Director of the Company, and following the reorganization held in August 2023, four Directors responsible for specific fields such as aviation security, operations, infrastructure, and quality control and audit. Key management compensation is presented below:

In thousands of Georgian Lari	**2023**	**2022**
Short-term benefits:		
- Salaries	404	114
- Short-term bonuses	42	19
Total key management compensation	**446**	**133**

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.

26. Contingencies and Commitments

Commitments. The Company had no material commitments outstanding as at 31 December 2023 and 31 December 2022.

Legal proceedings. As at 31 December 2023 and 31 December 2022 the Company was not engaged in any significant litigation proceedings. Management is of the opinion that no material 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 2023 and 2022 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.

Consideration of climate change. The Company management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the financial statements, and the future effects on the Company's activities and business plans are difficult to predict. Management continues to monitor developments in this area and will respond as necessary to ensure the Company's viability and will adopt all government guidelines if and when these are issued in the markets in which the Company operates.

27. Events after the Reporting Period

There were no events after the end of the reporting period that may require adjustment of or disclosure in these financial statements.

MANAGEMENT REPORT

Overview of the Company's Activities

and Non-Financial Statement

2023

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Overview

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.

Vision

United Airports of Georgia will create the best environment for airlines, passengers and other related businesses in Georgian civil airports and provide leading and central function in the region, thus making a significant contribution to the long-term and sustainable development of Georgian civil aviation and economy in general.

Mission

Our mission is to systematically integrate and develop Georgian civil airports, to ensure the establishment and development of modern, safe and comfortable airport services and infrastructure in accordance with international and national standards, and to do all this by combining modern best commercial practices and state interests.

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.

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.

Nature and Scope of Activities

Georgia has seven active civil airports, from which six airports are under the UAG ownership, of which three are international, located in the capital city Tbilisi, the second largest city Kutaisi and the third largest city Batumi, which is situated on Georgia's Black Sea coast. The Tbilisi International Airport is the gateway to the country, handling more than 62% of international traffic in the year 2023, with an annual passenger capacity of 6.1 million. The Kutaisi International Airport has been positioned as a low-cost airport. It is the second largest airport in the country, and in the year 2023, its market share comprised 28% with an annual passenger capacity of 1.7 million. The Batumi International Airport has an annual passenger capacity of 1.2 million and a market share of 10% in the year 2023. Two local airports in the towns of Mestia and Ambrolauri are much smaller and cater to the domestic market, mostly serving foreign tourists visiting Georgia's mountainous regions from Tbilisi and Kutaisi. Pursuant to Decree #1436 issued by the Government of Georgia on 7 August 2023, Telavi Airport assets were contributed to UAG capital on 2 October 2023. Management plans to demolish existing infrastructure and build new international airport. Once construction works are completed, Telavi Airport will be operated by the Company. Natakhtari airport is privately owned and serves domestic flights currently.

Aviation sector

The Government adopted a liberal aviation policy in 2005. The country provides a virtually unlimited number of third and fourth freedom rights to foreign airlines, as well as some fifth freedom rights, a rare phenomenon worldwide. A Common Aviation Area Agreement was signed with the EU in December 2010. The agreement facilitates the integration of Georgia's air transport sector into the European aviation standards and rules framework. As a result of the liberal regulatory framework and the growth in the hospitality sector, the number of foreign airlines operating in Georgia has been consistently increasing in recent years, and before the impact of COVID-19 in 2019, Georgia was served by more than 50 foreign airlines. In 2023, a total of 55 foreign airlines operate in Georgia. This includes 3 cargo airlines and 52 passenger airlines.

For of 2023, the airlines operating scheduled flights through Georgian international airports are as follows:

Airport	Airlines	Destinations
Tbilisi	44	46
Batumi	23	19
Kutaisi	6	39

Market growth

Georgia has been one of the fastest-growing aviation markets worldwide, with passenger traffic in the international airports increasing almost sixfold over the last 10 years, from just 0.9 million in 2010 to 5.2 million in 2019. The Tbilisi international airport has been the largest contributor to growth in absolute numbers. While Georgia's two other international airports, Batumi and Kutaisi, have grown even faster, they are relatively small. Between 2015-2019, passenger traffic in Tbilisi airport grew by 14.8% compound annual growth rate (CAGR) and more than doubled from 1.8 million to 3.7 million passengers. The airport in Kutaisi, Georgia's second largest city, grew by a staggering 35.1 % CAGR over the same period from 0.2 million to 0.9 million passengers, while Batumi airport grew at 24.6% CAGR from 0.2 million to 0.6 million.

This rapid growth in passenger traffic in recent years has been driven by Georgia's booming hospitality sector. Between 2015 and 2019, international traveller trips to Georgia by air increased by 48% from 0.7 million to 1.8 million. While Georgia is mostly an inbound market, with foreign visitors accounting for threequarters of all passenger traffic, the outbound travel has been also increasing as a result of Georgian citizens' visa-free travel to the European Union (EU)- Schengen area granted in 2017 in the framework of the Association Agreement with the EU.3

COVID-19 impact

The COVID-19 pandemic significantly affected the Company's operations. On March 21, 2020, the President of Georgia issued declared a state of emergency, which lasted until May 22, 2020. However, the restrictions on international flights remained until March 2021. As the main source of Company's revenues are generated by airplane traffic and associated services, total revenues declined significantly in 2020 compared to the prior year. Most flight destinations were restored in 2021, resulting in passenger traffic bouncing back to about 48% of 2019 levels in 2021, while flight frequencies recovered by 62% compared to 2019. By the year end 2022, pax recovery reached 86%, while flight frequencies recovered by 87% compared to 2019.

In the year 2023, Georgian Airports reached a historical maximum of passengers with total of 5 998 603 pax, compared to 5 200 415 total pax in 2019.

Projects

Since incorporation, the Company has focused heavily on the development of regional airports. UAG believes that this promotes competition and, hence, has a downward impact on prices. Good quality airports increase passenger flows to the regions and tourism opportunities. The benefits of this strategy can be seen in David the Builder Kutaisi International Airport, which is operated by the Company and has seen a marked increase in foreign passenger flows. Information about key projects is presented below under relevant Airport's sections.

Main Figures

Flights

107 %

2023 VS 2019

Pax

115 %

2023 VS 2019

GEL 98,1 Mln Revenue

GEL 26,4 Mln

Net profit

Strategy and Business Overview

Information about the Airports and Development Plans

UAG holds six civil airports. Three of them - Kutaisi, Ambrolauri and Mestia airports are fully operated by UAG itself. Tbilisi and Batumi International Airports are handed over to private companies – "TAV Urban Georgia" LLC and "TAV Batumi Operations" LLC for management. However, the property of these airports belongs to UAG and the aviation security in these airports is provided by UAG. In addition, UAG carries out monitoring of management of the airports by the management companies. Telavi Airport assets were contributed to UAG capital on 2 October 2023.The plan is to build a new international airport that will be operated by the Company.

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 a 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 has founded for this purpose in 2005.

Modified agreement was signed in 2015. Above mentioned amendment envisaged arrangement of several additional infrastructure and investments by the operator company, as well as indicating new mechanisms for the effective management and monitoring, etc. Many important projects were implemented within the frameworks of this plan - new arrival terminal was built (2017), runway was significantly renovated, aircraft parking lots were repaired and expanded, new car parking lots were arranged, etc. In May 2022, new taxiway was also opened in Tbilisi International Airport.

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

New Tbilisi International Airport

In 2023, with the financing of Asian Development Bank, a study on the development of Georgia's airport sector was conducted. Within the framework, both the potential of expanding the existing Tbilisi airport and the possibility of relocation of the airport were evaluated. As a result of the research, it was revealed that the development of the airport at the existing location has several limitations including conflicts with the urban development of the city. Accordingly, the Government of Georgia decided to develop a new international airport at Vaziani to substantially upgrade the air travel capacity of the capital Tbilisi, to meet the rapidly growing demand for international air travel to and from Georgia.
Currently, UAG is working on Master plan procurement tender with the support of the Asian Development Bank. According to the plan, the new airport in the territory of Vaziani will start operations in 2029. This will be the first phase of the new airport's operation and will initially serve 10 million passengers annually. After the development of the second phase, the airport's capacity will increase by additional 9 million passengers, enabling the new Tbilisi International Airport to serve up to 19 million passengers annually.

Alexander Kartveli Batumi International Airport

100% of share of the Batumi Airport, or rather "Batumi Airport" LLC (which is also the old state company) is transferred to "TAV Batumi Operations" LLC for management. This transfer took place shortly after the Tbilisi airport transfer. 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 majority of other property of the Airport belongs to UAG and is leased to the operator company of the Batumi Airport.

In April 2021, renovated terminal was put into operation. The upgraded terminal has capacity to serve up to 1.2 million passengers annually.

Operator companies, as well as UAG, are working for the development of the airport in terms of attracting new airlines and adding new destinations.

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.

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.

In 2016-2017 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.

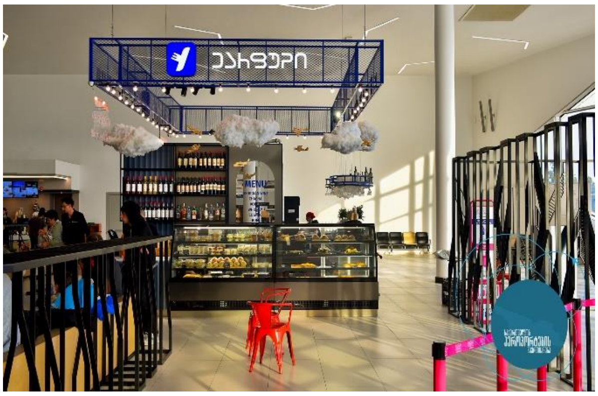
Another large infrastructural project was launched in 2017 and in June 2021 the new passenger terminal was opened, which is connected to the existing terminal. So, the Company got a 6 times larger terminal compared to the old one. This change increased the terminal throughput, current capacity 1.7 million passengers and make the airport more attractive for the new airlines in conjunction with extended aerodrome infrastructure.

Several infrastructure projects were started in the year 2023, with additional projects planned for the near future:

- an extension of a car park, which doubled existed car park capacity. Works were finalised at the beginning of the year 2024.
- Apron rehabilitation works were started at the end of the year 2023 and is planned to finalise in the year 2024.
- Small Cargo terminal construction works are in progress and will be finalised in 2024.
- New runway project works are finished and in the year 2024 it's planned to start constuction works.

In the year 2023, new airlines and destinations were added at Kutaisi International Airport, and Wizzair added its 3rd and 4th base aircrafts.

To enhance customer experience, UAG permanently is adding new services at Kutaisi International Airport. During the year 2023, some new restaurants were opened, in addition of Bank Service-center, Car hire, Taxi and etc.



In March 2024, new shuttle service added from Kutaisi International Airport to Kutaisi City center. To faciliate this service UAG purchased three new ISUZU Novocity buses.

From 30 April 2022, new stop – Kutaisi Airport was added to Railway Station. The distance from the railway station to the airport is 1.8 km, which can be covered in less than 5 minutes. UAG provides free of charge shuttle service from the station to the airport.

In the year 2023, UAG signed contract with International Air Transport Association (IATA) for developing Master Plan of the Kutaisi International Airport. In May 2024, the works were completed. Surveys and assessments included the current condition of the airport terminal, taxiways, airport terminal, runway, apron, taxiways, and other airport infrastructure; short, medium, and long-term passenger flow and aircraft traffic forecasts; and possible scenarios for the development of the airport terminal and airfield, selecting of the best alternative option based on the evaluation.

Mestia Queen Tamar Airport

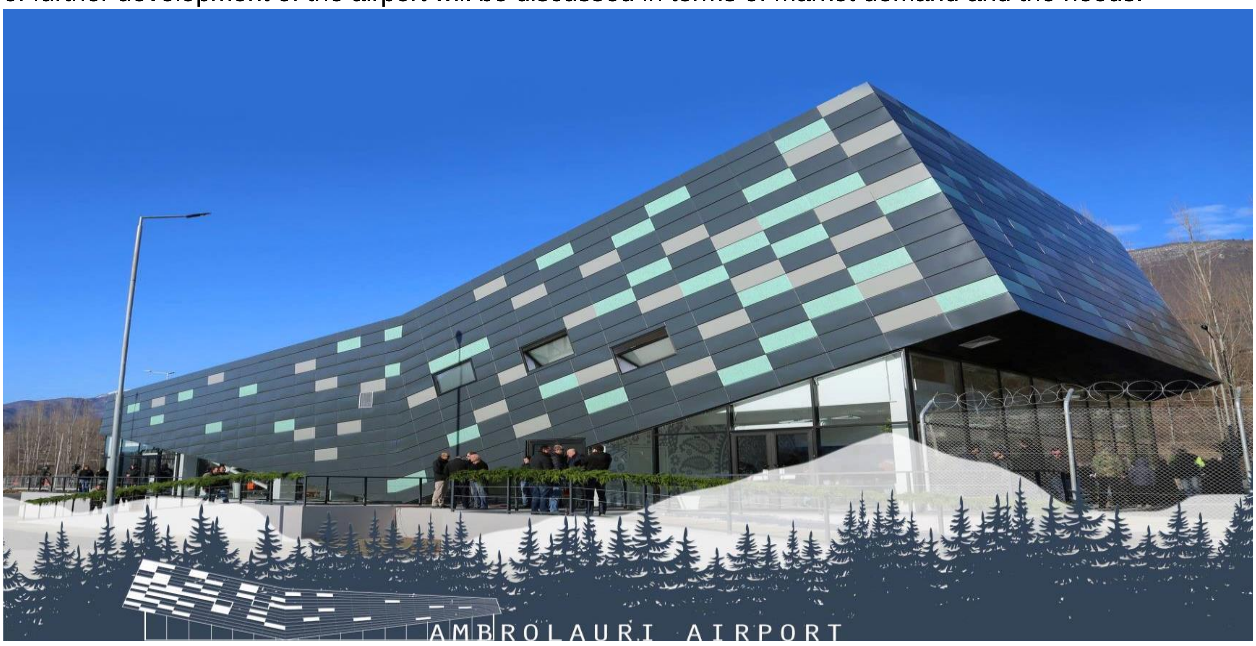
Mestia Airport is a domestic airport that was built at the end of 2010. Its main objective is to support the development of tourism in the region of Svaneti, as well as to create an alternative of fast and efficient transportation for the local population, thus facilitating the maintenance of the local 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.

To enhance operational quality and passenger comfort, construction of certain auxiliary structures is planned to commence, including a new concept-design project that has already been signed. Constructions works are planned to start in the year 2024.

Ambrolauri Airport

Ambrolauri Airport, like Mestia Airport, is a domestic airport, built at the end of 2016. Its main objective is to support the 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 the 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 are designed and arranged in such a way as to allow future expansion. The matter of further development of the airport will be discussed in terms of market demand and the needs.



Telavi Airport

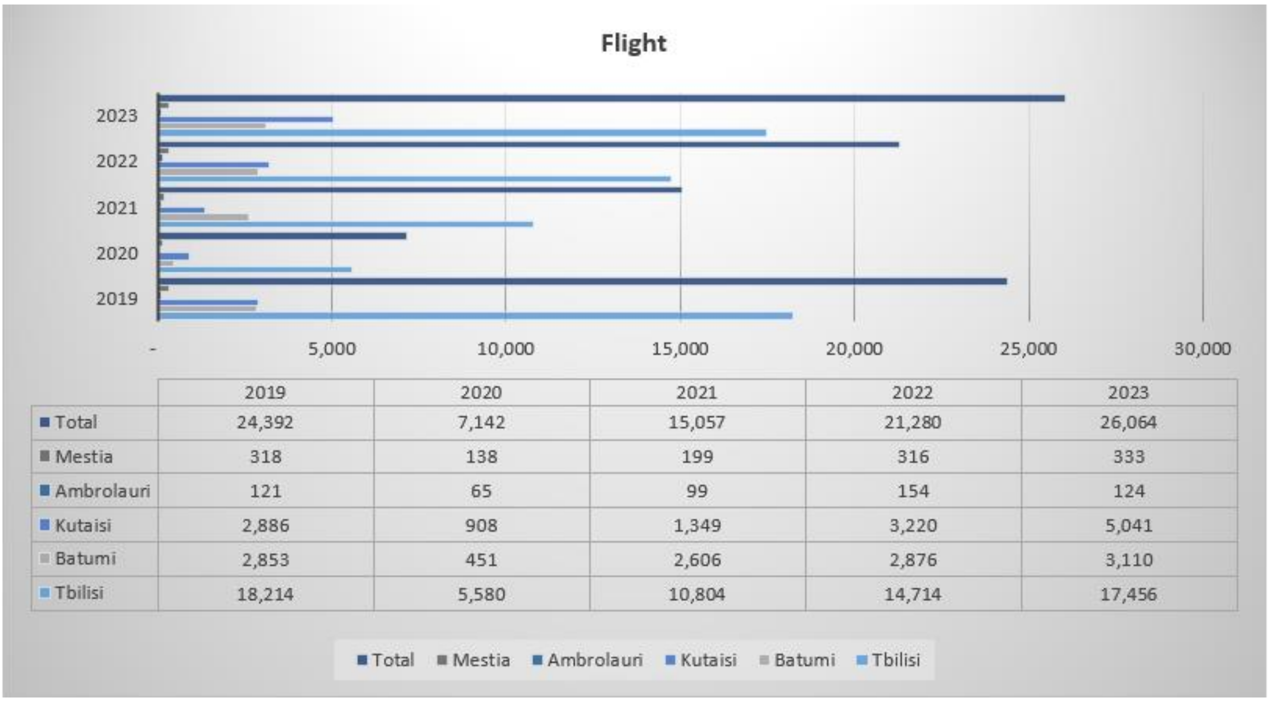
Telavi Airport is currently domestic airport, owned by UAG since October 2023. To enhance passenger airflow in the region, new infrastructure works are planned to begin in 2024. The concept-design project and runway projects are already signed. Operations will commence after the completion of above-mentioned works. Similar to Mestia and Ambrolauri Airports, “United Airports of Georgia” will organize domestic flights, for which funds will be also allocated from the state budget. Additionally, the new airport will have ability to operate international flights.

Financial Results

In 2023, the Company fully recovered from the global pandemic force majeure. Georgian Airports even served a historical maximum of passengers. It was a historic year for Kutaisi International Airport, as it was the first time since the start of operations that the airport served more than one million passengers in a single year.

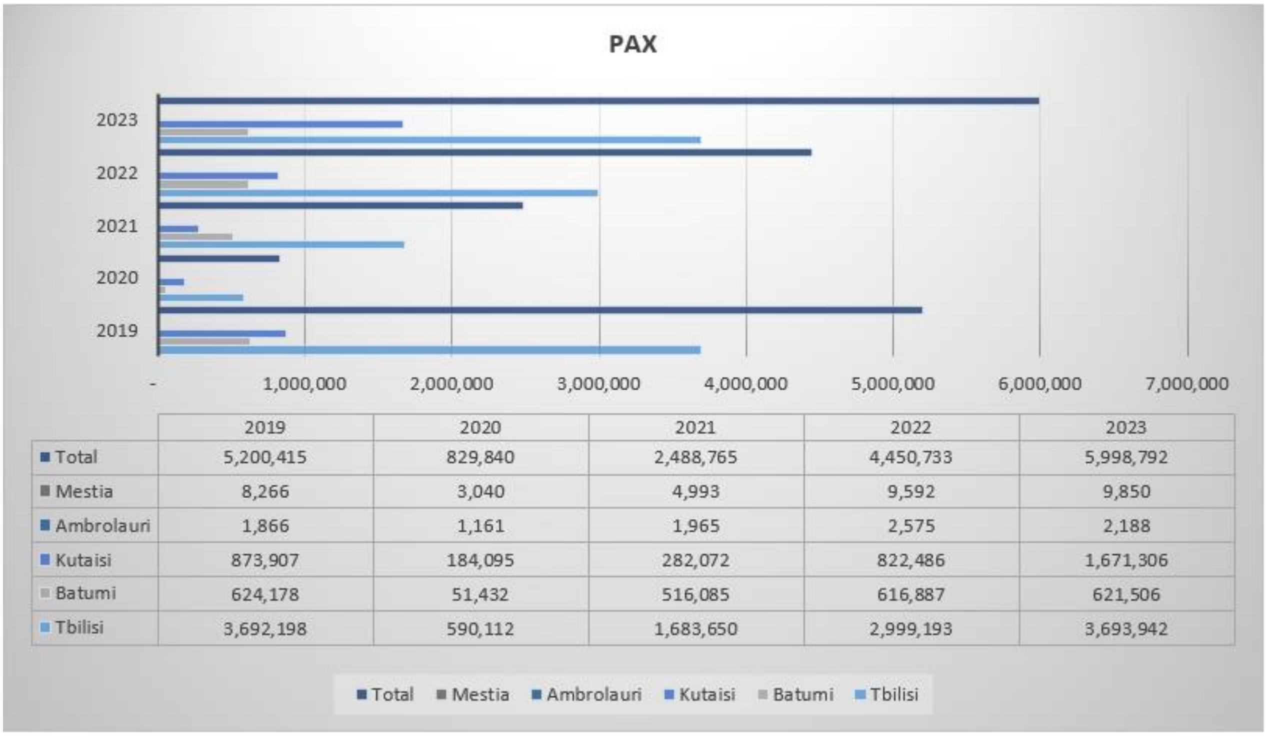
Detailed flight frequencies and passengers flow are presented below.

Flight frequencies recovered by 107% compared to 2019.



	2019	2020	2021	2022	2023
Total	24,392	7,142	15,057	21,280	26,064
Mestia	318	138	199	316	333
Ambrolauri	121	65	99	154	124
Kutaisi	2,886	908	1,349	3,220	5,041
Batumi	2,853	451	2,606	2,876	3,110
Tbilisi	18,214	5,580	10,804	14,714	17,456

Pax recovery represents 115% compared to 2019.



	2019	2020	2021	2022	2023
Total	5,200,415	829,840	2,488,765	4,450,733	5,998,792
Mestia	8,266	3,040	4,993	9,592	9,850
Ambrolauri	1,866	1,161	1,965	2,575	2,188
Kutaisi	873,907	184,095	282,072	822,486	1,671,306
Batumi	624,178	51,432	516,085	616,887	621,506
Tbilisi	3,692,198	590,112	1,683,650	2,999,193	3,693,942

In 2023, the revenue was GEL 98,067 thousand, and the net profit was GEL 26,404 thousand. The Company has shown improved results compared to 2022. Details in numbers are presented below:

** EBITDA doesn't includes PPE impairment*

Financial Results	2023	2022	2021	2020	2019
Revenue	**98,067**	**85,744**	**66,830**	**35,228**	**67,997**
Net profit	**29,404**	**18,917**	**19,025**	**(36,716)**	**2,072**
EBITDA*	**36,915**	**46,576**	**34,469**	**4,744**	**27,332**
EBIT	**24,889**	**18,090**	**19,899**	**(39,303)**	**(861)**
EBITDA margin	41%	54%	52%	13%	40%
EBITDA/per pax GEL	**6.65**	**10.46**	**13.85**	**5.72**	**5.26**
Revenue/per pax GEL	**16.35**	**19.27**	**26.85**	**42.45**	**13.08**
ROE %	7%	6%	7%	-14%	1%
Cash from Operating Activities	**25,189**	**31,387**	**21,831**	**(18,007)**	**10,611**
Investments	14,886	8,568	17,889	32,096	20,397

UAG Revenues are comprised by three sources, such as: aviation revenue, non-aviation revenue, and revenue from given rights.

Aviation Revenue

- Airport services
- Security Services

Non-aviation revenue

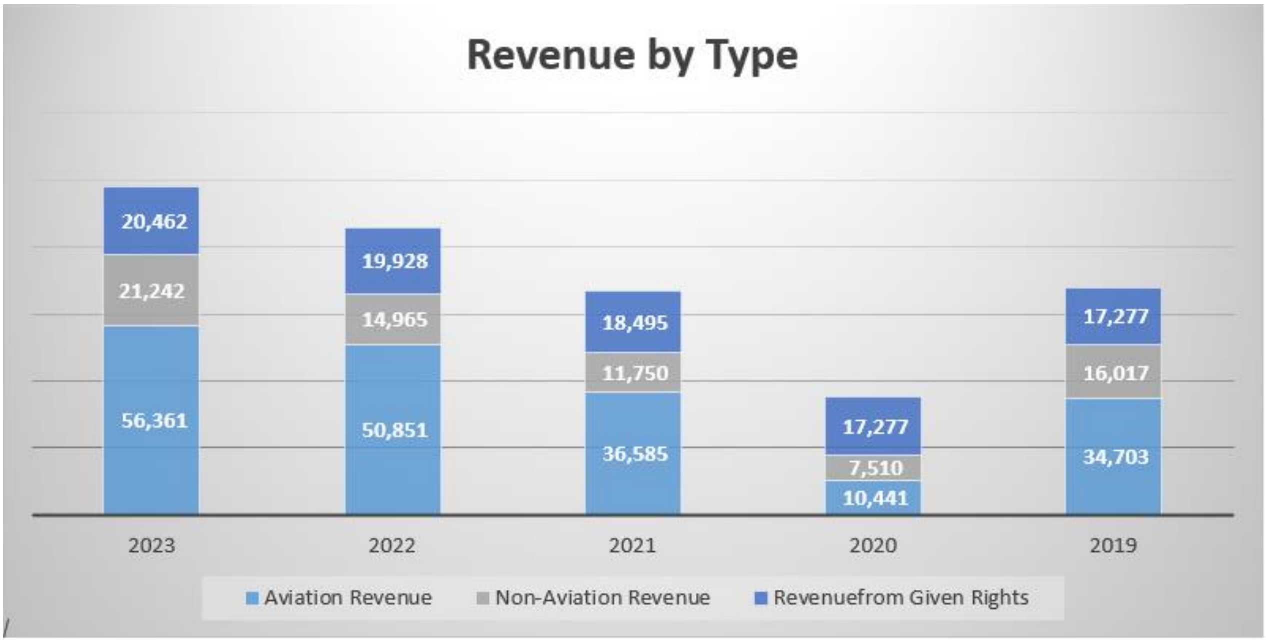
- Leases
- Project fee
- Car park
- Baggage wrap
- Other

Revenues from given rights

- Deferred revenues from operators

The main revenues are generated from aviation services, but there has been significant increase non-aviation revenues. Compared to 2022, non-aviation revenues increased significantly, with Kutaisi International Airport contributing the most to this increase due to the addition of new services, as mentioned above.

Revenues types are presented below:



Revenues by airports are presented below, as we see from the graph revenues are increased compared to previous year, especially at Kutaisi International Airport which is almost doubled compared to last year.

	2023	2022	2021	2020	2019
Ambrolauri	23	31	23	14	22
Mestia	87	82	44	28	68
Batumi	9,184	9,988	8,825	1,264	5,444
Kutaisi	19,850	10,399	4,666	1,908	7,886
Tbilisi	68,922	65,244	53,272	32,014	54,577

2024 Forecasts regarding passenger's flow, flights and revenues are even higher compared to 2023. Current forecast of passengers is approximately 6.5 million.

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 this management report.
- No additional explanations for financial statements and financial performance indicators are required in this management report, as all such explanations are provided in the financial statement itself.

- Essential research has not been conducted in the field of development during 2023.
- The Company have not purchased its own shares.

Russian-Ukrainian war

Four Ukrainian airlines ceased operations, consisting in total 14.7% of the market share for the year 2021 (352 000 pax).

Airline	Traffic 2021	Market share 2021
Sky Up	192,921	8.1%
Ukraine International Airlines	64,225	2.7%
Bees Airlines	64,589	2.7%
Yan Air	29,875	1.2%

Government Support

UAG has the administrator role for domestic flights project in the country. According to a Government decree aimed at maintaining regular domestic flights to Batumi, Mestia and Ambrolauri airports, the Company receives financial assistance from the Government of Georgia to subsidise part of the costs incurred to arrange such flights. The net financial effect on the Company's financials is zero. Subsidising domestic flights is crucial for promoting the growth of mobility between regions, providing fast and affordable travel for the local population, as well as domestic and international travelers. The Company is working to increase number of destinations for domestic flights and aims to connect all airports under its control with each other in the nearest future.

Government continues to finance large infrastructure projects. Pursuant to Decree #1596 issued by the Government of Georgia on 4 September 2023, the Company received GEL 7,728 thousand financing (capital transfer) from the Government of Georgia on 29 December 2023 for new infrastructure construction work at Telavi Airport, which was recognized as additional paid-in capital in the equity of the Company.

Key Strategic Objectives and Issues

Company Goals

UAG's strategic objectives are to continue to introduce modern airport services, develop appropriate infrastructure, ensure safety of flights and aviation security at Georgian airports. The Company also aims to develop airline destinations and increase passenger traffic.

The Company believes that by creating an appealing and safe environment at Georgian airports for airlines and passengers, including tourists, it will promote the development of the aviation market within the country. This will expand aviation services, support the development of aviation companies, facilitate domestic and international travel, encourage new players into the market and encourage existing market participants to expand services. Growth in the aviation services sector will support improved financial performance, create new job opportunities, and attract more visitors to the country. If these objectives are achieved, it will make a significant contribution to the country's economy and promote its sustainable development.

To achieve these objectives, the Company must provide high-quality, safe and cost-effective services at all its airports, either directly or through effective performance monitoring of those airports operated under contract to UAG. To achieve these goals, the operations of the Company are constantly reviewed to ensure they comply with local and international standards and recommendations and regulatory requirements are constantly met. The relevant international regulatory bodies are the International Civil Aviation Organization (ICAO), the Air Transport Association (IATA), and the European Civil Aviation Conference (ECAC).

Business Environment and Positioning

UAG's main role in relation to the Tbilisi and Batumi airports is to provide aviation security services in accordance with international standards. In addition, UAG monitors TAV's compliance with the concession and leasing agreements and other contractual obligations. UAG also monitors compliance of the infrastructural and business environment within the airports against standards set in the contracts. If deficiencies are identified, notice of required corrective action is issued.

Tbilisi International Airport is the only airport receiving passenger and cargo flights within the capital city. Batumi International Airport is a seaside airport with peak of operation in summer.

Kutaisi International Airport is the second biggest airport in the country, mainly positioned to attract low-cost airlines and developing its facilities to diversify its market for full-service and cargo airlines.

Kutaisi Airport has supported competition through the airport's competitive price policy for airport services. This has supported the increase in low ticket costs and promoting increased passenger flows. Kutaisi International Airport has directly contributed to an increase in tourist visits to the country and the indirect increase in tourism's contribution to the economy.

Mestia and Ambrolauri airports are local airports that facilitate comfortable, efficient, and rapid air services between Mestia, Ambrolauri and Kutaisi and the capital for both local Georgians and increased tourist flows. The government subsidizes flights to Mestia and Ambrolauri and the continuation of this subsidy will be important to ensure the airports remain viable. Telavi airport will arrange domestic flights as well that will be subsidized by the government.

Marketing Strategy

UAG's marketing objective is to attract new airlines and new routes to the Georgian aviation market and support the development of existing ones. UAG participates in various aviation forums and conferences such as Routes, the world's leading aviation network development conference and events that provides the opportunity to raise the awareness, increase the overall visibility, meet potential partners and aviation industry stakeholders negotiate with them and build successful collaborations. The overall objective is to promote the airports of United Airports of Georgia and attract more airlines and passengers.

As operator of Kutaisi international Airport, UAG's marketing effort aims to position Kutaisi International airport as one of the key players in the regional aviation market and drive sustainable growth in passenger numbers and airline partnerships. By engaging in strategic marketing initiatives and leveraging its unique points, Kutaisi Airport has the opportunity for expansion and further establishing itself as a gateway to Georgia and beyond.

UAG organizes marketing events and campaigns to boost its visibility and partners with local Georgian tourism board to increase brand awareness and attract more passengers at Kutaisi Airport.

UAG is also dedicated to delivering an exceptional airport experience for passengers at Kutaisi Airport. In line with this commitment, UAG initiated comprehensive passenger profiling and customer experience surveys this year. By gaining deeper insights into passenger preferences and expectations, these surveys will enable UAG to tailor services and facilities to better meet passenger needs. Moreover, the data collected will help in the development of more targeted and impactful marketing campaigns in the years ahead, enhancing Kutaisi Airport's appeal and ensuring an unparalleled travel experience for all passengers.

In the coming years, United Airports of Georgia has ambitious plans – introduction of new routes and destinations accompanied by strategic promotional campaigns, enhancing partnerships with tourism boards and travel agencies, to promote Kutaisi as a preferred travel destination. Moreover, active engagement with industry stakeholders through continued participation in key forums and exhibitions, showcasing Kutaisi Airport's capabilities and attract potential airline partners. Furthermore, UAG is planning to host several Aviation summits and Conferences in Georgia, providing perfect opportunities for networking and UAG's standing on global aviation stage.

UAG is already engaged in partnerships with local schools, colleges, and universities to provide guidance, advice, and information on careers within the aviation industry. Moving forward, we are committed to enhancing these efforts, striving to deepen our collaborations and further develop opportunities for students interested in aviation careers.

Security

UAG ensures aviation security at civil airports under the agreement signed with the Legal Entity of Public Law (LEPL) Security Police Department within the Ministry of Internal Affairs. Procurement of aviation security from the LEPL Security Police Department is carried out at fixed monthly costs for UAG.

Environmental Issues

According to the Law of Georgia - Environmental Assessment Code, the construction and operation of the airport is subject to EIA (Environmental Impact Assessment).

EIA is a form of environmental assessment used in the decision-making process for activities that may have a significant impact on the environment. Its main purpose is to assess the expected impact of planned activities on the environment, considering both positive and negative impacts related to socio-economic, cultural, and human health.

EIA is mandatory for those private or public activities that may cause a significant impact on the environment, and its purpose is to identify, study and describe the direct and indirect impact on the following factors caused by the implementation of the activity, both during the construction phase and during its subsequent operation with its mitigating measures:
a) Human health and safety.
b) Biodiversity (including plant and animal species, habitats, ecosystems).
c) Water, air, soil, land, climate, and landscape.
d) Cultural heritage and material values.

The study and description should also include activity-related hazards in relation to large-scale accident and/or natural disaster risks.

Considering all this, during the modernization of Kutaisi Airport in 2012, an environmental impact assessment report was created, which includes all the risks and threats that may arise in terms of environmental impact to the airport, both during modernization and further operation. Environmental protection is the main value of the Company, and it is actively working to regulate issues related to environmental protection, both from a legal and practical point of view.

During the Company's activities, both non-hazardous and hazardous waste is generated. The "Waste Management Code" obliges the Company producing hazardous waste to implement such measures that will contribute to the prevention of waste generation and the increase of reuse, the processing of waste in an environmentally safe way, and their safe disposal. According to the "Waste Management Code", "UAG is obliged to develop a waste management plan and agree it with the Ministry of Agriculture and Environmental Protection and to manage its waste according to the already agreed plan.

With this regard, an initial audit has been conducted in the Company, waste has been identified according to types and quantities, a preliminary waste management plan has been prepared, and the necessary actions (collection, transportation, and subsequent, if required temporary placement) for the waste management plan are in progress.

Within the framework of extended producer responsibility - an environmental protection approach that includes the producer's responsibility for his own product, even after the consumption of this product, during the entire life cycle of the product - the Company is a member of the Association of Extended Producer Responsibility of Georgia, and is obliged to ensure the achievement of the specified target indicators of collection, recovery and recycling of specific waste.

The Company has a well at the Kutaisi International Airport, which is included in the EIA. Control of the purity of water from the well is performed in a laboratory. To reduce the negative impact on the environment, the Company plans to reduce water consumption and purchase environmentally friendly vehicles in the long term.

In the year 2023 two electric vehicles, PRIUS PLUGIN 1.8PV, were handed over to the Company within the framework of JICA's renewable energy production project. The project serves to protect the environment in the country, and with its completion, the Georgian aviation industry will come closer to European standards.

Kutaisi International Airport, as a proud member of ACI Europe, just developed the Airport's roadmap Net Zero by 2050, representing the strategies, targets, and actions towards achieving net zero carbon emission by 2050. UAG fully recognizes the importance of developing and operating the airport infrastructure and services to reduce aviation's impact on global warming and facilitate decarbonization of air transport.

Social and employment issues

Human Resources

UAG constantly takes care of the safe environment of employees, career development, professional development, improvement of working conditions, improvement of remuneration system, health insurance.

As of December 2023, the Company employees 572 staff (152 women and 420 men), 2022 – 530 staff. The majority of which are employed at Kutaisi International Airport, which is one of the reputable and large employers in the Imereti region, with its working conditions, environment, pay, stability, benefits, etc.

Place of employment	2023	2022
Central head office	98	77
Tbilisi International airport	32	29
Kutaisi International airport	398	380
Mestia airport	19	18
Ambrolauri airport	18	19
Batumi airport	7	7

Employer turnover rate for the year 2023 is only 4 %, which confirms that company provides good working conditions.

The Company prioritizes improving the working conditions of employees and their career advancement, and it promotes gender equality by creating equal opportunities. However, due to the specific nature of the Company's operations, some units are staffed entirely by men.

One of the most important aspects of achieving success in a company, improving work processes, and creating a pleasant environment is teamwork. Accordingly, the Company constantly cares for the personal and organizational growth of the cohesive team and plans various activities, external work meetings, events, etc.

The Company provides regular training programs for staff and promotes attendance at relevant conferences and other events. Expenses for employee training include compulsory training for employees on matters such as aviation security, routes development and other professional development training.

The UAG Academy conducts training courses by ICAO certified instructors. The training is conducted in accordance with the airport aviation security assurance program agreed by LSI "Civil Aviation Agency" and the standards of the International Civil Aviation Organization - ICAO. The UAG Academy provides 11 training programs in the aviation industry with important areas such as aviation security and dangerous goods, as well as 12 training programs in the civil aviation industry. To carry out mandatory trainings smoothly, 8 employees of the Company are trained as instructors. In the UAG Academy, both companies related to the aviation industry, as well as employees of all civil airports of Georgia, persons employed by companies located in the airports, can acquire professional knowledge, and take certification courses. Training programs consist of both theoretical and practical parts. Training is performed in specially equipped auditoriums as close as possible to the real working environment. In case of successful completion of the training program, its practical and theoretical part, the Academy will issue a certificate confirming the completion of special professional training.

In 2024, a memorandum was signed between the UAG and the Public Safety Management Centre 112, the purpose of which is to deepen cooperation between the centre and the Company, to plan and implement a training cycle for the union's employees in customer relations (service plus) and effective communication; Evaluating the effectiveness of the conducted training according to the jointly developed plan and, if necessary, developing relevant recommendations.

The Company constantly allows young people living in the Imereti region to get work experience at the Kutaisi International Airport within the scope of their competence and to get a job if they successfully complete the internship. In the year 2023, UAG employed 15 interns at Kutaisi International Airport, within the scope of paid internships for those seeking development and employment in the aviation field. After completing the internship, all of them successfully passed the test and were employed in the Company.

An employee evaluation system is implemented for career development, raising professional skills, encouragement, professional development needs and organizational development of the Company.

The Company constantly takes care of the social protection of its employees. The period of maternity leave is in accordance with legislation, in addition to the compensation stipulated by the law, the Company gives a monetary bonus for a new child.

The Company has corporate insurance that fully covers the medical services of employees. Health insurance conditions are improving every year.

The Company has also signed a memorandum with Fitpass, which unites several sports facilities in Tbilisi, Batumi and Kutaisi. Currently 150 employees use this service.

In 2023, a reorganization was conducted to effectively manage the company and improve work processes. As a result, a new organizational structure and staff list were formed. It's worth noting that no employees were dismissed due to the reorganization. Instead, employees were moved and even promoted based on corresponding assessments, as part of the optimization of positions.

In 2023, employees who have been employed for more than 20 years were rewarded with a certificate of appreciation.

At the Kutaisi International Airport, it was possible to arrange a food facility for the employees, which is adjusted to the schedule of the staff working in shifts. Additionally, employees enjoy a special discount within the framework of the contract signed with facilities located in the terminal.

Labour safety

A labour safety policy has been developed and implemented by the Company, the priority goal of which is to create a healthy and safe working environment for the personnel employed in the Company, to provide high-quality services to the visitor/customer, and not to have an industrial injury in the process of operation.

To ensure the safety of the employees and monitor their activities, the relevant documentation of labour protection legislation of Georgia is developed and supervision of their implementation and protection is conducted.

As of now, the following documents are developed in terms of labour safety:
• Consistent preventive measures policy.
• Management of relations with contractors.
• On the obligation to use individual protective equipment in the workplace.
• Height rescue response plan.

The labour safety and health protection documentation is periodically updated in accordance with legislation. Employees receive ongoing education and training related to their professional activities. Safety instructions related to the work have been developed and are placed in a centralized database.

Measurements of physical parameters (humidity, lighting, noise) are conducted on the entire operation scale within the time limits defined by the law.

At the workplaces of the Company, signs related to safety and health protection defined by law have are placed, which are related to a specific object, activity or situation and provide information or instructions about safety and/or health protection in the workplace.

Within the terms defined by law, the identification of existing or expected threats, setting corrective measures, and searching for ways to implement them is carried out throughout the entire operation, which creates a prerequisite for risk minimization.

Protection of human rights and fight against corruption

In addition to the issues mentioned above, "Union of Airports of Georgia" LLC actively works in terms of human rights protection and fight against corruption. Various working documents of the company emphasize the importance of protecting human rights and participating in the fight against corruption.

It worth meantioning that the Company is actively working to eliminate discrimination and various actions that violate human rights. Whenever there is a risk of discrimination or other actions that violate human rights within the scope of the Company's activities or in connection with it, the Company reacts promptly. Any risk or danger, regardless of its size, is perceived as the greatest possible danger and triggers an appropriate reaction.

It should also be noted that in a number of documents and agreements. These provisions oblige the parties to take appropriate steps to combat corruption and, if necessary, to eliminate the negative consequences arising from conflicts of interest or other corrupt actions.

Risks

UAG is exposed to several risks and the Company has been moving to identify, assess, monitor, and mitigate those risks. These risks can be grouped into three areas – financial, business and regulatory, and operational:

Financial Risks:

- Foreign exchange (forex) risk. Risk on foreign-currency denominated liabilities and assets. Company's main revenues are denominated in foreign currencies, while operational costs are in GEL. If the GEL gains in value costs may increase relative to revenue. To make natural hedge for FX risk, company tries to diversify revenues streams in different currencies.

- Interest rate risk. This concerns mainly cash holdings as these are mainly on-demand deposits which, at every renewal, are subject to repricing risk, with the possibility to get lower interest rates; However, this risk is de facto mitigated by the evolving interest rate environment which is increasing following the US FED interest rate policies. The Company is focused to sign at least one-year contracts to mitigate mentioned risk.

- Credit risk. UAG, as shown in its financial statements, has a substantial portion of trade receivables. UAG has developed a detailed classification system based on ageing as well as an impairment provision system to better monitor the risk of those receivables.

- Liquidity risk. UAG has relatively little exposure to liquidity and refinancing risk due to its substantial cash balances. The Company generates a cash surplus, which is then invested in capital projects. However, in case of significant capital projects, such as the expansion of the Kutaisi International Airport terminal, the funding was mainly provided by the government. In the coming years, a similar approach will be required for such large-scale projects.

Business and Regulatory Risks

- Political and geopolitical risks. UAG, given the region it belongs to, is heavily exposed to political tensions and geopolitical risks either affecting the country directly or affecting countries that are key trading partners or generators of passenger traffic. Additionally, significant global geopolitical crises can have a significant impact on all branches of the aviation industry.

- Pandemic risks. While this is usually seen as an operational risk, given the impact of the COVID-19 crisis on the airport industry, and given that there is some scientific evidence that events of this type could become more frequent, pandemic risks deserve to be seen as a potentially significant business risk in the same way as serious global geopolitical crises are. The array and variety of impacts is considerable – for example, huge reduction in aviation revenues notably for passenger traffic, reduction in lease prices for shopping space, defaulting, and closing leased shops.

- Environmental and health and labour regulations. Failure to comply with these regulations can cause fines and even temporary stoppage of operations. Additionally, efforts to comply can cause a substantial increase in costs, at least temporarily.

- Aviation safety and airport security regulations. Failure to comply with those regulations, which can change after incidents in any airport in the world, can cause fines and even temporary stoppage of operations of airlines, which can result in decreased revenues for the airports.

Operational Risks

- Disasters stemming from natural hazards (floods, landslides, earthquakes, heavy rain) and even small incidents of bad weather (such as strong winds and storms) can disrupt airport operations, in some cases for longer periods as runways, terminals and other critical parts of the operations can be damaged.

- Pandemics as a source of operational risk. Operations at passenger counters are slowed, through additional checks and other factors. Available staff numbers can be reduced through illnesses.

- Terrorism, civil disturbance, and war. These can paralyze an airport for a long period, and/or cause frequent interruptions. Airports are primary targets frequently. In the case of terrorism, not only actual attacks cause a long disruption, but false alerts can also cause lengthy interruptions.

- Failure of IT Systems, including cyberattacks. Airports rely on sophisticated IT Systems; any failure in any critical system can cause lengthy disruptions.

Currently there is no risk management unit in the Company. This lack is somewhat mitigated by risk management being implemented within the Company’s operations through experienced staff and through some key units.UAG intends to gradually correct the gaps in its risk management practices identified.

Governance

Corporate Governance

United Airports of Georgia's corporate governance structure comprises the General Meeting of Partners, the Supervisory Board, and the General Director, each having its own responsibilities and authorities in accordance with applicable Georgian laws and the Company's Charter. The GM is the highest governing body of the Company which appoints the members of the Supervisory Board, which is responsible for overall corporate governance of the Company and supervising the General Director. The Supervisory Board appoints General Director of the Company, who is responsible for day-to-day management. Currently there is not any committee, but it is planned to create audit committee during the coming years.

Since 2016, the Company has launched a project aimed at the implementation of the International Financial Reporting Standards (IFRS) and preparing of the financial statements in accordance with these standards. Since that period, IFRS financial statements are issued annually, which is accompanied by the independent auditor's report. Since 2017, according to the changes in legislation requirements, the Company additionally issues Management reports. UAG submits annual reports to the board and partners, as well as publishes them on its own website and according to legislation requirements submits it to SARAS.

Improving corporate governance for UAG means enhancing the strategic decision-making process, the effectiveness of the Company's internal control and the accountability of governing bodies. The Company plans to take the necessary measures to improve corporate governance, it intends hire qualified personnel in internal control department, improve internal documentation and introduce the position of corporate secretary.

General Meeting of Partners

UAG is 100% owned by the State. Ownership functions before were fully carried out by the LEPL National Agency of State Property (NASP). NASP was established on September 17, 2012, under the Ministry of Economy and Sustainable Development (MOESD) and exercises powers relating to the privatization of state property, and the management of State-owned Enterprises (SOEs). On June 8, 2023, NASP signed agreement with Ministry of Finance of Georgia regarding transfer of rights to manage 50% shares of the Company.

The owner exercises its rights through the General Meeting of Partners (the "General Meeting" or "GM"), which should be held at least once every year, not later than 6 months after the completion of the annual audit. Convening GM is not necessary if all partners agree in writing on matters. Such decision is considered equivalent to the minutes of the GM and is considered a resolution of the GM.

The General Meeting is convened by the partners, member of the Supervisory Board or the General Director. The Chair of the Supervisory Board chairs the GM or, in his or her absence, by the Deputy Chair or, in case of the latter's absence – by the General Director. The GM elects the Chair of the General Meeting by a simple majority of votes.

Under Georgian law and the Charter, the matters reserved to the partners authority include, among others:

- Approving annual financial results and Company's business plan.
- Making changes to the information in the Company's registration application and the Charter.
- Opening and closing branches.
- Approving reports of the General Director and the Supervisory Board.
- Electing and dismissing members of the Supervisory Board.

- Determining the remuneration of the Supervisory Board
- Issuing and canceling a procura.
- Purchasing the Company's property or transferring, alienating, securing, or writing-off property in accordance with the Civil Code of Georgia where such activity is outside the ordinary scope of activity.
- Borrowing and establishing loan facilities in case amount is above 50% of Company's assets.
- Reorganization and liquidation of the Company.

During 2023 there wasn't any General meetings held but instead several written decisions were taken on matters according to the Charter.

Supervisory Board

Supervisory Board consists of 6 (six) members, among whom 5 represent deputy ministers. Two members of the board are woman. Currently there is not any committee.

Members of the Supervisory Board are appointed by the GM for a term no more than three years. However, after expiration of a member's term, it shall be extended until the next GM. The members of Supervisory Board can be re-elected.

The Supervisory Board elects their Chair and Deputy Chair from among its members with majority of votes. The Chair, or in his or her absence – the Deputy, convenes the Supervisory Board meeting and establishes the agenda. The Chair of the Board is responsible for ensuring minutes are kept. Convening supervisory board meeting is not necessary if majority of board members agree in writing on matters. Such decision is considered equivalent to the minutes of the supervisory board meeting and is considered a resolution of supervisory board.

The tasks and responsibilities of the Supervisory Board under Georgian law and the Charter include, among others:

- Oversight the General Director's activities.
- Requesting reports on the Company's activities from the General Director at any time.
- Controlling and monitoring the Company's financial position, and assets.
- Convening the GM, if deemed to be in the interest of the Company.
- Reviewing annual accounts and proposals relating to the distribution of profits and reports to the GM.
- With the partner's written consent, appointing and dismissing the General Director and determining the General Director's remuneration, also, if so needed, entering, or terminating any agreements with the General Director.
- Deciding on the issues that fall outside the scope of the Company's ordinary course of business.

In the year 2023 there was total nine supervisory board meetings held, and resolution reached, for one of them board meeting was held, for the rest written resolutions were taken.

As of the date of this Report, the Supervisory Board of UAG consists of the following members:

Mariam Kvrivishvili
Board Chairman

Since 2021, deputy Minister of Economy and Sustainable Development of Georgia; From mentioned period she is the chairman of UAG supervisory board. Before this duty Mrs. Mariam was member of the Parliament of Georgia and was member of various committees. Mrs. Mariam also held position of deputy Head of the LEPL Georgian National Tourism Administration and then head of the LEPL Georgian National Tourism Administration. In addition of public sector experience, she has experience in private sector as well. For 5-year Mrs. Mariam was Voyager (Tour Operator Company) General Director / Flydubai Regional Manager in Georgia, also has worked as Deputy Head of Human Resource Management at Adjara Group.
Mrs. Mariam has bachelor's degree in marketing, Faculty of Business Administration of International Black Sea University and has taken short course of Business Administration, bachelor's program in Berkeley University, California, USA. Currently she is Candidate for master's degree in ESM Business School (Free University).

Mikheil Dundua
Deputy of Board Chairman

Since 2018, Deputy Minister of Finance of Georgia. From the year 2022 supervisory board member of UAG. Before this duty Mr. Mikheil was Head of LEPL Revenue Service. In addition of public sector experience, he has experience in private sector as well, holding managerial positions, such as Director of Analysts and scientist's hall "Doctrina", LTD Capital Research Center, LTD Georgian Business week. Additionally, Mr. Mikheil has experience of working as a consultant, researcher and lecturer in universities and consultation companies.
Mr. Mikheil has bachelor's and master's degree of Faculty of Economics, at Tbilisi State University Named After Iv. Javakhishvili

Giorgi Butkhuzi
Board Member

Since 2019, Deputy Minister of the Ministry of Internal Affairs. Mr. Giorgi has significant experience in public sector. He has worked as Deputy Head of the Intelligence Service of Georgia, Deputy Minister of Defense of Georgia, Deputy Director of the LEPL "Emergency Medical Center"; Acting Director; Director, Head of Mtskheta District Division of Mtskheta-Mtianeti Regional Main Division of the Ministry of Internal Affairs etc. Experience in internal audit should be mentioned, Mr. Giorgi was Head of the Internal Audit Department of the Ministry of Labor, Health, and Social Affairs of Georgia.
Mr. Giorgi is a Master of Law, Academy of the Ministry of State Security of Georgia, Jurisprudence.

Sergo Janelidze
Board Member

Since 2024, Deputy Minister of Defene Georgia. Mr. Sergo has significant experience in public sector, in particular Director of Economic Department of State Security Service of Georgia, Head of Main Division of Material and Technical Provision of Financial and Economic Department at Ministry of Internal Affairs of Georgia, Head of Economic Provision and Material Resources Management Division of the Main Division of Financial and Economic Assurance of Personnel and Organizational Assurance Department, Ministry of Internal Affairs of Georgia, Head of Economic Division of the Special State Protection Service of Georgia.
Mr. Sergo has bachelor's degree of Technical University of Georgia, specialty of Industrial and Civil Construction, with qualification of Engineer and Constructor; and High School of Business at Ivane Javakhishvili Tbilisi State University.

Ilia Begiashvili
Board Member

Since 2018, Mr. Ilia is First Deputy of Minister of Regional Development and Infrastructure of Georgia. He has significant experience in both public and private sector. At the beginning of career, he has worked as an Advisor in medical affairs to Head of Signagi Municipality, at Signagi city board, Deputy Head of Administrative Department of the Administration of the Government of Georgia, Head of Administrative Department of the Administration of the Government of Georgia. Regarding private sector, he occupied various positions at PSP group: Head of a warehouse, Senior Manager of Distribution Department, Head of Service Department, Director of Georgian-Ukrainian Pharmaceutical Company (CU Pharma), Head of the Department of Administrative Affairs, Procurements and Logistics at "Tegeta Motors" LTD.

Tamara Archuadze
Board Member

Tamara Archuadze is board member of UAG since January 2023. From 2023 she is working as Head of Aviation Administration of Kazakhstan. During the years 2020-2022, she held position of Director of United Airports of Georgia. Mrs. Tamara has significant experience in civil aviation sector. Before Joining the UAG she held position of the Deputy Director/Nationals Safety Oversight Coordinator at the LEPL Georgian Civil Aviation Agency. Before this Mr. Tamara was the Civil Aviation Advisor to the Chairman of the United Transport Administration. Before Joining the Aviation Authority of the State, Ms. Archuadze held the position of the Head of Aeronautical Information Service of Georgia at Sakaeronaviagatsia Ltd. During 2005-2006 Mrs. Tamara worked in the Aviation Division of the Ministry of Economy, Transport Policy Department.
Mrs. Tamara holds a bachelor's degree in international economic relations and air transport management from the Aviation Institute of the Georgian Technical University. In addition, she has also completed specialized aviation trainings in the USA, Europe, Singapore Aviation Academy and etc.

Management

The General Director is responsible for the day-to-day management and administration of the Company. The Charter provides that UAG has one General Director who is appointed and dismissed by the Supervisory Board, with the partner's agreement. In addition, the General Director represents the Company in legal matters with third parties. The General Director has standard rights and responsibilities and carries out the activities defined by the applicable Georgian legislation, UAG's Charter, and delegation from the Supervisory Board.

In performance of his duties, the General Director is supported by 4 Directors for certain fields.

Irakli Karkashadze
General Director

Director of United Airports of Georgia since 2023, Mr. Karkashadze has been responsible for overseeing the operations of the airport network in Georgia, ensuring the efficient and safe operation of the airports and collaborating with stakeholders to improve airport infrastructure and enhance the passenger experience.

Prior to his current position, Mr. Karkashadze served as the Deputy Mayor of Kutaisi, where he managed tourism internationally for the city. He has studied MBA in Aviation Management from the Krems University of Austria and a Ph.D. in Aviation Logistics from Georgian Technical University, which has provided him with extensive knowledge of aviation management and logistics. Mr. Karkashadze also has experience working on international and domestic aviation projects, making him an asset to any aviation organization.

David Jabua- Director of Aviation Security

Bringing over 31 years of security expertise, Mr. Jabua has been with the United Airports of Georgia since 2012.
Education: Engineer-technologist

Levan Tskhadadze - Director of Operations

With 20 years in the aviation industry and various roles within the UAG since 2011, Mr. Tskhadadze's experience in air transport management ensures smooth operations.
Education: Air transport management

Konstantine Katamadze - Director of Infstrastructure

Joining United Airports of Georgia in 2019, Mr. Katamadze brings a decade of experience managing large insfrastructural projects and holds a degree in Business Administration.
Education: Business Administration

Archil Silakadze - Director of Quality Control and Audit

From 2020, Mr. Silakadze has been integral to ensuring compliance with quality standards. His diverse managerial experience brings valuable perspective to the team.
Education: Mining Engineer

Comprehensive reform strategy of state enterprises

The Government Decree #573 was approved on 14 December 2022, under which "State Strategy for the Comprehensive Reform of State Enterprises in Georgia 2023-2026", Action Plan for the years 2023-2024 and Piloting Action Plan for the year 2023 were approved.
According of mentioned decree, United Airports of Georgia was announced as one of the pilot companies along with three others.
The purpose of the reform is to reduce the fiscal risks arising from the state enterprise sector and to maximize their potential in promoting economic growth. Responsible parties for implementation of strategy are Ministry of Finance of Georgia and Ministry of Economy and Sustainable Development of Georgia.

Five main priorities set under the strategy includes:

- Corporate Governance;
- Commercial Goals;
- Competitive neutrality of state companies;
- Ownership policy of state companies;
- Strategic management of state companies.

The pilot action plan includes the activities, which should be implemented by UAG during the years, to improve the Corporate Governance of the Company.

Approved for issue and signed on behalf of Management on 21 June 2024 by:

Irakli Karkashadze	Ketevan Eloshvili
General Director	Head of Finance Department

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Ketevan Eloshvili
Head of Finance Department