UNITED AIRPORTS OF GEORGIA LLC

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

31 December 2022

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 2022, 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 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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.

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

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

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

22 June 2023
Tbilisi, Georgia

In thousands of Georgian Lari	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	7	65,260	95,435
Tbilisi Airport assets transferred to the Operator	8	191,289	193,477
Batumi Airport assets transferred to the Operator	9	86,236	86,804
Other investment properties		601	422
Intangible assets		194	227
Other non-current assets	10	957	2,338
Total non-current assets		**344,537**	**378,703**
Current assets			
Inventories	11	1,765	1,319
Trade and other receivables	12	8,831	7,776
Prepayments		84	563
Prepaid and recoverable taxes		-	150
Cash and cash equivalents	13	55,502	40,062
Total current assets		**66,182**	**49,870**
TOTAL ASSETS		**410,719**	**428,573**
EQUITY			
Charter capital	15	360,316	394,739
Additional paid-in capital	15	40,000	-
Accumulated deficit	15	(89,684)	(116,140)
TOTAL EQUITY		**310,632**	**278,599**
LIABILITIES			
Non-current liabilities			
Non-current payables		-	48
Deferred revenue	14	84,091	97,015
Other liabilities	18	6,348	6,512
Total non-current liabilities		**90,439**	**103,575**
Current liabilities			
Trade and other payables	17	4,736	5,067
Contract liabilities	16	3,067	1,950
Other taxes payable		68	-
Other liabilities	18	1,777	39,382
Total current liabilities		**9,648**	**46,399**
TOTAL LIABILITIES		**100,087**	**149,974**
TOTAL LIABILITIES AND EQUITY		**410,719**	**428,573**

Approved for issue and signed on behalf of Management on 22 June 2023 by:

Irakli Karkashadze
Director

Ketevan Eloshvili
Finance Manager

UNITED AIRPORTS OF GEORGIA LLC
Statement of Financial Position

In thousands of Georgian Lari	Note	31 December 2022	31 December 2021
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Irakli Karkashadze
Director

Ketevan Eloshvili
Finance Manager

In thousands of Georgian Lari	Note	2022	2021
Revenue	19	**85,744**	**66,830**
Other income	20	4,267	646
Impairment of non-current assets	7	(7,454)	-
Route marketing and development expenses	21	(7,296)	(2,373)
Depreciation and amortisation		(13,610)	(12,105)
Security expenses		(12,081)	(10,859)
Salaries and benefits		(11,903)	(8,767)
Reversal/(impairment) of provision for bad debts	10,12	111	(666)
Other operating expenses	22	(12,266)	(10,342)
Operating profit		**25,512**	**22,364**
Finance income		1,445	1,562
Finance cost	18	(618)	(2,436)
Foreign exchange losses, net		(7,422)	(2,465)
Profit before income tax		**18,917**	**19,025**
Income tax expense		-	-
PROFIT FOR THE YEAR		**18,917**	**19,025**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,917**	**19,025**

In thousands of Georgian Lari	**Charter capital**	**Accumulated deficit**	**Additional paid-in capital**	**Total equity**
Balance at 1 January 2021	**394,724**	**(135,165)**	**-**	**259,559**
Charter capital contributions	22	-	-	22
Withdrawals from the capital	(7)	-	-	(7)
Profit for the year	-	19,025	-	19,025
Total comprehensive income for the year	-	19,025	-	19,025
Balance at 31 December 2021	**394,739**	**(116,140)**	**-**	**278,599**
Charter capital contributions	192	-	-	192
Withdrawals from the capital (Note 15)	(34,615)	7,539	-	(27,076)
Additional capital contribution (Note 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**

In thousands of Georgian Lari	Note	2022	2021
Cash flows from operating activities			
Profit before income tax		18,917	19,025
Adjustments for:			
Depreciation and amortisation		13,610	12,105
Impairment of non-current assets	7	7,454	-
Impairment (reversal)/loss recognised on financial assets	10,12	(111)	666
Amortisation of deferred revenue	14	(19,928)	(18,495)
Grant amortisation		(164)	(41)
Loss/(gain) from disposal of property, plant and equipment		44	(21)
Finance income		(1,445)	(1,562)
Finance cost		618	2,436
Loss from foreign currency revaluation, net		7,422	2,465
Operating cash flows before working capital changes		**26,417**	**16,578**
Changes in working capital			
(Increase)/decrease in trade and other receivables		(119)	1,330
Increase in inventories		(449)	(118)
(Increase)/decrease in prepayments		482	(113)
Decrease in prepaid and recoverable taxes	18	150	195
Increase in other liabilities		1,777	-
Increase in trade and other payables		567	2,003
Increase in advances received		1,117	394
Cash generated from operations		**29,942**	**20,269**
Interest income received		1,445	1,562
Net cash from operating activities		**31,387**	**21,831**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,584)	(17,913)
Proceeds from disposal of property, plant and equipment		16	24
Net cash used in investing activities		**(8,568)**	**(17,889)**
Cash flows from financing activities			
Financing from Municipal Development Fund	18	-	10,000
Repayment of financing from Municipal Development Fund	18	(40,000)	-
Additional capital contributions from owner	18	40,000	-
Net cash from financing activities		**-**	**10,000**
Effect of exchange rate changes on cash and cash equivalents, net		(7,379)	(2,018)
Net increase in cash and cash equivalents		**15,440**	**11,924**
Cash and cash equivalents at the beginning of the year	13	**40,062**	**28,138**
Cash and cash equivalents at the end of the year	13	**55,502**	**40,062**

1. United Airports of Georgia LLC and its Operations

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

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

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

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

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

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

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

2. Operating Environment of the Company

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

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

COVID-19. On 12 March 2020, the World Health Organization officially declared the Covid-19 pandemic. In order to limit the impact of the pandemic, the Georgian government took appropriate measures and imposed restrictions such as quarantine, curfew, international flight restrictions and other business restrictions. There were also other international restrictions imposed by the different countries, which negatively impacted the number of passengers, as well as the frequency of the flights. These measures have had a negative impact on the economy and local businesses, including the Company's operations. The Company's management has taken appropriate steps to minimize the impact of the pandemic on the Company's operations. From March 2021 Covid restrictions was lifted on international flights and Company started to recover its business. The passenger volume recovery in 2021 and 2022 was 52% and 86% respectively, 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 2022, there remains a risk that the authorities may impose additional restrictions in 2023 as a response to possible new variants of the virus. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

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 2022 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.

As the war is still waging, it is impossible to reliably assess full impact this may have on the Company's business as there is uncertainty over the magnitude of the impact on the economy in general. The Company's management is closely monitoring the economic situation in the current environment.

3. Significant Accounting Policies

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

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

Going concern. Management prepared these financial statements on a going concern basis.

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. Significant Accounting Policies (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. Significant Accounting Policies (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. Significant Accounting Policies (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. Significant Accounting Policies (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. Significant Accounting Policies (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. Significant Accounting Policies (Continued)

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

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

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

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

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.

3. Significant Accounting Policies (Continued)

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

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

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

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.

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

3. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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.

In the year 2022 runway rehabilitation works were performed in Kutaisi International Airport. As Kutaisi CGU is loss making and as salvage value of such specified assets are nil, the Company accounted the impairment loss for whole cost of runway rehabilitation of 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.

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

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 2022 and 31 December 2021 the expected credit losses for trade receivables amounted to GEL 2,631 thousand and GEL 2,914 thousand, respectively.

5. Adoption of New of Revised Standards and Interpretations

The following amendments became effective from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The 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 2023 or later, and which the Company has not early adopted.

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

FRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Company is currently assessing the impact of the amendments on its financial statements.

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

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services:* Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

6. New Accounting Pronouncements (Continued)

- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments. The Company is currently assessing the impact of the amendments on its financial statements.

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

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

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). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of the amendments on its financial statements.

6. New Accounting Pronouncements (Continued)

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). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9. The Company is currently assessing the impact of the amendments on its financial statements.

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). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Company is currently assessing the impact of the amendments on its financial statements.

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

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

7. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment operated by the Company for the year ended 31 December 2022 and 31 December 2021 were as follows:

In thousands of Georgian Lari	Land	Buildings	Plant and equipment	Vehicle	CIP and others*	Total
Cost						
At 1 January 2021	**54,672**	**40,057**	**14,862**	**8,846**	**65,459**	**183,896**
Additions	18	20	7,003	-	12,207	19,248
Transfers	-	68,797	8,831	-	(77,628)	-
Disposals	(8)	(1)	(80)	-	-	(89)
At 31 December 2021	**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**
Depreciation and impairment						
At 1 January 2021	**-**	**(31,297)**	**(10,681)**	**(5,684)**	**(57,187)**	**(104,849)**
Depreciation charge	-	(477)	(1,576)	(797)	-	(2,850)
Disposals	-	-	79	-	-	79
Transfers	-	(50,410)	(6,771)	-	57,181	-
At 31 December 2021	**-**	**(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	-	(7,454)	-	-	-	(7,454)
At 31 December 2022	**-**	**(90,744)**	**(20,055)**	**(7,215)**	**(6)**	**(118,020)**
Carrying amount						
At 31 December 2021	**54,682**	**26,689**	**11,667**	**2,365**	**32**	**95,435**
At 31 December 2022	**27,671**	**25,706**	**9,928**	**1,923**	**32**	**65,260**

CIP and others - Uninstalled equipment and construction in progress*

No interest expense was capitalized in 2022 on qualitied assets. In 2021, GEL 1,498 thousand of interest expense was capitalized on Kutaisi Airport terminal building.

In 2022 the Company recognized the impairment loss of GEL 7,454 thousand, as a result of the impairment assessment related to runway rehabilitation works performed in Kutaisi International Airport. For the assumptions and methods used for the impairment assessment refer to Note 4.

8. Tbilisi Airport Assets Transferred to the Operator

Movements in the carrying amount of service concession assets under the service concession arrangements for the year ended 31 December 2022 and 31 December 2021 were as follows:

In thousands of Georgian Lari	Land	Buildings	Plant and equipment	Vehicles	Total
Cost					
At 1 January 2021	**43,637**	**206,038**	**1,211**	**220**	**251,106**
Disposals	-	-	-	(9)	(9)
At 31 December 2021	**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**
Depreciation and impairment					
At 1 January 2021	**-**	**(47,893)**	**(759)**	**(193)**	**(48,845)**
Depreciation charge	-	(8,730)	(47)	(7)	(8,784)
Eliminated on disposal	-	-	-	9	9
At 31 December 2021	**-**	**(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)**
Carrying amount					
At 31 December 2021	43,637	149,415	405	20	193,477
At 31 December 2022	**43,637**	**147,290**	**358**	**4**	**191,289**

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.

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 2022 and 31 December 2021 were as follows:

In thousands of Georgian Lari	Land	Buildings	Total
Cost			
At 1 January 2021	**71,142**	**6,748**	**77,890**
Additions	-	10,759	10,759
At 31 December 2021	**71,142**	**17,507**	**88,649**
Disposals	(58)	-	(58)
At 31 December 2022	**71,084**	**17,507**	**88,591**
Depreciation and impairment			
At 1 January 2021	**-**	**(1,413)**	**(1,413)**
Depreciation charge	-	(432)	(432)
At 31 December 2021	**-**	**(1,845)**	**(1,845)**
Depreciation charge	-	(510)	(510)
At 31 December 2022	**-**	**(2,355)**	**(2,355)**
Carrying amount			
At 31 December 2021	71,142	15,662	86,804
At 31 December 2022	**71,084**	**15,152**	**86,236**

2021 year additions in buildings is related to the expansion of Batumi Airport terminal building, which was executed by the Operator of Batumi Airport, at Operator's costs and which contractually represents the Company's assets. On 13 April 2021 Batumi Airport upgraded terminal building was opened. The Company accounted the expansion on Batumi Airport Terminal on its balance sheet as of 13 April 2021 at fair value. The fair value estimation was performed by independent valuator. The appraiser has used a cost approach as a primary method and an income approach represented by a DCF for the economic obsolescence test. As of mentioned date valuator have calculated both operational assets value with cost approach and value in use of CGU. The fair value of the Batumi Airport terminal expansions comprised GEL 10,759 thousand as of the date of valuation - 13 April 2021.

Fair value of land plots of Batumi Airport as of 31 December 2022 was GEL 362,408 thousand (31 December 2021: GEL 228,248 thousand).

Direct operating expenses recognised in 2022 profit or loss include GEL 858 thousand (2021: GEL 738 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	2022	2021
1 year	793	806
2 year	780	793
3 year	768	780
4 year	748	768
5 year	305	748
Later than 5 years	-	305
Total undiscounted operating lease payments receivable at 31 December	**3,394**	**4,200**

10. Other Non-Current Assets

In thousands of Georgian Lari	31 December 2022	31 December2021
Trade receivables from non-aviation services	870	2,390
Less: expected credit loss	(19)	(52)
Non-current receivables, net	**851**	**2,338**
Prepayments for PPE	106	-
Total other non-current assets, net	**957**	**2,338**

Non-current receivables as at 31 December 2022 and 31 December 2021 represent non-overdue balances and are allocated to the Stage 2. For the year 2022 expected credit loss was recovered by GEL 33 thousand.

Movements in prepayments for PPE are as follows:

In thousands of Georgian Lari	2022	2021
Carrying value at 1 January	**-**	**1,140**
Additions	106	-
Prepayments derecognised on receipt of related goods or services, or transferred to construction in progress	-	(1,140)
Carrying value at 31 December, net	**106**	**-**

11. Inventories

In thousands of Georgian Lari	31 December 2022	31 December2021
Fuel and Lubricants	548	190
Building Materials	283	299
Raw Materials	231	288
Spare Parts	183	88
Other Inventory	520	454
Total inventories	**1,765**	**1,319**

12. Trade and Other Receivables

At 31 December 2022 and 31 December 2021 trade and other receivables were as follows:

In thousands of Georgian Lari	31 December 2022	31 December 2021
Trade receivables	11,455	10,685
Less: expected credit loss/impairment loss provision	(2,631)	(2,914)
Total financial assets within trade and other receivables	*8,824*	*7,771*
Other receivables	7	5
Total trade and other receivables	**8,831**	**7,776**

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

In thousands of Georgian Lari	2022	2021
Provision for impairment at 1 January	**2,914**	**2,221**
Expected credit loss for trade receivables	-	693
Recovery of provision for impairment during the year	(78)	-
Write-offs	(205)	-
Provision for impairment at 31 December	**2,631**	**2,914**

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

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)

31 December 2021 *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	9,766	415	503	171	198	2,022	13,075
Lifetime ECL	(351)	(136)	(216)	(90)	(151)	(2,022)	(2,966)

12. Trade and Other Receivables (Continued)

The table below provides a credit risk rating grade disclosure:

In thousands of Georgian Lari	**31 December 2022** 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**	**2650**

In thousands of Georgian Lari	**31 December 2021** Stage 2 Lifetime ECL -not credit-impaired	Stage 3 Lifetime ECL -credit-impaired	Total
Non-overdue	351	-	351
0-30 past due	136	-	136
30-90 past due	216	-	216
90-180 past due	90	-	90
180-360 past due	151	-	151
360> past due	-	2,022	2,022
Total	**944**	**2,022**	**2,966**

13. Cash and Cash Equivalents

In thousands of Georgian Lari	31 December 2022	31 December 2021
Cash on hand	-	4
Cash in Transit	3	4
Bank current accounts and on-demand deposits	55,499	40,054
Total cash and cash equivalents	**55,502**	**40,062**

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	2022	2021
Deferred revenue at 1 January	**97,015**	**104,751**
Increase of deferred revenue (Note 8)	7,004	10,759
Amortisation of deferred revenue	(19,928)	(18,495)
Deferred revenue at 31 December	**84,091**	**97,015**

15. Equity

Charter capital. 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 #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 2022	31 December 2021
Contract liabilities - advances received from customers	3,067	1,950
Total current contract liabilities	**3,067**	**1,950**

GEL 1,472 thousand of revenue was recognised in the current reporting period related to the contract liabilities as at 31 December 2021 (2021: GEL 1,406 thousand).

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2022 (GEL 3,067 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 2022 and 31 December 2021 were as follows:

In thousands of Georgian Lari	31 December 2022	31 December 2021
Trade payables	3,792	4,387
Liabilities for purchased property, plant and equipment	54	363
Total financial liabilities	**3,846**	**4,750**
Received advances and customer deposits	860	316
Other	30	1
Total trade and other payables	**4,736**	**5,067**

18. Other Liabilities

In thousands of Georgian Lari	31 December 2022	31 December 2021
Deferred income – MDF	6,348	6,512
Total other non-current liabilities	**6,348**	**6,512**

In thousands of Georgian Lari	31 December 2022	31 December 2021
Deferred income	1,777	-
Financial liabilities – MDF	-	39,382
Total other current liabilities	**1,777**	**39,382**

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.

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 18). 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 2022 GEL 164 thousand was recognised as grant amortisation (2021: GEL 41 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.

18. Other Liabilities (Continued)

In 2021 the Company capitalised interest expense in the amount of GEL 1,498 thousand on respective qualified asset. The finance cost recognised in 2022 profit or loss on MDF financing comprised GEL 618 thousand (2021: GEL 2,436 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	**2022**	**2021**
Aviation revenue		
Tbilisi	36,802	26,923
Kutaisi	8,133	3,714
Batumi	6,585	5,884
Mestia	79	44
Ambrolauri	28	20
Total aviation revenue	*51,627*	*36,585*
Non-aviation revenue		
Tbilisi	9,902	8,766
Kutaisi	375	303
Batumi	13	39
Mestia	-	-
Ambrolauri	-	-
Total non-aviation revenue	*10,290*	*9,108*
Total revenue from issued concession rights (Note 14)	*19,928*	*18,495*
Total revenue from contracts of customers	**81,845**	**64,188**
Lease income		
Tbilisi	308	306
Kutaisi	1,891	649
Batumi	1,694	1,684
Mestia	3	-
Ambrolauri	3	3
Total lease income	**3,899**	**2,642**
Total revenue	**85,744**	**66,830**

Total lease income includes GEL 2,637 thousand of variable part in 2022 (2021: GEL 1,515 thousand).

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

In thousands of Georgian Lari	**2022**	**2021**
At a point in time	51,654	36,673
Over time	30,191	27,515
Total revenue from contracts with customers	**81,845**	**64,188**

20. Other Income

In thousands of Georgian Lari	2022	2021
Compensation for costs*	3,223	-
Income from fines	562	156
Commission income	173	59
Grant income (Note 18)	164	41
Income from sales of inventory	55	156
Income from sale of PP&E	(44)	21
Other non-operating income	134	213
Total other income	**4,267**	**646**

(*) Compensation of costs represents a financing of GEL 3,223 thousand received from the government of Georgia 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 Kutaisi and Tbilisi international airports. For route marketing and development activities the Company pays monthly amounts based on airlines' performance (e.g. new routes, passengers per period of time, frequencies per period of time, etc.), essentially linked with the incentive package requirements.

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	4,274	4,172
Utility costs	1,978	1,603
Cleaning expenses	1,322	875
Insurance	794	538
Repair and maintenance	683	875
Fuel and lubricants	427	267
Business Trips	407	280
IT expenses	258	213
Marketing expenses	267	134
Technical inspection costs	221	89
Consumable supplies	174	138
Consultation expenses *	167	295
Third-party service costs	132	96
Communication costs	80	82
Representative expenses	29	35
Other expenses	1,053	650
Total other operating expenses	**12,266**	**10,342**

(*) 2022 consultation expenses includes GEL 161 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 (2021: GEL 256 thousand).

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 2022**	**31 December 2021**
Other non-current receivables		
- Other non-current receivables	851	2,338
Trade and other receivables		
- Trade receivables	8,824	7,771
Cash and cash equivalents		
- Cash and cash equivalents	55,502	40,062
Total on-balance sheet exposure	**65,177**	**50,171**
Total maximum exposure to credit risk	**65,177**	**50,171**

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 2022 and 31 December 2021 were as follows:

In thousands of Georgian Lari	At 31 December 2022			At 31 December 2021		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Georgian Lari	11,820	(3,910)	7,910	12,423	(42,484)	(30,061)
US Dollars	22,929	(243)	22,686	19,307	(265)	19,042
Euros	30,428	(583)	29,845	18,441	(1,746)	16,695
Total	**65,177**	**(4,736)**	**60,441**	**50,171**	**(44,495)**	**5,676**

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 2022 and 31 December 2021. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

In thousands of Georgian Lari	2022	2021
US Dollar strengthening by 10%	24,955	20,946
US Dollar weakening by 10%	(24,955)	(20,946)
Euro strengthening by 10%	32,830	18,365
Euro weakening by 10%	(32,830)	(18,365)

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 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**
31 December 2021						
Total financial assets	46,379	411	1,046	2,314	21	**50,171**
Total financial liabilities	(2,506)	(41,526)	(109)	(354)	-	**(44,495)**
Net interest sensitivity gap at 31 December 2021	**43,873**	**(41,115)**	**937**	**1,960**	**21**	**5,676**

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 2022 and 31 December 2021 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 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)**

The maturity analysis of financial liabilities at 31 December 2021 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	(2,506)	(2,144)	(109)	(354)	-	**(5,113)**
Financing from MDF	-	(39,382)	-	-	-	**(39,382)**
Total future payments, including future principal and interest payments	**(2,506)**	**(41,526)**	**(109)**	**(354)**	**-**	**(44,495)**

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 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**

	31 December 2021			
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	40,062	-	-	40,062
- Trade and other financial receivables	-	7,771	-	7,771
- Other non-current assets	-	2,338	-	2,338
TOTAL ASSETS	**40,062**	**10,109**	**-**	**50,171**
LIABILITIES				
Other financial liabilities				
- Trade and other financial payables	-	4,750	-	4,750
- Other non-current liabilities	-	46	-	46
- Financial liabilities – MDF	-	39,382	-	39,382
TOTAL LIABILITIES	**-**	**44,178**	**-**	**44,178**

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 2022**	**31 December 2021**
Trade receivables	260	324
Trade and other payables	(2,540)	(2,141)
Financing from MDF (Note 18)	-	(39,382)
Deferred revenue from financing from MDF (Note 18)	(6,348)	(6,512)
Deferred income (Note 18)	(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	**2022**	**2021**
Revenue related to non-aviation and aviation services	216	454
Government subsidies for domestic flights	4,763	3,837
Compensation for costs (Note 20)	3,223	-
Security expenses	(12,081)	(10,859)
Other operating expenses	(276)	(136)

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

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

In thousands of Georgian Lari	**2022**	**2021**
Short-term benefits:		
- Salaries	114	90
- Short-term bonuses	19	19
Total key management compensation	**134**	**109**

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 2022 and 31 December 2021.

Legal proceedings. As at 31 December 2022 and 31 December 2021 the Company was not engaged in any significant litigation proceedings. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

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

Operating environment. Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations. The future direction of Georgia's economy is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. During recent years Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during 2022 and 2021 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

On 14 December 2022, the Government Decree #573 was issued, endorsing the "State Strategy for the Comprehensive Reform of State Enterprises in Georgia 2023-2026," along with the Action Plan for the years 2023-2024 and the Piloting Action Plan for 2023. As per this decree, the Company was designated as one of the pilot companies, alongside two others. Following this, 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.

On 5 June 2023, the Government Decree #1054 was issued, instructing UAG and Sakaeronavigatsia LLC to conduct the preliminary studies for the construction of a new international airport at the territory of Vaziani Airport, followed by taking necessary measures for designing, planning, constructing, adequately equipping and operating the infrastructure of the new airport, based on the outcomes of the performed studies.

MANAGEMENT REPORT
2022

UNITED
AIRPORTS
OF GEORGIA

Table of contents

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

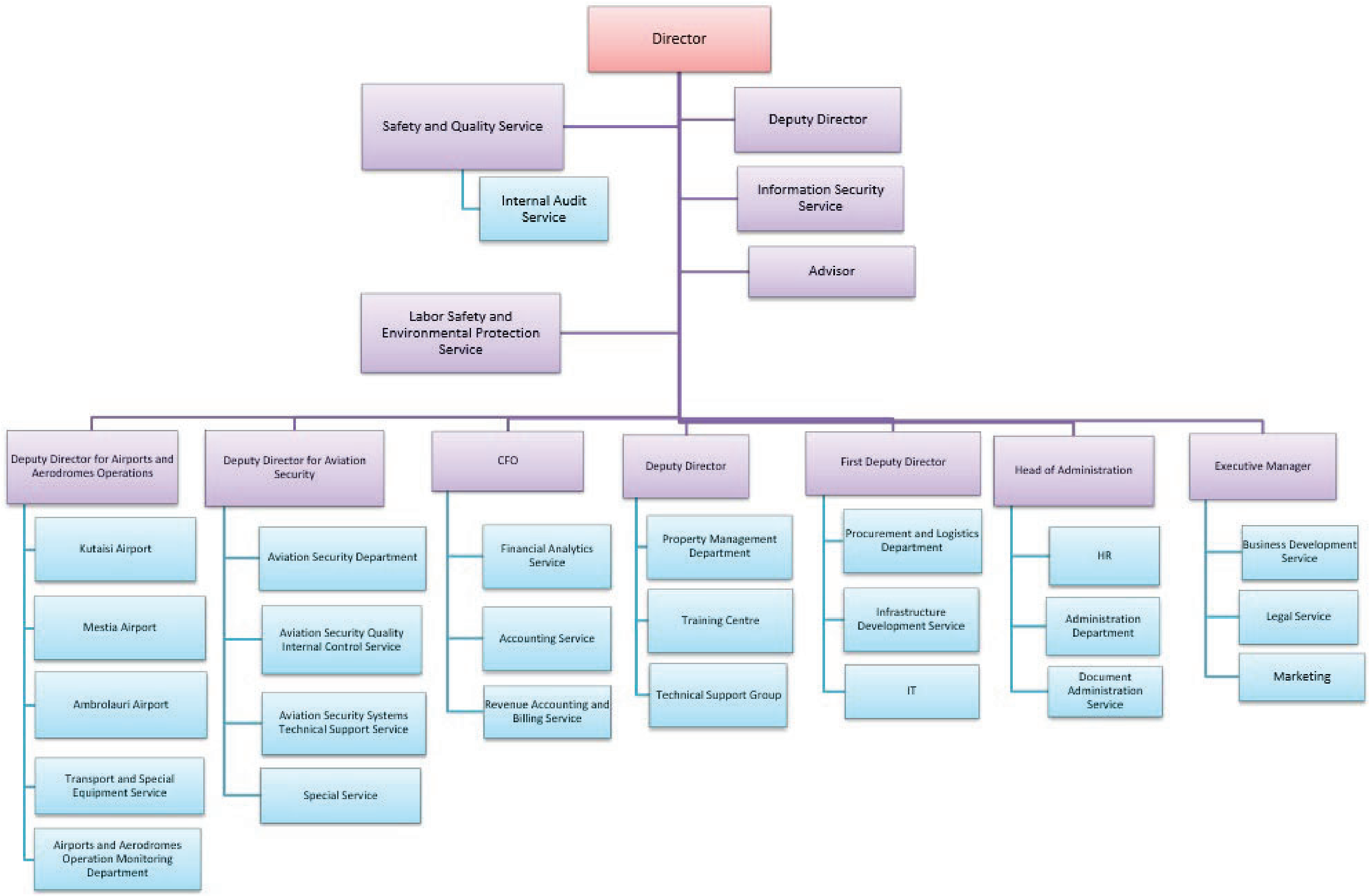
Main directions of activities of the Company are as follows:

- 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.

United Airports of Georgia Ltd
ORGANISATIONAL CHART



Nature and Scope of Activities

Georgia has seven active civil airports, from which five 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 68% of international traffic in the year 2022, 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 2022, its market share comprised 19% with an annual passenger capacity of 2.1 million. The Batumi International Airport has an annual passenger capacity of 1.2 million and a market share of 14% in the year 2022. 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. The rest two airports are privately owned ones, Natakhtari which serves domestic flights currently and Telavi "Mimino", from where no commercial flights are yet performed.

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.

As of 2022, the airlines operating scheduled flights through Georgian international airports are as follows:

Airport	Airlines	Destinations
Tbilisi	43	46
Batumi	25	22
Kutaisi	4	28

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 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 three-quarters 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 86%, while flight frequencies recovered by 87% compared to 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.

Some key projects are planned in the nearest future such as:

- Airport sector assessment with strategic recommendations – this project is to be performed with assistance of ADB.
- Kutaisi International Airport Master Plan.
- Kutaisi International Airport New Runway and subsequent Aerodrome.

Main Figures

Flights

87 %

2022 VS 2019

Pax

86 %

2022 VS 2019

GEL 85,7 Mln Revenue

GEL 18,9 Mln

Net profit

Strategy and Business Overview
Information about the Airports and Development Plans

UAG holds five 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.

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.

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 taken into operation. The upgraded terminal gives possibility to serve up to 1.2 million passengers.

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 by 4 times (2.5 million passengers) and will make the airport more attractive for the new airlines in conjunction with extended aerodrome infrastructure.

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

In terms of Infrastructure development, the runway rehabilitation works were performed in the year 2022.

In the year 2023, it's planned to undertake an extension of a car park, apron rehabilitation, and commencement of aa new runway project, The project f will be completed in the year 2023 and infrastructure works will be completed in the years 2023-2024.

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

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.

With the purpose of improvement of quality of operation and comfort of passengers, construction of certain auxiliary structures is planned to start and build a new, relatively large-sized terminal in the year 2023.

Ambrolauri Airport

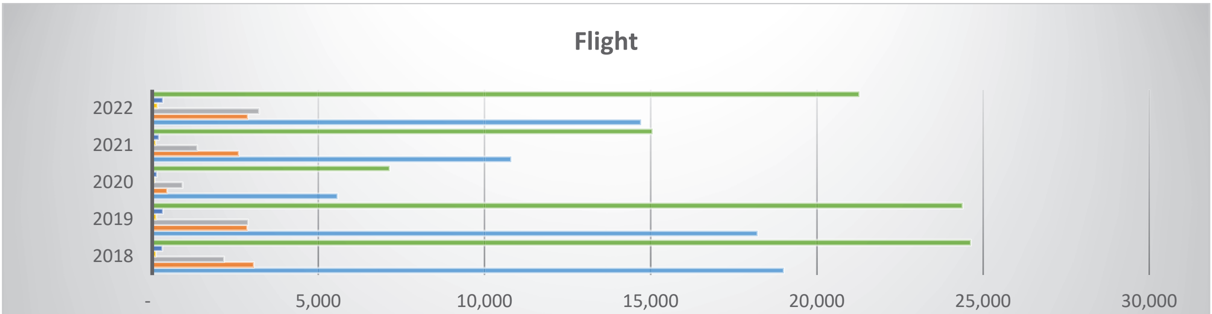
Ambrolauri Airport, like Mestia Airport, is a domestic airport, built at the end of 2016. Its main objective is to support the development of tourism in the region of Racha, as well as to create an alternative of fast and efficient transportation for the local population, thus facilitating the maintenance 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.

Financial Results

In 2022, the Company started recovery from the global pandemic force majeure. Flight frequencies and passenger flow increased as soon international restrictions were eliminated.

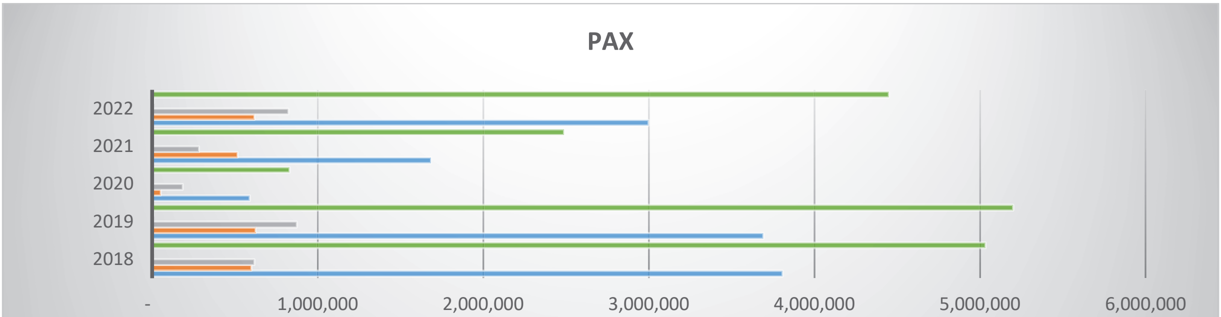
Flight frequencies are recovered by 87 **%** compared to 2019.



	2018	2019	2020	2021	2022
Total	24,631	24,392	7,142	15,057	21,280
Mestia	300	318	138	199	316
Ambrolauri	110	121	65	99	154
Kutaisi	2,160	2,886	908	1,349	3,220
Batumi	3,056	2,853	451	2,606	2,876
Tbilisi	19,005	18,214	5,580	10,804	14,714

Total Mestia Ambrolauri Kutaisi Batumi Tbilisi

Pax recovery represents 86**%** compared to 2019.



	2018	2019	2020	2021	2022
Total	5,033,119	5,200,415	829,840	2,488,765	4,450,733
Mestia	6,741	8,266	3,040	4,993	9,592
Ambrolauri	1,523	1,866	1,161	1,965	2,575
Kutaisi	617,342	873,907	184,095	282,072	822,486
Batumi	598,862	624,178	51,432	516,085	616,887
Tbilisi	3,808,651	3,692,198	590,112	1,683,650	2,999,193

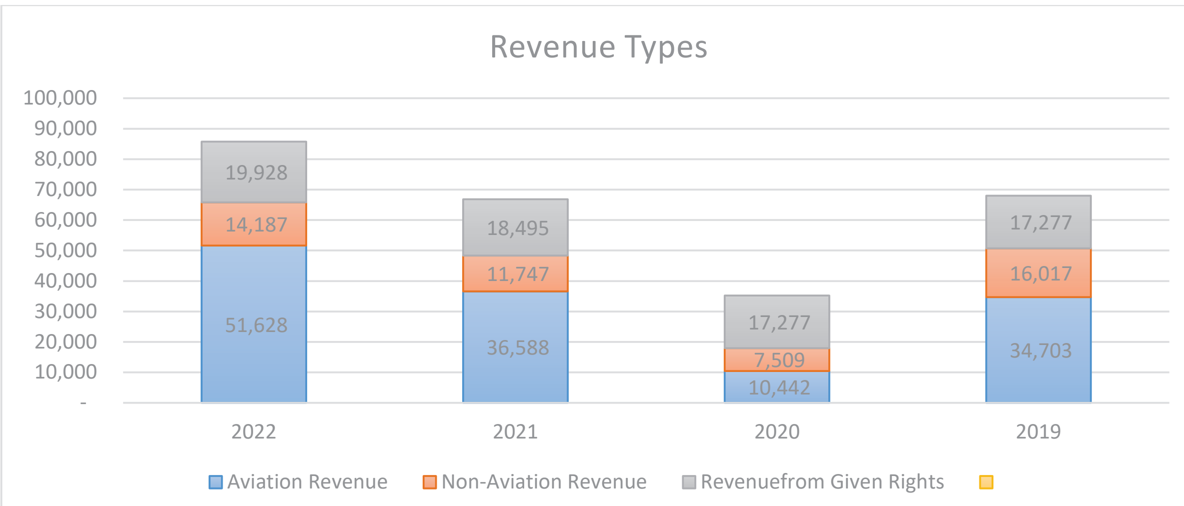
Total Mestia Ambrolauri Kutaisi Batumi Tbilisi

2022 revenue composed GEL 85,744 thousand, net profit GEL 18,917 thousand. The Company has an improved results compared to 2021. Details in numbers are presented below:

Financial Results	2022	2021	2020	2019
Revenue	**85,744**	**66,830**	**35,228**	**67,997**
Net profit	**18,917**	**19,025**	**(36,716)**	**2,072**
EBITDA*	**46,576**	**34,469**	**4,744**	**27,332**
EBIT	**18,090**	**19,899**	**(39,303)**	**(861)**
EBITDA margin	54%	52%	13%	40%
EBITDA/per pax GEL	**10.46**	**13.85**	**5.72**	**5.26**
Revenue/per pax GEL	**19.27**	**26.85**	**42.45**	**13.08**
ROE %	6%	7%	-14%	1%
Cash from Operating Activities	**31,387**	**21,831**	**(18,007)**	**10,611**
Investments	8,568	17,889	32,113	20,397

** EBITDA doesn't includes PPE impairment*

Revenues types are presented below:



Revenues by airports are presented below:

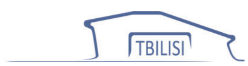
	2022	2021	2020	2019
Ambrolauri	31	21	14	22
Mestia	82	44	28	68
Batumi	9,988	8,825	1,263	5,444
Kutaisi	10,399	4,666	1,908	7,886
Tbilisi	65,243	53,274	32,015	54,577

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 2022.
- The Company have not purchased its own shares.

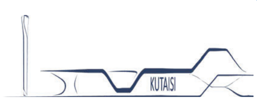
2023 Forecasts

The Covid pandemic had a huge negative impact on the aviation business, including UAG. From 2021, after the elimination of restrictions, international flights started to recover. By the end of 2022 flights are recovered by 87% compared to 2019 and traffic is recovered by 86% compared to 2019. 2023 forecasts for traffic recovery are presented below:



3 269 252
89%
2023 VS 2019

710,226
114 %
2023 VS 2019



1,228,748
141 %
2023 VS 2019

Total

5 208 000
100 %
2023 VS 2019

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%

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 corrective action required 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, 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; the operation of which facilitates 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.

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. The marketing objective is focused on Tbilisi, Kutaisi and Batumi international airports. To establish relationships with new airlines and other airports, UAG officials attend international aviation forums and conferences.

In addition to B2B marketing, UAG maintains relations between airports and passengers via social networks and websites.

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 monthly fixed costs for UAG.

Human resources

As of December 2022, the Company employees 530 staff (including interns and employees on contracts), the majority of which are employed at Kutaisi international airport.

Place of employment	Total staff
Central head office	77
Tbilisi International airport	29
Kutaisi International airport	380
Mestia airport	18
Ambrolauri airport	19
Batumi airport	7

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, destination development and other professional development training.

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 borrowings 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; this is de facto mitigated for the time being by the present interest rates evolution, which are 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 its 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 then is invested in capital projects. However, in the case of significant capital projects, such as the expansion of the Kutaisi International 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 frequent primary targets. 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

Improving corporate governance for UAG means increasing 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, introduce the position of corporate secretary and reorganization.

United Airports of Georgia's corporate governance structure comprises the Partner, whose ownership functions are carried out by LEPL National Agency of State Property; the Supervisory Board; and the Director, who is responsible for the day-to-day management of the company.

Partner approves the annual business plan of UAG, discusses the business-plan performance reports, approves the decisions about disposal of considerable assets owned by UAG and performs other activities as provided for in the Charter of the Company.

Supervisory Board consists of 6 (six) members, they represent deputy ministers. Two member of the board are woman. Currently there isn't any committee, but it is planned to create audit committee during the coming year.
Company doesn't have board of directors. Management (director and deputies) is responsible for developing the Company's strategy.

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

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

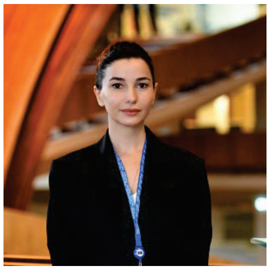
Since 2016, the Company has launched a project aimed at the implementation of the International Financial Reporting Standards (IFRS) and preparing of the financial statements in accordance with these standards. Since that period IFRS financial statements are issued annually, which is accompanied by the 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 partner, as well as publishes them on its own website and according to legislation requirements submits it to SARAS.

The internal audit function isn't established in the Company, but risk management is performed. The director is responsible for the supervision of internal controls.

Partner

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.

Supervisory Board 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 and 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.

Giorgi Khaindrava
Board Member

Since 2021 Deputy Minister of Defene Georgia. Mr. Giorgi has significant experience in public sector, in particular head of the State Procurement Department, Ministry of Defense of Georgia, Chief of the Electronic Procurement Division of the State Procurement Department, Ministry of Defense of Georgia; Acting Chief of the Electronic Procurement Division of the State Procurement Department, Ministry of Defense of Georgia. Regarding private sector experience, he has been director of Akhali LTD and Head of Regional Sales Department and Head of the Non-Commercial Network Sales Department at Holding “Margebeli”;
Mr. Giorgi has bachelors degree of Human Resources Management, Faculty of Economics and Business, Ivane Javakhishvili Tbilisi State University.

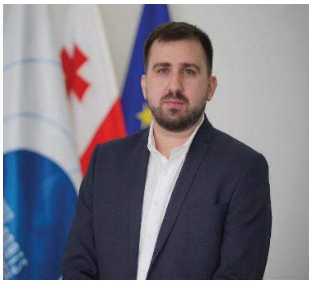
Ilia Begiashvili
Board Member

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. 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.

Director



Irakli Karkashadze
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 a valuable asset to any aviation organization.

Comprehensive reform strategy of state enterprises

The Government Decree #573 was approved on December 14, 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 among three companies.
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:

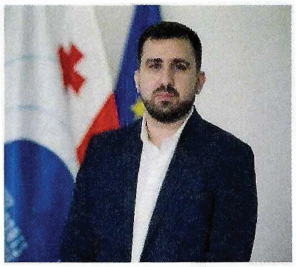
- Corporate Governance;
- Commercial Goals;
- Competitive neutrality of state companies;
- Ownership policy of state companies;
- Strategic management of state companies.

The pilot action plan for the year 2023 includes the activities, which should be implemented by UAG during the year, to improve the Corporate Governance of the Company.

Approved for issue and signed on behalf of Management on 22 June 2022 by:

Irakli Karkashadze	Ketevan Eloshvili
Director	Finance Manager

Director



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