

Silknet JSC

**Condensed Consolidated Interim
Financial Statements as at 30 September 2021 and for the nine
month periods ended 30 September 2021 and 30 September 2020**

Contents

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information	3
Condensed Consolidated Interim Statement of Financial Position	4
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Interim Statement of Changes in Equity	6
Condensed Consolidated Interim Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholder of Silknet JSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Silknet JSC (the "Company") and its subsidiaries (the "Group") as at 30 September 2021, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month periods ended 30 September 2021 and 30 September 2020, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 September 2021 and for the nine-month periods ended 30 September 2021 and 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Natia Tevzadze

KPMG Georgia LLC
6 December 2021



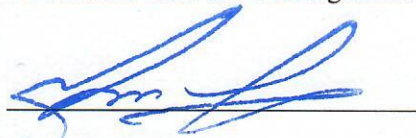
'000 GEL	Note	<u>30 September 2021</u>	<u>31 December 2020</u>
ASSETS			
Non-current assets			
Property and equipment	10	379,126	393,887
Intangible assets	12	204,970	196,229
Investment property	13	60,339	63,055
Right-of-use assets	17	38,709	44,783
Other non-current assets	11	33,009	39,611
Financial instrument at FVTPL	16(e)	4,937	13,425
Prepayments related to IRU* contracts		9,449	9,849
Total non-current assets		730,539	760,839
Current assets			
Inventories		11,099	10,645
Prepayments related to IRU contracts		2,173	2,173
Trade and other receivables		29,839	30,349
Cash and cash equivalents	14	76,398	77,791
Total current assets		119,509	120,958
TOTAL ASSETS		850,048	881,797
EQUITY AND LIABILITIES			
Equity			
Share capital	15	84,056	84,056
Additional paid-in capital		8,026	8,026
Accumulated losses		(119,972)	(151,321)
Equity (deficit) attributable to owner of the Company		(27,890)	(59,239)
Non-controlling interests		247	(74)
TOTAL EQUITY (DEFICIT)		(27,643)	(59,313)
LIABILITIES			
Non-current liabilities			
Loans and borrowings	16	604,321	668,084
Lease liabilities	17	33,677	39,847
Trade and other payables	18	35,406	32,968
Advances received from IRU contracts and subscribers	18	13,312	13,911
Total non-current liabilities		686,716	754,810
Current liabilities			
Loans and borrowings	16	73,411	54,399
Lease liabilities	17	12,683	12,414
Trade and other payables	18	81,379	96,446
Advances received from IRU contracts and subscribers	18	23,502	23,041
Total current liabilities		190,975	186,300
TOTAL LIABILITIES		877,691	941,110
TOTAL LIABILITIES AND EQUITY		850,048	881,797

* Infeasible Right of Use

Silknet JSC
*Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2021 and 30 September 2020*

'000 GEL	Note	For the nine months ended 30 September	
		2021	2020
Revenues:			
Commercial revenue	6	273,421	258,176
Carrier services	6	32,942	24,732
		306,363	282,908
Costs and expenses:			
Depreciation and amortisation	10, 12, 17	(87,422)	(87,753)
Salaries and benefits		(46,422)	(42,420)
Purchased services	7	(32,092)	(28,204)
Other expenses		(17,146)	(17,636)
Interconnect fees and roaming expense		(13,829)	(11,597)
Network management and maintenance costs		(12,265)	(12,158)
Pay TV content cost		(8,699)	(9,444)
Advertising and marketing		(5,452)	(4,545)
Infrastructure capacity rentals, IRU and lease expenses		(4,516)	(5,384)
Costs of SIM cards, scratch cards and other cost of sales		(531)	(613)
Profit from operating activities		77,989	63,154
Finance income	8	3,260	3,252
Finance costs	8	(68,058)	(65,818)
Net change in fair value of financial instrument at FVTPL	8, 16 (e)	(12,956)	8,556
Net foreign exchange gain/(loss)	8	31,646	(88,019)
Net finance costs		(46,108)	(142,029)
Profit/(loss) before income tax		31,881	(78,875)
Income tax (expense)/benefit		(211)	648
Profit/(loss) and total comprehensive income/(loss) for the period		31,670	(78,227)
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Owner of the Company		31,349	(78,128)
Non-controlling interests		321	(99)
		31,670	(78,227)

These condensed consolidated interim financial statements were approved by management on 6 December 2021 and were signed on its behalf by:



David Mamulaishvili
General Director



Lili Pshaylishvili
Finance Director

'000 GEL	Attributable to owner of the Company				Non- controlling interests	Total equity (deficit)
	Share capital	Additional paid-in capital	Accumulated losses	Total		
Balance as at 1 January 2021	84,056	8,026	(151,321)	(59,239)	(74)	(59,313)
Total comprehensive income for the period						
Profit and total comprehensive income for the period	-	-	31,349	31,349	321	31,670
Balance as at 30 September 2021	84,056	8,026	(119,972)	(27,890)	247	(27,643)
Balance as at 1 January 2020	84,056	8,026	(64,289)	27,793	54	27,847
Total comprehensive loss for the period						
Loss and total comprehensive loss for the period	-	-	(78,128)	(78,128)	(99)	(78,227)
Balance as at 30 September 2020	84,056	8,026	(142,417)	(50,335)	(45)	(50,380)

'000 GEL	Note	For the nine months ended 30 September	
		2021	2020
Cash flows from operating activities			
Cash received from subscribers		320,667	300,950
Cash received from other telecom operators and for IRU contracts		17,876	14,976
Salaries and benefits paid to and on behalf of employees		(45,431)	(41,917)
Interconnection fees and expenses paid		(10,878)	(9,536)
Purchase of inventory		(6,885)	(7,407)
Taxes paid other than on income		(42,309)	(34,071)
Income tax paid		(216)	(335)
Network management and maintenance costs paid		(8,928)	(8,058)
Other operating expenses paid		(58,758)	(49,661)
Net cash from operating activities		165,138	164,941
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(79,703)	(73,993)
Purchase of investment property		(449)	(31,423)
Proceeds from disposals of property and equipment		756	1,586
Interest received		1,993	1,973
Net cash used in investing activities		(77,403)	(101,857)
Cash flows from financing activities			
	16		
Repayment of borrowings		(33,846)	-
Interest paid		(45,051)	(45,727)
Net payments of financial instruments at FVTPL		(4,468)	(3,493)
Repayment of lease liabilities		(6,557)	(6,185)
Net cash used in financing activities		(89,922)	(55,405)
Effect of exchange rate changes on cash and cash equivalents		794	12,842
Net (decrease)/ increase in cash and cash equivalents		(1,393)	20,521
Cash and equivalents at the beginning of the period		77,791	74,862
Cash and cash equivalents at the end of the period	14	76,398	95,383

1. Reporting entity

(a) Georgian business environment

The Group's operations are located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

The condensed consolidated interim financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

These condensed consolidated interim financial statements include the financial statements of Silknet JSC (the Company) with the registration number of 204566978 and its subsidiaries (the Group). The Company and its main subsidiaries are limited liability and joint stock companies as defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia. In 2018 the Group acquired a 100% holding in, and was subsequently merged with, Georgia's second-largest mobile operator, Geocell LLC ("Geocell").

The Company's legal address is 95 Tsinamdzgvrishvili Street, Tbilisi, 0112, Georgia.

The principal activity of the Group is provision of telecommunication services to corporate and individual customers in Georgia, including fixed and mobile telephone services, mobile data, fixed internet, pay TV services, SMS (messaging) and other wholesale services. The Group directs its activities as three operating segments (see note 5): fixed services, mobile services and media services, directed by Silk Media LLC (an entity operating Euronews Georgia - a free-to-air news channel).

The Company is rated by two rating agencies with Long-Term Issuer Default Rating of 'B' with stable outlook and 'b1' with a negative outlook affirmed by Fitch and Moody's, respectively.

The Company's immediate parent is Silknet Holding LLC. In 2020 the Company's intermediate parent reorganized, as a result of which the Company has a new beneficial shareholder, Yerkin Tatishev, with an indirect minority (36.3%) holding in the Company. The Company's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual, George Ramishvili. Related party transactions are disclosed in Note 20.

2. Basis of accounting

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ("last annual consolidated financial statements"), which are published on the Company's web page: www.silknet.com. The Company's most recent consolidated interim financial statements for the six months period ended 30 June 2021, prepared in accordance with IAS 34 *Interim Financial Reporting*, are published on the Company's web page: www.silknet.com.

These condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari (GEL), which is the functional currency of the Group entities and the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

4. Use of estimates and judgments

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual consolidated financial statements as at and for the year ended 31 December 2020, except for the fair value measurement of the guarantee. See Note 20.

5. Operating segments

The Group directs its activities as three operating segments: fixed services, mobile services and media services, directed by Silk Media LLC (an entity operating Euronews Georgia - a free-to-air news channel). The majority of the Group's revenue is generated in Georgia, so information regarding geographical areas is not provided. Information related to each reportable segment is set out below.

Management believes that disclosure of revenues, operating profit, assets and liabilities is the most relevant in evaluating the results of each operating segment.

For fixed and mobile services liquidity and leverage are managed on a centralized basis. As a result, for these segments cash and cash equivalents, debt, finance costs and related foreign exchange gain/(loss) are disclosed in aggregate under unallocated amounts. Investment property held for undetermined future use (note 13) is also managed on a centralized basis and is disclosed under unallocated amounts. The Silk Media LLC segment is presented separately, as it represents a stand-alone entity and is a separate operating segment.

'000 GEL	30-Sep-21	30-Sep-21	30-Sep-21	30-Sep-21	30-Sep-21
Consolidated statement of financial position	Mobile services	Fixed services	Silk Media LLC	Unallocated amounts	Total
ASSETS					
Non-current assets					
Property and equipment	146,096	225,099	3,957	3,974	379,126
Intangible assets	153,589	46,116	4,009	1,256	204,970
Investment property	-	-	-	60,339	60,339
Other non-current assets	14,506	15,514	-	2,989	33,009
Right-of-use assets	33,830	3,558	1,321	-	38,709
Financial instrument at FVTPL	-	-	-	4,937	4,937
Prepayments related to IRU contracts	9,449	-	-	-	9,449
Total non-current assets	357,470	290,287	9,287	73,495	730,539
Current assets					
Inventories	4,256	5,554	315	974	11,099
Prepayments related to IRU contracts	2,173	-	-	-	2,173
Trade and other receivables	9,267	19,263	387	922	29,839
Cash and cash equivalents	-	-	4	76,394	76,398
Total current assets	15,696	24,817	706	78,290	119,509
TOTAL ASSETS	373,166	315,104	9,993	151,785	850,048
LIABILITIES					
Non-current liabilities					
Loans and borrowings	-	-	-	604,321	604,321
Lease liabilities	29,068	3,574	1,035	-	33,677
Trade and other payables	15,999	13,004	1,575	4,828	35,406
Advances received related to IRU contracts and subscribers	-	13,312	-	-	13,312
Total non-current liabilities	45,067	29,890	2,610	609,149	686,716
Current liabilities					
Loans and borrowings	-	-	-	73,411	73,411
Trade and other payables	40,682	31,998	2,128	6,571	81,379
Advances received related to IRU contracts and subscribers	17,605	5,206	-	691	23,502
Lease liabilities	10,740	1,740	203	-	12,683
Total current liabilities	69,027	38,944	2,331	80,673	190,975
TOTAL LIABILITIES	114,094	68,834	4,941	689,822	877,691
NET ASSETS/ (LIABILITIES)	259,072	246,270	5,052	(538,037)	(27,643)

'000 GEL	31-Dec-20	31-Dec-20	31-Dec-20	31-Dec-20	31-Dec-20
Consolidated statement of financial position	Mobile services	Fixed services	Silk Media LLC	Unallocated amounts	Total
ASSETS					
Non-current assets					
Property and equipment	156,845	228,189	4,341	4,512	393,887
Intangible assets	143,745	35,859	4,979	11,646	196,229
Investment property	-	-	-	63,055	63,055
Other non-current assets	14,500	22,816	-	2,295	39,611
Right-of-use assets	38,886	4,350	1,547	-	44,783
Financial instrument at FVTPL	-	-	-	13,425	13,425
Prepayments related to IRU contracts	9,849	-	-	-	9,849
Total non-current assets	363,825	291,214	10,867	94,933	760,839
Current assets					
Inventories	4,689	4,194	206	1,556	10,645
Prepayments related to IRU contracts	2,173	-	-	-	2,173
Trade and other receivables	7,266	19,346	1,237	2,500	30,349
Cash and cash equivalents	-	-	38	77,753	77,791
Total current assets	14,128	23,540	1,481	81,809	120,958
TOTAL ASSETS	377,953	314,754	12,348	176,742	881,797
LIABILITIES					
Non-current liabilities					
Loans and borrowings	-	-	-	668,084	668,084
Lease liabilities	34,031	4,619	1,197	-	39,847
Trade and other payables	19,648	7,266	2,277	3,777	32,968
Advances received related to IRU contracts and subscribers	-	13,911	-	-	13,911
Total non-current liabilities	53,679	25,796	3,474	671,861	754,810
Current liabilities					
Loans and borrowings	-	-	-	54,399	54,399
Trade and other payables	42,501	43,594	3,073	7,278	96,446
Advances received related to IRU contracts and subscribers	17,617	4,932	-	492	23,041
Lease liabilities	10,658	1,756	-	-	12,414
Total current liabilities	70,776	50,282	3,073	62,169	186,300
TOTAL LIABILITIES	124,455	76,078	6,547	734,030	941,110
NET ASSETS/ (LIABILITIES)	253,498	238,676	5,801	(557,288)	(59,313)

Capital expenditures incurred by the Group in relation to the mobile services segment was GEL 34,260 thousand for the nine months ended 30 September 2021 (out of which GEL 12,982 thousand was added to property and equipment and GEL 21,278 thousand was added to intangible assets). Capital expenditures related to the fixed services operating segment for the nine months ended 30 September 2021 were GEL 21,114 thousand and GEL 20,415 thousand in terms of property and equipment and intangible assets, respectively. Capital expenditures incurred by Silk Media LLC was GEL 152 thousand for property and equipment and GEL 313 thousand for intangible assets for the nine months ended 30 September 2021.

The reconciliation of reportable segment profit or loss for the nine months ended 30 September 2021 are as follows:

'000 GEL

Condensed consolidated statement of profit or loss and other comprehensive income	Mobile services	Fixed services	Elimination mobile services	Elimination fixed services	Silk Media LLC	Unallocated amounts	Total
Segment revenue	167,479	142,384		(3,710)	210		306,363
Depreciation and amortization	(46,099)	(38,641)	-	-	(2,047)	(635)	(87,422)
Other costs and expenses	(66,958)	(74,586)	3,710	-	(3,362)	244	(140,952)
Segment operating profit	54,422	29,157	3,710	(3,710)	(5,199)	(391)	77,989
Finance income	1,230	17	-	-	-	2,013	3,260
Finance costs	(5,119)	(2,975)	-	-	(402)	(59,562)	(68,058)
Net change in fair value of financial instrument at FVTPL (note 16 (e))	-	-	-	-	-	(12,956)	(12,956)
Net foreign exchange gain	85	1,714	-	-	484	29,363	31,646
Segment profit/(loss) before tax	50,618	27,913	3,710	(3,710)	(5,117)	(41,533)	31,881
Income tax	-	(5)	-	-	-	(206)	(211)
Profit/(loss) for the period	50,618	27,908	3,710	(3,710)	(5,117)	(41,739)	31,670

The reconciliation of reportable segment profit or loss for the nine months ended 30 September 2020 are as follows:

'000 GEL

Condensed consolidated interim statement of profit or loss and other comprehensive income	Mobile services	Fixed services	Elimination mobile services	Elimination fixed services	Silk Media LLC	Unallocated amounts	Total
Segment revenue	150,446	135,487	-	(3,047)	22	-	282,908
Depreciation and amortization	(50,587)	(34,804)	-	-	(1,504)	(858)	(87,753)
Other costs and expenses	(57,828)	(72,102)	3,047	-	(1,688)	(3,430)	(132,001)
Segment operating profit	42,031	28,581	3,047	(3,047)	(3,170)	(4,288)	63,154
Finance income	1,279	7	-	-	3	1,963	3,252
Finance costs	(3,862)	(3,433)	-	-	(539)	(57,984)	(65,818)
Net change in fair value of financial instrument at FVTPL (note 16 (e))	-	-	-	-	-	8,556	8,556
Net foreign exchange loss	(616)	(6,721)	-	-	(853)	(79,829)	(88,019)
Segment profit/(loss) before tax	38,832	18,434	3,047	(3,047)	(4,559)	(131,582)	(78,875)
Income tax	-	(225)	-	-	-	873	648
Profit/(loss) for the period	38,832	18,209	3,047	(3,047)	(4,559)	(130,709)	(78,227)

6. Revenues

'000 GEL	For the nine months ended 30 September	
	2021	2020
Commercial revenue	273,421	258,176
Mobile revenue	146,980	136,207
Mobile callout	76,845	76,906
Mobile data	59,943	49,067
Revenue from SMS	6,565	6,819
Revenue from other services	3,096	2,879
Revenue from phone sales and accessories	531	536
Fixed revenue	126,441	121,969
Fixed broadband	75,699	73,346
Pay TV	34,693	33,572
Fixed telephone	10,790	12,510
Infrastructure capacity rental service	1,973	1,667
Revenue from other services	3,286	874
Carrier and other services	32,942	24,732
Interconnect service*	19,916	16,011
Infrastructure capacity rental service	7,417	5,453
Roaming revenue	3,796	1,630
Internet wholesale	1,813	1,638
Total revenues	306,363	282,908

* Revenue from interconnect service is generated by both segments as follows: GEL 17,294 thousand by the mobile services segment and GEL 2,622 thousand by the fixed services during the nine months ended 30 September 2021 (For the nine months ended 30 September 2020: GEL 12,589 thousand by mobile services segment and GEL 3,422 thousand by the fixed services segment).

7. Purchased services

'000 GEL	For the nine months ended 30 September	
	2021	2020
Utility expenses	11,950	7,635
Software maintenance service	8,388	8,364
Professional fees	5,188	6,050
Internet clear channel costs	3,420	2,628
Internet protocol (IP) cost	3,120	3,453
Other purchased services	26	74
Total purchased services	32,092	28,204

8. Net finance costs

'000 GEL	For the nine months ended 30 September	
	2021	2020
Recognised in profit or loss		
Interest income on current bank accounts	2,031	1,973
Interest income on IRU related prepayments	1,229	1,279
Finance income	3,260	3,252
Interest expense on financial liabilities	(63,500)	(59,867)
Interest expense accrued under IFRS 16	(3,404)	(4,769)
Interest expense on advances received from IRU contracts	(1,154)	(1,182)
Finance costs	(68,058)	(65,818)
Net change in fair value of financial instrument at FVTPL	(12,956)	8,556
Net foreign exchange gain/(loss)	31,646	(88,019)
Net finance costs recognised in profit or loss	(46,108)	(142,029)

9. Alternative performance measures

(a) Adjusted EBITDA

The Company believes that the presentation of Adjusted EBITDA and Adjusted EBITDA margin enhances a reader's understanding of the Group's financial performance. The management uses Adjusted EBITDA and Adjusted EBITDA margin to assess and evaluate the operating performance of the entity. In addition, Adjusted EBITDA and Adjusted EBITDA margin are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that operate in the telecommunications sector. Adjusted EBITDA and Adjusted EBITDA margin are not presentations made in accordance with IFRS and the Group's use of the terms Adjusted EBITDA and Adjusted EBITDA margin may vary from others in the telecommunications industry due to differences in accounting policies or differences in the calculation methodology.

The Group calculates Adjusted EBITDA by adjusting profit from continuing operations to exclude following items:

- finance costs and finance income
- corporate income tax and any other taxes related to the distribution of dividends
- depreciation, amortization, revaluation, impairment (losses / reversals) of non-current assets
- net foreign exchange gain/(loss), including gain/(loss) on hedging instruments, currency forward contracts and any other gain/(loss) attributable to changes in foreign currency exchange rates
- specific items as explained below:

Specific items are identified by virtue of their size, nature or incidence. Specific items represent a) income or loss related to the sale or write off of non-current assets and any other non-cash items; b) non-recurring, non-underlying or non-operating income or costs that are either material by nature or size (such as bargaining gain on business acquisition, business acquisition related costs, costs related to fundraising and the listing of the Group's securities, write off of issued loan, one time professional fees, etc.).

Reconciliation of adjusted EBITDA to profit from continuing operations:

'000 GEL	For the nine months ended 30 September	
	2021	2020
Profit/(loss) for the period	31,670	(78,227)
Depreciation and amortisation	87,422	87,753
Finance costs	68,058	65,818
Finance income	(3,260)	(3,252)
Income tax	211	(648)
Net change in fair value of financial instrument at FVTPL	12,956	(8,556)
Net foreign exchange (gain)/loss	(31,646)	88,019
Specific items (see below)	2,895	5,951
Adjusted EBITDA	168,306	156,858

Specific items:

'000 GEL	For the nine months ended 30 September		
	2021	2020	FS line
Loss on disposals of property and equipment	340	570	Other expenses
Write-down of slow moving inventory and other non-current assets	466	1,130	Other expenses
Professional fees, one-time consulting expenses	1,152	2,365	Purchased services
Charity*	989	2,617	Other expenses
Other income	(52)	(731)	Other expenses
Total EBITDA adjustments	2,895	5,951	

* Charity expenses in 2020 mostly consists of charity expenses of GEL 2,097 thousand incurred by the Group in relation to COVID-19 pandemic.

(b) Adjusted EBITDA margin

Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by total revenue.

'000 GEL

Adjusted EBITDA

Revenue

Adjusted EBITDA margin %

For the nine months ended 30 September		
	2021	2020
	168,306	156,858
	306,363	282,908
	55%	55%

10. Property and equipment

'000 GEL	Land	Buildings and facilities	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost at 1 January 2020	26,224	122,314	406,060	8,093	31,558	6,754	601,003
Accumulated depreciation	-	(34,851)	(166,440)	(5,139)	(16,887)	-	(223,317)
Carrying amount at 1 January 2020	26,224	87,463	239,620	2,954	14,671	6,754	377,686
Additions	78	1,135	25,910	3,936	2,643	16,792	50,494
Disposals	(347)	(114)	(1,812)	(230)	(19)	-	(2,522)
Transfers, gross	-	561	6,361	-	55	(15,115)	(8,138)
Transfers, accumulated depreciation	-	-	6,590	-	-	-	6,590
Depreciation of disposals	-	60	853	180	18	-	1,111
Depreciation charge	-	(2,289)	(42,037)	(780)	(2,569)	-	(47,675)
Carrying amount at 30 September 2020	25,955	86,816	235,485	6,060	14,799	8,431	377,546
Cost at 30 September 2020	25,955	123,896	436,519	11,799	34,237	8,431	640,837
Accumulated depreciation	-	(37,080)	(201,034)	(5,739)	(19,438)	-	(263,291)
Carrying amount at 30 September 2020	25,955	86,816	235,485	6,060	14,799	8,431	377,546
Cost at 1 January 2021	25,961	122,567	454,714	10,982	33,907	21,604	669,735
Accumulated depreciation	-	(36,705)	(213,493)	(5,979)	(19,671)	-	(275,848)
Carrying amount at 1 January 2021	25,961	85,862	241,221	5,003	14,236	21,604	393,887
Additions	107	577	13,774	-	975	19,591*	35,024
Disposals	(40)	(62)	(4,099)	-	(355)	-	(4,556)
Transfers, gross	-	645	33,633	-	205	(38,772)*	(4,289)
Transfers, accumulated depreciation	-	-	4,289	-	-	-	4,289
Depreciation of disposals	-	27	2,462	-	202	-	2,691
Depreciation charge	-	(2,295)	(42,287)	(765)	(2,573)	-	(47,920)
Carrying amount at 30 September 2021	26,028	84,754	248,993	4,238	12,690	2,423	379,126
Cost at 30 September 2021	26,028	123,727	498,022	10,982	34,732	2,423	695,914
Accumulated depreciation	-	(38,973)	(249,029)	(6,744)	(22,042)	-	(316,788)
Carrying amount at 30 September 2021	26,028	84,754	248,993	4,238	12,690	2,423	379,126

* These amounts are mostly attributable to the rollout of Gigabit-LTE (4.9 G) (1 Gbps capacity mobile network that is deployed throughout the major urban cities of Georgia) and 4G project (upgrade of current sites).

(a) Security

As at 30 September 2021 property with a carrying value of GEL 80,272 thousand (31 December 2020: GEL 81,862 thousand) is collateralized and guarantees the indebtedness of RCF (refer to note 17(c)) and letter of credits related to operating activities of the Group.

(b) Capital commitments

As at 30 September 2021 the capital commitments borne by the Company amounted approximately GEL 13 million (31 December 2020: GEL 35 million out of which GEL 26,151 thousand was related to the ongoing IT transformation project (see note 12) (replacement and upgrade of many of the Company's current information technology systems)).

11. Other non-current assets

As at 30 September 2021 other non-current assets include uninstalled equipment of GEL 26,535 thousand, prepayments for non-current assets of GEL 4,323 thousand and a financial guarantee contract receivable of GEL 2,151 thousand (31 December 2020: uninstalled equipment of GEL 30,660 thousand and prepayments for non-current assets of GEL 8,951 thousand). For further details on the financial guarantee receivable, please, see note 20 (c).

12. Intangible assets

'000 GEL	Network Operating & Computer software licenses	Telecom operating licenses	Broadcasting rights	Goodwill	Other***	CSAC*	Total
Cost at 1 January 2020	64,187	175,096	49,356	6,983	-	5,003	300,625
Accumulated amortization	(29,019)	(37,402)	(31,224)	-	-	(3,264)	(100,909)
Carrying amount at 1 January 2020	35,168	137,694	18,132	6,983	-	1,739	199,716
Additions	11,216	862	15,983	-	4,108	348	32,517
Amortization charge	(10,264)	(10,931)	(10,820)	-	(175)	(945)	(33,135)
Disposals and derecognitions, cost **	(132)	-	(13,182)	-	-	-	(13,314)
Disposals and derecognitions, amortization**	-	-	12,434	-	-	-	12,434
Carrying amount at 30 September 2020	35,988	127,625	22,547	6,983	3,933	1,142	198,218
Cost at 30 Sept 2020	75,271	175,958	52,157	6,983	4,108	5,351	319,828
Accumulated amortization	(39,283)	(48,333)	(29,610)	-	(175)	(4,209)	(121,610)
Carrying amount at 30 September 2020	35,988	127,625	22,547	6,983	3,933	1,142	198,218
Cost at 1 January 2021	80,294	175,997	52,447	6,983	4,286	4,411	324,418
Accumulated amortization	(41,478)	(51,990)	(30,986)	-	(274)	(3,461)	(128,189)
Carrying amount at 1 January 2021	38,816	124,007	21,461	6,983	4,012	950	196,229
Additions****	32,776	801	8,147	-	132	634	42,490
Amortization charge	(9,689)	(10,195)	(11,656)	-	(329)	(702)	(32,571)
Disposals and derecognitions, cost	(18)	-	(4,341)	-	-	-	(4,359)
Disposals and derecognitions, amortization	-	-	3,181	-	-	-	3,181
Carrying amount at 30 September 2021	61,885	114,613	16,792	6,983	3,815	882	204,970
Cost at 30 September 2021	113,052	176,798	56,253	6,983	4,418	5,045	362,549
Accumulated amortization	(51,167)	(62,185)	(39,461)	-	(603)	(4,163)	(157,579)
Carrying amount at 30 September 2021	61,885	114,613	16,792	6,983	3,815	882	204,970

* CSAC-Capitalized Subscribers Acquisition Cost.

** The write-off of gross book value and related accumulated amortisation is mainly attributable to fully amortized broadcasting rights.

*** Other intangible assets comprise right to use brand name, acquired from a local Pay TV operator in 2020.

**** In 2021, IT transformation project (note 10(b)) and the related information technology systems were put in use. Additions of GEL 23,174 thousand represent the discounted value of deferred payments (GEL 19,593 thousand) for the costs incurred on the IT transformation project and capitalized staff costs during 2021 of GEL 3,581 thousand (see note 22(b)). The discount rate used was the Group's incremental borrowing rate of 7.4% for USD denominated contracts and a discount of GEL 4,313 thousand was recognised as a reduction of the cost of the intangible assets.

13. Investment property

In 2019, the Company acquired a land plot of 20,397 m² situated on a prime location in the centre of Tbilisi from a related party for the acquisition price of GEL 29,582 thousand (USD 10 million) plus a contingent consideration of an additional USD 10 million, payable in case the approval for the 60,000 sq.m. gross buildable area master plan (Development Regulation Plan) would be received from the municipal authorities. The Development Regulation Plan was approved in 2020 and the Company paid the remaining USD 10 million in April 2020 in accordance with the original terms. The Group considers the future use of the land plot to be undefined and thus classifies the asset as an investment property.

The movement on investment property was as follows:

'000 GEL	9 Months 2021	9 Months 2020
Carrying amount as at 1 January	63,055	29,582
Additions	255	29,001
Effect of foreign currency exchange rate movements	(2,971)	7,496
	60,339	66,079

The fair value of the investment property as at 31 December 2020 was determined as USD 19,244 thousand by an independent valuator and was based on announced asking prices or recent market transactions of similar properties in a similar location and physical condition. The significant unobservable inputs related to the differences in the characteristics of the properties, such as size, location, access to the properties and conditions for sale. The valuator discounted the final market value of the property at 12.2% in order to reflect the additional liquidity factor related to the extended time needed to sell the investment property. The adjustments related to each of the significant unobservable input above varied between 5% to 25%. A 5% change in the adjusted market prices used in the valuation would have changed the fair value measurement by approximately GEL 3 million. Investment property is categorized within Level 3 of the fair value hierarchy. The management believes that as at 30 September 2021 the fair value of the investment property in USD terms remained the same due to non-significant changes in the real estate prices for similar properties, with similar physical condition.

14. Cash and cash equivalents

'000 GEL	30 September 2021	31 December 2020
Bank balances	75,768	76,874
Cash in transit	620	903
Cash on hand	10	14
Total cash and cash equivalents	76,398	77,791

The Group's exposure to interest rate and currency risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

15. Equity

(a) Share capital

On 7 May 2019 the Company's direct parent Silknet Holding resolved to convert part of the subordinated loan into Company's equity, and the remaining balance of the loan was repaid by Silknet to Silknet Holding.

As at 7 May 2019 the balances of the outstanding principal and the interest amounted to GEL 50,030 thousand (USD 18,832 thousand). The principal of GEL 30,157 thousand (USD 11,135 thousand) and the interest (including accrual of interest expense up to final repayment date 15 May 2019) of GEL 4,989 thousand (USD 1,842 thousand) was repaid and the remaining loan balance of GEL 15,884 thousand (USD 5,865 thousand) was converted into equity. As a result, the Company issued 15,884,198 shares with a nominal value of GEL 1 per share. The newly issued shares were fully paid by conversion of the outstanding loan balance of GEL 15,884 thousand (equivalent of USD 5,865 thousand).

Number of shares

	Ordinary shares	
	2021	2020
In issue at 1 January	84,056,099	84,056,099
Issued during the period	-	-
In issue at 30 September, fully paid	84,056,099	84,056,099
Authorised shares - par value	1	1

(b) Additional paid-in capital

In 2018 the Group issued a call option for 4,795,000 ordinary shares, representing approximately 6.6% ownership on a diluted basis, for the benefit of JSC TBC Bank as a part of the financing received for the acquisition of Geocell. Exercise price of the option is set as GEL 5.214 per share for the total amount of GEL 25,000 thousand. The option is exercisable at any time during the period of five years or conditionally upon the occurrence of a liquidity event, which is defined as an Initial Public Offering (IPO) or sale of 100% stake of the company. The fair value of the call option was accounted for as an equity instrument at the date of acquisition of Geocell/receipt of funds from TBC. The fair value of GEL 8,026 thousand is credited to additional paid-in capital. As the option is an equity instrument, no change in fair value is recognised in the statement of profit or loss and other comprehensive income.

(c) Dividends

During the nine months ended 30 September 2021 and 30 September 2020, the Company did not declare any dividends.

16. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

'000 GEL	30 September 2021	31 December 2020
Eurobonds - non-current	604,321	634,084
Unsecured local bonds - non-current	-	34,000
	604,321	668,084
Eurobonds – current	38,834	21,124
Unsecured local bonds – current	34,577	33,275
	73,411	54,399
Total	677,732	722,483

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 GEL	Currency	Nominal interest rate	Year of maturity	30 September 2021	
				Face value	Carrying amount
Eurobond	USD	11%	2024	650,345	643,155
		3.5% + refinancing rate			
Unsecured local bonds	GEL		2022	34,577	34,577
Total loans and borrowings				684,922	677,732

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2020	
				Face value	Carrying amount
Eurobond	USD	11%	2024	664,588	655,208
		3.5% + refinancing rate			
Unsecured local bonds	GEL		2022	34,461	34,461
Unsecured local bonds*	USD	8.50%	2021	32,814	32,814
Total loans and borrowings				731,863	722,483

*In 2021, the Company repaid unsecured local bonds of GEL 34,520 thousand that reached its maturity date (principal paid – GEL 33,846 thousand; interest paid – GEL 674 thousand).

(b) Eurobonds

On 2 April 2019, the Company successfully completed issuance of USD 200 million of senior unsecured notes (the “Eurobonds”) on the Euronext Dublin Exchange. The net proceeds from issuance of the Eurobonds amounted to GEL 529,489 thousand. The Eurobonds mature in 5 years, April 2024 and bear a fixed coupon rate of 11% per annum. Interest is payable semi-annually on 2 April and 2 October of each year, commencing on 2 October 2019.

The closing market quotation as at 27 September 2021 was 108.69% of par value.

The Eurobonds are accounted for at amortised cost using the effective interest rate method. The Group incurred expenses of GEL 10,411 thousand in connection with the issue of the Eurobonds, including, amongst other, underwriting fees, legal counsel fees, rating agency expenses, listing expenses, etc. These expenses are accounted for as transaction costs. They are included in the calculation of the effective interest rate of the Eurobonds and are deferred over 5 years.

The net proceeds from issuance of Eurobonds of GEL 529,489 thousand (transactions costs of GEL 9,050 thousand were netted against the proceeds of Eurobonds) were used by the Company to fully repay its outstanding debt as at 31 December 2018 related to promissory notes and loans to banks. The Company also repaid the subordinated loan to related parties, including accrued interest outstanding at the date of repayment. The remaining part of the proceeds was kept on the Company’s current interest-bearing account and used for general corporate purposes.

As at 30 September 2021 and 31 December 2020, the Company holds repurchased Eurobonds with a nominal value of USD 2,600 thousand.

(c) Secured bank loan (“RCF”)

In March 2019, the Company entered into a five-year agreement with a bank to secure a USD-denominated revolving credit facility (“RCF”) with a maximum amount available to the Company of USD 20 million with the sole purpose to secure coupon payments on the Group’s USD-denominated Eurobonds. As at 30 September 2021 and 31 December 2020, the credit facility was not used.

(d) Changes in liabilities arising from financing activities

'000 GEL	Dividends payable	Lease liabilities	Other financial instruments at FVTPL	Loans and borrowings	Total
Balance at 1 January 2021	1,043	52,261	(13,425)	722,483	762,362
Interest paid	-	(3,302)	-	(41,749)	(45,051)
Repayment of local bonds	-	-	-	(33,846)	(33,846)
Net payments of financial instruments at FVTPL	-	-	(4,468)	-	(4,468)
Repayment of lease liabilities	-	(6,557)	-	-	(6,557)
Total changes from financing cash flows	-	(9,859)	(4,468)	(75,595)	(89,922)
The effect of changes in foreign exchange rates	-	(541)	-	(28,489)	(29,030)
<i>Other changes</i>					
Interest expense	-	3,404	-	59,369	62,773
Effect of change in financial instruments at FVTPL (note 16 (e))	-	-	12,956	-	12,956
Non-resident income tax paid	-	-	-	(28)	(28)
Income tax paid to resident individuals	-	-	-	(8)	(8)
Recognition of lease liabilities arising from lease contracts came into force during the period	-	6,710	-	-	6,710
Write-off of ROU and respective lease liability for terminated contracts	-	(5,615)	-	-	(5,615)
Total liability-related other changes	-	4,499	12,956	59,333	76,788
Balance at 30 September 2021	1,043	46,360	(4,937)	677,732	720,198

'000 GEL	Dividends payable	Lease liabilities	Other financial instruments at FVTPL	Loans and borrowings	Total
Balance at 1 January 2020	1,043	57,617	167	634,620	693,447
Interest paid	-	(4,769)	-	(40,958)	(45,727)
Net payments of financial instruments at FVTPL	-	-	(3,493)	-	(3,493)
Repayment of lease liabilities	-	(6,185)	-	-	(6,185)
Total changes from financing cash flows	-	(10,954)	(3,493)	(40,958)	(55,405)
The effect of changes in foreign exchange rates	-	1,775	-	90,662	92,437
<i>Other changes</i>					
Interest expense	-	4,769	-	57,985	62,754
Effect of change in financial instruments at FVTPL (note 16 (e))	-	-	(8,556)	-	(8,556)
Non-resident income tax paid	-	-	-	(22)	(22)
Income tax paid to resident individuals	-	-	-	(81)	(81)
Recognition of lease liabilities arising from lease contracts came into force during the period	-	5,929	-	-	5,929
Write-off of ROU and respective lease liability for terminated contracts	-	(3,296)	-	-	(3,296)
Total liability-related other changes	-	7,402	(8,556)	57,882	56,728
Balance at 30 September 2020	1,043	55,840	(11,882)	742,206	787,207

(e) **Financial instrument at FVTPL**

Financial instrument at FVTPL represents a foreign currency swap-instrument with TBC Bank JSC measured at fair value at each reporting date. The Company entered into an agreement in June 2019 to manage its USD denominated currency exposure related to Eurobonds. The swap is structured as a cash cover loan, whereby the Company deposited USD 35,000 thousand (GEL 109,298 thousand as at 30 September 2021) and took out a loan with an equivalent GEL amount (GEL 98,948 thousand). The loan bears an interest rate of 5.14% plus refinancing rate determined by the National Bank of Georgia; the deposit bears an interest rate of 3.1% plus six-month LIBOR rate. The deposit is pledged to secure the bank loan. As at 30 September 2021, the fair value of the financial instrument at FVTPL amounted to asset of GEL 4,937 thousand (31 December 2020: GEL 13,425 thousand). Fair value is estimated in accordance with Level 2 of the fair value hierarchy.

17. Leases

The Group's lease contracts largely relate to leases of various sites (i.e. land, rooftop surface areas, space in cellular towers and space for fibre cables, etc.) related to placement of the Group's telecommunication equipment. The Group recognises the right-of-use asset (RoU) and respective lease liability for the contracts that are long-term either contractually or substantially. Since management applies the judgement in determining the effective lease terms, the lease terms used for IFRS 16 purposes may differ from the contractual minimum lease periods. Summary of differences is as follows:

	Minimum initial contractual lease period	Lease term estimate used for IFRS 16 purposes from transition
Site rent for fixed services	4-10	Same as contractual
Site rent for mobile services	1-6*	7

* Minimum contractual lease terms for >70% mobile sites fall in a range of 1 to 6 years at the date of commencement of the contract.

When measuring lease liabilities for leases, the Group discounts lease payments using its incremental borrowing rate at the date of lease recognition. The weighted-average rate applied in 2021 was approximately 12% as lease contracts are denominated in GEL.

'000 GEL	Site rent for mobile services	Site rent for fixed services	Space rent for Silk Media LLC	Total
Carrying amount of RoU at 1 January 2021	38,886	4,350	1,547	44,783
Additions	6,710	-	-	6,710
Disposals	(7,971)	-	-	(7,971)
Depreciation of disposals	2,101	-	-	2,101
Depreciation charge	(5,897)	(791)	(226)	(6,914)
Gross balance at 30 September 2021	52,050	5,859	1,934	59,843
Accumulated depreciation at 30 September 2021	(18,221)	(2,300)	(613)	(21,134)
Carrying amount at of RoU 30 September 2021	33,829	3,559	1,321	38,709
Lease liability at 1 January 2021	(44,690)	(6,374)	(1,197)	(52,261)
Additions	(6,710)	-	-	(6,710)
Disposals	5,615	-	-	5,615
Interest charge	(2,824)	(478)	(102)	(3,404)
Payments	8,577	1,282	-	9,859
The effect of changes in foreign exchange rates	223	258	60	541
Lease liability at 30 September 2021	(39,809)	(5,312)	(1,239)	(46,360)

'000 GEL	Site rent for mobile services	Site rent for fixed services	Space rent for Silk Media LLC	Total
Carrying amount of RoU at 1 January 2020	47,618	5,253	-	52,871
Additions	3,995	-	1,934	5,929
Disposals	(3,836)	-	-	(3,836)
Depreciation of disposals	537	-	-	537
Depreciation charge	(5,991)	(655)	(290)	(6,936)
Gross balance at 30 September 2020	55,452	5,859	1,934	63,245
Accumulated depreciation at 30 September 2020	(13,129)	(1,261)	(290)	(14,680)
Carrying amount of RoU at 30 September 2020	42,323	4,598	1,644	48,565
Lease liability at 1 January 2020	(51,414)	(6,202)	-	(57,616)
Additions	(3,995)	-	(1,934)	(5,929)
Disposals	3,296	-	-	3,296
Interest Charge	(4,132)	(523)	(114)	(4,769)
Payments	8,938	938	1,078	10,954
The effect of changes in foreign exchange rates	(717)	(860)	(198)	(1,775)
Lease liability at 30 September 2020	(48,024)	(6,647)	(1,168)	(55,839)

18. Trade and other payables and advances received related to IRU contracts and subscribers

'000 GEL	30 September 2021		31 December 2020	
	Non-current	Current	Non-current	Current
Payables for non-current assets	26,102	36,027	23,209	42,580
Payable to suppliers	-	23,082	-	27,111
Payable for licenses and broadcasting rights	6,197	11,876	8,716	17,863
Payable to other operators	-	3,481	-	4,550
Payable to employees	-	4,591	-	3,276
Other payables	-	1,287	-	1,066
VAT and other tax liabilities	-	1,035	-	-
Financial guarantee contract liability	2,064	-	-	-
Dividend payable	1,043	-	1,043	-
Total trade and other payables	35,406	81,379	32,968	96,446
Advances received related to IRU contracts	12,637	1,888	13,014	1,888
Advances received related to subscribers	675	21,614	897	21,153
Total contract liabilities from prepayments	13,312	23,502	13,911	23,041

Payables for non-current assets represent the discounted value of deferred payments for acquisition of property and equipment related to network upgrade and expansionary projects undertaken by the Group. In the second half of 2020, in order to maintain the strong cash liquidity in uncertain market condition of 2020, the management negotiated extended payment terms with some of its major vendors. Part of these liabilities were settled in 2021. In 2020, upon initial recognition, payables for acquisition of property and equipment were discounted using the Group's incremental borrowing rate of 9% for foreign currency denominated contracts and a discount of approximately GEL 5 million was recognized as a reduction of the cost of the property and equipment, as the payments were deferred beyond twelve months. In 2021, payables for non-current assets also include payables for the IT transformation project (see note 12). Major part of payables for non-current assets are denominated either in USD or EUR and thus are exposed to foreign currency exchange rate fluctuations (see note 19 (iii)).

19. Fair values and financial risk management

The Group has determined fair values of financial assets and liabilities using valuation techniques disclosed in the last annual consolidated financial statements. Management believes that the fair value of the Group's financial assets and liabilities, except for bonds (see note 16 (b)), approximates their carrying amounts.

The Group's financial risk management objectives and policies are consistent with those disclosed in the last annual consolidated financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalent. Credit risk is consistent with those disclosed in the last annual consolidated financial statements and the Group has not faced a significant financial loss during the nine months period ended 30 September 2021.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

For this purpose the Group makes short-term forecasts for cash flows based on estimated financial needs determined by the nature of operating activities. As a rule these needs are envisaged for an annual and monthly basis. In order to manage its financial needs the Group receives cash flows on a daily basis from customers. This ensures that the Group has enough cash to meet its financial obligations. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Despite the net current liability position, and taking account of reasonably possible downsides, the management believes that, as at 30 September 2021 and for the foreseeable future, the Group has sufficient funds to meet its liabilities as they fall due. Management's assessment is based on factors like the significant cash balance as at 30 September 2021 (note 14), positive adjusted EBITDA (note 9) and a growing customer base and new network deployment (note 12). The Group's liquidity risk, including its significant exposure to foreign currency exchange movements (note 19 (iii)), is managed by foreign currency hedge (note 16 (e)), closely monitoring capital expenditure, that is mostly discretionary by nature, and the Company's capacity to roll over its existing debt instruments (see note 16). As at the date these condensed consolidated interim financial statements are authorised for issue, the largest roll over risk faced by the Group is related to its USD 200 million Eurobonds due in 2024. The bonds are currently traded with a significantly lower yielding (approx. 7%) compared to the initial yield of 11%. The management believes that the market data adequately captures the appetite of the market and the investors and consequently believes in the Company's capacity to roll over / refinance the existing Eurobonds without any major implications

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

As at 30 September 2021, the Group's exposure to currency risk is mainly attributable to capital expenditures and USD-denominated Eurobonds.

The Group's exposure to foreign currency risk was as follows:

'000 GEL	USD-denominated 30 September 2021	USD-denominated 31 December 2020
Bank balances	59,285	34,146
Trade and other receivables	3,776	2,768
Financial guarantee contract receivable	2,151	-
Trade and other payables	(75,711)	(77,411)
Loans and borrowings (including financial instrument at FVTPL)	(533,893)	(573,341)
Net exposure	(544,392)	(613,838)

'000 GEL	EUR-denominated 30 September 2021	EUR-denominated 31 December 2020
Bank balances	1,071	281
Trade and other receivables	1,934	1,869
Trade and other payables	(22,536)	(36,709)
Net exposure	(19,531)	(34,559)

The following significant exchange rates have been applied during the period:

in GEL	Average rate		Reporting date spot rate	
	Nine months ended 30 September 2021	Nine months ended 30 September 2020	30 September 2021	31 December 2020
USD 1	3.2532	3.0557	3.1228	3.2766
EUR 1	3.8941	3.4353	3.6409	4.0233

Sensitivity analysis

A reasonably possible strengthening/(weakening) of GEL, as indicated below, against the USD as at 30 September 2021 and 31 December 2020 would have affected the measurement of financial instruments denominated in USD and affected equity and profit or loss before taxes by the amounts shown below. The currency movements would have no direct impact on other comprehensive income or equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 GEL	Strengthening		Weakening	
	Equity	Profit or (loss)	Equity	Profit or (loss)
30 September 2021				
USD (10% movement)	-	54,439	-	(54,439)
EUR (10% movement)	-	1,953	-	(1,953)
31 December 2020				
USD (10% movement)	-	61,384	-	(61,384)
EUR (10% movement)	-	3,456	-	(3,456)

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instruments was as follows:

'000 GEL	Carrying amount	
	30 September 2021	31 December 2020
Variable rate instruments		
Financial liabilities	34,577	34,461
	34,577	34,461

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any material fixed-rate financial instruments at fair value through profit or fair value through other comprehensive income. Therefore, a change in interest rates at the reporting date would not have a material effect in profit or loss or in equity.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have affected profit or loss by GEL 346 thousand. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

20. Related party transactions

(a) Parent and ultimate controlling party

The Company's immediate parent is Silknet Holding LLC. The Company's ultimate parent is Silk Road Group Holding (Malta) Limited, an entity controlled by an individual, George Ramishvili. The annual consolidated financial statements of Silknet Holding LLC are publicly available through the website of Service for Accounting, Reporting and Auditing Supervision.

(b) Remuneration

Key management and Supervisory Board members received the following remuneration during the period (included in salaries and benefits):

'000 GEL	For the nine months ended 30 September	
	2021	2020
Salaries	4,256	3,642
Bonuses capitalized on the IT transformation project (note 12)	2,785	-
Other bonuses	545	164
	7,586	3,806

(c) Other related party transactions

'000 GEL	Transaction value for the nine months ended 30 September		Outstanding balance	
	2021	2020	30 September 2021	31 December 2020
Other operating expenses:				
Other related party	-	212	-	-
Entities under common control*	5,508	4,413	(1,756)	(1,896)
Fuel and lubricants used:				
Entities under common control	1,713	1,514	(347)	(157)
Investment property acquisition:				
Entities under common control	-	31,695	-	-
Purchase of goods and services from related parties:				
Marketing	33	20	(3)	-
Other:				
Entities under common control	33	601	-	(19)
Guarantee contract receivable**:				
Parent	38	-	2,151	-

* During the nine months ended 30 September 2021, other operating expenses with entities under common control mainly include: consulting services of GEL 2,352 thousand (nine months ended 30 September 2020: GEL 2,278 thousand) provided by SRG Investments to the Company in relation to strategy development, funding, investment decisions and certain regulatory matters, and security expenses of GEL 1,602 thousand (nine months ended 30 September 2020: GEL 1,465 thousand).

** On 30 June 2021, the Company entered into a guarantee agreement with its parent, Silknet Holding LLC, to guarantee its indebtedness of maximum USD 18,000 thousand from 1 May 2024 to 1 May 2032. The fair value of the guarantee was assessed by the independent appraiser and was determined to be USD 647 thousand. As at 30 September 2021, financial guarantee contract liability of GEL 2,064 thousand is recorded in trade and other payables (see note 18) and a related receivable from the parent of GEL 2,151 thousand is recorded in other non-current assets (see note 11). The Company will receive a fee for the service provided.

The outstanding balance as at 30 September 2021 includes a lease liability of GEL 1,239 thousand for the office space rent by Silk Media LLC from a related party (31 December 2020: GEL 1,197 thousand). There was no cash outflow related to the lease liability during the nine months ended 30 September 2021 (2020: GEL 1,078 thousand) (see note 17). The lease contract expires in 2025. Except for the lease liability, all outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured. The related party balances, except for lease liabilities, do not bear interest and are repayable within six months from the reporting date.

21. Subsidiaries

Subsidiary	Country of incorporation	30 September 2020 Ownership/voting	31 December 2020 Ownership/voting
Qarva LLC	Georgia	51%	51%
Silk Media LLC	Georgia	100%	100%
Novus LLC	Georgia	100%	100%
WiMax Georgia LLC	Georgia	100%	100%
NG Georgia N(N)LE	Georgia	100%	100%
Wounded Warrior Support Fund N(N)LE	Georgia	100%	100%

22. Impact of COVID-19

The COVID-19 outbreak started to have a significant impact in Georgia in late February 2020. On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic and the Georgian government started to take measures to contain the virus – imposed restrictions on cross-border movement, instructed the business community to transfer employees to work from home, etc. To enhance social distancing schools, restaurants, cinemas and sports activities stayed suspended for most of 2020.

During the first half of 2021, the Government of Georgia started to gradually lift major restrictions imposed due to the COVID-19 pandemic. Distribution of vaccines that demonstrate an ability to provide a high degree of immunity from COVID-19 provides a positive outlook on the future prospects of the economy and business environment both in Georgia and around the world. Despite the fact, that, currently, there is still a high number of COVID-19 cases in the country, no lock-down is anticipated and the economy is gradually recovering, with positive outlook and expected growth of 9.5% in 2021 (source: Ministry of finance). Preliminary real GDP has grown on average by 11.3% during nine months (average growth of preliminary real GDP during ten months 10.5% - source: Geostat).

There is a positive trend in the telecommunication industry as well. According to the Georgian Communication Committee (ComCom), the telecommunication sector results approached and exceeded those of pre-pandemic levels for the nine months ended 30 September 2021.

Despite the short-term negative implications, the management observes the long-term shifts in how people work and study as a result of this disruption. While some of these behavioral shifts may be temporary, the management assumes the accelerated digitalization patterns will stay long-term and together with the economy's recovery, provide additional headroom to benefit from elevated consumption and growing demand for digital and OTT ('Over the counter') services.

In July 2021, ComCom took into consideration the constant devaluation of the national currency and the COVID-19 pandemic's adverse impact on the telecommunication sector. As a result, ComCom decided to eliminate the retail mobile sector's tariff regulation and give flexibility to existing mobile operators to adjust their tariff plans when needed.