

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN, AND IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") PROVIDED BY, RULE 144A UNDER THE SECURITIES ACT OR ANOTHER EXEMPTION THEREFROM OR (2) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the listing particulars following this page (the "**Listing Particulars**") and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Joint Stock Company Silknet (the "**Issuer**") or any of J.P. Morgan Securities plc, TBC Capital LLC or UBS AG London Branch (together, the "**Joint Lead Managers**") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE LISTING PARTICULARS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE LISTING PARTICULARS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE LISTING PARTICULARS.

Confirmation of your representations: You have accessed the Listing Particulars on the basis that you have confirmed your representation to the Issuer and the Joint Lead Managers that (1) you are a QIB, or (2) you are outside the United States, as defined in Regulation S under the Securities Act, nor acting on behalf of a United States person and, to the extent you purchase the securities described in the Listing Particulars (the "**Notes**"), you will be doing so pursuant to Regulation S under the Securities Act, and the electronic mail address to which the Listing Particulars have been delivered is not located in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, or (3) you are (or the person you represent is) a sophisticated investor for the purpose of the Law of Georgia on Securities Market (the "**Securities Market Law**"), and (4) (in any case) you consent to delivery of the Listing Particulars and any amendments or supplements thereto by electronic transmission.

You are reminded that the Listing Particulars have been delivered to you on the basis that you are a person into whose possession the Listing Particulars may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Listing Particulars to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

In the United Kingdom, the Listing Particulars are being distributed only to and directed only at (i) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, and (iii) those persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act

or rely on the Listing Particulars or any of their contents, and should return the Listing Particulars as soon as possible and take no other action. Any investment or investment activity to which the Listing Particulars relate is only available to, and the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK PRIIPs Regulation / Prohibition of sales to United Kingdom retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive 2016/97/EU, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Securities Market Law / Offering and sale to sophisticated investors only – The Listing Particulars have not been approved by the National Bank of Georgia (the "**NBG**"). No notification has been made to, and no consent has been sought or obtained from, the NBG for a public offering of the Notes in Georgia. The Notes are not intended to and should not be advertised, marketed, offered, sold or otherwise made available in a public offering in Georgia, unless and to the extent permitted under Georgian law. The Notes may be offered and sold in Georgia only to sophisticated investors within the meaning of the Securities Market Law and its implementing regulations.

The Listing Particulars have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or the Joint Lead Managers or any person who controls them or any of their directors, officers, employees or agents, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Listing Particulars distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

Joint Stock Company Silknet



(incorporated as a joint stock company under the laws of Georgia)

U.S.\$300,000,000 8.375 per cent. Notes due 2027

Issue Price: 100%

The U.S.\$300,000,000 8.375 per cent. Notes due 2027 (the "**Notes**") of Joint Stock Company Silknet (the "**Issuer**", "**Silknet**" or the "**Company**") will bear interest from (and including) 31 January 2022 at the rate of 8.375 per cent. per annum payable semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 July 2022.

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4(b) (*Limitation on Liens*) of the terms and conditions of the Notes (the "**Conditions**")) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Notes will be effectively subordinated to all of the Issuer's existing and future secured debt to the extent of the value of the assets securing such debt and to all existing and future debt of all the Issuer's subsidiaries.

These Listing Particulars include information on the terms and conditions of the Notes, including redemption and repurchase prices, covenants, events of default and transfer restrictions. Payments on the Notes will be made in U.S. dollars free and clear of, and without withholding or deduction for, or on account of, taxes imposed or levied by Georgia or any other Relevant Taxing Jurisdiction (as defined in the Conditions).

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 31 January 2027. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to (but excluding) the date fixed for redemption) if, as a result of any change in, or amendment to, the laws or regulations of Georgia, or any change in the application or official interpretation of the laws or regulations of the Relevant Taxing Jurisdiction, the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) and the Issuer cannot avoid the requirement by taking reasonable measures available to it. In addition, on the occurrence of a Change of Control (as defined in the Conditions), each Noteholder shall have the right to require the Issuer to repurchase all or any part of that Noteholder's Notes (in integral multiples of U.S.\$1,000; provided that Notes of U.S.\$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101 per cent. of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to (but excluding) the date of purchase (subject to certain conditions). See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Noteholders upon a Change of Control*".

At any time prior to 31 January 2024, the Issuer may at its option on one or more occasions redeem the Notes in whole or in part at a redemption price equal to 100 per cent. of the principal amount of the Notes plus the Applicable Premium (as defined in the Conditions), and accrued and unpaid interest, and Additional Amounts (as defined in the Conditions) as set forth in the Conditions. At any time on or after 31 January 2024, the Issuer may at its option redeem the Notes in whole or in part at the redemption price specified in the Conditions. See "*Terms and Conditions of the Notes—Redemption and Purchase—Optional Redemption by the Issuer*". In addition, at any time prior to 31 January 2024, the Issuer may redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price equal to 108.375 per cent. with the net proceeds from one or more equity offerings. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Equity Offering*".

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States by the joint lead managers named under "*Subscription and Sale*" (the "**Joint Lead Managers**") outside the United States (the "**Regulation S Notes**") in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States (the "**Rule 144A Notes**") to qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on and in compliance with Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of these Listing Particulars, see "*Transfer Restrictions*" and "*Subscription and Sale*".

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the official list of Euronext Dublin (the "**Official List**") and to trading on its Global Exchange Market (the "**GEM**"). These Listing Particulars constitute listing particulars for the purposes of this application and have been approved by Euronext Dublin. References in these Listing Particulars to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and to trading on the GEM, which is the exchange regulated market of Euronext Dublin. The GEM is neither a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") nor a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**"). There is no assurance that a trading market in the Notes will develop or be maintained.

The Notes will be issued on 31 January 2022 (the "**Issue Date**") in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Rule 144A Notes will be represented by a global note certificate (the "**Rule 144A Global Certificate**") in registered form, without interest coupons attached, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**"). The Regulation S Notes will be represented by a global note certificate (the "**Regulation S Global Certificate**") and, together with the Rule 144A Global Certificate, the "**Global Certificates**") in registered form, without interest coupons attached, which will be deposited with, and registered in the name of a nominee of, the common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Global Certificates will be exchangeable for Notes in definitive form ("**Definitive Certificates**") only in certain limited circumstances described in "*Summary of Provisions relating to the Notes in Global Form*".

The Notes are expected to be rated "B" by Fitch Ratings Limited ("**Fitch**") and "B1" by Moody's Investors Service Ltd ("**Moody's**"). Fitch and Moody's are established in the United Kingdom and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). The ratings of the Notes given by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH, respectively, which are established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended, the "**CRA Regulation**"), and are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website, in accordance with the CRA Regulation. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Investing in the Notes involves risks. Please refer to "*Risk Factors*".

Joint Lead Managers

J.P. Morgan

TBC Capital

UBS Investment Bank

Bookrunners

J.P. Morgan

UBS Investment Bank

The date of these Listing Particulars is 26 January 2022.

IMPORTANT INFORMATION

These Listing Particulars do not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (as amended) or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA, and have been prepared for the purpose of giving information with regard to the Issuer and the Notes which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Group (as defined herein).

The Issuer accepts responsibility for the information contained in these Listing Particulars and declares that, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Joint Lead Managers that (i) these Listing Particulars contain all information regarding the Issuer, the Group and the Notes which is (in the context of the issue, offering and sale of the Notes) material; (ii) such information is true and accurate in all material respects and is not misleading; (iii) any opinions, predictions or intentions expressed in these Listing Particulars on the part of the Issuer are honestly held or made and are not misleading; (iv) these Listing Particulars do not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading; and (v) all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer, the Group or the Notes other than as contained in these Listing Particulars or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

None of the Joint Lead Managers, BNY Mellon Corporate Trustee Services Limited (the "**Trustee**") or any of their respective affiliates has authorised the whole or any part of these Listing Particulars and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in these Listing Particulars or takes any responsibility for any acts or omissions of the Issuer or any other person in connection with these Listing Particulars or the issue and offering of the Notes. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Group since the date of these Listing Particulars. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Group during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes (a) are intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Joint Lead Managers or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes constitute an offer or invitation by or on behalf of the Issuer, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes.

The distribution of these Listing Particulars and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of these Listing Particulars and other offering material relating to the Notes, see "*Transfer Restrictions*" and "*Subscription and Sale*".

These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Listing Particulars and the offer or sale of the Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Joint Lead Managers or the Trustee represents that these Listing Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any

advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars or any Notes may come must inform themselves about and observe any such restrictions on the distribution of these Listing Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Listing Particulars and the offer or sale of Notes in the United States, the European Economic Area (the "EEA"), the United Kingdom and Georgia. See "*Transfer Restrictions*" and "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States except pursuant to an exemption from registration under the Securities Act. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") or any other state securities commission or regulatory authority in the United States, nor has any such commission or regulatory authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offence in the United States.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in "*Transfer Restrictions*" and "*Subscription and Sale*".

The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in these Listing Particulars or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate-related and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible

for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK PRIIPs Regulation / Prohibition of sales to United Kingdom retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"), and any rules or regulations made under the FSMA to implement Directive 2016/97/EU, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO U.S. INVESTORS

The offering of the Notes is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgements, representations, warranties and agreements that are described in these Listing Particulars.

These Listing Particulars are being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be "qualified institutional buyers" ("**QIBs**") under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in reliance on Regulation S. Prospective investors are hereby notified that the sellers may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes described in these Listing Particulars have not been registered with, recommended by or approved by, the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO UNITED KINGDOM RESIDENTS

In the United Kingdom, these Listing Particulars are only being distributed to and is only directed at: (i) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"); (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as "**relevant persons**"). Any investment or investment activity to which these Listing Particulars relate is only available to, and the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on these Listing Particulars or any of their contents.

NOTICE TO INVESTORS IN GEORGIA

The Listing Particulars have not been approved by the National Bank of Georgia (the "**NBG**"). No notification has been made to, and no consent has been sought or obtained from, the NBG for a public offering of the Notes in Georgia. The Notes are not intended to and should not be advertised, marketed, offered, sold or otherwise made available in a public offering in Georgia, unless and to the extent permitted under Georgian law. The Notes may be offered and sold in Georgia only to sophisticated investors within the meaning of the Law of Georgia on Securities Market (the "**Securities Market Law**") and its implementing regulations.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

ADDITIONAL INFORMATION

The Issuer has agreed that, so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) under the Exchange Act, provide to any holder or beneficial owner of any such "restricted security", or to any prospective purchaser of such restricted security designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the request of such holder or beneficial owner.

FORWARD-LOOKING STATEMENTS

Certain statements in these Listing Particulars may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements provide the Issuer's current expectations or forecasts of future events. Forward-looking statements include statements about the Issuer's expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate", "believe", "continue", "estimate", "expect", "intend", "may", "on-going", "plan", "potential", "predict", "project", "will" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Examples of forward-looking statements in these Listing Particulars include, but are not limited to, statements regarding the Issuer's disclosure concerning its operations, cash flows, capital expenditure and financial position.

Forward-looking statements appear in a number of places in these Listing Particulars, including, without limitation, in the "*Risk Factors*", "*Business Description of the Group*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" sections of these Listing Particulars.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in these Listing Particulars speak only as of the date of these Listing Particulars, reflect the Issuer's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer's operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in these Listing Particulars which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in these Listing Particulars are qualified by these cautionary statements. The Issuer does not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or individuals acting on behalf of the Issuer are expressly qualified in their entirety by this paragraph.

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OVERVIEW

The Issuer and its subsidiaries taken as a whole (the "**Group**") is one of the leading telecommunications operators in Georgia, based on the number of subscribers (Source: Georgian National Communications Commission (the "**GNCC**")). It is the leading fixed line operator and second largest IPTV and fixed broadband operator in Georgia and the second largest mobile operator in Georgia based on the number of subscribers as at the date of these Listing Particulars (Source: GNCC). Its primary operations comprise the provision of fixed broadband, pay television, fixed line and mobile services to a range of residential and corporate customers in Georgia, as well as wholesale connectivity and related services to domestic and international telecommunications operators. The Group's telecommunications network comprises over 4,000 kilometres of fiber across Georgia.

The Group primarily operates in Georgia. The Group mainly offers the following services:

- **Mobile services:** The Group provides voice and mobile broadband services, utilising 2G, 3G and 4G/LTE technologies from approximately 1,600 physical locations, of which 1,300 are macro and 300 are micro sites, including approximately 1,500 4G/LTE sites, in Georgia. Approximately 500 macro and 300 micro sites of the Group are connected by fiber. Following the Group's acquisition of Geocell LLC ("**Geocell**") in 2018, the Group became the second largest mobile operator in Georgia. As at 30 September 2021, the Group's mobile services had approximately 1.72 million mobile subscribers and a subscriber market share of approximately 33 per cent. in Georgia (Source: GNCC). For the nine months ended 30 September 2021, mobile services comprised 48 per cent. of the Group's revenues compared to 48 per cent. for the nine months ended 30 September 2020.
- **Fixed broadband services:** The Group's fixed broadband services comprise a technologically advanced offering of internet and data connectivity services to homes, businesses and other organisations, as well as additional data services to its corporate customers. As at 30 September 2021, the Group had approximately 293,000 subscribers and an approximate 30 per cent. market share of the fixed broadband market in Georgia based on the number of subscribers (Source: GNCC). Fixed broadband services comprised 25 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 26 per cent. for the nine months ended 30 September 2020.
- **Pay television:** The Group offers a variety of television programme options within its fixed line business through its IPTV digital offering, Silk TV and wireless television through Global TV and SilkSat. The Group also offers Silk Go, a streaming and video on demand ("**VOD**") service available through the internet as well as an application, which allows customers to watch selected TV programmes on any mobile device with internet access. In 2019, the Group also launched silksport.ge, which is an online video and news portal that includes the Group's in-house sports channels. The Group's VOD services also include a community project called 'Home School' that provides recorded classes to students attending school across a wide age group. This project was especially relevant during the novel coronavirus ("**COVID-19**") outbreak. The Group's ability to offer diversified content, such as premium sports content, has been an important factor in its ability to acquire new subscribers. The Group also produces and broadcasts a variety of proprietary television channels. The Group generated broadcasting revenue, revenue from channel sales and advertising, of GEL 3.0 million for the nine months ended 30 September 2021 compared to GEL 0.8 million for the nine months ended 30 September 2020. Pay TV comprised 11 per cent. of the Group's revenue for the nine months ended 30 September 2021 compared to 12 per cent. for the nine months ended 30 September 2020.
- **Fixed telephone services:** The Group offers a comprehensive range of fixed telephone services to residential and corporate customers. Key fixed line services include national and international fixed telephone services. As at 30 September 2021, the Group had approximately 197,000 subscribers and an approximate 57 per cent. share of the Georgian fixed line market based on the number of subscribers according to GNCC. The fixed line segment is experiencing a decline in demand as a result of the shift towards mobile services. Voice-over-Internet-Protocol ("**VOIP**") technology is the only area in this segment that demonstrates growth. As a result, fixed telephone services comprised 4 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 4 per cent. for the nine months ended 30 September 2020. The Group is the market leader in both the number of subscribers and market share for fixed telephone services.
- **Carrier and other services (wholesale):** Carrier and other services (wholesale) are offered to local operators in Georgia as well as to international operators. Carrier and other services (wholesale) consist primarily of fixed and, through the Group's mobile services mobile interconnection services and data services provided to national and international operators including local call termination, international call termination, bulk SMS termination, transit, internet resale, rent of equipment and cash collections. Carrier

and other services (wholesale) comprised 11 per cent. of the Group's revenue for the nine months ended 30 September 2021 compared to 9 per cent. for the nine months ended 30 September 2020.

In the nine months ended 30 September 2021, the Group's revenue was GEL 306.4 million compared to GEL 282.9 million in the nine months ended 30 September 2020. In the year ended 31 December 2020, the Group's revenue was GEL 382.2 million, compared to GEL 387.2 million in the year ended 31 December 2019, and GEL 344.3 million (not including results of operations of mobile service segment prior to Geocell Acquisition (as defined in "*Presentation of Financial and Certain Other Information*") in the year ended 31 December 2018.

The Group invests in a limited number of related businesses that are complementary to and support its retail, enterprise and wholesale telecommunications businesses. For more information see "*Business Description—Capital Structure—Subsidiaries*".

Strategy

The Group's core strategy is to compete by aiming to provide customers with an improved and innovative customer experience, through building and leveraging powerful telecom infrastructure and data, internal innovation and obtaining rights to third-party products and services.

The Geocell Acquisition was strategically important to the Group. It resulted in the addition of mobile services to the Group's product range which represents a significant opportunity to build the leading convergent operator in the Georgian market with leadership in innovation and the capability to market fixed-mobile and television content offering to new customers with competitive pricing and limited additional investment compared to new players entering those markets.

Core Strategy Foundation

The Group is focused on developing the following areas that form the foundation of its core strategy:

Network Leadership

The Group is investing in and developing its network infrastructure in order to provide improved network quality to its customers and to operating efficiencies. Areas of focus for investment include:

- *Mobile network:* Geocell's mobile network required significant investments to catch up with the competition with respect to 4G coverage and key network parameters given the Group's 4G population was 57 per cent. which was significantly below that of its competition. Immediately following the Geocell Acquisition, the Group began investing in modernization of the mobile network and acquired a 2x5 MHz spectrum license in the 800 MHz band which was used as a base layer for the 4G coverage and was also used by the two other mobile operators in the market. For more information see, "*Business Description—Licenses*" below. The Group has also connected 36 per cent. of its macro sites with fiber. As a result of these investments, the Group's mobile network has been recognized as the fastest mobile network provider in Georgia according to Ookla, based on analysis of data for the third and fourth quarters of 2020. GNCC's regular drive tests throughout 2020 and 2021 show the Group's 4G/LTE mobile service as the fastest in Tbilisi and most of the other regions of Georgia.
- *Maintaining existing footprint:* The Group decided to maintain the network strategy used by both Silknet and Geocell, and concentrate its activities in key areas rather than extending coverage to more remote, less populated areas. Accordingly, the network investments were undertaken largely within the existing footprint.
- *Implementing gigabit-LTE technology:* The Group has pioneered the implementation of gigabit-LTE technology in Georgia, having already installed it in 263 sites in major cities (or 20 per cent. of its macro sites). The gigabit-LTE technology allows the Group to assume a technological advantage in the Georgian mobile market, as competitors have yet to implement such technology and lack spectrum resources to do so.
- *Improving fixed line network:* The Group recently modernized the fixed IP/MLS network, allowing it to accommodate greater subscriber data consumption, especially for broadband and IPTV traffic. In addition, the Group has continued to expand its FTTH network, reaching approximately 696,000 homes passed as at 30 September 2021.

Maintain technological innovation through IT transformation

The Group has recently undergone an IT transformation program, switching many of its current systems to new solutions, to improve and standardize processes across the Group. For more information, see "*Information Technology*". The Group believes that this IT transformation will give it a technological advantage over its competitors by improving customer experience, reducing the time required to launch new products and services,

and improving customer segmentation and real-time analytics of data. The new system has improved time to market of new product and service launches by implementing advanced business process tools in accordance with the BPMN 2.0 standard, which allows the implementation of new processes or update of existing processes without requiring new coding by developers.

As a result of the mobile network modernization program and other capital expenditures, the Group's capital expenditure intensity was relatively high, with capital expenditures, excluding telecom operating licenses and right of use assets, comprising 28 per cent. of the Group's total revenues in 2019 and 33 per cent. in 2020.

High quality customer base

The Georgian market has low entry and exit barriers for subscribers due to the absence of long-term contracts, which makes bundling a key indicator of customer base quality. The Group believes that high bundling rates are indicative of a high quality customer base and lead to lower churn rate. The Group's fixed services are highly bundled, for example, 79 per cent. of B2C FTTH subscribers also subscribe for IPTV and most of its fixed broadband subscribers have voice service. The Group believes that there is an ongoing increase in the number of mobile subscribers using packages, for example, approximately 27 per cent. of its B2C subscribers purchase 'Meti' packages (voice/data/SMS) and the Group has recorded approximately 66 per cent. data penetration in mobile subscribers.

Subscribers with a broadband and IPTV bundle, many of whom likely use the Group's fixed line service, constitute the main target for cross selling of mobile services, as the Group believes that barriers to entry into new households are substantially higher than the barriers to entry for existing customers switching their mobile subscription. The Group has experienced an increase in convergence since the launch of the inaugural fixed-mobile convergent offers in Georgia in 2018, with approximately 15,000 Silk+ subscribers (with over 33,000 SIM cards), or 6.0 per cent. of the FTTH B2C subscribers as at 30 September 2021. The Group's main focus is completing the mobile network modernization program and then promoting convergent offers across its B2C subscriber base.

Experienced management team and high-quality workforce

The Group believes that its employees are integral to its business, and therefore aims to create job opportunities for people from diverse backgrounds, and to create a safe workplace environment where all employees feel engaged and supported. In 2020, the Group's employee retention rate amounted to 89 per cent. and employee turnover was 8 per cent.

The Group believes that it has a strong and stable Supervisory Board and executive team. All of the senior members of the Group's Supervisory Board and executive team have extensive knowledge of the telecommunications sector in Georgia and bring with them significant experience in leading telecommunications institutions. The Group continuously ensures that the composition of its executive team is aligned with the Group's strategy. In 2021, the Group decided to strengthen the executive team by appointing David Birman as the Chief Product and Brand Management Officer, a new position that would report to the CEO, and Nino Kankia as the Chief Technical Officer, such appointment expected to unify mobile and network technology management and operations under one leader.

The Group's internal process involving its employees is continuously evolving to support its goal to build a high quality workforce. The Group is in the process of evaluating its remuneration policy with the aim of improving performance management, ensuring more equitable pay and better aligning the interests of the Group and those of its employees.

Advanced capabilities and services

In addition to the core strategies outlined above, the Group is working on furthering its capabilities and services offered by investing in additional areas.

- *Advanced analytics:* The Group procured a campaign management solution from the SAS Institute and is currently in the process of implementing this in its operations. The Group expects to expand the utilization of data analytics by means of procuring third-party solutions and developing in-house expertise to better serve its subscribers, as well as streamline the Group's operations.
- *Loyalty Programs:* The Group also intends to use the above SAS Institute solution to create a loyalty program for the Group's subscribers. Initially, the loyalty program will focus on the services currently provided by the Group.
- *Convergence:* The Group intends to unify all services with a single Silknet ID and will seek to generate direct commercial synergies such as obtaining incremental fixed-mobile-digital applications subscribers from

competition, lower churn of fixed-mobile customers and migration from prepaid to postpaid resulting in higher customer lifetime value and the premium price effect of fixed-mobile offers (blended average revenue per user ("ARPU") growth). Residential consumers in the Georgian mobile telephone market have historically favored prepaid mobile contracts over postpaid services. The higher proportion of prepaid customers in turn supports relatively higher churn rates than postpaid customers. As part of the Group's convergent strategy, it intends to gradually switch certain customer segments from prepaid to postpaid contracts. This gives the Group the potential to grow its revenue and business by reducing churn rates.

- *Digital products and services:* Historically, the Group has offered separate self-service applications and websites for fixed and mobile services. Following the completion of its IT transformation, the Group intends to develop a new and convergent self-service application and website to offer increased flexibility to its subscribers.

The Group pioneered digital content delivery on the Georgian telecommunications market by means of applications and websites, such as Silk Go and silktv.ge. The Group intends to further develop digital applications to increase subscriber satisfaction and gain competitive advantage. Such applications may include improved video content delivery, music and gaming platforms. Digital applications are expected to play an important role in its convergence strategy. A product innovation and digital ecosystem development department was recently created to further focus the Group's efforts in this area.

- *Improving Brand:* The Group intends to further develop its brands to reflect its technological improvements and emphasize its focus on customers and digital services. The Group is currently in the process of evaluating its branding, including the merits of continuing with both Silknet and Geocell brands.
- *B2B ICT Service:* The Group is in the process of evaluating potential information and telecommunications solutions for its B2B subscribers, such as security, data center services and systems integration.

Ecosystem

In the longer term, the Group intends to implement an advanced layer of capabilities and services which will form the base of its digital ecosystem. This digital ecosystem will also encompass third-party products and services, unified by the Silknet ID and the loyalty program open to third parties. Such an ecosystem may include financial services as well.

Competitive Strengths

The Group believes that its business is characterized by the following key competitive strengths.

Convergent telecommunications operator with leading market positions

The Group is one of the leading convergent telecommunication operators in Georgia. It has the market-leading position as a fixed line operator (Source: GNCC) and is the second largest IPTV, fixed broadband operator and mobile provider based on the number of subscribers (Source: GNCC).

The Group's status as a converged telecommunication operator with leading positions across major product segments strongly positions it to capitalize on trends in the global telecommunications markets, likely to be adopted in Georgia, towards bundled and combined product offerings containing broadband, pay television, fixed line and mobile. By combining its network with its product differentiation based on digital applications and premium and exclusive content, the Group believes that there are significant opportunities to increase revenues by cross-selling bundled services. Broadband and IPTV bundled subscribers, which are also likely to use the Group's fixed line service, constitute the main target for cross-selling of mobile services, as the barriers of entry into households are substantially higher than the barriers to switching mobile subscription.

Mobile business

The Group has a well-established position as the second largest mobile operator in Georgia based on the number of subscribers, with a market share of 35.3 per cent. of total service revenue in the nine months ended 30 September 2021 (Source: GNCC). The Group's mobile services have a strong brand in Georgia as a result of being a leader in distribution network and customer service in the Georgian telecommunications market. It has provided a number of customer service innovations including the digitization of customer channels, online self-service portals, customer service contacts through social media and e-signatures. Since the Geocell Acquisition in 2018, the Group is continually significantly upgrading its network, to improve network performance, provide a better mobile data experience to its subscribers and drive further mobile data usage. Such investments will allow the Group to provide competitive network experience and complete market-leading end-to-end quality for its

subscribers. For more information, see "*—Products and Services—Network Infrastructure—Wireless Mobile Network*".

Fixed line, fixed broadband and pay television business

The Group is a leader in the fixed line markets in Georgia, with a market share of 57 per cent., and is the second largest fixed broadband and IPTV provider in Georgia based on the number of subscribers with a market share of 31 per cent. and 34 per cent. in fixed broadband and pay television respectively as at 31 December 2020 (Source: GNCC). The Group's fixed infrastructure supports further expansion of the network in previously under-served localities, including for mobile service needs. The Group's Pay TV market position is supported by access to premium and exclusive content.

Unique and diversified content portfolio

The Group is the only telecommunications provider in Georgia that has developed its own IPTV platform which it believes to be "best in class" in Georgia. The Group also directly acquires rights to film, documentary, entertainment and sports content for its channels and provides Georgian language programs to its subscribers. The Group's ability to offer premium sports content including the Champions League, Europa League and La Liga football, NBA basketball and other competitions, some of it via exclusive contracts, has been an important factor in its ability to acquire new subscribers. The Group is also continuously developing streaming applications for Android, iOS and PC.

Leadership in under-penetrated and growing market segments

Mobile market

While wireless penetration rates in Georgia are high, as with most of Europe, there is potential for further increases in wireless data penetration due to increasing smartphone penetration and mobile data usage. As at 30 September 2021, mobile data penetration rate in Georgia was 62 per cent. (Source: GNCC). The Group believes it is positioned within the mobile service market as a high-quality provider and aims to capitalize on this by placing emphasis on the adoption of smartphones and increasing mobile data penetration in Georgia. The Group's strategy of content-based convergence also supports the trend in customer demand for data-related services.

Fixed Market

The Group is one of the market leaders in both fixed broadband and Pay TV services in Georgia which are growing market segments based on the number of subscribers. As at 30 September 2021, the Group had a market share of 30 per cent. and 33 per cent. in the broadband and Pay TV markets in Georgia, respectively, based on the number of subscribers.

Residential fixed broadband penetration in Georgia, expressed as a percentage of households, was 83 per cent. as at 30 September 2021 (Source: GNCC). According to GNCC, revenue from fixed broadband services in Georgia has grown from GEL 99 million in 2011 to GEL 276 million in 2020. According to GNCC, household penetration of Pay TV services in Georgia is approximately 62 per cent. and that Pay TV revenue has grown from GEL 19 million in 2011 to GEL 120 million in 2020.

The growing economy and increasing urbanization in Georgia drive further demand for telecommunications services. The Group expects to continue to roll out its fiber networks, increasing penetration in major cities, as well as smaller towns. The Group expects this will increase the number of subscribers, as copper network penetration in smaller towns tends to be relatively low, substantially increase the service quality and upsell IPTV and mobile services.

The Group believes that its leadership position in these growing market segments, combined with significant barriers to entry, puts the Group in a strong position to benefit from current market trends.

Robust operating performance

The Group has historically maintained stable growth across its operations in Georgia. For the year ended 31 December 2020, the Group had profit from operating activities of GEL 80.5 million compared to GEL 89.3 million for the year ended 31 December 2019. For the nine months ended 30 September 2021, the Group had profit from operating activities of GEL 78.0 million compared to GEL 63.2 million for the nine months ended 30 September 2020. In addition, for the year ended 31 December 2020, the Group had Adjusted EBITDA of GEL 211.5 million compared to GEL 215.9 million for the year ended 31 December 2019. For the nine months ended 30 September 2021, the Group had Adjusted EBITDA of GEL 168.3 million compared to GEL 156.9 million for the nine months ended 30 September 2020. The Group's balanced and disciplined expansion policy has enabled it to maintain and

develop its strong infrastructure network. The Group believes that its strong operating performance, financial condition and prudent risk management will enable it to continue monitoring the competitive landscape in order to take advantage of new opportunities in Georgia as they arise.

Prior to the Geocell Acquisition, the Group had maintained a conservative financial profile and low indebtedness levels. The Group's low indebtedness levels have enabled it to generate cash flow that it has utilized to maintain its investment strategy, including the Geocell Acquisition. For more information see "*Business Description of the Group—Competitive Strengths—Convergent telecommunications operator with leading market positions*". The Group generated net cash from operating activities of GEL 226.8 million in the year ended 31 December 2020, compared to GEL 202.2 million in the year ended 31 December 2019. This cash flow generation allowed the Group to gain competitive advantage by financing its network modernization program, maintaining a high rate of capital expenditures relative to revenues and maintaining a net cash position at the end of each of these periods, with GEL 77.8 million, GEL 74.9 million and GEL 9.3 million in cash and cash equivalents in the years ended 31 December 2020, 2019 and 2018, respectively. The Group anticipates that cash generation will continue to improve due to enhanced Adjusted EBITDA margins. Accordingly, the Issuer expects its liquidity profile will continue to improve.

Unparalleled and resilient infrastructure

The Group believes it has an unparalleled and resilient infrastructure. It is the pioneer, and only provider, of gigabit-LTE technology in Georgia, having already installed it in 263 sites in major cities (or 20 per cent. of its macro sites). The Group has the largest spectrum portfolio in Georgia with 173 MHz across multiple brands. Ookla, the speed test provider, recognized Silknet as the fastest mobile network operator in Georgia based on analysis of data for the third and fourth quarters of 2020. The Group has an extensive optical network in Georgia, which comprises over 4,000 kilometres of fiber. The Group has developed a backbone network connecting Tbilisi with other major cities and creating an arrangement that has the highest number of cross-border connections in Georgia. This has also allowed the Group to back up and diversify potential suppliers. The Group has also been involved in modernizing the fixed IP MPLS network.

Experienced Management

The Group believes that it has a strong and stable Supervisory Board and an executive team with a strong track record in Georgia. All of the senior members of the Group's Supervisory Board and executive team have extensive knowledge of the telecommunications sector in Georgia and bring with them significant experience in leading telecommunications institutions. Further details of the Group's Supervisory Board and management are set out under "*Management – Supervisory Board*".

The Group believes that the composition of its management team puts it in a very good position to successfully implement its growth strategy, as well as to focus on improving its operating performance as the Group encounters opportunities to generate benefits from its significant investments in infrastructure to date. Senior executives of the Group have an average of approximately eight years' experience in the telecommunications industry. The Group's management continuously looks to strengthen its management bench, and attract managers with diversified expertise, particularly in the area of technology and innovation.

OVERVIEW OF THE OFFERING

The following overview of the offering of the Notes is derived from, and should be read in conjunction with, the full text of the terms and conditions of the Notes (the "**Conditions**") and the Trust Deed (as defined therein), which shall prevail to the extent of any inconsistency with this overview. Capitalised terms used but not otherwise defined herein have the respective meanings given to such terms in the relevant Conditions.

Issuer:	Joint Stock Company Silknet, a joint stock company incorporated under the laws of Georgia and registered with the Tbilisi Tax Inspection under number 204566978, with its registered office at 95 Tsinamdzghvrishvili Street, Tbilisi 0112, Georgia.
Joint Lead Managers:	J.P. Morgan Securities plc, TBC Capital LLC and UBS AG London Branch.
Trustee:	BNY Mellon Corporate Trustee Services Limited.
Principal Paying Agent and Transfer Agent:	The Bank of New York Mellon, London Branch.
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Notes offered:	U.S.\$300,000,000 8.375 per cent. Notes due 2027.
Issue Price:	100 per cent. of the principal amount of the Notes.
Issue Date:	31 January 2022.
Use of Proceeds:	The net proceeds of the issue of the Notes will be approximately U.S.\$246,000,000 after deducting the estimated costs and expenses relating to the issuance of the Notes and the Notes acquired pursuant to the Notes Acquisition (as defined in "<i>Use of Proceeds</i>"). These amounts will be used by the Issuer for the purposes of refinancing its loans and borrowings in its entirety including repayment of: • the Silknet 2019 Bonds; • any premia and fees payable in connection with the Consent Solicitation and Tender Offer announced for the Silknet 2019 Bonds; and • the Silknet 2017 Bonds. (each as defined under "<i>Management's Discussion and Analysis of Financial Condition and Results of Operation – Financing Arrangements</i>"). For more detail, see "<i>Use of Proceeds</i>".
Interest:	The Notes will bear interest from (and including) 31 January 2022 at a rate of 8.375 per cent. per annum payable semi-annually in arrear on 31 January and 31 July in each year, commencing on 31 July 2022.
Status of Notes:	The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4(b) (<i>Limitation on Liens</i>)) unsecured obligations of the Issuer. The Notes will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Form and Denomination:	The Notes will be issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be represented on issue by the Regulation S Global Certificate and the Rule 144A Global Certificate, each in registered form, without coupons attached. The Regulation S Global Certificate will be deposited with, and registered in the name of a nominee of, the common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Global Certificate will be deposited with a custodian for, and registered in the name of Cede &

Co. as nominee of, DTC. Interests in the Global Certificates will be exchangeable for Definitive Certificates only in certain limited circumstances outlined therein. See "*Summary of Provisions Relating to the Notes in Global Form*".

Maturity Date: 31 January 2027.

Cash Cushion and Credit Facility: The Issuer has undertaken to maintain a "Cash Cushion" of cash and Cash Equivalents equivalent to at least U.S.\$20 million as of the end of each fiscal quarter during the period from the Issue Date to 31 January 2023. Any cash or Cash Equivalents not held in U.S. Dollars shall be discounted by 20 per cent.

From 31 January 2023, the Issuer may elect to either maintain the Cash Cushion as of the end of each fiscal quarter, or alternatively to establish and maintain a Credit Facility of at least U.S.\$20 million for the payment of interest under the Notes. The Issuer shall be entitled to terminate such Credit Facility in certain circumstances if the Cash Cushion is restored.

See "*Terms and Conditions of the Notes—Covenants*".

Change of Control: In addition, on the occurrence of a Change of Control, each Noteholder shall have the right to require the Issuer to repurchase all or any part of that Noteholder's Notes (in integral multiples of U.S.\$1,000; provided that Notes of U.S.\$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101 per cent. of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to (but excluding) the date of purchase (subject to certain conditions). See "*Terms and Conditions of the Notes—Redemption at the Option of the Noteholders upon a Change of Control*".

Tax Redemption: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to (but excluding) the date fixed for redemption) if, as a result of any change in, or amendment to, the laws or regulations of Georgia, or any change in the application or official interpretation of the laws or regulations of Georgia, the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) and the Issuer cannot avoid the requirement by taking reasonable measures available to the Issuer. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*".

Optional redemption by the Issuer: At any time prior to 31 January 2024, the Issuer may at its option on one or more occasions redeem the Notes in whole or in part at a redemption price equal to 100 per cent. of the principal amount of the Notes plus the Applicable Premium, and accrued and unpaid interest, and Additional Amounts as set forth in the Conditions. At any time on or after 31 January 2024, the Issuer may at its option redeem the Notes in whole or in part at the redemption price specified in the Conditions. See "*Terms and Conditions of the Notes—Redemption and Purchase—Optional Redemption by the Issuer*".

In addition, at any time prior to 31 January 2024, the Issuer may redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price equal to 108.375 per cent. with the net proceeds from one or more equity offerings. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Equity Offering*".

Covenants: The Conditions contain restrictions on, or impose requirements to be complied with when conducting certain activities of, the Issuer and its subsidiaries, including, without limitation, to:

- incur or guarantee additional debt and issue preferred stock;
- create or incur certain liens;

- make certain restricted payments and investments, including dividends or other distributions;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- enter into agreements that restrict the ability of Restricted Subsidiaries to pay dividends.

In addition, the Issuer will provide to the Trustee and to holders of the Notes annual and semi-annual reports of the Issuer.

These covenants are subject to important exceptions and qualifications. See "*Terms and Conditions of the Notes—Covenants*".

Cross Acceleration: The Notes will have the benefit of a cross acceleration clause. See "*Terms and Conditions of the Notes—Events of Default—Cross-Acceleration*".

Ratings: It is expected that the Notes will be rated "B" by Fitch and "B1" by Moody's. Fitch and Moody's are established in the United Kingdom and registered under the UK CRA Regulation. The ratings of the Notes given by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH, respectively, which are established in the European Union and registered under the CRA Regulation, and are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website, in accordance with the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Withholding Tax: All payments of principal and interest payable by or on behalf of the Issuer under or with respect to the Notes will be made free and clear of, and without withholding or deduction for or on account of Taxes (as defined in the Conditions) imposed or levied by or on behalf of the Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer will (subject as provided in "*Terms and Conditions of the Notes—Taxation*") pay such additional amounts as will result in the Noteholder receiving such amounts as it would have received if such Taxes had not been withheld or deducted.

Meetings of Noteholders: The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Governing Law: The Notes, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law.

Listing and Trading: Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the GEM. The GEM is neither a regulated market for the purposes of MiFID II nor a regulated market for the purposes of UK MiFIR. The Notes are expected to be listed and admitted to trading on or around 31 January 2022.

Clearing Systems: Euroclear, Clearstream, Luxembourg and DTC.

Selling Restrictions: The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may be sold in other jurisdictions (including the EEA, the United Kingdom and Georgia) only in

compliance with applicable laws and regulations. See "*Subscription and Sale*".

Risk Factors:

Investing in the Notes involves risks. See "*Risk Factors*".

Financial Information:

See "*Index to Financial Statements*", "*Selected Financial and Operating Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Security Codes:

Regulation S Notes:

ISIN: XS2436858349

Common Code: 243685834

FISN: JOINT STOCK COM/ASST BKD 20270131 R

CFI Code: DAFNFR

Rule 144A Notes:

ISIN: US47972FAA93

Common Code: 243693993

CUSIP: 47972FAA9

FISN: JT STK CO SILKN/NT 20270131 UNSEC 1

CFI Code: DBXUGR

Legal Entity Identifier of the Issuer: 635400QGWS2BG73SGG55.

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making a decision, prospective purchasers of the Notes should carefully read these Listing Particulars. In addition to the other information in these Listing Particulars, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the risks described below before making an investment in the Notes. Any of the risks described below and in other parts of the Listing Particulars could have a material adverse effect on the Group's business, financial condition, results of operations or prospects as well as on the market value of the Notes. Factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. The Group believes that the risk factors described below represent principal risks inherent in investing in the Notes, but there may be additional risks and uncertainties that the Group currently considers immaterial or of which the Group is currently unaware. Any such risks or uncertainties could have a similar or more severe adverse effect. Accordingly, the below statements regarding the risks associated with holding of the Notes are not exhaustive.

The main risks related to the Group's business

The Group has been adversely impacted by the COVID-19 pandemic

The outbreak of the COVID-19 pandemic, together with government measures aimed at mitigating the further spread of COVID-19, such as the imposition of quarantines, business closures, travel restrictions and other measures, had, and continues to have, a significant adverse effect on the global economy and international financial markets, which has, in turn, adversely affected and may further affect the Group's business, financial condition, results of operations and prospects.

In 2020, global growth was severely impacted by the COVID-19 outbreak. The impact of the COVID-19 pandemic on the Georgian economy has been significant. The pandemic and related restrictions have also adversely affected the entire supply chain, including employees, suppliers, contractors and service organizations. Many companies suffered considerably due to the complexity of organizing remote work, and re-focusing on services for the population during lockdown. In particular, tourism revenues, which comprise a substantial portion of Georgia's gross domestic product ("**GDP**"), were severely affected, with merchandise exports as well as foreign capital inflows also being adversely affected. Since the second quarter of 2021 the Georgian economy started to recover, expanding by 11.3 per cent. in the first nine months of 2021. The recovery is supported by strong exports and remittances, as well as fiscal stimulus and bank credit and partial recovery in tourism. As a result, current account deficit also narrowed by 2.2 percentage points, reaching 9.2 per cent. in the first six months of 2021. For further detail, please see "*—Macroeconomic risks and political risks related to Georgia—Difficult global economic conditions have an adverse effect on the Group*".

The Government of Georgia (the "**Government**") has implemented a number of measures aiming to address the economic and social impact of the COVID-19 outbreak. In 2020, fiscal measures were introduced which included utility subsidies and assistance programs for the unemployed, persons with disabilities, and families in privation, while tax burden on businesses was eased via income tax concessions, write-offs and grant programs. Bank loan deferments were introduced for both households and businesses, in addition with the credit-guarantee fund for companies and mortgage subsidies to support the housing market. There is no assurance that these or similar measures will be reintroduced by the Government if the spread of COVID-19 persists for a significant period of time. In particular, COVID-19, through its impact on tourism, changes in consumer behavior and buying power, has had a negative effect on the number of the Group's mobile subscribers in 2020, a reduction of 4 per cent. compared to 2019.

The Group was able to achieve some cost reductions through the temporary closure of shops and offices and by adjusting other administrative processes.

There can be no assurance that the demand for the Group's services will not decrease in the future and that no further restrictive measures will be introduced in Georgia as a result of any continued spread or further outbreaks (including that of new variants) of COVID-19, especially due to relatively low vaccination rates in Georgia. As at 31 December 2021, the average number of confirmed daily COVID-19 cases for a seven-day period amounted to 1,890. As at 31 December 2021, approximately 47 per cent. of the population aged 16 or more was vaccinated by at least one dose and 39 per cent. was fully vaccinated. Such risk could, amongst other things, decrease the Group's revenue, increase its operating expenses such as staff costs, increase its foreign exchange loss and finance costs due to any depreciation of the Lari against the U.S. Dollar, which, in turn, would impair the Group's ability to comply with covenants under its financing arrangements and to service its indebtedness generally.

Any of these factors could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

The long-term impact of the COVID-19 pandemic on the Group's business will depend on a range of factors, which are not possible to predict, including the duration, severity, potential recurrence and scope of the pandemic and the extensiveness of measures adopted by the Government. Should the COVID-19 pandemic continue to adversely affect the Group's business and financial results, it may also have the effect of heightening or aggravating many of the other risks described in this "Risk Factors" section.

The Group is subject to risks associated with doing business in Georgia.

Substantially all the Group's operations are located in, and the substantial majority of its revenue is sourced from, Georgia. The Group's results of operations are, and are expected to continue to be, significantly affected by political, financial and economic developments in or affecting Georgia. In particular, by the level of economic activity in Georgia and the wider region. Factors such as GDP, inflation, interest and currency exchange rates, levels of unemployment, personal income, tourism activity and the financial position of corporates can have a material impact on customer demand for its products and services. Most recently, the Group has been affected by the impact of COVID-19 on Georgia and its economy.

Georgia has had a strong record of economic growth in recent years but the negative effects of COVID-19 have reversed this trend. According to the Legal Entity of Public Law National Statistics Office of Georgia (the "GeoStat"), real GDP growth was 4.8 per cent. and 5.0 per cent. in the years ended 31 December 2018 and 2019 respectively, before decreasing by 6.8 per cent. in the year ended 31 December 2020 and recovering by 11.3 per cent. in the first nine months of 2021. According to the International Monetary Fund (the "IMF"), World Economic Outlook updated in October 2021, global expansion has strengthened following a weakening due to the global impact of the COVID-19 pandemic in 2020, and is projected to grow at 5.9 per cent. in 2021 and 4.9 per cent. in 2022, 0.1 per cent. lower and 0.5 per cent. against projections published in April 2020, respectively. Although the NBG forecasts the Georgian GDP to grow by 10.0 per cent., 5.0 per cent. and 4.0 per cent. in 2021, 2022, and 2023, respectively, there can be no assurance that these growth levels will be achieved. Georgia continues to face significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation, budget and capital flight. Market turmoil and economic deterioration in Georgia may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of customers in Georgia. Due to the high degree of dollarization of the Georgian economy (as measured by dollarization of bank deposits, which stood at 61.0 per cent. as at 31 October 2021), the purchasing power of Georgian companies, including the Group, and individuals may be affected by currency fluctuations and, in particular, the depreciation of the Lari against the U.S. Dollar and the Euro. Uncertain and volatile global and regional economic conditions, such as the unpredictability of the U.S. regulatory and fiscal policies, general increasing global inflation rates, the potential adoption of trade restrictions, the United Kingdom's exit from the European Union (the "EU"), and heightened geopolitical risk could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy.

In 2020 and in the first quarter of 2021, global growth was severely impacted by the COVID-19 outbreak, with shrinking demand and damaged global supply chains. Georgia's growth has also been affected by, and is expected to continue to be affected by, COVID-19 related shocks. In particular, tourism revenues, which comprise a substantial portion of Georgia's GDP, were severely affected, with remittances and merchandise exports as well as foreign capital inflows also being adversely affected. This has resulted in, and is expected to continue to result in, an adverse effect on the liquidity and financial condition of customers in Georgia. Market turmoil and economic deterioration and political instability in Georgia may cause consumer spending to decline and have a material adverse effect on Georgia's growth prospects.

The Georgian economy is also dependent upon the economies of other countries in the region, in particular, Turkey, Russia, Azerbaijan and Armenia. In recent years economic growth has been slow across the region, including Georgia, for several reasons according to the IMF. These include a number of geopolitical developments, such as: (i) low oil prices (a consequence of reduced import demand from Russia); (ii) Russia being subject to international sanctions; (iii) conflict situations in eastern Ukraine and Crimea; (iv) the armed conflict between Azerbaijan and Armenia; and (v) the volatility of the Russian Rouble, Turkish Lira and other currencies in the region. Any continuing or further economic disruptions or crises in Georgia's neighboring markets or continuance of the COVID-19 pandemic (including outbreaks of any new variants) may have a material adverse effect on Georgia's economy, which in turn could adversely affect the Group's business, financial condition, results of operations or prospects. For further risks in relation to Georgia see also "*Macroeconomic risks and political risks related to Georgia*".

The Group offers a variety of electronic communications services to its customers. Therefore, the growth of the Group's revenue and profit in the future depends on the development of the electronic communications market in Georgia. Economic factors such as inflation, exchange rate, unemployment, interest rates and others have a significant impact on the Group's income.

Deterioration of the economic situation in Georgia or in any of its regions where the Group has a significant number of customers could reduce demand for the Group's services. The Group tries to assess the demands of its target audience and competitive environment when determining product development and tariff policy. However, in case of major economic turmoil such calculations may turn out to be inaccurate and the Group may not be in the position to respond to the changed circumstances, which in a highly competitive environment could have a negative effect on the size of its subscriber base and its income. For more information see "*—Political and consequently governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business*" and "*—The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates*".

The Group provides electronic communications services to both corporate and individual customers. Any deterioration of the economic situation in Georgia could have a negative effect on the disposable income of individuals and revenue of companies in Georgia, which in turn, will affect the ability of customers to pay service fees. Any factors that could adversely affect the Group's large corporate customers or the income of the population in general could result in the inability of consumers to promptly and completely pay bills, which will negatively affect the Group's profitability and financial performance.

The Group's revenue and profit could be adversely affected if growth in the Georgian telecommunication market slows.

The Group's growth in revenue and profit is dependent on the growth of the market for telecommunications services and the evolution of average telecommunications spending by customers in Georgia. Penetration of telecommunications services has increased during the past several years. According to the calculations based on the GNCC and GeoStat data, as at 30 September 2021, fixed line penetration (defined as one activity in the relevant month) was approximately 32 per cent. (including fixed wireless and B2B), compared to 72 per cent. as at 31 December 2016, fixed broadband penetration was approximately 88 per cent. (including B2B) based on the number of households as at 30 September 2021, compared to 61 per cent. as at 31 December 2016 and mobile penetration was approximately 138 per cent. of the population of Georgia (including B2B) as at 30 September 2021, compared to 133 per cent. as at 31 December 2016. As penetration levels increase, it may become more difficult for the Group to expand its fixed line and mobile subscriber base. As a result, its future revenue growth may be dependent upon growth in spending per customer rather than an increase in the number of customers, and such growth may not occur as anticipated. A slowdown in the growth of the Georgian telecommunications market could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Omissions and unforeseen setbacks related to the transformation of its IT infrastructure may adversely affect the Group.

The Group has recently completed an IT transformation program, developed to introduce improved and standardized processes across the Group. This has resulted in changes to the majority of the Group's IT systems, particularly relating to business support services ("BSS") modules and has also resulted in the redesign of a multitude of business processes. Implementation of the program commenced in July 2018 and was completed in the first half of 2021. For more information, see "*Business Description of the Group—Information Technology*". The Group has experienced certain unforeseen difficulties in using the new IT systems. Although the Group expects to achieve an increase in its overall efficiency and a reduction in its expenses as a result of the new IT systems, it has been necessary for the Group to run some of the old and new IT systems simultaneously, which has created additional burdens on its technical support staff. The Group may also experience further technical problems with the new IT system. These factors may increase the Group's operational risks and expenses and inconvenience subscribers in the short term which may decrease customer satisfaction and increase churn rates. In addition, the optimization of the Group's IT infrastructure may result in temporary technical disruptions. The failure or breakdown of key components of the Group's infrastructure in the future, including its IT system and its susceptibility to fraud, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's telecommunications licenses, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal, each of which may result in modification or early termination and any inability to obtain new licenses and permits or to renew existing licenses and permits could adversely affect its business.

The terms of the Group's licenses, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal and, in some cases, are subject to modification or early termination or may require renewal with the applicable government authorities. The Group operates under nine key licenses which cover both Georgia in general and specific sub-regions, the earliest expiring between 2026 and 2033. For more information please see

"*Business Description of the Group—Licenses*". While the Group does not expect that it or any of its subsidiaries or associated companies will be required to cease operations at the end of the term of these licenses, there can be no assurance that these business arrangements or licenses will be renewed at similar prices or terms, or (although unlikely) at all, or whether the Group will be required to adhere to certain investment requirements in order to renew such arrangements and licenses.

In addition to expiry and non-renewal, the licenses may be terminated early by the GNCC in certain circumstances, including if the Group fails to fulfil its obligations under the respective license. The licenses may be terminated in certain circumstances if this is deemed to be in the public interest. Similarly, a change in licensing terms or conditions could raise the costs incurred by the Group to provide telecommunications services in Georgia or have an adverse effect on the quality of the network available to carry the Group's services.

The GNCC allocates radio frequency bands and may also allocate radio frequency bands harmonized with the relevant directives of the European Commission on electronic communications systems (in accordance with the technical standards and solutions established by the same directives) at the national level. The radio frequency licenses issued in such ranges are subject to a 15-year term and modification according to the technology and service neutrality principles, while the license fee is subject to recalculation as defined by the GNCC's directive. In case of harmonization within the 2300-2400 MHz range of the EU, the GNCC will be authorized to recalculate the Group's current three (F48, F53 and F98) license fees and the Group may incur additional costs.

Failure to obtain or renew licenses on satisfactory terms or at all may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's business requires substantial capital investment, and the Group may not be able to attract or generate sufficient capital to fund its future capital expenditure and other investments as management deems necessary or desirable.

The Group operates in a capital-intensive industry that requires substantial capital and other long-term expenditure, including those relating to the development and acquisition of new networks and the expansion or improvement of existing networks. Continued customer demand for fixed broadband or mobile data services may require the Group to incur further capital expenditures to expand its network in order to accommodate such usage. In the event that licenses for further services or additional spectrum rights are granted, including for additional 4G/LTE services or the introduction of 5G, the Group may require significant amounts of capital to obtain such rights or invest in improvements to its network capabilities. The Group may also consider further acquisition or growth opportunities.

The Group's capital expenditures, excluding telecom operating licenses and leases, in the year ended 31 December 2020 were GEL 124.4 million, compared to GEL 109.4 million and GEL 103.5 million in the years ended 31 December 2019 and 2018, respectively. In the past, the Group has financed these expenditures through internally generated cash flows. In the future, the Group expects to incur capital expenditure for continued enhancement of its network and systems, and to utilize internally generated cash flows to finance its capital expenditure projects. However, there can be no assurance that the Group will get favorable payment terms from vendors in the future. The Group's ability to attract external financing, and the cost of such financing, depend on numerous factors, including the Group's future financial condition, general economic and capital markets conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, applicable provisions of tax and securities laws, and political and economic conditions in Georgia or other relevant jurisdictions.

In addition, covenants contained or to be contained in the Group's financing agreements, including the Silknet 2017 Bonds, the Silknet 2019 Bonds, the RCF, the TFF (each as defined in the "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Financing Arrangements*") and the Notes, may restrict the Group from undertaking capital expenditure in amounts and at times that it deems necessary or desirable. If the Group is unable to generate or obtain funds sufficient to make, or is otherwise restricted from making, necessary or desirable capital expenditure and other investments, it may be unable to grow its business, which may have a material adverse effect on its business, financial condition, results of operations or prospects. Moreover, there is no assurance that undertaking such capital expenditure will result in business growth or improved financial performance.

The Group's services depend on the performance of networks, technical equipment and suppliers.

The Group depends to a significant degree on the uninterrupted operation of its networks to provide its services. The Group invests heavily to ensure that its network provides a variety of advanced services for customers within Georgia and seeking access to Georgia. The Group cannot provide any assurance to potential investors that it will be able to continue to invest heavily in its networks. Any failure by the Group to upgrade or maintain its networks

at current levels could affect its profitability and have a material adverse effect on its business, financial condition, results of operations or prospects.

Moreover, the Group's technical infrastructure is vulnerable to damage or interruption from acts of war, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at the Group's facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of its services and cause service interruptions. Although the Group has undertaken steps to ensure it could continue operating in the event of a disruption, there can be no assurance that these efforts would be successful. As such, any of these occurrences could result in reduced user traffic and reduced revenues and could harm the Group's operations.

The Group's network, including its information systems, information technology and infrastructure, relies to a certain extent on its interconnection to the networks of other telecommunications operators to carry calls and data from its customers to the customers of fixed line operators, broadband and other mobile operators, both within Georgia and internationally. The Group cannot be assured that it can continue to rely on its interconnection to the networks of other operators, or that the networks of other operators with whom its customers interconnect will not be affected by interruptions caused by events such as equipment failure, network software flaws or transmission cable disruption.

In addition to the new electronic communication networks and linear structures designed and developed recently, the Group owns or uses formerly state-owned electronic communication networks and linear structures. The Group's property is frequently registered with inaccurate or materially incorrect data. The Group is regularly correcting the flaws in the registration data and frequently the interests of new owners of real property are revealed in the locations where the Group's communication networks and linear structures exist. Lack of consistent practice of the law, local self-governance registries and the court in some cases lead to the need to relocate electronic communication networks and linear structures and the Group incurs additional expenses. Similar incurred expenses in the future may adversely affect the Group's business, financial condition, results of operations or prospects.

Additionally, a number of the Group's mobile operating sites do not have the required building permits or sanitary permits. At the time these sites were acquired, it was impractical to obtain such permits. Additionally, appropriate lease agreements or other rights of use for some of the Group's operating sites may not be in place as the owners of these sites (both state and private) did not enter into appropriate lease or other rights of use agreements on certain occasions historically. The Group could incur costs, including fines, penalties and other sanctions or lose access to the relevant sites and incur additional costs if the regulators or the land-owners, as applicable, decide to bring an action against the Group for failing to hold such permits or leases or other rights of use. It is not certain exactly how many sites do not have such permits as local authorities did not maintain accurate records at the time. However, the Group estimates that such costs would not be more than GEL 3 to 5 million and, accordingly, would not be material to the Group. For more information see *"Business Description of the Group—Environmental Matters"*.

Any interruption of the Group's operations or of the provision of any service, whether from operational disruption or otherwise, could damage the Group's ability to attract and retain customers, cause significant customer dissatisfaction and have a material adverse effect on its business, financial condition, results of operations or prospects.

The Group relies heavily on the proper operation of Qarva LLC ("**Qarva**"). Qarva is 51 per cent. owned by the Issuer. The remainder of the shares are owned by LLC "Qarva Limited" Malta. It provides services related to IP television software operation and support to the Group. The Group is Qarva's only material client. In case Qarva fails to provide services or any part thereof to the Group or within the quality set forth in the contractual arrangements (e.g. due to disruption by minority shareholder), this could interrupt the provision of services to the Group's customers. In addition, the Group may have to acquire a new IP television platform, which may require significant capital expenditures and its implementation will be time-consuming. For more information please refer to *"Business Description – Material Contracts"*.

The Group also relies on the proper operation of Service Net Group LLC ("**Servicenet**"), which partially carries out passive fixed infrastructure operation and maintenance of customers for the Group, as well as maintenance of the Group's mobile network. Based on the information available to the Group, the Group is Servicenet's major client. In case Servicenet is not able to provide services or any part of them to the Group or within the quality set forth in the service contract, the Group may be forced to find an alternative provider, which could lead to a risk of interruption of the Group's operation in the transitional period. The Group regularly monitors the services provided by Servicenet and evaluates possible risks. For more information please refer to *"Business Description – Material Contracts"*.

The Group's proper operation and its financial position largely depend on a limited number of technical equipment and service providers. In case the commercial conditions deteriorate or suppliers fail to provide adequate equipment or services to the Group in a timely manner, or suppliers are or become subject to any international sanctions, the Group's activities may be interrupted. Huawei, Cisco, Juniper, Ericsson and Whale Cloud are the major providers of technical equipment, software and services to the Group. The Group attempts to maintain viable alternatives in network scheduling and equipment acquisition in order to reduce commercial and technical risks; however, any replacement of these suppliers may be difficult and time-consuming.

Materialization of any of the above risks could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The interruption, inadequacy or other failure of the Group's internal systems, including its internal controls over financial reporting and information technology systems, could have an adverse effect on the Group.

The Group maintains and regularly reviews internal controls over its financial reporting. However, internal control over financial reporting has inherent limitations. It is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, it can be circumvented by collusion or overriding any form of proper management. It is possible to design safeguards to mitigate, although not eliminate, this risk. A failure to detect or correct deficiencies and weaknesses in a timely manner could have an adverse effect on the accuracy of financial reporting.

In addition, the Group is subject to the risk of interruption or loss of its computer and information system capabilities, including certain technologically sophisticated management information systems and other systems, such as its customer billing system, the failure of computer equipment or software systems, failure of the Group's website, telecommunications failure or other disruption, whether due to system failures, computer viruses, software errors, cyber-attacks (including "phishing"), theft of or physical damage to IT hardware or otherwise. The Group's information and technology systems are designed to enable the Group to use its infrastructure resources as effectively as possible and to monitor and control all aspects of its operations. Due to the nature of its business, the Group faces risks related to network and information security, including the integrity, confidentiality and availability of information, arising from cyber-attack or other vulnerabilities across its networks and systems. Any failure or breakdown in these systems could interrupt normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown, and a prolonged failure or breakdown could dramatically impact the Group's ability to offer services to its customers. While security systems are in place to protect the Group's systems and information, there can be no assurance that these systems will be effective under all circumstances, and the Group may remain vulnerable to the loss of information. Additionally, the Group does not maintain an offsite data recovery center. In the event that there is an interruption or loss of its computer and information systems, this could interrupt normal business operations, lead to loss of revenue and loss of subscribers and damage the Group's brands.

The Group provides products and services for industries other than telecommunications, many of which are developed and/or maintained by third party providers. The Group's reliance on these third party providers to help it navigate the regulatory, security and business risks of industries where it traditionally does not compete adversely affects its business.

The operation of the Group's business depends, in part, upon the successful deployment of continually-evolving products and services, including for applications in industries other than telecommunications, such as TV, music, mobile financial services, mobile education solutions, authentication solutions, data center services and entertainment and community services. The Group is reliant upon third party providers to help it navigate risks relating to security, regulations and business in the industries where the Group does not traditionally compete. Changes in such industries may impair the Group's partners' business and/or negatively impact the content the Group is developing, such as for entertainment, which, in turn, could have a material adverse effect on its business, financial condition, results of operations or prospects.

The Group is exposed to operational risks.

Costs related to access to global internet resources are a significant part of the Group's operating costs. Global internet resource costs refer to the costs related to internet protocols (IP) which the Group purchases primarily from wholesale internet protocols (IP) operators in Frankfurt and Sofia, and the cost of transporting data through virtual pipelines more commonly known as "clear channels". A significant increase in the price of the global internet capacity and/or resources used on average by a customer could adversely affect the Group's business, financial condition, results of operations or prospects. In order to control the expenses related to global internet resources, the Group is regularly liaising with its international partners and monitors regional trends. Development of the backbone network and arrangement of new border connections with neighboring countries has allowed the

Group to back up and diversify potential suppliers. At the same time, the Group regularly works on caching information with popular international content providers (such as Google, Facebook, Akamai and Netflix) locally, which significantly reduces the requirement for clear channels to access such providers offshore and accordingly reduces clear channel costs and improves performance. Notwithstanding the above, risks that the costs for access to the global internet resource may increase still exist. There also remains the risk that if the Group is no longer able to cache, its services may deteriorate and adversely impact the Group's subscribers.

For its business activities, the Group acquires transmission/distribution rights of third parties' TV channels and other intellectual property. Disputes may arise with respect to limits of the rights exercised (including copyright and related rights, for example, limits on content being only available to residential customers or content not being available to mobile subscribers) which could adversely affect the Group's reputation and its financial condition.

In case the costs for TV content increase, especially for premium content, the Group may have to pay increased costs or lose the respective rights. Along with changes in video content consumption trends, so-called "live content" is becoming more valuable for attracting subscribers. This mainly applies to popular sport events, which have no alternatives and the Group gained significant competitive advantage by acquiring rights to broadcast such events. The cost of broadcasting live events has increased in recent years. In addition to live sports, the Group has also been expanding its digital media content offering, including music, TV shows and documentaries. In the process of renewal of such broadcasting and content rights, the owners may increase prices and, at the same time, other local and regional competitors may try to acquire rights to live broadcasts or the acquired content. Therefore, the Group may no longer be able to acquire rights to live broadcasts of sport events or particular media content and may have to incur additional costs in order to acquire such rights.

In addition, the Group may be required to pay for transmission fees in the future, which may result in an increase in costs. The Group may not be able to successfully transfer the increase in costs to customers via an increase in price and this may result in a decrease in its revenue. Such risks may have an adverse effect on the Group's business, financial condition, results of operations or prospects.

Failures in employee relations, such as strike action or employee misconduct, may adversely affect the Group.

As at 31 October 2021, the Issuer employed approximately 2,025 full-time equivalents ("FTEs"). The Issuer signed a collective labor agreement with the Georgian Communication Workers Trade Union in 2010. As at 31 October 2021, 262 employees of the Issuer were members of this union. The collective agreement was renewed in 2012, 2016 and 2020 and it is valid until 2024 (the agreement does not provide an obligation of further extension). Under the collective agreement, the trade union is involved in development and revision of the Group's HR policy. In addition, the Issuer is obliged to review the human resources optimization and personnel reorganization issues through a bilateral commission established with the trade union, which could delay or obstruct such processes. The Group's business may be obstructed by a strike or lockout of employees, which could lead to an increase in the Group's expenses. Any redundancies or salary cuts cause discontent among the employees, which could have a negative effect on the Group's business, financial condition, results of operations or prospects.

The Group is also susceptible to, among other things, fraud by employees or outsiders, including unauthorized transactions and operational errors, loss of customer or employee data, theft of sensitive business or operational information, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Employee misconduct, misrepresentation or fraud could subject the Group to financial losses, regulatory sanctions and serious harm to its reputation.

It is not always possible to deter or prevent employee misconduct. Although the Group takes precautions to prevent and detect misconduct, such as hiding unauthorized activities from the Group, carrying out improper or unauthorized activities on behalf of customers or improper use of confidential information or funds, by its employees, such precautions may not be effective in all cases. Employee errors in recording or executing transactions for customers can cause the Group to enter into transactions that customers may disavow and refuse to settle. Given the Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. Failure by the Group to identify, prevent or manage employee misconduct, or any inadequacy of the Group's internal processes or systems in detecting or containing such risks, could result in unauthorized transactions and errors and expose it to risk of loss, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Spectrum limitations may adversely affect the Group's ability to provide services to its customers.

The number of customers that can be accommodated on a mobile network is constrained by the amount of spectrum allocated to the operator of the network and is also affected by customer usage patterns and network infrastructure. The spectrum is a continuous range of frequencies within which waves have certain specific

characteristics. For more information on the spectrum see *"Business Description of the Group—Network Infrastructure—Wireless Mobile Network"*. As the Group's customer base grows, new technologies are introduced and it offers a broader range of services, it may require additional capacity for mobile data. However, the currently available spectrum may be limited by competition, regulation or financial constraints, and the Group may face a bottleneck, especially in metropolitan areas. Furthermore, the GNCC may increase, reduce or change the frequency bands allocated to operators, although in the case of a reduction or change in frequency bands, the GNCC would presumably grant the relevant operator adequate time to take measures to ensure continuity of service. If 5G spectrum licenses were to be auctioned in Georgia, the Group would consider submitting a bid in such auctions. If the Group were not successful in the pursuit of such licenses for any reason, such as prohibitive cost or limited number of available licenses, it could find itself at a competitive disadvantage in the Georgian mobile market. In December 2020, the GNCC published a consultation paper presenting its vision and plans with respect to 5G network auction (prospective frequency spectrum allocation, auction lots, reserve price allocated for 5G spectrum license) and potential license conditions (including coverage obligations and technical terms/specifications for the use of 5G frequency spectrum). The GNCC also announced its intention to introduce amendments in the regulations for allowing the GNCC to offer additional discounts from the reserve price to be allocated for 5G spectrum licenses. There are no firm dates for any upcoming 5G network auctions. They will be held depending on the demand for network. For more information, see *"Regulation of Electronic Communications and Broadcasting—Regulation of Electronic Communications—Use of Scarce Resources—Radio Frequency Spectrum"*. If the Group fails to obtain these licenses, it could have a material adverse effect on its business, financial condition, results of operations or prospects.

Change in video content consumption habits may reduce the Group's share in the electronic communications market.

The Group's revenue and number of subscribers partly depend on its IP television on internet lines ("IPTV") offering, the demand for which may be reduced in case of a decline of TV channel viewers. Similar trends have been observed in some developed countries; the video content consumption habits of some customers, mainly of young people, is changing and they are more likely to view content on various devices, at different times and locations, including on-demand content, short-format content and user-generated content. Such video content is supplied to customers mainly by social networks and so-called OTT (Over-The-Top) services (for example, YouTube, Facebook, Netflix and Amazon Prime). The Group is constantly developing its technological platforms in order to offer the customers the opportunity to view the content on home devices, as well as through internet and mobile applications. However, competing for customers, particularly young customers, with global platforms such as YouTube, Facebook, Netflix and Amazon Prime may be difficult, which could have an adverse effect on the Group's number of IPTV subscribers and revenues.

The Group's fixed and mobile voice businesses are in relative decline as more customers move to data-based communications services.

Market-wide movements towards data-based communications continue to impact traditional telecommunications revenue streams, such as fixed and mobile voice services. The Group may be exposed to significant disruption as the telecommunications market continues to shift away from fixed and mobile voice services.

The industry has been characterized by periods of marked fixed-to-mobile substitution and subsequently, as a result of rapid advances in mobile data services, significant declines in demand for mobile voice services in recent years. A variety of factors have contributed to these trends, including the introduction of new services by mobile operators, increasing high-speed mobile penetration, which permits elevated usage of data connectivity, improvement in mobile networks and an expanding operational environment of connected devices and e-businesses and e-marketing relying on mobile data communication services.

These developments have affected the fixed and, increasingly in recent years, mobile voice markets, including the Group, resulting in periods of decline in the Group's fixed and mobile voice performance. The Group has experienced decreases in fixed voice blended ARPU, excluding interconnect revenue, from GEL 7.2 to GEL 6.0, from the year ended 31 December 2015 to the year ended 31 December 2020. Additionally, revenue from fixed telephone operations, excluding revenue from interconnection services, declined from GEL 32.3 million for the year ended 31 December 2015 to GEL 16.4 million for the year ended 31 December 2020. Mobile blended ARPU (including mobile broadband and excluding interconnect revenue) has been stable at GEL 7.5 in the year ended 31 December 2015 to the year ended 31 December 2016 and increased from GEL 7.5 to GEL 8.9 from the year ended 31 December 2016 to the year ended 31 December 2020.

As a result, data services have become the key driver of the Group's revenue growth and, therefore, the Group will need to continue to develop new competitive services, including value-added, 3G, 4G/ LTE, and others, as

well as consider vertical integration opportunities in relation to ICT services in order to provide the Group with sources of revenue in addition to standard voice services. If the Group fails to compete in the mobile and data services business effectively, or loses its market share in data-based or mobile communications services, this could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group competes in part by offering converged and bundled products, and it may not succeed in further developing such products or may be unsuccessful in marketing such products.

Although the Georgian telecommunications market has traditionally been characterized by mostly single-product offerings, in recent years the offering of multi-product packages has become increasingly popular amongst consumers, influenced by providers offering customers products and services bundles such as multi-play packages. In many cases, bundled services are offered to customers at a discount from the amount each service would have cost the consumer had it been purchased individually. The bundling of services has driven down the original pricing level, thereby reducing the service revenue received on an individual service basis. The Group believes that its ability to offer new converged and bundled products, either by enhancing existing products or by developing new products, will continue to be an important factor in its business, contributing to reduced attrition rate of customers (known in the industry as "**churn rates**") and stabilizing the Group's customer base. However, the offering of bundled products can be complex due to the technological, logistical and pricing challenges of combining two or more services in a competitively priced single offering. Furthermore, the Group may face limitations in its ability to offer bundled products, or the price at which such products can be offered, under applicable competition law and consumer protection regulation. A failure to offer attractive new bundled products in the future, or to successfully market such offerings to customers, or regulatory challenges or objections to creating such bundles could adversely affect the Group's ability to leverage its multi-play platform to attract and retain customers. Any failure to attract and retain customers may materially and adversely affect the Group's business, financial position and results of operations or prospects.

If the Group fails to develop and introduce new products and services on a timely basis, it could lose existing customers, fail to attract new customers or incur substantial costs.

The Group is continuously developing new products and services, including fixed and mobile communications products and services, in order to attract and retain customers. Many of the products and services offered by the Group are technology intensive and, accordingly, it may need to invest in new infrastructure and technologies to remain competitive. The Group may also not be able to offer new products and services, and, even if it does offer them, they may not be successful. In particular, customers may be dissatisfied with new products and services and the Group may be unable to manage any such dissatisfaction effectively. In addition, the Group's competitors may introduce new fixed and/or mobile communications products and services before it does. As a result, it could lose customers, earn less revenue per customer, fail to attract new customers or incur substantial costs in order to maintain its customer base. The development of new products and services and investments in new technologies may also require substantial expenditures and commitment of human resources. To the extent the products and services the Group introduces are unsuccessful, it may be required to record impairments in respect of the expenditures it has incurred. Any of the foregoing factors could have a material adverse effect on its business, financial condition, results of operations and prospects.

Any deterioration in the Group's or ultimate beneficial shareholders' reputation may have a negative effect on its financial position.

Any deterioration of the Group's brand reputation could affect the number of subscribers and reduce the prospects of gaining new customers, which could adversely affect the Group's revenues. The Group periodically conducts customer opinion and market research and tries to improve the quality of the products and customer services on the basis of feedback provided by customers. The Group's reputation may be damaged if it fails to maintain the quality of its services, offer competitive products, promptly introduce new technologies or by marketing campaigns that are poorly received by the public, which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Any deterioration in the reputation of the ultimate beneficial shareholders (for more information, see "*Business Description – Capital Structure*"), could have a material adverse effect on the Group's business, financial condition, results or prospects and in particular on the ability of the Group to raise funds in the future.

The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates.

The Group faces intensifying competition both from new entrants to the telecommunications markets in which it operates and from existing competitors and its results may be adversely affected by the actions of competitors in

a number of ways, including (i) lower prices or higher quality services, features or content, (ii) more rapid development and deployment of new or improved products and services or (iii) more rapid enhancement of their networks. For more information, please see "*Business Description – Competition*". If the Group does not continue to provide products and services that are useful and attractive to customers, it may erode profitability in these markets. If the Group is slow to respond to the actions of its competitors or does not adequately invest in new technologies or develop technologically advanced or innovative mobile communications services demanded by customers at competitive prices, it could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Existing and new operators in the electronic communications market may start operating business models which generate income through non-communication-related services, such as advertising, financial services and collecting data of customers' behavior and selling it to third parties and others.

Increased competition may lead to a decrease in the Group's market share as customers purchase telecommunications services from other providers. The competitive focus in certain of the Group's markets, particularly in the fixed broadband and mobile markets in Georgia, continues to shift from customer acquisition to customer retention as a result of increased market penetration. In recent years, investment in mobile connectivity has resulted in significant increases in penetration of advanced mobile technologies and access to high-speed mobile broadband services for large parts of the country. There can be no assurance that the Group will not experience an increase in the churn rates, measured by an increased number of customer deactivations, particularly as competition for existing customers intensifies. An increase in churn rates may result in lower revenue and higher costs due to increased marketing expenses due to the need to replace customers or lower prices to remain competitive, which may consequently have a material adverse effect on the Group's business, financial condition, results of operations or prospects. The Group monitors international trends through different types of partnerships and tries to develop connections and new services. However, the Group's efforts may not be sufficient for adequate competition with other operators which could lead to a decrease in revenues and the number of subscribers of the Group.

Increased competition in the domestic market, either from existing participants or from new operators, may result in an overall reduction in the Group's revenue or cause the Group to lose customers, fail to attract new customers or incur additional costs to maintain its customer base or to maintain revenues from such customer base. Declining prices resulting from increasing competition could affect the Group's business and, if the decline in ARPU of certain services, such as fixed line services, continues in the future, this decline could have a negative impact on the Group's profitability.

A variety of factors have influenced the competitive landscape in recent years. For example, non-entrepreneurial (non-commercial) legal entity – Open Net ("**Open Net**"), a not-for-profit infrastructure provider, established by the state, is in the process of constructing its fiber network in rural areas in Georgia that currently do not have access to fiber backbone coverage. If Open Net decides to compete with the current service providers in areas where they already operate, this may put additional pressures on fixed broadband prices. Further, the Group cannot provide any assurance that new operators (including mobile virtual network operators ("**MVNOs**")) whose services will compete with the Group will not enter the market. There can be no assurance that the Group's market share and revenue will not be affected when the MVNOs enter the market. For more information, see "*The Group is required under applicable regulations to offer certain wholesale services to its competitors on terms that may increase their ability to compete with the Group in the future*". The introduction of a new mobile services operator would be expected to further intensify competition, in particular in the low end of the mobile market should a new entrant aggressively compete for customers on the basis of price for basic mobile services, and result in increased churn levels and higher costs of customer retention. If such an operator were subsequently to offer fixed service operations as well, this could lead to significantly increased competition in a variety of markets where the Group operates, in particular the key fixed broadband market, which may consequently have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group is required under applicable regulations to offer certain wholesale services to its competitors on terms that may increase their ability to compete with the Group in the future.

The Group's activities in the telecommunications sector are subject to sector-specific *ex ante* competition regulations. GNCC is authorized to identify operators having "Significant Market Power" ("**SMP**") in the relevant segments of the service market and impose one or more specific obligations (including, for example, relating to mandatory access to networks or services or tariff controls) on them to address identified competition problems on the relevant segments of the service market. As part of *ex ante* competition regulations, the GNCC has designated the Issuer as an authorized person having SMP in relation to certain segments of the service market (such as access to global internet resources and access to copper lines) and imposed one or more specific

obligations (as well as specific terms for the fulfilment thereof) on the Issuer. Consequently, the Group is required under applicable regulations to offer certain wholesale services to other telecommunication providers that compete with the Group, and may be required to offer other services which are currently not regulated by the GNCC, such as access to fiber subscriber (local access) network, on a wholesale basis in the future. While the Group seeks to offer wholesale services on market terms where it is permitted to do so, it is in certain instances required pursuant to applicable regulations to offer access to services on regulated tariffs, e.g. to copper lines (local loop unbundling), access to backhaul and backbone optical lines and leased capacity. Key terms of such wholesale agreements including pricing could become subject to regulation or regulatory intervention. For further information, see "*—The Group may be, from time to time, involved in disputes and litigation with regulators, competitors and other parties*" and "*Regulation—Regulation of Electronic Communications and Broadcasting—Competition Regulation—Silknet SMP*". If the GNCC sets unfavorable regulations with respect to some of the above-mentioned services, this could have an adverse effect on the Group's business, financial condition, results of operations or prospects.

Moreover, as part of the *ex ante* competition regulation framework, in December 2019, the GNCC published a decision announcing the country's existing three mobile network operators ("**MNOs**"), including Silknet, as the holders of SMP on the relevant market for wholesale mobile network services (voice, SMS and data), and mandating the existing MNOs holding SMP (including Silknet) to grant access to MVNOs to their networks. Such decision was vehemently criticized by the MNOs (including Silknet) as it could affect their revenue and profitability. Following discussions and submission of reports, arguments and opinions against the regulation by MNOs, the GNCC postponed the deadlines for MNOs to publish their reference offers for MVNO access services a few times. On 18 November 2021, the GNCC issued a new decision regarding extending the deadline for the MNOs to publish their reference offers until the end of 2022 subject to ongoing monitoring of the market. For further information, see "*Regulation—Regulation of Electronic Communications and Broadcasting—Competition Regulation—MVNO Access Regulation*". Any further or stricter regulatory intervention from the GNCC with respect to entry of MVNOs in the mobile markets may further intensify competition, and, therefore, have adverse effects on the Group's revenues and profitability. For further information, see "*—The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates*".

Any regulation related to such tariffs, network access and / or other specific regulation may have adverse effects on the Group's revenues and profitability.

The Group may be unable to successfully manage the growth of its business.

The Group provides no assurance to prospective investors that it will be able to manage sustainable growth. The Group's ability to manage its existing businesses and its future growth depends upon a number of factors, including its ability: (i) to increase effectively the scope of its operational and financial systems and controls to accommodate the increasing complexity and expanding geographical area of its operations; (ii) to recruit, train and retain qualified staff to manage and operate its growing business; (iii) to obtain necessary permits, licenses, spectrum allocation or approvals from governmental authorities and agencies; and (iv) to explore new markets and establish new businesses and services. If the Group is unable to successfully manage sustainable growth this could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

If the Group fails to retain and attract qualified and experienced management, engineers and other qualified personnel, this could have a material adverse effect on its business, financial condition, results of operations or prospects.

The success of the Group depends, in part, on the Group's ability to continue to attract, retain and motivate qualified and skilled personnel. The Group relies on its senior management for the implementation of its strategy and its day-to-day operations. In addition, as technological capabilities in the telecommunications market continue to advance, the Group also must ensure that its workforce is sufficiently skilled to work with these new technologies.

The Group is currently seeking more IT personnel and telecommunication engineers. If the Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to determine or predict and recruit the required number of skilled professional and technical staff at a pace consistent with its growth, then its financial condition, business, results of operations or prospects may be adversely affected. Experienced and capable personnel in the telecommunications industry remain in high demand and there is strong competition for their talents.

The loss of some members of the Group's senior management team or any significant number of its mid-level managers/skilled professionals may result in: (i) a loss of organizational focus; (ii) poor execution of operations and corporate strategy; and/or (iii) an inability to identify and execute potential strategic initiatives such as the expansion of capacity or acquisitions. These adverse consequences could, among other things, reduce potential

revenue and expose the Group to downturns in the markets in which it operates, all of which, both in the aggregate and individually, could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

The Group may be, from time to time, involved in disputes and litigation with regulators, competitors and other parties.

The Group is subject to the risk of legal claims, judicial proceedings and regulatory enforcement actions in the ordinary course of its business. These matters may arise from any review by the GNCC into the Group's compliance with the terms of its licenses and applicable regulation. For more information, see "*Business Description of the Group—Litigation*" for a detailed description of the litigation proceedings of the Group pending as of the date of these Listing Particulars.

In addition to risks that arise under the Group's regulatory obligations, it may also from time to time become subject to contractual disputes with third parties, including suppliers and customers. Although the Group is not currently subject to any material proceedings, or aware of any circumstances that may give rise to material claims in the future, there can be no assurance that it will not become subject to such claims in the ordinary course of its business, or that there can be no assurance that the Group will be successful in these matters.

The Group's involvement in litigation and regulatory proceedings may be costly and/or adversely affect its reputation or trade relationships, even if such litigation or regulatory proceedings were successful. Furthermore, litigation and regulatory proceedings (or settlements thereof) are inherently unpredictable. If the Group is unsuccessful in any future claims, or its reputation suffers as a result of any such claims, it could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group uses a number of retailers and other distributors to distribute or sell its products, and any interruption to these contractual relationships could increase the Group's costs and/or have a material adverse effect on its business, financial condition, results of operations or prospects.

The Group markets its products through door-to-door agents, telesales teams, retail shops, as well as other distributors in addition to its own channels. Approximately 63 per cent. of the Group's total B2C SIM card sales transactions during the period starting from 1 January 2018 and ending 30 September 2021 were generated through third parties (dealers). The Group's distributors and dealers may stop distributing the Group's products to end customers, or terminate their relationship with the Group, for reasons beyond the Group's control. A failure by the Group to maintain these distribution relationships, or a failure by distribution partners to provide sufficient customer intake for the Group, could have a material effect on the Group's business, results of operations, financial condition or prospects.

Actual or perceived health risks or other problems relating to mobile devices or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of any damage caused by exposure to an electromagnetic field have been and continue to be the subject of careful evaluations by the international scientific community, but to date there is no conclusive scientific evidence of any harmful effects on health. However, the Group cannot be assured that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

The Group's mobile communications business may be harmed as a result of these health risks. For example, the perception of health risks could result in a lower number of customers, reduced usage per customer or potential liability to customers. In addition, other changes in the regulatory environment concerning the use of mobile devices may lead to a reduction in the usage of mobile devices or otherwise adversely affect the Group. Concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

If these health risks were to be conclusively identified, the Group could potentially face unquantifiable litigation risks that could affect its future revenue and profitability. The Group cannot predict the effect that lawsuits, appeals, investigations or any future investigations relating to health concerns by regulatory bodies or by any third party in Georgia would have on its business, results of operations or prospects. In addition, any fines or other penalties on the Group, imposed by the relevant authority as a result of any such investigation, or any prohibition on the Group engaging in certain types of business in one or more of the regions in which it operates, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's leverage may make it difficult for it to service its debt and operate its business.

The Group's indebtedness and debt service requirements could have important consequences for how it operates its business. The debt covenants set out in the Conditions, the Silknet 2017 Bonds and the Silknet 2019 Bonds (both existing bonds are intended to be refinanced using the proceeds of the Notes), which include leverage ratios and other financial condition tests, could limit the Group's flexibility in planning for, and reacting to, competitive pressures and changes in its business, industry and general economic conditions. For example, under Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) of the Notes, subject to certain exceptions, no further indebtedness may be incurred by the Issuer or any subsidiaries unless the Consolidated Leverage Ratio (as defined in the Conditions) does not exceed 3.5 to 1. For more information, see "*Terms and Conditions of the Notes*". Such covenants could:

- require the Group to dedicate a substantial portion of its cash flow from operations to payments on its debt, thus reducing the availability of its cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- make it more difficult for the Group to satisfy its obligations with respect to existing or future debt and liabilities;
- increase the Group's vulnerability to a downturn in its business or in economic or industry conditions;
- place the Group at a competitive disadvantage compared to its competitors which have lower debt to EBITDA ratios;
- limit the Group's flexibility in planning for, or reacting to, changes in its business and industry;
- restrict the Group from investing in customer acquisitions, growing its business, pursuing strategic acquisitions and exploiting certain business opportunities;
- limit, among other things, the Issuer and its subsidiaries' ability to borrow additional funds or raise equity capital in the future and increase the costs of such additional financings; and
- subject the Group to a greater risk of non-compliance with financial and other restrictive covenants in its Notes, the Silknet 2017 Bonds and the Silknet 2019 Bonds.

The Group's ability to service its indebtedness will depend on the Group's future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond the Group's control. If the Group cannot service its indebtedness and meet its other obligations and commitments, it might be required to refinance its debt or to dispose of assets to obtain funds for such purpose. There cannot be any assurance that refinancing or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of the Group's debt instruments. The inability to manage existing and future debt, and to retain flexibility to operate the Group's business, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

A breach of the terms of the Group's indebtedness, including financial covenants, could result in the Group's creditors being entitled to require the Group to accelerate repayment, which may trigger a cross default, and could lead to termination of existing commitments and declaration by creditors that all amounts borrowed under the Group's relevant indebtedness are due and payable, together with accrued and unpaid interest.

If the Group incurs additional debt, it could further exacerbate the risks associated with its existing indebtedness.

The Group may be able to incur substantial additional indebtedness in the future. Although existing debt agreements contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If such additional debt were secured on assets of the Group, such debt would be structurally senior to the Notes. In addition, current debt agreements will not prevent the Group from incurring obligations that do not constitute indebtedness under those agreements.

A downgrade in the credit ratings of the Group or any of its subsidiaries could limit its ability to negotiate new loan facilities or to access the debt capital markets and may increase its borrowing costs and/or adversely affect its relationship with creditors.

The Group's credit ratings are an important factor in determining the Group's cost of borrowing funds. As at the date of these Listing Particulars, the Issuer has been assigned a long-term issuer default rating of "B" (stable outlook) by Fitch and a long-term issuer rating of "B1" (stable outlook) by Moody's. On 17 December 2020, Fitch

downgraded the Issuer's long-term issuer default rating from 'B+' to 'B' and on 30 March 2021, Moody's changed the Issuer's rating outlook from positive to negative. A further downgrade of the Group's credit ratings, or being placed on an additional "negative ratings" watch, may increase its cost of borrowing or limit the Group's ability to raise capital and materially adversely affect its ability to implement its capital expenditure programs or fund operations, which in turn could have a material adverse effect on its business, financial condition, results of operations or prospects.

A significant event that exceeds the coverage limits of the Group's insurance could result in substantial losses.

The Group maintains insurance policies against certain losses, including property damage, key personnel, third party liability and other, in accordance with the Group's policies. For more information, see "*Business Description of the Group—Insurance*". The Group cannot, however, give any assurance that this insurance will be adequate to protect it from all expenses related to potential future claims for personal injury and property damage or that these levels of insurance will be available in the future at commercially reasonable prices. The Group does not fully insure against certain risks to the extent that such risks may not be fully insurable or related coverage is unavailable at what it considers to be appropriate price levels. Additionally, the Group does not maintain business interruption insurance as it is either not available or not economically feasible to obtain in Georgia. To the extent any loss is not covered by the Group's insurance policies, or exceeds the coverage limits specified therein, the Group would not be able to obtain compensation for its losses from the insurer and may have to incur expenses to remedy the damage caused by relevant disruptions. In addition, depending on the severity of the property damage, it may not be able to rebuild damaged property in a timely manner or at all. The Group does not maintain separate funds or otherwise set aside reserves for these types of events or other insurable losses. Any such losses or third party claims for damages not covered by insurance may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's controlling shareholder has the ability to take actions that may conflict with the interests of other holders of its securities.

The Group is controlled by Silknet Holding LLC, which is its sole shareholder. Accordingly Silknet Holding LLC has the power to control the outcome of most matters, including the appointment of a majority of directors and supervisory board members and removal of all directors and supervisory board members, amendments to the charter, proposed reorganizations and substantial asset sales and other major corporate transactions, among other things. Therefore, Silknet Holding LLC can take actions that may conflict with the interests of other creditors and securities holders.

The Group may incur additional costs or face difficulties in assessing risks or achieving synergies while integrating acquired businesses.

Any potential business acquisition considered by the Issuer could pose a number of risks to the Group during its integration. Even with a thorough due diligence process, there is no guarantee that all relevant information will be fully presented and analyzed and that all relevant aspects and risks of any acquired entity's activities were, at the time, properly assessed. There may be risks and unforeseen circumstances related to the potential acquisition that the Group is not aware of or that were considered immaterial by the Group. Any expected revenue and cost synergies, operational efficiencies, business growth and other benefits, based on which the Group determined to proceed with any acquisition, may not materialize because those assumptions might be incorrect or the economic environment, or the competition landscape, might have changed since the acquisition.

For example, in 2018, the Group acquired Geocell, a mobile operator in Georgia. In acquiring and integrating Geocell, the Group faced multiple challenges such as how best to integrate Geocell's business, assets and customer base, as well as operational integration. The Group may consider the discontinuation of the Geocell brand following Geocell's successful merger with the Group (for more information, see "*Business Description of the Group—Strategy*"). The Geocell brand may be discontinued in its entirety or partially, with certain small Geocell mobile operations retaining the Geocell branding. Geocell has a strong brand in Georgia as a result of being a leader in customer service in the Georgian telecommunications market. For more information, see "*Business Description of the Group—Competitive Strengths—Convergent telecommunications operator with leading market positions—Mobile business*". This could affect the number of its mobile subscribers and reduce the prospects of gaining new customers, reducing the Group's revenues which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Unexpected difficulties in integration of any newly acquired entity's IT systems could increase the Group's operational costs and risks. Inability of the Group's IT systems to adequately support migration of acquired businesses to the Group's technological platform may have a material adverse effect on the Group's business,

financial condition, and results of operations or prospects. The Group's ability to operate existing business and integrate acquired businesses depends on the Group's ability to maintain the IT systems and databases.

Any such risks and unpredictable circumstances may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's ability to provide commercially viable telecommunications services depends in part upon various intellectual property rights it owns, and the Group may be subject to claims from third parties for infringement of intellectual property rights.

The Group relies on third party licenses and other intellectual property arrangements to conduct its business. Intellectual property rights owned by the Group or its subsidiaries or licensed to any of them may be challenged or circumvented by competitors or other third parties. In addition, the relevant intellectual property rights may be or may become invalid, unenforceable or may not be broad enough to protect the interests of the Group or may not provide it with any competitive advantage. For example, the Group's rights to broadcast exclusive content may be subject to infringement. Any loss or withdrawal of those intellectual property rights could adversely affect the Group's ability to provide services and could adversely affect its business, financial condition, results of operations and prospects.

In addition, the Group may be subject to claims for copyright or trademark infringement in connection with content that it distributes through its broadband, mobile data, Pay TV and other services such as its internet portals, VOD and digital archiving services and broadcasting services. Any such claims or lawsuits could be time consuming, result in costly litigation and diversion of technical and management personnel, require payment of royalties or license fees in respect of future periods and, potentially, for past violations, require the Group to develop non-infringing technology or to cease broadcasting or distribution of the infringing content or services and/or enter into royalty or licensing agreements.

The Group's operations could be adversely affected by natural disasters or other catastrophic events beyond the Group's control.

The Group's business operations, technical infrastructure (including its network infrastructure) and development projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, and fires) or other catastrophic or otherwise disruptive events, including, but not limited to:

- changes to weather, the hydrologic cycle (involving the movement and distribution of water resources) and climatic patterns;
- major accidents, including chemical or other material environmental contamination; and
- power loss.

The occurrence of any of these events, or events of a similar nature, or if they were to occur at an increasing frequency due to any effects of climate change, at one or more of the Group's facilities may cause disruptions to the Group's operations in part or in whole, may increase costs associated with remedial work (which the Group may not be able to pass on to its customers), may subject the Group to liability or impact the Group's brands and reputation and may otherwise hinder the normal operation of the Group's business, which could materially adversely affect its business, financial condition, results of operations or prospects.

Other risks related to regulation

The Group is subject to various laws and regulations. Failure to comply with the applicable laws and regulations could result in regulatory actions which may have material adverse effect on the Group's business, operations and profitability.

The Group's operations and activities in electronic communications and broadcasting sectors in Georgia are regulated under the industry specific laws and regulations which restrict and affect the manner in which the Group operates and conducts its business. For further information, see "*Regulation of Electronic Communications and Broadcasting*".

The GNCC implements supervision and control over the compliance by the Group with the laws and regulations in the electronic communications and broadcasting sector, as well as over the observance of the license conditions. Non-compliance by the Group with the laws and regulations, including with specific obligations imposed on it by the GNCC, and/or breach of the conditions of license(s) in electronic communications or broadcasting sectors could result in imposition of administrative sanctions and penalties, and in certain cases revocation of the Group's license(s) or authorization. Further, as a result of widely contested legislative amendments that were recently adopted to the Law of Georgia on Electronic Communications (the "**Telecom Law**"), the GNCC has been

empowered to appoint to a telecom operator a special manager who will take over the management and control over the relevant telecom operator in order to ensure the enforcement of GNCC's decision in respect of certain violations committed by the operator. Pursuant to the amendments, the special manager can be appointed only in case of certain types of breaches by the telecom operator, provided that the additional preconditions laid down in the law are satisfied. For further information please see "*Regulation—Regulation of Electronic Communications and Broadcasting—Sanctions and Liabilities*", and the "*Extraordinary measures for enforcement of GNCC's Decision*".

In addition to industry specific telecom laws and regulations, the Group's operations are also subject to various other laws and regulations that affect its business, such as those related to employment, health and safety, construction permits, competition, environmental protection and personal data protection. For example, the Parliament of Georgia (the "**Parliament**") has recently adopted a law imposing additional restrictions on gambling, including, *inter alia*, a ban on online gambling advertising. This ban should become effective on 1 March 2022. Entry into force of such regulation could decrease the Group's revenue. Therefore, the Group's activities may be materially and adversely affected by the interpretation and enforcement of the current laws and by future amendments to such laws. See further "*—Changes in laws and policies, including those relating to electronic communications, may negatively affect the Group*" and "*There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the EU driven by the DCFTA*." Failure to comply with such laws, rules and regulations could result in imposition of substantial sanctions and penalties, subject the Group to civil, administrative or criminal enforcement actions, any of which could have a material adverse effect on the Group's reputation, business and financial condition.

Changes in laws and policies, including those relating to electronic communications, may negatively affect the Group.

Georgia is still developing an adequate legal framework with several fundamental civil, criminal, tax, administrative and commercial laws recently becoming effective. The relatively recent introduction of this legislation and the rapid evolution of the Georgian legal system has resulted in ambiguities and inconsistencies in their application, including their enforceability. Changes in regulatory norms and policies are often unpredictable. Any such change is beyond the Group's control and may adversely affect its business. The process of adaptation with the changed environment may obstruct the Group's growth, limit a possibility to introduce new products in the market, impose additional tax burdens, resulting in loss of interest from potential customers to acquire various electronic communications services and others.

Currently, there is ongoing work on legislative acts and regulations in the field of both electronic communications and broadcasting which entail, among others, regulation of access to passive physical infrastructure, refining of the existing legislative framework regarding the licensing and authorization and management of radio frequencies and harmonization of current *ex-ante* regulation on competition. For more information see "*Regulation of Electronic Communications and Broadcasting—Expected Changes in Electronic Communications and Broadcasting Regulations*".

The Group cannot predict the impact of any proposed or future changes in the regulatory environment in which it operates. Any future changes in regulation may have an adverse impact on the Group's revenues and require it to make additional expenditures and otherwise have a material adverse effect on Group's business and profitability. The Group may also have to change its policies and procedures in order to bring them into compliance with applicable legislation, incurring relevant expenses. In addition, monitoring of updated procedures may incur additional expenses, which could adversely affect the Group's profitability.

Failure to maintain and protect customer and employee information.

The Group processes personal data (including names, addresses, age and, through third parties, bank details) of its customers, business contacts and employees as part of its business and therefore must comply with applicable personal data protection regulations. The personal data protection laws and standards in Georgia impose certain requirements on the Group in respect of data processing, which includes the collection, use, modification, distribution, depersonalization, blocking, destruction and storage of personal data. Failure to operate effective data protection controls in respect of the processing of personal data, as prescribed by applicable law, could potentially lead to administrative fines.

Certain amendments to the personal data protection framework have been introduced to the Parliament aiming at bringing Georgian personal data protection standards in line with the standards of the EU General Data Protection Regulation (Regulation (EU) 2-16/67). The Law of Georgia on Personal Data Protection dated 28 December 2011 could be amended further or superseded by a new law, the manner in which the data protection and privacy laws and regulations are enforced or interpreted could change and new laws or regulations on personal data protection could be adopted, including in order to further regulate or restrict the processing of personal data. If the existing

interpretation of the laws and regulations change or future regulations are imposed, it could have an adverse effect on the Group's business.

Moreover, these new laws may increase the Group's administrative costs and failure to comply with such laws may result in penalties. These laws could also limit the ability of the Group to promote its convergent model, cross-sell products to its customers and develop certain types of offers with third parties. These factors may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the EU driven by the DCFTA.

On 27 June 2014, Georgia entered into the Association Agreement (the "**Association Agreement**") and established a Deep and Comprehensive Free Trade Area (the "**DCFTA**") (effective since 1 September 2014) with the EU, which envisages bilateral trade liberalization with the EU. The implementation of the Association Agreement is expected to create new business opportunities but may pose challenges for businesses, households and the state. The implementation of the Association Agreement and the DCFTA may require Georgia to conform to EU trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and employment and consumer safety.

Georgia has been gradually conforming its trade legislation to EU norms and practices since it became a member of the World Trade Organization in 2000. For example, in 2013 it introduced amendments to the labor code to bring Georgian labor regulations closer to commitments under the Association Agreement and the DCFTA. These amendments required employers to pay overtime, strengthened workers' rights to challenge employers' decisions in courts, prohibited dismissal without clear cause and guaranteed basic working conditions. In September 2020, further major amendments were adopted to the labor legislation introducing a national institutional mechanism, State Labor Inspectorate, to monitor the implementation and enforcement of the labor code outside of the judicial system, imposing administrative sanctions for the violation of labor law requirements, introducing mechanisms for protection of employees' rights in case of a transfer of undertaking and various other new rules enhancing employee protection.

Further, in August 2021, the Parliament adopted a new Law of Georgia on Entrepreneurs transposing EU company law directives in line with Georgia's commitments under the Association Agreement. The Law on Entrepreneurs reforms the existing Georgian company law in many respects, including corporate consents and approvals, protection of minority shareholders and creditors, conflict of interest rules in joint stock companies, introduction of detailed rules and preconditions for dividend payment and it also introduces minimum capital requirement for joint stock companies, and, in certain cases, the need to maintain reserve capital. The new Law on Entrepreneurs entered into force on 1 January 2022. Further, the recent amendments also strengthened the competition laws in Georgia, which could restrict the Group's ability to make further acquisitions in line with its growth strategy.

Other changes may be expected in governmental policy, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the Association Agreement may place a significant burden on regulatory bodies, divert their resources from ongoing reforms and slow their efficiency.

As a result of expected regulatory amendments to achieve harmonization with EU legislation, the Group may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations. For example, the Group has made changes to its labor contracts and its internal labor regulations to reflect changes to the labor code described above. The Group expects that there will be further changes, although it cannot predict the extent to which it might be affected by, or able to comply with, any such changes.

Competition laws in Georgia may increase competition, reduce barriers to entry, impose restrictions and limit the Group's growth and subject it to antitrust and other investigations or legal proceedings.

Regulatory policies in Georgia may restrict the Group from making further domestic acquisitions, from expanding its network or from continuing to engage in particular practices in lines of business where it is a leading market player and continues to hold a significant market share in Georgia. Such laws or policies may also restrict the Group's growth, revenue and/or profitability. In addition, violations of such laws and policies could expose the Group to administrative penalties and other sanctions, and/or civil lawsuits.

The Group cannot predict the effect that antitrust lawsuits, appeals, investigations or any future investigations by antitrust regulatory bodies or by any third party in Georgia will have on its business, results of operations or prospects. In addition, any fines or other penalties imposed on the Group by the relevant antitrust or competition authority as a result of any such investigation, or any prohibition on the Group preventing it from engaging in

certain types of business in one or more of the regions in which it operates, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition to sector specific *ex ante* competition regulations, the Group is also subject to the Law of Georgia on Competition that apply to all undertakings, including the economic agents operating in the industry of electronic communications and limit their activities. In September 2020, the Parliament adopted amendments to the Law of Georgia on Competition strengthening application and enforcement of the Law of Georgia on Competition in the regulated sectors, including electronic communications and broadcasting. Also, pursuant to these amendments, the Competition Agency and the GNCC shall cooperate with each other for the investigation and prevention of distortion of competition in the regulated sectors of economy in accordance with the provisions of the Law of Georgia on Competition. The foregoing legislative amendments could lead to stricter control of performance of the competition regulations. Any changes in the regulatory regime could become a significant burden for the Group and may adversely affect the Group's operations, profitability and future development prospects.

The uncertainties of the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the Group's business.

Georgia is still developing an adequate legal framework with several fundamental civil, criminal, tax, administrative and commercial laws relatively recently becoming effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in their application, including their enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in certain other countries, particularly in the EU and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Group.

Uncertainties in the tax system in Georgia may result in increased costs, imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies.

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. Tax law enforcement can also be unpredictable, such as the imposition of liens over the Group's assets.

Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for businesses. The current tax code (the "**Tax Code**") came into effect on 1 January 2011. In 2011, the Parliament passed the Organic Law on Economic Liberty prohibiting the introduction of new state-wide taxes or increases in the existing tax rates (other than excise) without a public referendum initiated by the Government (except in certain limited circumstances). This prohibition will remain in force until 16 December 2030. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While management believes that the Group and members of the Group operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines and, depending on the circumstances, criminal liability.

Payments of interest on Notes will be exempt from withholding tax and such payments of interest shall not be included in the gross taxable income of individual Noteholders and certain legal entities, such as commercial banks, credit unions, insurance companies, microfinance organizations and persons registered as loan issuers, until 1 January 2023, so long as the Notes are issued by a Georgian resident and listed and admitted to trading on a "recognized stock exchange of the foreign country". For these purposes, Euronext Dublin is a "recognized stock exchange of the foreign country" under Georgian law. Interest received by Georgian resident legal entities (except commercial banks, credit unions, insurance companies, microfinance organizations and persons registered as loan issuers, until 1 January 2023) may be subject to taxation.

In addition, tax laws and government tax policies may be subject to change in the future, including changes resulting from a change of the Government. See "*—Political and consequently governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business*". Such changes could include the introduction of new taxes or an increase in the tax rates applicable to the Group or its customers, which may, in turn, have a material adverse effect on its business.

In May 2016, the Parliament adopted changes to the Tax Code related to corporate profit tax, whereby an enterprise will not be liable for the payment of profit tax until the enterprise distributes its profit to the shareholders or incurs such costs or makes supplies or payments that are subject to corporate profit tax. It is expected that this change will intensify the economic activity and increase the capitalization of the private sector. The relevant amendments to the Tax Code have applied with effect from 1 January 2017 for all entities apart from certain financial institutions, including banks and insurance businesses (changes were to become applicable to financial institutions, including banks and insurance businesses from 1 January 2019). On 12 June 2018, an amendment to the corporate taxation model applicable to financial institutions, including banks and insurance businesses, became effective. The change implies a zero corporate tax rate on retained earnings and a 15 per cent. corporate tax rate on distributed earnings starting from 1 January 2023, instead of 1 January 2019, as previously enacted in 2016. There can be no assurance, however, as to whether these amendments will achieve the desired result.

The GNCC may apply price control regulations.

In 2019, the GNCC conducted the review of the retail mobile and fixed service markets and designated Silknet and MagtiCom as holders of SMP on the markets for mobile retail voice, mobile internet and fixed retail internet services. The GNCC imposed obligations of accounting separation and prohibition on cross-subsidies on Silknet and MagtiCom. In 2020, the GNCC conducted a new market review on retail mobile market and imposed price control obligation on Silknet, MagtiCom and Veon Georgia, as holders of SMP. In addition, these MNOs were obliged to provide services with cost-oriented tariffs and to agree changes/cancellations to tariff plans/packages in advance with the GNCC. Even though the GNCC removed such price control obligation in July 2021, there is a possibility that the GNCC may reintroduce such regulation which may result in a decrease in revenue for the Issuer. In addition, there is uncertainty as to whether the Group would agree to any new price control regulation or if it would result in a dispute between the GNCC and the Group. A decrease in revenue or a dispute with the GNCC could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. For further information see "*Other risks related to regulation*".

Macroeconomic Risks and Political Risks Related to Georgia

Difficult global economic conditions have an adverse effect on the Group.

The Group operates primarily in Georgia and its assets are located primarily in Georgia; nevertheless, the Group's business profitability and its financial condition are affected by global macroeconomic and market conditions.

The spread of the COVID-19 pandemic has adversely affected revenues across most sectors of the Georgian economy. In particular, the Georgian economy was affected by the impact the pandemic had on its tourism sector, which constitutes a significant proportion of its GDP. According to data published by GeoStat, real GDP in Georgia increased by 4.8 per cent. in 2018 and 5.0 per cent. in 2019, before decreasing by 6.8 per cent. in 2020 as a result of the COVID-19 pandemic. The adverse impact of the COVID-19 pandemic on the Georgian economy continued in the first quarter of 2021, when real GDP contracted by 4.1 per cent., before recovering in the second quarter of 2021 and expanding by 11.3 per cent. in the first nine months of 2021. In 2020, as a result of the COVID-19 pandemic, tourism inflows decreased by 87.5 per cent., however following the recovery in 2021, tourism inflows increased by 49.2 per cent. in September 2021, compared to September 2020. Georgia's current account deficit to GDP stood at 6.8 per cent. and 5.5 per cent. in 2018 and 2019, respectively, reaching 12.4 per cent. in 2020, mostly as a result of a decrease in service exports. The increase in fiscal stimulus, primarily financed externally, played an important role in the relative softening of the impact of the COVID-19 pandemic, with the deficit to GDP ratio amounting to 9.3 per cent. in 2020, as compared to 2.3 per cent. and 2.1 per cent. in 2018 and 2019, respectively. In the first six months of 2021, the deficit remained sizable at 6.3 per cent. of GDP.

The Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak (having depreciated against the U.S. dollar by a moderate 1.0 per cent. in 2018, followed by larger depreciations of 11.2 per cent. in 2019, and 10.4 per cent. in 2020). The depreciation of the Lari further exacerbated the increase of inflation above the NBG's 3 per cent. target, an issue even before the COVID-19 pandemic, which increased further to 9.9 per cent. as of June 2021, mainly reflecting the effect of the weaker Lari and higher commodity prices. In the first half of 2021, the Lari appreciated by 3.5 per cent. against the U.S. dollar supported by the increase of the NBG's policy rate by 1.0 per cent. to 9.5 per cent. on 28 April 2021. The NBG further increased its policy rate by 0.5 per cent. to 10.0 per cent. on 4 August 2021 and by a further 0.5 per cent. to 10.5 per cent. on 8 December 2021. After the emergence of the COVID-19 pandemic, the NBG began selling U.S. dollar foreign currency reserves to provide foreign currency liquidity, mainly on the back of the Government's external funding. The interventions were especially high between March 2020 and April 2021, when the NBG sold U.S.\$1.16 billion. Nevertheless, in the same period, NBG gross international reserves increased from U.S.\$3.4 billion to U.S.\$4.1 billion, together with government foreign currency funding also supported by the NBG's higher foreign currency liabilities.

Uncertain and volatile global and regional economic conditions, such as the continuance of the COVID-19 pandemic, the unpredictability of US regulatory and fiscal policies, the potential adoption of trade restrictions, the negotiation of the United Kingdom's relationship with the EU following its exit, economic and political instability in Turkey and in the region more broadly and heightened geopolitical risk, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy.

The Georgian economy may also suffer from the adverse effects of increased instability in global financial markets and decreased capital inflow in emerging market economies worldwide, as well as of global trade weakening, increased geopolitical risks, instability/decline of consumer goods prices, the external effects of the deterioration of Russia's economy and a slowdown of China's economic growth. Financial or political instability in emerging market economies could also have a material adverse effect on capital markets and the economy in general, since investors usually prefer to invest in more developed markets, as those markets are considered to be more stable.

There can be no assurance that the economic performance of Georgia can or will be sustained. To the extent that economic growth or performance in Georgia slows or begins to decline or there is a return to high or sustained inflation, the Group's business, financial condition, results of operations and prospects may be adversely affected.

Instability in the domestic foreign exchange market may have an adverse effect on the development of Georgia's economy and the Group's activities.

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari, and the Lari conversion market in Georgia is limited in size. According to the NBG, the volume of trading in the Lari-U.S. Dollar and Lari-Euro markets (including activities of the NBG) amounted to U.S.\$56.8 billion and EUR36.0 billion in 2020, respectively, as compared to U.S.\$48.8 billion and EUR28.7 billion, respectively, in 2019, and U.S.\$32.0 billion and EUR11.4 billion, respectively, in 2018. Excluding activities of the NBG, the total volume of trading turnover in the Lari-U.S. Dollar market amounted to U.S.\$55.3 billion in 2020, as compared to U.S.\$48.5 billion in 2019 and U.S.\$31.8 billion in 2018. According to NBG, it had U.S.\$3.6 billion in gross official reserves as at September 2021 as compared to U.S.\$ 3.9 billion, U.S.\$3.5 billion and U.S.\$3.3 billion as at December 2020, 2019 and 2018 respectively. While the Government stated that these reserves will be sufficient to sustain the domestic currency market in the short term, the foreign exchange market instability could slow down the development of Georgia's economy, which could have a material adverse effect on the business of the Group's corporate customers and, in turn, on the Group.

In addition, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari to U.S. Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 29.4 per cent. and by a further 10.5 per cent. in 2016, in a measure aimed at alleviating the negative impact of the economic slowdown in neighboring countries on the Georgian economy. While the Lari generally appreciated against the U.S. Dollar and other major international currencies in the first half of 2016, primarily driven by an increase in the number of tourists travelling to Georgia, the Lari exchange rate has continued to depreciate since. The Lari/U.S. Dollar exchange rate was 2.6766 as of 31 December 2018, 2.8677 as of 31 December 2019, 3.2766 as of 31 December 2020, 3.1228 as of 30 September 2021 and 3.0976 as of 31 December 2021. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and foreign direct investment (the "FDI") and other currency inflows. Any failure to do so, or a major depreciation or further depreciation of the Lari, could adversely affect Georgia's economy. For example, the Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak (having depreciated against the U.S. dollar by a moderate 1.0 per cent. in 2018, followed by larger depreciations of 11.2 per cent. in 2019, and 10.4 per cent. in 2020). For more information, see "*Macroeconomic risks and political risks related to Georgia—Difficult global economic conditions have an adverse effect on the Group*". As a result of the currency fluctuations during 2018 to 2020, the Group incurred significant costs that had an adverse impact on its financial condition.

The Group incurs a significant portion of its capital and operating expenditures in U.S. Dollars and Euro, respectively. In 2020, approximately 82 per cent. of the Group's capital expenditure was denominated in U.S. Dollars or Euros and approximately 28 per cent. of its operating expenditure was denominated in U.S. Dollars or Euros. Accordingly, a depreciation of the Lari against the U.S. Dollar or Euro could also increase the Group's capital and operating expenditures. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting Financial Condition and Results of Operation—Currency exchange fluctuations*". Any such increase in interest expenses, capital expenditures or operating expenditures could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Foreign exchange rate risks could significantly affect the Group's results of operation and financial position in future periods as the availability of hedging tools is limited.

The Group primarily derives its revenues in Georgian Lari. However, following the issue of Notes, approximately 96 per cent. of the Group's debt will be denominated in U.S. Dollars. Accordingly, a depreciation of the Lari against the U.S. Dollar or Euro could increase the Group's interest expense. The Group also incurs a significant portion of its capital and operating expenditures in U.S. Dollars and Euro, respectively. Accordingly, a depreciation of the Lari against the U.S. Dollar or Euro could also increase the Group's capital and operating expenditures. Any such increase in interest expenses, capital expenditures or operating expenditures could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group is exposed to foreign exchange rate risks because certain operational and capital expenditures are denominated in foreign currencies, including U.S. Dollars and Euros. Fluctuations of Lari versus U.S. Dollars and Euros have had and may have an unfavorable impact on the Group. In particular, approximately 82 per cent. of the Group's capital expenditures are currently, and are expected to continue to be, denominated in U.S. Dollars, while the revenues generated by its activities are denominated in Lari. As at 30 September 2021, the Group's total debt (face value of non-current plus current loans and borrowings) was GEL 685 million, of which GEL 35 million was denominated in GEL. The Group may partially hedge its foreign-currency liabilities against depreciation of the Lari, however, such instruments may not be available for the duration satisfactory for the Group's requirements and/or impractical to employ due to their high costs. In such events the Group's liabilities may remain unhedged.

Also, the financing of infrastructure investments, license fee payments and any other potential investment opportunities could lead to an increase in the Group's U.S. Dollar and/or Euro debt, further increasing its currency exposure. See note 23 to the 2020 Audited Consolidated Financial Statements and note 23 to the 2019 Audited Consolidated Financial Statements. The Group is also exposed to currency exchange rates on the prices of the smart phones that it relies on for the promotion of its digital and data services. Depreciation in the value of the Lari makes smartphones that are procured in hard currencies more expensive for the Group's customers, thus potentially reducing new sales of such devices and curbing the market for the services. There are no or few tools to effectively hedge foreign exchange rate risks in Georgia. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting Financial Condition and Results of Operation—Currency exchange fluctuations*".

Regional tensions and disruptions in neighboring markets could have a negative effect on Georgia's economy.

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories within its borders, Abkhazia and the Tskhinvali Region/South Ossetia. Ongoing political tensions within the region have led to sporadic outbreaks of violence and the straining of diplomatic relations between Georgia and its neighbors. Russia imposed sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed the international border and a state of war was declared. Although an EU-brokered ceasefire was signed, calling for the withdrawal of Russian troops, Russia recognized the independence of the breakaway regions and tensions persist. Russia is opposed to the eastward enlargement of the North Atlantic Treaty Organization (the "NATO"), including former Soviet republics such as Georgia. Therefore, Georgia's continued progression towards closer economic and political ties with the EU and NATO may exacerbate tensions between Georgia and Russia. In July 2019, Russia imposed a ban on direct flights from Russia to Georgia as part of the Russian state response to mass anti-occupation demonstrations in Tbilisi in June 2019.

For example, in 2017, the Russian occupation forces deployed in central Georgia moved the occupation line further into Georgian territory. The geopolitical relationship between Russia and Ukraine remains strained following the crisis which began in 2013. Sanctions imposed by the United States and EU (and other nations) against Russian individuals and legal entities continue, and there is uncertainty as to how and when the conflict between Russia and Ukraine will be resolved. From late 2021, there has been a further increase in tensions between Ukraine and Russia, with the former acquiring new Western-supplied military hardware, and the latter stepping up its military exercises in the region. The ongoing political instability and any prolongation or further escalation of the geopolitical conflict between Russia and Ukraine, and any decline in the Russian economy due to the impact of the sanctions, unstable oil prices or currency depreciation, increasing levels of uncertainty, increasing levels of regional, political and economic instability and any future deterioration of Georgia's relationship with Russia, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia.

Further geopolitical disharmony in the region, most notably between Azerbaijan and Armenia (where tensions escalated and hostilities broke out during 2020 and 2021 in relation to Nagorno-Karabakh) and among Turkey, Syria and Russia, may also have an adverse impact on Georgia. In particular, tensions between Turkey and Syria have recently escalated and Georgia's economic stability may be affected by potential deterioration in relations between these two countries.

An increase in regional tensions and disruptions in Georgia's neighboring markets could have a material adverse effect on the Georgian economy, which in turn, particularly as a Group primarily operating in Georgia, could have a material adverse effect on the business environment in which the Group operates and, accordingly, on its business, financial condition, results of operations and prospects.

Economic conditions in neighboring countries may adversely affect Georgia's economy.

The Georgian economy is also dependent upon the economies of other countries in the region, in particular, Turkey, Russia, Azerbaijan and Armenia. In recent years economic growth has been slow across the region, including Georgia, for several reasons. These include a number of geopolitical developments, such as: (i) low oil prices (a consequence of reduced import demand from Russia); (ii) Russia being subject to international sanctions; (iii) conflict situations in eastern Ukraine and Crimea; (iv) the armed conflict between Azerbaijan and Armenia; and (v) the recent depreciation of the Russian Rouble and other currencies in the region.

Turkey represents the largest source of Georgian imports, accounting for 15.7 per cent., 17.0 per cent. and 17.5 per cent. of total imports in 2018, 2019 and 2020, respectively, according to GeoStat. Turkey's economy grew by 3.0 per cent. in 2018, 0.9 per cent. in 2019 and 1.8 per cent. in 2020. Adverse economic conditions in Turkey are a potential obstacle to the growth of the Georgian economy. Azerbaijan and Armenia accounted for 15.0 per cent. and 13.4 per cent., 13.2 per cent. and 8.5 per cent. and 11.4 per cent. and 5.6 per cent. of total exports in 2018, 2019 and 2020, respectively, according to GeoStat. Following its depreciation by 49.7 per cent. against the U.S. Dollar and 44.1 per cent. against the Euro in December 2015, the Azerbaijani Manat stabilized throughout 2017, 2018 and 2019. The Armenian Dram also experienced a period of stability during 2017, 2018 and 2019, having depreciated by 14.9 per cent. against the U.S. Dollar between October 2014 and February 2015. Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 13.0 per cent., 13.1 per cent. and 13.2 per cent. of Georgia's total exports, and approximately 10.0 per cent., 10.3 per cent. and 11.1 per cent. of Georgia's total imports in 2018, 2019 and 2020, according to GeoStat. Following a recession and depreciation in 2015 and 2016, the Russian Rouble rebounded in 2017 against the U.S. Dollar. In 2018, the Russian Rouble depreciated again against the U.S. Dollar by 17.1 per cent., and then appreciated by 10.9 per cent. in 2019. COVID-19 related recession risks and plunging oil prices have led to further depreciation of the Russian Rouble. However, as Russia and Azerbaijan depend significantly on oil prices and the wider region in turn depends significantly on Russia, Georgia is also exposed to oil price fluctuations, which affect it both as an importer of energy as well as a small open economy that depends on regional economic conditions. Crude oil prices declined as a result of a disagreement in oil production cuts among the Organization of Petroleum Exporting Countries members in March 2020. As a result, in April 2020 the Urals oil price dropped to U.S.\$18.22 per barrel, but the price has since recovered and averaged U.S.\$60 per barrel in November 2021. Any continued oil price volatility and/or pandemic related restrictions, as well as any further economic disruptions or crises in Georgia's neighboring markets may have a material adverse effect on Georgia's economy.

The economic slowdowns and currency depreciations in Georgia's main trading partners have resulted in lower exports from and remittances to Georgia in recent periods. The exports and remittances were growing in recent years, with exports increasing by 12.4 per cent. and remittances increasing by 9.7 per cent., respectively, in 2019, as compared to 2018. However, exports decreased by 12.0 per cent., whilst remittances increased by 8.8 per cent., respectively, in 2020, as compared to 2019, as a result of the COVID-19 pandemic. However, both exports and remittances have grown in 2021, with exports increasing by 24.0 per cent. and remittances increasing by 27.8 per cent., respectively, in the nine months ended 30 September 2021, as compared to the same period in 2020. Despite certain positive trends, the continuation or further deterioration of an unfavorable economic situation in Georgia's neighboring countries could seriously damage the Georgian economy, which in turn could adversely affect the Group's business, financial condition and results of operations or prospects.

Fluctuations in interest rates could increase the Group's finance costs and/or make it difficult to meet its obligations under finance facilities.

The Group's finance costs are sensitive to interest rate fluctuations beyond its control. As at 30 September 2021, the Group's total debt (face value of non-current plus current loans and borrowings) was GEL 685 million. Interest rates for GEL denominated borrowing tends to be higher than USD denominated borrowing. GEL 650 million of its debt portfolio consisted of financing obligations paying interest at fixed rates. The remainder of its debt portfolio pays interest at floating rates. The floating rate portion of its loans and borrowings is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. The Group has not hedged the interest rate risk with respect to its floating rate debt. Consequently, any increase in such reference rates will result in an increase in the Group's interest rate expense which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Political and consequently governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business.

Since regaining its independence from the former USSR in 1991, Georgia has experienced an ongoing and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed. Such reforms and economic growth may be hindered as a result of any policy changes or as a result of a rejection of reform policies by the President of Georgia (the "**President**"), the Parliament or others.

Under the influence of the Georgian Dream Coalition, which has held a parliamentary majority since 2012, the current ruling party in the 2020 election, won 91 seats out of a total of 150, as well as 63 out of 64 seats in the October 2021 local government elections, Georgia is generally seen to be business- and investor-friendly and, to date, has remained committed, in principle, to major economic and fiscal policies designed to liberalize and improve the Georgian economy. The results of both the October 2020 parliamentary elections and October 2021 local government elections (where the current ruling party won the majority of seats) were contested by the opposition parties that had not taken their seats in the Parliament and demanded snap elections and the release of prisoners of demonstrations of June 2019. In the parliamentary elections held in October and November 2020, opposition parties questioned the results of the first round and boycotted the second round of the elections, as well as the opening session and early proceedings of the new Parliament. On 18 February 2021, the Prime Minister, Giorgi Gakharia, resigned from his position citing his disagreement with the court decision to arrest the leader of the opposition party The National Movement in relation to protests held on 20-21 June 2019. On 22 February 2021, Irakli Gharibashvili became the Prime Minister of Georgia. The EU mediated negotiations between the ruling party and the opposition parties in March 2021, and in April 2021 the ruling party and opposition signed an EU mediated agreement. The agreement provided for the initiation of an amnesty law for violations and convictions stemming from protests by opposition parties on 19-21 June 2019 and requiring that Parliament address the perception of politicized justice through legislation. The agreement also provided for ambitious electoral reform initiatives, including for future parliamentary elections to be fully proportional. On 27 April 2021, signatories from opposition parties entered Parliament to participate in parliamentary business and a new speaker of Parliament was appointed. The ruling party withdrew from the agreement in July 2021. Mikheil Saakashvili, the former president of Georgia, was arrested on 1 October 2021 for abuses of power while in office. Since then, there have been large protests calling for his release.

Additionally, approximately 3 per cent. of the Group's revenues are derived directly from the Government (including state-owned companies and excluding the amounts paid by the Government employees and their relatives for mobile services on an out-of-pocket basis). Accordingly, any political and governmental instability could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

There are additional risks associated with investing in emerging markets such as Georgia.

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavoring an entire region or class of investment, a phenomenon known as the "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following the 1998 Russian financial crisis, the 2008-2009 global financial crisis, COVID-19, regional conflict and recent regional turbulence due to lower oil prices, and may be affected by similar events in the future.

Increased volatility in global financial markets and lower capital flows to emerging market economies world-wide, weakness of global trade, elevated geopolitical risks, highly volatile and large and sustained declines in commodity prices, wide-ranging spill-overs from Russia's recession, and the slowdown and rebalancing of China's economy may have an adverse effect on Georgia's economy. Financial or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in this document.

Risks Related to the Notes Generally

The Notes are pari passu securities.

Subject to the restrictions on the incurrence of indebtedness set out in the Conditions, there is no restriction on the amount of securities, which the Issuer may issue and which may rank equally in right of payment with the Notes. The issue of any such securities may reduce the amount investors may recover in respect of the Notes in certain scenarios as the incurrence of additional debt could affect the Issuer's ability to repay principal of, and make payments of interest on, the Notes. This could have a material adverse effect on the trading price of the Notes.

The Notes constitute unsecured obligations of the Issuer.

The Issuer's obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims, which would be satisfied only after any secured creditors, if at all. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate cash flows.

Noteholders may face difficulties enforcing foreign arbitral awards in respect of the Notes and against the Issuer.

The Issuer has not submitted to the jurisdiction of any courts, but instead has agreed to resolve disputes by arbitration in accordance with the rules and procedures of the London Court of International Arbitration (the "LCIA"). Georgia is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to compliance with the terms of the New York Convention and Georgian law. Pursuant to Article 45.1 of the Law of Georgia on Arbitration (the "**Arbitration Law**"), arbitral awards against the Issuer, irrespective of the country in which they are rendered, may not be recognised and enforceable in Georgia if: (i) the party against whom the award is made proves before Georgian courts that: (a) a party to the arbitration at the time of entering into an arbitration agreement lacked legal authorisation or was a beneficiary of support (a person lacking legal capacity) who had an appointed supporter in relation to issues under the arbitration agreement but did not receive relevant support, or the arbitration agreement is void or set aside pursuant to the law specified by the parties in the arbitration agreement or, in the absence of such, based on the laws of the place where the award was made; (b) a party was not duly informed about the appointment of the arbitrator or the arbitration proceedings, or was not otherwise able to present its position or defend its interests; (c) the arbitral tribunal issued the award on a subject matter which was not submitted to arbitration by the parties or the arbitral award goes beyond the scope of the claim of the parties in the arbitration, provided that if the decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced; (d) the composition of the arbitral tribunal or the procedure of the arbitration was not in accordance with the arbitration agreement, or, in the absence of such agreement, the arbitration was conducted in violation of the laws of the place of arbitration; or (e) the arbitral award has not yet become binding and/or has been set aside or suspended by the courts of the state in which, or under the laws of which, the award was made; or (ii) the court establishes that: (a) the subject matter of the dispute is not subject to arbitration under Georgian law; or (b) the recognition and enforcement of the award is contrary to public order. It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial transactions, certain procedural irregularities and Georgian courts' inability to enforce such orders, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

Furthermore, the choice of English law as the governing law of the Conditions and the transaction documents may not be given effect, and the recognition or enforcement of foreign arbitral awards may be limited, by application of the Georgian law principle requiring compliance with mandatory provisions of the law of the country most closely connected to the transaction, including mandatory provisions of Georgian law. The nature and scope of such mandatory provisions are subject to a considerable degree of discretionary authority of the court in which recognition and enforcement of the arbitral award is being sought.

The uncertainties of the Georgian tax system could have a material adverse effect on the taxation of the Notes.

The Tax Code provides that withholding tax exemption applies to payments of interest on the securities which are listed on a "recognised stock exchange of the foreign country". Euronext Dublin, where the Notes are to be admitted to trading, is a "recognised stock exchange of the foreign country" for the purposes of the laws of Georgia. However, it is not clear what kind of evidence the Georgian tax authorities might require by way of proof that the Notes are admitted to the official list of Euronext Dublin and admitted to trading on the GEM.

The ambiguities noted above concerning the application of the Tax Code, combined with the absence of established practices relating to the introduction of debt securities to the Georgian market generally may result in varying interpretations of the applicable provisions of the Tax Code by the tax authorities. See "*Taxation—Georgian Taxation*".

The Issuer may redeem the Notes prior to maturity.

The Issuer may redeem all outstanding Notes in accordance with the Conditions in the event that the Issuer has been or would become obligated to pay additional amounts as a result of certain changes in tax laws in Georgia or their interpretation and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. On any such redemption, Noteholders would receive the principal amount of the Notes that they hold, together with interest accrued on those Notes up to (but excluding) the date fixed for redemption.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 7(b) (*Optional Redemption by the Issuer*)). Such optional redemption features may affect the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. In addition, it may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*".

The Issuer may not be able to finance certain mandatory redemptions required by the Conditions.

Upon the occurrence of a Change of Control (as defined in the Conditions), the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101 per cent. of the principal amount of the Notes plus any accrued and unpaid interest, if any, plus additional amounts, if any, to the date of the repurchase. If any such Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds available at the time to pay the price of the outstanding Notes or that restrictions in agreements governing other indebtedness would not restrict or prohibit such repurchases. The Change of Control may cause the acceleration of other indebtedness that may be senior to the Notes or rank equally with the Notes. In any case, the Issuer expects that it would require third party financing to make a Change of Control. There can be no assurance that the Issuer would be able to obtain this financing.

The Conditions include only a limited restriction on the Issuer's ability to incur additional indebtedness.

Although the Conditions include a covenant limiting the ability of the Issuer and its subsidiaries to incur Indebtedness (as defined in the Conditions), subject to certain conditions, this covenant nevertheless permits the Group to incur substantial additional Indebtedness in addition to the Notes (see Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*)). The incurrence of such additional Indebtedness may reduce the amount investors may recover in respect of the Notes in certain circumstances by adversely affecting the Issuer's ability to repay principal of, and make payments of interest on, the Notes. This could also have a material adverse effect on the trading price of the Notes.

The Conditions provide significant flexibility for value to leave the Issuer.

The Conditions include a covenant restricting the declaration or payment of dividends, and the making of other distributions, in respect of the Issuer's share capital. This covenant does not prohibit, however, a variety of investments and distributions by the Issuer and its subsidiaries, which, if made or paid, could reduce amounts that would otherwise be available to the Issuer to make payments in respect of the Notes (see Condition 4(c) (*Limitation on Restricted Payments*)).

The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, pursuant to Condition 14 (*Trustee*)), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes action on behalf of Noteholders. The Trustee shall not be obliged to take any such action if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing an indemnity and/or security and/or prefunding can be a lengthy process and may impact when such action can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and applicable law, it will be for the Noteholders to take such action directly.

The Conditions contain provisions which may permit their modification without the consent of all investors.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to amend the Conditions insofar as they apply to the Notes to correct a manifest or proven error or where, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any breach or proposed breach of the Notes if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Investors who purchase Notes in denominations that are not an integral multiple of U.S.\$200,000 may be adversely affected if Definitive Certificates are subsequently required to be issued.

The denomination of the Notes is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 will not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations.

If definitive Notes are issued, holders should be aware that Definitive Certificates, which have a denomination that is not an integral multiple of U.S.\$200,000 or its equivalent, may be illiquid and difficult to trade.

Because the Global Certificates are held by or on behalf of Clearstream, Luxembourg, Euroclear and DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Notes may be represented by one or more Global Certificates. Such Global Certificates will be deposited with either (a) a custodian for, and registered in the name of a nominee of, DTC or (b) a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Definitive Certificates. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificates. While the Notes are represented by the Global Certificates, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg and DTC.

The Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificates must rely on the procedures of Euroclear, Clearstream, Luxembourg and DTC to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates. In addition, the Issuer has no responsibility for the proper performance by Euroclear, Clearstream, Luxembourg and DTC or their participants of their obligations under their respective rules and operating procedures.

Further, holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg and DTC to appoint appropriate proxies.

Risks Relating to the Market Generally

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. In particular, a single investor may purchase a significant portion of the Notes, thereby reducing the liquidity of the Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Group's results of operations. Although application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the GEM, there is no assurance that an active trading market will develop. In addition, the Issuer has informed the Joint Lead Managers that it intends to acquire Notes in the aggregate principal amount of U.S.\$50 million for its own account and not for distribution, pursuant to the Notes Acquisition (as defined in "Use of Proceeds"). In connection with the Notes Acquisition, the Issuer has agreed that, for a period of one year after the Issue Date of the Notes, it will, and will procure that the other

members of the Group or any persons acting on its or their behalf will, be subject to certain restrictions in relation to the Notes acquired pursuant to the Notes Acquisition (for more information, see "Use of Proceeds"). Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to depreciation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Group's results of operations, prospects or financial condition. Factors including increased competition, fluctuations in the Group's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and armed conflict may have an adverse effect on the market price of the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Any credit ratings assigned to the Issuer or the Notes may not reflect all the risks of an investment in the Notes.

In addition to the ratings on the Notes to be provided by Fitch and Moody's, one or more other independent credit rating agencies may assign credit ratings to the Notes. The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A credit rating is not a recommendation to buy, sell or hold Notes and may be revised, suspended or withdrawn by the rating agency at any time. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by Fitch and Moody's will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled maturity date. Such ratings will also not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analysed independently from any other rating.

In general, European regulated investors are restricted under Regulation (EU) No 1060/2009, as amended, on credit rating agencies (the "EU CRA Regulation") from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third

country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the United Kingdom (the "UK") are subject to similar restrictions under Regulation (EC) No.1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. This is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied. If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of these Listing Particulars.

Inflation may reduce the value of future payments of interest and principal.

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes.

The Notes may be delisted in the future.

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the GEM. The Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be approximately U.S.\$296,000,000, after the deduction of estimated fees and expenses, including, amongst others, underwriting fees, discounts and commissions, fees and expenses of legal counsel, rating agency expenses and listing expenses, as well as certain expenses of the Joint Lead Managers that the Issuer has agreed to reimburse. The Issuer has informed the Joint Lead Managers that it intends to acquire Notes in the aggregate principal amount of U.S.\$50 million in the initial distribution on the Issue Date or promptly thereafter from any of the Joint Lead Managers or their respective affiliates that acquired such Notes in the initial distribution (the "**Notes Acquisition**"). In connection with the Notes Acquisition, the Issuer has agreed with the Joint Lead Managers that, for a period of one year after the Issue Date of the Notes, it will not, and will procure that none of the other members of the Group or any persons acting on its or their behalf will, without the prior written consent of the Joint Lead Managers, directly or indirectly (i) pledge, sell, contract to sell, sell or grant any option, right or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of the Notes acquired pursuant to the Notes Acquisition, or any securities convertible into or exchangeable for such Notes; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any such Notes, whether any such transaction described in paragraph (i) above is to be settled by delivery of the Notes, or other securities, in cash or otherwise, in each case, other than to any other member of the Group.

The net proceeds of the issue of the Notes, after deducting the estimated costs and expenses mentioned above and the Notes acquired pursuant to the Notes Acquisition, will be approximately U.S.\$246,000,000. These amounts will be used by the Issuer for the purposes of refinancing of the loans and borrowings in its entirety including repayment of:

- the Silknet 2019 Bonds;
- any premia and fees payable in connection with the Consent Solicitation and Tender Offer announced in respect of the Silknet 2019 Bonds; and
- the Silknet 2017 Bonds.

Further details of these financing arrangements are provided under the "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Financing Arrangements*").

The Issuer intends to redeem the Silknet 2019 Bonds in full following the settlement of the Tender Offer and Consent Solicitation (each as defined under the "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Financing Arrangements*"), either pursuant to the amendments introduced in connection therewith or by exercising the optional redemption under the terms and conditions of the Silknet 2019 Bonds available from and including 2 April 2022.

Any remaining net proceeds will be used for general corporate purposes.

ENFORCEABILITY OF FOREIGN JUDGMENTS AND ARBITRAL AWARDS

The Issuer is a joint stock company incorporated under the laws of Georgia. A substantial portion of the assets of the Issuer, and most of the Issuer's executive management team and executive officers, reside outside of the United Kingdom and the United States and a substantial portion of the assets of the Group and of such persons are located outside of the United Kingdom and the United States. The Issuer has not submitted to the jurisdiction of any courts, but instead has agreed to resolve disputes by arbitration in accordance with the rules and procedures of the LCIA. Georgia is a party to the New York Convention. Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to compliance with the terms of the New York Convention and Georgian law.

Pursuant to Article 45.1 of the Arbitration Law, arbitral awards against the Issuer, irrespective of the country in which they are rendered, may not be recognised and enforceable in Georgia if:

- (i) the party against whom the award is made proves before Georgian courts that:
 - (a) a party to the arbitration at the time of entering into an arbitration agreement lacked legal authorisation or was a beneficiary of support (a person lacking legal capacity) who had an appointed supporter in relation to issues under the arbitration agreement but did not receive relevant support, or the arbitration agreement is void or set aside pursuant to the law specified by the parties in the arbitration agreement or, in the absence of such, based on the laws of the place where the award was made;
 - (b) a party was not duly informed about the appointment of the arbitrator or the arbitration proceedings, or was not otherwise able to present its position or defend its interests;
 - (c) the arbitral tribunal issued the award on a subject matter which was not submitted to arbitration by the parties or the arbitral award goes beyond the scope of the claim of the parties in the arbitration, provided that if the decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced;
 - (d) the composition of the arbitral tribunal or the procedure of the arbitration was not in accordance with the arbitration agreement, or, in the absence of such agreement, the arbitration was conducted in violation of the laws of the place of arbitration; or
 - (e) the arbitral award has not yet become binding and/or has been set aside or suspended by the courts of the state in which, or under the laws of which, the award was made; or
- (ii) the court establishes that:
 - (a) the subject matter of the dispute is not subject to arbitration under Georgian law; or
 - (b) the recognition and enforcement of the award is contrary to public order.

It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial transactions, certain procedural irregularities and Georgian courts' inability to enforce such orders, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

The Issuer has appointed an agent for service of process in England; however, it may not be possible for investors to effect service of process within the United Kingdom or the United States on the Issuer. See *"Risk Factors—Risks Related to the Notes Generally—Noteholders may face difficulties enforcing foreign arbitral awards in respect of the Notes and against the Issuer"*.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Historical Financial Information

The:

- (a) Issuer's unaudited condensed consolidated interim financial statements as at 30 September 2021 and for the nine months ended 30 September 2021 and 30 September 2020 (the "**Unaudited Condensed Consolidated Interim Financial Statements**"); and
- (b) Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020 (the "**2020 Audited Consolidated Financial Statements**") and the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2019 (the "**2019 Audited Consolidated Financial Statements**") (together, the "**Audited Consolidated Financial Statements**"),

(together, the "**Consolidated Financial Statements**"). The Consolidated Financial Statements are set out on pages F-2 to F-122 of these Listing Particulars.

The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with the IAS 34 (Interim Financial Reporting). The Audited Consolidated Financial Statements have been audited and the Unaudited Condensed Consolidated Interim Financial Statements have been reviewed by KPMG Georgia LLC of 5th Floor, GMT Plaza, 4 Liberty Square, 0105 Tbilisi, Georgia, as stated in their reports appearing herein. With respect to Unaudited Condensed Consolidated Interim Financial Statements, KPMG Georgia LLC reported that they applied limited procedures in accordance with professional standards for a review of such financial information and that they did not audit and they do not express an audit opinion on such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The Issuer acquired Geocell with effect from 20 March 2018, by means of a share purchase agreement (the "**Geocell Share Purchase Agreement**") (the "**Geocell Acquisition**"). Geocell was a limited liability company incorporated under the laws of Georgia and registered with the Krtsanisi-Mtatsminda Court under number 203841940, which was merged with Silknet on 1 November 2018. Accordingly, the results of operations of Geocell are consolidated into the Consolidated Financial Statements with effect from the date of its acquisition in 2018.

The Lari is the functional and presentation currency for the Consolidated Financial Statements. The Consolidated Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Lari.

Non-IFRS Information

Alternative Performance Measures

These Listing Particulars include certain financial measures that are not measures of performance specifically defined by IFRS. The non-IFRS measures described below are alternative performance measures ("**APMs**") as defined in the European Securities and Market Authority Guidelines on Alternative Performance Measures dated 5 October 2015. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

APM	Definition of APM	Rationale for inclusion
Adjusted EBITDA	Adjusted EBITDA is defined as Profit/(loss) and total comprehensive income/(loss) for the year plus Depreciation and amortization plus Change in fair value of investment property plus Finance costs less Finance income, plus Income tax expense/(benefit) plus Net change in fair value of financial instrument at FVTPL, plus Net foreign exchange gain/(loss), and specific items (as set out below) which have non-recurring and/or non-operating nature, presented	The Issuer believes that the presentation of Adjusted EBITDA and Adjusted EBITDA margin enhances an investor's understanding of the Issuer's financial performance. The Issuer's management uses Adjusted EBITDA and Adjusted EBITDA margin to assess the operating performance because it believes that Adjusted EBITDA and Adjusted EBITDA margin are important supplemental measures of the operating performance and because Adjusted EBITDA is a measure incorporated into certain debt

	in the Adjusted EBITDA reconciliation tables 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.).	instruments. In addition, the Issuer believes that 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 industry. Adjusted EBITDA and Adjusted EBITDA margin are not presentations made in accordance with IFRS and the Issuer's use of the terms Adjusted EBITDA and Adjusted EBITDA margin may vary from others in the Issuer's industry due to differences in accounting policies or differences in the calculation methodology of Adjusted EBITDA and Adjusted EBITDA margin by others in the telecommunications industry. See above.
Adjusted EBITDA margin	Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by Revenues.	
Adjusted EBITDAaL	Adjusted EBITDAaL is defined as Adjusted EBITDA less depreciation of right-of-use assets and less interest expenses on recognized lease liabilities.	The Issuer believes that the presentation of Adjusted EBITDAaL and Adjusted EBITDAaL margin enhances an investor's understanding of the Issuer's financial performance. Adjusted EBITDA excludes significant rent-related cash expenses which are included in Adjusted EBITDAaL. Adjusted EBITDAaL also helps investors compare Issuer's performance with historical data. The Issuer's management uses Adjusted EBITDAaL and Adjusted EBITDAaL margin to assess the operating performance because it believes that Adjusted EBITDAaL and Adjusted EBITDAaL margin are important supplemental measures of the operating performance and because Adjusted EBITDAaL is a measure incorporated into certain debt instruments. In addition, the Issuer believes that Adjusted EBITDAaL and Adjusted EBITDAaL margin are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that operate in the telecommunications industry. Adjusted EBITDAaL and Adjusted EBITDAaL margin are not presentations made in accordance with IFRS and the Issuer's use of the terms Adjusted EBITDAaL and Adjusted EBITDAaL margin may vary from others in the Issuer's industry due to differences in accounting policies or differences in the calculation methodology of Adjusted EBITDAaL and Adjusted EBITDAaL margin by

Adjusted EBITDAaL margin	Adjusted EBITDAaL margin is calculated by dividing Adjusted EBITDAaL by Revenues.	others in the telecommunications industry. See above.
Net financial indebtedness to Adjusted EBITDA	Net financial indebtedness equals Loans and borrowings plus Subordinated loans less Cash and cash equivalents (" Net Financial Indebtedness "). Net financial indebtedness to Adjusted EBITDA is calculated by dividing Net Financial Indebtedness by Adjusted EBITDA.	The Issuer believes that the presentation of Net Financial Indebtedness to Adjusted EBITDA enhances management's and investor's understanding of the Issuer's financial leverage. Moreover, the Issuer believes that Net Financial Indebtedness to Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of the financial leverage of companies that operate in the telecommunications industry. The calculation of Net Financial Indebtedness may differ from Indebtedness calculated in accordance with the Conditions.
Adjusted EBITDAaL less Recurring capital expenditures	Adjusted EBITDAaL less Recurring capital expenditures	The Issuer believes the presentation of Adjusted EBITDAaL less Recurring capital expenditures enhances management's and investor's understanding of the Issuer's ability to service its financial obligations, without taking into account expenditures for telecom operating licenses which are usually one-off items.
Capital expenditures excluding telecom operating licenses and right-of-use assets	Capital expenditures excluding telecom operating licenses and right-of-use assets equal additions of property and equipment, plus additions of intangible assets less additions of telecom operating licenses	This measure is included herein as an APM as the Issuer believes it enhances an investor's understanding of the Group's financial position and future trends in the assets base. Further, the Group uses Capital expenditures excluding telecom operating licenses and right-of-use assets disclosed in the Listing Particulars to, among other things, evaluate the Group's capital expenditure level, develop budgets and measure the Group's historical Capital expenditures excluding telecom operating licenses and right-of-use assets against those budgets. In addition, the Issuer believes that Capital expenditures excluding telecom operating licenses and right-of-use assets are frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies that operate in the telecommunication industry.
Capital expenditures excluding telecom operating licenses and right-of-use assets margin	Capital expenditures excluding telecom operating licenses and right-of-use assets margin is calculated by dividing Capital expenditures excluding telecom operating licenses and right-of-use assets by Revenues	See above.

Recurring capital expenditures

Recurring capital expenditures equal Capital expenditures excluding telecom operating licenses and right-of-use assets less material and non-recurring items presented in the Recurring capital expenditures reconciliation tables below.

This measure is included herein as an APM as the Issuer believes it enhances an investor's understanding of the Group's financial position and future trends in the assets base. Further, the Group uses Recurring capital expenditures and Recurring capital expenditures margin disclosed in the Listing Particulars to, among other things, evaluate the Group's Recurring capital expenditure level, develop budgets and measure the Group's historical Recurring capital expenditures against those budgets. In addition, the Issuer believes that Recurring capital expenditures and Recurring capital expenditures margin are frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies that operate in the telecommunication industry.

Recurring capital expenditures margin

Recurring capital expenditures margin is calculated by dividing Recurring capital expenditures by Revenues.

See above.

Reconciliation

Adjusted EBITDA⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018 ⁽²⁾	2019	2020	2020	2021
	(thousands of GEL)				
Profit/(loss) and total comprehensive income/(loss) for the year/period.....	(10,276)	(46,096)	(87,160)	(78,227)	31,670
Depreciation and amortisation.....	98,459	111,662	117,444	87,753	87,422
Finance costs	47,242	101,160	90,462	65,818	68,058
Finance income	(2,722)	(4,298)	(4,415)	(3,252)	(3,260)
Income tax	718	1,241	(723)	(648)	211
Net change in fair value of financial instrument at FVTPL ⁽³⁾	-	1,447	(5,794)	(8,556)	12,956
Net foreign exchange (gain)/loss.....	37,527	35,825	88,136	88,019	(31,646)
Change in fair value of investment property	-	-	3,277	-	-
Specific items (see below)	(1,690)	14,915	10,276	5,951	2,895
Adjusted EBITDA	169,258	215,856	211,503	156,858	168,306
Specific Items:					
Bargaining gain from acquisition	(41,846)	-	-	-	-
Loss on disposals of property and equipment	4,719	6,525	487	570	340
Allowance for impairment of prepayments and trade and other receivables (one-off).....	-	2,168	-	-	-
Write-down of slow-moving inventory, property and equipment and other non-current assets	4,170	335	4,118	1,130	466
Professional fees (Geocell acquisition expenses).....	13,072	-	-	-	-
Bank fees and charges	1,067	358	-	-	-
Bonuses, staff costs related to the Geocell acquisition and Eurobond issuance	4,443	1,942	-	-	-
Professional fees, one-time consulting expenses.....	7,845	3,110	3,827	2,365	1,152
Provision for impairment of loans issued	4,113	-	-	-	-

Charity.....	956	1,184	3,063	2,617	989
Other income.....	(229)	(707)	(1,219)	(731)	(52)

- (1) Reconciliations are made to the Consolidated Financial Statements, as applicable.
- (2) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.
- (3) Cross-currency swap instrument at fair value through profit and loss. For the year ended 31 December 2019 and 2018, the line item is "change in fair value of derivative instrument".

Specific items are attributable to the following events:

- Bargaining gain from acquisition, professional fees expenses (Geocell acquisition expenses) and bank fees and charges are fully attributable to acquisition of Geocell and thus represent non-recurring charges for the business.
- Allowance for impairment of prepayments and trade and other receivables (one-off) represents an impairment of pre-acquisition balances of Geocell, receivable from certain roaming and SMS wholesale vendors.
- Bonuses, staff costs related to the Geocell acquisition and Eurobond issuance is related to the Geocell Acquisition and merger in 2018 and the Silknet 2019 Bonds issuance. As both events were one-off transactions, the Issuer charged the relevant directly attributable staff costs to those specific items.
- Professional fees, one-time consulting expenses mainly consists of one-time professional fees related to (i) the Silknet 2019 Bonds issuance, (ii) convergence of fixed-mobile commercial services as a result of the Geocell Acquisition, (iii) professional fees related to specific regulatory matters in 2019 and the adoption of the MVNO regulation, (iv) developing strategy for mobile financial services by the Issuer and (v) professional fees relating to listing the Silknet 2019 Bonds and admitting them to trading on the Georgian Stock Exchange.
- Charity mainly consists of charity expenses of GEL 2.1 million incurred by the Group in 2020 as a result of the COVID-19 pandemic.
- Provision for impairment of loans issued represents the write-off of the loan to Technoboom LLC, mobile handset provider, by Geocell prior to its acquisition and the loan to related party company issued by the Issuer prior to 2018.
- Other income in 2020 mainly consists of reversal of previously paid taxes and the write off of the payables to certain creditors following their liquidation.

Adjusted EBITDA Margin⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018 ⁽²⁾	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Adjusted EBITDA.....	169,258	215,856	211,503	156,858	168,306
Revenues	344,310	387,155	382,155	282,908	306,363
Adjusted EBITDA Margin	49%	56%	55%	55%	55%

Adjusted EBITDAaL Margin⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018 ⁽²⁾	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Adjusted EBITDA.....	169,258	215,856	211,503	156,858	168,306
Less: depreciation of right-of-use assets	-	(8,517)	(9,249)	(6,936)	(6,914)
Less: interest expenses on recognized lease liabilities	-	(6,890)	(6,126)	(4,769)	(3,404)
Adjusted EBITDAaL	169,258	200,449	196,128	145,153	157,988
Revenues	344,310	387,155	382,155	282,908	306,363
Adjusted EBITDAaL Margin	49%	52%	51%	51%	52%

(1) Reconciliations are made to the Consolidated Financial Statements, as applicable.

(2) Extracted from the 2019 Audited Consolidated Financial Statements. These figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

Net financial indebtedness to adjusted EBITDA⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018 ⁽²⁾	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Loans and borrowings (current).....	37,069	16,989	54,399	71,955	73,411
Loans and borrowings (non-current).....	375,791	617,798	668,084	670,251	604,321
Subordinated loan.....	30,546	-	-	-	-
Less cash and cash equivalents	(9,262)	(74,862)	(77,791)	(95,384)	(76,398)
Net financial indebtedness	434,144	559,925	644,692	646,822	601,334
Adjusted EBITDA.....	169,258	215,856	211,503	156,858	168,306
Net Financial Indebtedness to Adjusted EBITDA.....	2.56	2.59	3.05		

(1) Reconciliations are made to the Consolidated Financial Statements, as applicable. Net financial indebtedness is calculated based on the carrying values of loans and borrowings as at the relevant date. Accordingly, net financial indebtedness may differ from Indebtedness or other measures calculated in accordance with the Conditions.

(2) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

Recurring Capital Expenditures⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018 ⁽²⁾	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Property and equipment additions	65,468	80,124	83,911	50,494	35,024
Intangible assets additions	64,654	30,068	41,341	32,517	42,490
Less: Additions in telecom operating licenses	(26,672)	(823)	(901)	(862)	(801)

Capital expenditures excluding telecom operating

licenses and right-of-use assets.....	103,450	109,369	124,351	82,149	76,713
Revenues	344,310	387,155	382,155	282,908	306,363
Capital expenditures excluding telecom operating licenses and right-of-use assets margin.....	30%	28%	33%	29%	25%
Less: Material and non-recurring items ⁽³⁾	(4,526)	(9,688)	(11,737)	(10,498)	(23,460)
Recurring capital expenditures.....	98,924	99,681	112,614	71,651	53,253

(1) Reconciliations are made to the Consolidated Financial Statements, as applicable.

(2) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

(3) Material and non-recurring items include: IT Transformation, Euronews Operating license and Acquisition of subscriber contracts from local operator. The amounts capitalized in relation to the IT Transformation project amounted to GEL 4.5 million for the year ended 31 December 2018, GEL 7.9 million for the year ended 31 December 2019, GEL 2.5 million for the year ended 31 December 2020, GEL 1.5 million for the nine months ended 30 September 2020 and GEL 23.2 million for the nine months ended 30 September 2021. Capital expenditures concerning Euronews operating license amounted to GEL 1.8 million for the year ended 31 December 2019, GEL 4.5 million for the year ended 31 December 2020, GEL 4.5 million for the nine months ended 30 September 2020 and GEL 286 thousand for the nine months ended 30 September 2021. Amounts capitalized concerning Acquisition of subscriber contracts from local operator amounted to GEL 4.7 million for the year ended 31 December 2020 and GEL 4.5 million for the nine months ended 30 September 2020.

Adjusted EBITDAaL less Recurring capital expenditures⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018⁽²⁾	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Adjusted EBITDAaL.....	169,258	200,449	196,128	145,153	157,988
Recurring capital expenditures	98,924	99,681	112,614	71,651	53,253
Adjusted EBITDAaL less Recurring capital expenditures.....	70,334	100,768	83,514	73,502	104,735

(1) Reconciliations are made to the Consolidated Financial Statements, as applicable.

(2) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

Recurring Capital Expenditures Margin⁽¹⁾

	Years ended 31 December			Nine months ended 30 September	
	2018⁽²⁾	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Mobile Segment	40,593	34,541	42,194	17,879	20,775
Fixed Segment.....	36,683	51,752	45,808	32,464	23,204
IPTV Content Licenses	21,648	10,784	14,164	11,294	7,835
Other.....	-	2,604	10,448	10,014	1,439
Recurring Capital Expenditures.....	98,924	99,681	112,614	71,651	53,253
Revenues	344,310	387,155	382,155	282,908	306,363
Recurring capital expenditures margin.....	29%	26%	29%	25%	17%

(1) Reconciliations are made to the Consolidated Financial Statements, as applicable.

(2) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

Other Non-IFRS Measures

The non-IFRS measures disclosed in these Listing Particulars are unaudited supplementary measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. The non-IFRS measures disclosed in these Listing Particulars should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The non-IFRS measures disclosed in these Listing Particulars are not measures specifically defined by IFRS and the Group's use of these measures may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures by other companies in its industry.

Market, Industry and Economic Information

The Issuer extracted the market data used in these Listing Particulars from the GNCC, internal surveys, other industry sources and third-party sources that the Issuer believes to be reliable and public information currently available. The main source for market information used in these Listing Particulars is GNCC and the main source for foreign exchange data used in these Listing Particulars is NBG. The Issuer obtained Georgian macroeconomic data principally from GeoStat and the Government.

Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Currency

In these Listing Particulars, unless otherwise specified, references to "Lari" and "GEL" are to the lawful currency of Georgia, references to a "Member State" are references to a Member State of the EEA and references to "EUR", "€" or "euro" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, and references to "U.S. Dollar", "\$", "USD" and "U.S.\$" are to the lawful currency of the United States.

Rounding

Certain figures included in these Listing Particulars have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as total in certain tables may not be an arithmetic aggregation of the figures which precede them.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Issuer's cash and cash equivalents, indebtedness and total capitalisation as at 30 September 2021. Potential investors should consider this table in conjunction with the information contained in "Selected Financial and Operating Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Historical	Notes offered hereby ⁽¹⁾	Notes Acquisition ⁽²⁾	As at 30 September 2021		
				Refinancing ⁽³⁾	As Adjusted	As Adjusted (thousands of USD) ⁽⁸⁾
			(thousands of GEL)			
Cash and cash equivalents	76,398	936,840	(156,140)	(677,732)	179,366	57,438
Indebtedness						
Notes offered hereby ⁽¹⁾	-	936,840	-	-	936,840	300,000
Eurobond – Current	38,834	-	-	(38,834)	-	-
Eurobond – Non-Current	604,321	-	-	(604,321)	-	-
Unsecured Bond – Current	34,577	-	-	(34,577)	-	-
Notes Acquisition ⁽²⁾	-	-	(156,140)	-	(156,140)	(50,000)
Total Indebtedness⁽⁴⁾	677,732	936,840	(156,140)	(677,732)	780,700	250,000
Equity						
Share capital	84,056	-	-	-	84,056	26,917
Additional paid-in capital ⁽⁵⁾	8,026	-	-	-	8,026	2,570
Accumulated losses	(119,972)	-	-	-	(119,972)	(38,418)
Equity (deficit) attributable to owner of the Company	(27,890)	-	-	-	(27,890)	(8,931)
Non-controlling interests	247	-	-	-	247	79
Total Equity (Deficit)	(27,643)	-	-	-	(27,643)	(8,852)
Adjusted Net Indebtedness ⁽⁶⁾	609,360	-	-	-	609,360	195,133
Total Capitalisation⁽⁷⁾	576,678	936,840	(156,140)	(604,321)	753,057	241,148

Notes:

- (1) The amount equivalent to U.S.\$300 million is provided solely for illustrative purposes and reflects the aggregate principal amount of the Notes and does not reflect fees and expenses. See "Use of Proceeds".
- (2) The amount does not reflect fees and expenses associated with the Notes Acquisition. See "Use of Proceeds".
- (3) The amount does not reflect fees and expenses associated with the Refinancing.
- (4) Total Indebtedness equals the sum of the current and non-current loans and borrowings.
- (5) Additional Paid-in Capital portion which arose due to the TBC Warrant Agreement (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operation – Factors Affecting Financial Condition and Results of Operation – The Geocell Acquisition").
- (6) Adjusted Net Indebtedness equals Total Indebtedness plus Additional Paid-in Capital minus Cash and cash equivalents.
- (7) Total Capitalisation equals the sum of the non-current portion of Indebtedness plus Total Equity.
- (8) For the purposes of the U.S. Dollar amounts shown in this Capitalisation and Indebtedness table, such amounts have been translated at the rate of U.S.\$1.00 = GEL 3.1228 as at 30 September 2021 as published by the NBG.

SELECTED FINANCIAL AND OPERATING INFORMATION

The financial information of the Issuer set forth below as at and for the years ended 31 December 2018, 2019, 2020 and as at 30 September 2021 and for the Nine months ended 30 September 2021 and 2020, as applicable, has been extracted from the Consolidated Financial Statements in these Listing Particulars set out in F-2 to F-122. Prospective investors should read the selected financial and operating information in conjunction with the information contained in the following sections of these Listing Particulars: "Risk Factors", "Capitalisation and Indebtedness", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements including the related notes.

Statement of Financial Position Information as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021

	As at 31 December			As at 30 September
	2018 ⁽¹⁾	2019	2020	2021
	(thousands of GEL)			
ASSETS				
Non-current assets				
Property and equipment	370,216	377,686	393,887	379,126
Intangible assets	212,339	199,716	196,229	204,970
Investment property	-	29,582	63,055	60,339
Right-of-use assets	-	52,872	44,783	38,709
Other non-current assets	32,727	41,713	39,611	33,009
Financial instrument at FVTPL	-	-	13,425	4,937
Prepayments related to IRU ⁽²⁾ contracts	10,745	10,321	9,849	9,449
Total non-current assets	626,027	711,890	760,839	730,539
Current assets				
Inventories	22,283	10,980	10,645	11,099
Prepayments related to IRU contracts	2,173	2,173	2,173	2,173
Trade and other receivables	37,876	37,481	30,349	29,839
Cash and cash equivalents	9,262	74,862	77,791	76,398
Total current assets	71,594	125,496	120,958	119,509
TOTAL ASSETS	697,621	837,386	881,797	850,048
EQUITY AND LIABILITIES				
Equity				
Share capital	68,172	84,056	84,056	84,056
Additional paid-in capital	24,471	8,026	8,026	8,026
Accumulated losses	(18,198)	(64,289)	(151,321)	(119,972)
Equity (deficit) attributable to owner of the Company	74,445	27,793	(59,239)	(27,890)
Non-controlling interests	59	54	(74)	247
TOTAL EQUITY (DEFICIT)	74,504	27,847	(59,313)	(27,643)
LIABILITIES				
Non-current liabilities				
Loans and borrowings	375,791	617,798	668,084	604,321
Lease liabilities	-	45,438	39,847	33,677
Trade and other payables	18,165	13,144	32,968	35,406
Advances received from IRU contracts and subscribers	14,483	14,662	13,911	13,312
Subordinated loan	30,546	-	-	-
Promissory notes	37,286	-	-	-
Total non-current liabilities	476,271	691,042	754,810	686,716
Current liabilities				
Loans and borrowings	37,069	16,989	54,399	73,411
Lease liabilities	-	12,179	12,414	12,683
Trade and other payables	87,285	67,380	96,446	81,379

Advances received from IRU contracts and subscribers.....	22,492	21,949	23,041	23,502
Total current liabilities	146,846	118,497	186,300	190,975
TOTAL LIABILITIES	623,117	809,539	941,110	877,691
TOTAL LIABILITIES AND EQUITY	697,621	837,386	881,797	850,048

(1) Extracted from the 2019 Audited Consolidated Financial Statements.

(2) Indefeasible Right of Use

Statement of Profit or Loss and Other Comprehensive Income Information for the years ended 31 December 2018, 31 December 2019 and 31 December 2020

	For the years ended 31 December		
	2018⁽¹⁾	2019	2020
	<i>(thousands of GEL)</i>		
Revenues:			
Commercial revenue ⁽¹⁾	289,492	346,155	347,557
Carrier services.....	54,818	41,000	34,598
	344,310	387,155	382,155
Costs and expenses:			
Depreciation and amortisation.....	(98,459)	(111,662)	(117,444)
Salaries and benefits.....	(55,506)	(58,142)	(57,075)
Purchased services.....	(46,662)	(31,357)	(38,743)
Other expenses	(31,565)	(31,872)	(25,410)
Network management and maintenance costs.....	(16,494)	(15,747)	(16,410)
Interconnect fees and roaming expense.....	(28,956)	(17,837)	(16,242)
Pay TV content cost	(9,976)	(11,218)	(12,932)
Infrastructure capacity rentals, IRU and lease expenses	(18,316)	(9,199)	(6,996)
Advertising and marketing	(4,659)	(8,047)	(6,204)
Change in fair value of investment property	-	-	(3,277)
Bargain gain from acquisition	41,845	-	-
Costs of SIM cards, scratch cards and other cost of sales	(3,073)	(2,795)	(916)
Profit from operating activities	72,489	89,279	80,506
Finance income	2,722	4,298	4,415
Finance costs	(47,242)	(101,160)	(90,462)
Net change in fair value of financial instrument at FVTPL	-	(1,447)	5,794
Net foreign exchange gain/(loss).....	(37,527)	(35,825)	(88,136)
Net finance costs	(82,047)	(134,134)	(168,389)
Profit/(loss) before income tax.....	(9,558)	(44,855)	(87,883)
Income tax (expense)/benefit	(718)	(1,241)	723
Profit/(loss) and total comprehensive income/(loss) for the year	(10,276)	(46,096)	(87,160)
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Owner of the Company	(9,535)	(46,091)	(87,032)
Non-controlling interests.....	(741)	(5)	(128)
	(10,276)	(46,096)	(87,160)

(1) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

Statement of Profit or Loss and Other Comprehensive Income Information for the nine months ended 30 September 2020 and 30 September 2021

	For the nine months ended 30 September	
	2020⁽¹⁾	2021
	<i>(thousands of GEL)</i>	
Revenues:		
Commercial revenue ⁽¹⁾	258,176	273,421
Carrier services ⁽¹⁾	24,732	32,942
	282,908	306,363
Costs and expenses:		
Depreciation and amortisation.....	(87,753)	(87,422)
Salaries and benefits.....	(42,420)	(46,422)
Purchased services.....	(28,204)	(32,092)
Other expenses	(17,636)	(17,146)
Interconnect fees and roaming expense.....	(11,597)	(13,829)
Network management and maintenance costs.....	(12,158)	(12,265)
Pay TV content cost	(9,444)	(8,699)
Advertising and marketing	(4,545)	(5,452)
Infrastructure capacity rentals, IRU and lease expenses	(5,384)	(4,516)
Costs of SIM cards, scratch cards and other cost of sales	(613)	(531)
Profit from operating activities	63,154	77,989
Finance income	3,252	3,260
Finance costs	(65,818)	(68,058)
Net change in fair value of financial instrument at FVTPL	8,556	(12,956)
Net foreign exchange gain/(loss).....	(88,019)	31,646
Net finance costs	(142,029)	(46,108)
Profit/(loss) before income tax.....	(78,875)	31,881
Income tax (expense)/benefit	648	(211)
Profit/(loss) and total comprehensive income/(loss) for the period...	(78,227)	31,670
Profit/(loss) and total comprehensive income/(loss) attributable to:		
Owner of the Company	(78,128)	31,349
Non-controlling interests.....	(99)	321
	(78,227)	31,670

(1) Extracted from the Unaudited Condensed Consolidated Interim Financial Statements.

Statement of Cash Flows Information for the years ended 31 December 2018, 31 December 2019 and 31 December 2020

	For the years ended 31 December		
	2018⁽¹⁾	2019	2020
	<i>(thousands of GEL)</i>		
Cash flows from operating activities			
Cash received from subscribers.....	338,901	402,001	407,659
Cash received from other telecom operators and for IRU contracts	32,968	31,269	20,045
Salaries and benefits paid to and on behalf of employees	(53,957)	(54,793)	(57,301)
Interconnection fees and expenses paid	(9,969)	(12,588)	(11,759)
Purchase of inventory	(14,765)	(11,232)	(9,717)
Taxes paid other than on income.....	(47,647)	(59,641)	(45,294)
Income tax paid	(1,140)	(837)	(258)
Network management and maintenance costs paid	(14,548)	(11,274)	(11,273)
Other operating expenses paid	(83,111)	(80,674)	(65,329)
Net cash from operating activities.....	146,732	202,231	226,773
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets	(98,731)	(128,358)	(108,537)
Purchase of investment property	-	(29,582)	(31,783)
Proceeds from disposals of property and equipment.....	1,442	2,264	1,692
Acquisition of subsidiaries, net of cash acquired	(329,711)	-	-
Issue of loans.....	(727)	-	-
Repayments of issued loans	136	-	-
Interest received	463	2,517	2,713
Net cash used in investing activities.....	(427,128)	(153,159)	(135,915)
Cash flows from financing activities			
Interest paid.....	(33,633)	(56,663)	(83,782)
Net payments of financial instruments at FVTPL	-	(1,280)	(7,798)
Repayment of lease liabilities.....	-	(4,513)	(8,194)
Proceeds from borrowings.....	423,545	530,651	-
Repayment of borrowings	(67,006)	(367,863)	-
Loan refinancing fees paid	-	(7,262)	-
Repayment of subordinated loan	-	(30,326)	-
Repayment of subordinated loan interest	-	(4,989)	-
Repayment of promissory note.....	-	(43,170)	-
Dividends paid	(36,417)	(5,441)	-
Net cash (used in)/ from financing activities	286,489	9,144	(99,774)
Effect of exchange rate changes on cash and cash equivalents ..	648	7,384	11,845
Net (decrease)/increase in cash and cash equivalents.....	6,741	65,600	2,929
Cash and cash equivalents at the beginning of the year	2,521	9,262	74,862
Cash and cash equivalents at the end of the year	9,262	74,862	77,791

(1) Extracted from the 2019 Audited Consolidated Financial Statements. The year ended 31 December 2018 figures do not include the results from operations of the mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

Statement of Cash Flows Information for the nine months ended 30 September 2020 and 30 September 2021

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

(1) Extracted from the Unaudited Condensed Consolidated Interim Financial Statements.

Statement of Changes in Equity Information as at 31 December 2018, 31 December 2019 and 31 December 2020

	Attributable to owner of the Company					
	Share capital	Addition al paid in capital	Retained earnings/ (accumulated losses) (thousands of GEL)	Total	Non-controlling interests	Total equity/ (deficit)
Balance as at 1 January 2018⁽¹⁾	68,172	-	31,200	99,372	800	100,172
Total comprehensive loss for the year						
Loss and total comprehensive loss for the year	-	-	(9,535)	(9,535)	(741)	(10,276)
Transactions with owners, recorded directly in equity						
Effect of transactions with entities controlled by the ultimate controlling party	-	16,445	-	16,445	-	16,445
Call option granted	-	8,026	-	8,026	-	8,026
Dividends	-	-	(39,863)	(39,863)	-	(39,863)
Balance as at 31 December 2018⁽¹⁾	68,172	24,471	(18,198)	74,445	59	74,504
Balance as at 1 January 2019 ..	68,172	24,471	(18,198)	74,445	59	74,504
Total comprehensive loss for the year						
Loss and total comprehensive loss for the year	-	-	(46,091)	(46,091)	(5)	(46,096)
Transactions with owners, recorded directly in equity						
Shares issued	15,884	-	-	15,884	-	15,884
Effect of transactions with entities controlled by the ultimate controlling party	-	(16,445)	-	(16,445)	-	(16,445)
Balance as at 31 December 2019.....	84,056	8,026	(64,289)	27,793	54	27,847
Balance as at 1 January 2020 ..	84,056	8,026	(64,289)	27,793	54	27,847
Total comprehensive loss for the year						
Loss and total comprehensive loss for the year	-	-	(87,032)	(87,032)	(128)	(87,160)
Balance as at 31 December 2020.....	84,056	8,026	(151,321)	(59,239)	(74)	(59,313)

(1) Extracted from the 2019 Audited Consolidated Financial Statements.

Statement of Changes in Equity Information as at 30 September 2020 and 30 September 2021

	Attributable to owner of the Company					
	Share capital	Addition al paid in capital	Accumul ated losses	Total	Non-controlli ng interests	Total equity/ (deficit)
			(thousands of GEL)			
Balance as at 1 January 2020⁽¹⁾	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)
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)

(1) Extracted from the Unaudited Condensed Consolidated Interim Financial Statements.

Key Operational Measures and Performance Indicators

	For the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
Revenues (thousands of GEL).....	344,310	387,155	382,155	282,908	306,363
Net financial indebtedness to Adjusted EBITDA ⁽¹⁾	2.56	2.59	3.05		
Adjusted EBITDA ⁽²⁾ (thousands of GEL)	169,258	215,856	211,503	156,858	168,306
Adjusted EBITDAaL ⁽²⁾ (thousands of GEL)	169,258	200,449	196,128	145,153	157,988
Adjusted EBITDA Margin ⁽³⁾ (per cent.).....	49%	56%	55%	55%	55%
Adjusted EBITDAaL Margin ⁽³⁾ (per cent.).....	49%	52%	51%	51%	52%
Adjusted EBITDAaL less Recurring capital expenditures ⁽⁴⁾ (thousands of GEL).....	70,334	100,768	83,514	73,502	104,735
Profit from operating activities.....	72,489	89,279	80,506	63,154	77,989
Fixed broadband subscribers ('000)	278	288	292	293	293
Pay TV subscribers ('000).....	213	222	228	230	226
Fixed voice subscribers ('000)	297	264	214	221	197
Mobile subscribers ('000)	1,775	1,732	1,656	1,658	1,722

Notes:

- (1) For a reconciliation of borrowing (current and non-current) to net financial indebtedness to Adjusted EBITDA, see "*Presentation of Financial and Certain Other Information—Non-IFRS Information*".
- (2) For a reconciliation of profit/(loss) for the year to Adjusted EBITDA and Adjusted EBITDAaL, see "*Presentation of Financial and Certain Other Information—Non-IFRS Information*".
- (3) For a reconciliation of Adjusted EBITDA and EBITDAaL Margins, see "*Presentation of Financial and Certain Other Information—Non-IFRS Information*".
- (4) For a reconciliation of Adjusted EBITDAaL less Recurring capital expenditures, see "*Presentation of Financial and Certain Other Information—Non-IFRS Information*".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion of the Group's financial condition and results of operations should be read in conjunction with the consolidated information in "Selected Financial and Operating Information", "Business Description of the Group" and the financial statements of the Group appearing in these Listing Particulars. Prospective investors should read these entire Listing Particulars and not rely solely on the information set out below.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in these Listing Particulars, particularly under the headings "Forward-Looking Statements" and "Risk Factors".

Overview

The Group is one of the leading telecommunications operators in Georgia, based on the number of subscribers (Source: GNCC). It is the leading fixed line operator and second largest IPTV and fixed broadband operator in Georgia and the second largest mobile operator in Georgia based on the number of subscribers as at the date of these Listing Particulars (Source: GNCC). Its primary operations comprise the provision of fixed broadband, pay television, fixed line and mobile services to a range of residential and corporate customers in Georgia, as well as wholesale connectivity and related services to domestic and international telecommunications operators. The Group's telecommunications network comprises over 4,000 kilometres of fiber across Georgia.

The Group primarily operates in Georgia. The Group mainly offers the following services:

- **Mobile services:** The Group provides voice and mobile broadband services, utilising 2G, 3G and 4G/LTE technologies from approximately 1,600 physical locations, of which 1,300 are macro and 300 are micro sites, including approximately 1,500 4G/LTE sites, in Georgia. Approximately 500 macro and 300 micro sites of the Group are connected by fiber. Following the Group's acquisition of Geocell in 2018, the Group became the second largest mobile operator in Georgia. As at 30 September 2021, the Group's mobile services had approximately 1.72 million mobile subscribers and a subscriber market share of approximately 33 per cent. in Georgia (Source: GNCC). For the nine months ended 30 September 2021, mobile services comprised 48 per cent. of the Group's revenues compared to 48 per cent. for the nine months ended 30 September 2020.
- **Fixed broadband services:** The Group's fixed broadband services comprise a technologically advanced offering of internet and data connectivity services to homes, businesses and other organisations, as well as additional data services to its corporate customers. As at 30 September 2021, the Group had approximately 293,000 subscribers and an approximate 30 per cent. market share of the fixed broadband market in Georgia based on the number of subscribers (Source: GNCC). Fixed broadband services comprised 25 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 26 per cent. for the nine months ended 30 September 2020.
- **Pay television:** The Group offers a variety of television programme options within its fixed line business through its IPTV digital offering, Silk TV and wireless television through Global TV and SilkSat. The Group also offers Silk Go, a streaming and VOD service available through the internet as well as an application, which allows customers to watch selected TV programmes on any mobile device with internet access. In 2019, the Group also launched silksport.ge, which is an online video and news portal that includes the Group's in-house sports channels. The Group's VOD services also include a community project called 'Home School' that provides recorded classes to students attending school across a wide age group. This project was especially relevant during the COVID-19 outbreak. The Group's ability to offer diversified content, such as premium sports content, has been an important factor in its ability to acquire new subscribers. The Group also produces and broadcasts a variety of proprietary television channels. The Group generated broadcasting revenue, revenue from channel sales and advertising, of GEL 3.0 million for the nine months ended 30 September 2021 compared to GEL 0.8 million for the nine months ended 30 September 2020. Pay TV comprised 11 per cent. of the Group's revenue for the nine months ended 30 September 2021 compared to 12 per cent. for the nine months ended 30 September 2020.

- **Fixed telephone services:** The Group offers a comprehensive range of fixed telephone services to residential and corporate customers. Key fixed line services include national and international fixed telephone services. As at 30 September 2021, the Group had approximately 197,000 subscribers and an approximate 57 per cent. share of the Georgian fixed line market based on the number of subscribers according to GNCC. The fixed line segment is experiencing a decline in demand as a result of the shift towards mobile services. VOIP technology is the only area in this segment that demonstrates growth. As a result, fixed telephone services comprised 4 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 4 per cent. for the nine months ended 30 September 2020. The Group is the market leader in both the number of subscribers and market share for fixed telephone services.
- **Carrier and other services (wholesale):** Carrier and other services (wholesale) are offered to local operators in Georgia as well as to international operators. Carrier and other services (wholesale) consist primarily of fixed and, through the Group's mobile services mobile interconnection services and data services provided to national and international operators including local call termination, international call termination, bulk SMS termination, transit, internet resale, rent of equipment and cash collections. Carrier and other services (wholesale) comprised 11 per cent. of the Group's revenue for the nine months ended 30 September 2021 compared to 9 per cent. for the nine months ended 30 September 2020.

In the nine months ended 30 September 2021, the Group's revenue was GEL 306.4 million compared to GEL 282.9 million in the nine months ended 30 September 2020. In the year ended 31 December 2020, the Group's revenue was GEL 382.2 million, compared to GEL 387.2 million in the year ended 31 December 2019, and GEL 344.3 million (not including results of operations of mobile service segment prior to Geocell Acquisition) in the year ended 31 December 2018.

The Group invests in a limited number of related businesses that are complementary to and support its retail, enterprise and wholesale telecommunications businesses. For more information see "*Business Description—Capital Structure—Subsidiaries*".

Factors Affecting Financial Condition and Results of Operations

Economic conditions in Georgia

The Group operates primarily in Georgia with its Georgian operations accounting for 93 per cent. for the nine months ended 30 September 2021 and 96 per cent. of the Group's revenue in the nine months ended 30 September 2020. Accordingly, the Group's results of operations, growth and development are, and will continue to be, significantly affected by Georgian economic factors, including those in the below table.

	As of and for the year ended 31 December			As of and for the nine months ended 30 September
	2018	2019	2020	2021 ⁽¹⁾
Real GDP growth (%)	4.8	5.0	(6.8)	11.3
Nominal GDP (USD million)	17,597	17,471	15,843	N/A
Nominal GDP per capita (USD)	4,722	4,696	4,256	N/A
Current account deficit (USD million)	1,190	(957)	1,962	N/A
Inflation (end of period, %)	1.5	7.0	2.4	12.3
Foreign direct investments (USD million)	1,317	1,336	572	N/A
Public debt as a % of GDP	38.9	40.4	60.0	N/A
Total international arrivals (tourists, same-day and other; millions)	8.7	9.4	1.7	1.2

Notes:

(1) Based on preliminary estimate.

Source: GeoStat, NBG, GNTA, MOF

The COVID-19 pandemic adversely affected the Georgian economy in 2020 and 2021, particularly in light of the economy's significant reliance on tourism. After continued growth in 2018 and 2019, the Georgian economy contracted in 2020, before rebounding in 2021. According to data published by GeoStat, real GDP in Georgia grew by 4.8 per cent. in 2018, 5.0 per cent. in 2019, before contracting by 6.8 per cent. in 2020. In the first nine

months of 2021, real GDP grew by 11.3 per cent., supported by strong exports and remittances, as well as fiscal stimulus, bank credit and partial recovery in tourism.

As a result, the Georgian economy has recovered strongly and surpassed the pre-pandemic levels. Tourism inflows have gradually recovered with the reopening of the country but are still well below previous high points. Tourism inflows, after an 87.5 per cent. drop in the first quarter of 2021 compared to the same period in 2020, increased by 753.3 and 1,230.6 per cent. in the second and the third quarters of 2021, respectively. In September 2021, Georgian tourism inflows were at negative 49.2 per cent. compared to the same month of 2019, a 44.5 percentage point increase from negative 93.7 per cent. as at January 2021. Following a 22.7 per cent. year-over-year decrease in the first quarter of 2021, FDI inflows declined by 2.6 per cent. in the second quarter of 2021 compared to the same period in 2020. Georgia's current account deficit to GDP stood at 6.8 per cent., 5.5 per cent. and 12.4 per cent. in 2018, 2019 and 2020, respectively, reaching 9.2 per cent. in the first six months of 2021, an improvement of 2.2 percentage points compared with the first half of 2020. The increase in fiscal stimulus, primarily financed externally, played an important role in the relative softening of the impact of the COVID-19 pandemic, with the deficit to GDP ratio at 9.3 per cent. in 2020, as compared to 2.3 per cent. and 2.1 per cent. in 2018 and 2019, respectively. In the first six months of 2021, the deficit remained sizable at 6.3 per cent. of GDP being 1.3 percentage points higher than in the first six months of 2020. As a result of the higher deficit and weaker Lari, the public debt to GDP ratio increased to 54.4 per cent. in June 2021, from 38.9 per cent. in December 2018. The Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak (having depreciated against the U.S. dollar by a moderate 1.0 per cent. in 2018, followed by larger depreciations of 11.2 per cent. in 2019, and 10.4 per cent. in 2020). The depreciation of the Lari further exacerbated the increase of inflation above the NBG's 3 per cent. target, an issue even before the COVID-19 pandemic, which increased further to 9.9 per cent. as of June 2021, mainly reflecting the effect of the weaker Lari and higher commodity prices. In the first half of 2021, the Lari appreciated by 3.5 per cent. against the U.S. dollar supported by the increase of the NBG's policy rate by 1.0 per cent. to 9.5 per cent. on 28 April 2021. The NBG further increased its policy rate by 0.5 per cent. to 10.0 per cent. on 4 August 2021, and by 0.5 per cent. to 10.5 per cent. on 8 December 2021. After the emergence of the COVID-19 pandemic, the NBG began selling U.S. dollar foreign currency reserves to provide foreign currency liquidity, mainly on the back of the Government's external funding. The interventions were especially high between March 2020 and April 2021, when the NBG sold U.S.\$1.16 billion. Nevertheless, in the same period, NBG gross international reserves increased from U.S.\$3.4 billion to U.S.\$4.1 billion, together with government foreign currency funding also supported by the NBG's higher foreign currency liabilities.

The Geocell Acquisition

On 25 January 2018, the Issuer and Rhinestream Holdings Limited signed the Geocell Share Purchase Agreement for the Issuer to acquire 100 per cent. of the outstanding shares of Geocell, at the time Georgia's second-largest mobile operator based on the number of subscribers as of 31 December 2017 (Source: GNCC), for a transaction price of USD 151.7 million from Gürtel Telekomünikasyon Yatırım ve Dis Ticaret A.S., Fintur Holdings B.V., Sonera Holding B.V. and Turkcell İletişim Hizmetleri A.Ş (the "**Sellers**"). Following regulatory approval of the transaction by GNCC, the Group completed the share acquisition of Geocell on 20 March 2018, and accordingly Geocell is consolidated into the Group's results of operations with effect from that date. Regulatory approval for the merger was granted on 20 September 2018, and the merger of Geocell with Silknet was completed on 1 November 2018. The integration process had already started prior to the completion of the merger with the appointment of the management team for the combined entity, and a number of integration initiatives were also underway, including convergence initiatives, mobile network maintenance, cost rationalisation, distribution network concept, rebranding and IT transformation, and the appointment of an external adviser to assist with the integration process.

The Geocell Acquisition added mobile services to the Group's offering, resulting in a significant opportunity to build the leading convergent operator in the Georgian market with leadership in innovation and the capability to market fixed-mobile and television content offering to new customers with competitive pricing and limited additional investment compared to new players entering those markets. The Geocell Acquisition was financed through certain loan and credit agreements, which have subsequently been repaid.

In addition, on 5 June 2018, the Issuer entered into a warrant agreement with JSC TBC Bank ("**TBC Bank**") and Rhinestream Holdings Limited (the "**TBC Warrant Agreement**"). Under the TBC Warrant Agreement, the Issuer undertook to allot and issue to TBC Bank warrants for 4,795,000 new ordinary shares, representing approximately 6.6 per cent. ownership on a diluted basis as at the call option issuance date in the Issuer at GEL 25,000,000 or GEL 5.214 per ordinary share. The option is exercisable at any time during the period of five years from the date of the TBC Warrant Agreement or conditionally upon the occurrence of a liquidity event, which is defined as initial public offering ("**IPO**") or sale of 100 per cent. stake of the Issuer. 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 Bank. 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.

Underlying demand for voice, broadband data connectivity and value-added services

The growth of the Group's business depends significantly on the growing demand for fixed and mobile broadband services.

Demand for mobile broadband in Georgia has been increasing steadily. The penetration of mobile broadband users, currently at 66 per cent. at Silknet, is growing due to increased smartphone penetration, as well as the number of other connected devices, predominantly in the B2B segment. The rate of smartphone penetration growth is likely to depend on the economic conditions in Georgia, wide availability of instalments-based purchases and price of entry-level smartphones. Consumption per mobile broadband user is growing as well, due to increased video and photo sharing, including through social networks. Total mobile broadband volume in Georgia increased from 30,580 TB in 2016 to 192,316 TB in 2020, equalling approximately 58 per cent. compound annual growth rate ("CAGR") (Source: GNCC). Despite the surge in mobile broadband usage in recent years, mobile broadband penetration and consumptions per mobile broadband user is still lower in Georgia compared to Europe and North America. Rapid generational shifts in Georgia combined with expected rise of smartphone penetration and increased dependence on digital applications may still increase the demand for the Group's mobile services.

Approximately 87 per cent. of fixed broadband penetration (including B2B) in Georgia is unevenly spread, with urban areas having higher fixed broadband penetration than rural areas. The share of rural population is estimated by GeoStat to be approximately 41 per cent. of the total population of Georgia, compared to 44 per cent. in 2010. WiFi-technology-based service, rendered on unlicensed spectrum by mostly small operators, is an important part of the fixed broadband service offering in rural areas. The urbanization rate in Georgia is lower than in the EU and the gap is expected to reduce, which may increase the demand for the Group's fixed services.

Availability of long- and short-form video content from local and international resources has been an important factor in the demand for broadband and pay TV in Georgia. The Group offers diversified content, some of it via exclusive contracts and shared content arrangements, to its pay TV subscribers. A part of such content is available on the Group's video applications, which allows subscribers to watch on a variety of devices with WiFi or mobile broadband connectivity. To improve the user experience, the Group is working with leading international digital content providers, such as Google and Facebook, to cache their data locally.

As in many markets globally, the demand for fixed voice services has been steadily decreasing in Georgia. Retail revenue in the fixed voice segment decreased from GEL 50 million in 2016 to GEL 30 million in 2020, while the number of subscribers decreased from 790,000 in 2016 to 348,000 in 2020. The fixed-to-mobile substitution trend has been most pronounced in the fixed wireless service, where the number of subscribers decreased from 252,000 in 2016 to 6,000 in 2020. While the number of PSTN and VOIP subscribers has been decreasing less rapidly, revenue from such subscribers decreased due to reduced call volumes, mostly off-net calls and reduced incoming interconnection revenue.

The Group intends to further develop digital applications to increase subscriber satisfaction, to offer information and telecommunications solutions for its B2B subscribers, to further expand the utilization of data analytics and to continue offering innovative and flexible products and services to its subscribers, aimed at addressing their broadband, voice and content consumption needs. In addition, educating first-time users and accommodating their needs is likely to be a key factor in growing the subscriber base.

Competition and pricing dynamics

The Group is subject to significant competition for its products and services. In light of this competition, overall prices for most products and services offered to customers in the telecommunications markets in Georgia have not significantly changed since 2018. Fixed broadband operators have been rolling out fibre network in towns and neighbourhoods which have not previously had fibre network access and have offered promotions for new subscribers, predominantly emphasising broadband and IPTV bundles, which led to decreased prices. As a result, market average monthly residential broadband ARPU decreased from GEL 20.6 in 2016 to GEL 17.4 in 2018, while market average pay TV ARPU increased from GEL 12.6 in 2016 to GEL 13.3 in 2018 (Source: GNCC). From 2019, promotional offers started to phase out and the decreasing trend started to revert. As a result, market average monthly residential broadband ARPU increased to GEL 18.8 and market average pay TV ARPU increased to GEL 15.1 in 2020. Market average mobile residential ARPU has increased from GEL 7.4 in 2016 to GEL 8.4 in 2020, primarily due to the decrease in excise tax on mobile services and increased customer spending in mobile broadband. The Group seeks to maintain and improve its competitive position by offering products and services that it believes are more appealing to customers than those of its competitors. The Group intends to better

understand its customer needs by improved utilization of data analytics and decrease time-to-market to gain competitive advantage. The Group seeks to provide customers with access to unique and diversified content, high levels of customer support, leading network infrastructure and superior mobile spectrum portfolio.

Since the Geocell Acquisition, the Issuer has become the second operator in Georgia capable of offering both fixed and mobile services. Bundling of fixed and mobile services has not yet been a significant factor affecting competition in the telecommunications market. However, in the future convergent operators may choose to focus on fixed-mobile bundles as their differentiator and as a means to increase customer satisfaction and reduce churn. The demand for the Group's convergence services has increased since the launch of its fixed-mobile convergent offers in the last quarter of 2018, however, convergent subscribers do not encompass a significant proportion of the Group's subscriber base. As at 30 September 2021, the Group has approximately 15 thousand fixed-mobile convergent subscribers, equivalent to 6.8 per cent. of its fibre to the home ("FTTH") B2C subscribers. Since the acquisition of Geocell, the Group focused its resources towards modernizing the then underinvested mobile network and implementing the IT transformation program. As a significant part of both projects have been completed, the Group intends to increase focus on convergent services, that may provide an advantage over its competitors. For more information see *"Risk Factors—The main risks related to the Group's business—The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates"*.

Currency exchange rate fluctuations

The Group is subject to currency exchange rate fluctuations in line with the business environment and industry sector in which it operates, principally between the Lari against the U.S. dollar and Euro. Due to the high degree of dollarization of the Georgian economy (as measured by the dollarization of bank deposits and loans, which stood at 60.7 per cent. and 51.7 per cent., respectively as of September 2021), the purchasing power of the Group's customers may be affected by currency fluctuations, in particular the depreciation of the Lari against the U.S. Dollar and the Euro. While the Group seeks to limit the effect of currency exchange rate fluctuations, such fluctuations may affect its results. As of 30 September 2021, the official Lari/U.S. Dollar rate published by the NBG was GEL 3.1228 = USD 1.00 and the official Lari/Euro rate published by the NBG was GEL 3.6409 = EUR 1.00.

The Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak (having depreciated against the U.S. dollar by a nominal 1.0 per cent. in 2018, followed by larger depreciations of 11.2 per cent. in 2019 and 10.4 per cent. in 2020), which resulted in a sudden cessation and deterioration in the outlook for traditional sources of foreign exchange inflows such as tourism revenues and merchandise exports. As inflows recovered swiftly in the first three quarters of 2021, coupled with the significant GDP growth, by December 2021 the Lari increased in value by 4.7 per cent. against the U.S. dollar. Between March 2020 and April 2021, the NBG sold U.S.\$1.16 billion of foreign currency reserves to provide foreign currency liquidity and between April to August 2020, it reduced the monetary policy rate by 100 basis points to 8.0 per cent. However, on 17 March 2021, the NBG decided to increase its policy rate by 0.5 per cent. to 8.5 per cent. due to increased inflation risks stemming from price increases in international commodity markets, higher COVID-19 related production costs and the persistently depreciating exchange rate. On 28 April 2021, the NBG increased its policy rate by 1.0 per cent. to 9.5 per cent., by a further 0.5 per cent. to 10.0 per cent. on 4 August 2021 and by a further 0.5 per cent. on 8 December 2021. Through these decisions, the NBG has demonstrated a commitment to remaining active in providing foreign currency liquidity and curbing Lari depreciation expectations.

The Group is exposed to foreign exchange rate risks because certain operational and capital expenditures, as well as its finance costs (in the form of the Silknet 2019 Bonds and the Notes) are denominated in foreign currencies, including the U.S. Dollar and Euros. The Group incurs a significant portion of its capital and operating expenditures in U.S. Dollars and Euro, respectively. In 2020, approximately 82 per cent. of the Group's capital expenditure was denominated in U.S. Dollars or Euros and approximately 28 per cent. of its operating expenditure was denominated in U.S. Dollars or Euros. Accordingly, a depreciation of the Lari against the U.S. Dollar or Euro could also increase the Group's capital and operating expenditures. The Lari depreciated by 11.1 per cent. in 2017, appreciated by 1.1 per cent. in 2016, depreciated by 4.5 per cent. in 2017 and 25.4 per cent. in 2020 and appreciated by 9.5 per cent. as of 30 September 2021 against the Euro. A further depreciation of the Lari will increase the interest expenses and other costs of the Group.

Regulation

The Group is subject to regulation from the GNCC, as well as other regulatory bodies. Georgia is widely considered to have stable and well-established telecommunications and broadcasting regulations in comparison to other countries in the surrounding region. Due to this, the Group has benefited from a stable and mostly transparent regulatory environment. The Association Agreement signed on 27 June 2014 provides for further

alignment of the regulation in Georgia with that in the EU. The first draft of the new Law on Electronic Communications has been circulated and is currently being reviewed by telecommunication operators and other stakeholders. For more information, see *"Risk Factors—Other risks related to regulation—There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the EU driven by the DCFTA"* and *"Risk Factors—Other risks related to regulation—Changes in laws and policies, including those relating to electronic communications, may negatively affect the Group"*.

Capital expenditure and investments to network

The Group's ability to provide fixed and mobile telephony, fixed and mobile broadband internet and pay TV to residential and business customers depends in large part on its ability to provide attractive and competitive product offerings to its customers by upgrading and maintaining its fixed and mobile networks. In light of the growing penetration of smartphones and the increasing demand for data services, upgrading and maintaining the Group's networks is key to the provision of services to its customers and meeting the increasing needs of the customers for high-quality fixed and mobile data services. Perception of network quality and speed are important factors in the Group's ability to attract and retain its customers, and therefore minimise churn.

In particular, in recent years the Group has invested in rolling out a fixed line fibre broadband network. For example, the Group has expanded its FTTH coverage to approximately 700,000 homes in 2021, compared to approximately 400,000 homes in 2017.

Since the acquisition of Geocell, the Group has heavily invested in mobile network. The Group upgraded most of its macro sites to 4G, with the 4G population coverage now at 98 per cent. compared to 57 per cent. in 2017. The Group also pioneered the gigabit-LTE technology in Georgia having equipped 263 sites as at 30 September 2021, or 20 per cent. of the Group's macro sites, in major cities of Georgia. After the completion of a significant part of the Group's mobile network modernization program, the quality of the Group's mobile network has been recognized by third parties. Ookla, the speed test provider, recognized Silknet as the fastest mobile network operator in Georgia based on analysis of data for the third and fourth quarters of 2020. GNCC's regular drive tests throughout 2020 and 2021 show Silknet's 4G/LTE mobile service as the fastest in Tbilisi and in most of the other parts of Georgia.

The Group also largely completed its IT transformation project, in which it replaced seven different information technology modules, such as the business support system (including billing, CRM, product catalogue), and certain operations support systems. As a result, the Group currently has a convergent billing system that it believes will enable it to launch better convergent fixed-mobile offers. The Group believes the new systems enable it to better understand its subscriber needs and decrease time-to-market, while increasing its operating efficiency. Following the completion of the IT transformation, the Group is in the process of implementing a campaign management software provided by SAS Institute.

During the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 the Group made capital expenditure, defined as additions of property and equipment and intangible assets (excluding telecom operating licenses and right-of-use assets) of 28 per cent., 33 per cent., and 25 per cent. of revenues, respectively, and recurring capital expenditure, defined as additions of property and equipment and intangible assets (excluding telecom operating licenses and right-of-use assets less material and non-recurring items) of 26 per cent., 30 per cent., and 17 per cent. of revenues, respectively. Based on the Group's current capital expenditure plans, its depreciation and amortisation expenses are also expected to remain at current levels for the next several years. See *"Risk Factors—The main risks related to the Group's business—The Group's business requires substantial capital investment, and the Group may not be able to attract or generate sufficient capital to fund its future capital expenditure and other investments as management deems necessary or desirable"*.

Interconnection and international call termination

The Group generates revenues from other network operators in the form of interconnection fees for voice calls terminated on the Group's networks, and is required to pay interconnection fees to other network operators for calls terminated on their networks, in each case both domestic and international. These access and interconnection fees are based on set termination rates for both fixed and mobile voice calls. In recent years, the GNCC has taken action to significantly reduce the domestic termination rates. Application of the LRIC methodology to domestic termination rates, in full force from January 2019, has resulted in the reduction of domestic mobile termination rates from GEL 0.035 per minute, including taxes, to GEL 0.0075 per minute, excluding taxes, as well as local fixed termination rates from GEL 0.02 per minute, including taxes, to GEL 0.0028 per minute, excluding taxes. As the Group is the net receiver of domestic interconnection fees, the rate reduction has had an adverse effect on the Group's financial results. Incoming international call termination is subject to regulated tariff and an excise tax. The regulation was in effect until 30 June 2019. The tariff for incoming international calls terminated on a mobile network is USD 0.22 per minute, while the tariff for incoming international calls terminated on a fixed

network is USD 0.12 per minute. The excise tax is equal to GEL 0.15 per minute on international calls terminated on mobile networks and GEL 0.08 on international calls terminated on fixed networks.

In August 2020, GNCC introduced a wholesale regulation and established a non-discriminatory rule for setting prices of non-standard types of short text messaging services (so-called bulk SMSs) which would allow small operators to purchase A2P type SMS services at a competitive price and also get access to services regarding quality, tariffs and delivery time. As a result, the Group's revenue increased significantly more than the associated expense.

Segmentation

The Group allocates its operations into 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).

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 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.

Seasonality

Seasonal effects have a relatively limited impact on the Group's fixed line business, due to the fact that a substantial proportion of revenue arises from monthly access fees, which are fixed, rather than variable usage payments. The mobile business has historically experienced seasonal fluctuations in revenue. Mobile voice and mobile broadband usage and revenue, as well as mobile roaming usage and revenues, usually peak in the traditional summer vacation months of June, July, August and September. As a result of the COVID-19 pandemic, there was a change in the usual seasonal fluctuations.

Significant Accounting Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The Group reviews estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year include valuation of investment property and impairment of trade and receivables. The critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are determination of lease terms; useful lives of property and equipment and intangible assets; and recognition of property and equipment and intangible assets.

In addition, Silknet's critical accounting policies are set out in note 28 to the 2019 Audited Consolidated Financial Statements and note 29 to the 2020 Audited Consolidated Financial Statements.

Change in accounting policies

The Group has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group applied IFRS 16 using the modified retrospective approach and has measured the right-of-use asset at the amount equal to the lease liability, adjusted for prepayments and accruals. Accordingly, the comparative information presented for 2018 in the 2019 Audited Consolidated Financial Statements had not been restated, it was presented, as previously reported, under International Auditing Standards ("IAS") 17 and related interpretations.

Prior to implementing IFRS 16, the Group determined at the time of entering into a contract whether an arrangement was or contained a lease under IAS 17 Leases and IFRIC 4 (*Determining Whether an Arrangement contains a Lease*). Following the implementation, the Group determines whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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) related to placement of the Group's telecommunication equipment.

As a lessee, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Both the right-of-use assets and related lease liabilities have been presented as separate line items in the consolidated statements of financial position.

For more information see note 5 to the 2019 Audited Consolidated Financial Statements and note 26 to the 2020 Audited Consolidated Financial Statements.

Results of operations for the nine months ended 30 September 2020 and 30 September 2021 and the years ended 31 December 2018, 31 December 2019 and 31 December 2020

The following table sets forth selected data from the Group's consolidated statement of Profit/(loss) and total comprehensive income/(loss) for the nine months ended 30 September 2020 and 30 September 2021.

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

Profit/(loss) and total comprehensive income/(loss) attributable to:

Owner of the Company	(78,128)	31,349
Non-controlling interests	(99)	321
	(78,227)	31,670

The following table sets forth selected data from the Group's consolidated statement of Profit/(loss) and total comprehensive income/(loss) for the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

	For the years ended 31 December		
	2018	2019	2020
	<i>(thousands of GEL)</i>		
Revenues:			
Commercial revenue	289,492	346,155	347,557
Carrier services	54,818	41,000	34,598
	344,310	387,155	382,155
Costs and expenses:			
Depreciation and amortisation	(98,459)	(111,662)	(117,444)
Salaries and benefits	(55,506)	(58,142)	(57,075)
Purchased services	(46,662)	(31,357)	(38,743)
Other expenses	(31,565)	(31,872)	(25,410)
Network management and maintenance costs	(16,494)	(15,747)	(16,410)
Interconnect fees and roaming expense	(28,956)	(17,837)	(16,242)
Pay TV content cost	(9,976)	(11,218)	(12,932)
Infrastructure capacity rentals, IRU and lease expenses	(18,316)	(9,199)	(6,996)
Advertising and marketing	(4,659)	(8,047)	(6,204)
Change in fair value of investment property	-	-	(3,277)
Costs of SIM cards, scratch cards and other cost of sales	(3,073)	(2,795)	(916)
Bargain gain from acquisition	41,845	-	-
Profit from operating activities	72,489	89,279	80,506
Finance income	2,722	4,298	4,415
Finance costs	(47,242)	(101,160)	(90,462)
Net change in fair value of financial instrument at FVTPL	-	(1,447)	5,794
Net foreign exchange gain/(loss)	(37,527)	(35,825)	(88,136)
Net finance costs	(82,047)	(134,134)	(168,389)
Profit/(loss) before income tax	(9,558)	(44,855)	(87,883)
Income tax (expense)/benefit	(718)	(1,241)	723
Profit/(loss) and total comprehensive income/(loss) for the year	(10,276)	(46,096)	(87,160)
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Owner of the Company	(9,535)	(46,091)	(87,032)
Non-controlling interests	(741)	(5)	(128)
	(10,276)	(46,096)	(87,160)

Revenues

The following tables sets out the breakdown of the Group's revenue for the nine months ended 30 September 2021 and 30 September 2020.

	For the nine months ended 30 September	
	2020	2021
	<i>(thousands of GEL)</i>	
Commercial revenue	258,176	273,421
Mobile revenue	136,207	146,980
Mobile callout	76,906	76,845
Mobile data	49,067	59,943

Revenue from SMS	6,819	6,565
Revenue from other services	2,879	3,096
Revenue from phone sales and accessories	536	531
Fixed revenue.....	121,969	126,441
Fixed broadband.....	73,346	75,699
Pay TV	33,572	34,693
Fixed telephone	12,510	10,790
Revenue from other services	874	3,286
Infrastructure capacity rental service.....	1,667	1,973
Carrier and other services	24,732	32,942
Interconnect service ⁽¹⁾	16,011	19,916
Infrastructure capacity rental service.....	5,453	7,417
Roaming revenue.....	1,630	3,796
Internet wholesale	1,638	1,813
Total revenues.....	282,908	306,363

Note:

- (1) Revenue from interconnect service is generated by both segments as follows: GEL 17.3 million by the mobile services segment and GEL 2.6 million by the fixed services during the nine months ended 30 September 2021 (for the nine months ended 30 September 2020, GEL 12.6 million by mobile services segment and GEL 3.4 million by the fixed services segment).

The following table sets out the breakdown of the Group's revenue for the year ended 31 December 2020, 31 December 2019, and 31 December 2018.

	For the year ended 31 December		
	2018	2019	2020
	(thousands of GEL)		
Commercial revenue	289,492	346,155	347,557
Mobile revenue	140,331	182,755	183,357
Mobile callout	83,658	105,831	103,179
Mobile data.....	40,589	57,919	66,286
Revenue from SMS	9,507	12,698	9,212
Revenue from other services	3,980	4,022	3,873
Revenue from phone sales and accessories	2,597	2,285	807
Fixed revenue.....	149,161	163,400	164,200
Fixed broadband.....	83,243	94,329	98,164
Pay TV	36,025	43,013	45,453
Fixed telephone	22,382	19,559	16,449
Infrastructure capacity rental service.....	1,773	2,067	2,336
Revenue from other services	3,200	3,341	1,798
Wireless telephone ("CDMA") service ⁽¹⁾	2,538	1,091	-
Carrier and other services	54,818	41,000	34,598
Interconnect service ⁽²⁾	38,725	24,334	22,609
Infrastructure capacity rental service.....	7,876	7,820	7,763
Internet wholesale	1,844	2,060	2,183
Roaming revenue.....	6,373	6,786	2,043
Total revenues.....	344,310	387,155	382,155

Note:

- (1) From July 2019, the Group abandoned the CDMA technology and ceased its service. Part of the CDMA subscribers were migrated to mobile GSM technology.
- (2) Revenue from interconnect service is generated by both segments as follows: GEL 17.6 million by the mobile services segment and GEL 5 million by the fixed services during the year ended 31 December 2020 (for the year ended 31 December 2021, GEL 19.5 million by mobile services segment and GEL 4.8 million by the fixed services segment).

Mobile revenue

Mobile callout

Mobile callout revenue for the nine months ended 30 September 2021 was GEL 76.8 million, a decrease of GEL 0.1 million, or 0.1 per cent., compared to GEL 76.9 million for the nine months ended 30 September 2020. There was an increase in the number of mobile subscribers from 1,658 thousand as at 30 September 2020 to 1,722 thousand as at 30 September 2021, however, this increase was offset by the increase in the allocation of mobile data services to bundled packages, as a result of higher data consumption at the expense of mobile callout revenue.

Mobile callout revenue for the year ended 31 December 2020 was GEL 103.2 million, a decrease of GEL 2.6 million, or 2.5 per cent., from GEL 105.8 million for the year ended 31 December 2019. The decrease in mobile callout revenue was primarily attributable to the lower outgoing roaming service revenue generated from the Group's subscribers due to the impact of COVID-19 on travel and tourism levels in 2020.

Mobile callout revenue for the year ended 31 December 2019 was GEL 105.8 million, an increase of GEL 22.1 million, or 26.4 per cent., from GEL 83.7 million for the year ended 31 December 2018. The increase in mobile callout revenue was primarily attributable to the consolidation of Geocell into the Group.

Mobile data

Mobile data revenue for the nine months ended 30 September 2021 was GEL 59.9 million, an increase of GEL 10.8 million, or 22.0 per cent., compared to GEL 49.1 million for the nine months ended 30 September 2020. The increase in mobile data revenue was attributable to the increase in mobile data consumption as a result of the change in mobile subscribers' behavior following the COVID-19 pandemic. The change in behavior has increased penetration of mobile data users from 52.8 per cent. and 57.3 per cent. as at 31 December 2018 and 31 December 2019, respectively, to 61.4 per cent. and 66.4 per cent., as at 31 December 2020 and 30 September 2021, respectively. It has also increased average monthly usage per subscriber ("AUPU") from 1.3 GB and 2.7 GB as at 31 December 2018 and as at 31 December 2019, respectively to 5.8 GB and 7.6 GB as at 31 December 2020 and as at 30 September 2021, respectively.

Mobile data revenue for the year ended 31 December 2020 was GEL 66.3 million, an increase of GEL 8.4 million, or 14.5 per cent., from GEL 57.9 million for the year ended 31 December 2019. The increase in mobile data revenue was predominantly as a result of the Group introducing unlimited data packages in 2020.

Mobile data revenue for the year ended 31 December 2019 was GEL 57.9 million, an increase of GEL 17.3 million, or 42.6 per cent., from GEL 40.6 million for the year ended 31 December 2018. The increase in mobile data revenue was due to the consolidation of Geocell and increase in AUPU and by the increased number of mobile data subscribers.

Other revenues

Revenue from other services in mobile services segment for the nine months ended 30 September 2021 was GEL 3.1 million, an increase of GEL 0.2 million, or 6.9 per cent., compared to GEL 2.9 million for the nine months ended 30 September 2020 and revenue from other services in fixed services segment for the nine months ended 30 September 2021 was GEL 3.3 million, an increase of GEL 2.4 million, or 266.7 per cent., compared to GEL 0.9 million for the nine months ended 30 September 2020. The increase in revenue from other services in fixed services segment was primarily due to the recovery of advertising revenue as compared to 2020.

Revenue from other services in the mobile service segment for the year ended 31 December 2020 was GEL 3.9 million, a decrease of GEL 0.1 million, or 2.5 per cent., compared to GEL 4.0 million for year ended 31 December 2019 and revenue from other services in fixed service segment for the year ended 31 December 2020 was GEL 1.8 million, a decrease of GEL 1.5 million, or 45.5 per cent., compared to GEL 3.3 million for year ended 31 December 2019. Decrease is mainly attributable to reorganization of Group's advertising business.

Revenue from other services in mobile service segment for the year ended 31 December 2019 and for the year ended 31 December 2018 was GEL 4.0 million and remained stagnant. The revenue from other services in fixed service segment for the year ended 31 December 2019 was GEL 3.3 million, an increase of GEL 0.1 million, or 3.1 per cent., compared to GEL 3.2 million for year ended 31 December 2018.

Fixed revenue

Fixed broadband

Fixed broadband revenue for the nine months ended 30 September 2021 was GEL 75.7 million, an increase of GEL 2.4 million, or 3.3 per cent., compared to GEL 73.3 million for the nine months ended 30 September 2020.

The increase in revenue was primarily due to growth in ARPU. While fixed broadband subscribers base remained broadly stable, there was an increase in FTTH subscribers as a result of the roll-out of new FTTH networks aimed at replacing the legacy DSL technology.

Fixed broadband revenue for the year ended 31 December 2020 was 98.2 GEL million, an increase of GEL 3.9 million, or 4.1 per cent., compared to GEL 94.3 million for the year ended 31 December 2019. The increase in revenue was also due to expanding the existing internet subscriber base from 288,000 to 292,000. As a result, FTTH share in Group's internet subscribers base increased from 81.7 per cent. for the year ended 31 December 2019 to 88.7 per cent. for the year ended 31 December 2020, which contributed to an increase in ARPU.

Fixed broadband revenue for the year ended 31 December 2019 was 94.3 GEL million, an increase of GEL 11.1 million, or 13.3 per cent., compared to GEL 83.2 million for the year ended 31 December 2018. The increase was primarily due to substantial growth in average ARPU driven by price changes effective from the second quarter of 2019. The remaining revenue increase is attributable to the increase in internet users base from 278,000 to 288,000.

Pay TV

Pay TV revenue for the nine months ended 30 September 2021 was GEL 34.7 million, an increase of GEL 1.1 million, or 3.3 per cent., compared to GEL 33.6 million for the nine months ended 30 September 2020. The increase in pay TV revenue was primarily due to the increased subscriber base as a result of increased penetration in FTTH networks.

Pay TV service revenue for the year ended 31 December 2020 was GEL 45.5 million, an increase of GEL 2.5 million, or 5.8 per cent., compared to GEL 43.0 million for the year ended 31 December 2019. This increase in pay TV revenue in 2020 was mainly attributable to the increase in pay TV subscribers from 222,000 to 228,000 and ARPU.

Pay TV service revenue for the year ended 31 December 2019 was GEL 43.0 million, an increase of GEL 7.0 million, or 19.4 per cent., compared to GEL 36.0 million for the year ended 31 December 2018. The increase in pay TV revenue was primarily due to the substantial growth in ARPU in 2019, mainly driven by price changes effective from the second quarter of 2019 and increase in subscribers from 213,000 to 222,000. The increase was predominantly due to rising number of additional set-top-boxes per subscriber and activation of new services.

Fixed telephone

Fixed telephone revenue for the nine months ended 30 September 2021 was GEL 10.8 million, a decrease of GEL 1.7 million, or 13.6 per cent., compared to GEL 12.5 million for the nine months ended 30 September 2020.

Fixed telephone revenue for the year ended 31 December 2020 was GEL 16.4 million, a decrease of GEL 3.2 million, or 16.3 per cent., compared to GEL 19.6 million for the year ended 31 December 2019.

Fixed telephone revenue for the year ended 31 December 2019 was GEL 19.6 million, a decrease of GEL 2.8 million, or 12.5 per cent., compared to GEL 22.4 million for the year ended 31 December 2018.

The decline in fixed telephone revenue between 2018 and 2021 was primarily due to the market trend of gradually declining voice usage and mobile substitution.

Infrastructure capacity rental service

Revenue from infrastructure capacity rental services in fixed services segment for the nine months ended 30 September 2021 was GEL 2.0 million, an increase of GEL 0.3 million, or 17.6 per cent., compared to GEL 1.7 million for the nine months ended 30 September 2020. The increase was primarily due to the increased demand for the Group's duct rental services from B2B subscribers.

Revenue from infrastructure capacity rental services in fixed services segment for year ended 31 December 2020 was GEL 2.3 million, an increase of GEL 0.2 million, or 9.5 per cent., compared to GEL 2.1 million for the year ended 31 December 2019. The increase was primarily due to the increased demand for the Group's dark fiber rental services from B2B subscribers.

Revenue from infrastructure capacity rental services in fixed services segment for year ended 31 December 2019 was GEL 2.1 million, an increase of GEL 0.3 million, or 16.7 per cent., compared to GEL 1.8 million for the year ended 31 December 2018. The increase was predominantly attributable to growing demand for the Group's dark fiber rental services from B2B subscribers.

Dark fiber means unused optical fiber that has been laid but is not currently being used in fiber-optic communications. Dark fiber services are provided by telecommunications operators to maintain optical fiber transmission capacity between customer locations where light for fibers is provided by the customers.

Wireless telephone ("CDMA") service

Wireless telephone ("CDMA") service revenue for the year ended 31 December 2019 was GEL 1.1 million, a decrease of GEL 1.4 million, or 56.0 per cent., compared to GEL 2.5 million, for the year ended 31 December 2018. As a result of the decline in usage of CDMA technology, the Group did not use any resources to maintain the technology and decided to terminate this business line in 2019 as a result no revenue is available for the year ended 31 December 2020 and the nine months ended 30 September 2021.

Carrier and other services (wholesale)

Interconnect service

Interconnect service revenue for the nine months ended 30 September 2021 was GEL 19.9 million, an increase of GEL 3.9 million, or 24.4 per cent., compared to GEL 16.0 million for the nine months ended 30 September 2020. The increase in interconnect service revenue was primarily due to introduction of the bulk SMS interconnection tariff. For more information, see "*Factors Affecting Financial Condition and Operations of the Group—Interconnection and international call termination*".

Interconnect service revenue for the year ended 31 December 2020 was GEL 22.6 million, a decrease of GEL 1.7 million, or 7.0 per cent., compared to GEL 24.3 million for the year ended 31 December 2019. The decrease in interconnect service revenue was due to the decrease in tourism activity as a result of the COVID-19 pandemic and declining trend in international call as a result of over-the-top services. For more information, see "*Factors Affecting Financial Condition and Operations of the Group—Interconnection and international call termination*".

Interconnect service revenue for the year ended 31 December 2019 was GEL 24.3 million, a decrease of GEL 14.4 million, or 37.2 per cent., compared to GEL 38.7 million for the year ended 31 December 2018. The decrease in interconnect service revenue was primarily due to change in local interconnect tariffs. The change in local interconnection tariffs came into effect in July 2018 and implementation was completed by January 2019. For more information, see "*Factors Affecting Financial Condition and Operations of the Group—Interconnection and international call termination*".

Infrastructure capacity rental services

Revenue from infrastructure capacity rental services in the carrier and other services segment for the nine months ended 30 September 2021 was GEL 7.4 million, an increase of GEL 1.9 million, or 34.5 per cent., compared to GEL 5.5 million for the nine months ended 30 September 2020. The increase was predominantly due to a new clear channel service agreement.

Revenue from infrastructure capacity rental services in the carrier and other services segment for the year ended 31 December 2020 and for the year ended 31 December 2019 was GEL 7.8 million and remained stagnant.

Revenue from infrastructure capacity rental services in the carrier and other services segment for the year ended 31 December 2019 was GEL 7.8 million, a decrease of GEL 0.1 million, or 1.3 per cent., compared to GEL 7.9 million for the year ended 31 December 2018. The decrease was predominantly due to the elimination of revenue from Geocell following the Geocell Acquisition.

Roaming revenue

Roaming revenue for the nine months ended 30 September 2021 was GEL 3.8 million, an increase of GEL 2.2 million, or 137.5 per cent., compared to GEL 1.6 million for the nine months ended 30 September 2020. The increase in revenue was mainly attributable to the increase in tourism levels as a result of the COVID-19 restrictions being lifting.

Roaming revenue for the year ended 31 December 2020 was GEL 2.0 million, a decrease of GEL 4.8 million, or 70.6 per cent., compared to GEL 6.8 million for the year ended 31 December 2019. The decrease in roaming revenue was predominantly due to the decrease in tourism levels as a result of the COVID-19 travel restrictions. The COVID-19 travel restrictions resulted in the number of foreign visitors in Georgia to decrease by 74.9 per cent. for the year ended 31 December 2020.

Roaming revenue for the year ended 31 December 2019 was GEL 6.8 million, an increase of GEL 0.4 million, or 6.2 per cent., compared to GEL 6.4 million for the year ended 31 December 2018. The increase was as a result of an increase of 8.4 per cent. in the number of foreign visitors entering Georgia.

Operating costs and expenses

The following table sets out the components of the Group's operating costs and expenses for the for the years ended 31 December 2018, 31 December 2019, 31 December 2020 and for the nine months ended 30 September 2020 and 30 September 2021.

	For the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Costs and expenses:					
Depreciation and amortisation.....	98,459	111,662	117,444	87,753	87,422
Salaries and benefits.....	55,506	58,142	57,075	42,420	46,422
Purchased services.....	46,662	31,357	38,743	28,204	32,092
Other expenses	31,565	31,872	25,410	17,636	17,146
Interconnect fees and roaming expense.....	28,956	17,837	16,242	11,597	13,829
Network management and maintenance costs.....	16,494	15,747	16,410	12,158	12,265
Pay TV content cost	9,976	11,218	12,932	9,444	8,699
Advertising and marketing	4,659	8,047	6,204	4,545	5,452
Infrastructure capacity rentals, IRU and lease expenses	18,316	9,199	6,996	5,384	4,516
Change in fair value of investment property	-	-	3,277	-	-
Costs of SIM cards, scratch cards and other cost of sales.....	3,073	2,795	916	613	531
Bargain gain from acquisition	(41,845)	-	-	-	-

Depreciation and amortisation

The Group's depreciation and amortisation for the nine months ended 30 September 2021 was GEL 87.4 million, a decrease of GEL 0.4 million, or 0.5 per cent., compared to GEL 87.8 million for the nine months ended 30 September 2020. The decrease was due to increased portion of fully depreciated assets for the period ended 30 September 2021.

The Group's depreciation and amortisation for the year ended 31 December 2020 was GEL 117.4 million, an increase of GEL 5.7 million, or 5.1 per cent., compared to GEL 111.7 million for the year ended 31 December 2019. The increase in depreciation and amortization was predominantly due to the material capital expenditures incurred by the Group as a result of investing in property and equipment and intangible assets during the years ended 31 December 2020 and 2019.

The Group's depreciation and amortisation for the year ended 31 December 2019 was GEL 111.7 million, an increase of GEL 13.2 million, or 13.4 per cent., compared to GEL 98.5 million for the year ended 31 December 2018. This increase was as a result of the Geocell Acquisition and the adoption of IFRS 16 in 2019, resulting in material depreciation charges accrued on right-of-use assets recognized by the Group.

Salaries and benefits

The Group's salaries and benefits for the nine months ended 30 September 2021 were GEL 46.4 million, an increase of GEL 4.0 million, or 9.4 per cent., compared to GEL 42.4 million for the nine months ended 30 September 2020. This increase was due to the increase in employee wages and an increase in incentive-based direct sales remuneration following the easing of COVID-19 restrictions.

The Group's salaries and benefits for the year ended 31 December 2020 were GEL 57.1 million, a decrease of GEL 1.0 million, or 1.7 per cent., compared to GEL 58.1 million for the year ended 31 December 2019. The decrease in salaries and benefits from the year ended 31 December 2019 to the year ended 31 December 2020 was due to the decrease in incentive-based direct sales as a result of imposed restrictions on economy due to COVID-19 pandemic. In addition, the Government, in order to support Georgian companies, granted tax relief on personal income tax on certain income levels, which also contributed to the decrease in salary and benefits for the year ended 31 December 2020.

The Group's salaries and benefits for the year ended 31 December 2019 were GEL 58.1 million, an increase of GEL 2.6 million, or 4.7 per cent., compared to GEL 55.5 million for the year ended 31 December 2018. The increase in salaries and benefits was primarily due to the Geocell Acquisition.

Purchased services

Purchased services comprised professional fees, internet protocol (IP) cost, utility expenses, internet clear channel costs, software maintenance service and other purchased services.

The Group's purchased services for the nine months ended 30 September 2021 were GEL 32.1 million, an increase of GEL 3.9 million, or 13.8 per cent., compared to GEL 28.2 million for the nine months ended 30 September 2020. The increase was primarily due to an adverse change in utility expenses of GEL 4.4 million, or 57.9 per cent., as a result of significant growth in electricity tariffs that came into effect from January 2021.

The Group's purchased services for the year ended 31 December 2020 were GEL 38.7 million, an increase of GEL 7.3 million, or 23.2 per cent., compared to GEL 31.4 million for the year ended 31 December 2019. The increase was mainly attributable to the higher professional services and software maintenance costs. Professional fee increased by GEL 5.3 million, or 151.4 per cent. and software maintenance service increased by GEL 1.6 million or 16.2 per cent. The increase in professional fees is primarily attributable to consulting services in relation to strategy development, funding, investment decisions and various research. A considerable proportion of the Group's software and maintenance service cost is denominated in Euro and U.S. Dollar, such that the depreciation of Lari against the Euro and the U.S. Dollar increased these costs when expressed in Lari.

The Group's purchased services for the year ended 31 December 2019 were GEL 31.4 million, a decrease of GEL 15.3 million, or 32.8 per cent., compared to GEL 46.7 million for the year ended 31 December 2018. The decrease was primarily due to the changes in professional fees and utility expenses. Professional fees decreased by GEL 19.1 million or 84.5 per cent. The decrease was primarily due to one-off consulting expenses incurred in relation to the Geocell Acquisition, partially offset by the consulting expenses incurred in relation to the Silknet 2019 Bonds. Utility expenses increased by GEL 2.2 million, or 27.8 per cent. The increase in utility expenses was a result of acquiring Geocell at the end of the first quarter of 2018.

The following table sets out the breakdown of the Group's purchased services for the years ended 31 December 2018, 31 December 2019, 31 December 2020 and for the nine months ended 30 September 2020 and 30 September 2021.

	For the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	<i>(thousands of GEL)</i>				
Utility expenses	7,893	10,141	10,128	7,635	11,950
Software maintenance service	8,734	9,936	11,498	8,364	8,388
Professional fees.....	22,645	3,469	8,794	6,050	5,188
Internet clear channel costs	3,392	3,557	3,717	2,628	3,420
Internet protocol (IP) cost.....	3,583	4,159	4,510	3,453	3,120
Other purchased services.....	415	95	96	74	26
Total purchased services.....	46,662	31,357	38,743	28,204	32,092

Other expenses

The following table sets out the breakdown of the Group's other expenses for the nine months ended 30 September 2020 and for the nine months ended 30 September 2021.

	For the nine months ended 30 September	
	2020	2021
	(thousands of GEL)	
Property and other taxes	3,246	3,607
Communication Regulation fee	2,374	2,557
Security expenses	1,713	1,809
Fuel and lubricants used	1,653	1,614
Allowance for impairment of trade and other receivables	1,490	1,386
Bank fees and charges	1,205	1,352
Transportation services	989	1,141
Charity expenses	2,617	986
Office stationary and other supplies	827	605
Commission for cash receipts	504	480
Write-down of slow moving inventory, property and equipment and other non-current assets	1,130	466
Loss on disposals of property and equipment	558	345
Business trip expenses	291	332
Dealers commission	165	158
Other (income)/expenses	(1,126)	307
Total	17,636	17,146

The following table sets out the breakdown of the Group's other expenses for the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

	For the years ended 31 December		
	2018	2019	2020
	(thousands of GEL)		
Property and other taxes	4,129	4,433	4,150
Write-down of slow moving inventory, property and equipment and other non-current assets	4,170	335	4,118
Communication regulation fee	2,578	3,217	3,233
Charity expenses	956	1,184	3,063
Security expenses	1,879	2,424	2,254
Fuel and lubricants used	1,253	2,505	2,136
Allowance for impairment of trade and other receivables	2,638	4,188	1,910
Bank fees and charges	2,635	3,101	1,708
Transportation services	893	1,319	1,367
Office stationary and other supplies	802	1,330	1,132
Commission for cash receipts	789	713	670
Loss on disposals of property and equipment	4,719	6,525	487
Business trip expenses	1,163	966	350
Dealers commission	695	288	218
Provision for impairment of loan issued	4,113	-	-
Other income	(1,847)	(656)	(1,386)
Total	31,565	31,872	25,410

The Group's other expenses for the nine months ended 30 September 2021 were GEL 17.1 million, a decrease of GEL 0.5 million, or 2.8 per cent., compared to GEL 17.6 million for the nine months ended 30 September 2020.

Charity expenses for the nine months ended 30 September 2021 amounted to GEL 1.0 million, a decrease of GEL 1.6 million, or 61.5 per cent., compared to GEL 2.6 million for the nine months ended 30 September 2020. Due to the COVID-19 pandemic, the Group incurred significant charity expenses in the nine months ended 30 September 2020.

Other (income)/expenses decreased from income of GEL 1.1 million for the nine months ended 30 September 2020 to expense of GEL 0.3 million for the nine months ended 30 September 2021. The decrease in other (income)/expenses was a result of incurring non-recurring items in the nine months ended 30 September 2020.

The Group's other expenses for the year ended 31 December 2020 was GEL 25.4 million, a decrease of GEL 6.5 million, or 20.4 per cent., compared to GEL 31.9 million for the year ended 31 December 2019. The decrease of GEL 6.5 million was due to the Group incurring certain non-recurring expenses during the year ended 31 December 2019, such as, impairment of pre-acquisition balances of Geocell and disposal of property and equipment. The decrease was partially offset by the significant charity expenses incurred during the year ended 31 December 2020 as a result of the COVID-19 pandemic.

The Group's other expenses for the year ended 31 December 2019 were GEL 31.9 million, an increase of GEL 0.3 million, or 1.0 per cent., compared to GEL 31.6 million for the year ended 31 December 2018. Despite the fact that the Group incurred significant non-recurring expenses, such as write-down of slow-moving inventory and other non-current assets, during the year ended 31 December 2018 compared to the year ended 31 December 2019, those expenses were offset by the increase in other expenses incurred in 2019 as a result of the Geocell Acquisition.

Network management and maintenance costs

Network management and maintenance costs for the nine months ended 30 September 2021 were GEL 12.3 million, an increase of GEL 0.1 million, or 0.8 per cent., compared to GEL 12.2 million for the nine months ended 30 September 2020 and remained stable over the period.

Network management and maintenance costs for the year ended 31 December 2020 were GEL 16.4 million, an increase of GEL 0.7 million or 4.5 per cent., compared to GEL 15.7 million for the year ended 31 December 2019. The increase was as a result of higher costs incurred to replace customer premises equipment.

Network management and maintenance costs for the year ended 31 December 2019 were GEL 15.7 million, a decrease of GEL 0.8 million or 4.8 per cent., compared to GEL 16.5 million for the year ended 31 December 2018. The decrease was primarily due to the synergy impact from the Geocell Acquisition.

Interconnect fees and roaming expense

Interconnect fees and roaming expenses for the nine months ended 30 September 2021 were GEL 13.8 million, an increase of GEL 2.2 million or 19.0 per cent., compared to GEL 11.6 million for the nine months ended 30 September. The increase was due to an increase in SMS interconnect expense, which was accrued for the entire nine months ended 30 September 2021, whereas for 2020, it only accrued between August and September 2020. The increase was also due to the increase in traffic costs and roaming expenses following the easing of COVID-19 restrictions.

Interconnect fees and roaming expenses for the year ended 31 December 2020 were GEL 16.2 million, a decrease of GEL 1.6 million or 9.0 per cent., compared to GEL 17.8 million for the year ended 31 December 2019. The decrease in interconnect fees and roaming expenses from the year ended 31 December 2019 to the year ended 31 December 2020 was mainly attributable to decrease in roaming expense as result of travel restrictions imposed due to the COVID-19 pandemic. In 2020, the GNCC introduced bulk SMS regulation resulting in the Group accruing bulk SMS interconnect expenses for the year ended 31 December 2020.

Interconnect fees and roaming expenses for the year ended 31 December 2019 were GEL 17.8 million, a decrease of GEL 11.2 million or 38.6 per cent., compared to GEL 29.0 million for the year ended 31 December 2018. The decrease in interconnect fees and roaming expenses from the year ended 31 December 2018 to the year ended 31 December 2019 was primarily due to change in interconnection tariffs. In October 2017, the GNCC proposed new local interconnection tariffs, which came into effect in July 2018 and were fully implemented by January 2019.

For more information on the changes in interconnect fees during 2018 to 2021, see "*Factors Affecting Financial Condition and Operations of the Group—Interconnection and international call termination*".

Pay TV content cost

Pay TV content cost for the nine months ended 30 September 2021 was GEL 8.7 million, a decrease of GEL 0.7 million or 7.4 per cent., compared to GEL 9.4 million for the nine months ended 30 September 2020. The decrease

in Pay TV content cost was predominantly due to the revision of content portfolio and the opposite effect of depreciation of Lari. The majority of the Issuer's pay TV content cost is denominated in Euro and U.S. Dollar. During the nine months ended 30 September 2021 to the nine months ended 30 September 2020, the Lari depreciated by 13.4 per cent. and 6.5 per cent. on an average basis against the Euro and the U.S. Dollar, respectively.

Pay TV content cost for the year ended 31 December 2020 was GEL 12.9 million, an increase of GEL 1.7 million or 15.2 per cent., compared to GEL 11.2 million for the year ended 31 December 2019. The increase in pay TV content cost from 2019 was mostly attributable to the depreciation of Lari against the Euro and the U.S. Dollar, in which the majority of the Group's pay TV content cost is denominated. From 1 January 2019 to 31 December 2020, the Lari depreciated by 12.6 per cent. and 10.3 per cent. against the Euro and the U.S. Dollar on an average basis, respectively.

Pay TV content cost for the year ended 31 December 2019 was GEL 11.2 million, an increase of GEL 1.2 million or 12.0 per cent., compared to GEL 10.0 million for the year ended 31 December 2018. The increase in pay TV content cost was primarily due to the depreciation of Lari against the Euro and the U.S. Dollar, in which the majority of the Issuer's Pay TV content cost is denominated. From the year ended 31 December 2018 to the year ended 31 December 2019 Lari depreciated by 5.5 per cent. and 11.2 per cent. against the Euro and the U.S. Dollar, respectively, on average basis.

Infrastructure capacity rentals, IRU and lease expenses

Infrastructure capacity rentals, IRU and lease expenses for the nine months ended 30 September 2021 was GEL 4.5 million, a decrease of GEL 0.9 million or 16.7 per cent., compared to GEL 5.4 million for the nine months ended 30 September 2020. The decrease was predominantly due to optimization of LTE base stations rental expenses.

Infrastructure capacity rentals, IRU and lease expenses for the year ended 31 December 2020 was GEL 7.0 million, a decrease of GEL 2.2 million or 23.9 per cent., compared to GEL 9.2 million for the year ended 31 December 2019. The decrease from the year ended 31 December 2019 to the year ended 31 December 2020 was primarily due to the closure of service centres imposed by the Government as a result of the COVID-19 pandemic.

Infrastructure capacity rentals, IRU and lease expenses for the year ended 31 December 2019 was GEL 9.2 million, a decrease of GEL 9.1 million or 49.7 per cent., compared to GEL 18.3 million for the year ended 31 December 2018. The decrease from the year ended 31 December 2018 to the year ended 31 December 2019 was primarily due to the implementation of IFRS 16. For more information, see "*Change in accounting policy*".

Advertising and marketing

Advertising and marketing expenses for the nine months ended 30 September 2021 was GEL 5.5 million, an increase of GEL 1.0 million or 22.2 per cent., compared to GEL 4.5 million for the nine months ended 30 September 2020. Following the easing of restrictions imposed as a result of the COVID-19 pandemic, economic activities saw growth, resulting in the Group recovering its marketing activities.

Advertising and marketing expenses for the year ended 31 December 2020 was GEL 6.2 million, a decrease of GEL 1.8 million or 22.5 per cent., compared to GEL 8.0 million for the year ended 31 December 2019. The decrease in advertising and marketing expenses is predominantly due to a decrease in marketing activities conducted by the Group as a result of restrictions implemented due to the COVID-19 pandemic.

Advertising and marketing expenses for the year ended 31 December 2019 was GEL 8.0 million, an increase of GEL 3.3 million or 70.2 per cent., compared to GEL 4.7 million for the year ended 31 December 2018. The increase in advertising and marketing expenses from the year ended 31 December 2018 to the year ended 31 December 2019 was primarily due to increased marketing campaigns by the Group to promote improved network coverage and technology and increased presence in digital channels.

Change in fair value of investment property

Investment property fair value has decreased slightly by GEL 3.3 million for the year ended 31 December 2020 on a land plot acquired in 2019. The decrease was due to the slow-down of the Georgian economy during the COVID-19 pandemic. There was no change in fair value of investment property recorded for the year ended 31 December 2019 and for the nine months ended 30 September 2021. For more information, see note 15 to the 2020 Audited Consolidated Financial Statements.

Costs of SIM cards, scratch cards and other cost of sales

Costs of SIM cards, scratch cards and other costs of sales for the nine months ended 30 September 2021 was GEL 0.5 million, a decrease of GEL 0.1 million or 16.7 per cent., compared to GEL 0.6 million for the nine months ended 30 September 2020.

Costs of SIM cards, scratch cards and other cost of sales for the year ended 31 December 2020 was GEL 0.9 million, a decrease of GEL 1.9 million or 67.9 per cent., compared to GEL 2.8 million for the year ended 31 December 2019. The decrease in costs of SIM Cards, scratch cards and other costs of sales was due to the reduced demand for phones and accessories as a result of the restrictions in place during the COVID-19 pandemic.

Costs of SIM cards, scratch cards and other costs of sales for the year ended 31 December 2019 was GEL 2.8 million, a decrease of GEL 0.3 million or 9.7 per cent., compared to GEL 3.1 million for the year ended 31 December 2018.

Bargain gain from acquisition

For the year ended 31 December 2018, the Group recognized a bargain gain of GEL 41.8 million as a result of the Geocell Acquisition. This represents a positive difference between the net assets acquired (the net amount of the identifiable assets acquired, and the liabilities assumed at the date of the transaction) and consideration transferred.

Profit from operating activities

As a result of the foregoing, the Group's operating profit for the nine months ended 30 September 2021 was GEL 78 million, an increase of GEL 14.8 million or 23.4 per cent., compared to GEL 63.2 million for the nine months ended 30 September 2020.

The Group's operating profit for the year ended 31 December 2020 was GEL 80.5 million, a decrease of GEL 8.8 million or 9.9 per cent., compared to GEL 89.3 million for the year ended 31 December 2019.

The Group's operating profit for the year ended 31 December 2019 was GEL 89.3 million, an increase of GEL 16.8 million or 23.2 per cent., compared to GEL 72.5 million for the year ended 31 December 2018.

Net finance costs

Finance income for the nine months ended 30 September 2021 and 30 September 2020 was GEL 3.3 million and remained stagnant.

Finance income for the year ended 31 December 2020 was GEL 4.4 million, an increase of GEL 0.1 million or 2.3 per cent., compared to GEL 4.3 million for the year ended 31 December 2019. Finance income remained stable over the period.

Finance income for the year ended 31 December 2019 was GEL 4.3 million, an increase of GEL 1.6 million or 59.3 per cent., compared to GEL 2.7 million for the year ended 31 December 2018. The increase was attributable to the interest income on the Group's cash balances and higher interest income on IRU contracts.

Finance costs for the nine months ended 30 September 2021 were GEL 68.1 million, an increase of GEL 2.3 million or 3.5 per cent., compared to GEL 65.8 million for the nine months ended 30 September 2020. The increase was primarily due to the depreciation of Lari against the U.S. Dollar.

Finance costs for the year ended 31 December 2020 were GEL 90.5 million, a decrease of GEL 10.7 million or 10.6 per cent., compared to GEL 101.2 million for the year ended 31 December 2019. The elevated level of finance costs in 2019 was a result of incurring early refinancing fees on the loans relating to the Geocell Acquisition.

Finance costs for the year ended 31 December 2019 were GEL 101.2 million, an increase of GEL 54.0 million or 114.4 per cent., compared to GEL 47.2 million for the year ended 31 December 2018. The increase was primarily due to issuance of Silknet 2019 Bonds and loans related to financing the Geocell Acquisition, which were outstanding during 2018. The depreciation of Lari against U.S Dollar by 11.2 per cent. on average basis also had an impact on finance costs for the year ended 31 December 2019. In addition, following the adoption of IFRS 16, finance costs of GEL 6.9 million were accrued on lease liabilities and were added to finance costs for the year ended 31 December 2019.

Net change in fair value of financial instrument at FVTPL, as described in "*Loans and borrowings*", for the nine months ended 30 September 2021 was GEL 13 million loss, a decrease of GEL 21.6 million, compared to GEL 8.6 million income for the nine months ended 30 September 2020. The decrease was a result of the appreciation of Lari against U.S. Dollar from 31 December 2020 to 30 September 2021 compared to the depreciation of Lari against U.S. Dollar from 31 December 2019 to 30 September 2020.

Net change in fair value of financial instrument at FVTPL for the year ended 31 December 2020 was GEL 5.8 million income, an increase of GEL 7.2 million, compared to GEL 1.4 million loss for the year ended 31 December 2019. The increase was a result of the greater depreciation of Lari against U.S. Dollar during the year ended 31 December 2020 compared to year ended 31 December 2019.

A substantial part of the Group's capital expenditures, loan and borrowings and part of its operating expenses are denominated in foreign currency, thereby exposing the Group to foreign currency fluctuations.

Net foreign exchange gain for the nine months ended 30 September 2021 was GEL 31.6 million, as increase of GEL 119.6 million, compared to GEL 88.0 million loss for the nine months ended 30 September 2020. The increase is predominantly due to the appreciation of the Lari against the U.S Dollar by GEL 0.2 or 5.0 per cent. from 31 December 2020 to 30 September 2021 compared to the depreciation of Lari against U.S. Dollar from 31 December 2019 to 30 September 2020. Net foreign exchange loss for the year ended 31 December 2020 was GEL 88.1 million, an increase in loss of GEL 52.3 million, compared to GEL 35.8 million loss for the year ended 31 December 2019. The change is mostly attributable to the depreciation of Lari against U.S dollar from year ended 31 December 2019 to the year ended 31 December 2020.

Net foreign exchange loss for the year ended 31 December 2019 was GEL 35.8 million, a decrease of GEL 1.7 million, compared to GEL 37.5 million loss for the year ended 31 December 2018. Even though Lari depreciated against U.S. Dollar from 31 December 2018 to 31 December 2019 by GEL 0.2 or 7.1 per cent., loss decreased as the Group's U.S. Dollar-denominated cash balance increased, which partially off-set the adverse effect in currency fluctuations.

The Group's net finance cost for the nine months ended 30 September 2021 were GEL 46.1 million, compared to GEL 142 million for the nine months ended 30 September 2020.

The Group's net finance cost for the year ended 31 December 2020 were GEL 168.4 million, compared to GEL 134.1 million for the year ended 31 December 2019 and GEL 82.0 million for the year ended 31 December 2018.

Profit/(loss) before income tax

The Group's income before income tax for the nine months ended 30 September 2021 was GEL 31.9 million, as compared to a loss of GEL 78.9 million for the nine months ended 30 September 2020.

The Group's loss before income tax for the year ended 31 December 2020 was GEL 87.9 million, as compared to a loss of GEL 44.9 million for the year ended 31 December 2019 and GEL 9.6 million for the year ended 31 December 2018.

Profit/(loss) and total comprehensive income/(loss) for the year/period

As a result of the foregoing, the Group's net income amounted to GEL 31.7 million for the nine months ended 30 September 2021 and the Group's net loss amounted to GEL 78.2 million for the nine months ended 30 September 2020.

The Group's net loss amounted to GEL 87.2 million for the year ended 31 December 2020, to GEL 46.1 million for the year ended 31 December 2019 and to GEL 10.3 million for the year ended 31 December 2018.

Liquidity and Capital Resources

The Group has funded, and expects to continue to fund, its capital expenditures primarily with cash from operating activities.

Loans and borrowings

As at 30 September 2021, the Group had outstanding consolidated loans and borrowings of GEL 677.7 million compared to GEL 722.5 million as at 31 December 2020. The decrease in outstanding consolidated loans and borrowings was predominantly due to the Issuer redeeming its USD 10 million unsecured local bond in the first quarter of 2021. The decrease in outstanding consolidated loans and borrowings was also due to the favourable exchange rate movements after the year ended 31 December 2020. For the nine months ended 30 September 2021, Lari appreciated by 4.7 per cent. against U.S. Dollar, compared to the year ended 31 December 2020.

As at 30 September 2021, the Silknet 2017 Bonds and the Silknet 2019 Bonds are the only outstanding loans and borrowings relating to the Group.

As at 31 December 2020, the Group had outstanding consolidated loans and borrowings of GEL 722.5 million, compared to GEL 634.8 million as at 31 December 2019. The increase was due to the foreign exchange rate movements during 2020. For the year ended 31 December 2020, Lari depreciated by 14.3 per cent. against the

U.S. Dollar as compared to the year ended 31 December 2019, resulting in an increase in the value of the Group's borrowings when translated into Lari, which is the Group's reporting currency.

As at 31 December 2019, the Group had outstanding consolidated loans and borrowings of GEL 634.8 million, compared to GEL 443.4 million as at 31 December 2018. The increase in outstanding consolidated loans and borrowings was predominantly due to the issuance of the Silknet 2019 Bonds. The net proceeds from issuance of the Silknet 2019 Bonds amounted to GEL 529.5 million, (transactions costs of GEL 9.1 million were netted against the proceeds of the Silknet 2019 Bonds) which were used by the Group to repay its outstanding debt as at 31 December 2018.

In 2019, the Issuer entered into a five-year cross-currency swap agreement with TBC Bank to manage its USD denominated currency exposure related to the Silknet 2019 Bonds (the "**Swap Agreement**"). The swap was structured as a cash cover loan, whereby the Issuer deposited USD 35 million and took out a loan with an equivalent GEL amount (amounting to GEL 98.9 million). For more details, see "*General Credit Agreement*" below.

The value of the financial instrument at FVTPL equals GEL 13.4 million and GEL 4.9 million as at 31 December 2020 and 30 September 2021, respectively, through the Group's assets.

For more information, see note 20 to the 2020 Audited Consolidated Financial Statements.

The following table sets out a breakdown of the outstanding consolidated loans and borrowings of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	(thousands of GEL)			
Eurobonds – non-current ⁽¹⁾	-	554,954	634,084	604,321
Financial instrument at FVTPL – non-current ..	-	167	-	-
Secured bank loans – non-current	315,025	-	-	-
Unsecured local bonds – non-current	60,766	62,677	34,000	-
	375,791	617,798	668,084	604,321
Eurobonds – current	-	16,459	21,124	38,834
Secured bank loans – current	36,642	-	-	-
Unsecured local bonds – current	427	530	33,275	34,577
	37,069	16,989	54,399	73,411
Subordinated loan	30,546	-	-	-
	30,546	-	-	-
Total	443,406	634,787	722,483	677,732

⁽¹⁾References to Eurobond in the Consolidated Financial Statements means the Silknet 2019 Bonds for the purposes of these Listing Particulars.

The following table sets out the contractual maturities of the Group's financial liabilities including interest payments as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021.

	30 September 2021				
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
	(thousands of GEL)				
Eurobond ⁽¹⁾	USD	11%	2024	650,345	643,155
Unsecured local bonds	GEL	3.5% + refinancing rate	2022	34,577	34,577
Total loans and borrowings				684,922	677,732

⁽¹⁾References to Eurobond in the Consolidated Financial Statements means the Silknet 2019 Bonds for the purposes of these Listing Particulars.

31 December 2020					
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
	(thousands of GEL)				
Eurobond ⁽¹⁾	USD	11%	2024	664,588	655,208
Unsecured local bonds	GEL	3.5% + refinancing rate	2022	34,461	34,461
Unsecured local bonds	USD	8.50%	2021	32,814	32,814
Total loans and borrowings				731,863	722,483

⁽¹⁾References to Eurobond in the Consolidated Financial Statements means the Silknet 2019 Bonds for the purposes of these Listing Particulars.

31 December 2019					
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
	(thousands of GEL)				
Eurobond ⁽¹⁾	USD	11%	2024	581,394	571,413
Unsecured local bonds	GEL	3.5% + refinancing rate	2022	34,481	34,481
Unsecured local bonds	USD	8.50%	2021	28,727	28,727
		Note 20(f) of 2019 Audited Consolidated Financial Statements			
Financial instrument at FVTPL	GEL/USD		2024	167	167
Total loans and borrowings				644,769	634,787

⁽¹⁾References to Eurobond in the Consolidated Financial Statements means the Silknet 2019 Bonds for the purposes of these Listing Particulars.

31 December 2018					
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
	(thousands of GEL)				
Secured bank loans	USD	7.5% + 6 month Libor rate	2025	268,738	261,497
Secured bank loans	USD	11% + 6 month Libor rate	2025	26,876	26,876
Secured bank loans	GEL	12%	2024	37,630	37,630
Secured bank loans	GEL	11.70%	2024	25,664	25,664
Unsecured local bonds	USD	8.50%	2021	26,772	26,772
Unsecured local bonds	GEL	3.5% + refinancing rate	2022	34,421	34,421
Total loans and borrowings				420,101	412,860

Financing Arrangements

General Credit Agreement

On 19 July 2017, a general credit agreement was signed between the Issuer and TBC Bank (the "**General Credit Agreement**"). Within the scope of the agreement, the Issuer is able to receive credit and other credit instruments, such as overdrafts, guarantees and letters of credit. The General Credit Agreement does not specify the maximum amount of debt that may be incurred and a number of separate credit agreements have been entered into in respect of each debt instrument disbursed by TBC Bank. The Issuer is required to obtain the consent of TBC Bank prior to the payment of dividends by the Issuer where that would result in a reduction of the Issuer's equity to the amount which is less than half of the Issuer's liabilities owing to TBC Bank. Any obligations of the Issuer under the General Credit Agreement and related agreements, except for the Swap Agreement shall be secured by mortgage over certain immovable properties of the Issuer.

In March 2019, the Issuer and TBC Bank entered into a revolving credit facility agreement ("**RCF**") under the General Credit Agreement in the amount of USD 20 million, with provision of the facility being conditional on the issuance of the Silknet 2019 Bonds. Under the terms of the RCF, if the Issuer has any outstanding indebtedness under this agreement, it is required to obtain the consent of TBC Bank prior to the payment of any dividends by the Issuer. As at 30 September 2021, the credit facility has not been utilised. The Issuer intends to terminate the

RCF upon the refinancing of the Silknet 2019 Bonds. However, the Issuer may take out a revolving credit facility in the future for the purpose prescribed in Condition 4(n) (*Cash Cushion and Credit Facility*) of the Notes. Indebtedness of the Issuer under the RCF is secured by mortgage over certain immovable properties of the Issuer.

In 2019, the Issuer entered into the Swap Agreement. The swap was structured as a cash cover loan, whereby the Issuer deposited USD 35 million and took out a loan with an equivalent GEL amount (amounting to GEL 98.9 million). The Swap Agreement contains restrictive covenants, as well as an obligation to comply with the covenants set out in the terms and conditions of the Silknet 2019 Bonds. The loan bears an interest rate of 5.14 per cent. plus refinancing rate determined by NBG and the deposit bears an interest rate of 3.1 per cent. plus six-month LIBOR. The deposit is restricted to withdrawal and is pledged to secure the bank loan.

In addition, the Issuer and TBC Bank entered into a trade finance facility arrangement ("**TFF**") in the maximum amount of USD 30 million. The RCF and the TFF have covenants packages substantially similar to covenant set out in the terms and conditions of the Silknet 2019 Bonds. As at 30 September 2021, the Issuer has drawn approximately USD 9 million under the TFF. Obligations of the Issuer under the TFF are secured by mortgage over certain immovable properties of the Issuer.

Silknet 2017 Bonds, Consent Solicitation and Early Redemption by the Issuer

On 18 August 2017, Silknet issued GEL 34 million bonds with variable interest rate due on 18 August 2022 (the "**Silknet 2017 Bonds**"). The Silknet 2017 Bonds are admitted to the trading system and listing on the Georgian Stock Exchange.

On 5 October 2018, holders of the Silknet 2017 Bonds passed an extraordinary resolution approving the amended and restated (a) terms and conditions of the Silknet 2017 Bonds (the "**Local Bond Conditions**"), aligning the Local Bond Conditions more closely with the terms and conditions of the Silknet 2019 Bonds, and (b) agreement between the Issuer and TBC Capital LLC, as the bondholders' representative under the Silknet 2017 Bonds (the "**Bondholders' Representative Agreement**"), incorporating the Local Bond Conditions.

The covenants set out in the Local Bond Conditions include financial covenants, including leverage ratios. In order to avoid any inadvertent breach of the Local Bond Conditions and trigger of an event of default as a result of the issue of the Notes, the Issuer's management resolved to further amend the Local Bond Conditions in order to (a) enable the issuance of the Notes under the Local Bond Conditions, and (b) provide for the mandatory early redemption of the Silknet 2017 Bonds in full (the "**Amended Local Bond Conditions**").

On 10 January 2022, TBC Capital LLC, as the bondholders' representative under the Silknet 2017 Bonds, gave notice to the holders of the Silknet 2017 Bonds and convened a bondholders' meeting. On 21 January 2022, holders of the Silknet 2017 Bonds passed an extraordinary resolution to approve the Amended Local Bond Conditions, as well as relevant amendments to the Bondholders' Representative Agreement. In accordance with the Amended Local Bond Conditions, the Issuer intends to redeem the Silknet 2017 Bonds in full within five business days of the Issue Date of the Notes. See also "*Use of Proceeds*".

Silknet 2019 Bonds, Consent Solicitation and Early Redemption by the Issuer

On 2 April 2019, Silknet issued U.S.\$200 million senior unsecured notes with a fixed interest rate of 11 per cent. due in April 2024 (the "**Silknet 2019 Bonds**"). The Silknet 2019 Bonds are listed on the exchange regulated market of Euronext Dublin, and listed and admitted to trading on the Georgian Stock Exchange. Interest is payable semi-annually on 2 April and 2 October of each year, commencing on 2 October 2019. The net proceeds from the issuance of the Silknet 2019 Bonds amounted to GEL 529.5 million (transactions costs of GEL 9.1 million were netted against the proceeds of the issuance of the Silknet 2019 Bonds), which were used by the Group to repay its outstanding debt as at 31 December 2018.

As at 30 September 2021, the Issuer held a nominal value of U.S.\$2.6 million of the Silknet 2019 Bonds that were repurchased.

On 6 January 2021, the Issuer invited holders of the Silknet 2019 Bonds to: (i) tender any or all of Silknet 2019 Bonds held by them for purchase by the Issuer for cash (the "**Tender Offer**") and (ii) consent to amend by extraordinary resolution the terms and conditions of the Silknet 2019 Bonds to (A) enable the issuance of the Notes under the terms and conditions of the Silknet 2019 Bonds and permit the Issuer to adjourn any subsequent meetings *sine die*, and (B) provide for the mandatory early redemption of the Silknet 2019 Bonds for all (but not some only) of the Silknet 2019 Bonds remaining (if any) on completion of the Tender Offer. See also "*Use of Proceeds*".

Cash Flows

The following tables set forth certain information about the Group's consolidated cash flows for the nine months ended 30 September 2021 and 2020.

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

The following tables set forth certain information about the Group's consolidated cash flows for the year ended 31 December 2018, 31 December 2019 and 31 December 2020.

	For the years ended		
	31 December		
	2018	2019	2020
	(thousands of GEL)		
Cash flows from operating activities:			
Cash received from subscribers.....	338,901	402,001	407,659
Cash received from other telecom operators and for IRU contracts.....	32,968	31,269	20,045
Salaries and benefits paid to and on behalf of employees	(53,957)	(54,793)	(57,301)
Interconnection fees and expenses paid	(9,969)	(12,588)	(11,759)
Purchase of inventory	(14,765)	(11,232)	(9,717)
Taxes paid other than on income.....	(47,647)	(59,641)	(45,294)
Income tax paid	(1,140)	(837)	(258)
Network management and maintenance costs paid	(14,548)	(11,274)	(11,273)
Other operating expenses paid	(83,111)	(80,674)	(65,329)
Net cash from operating activities.....	146,732	202,231	226,773

Cash flows from investing activities:

Acquisition of property and equipment and intangible assets	(98,731)	(128,358)	(108,537)
Purchase of investment property	-	(29,582)	(31,783)
Proceeds from disposals of property and equipment.....	1,442	2,264	1,692
Acquisition of subsidiaries, net of cash acquired	(329,711)	-	-
Issue of loans.....	(727)	-	-
Repayment of issued loans	136	-	-
Interest received	463	2,517	2,713
Net cash used in investing activities	(427,128)	(153,159)	(135,915)

Cash flows from financing activities:

Interest paid.....	(33,633)	(56,663)	(83,782)
Net payments of financial instruments at FVTPL	-	(1,280)	(7,798)
Repayment of lease liabilities.....	-	(4,513)	(8,194)
Proceeds from borrowings.....	423,545	530,651	-
Repayment of borrowings	(67,006)	(367,863)	-
Loan refinancing fees paid	-	(7,262)	-
Repayment of subordinated loan	-	(30,326)	-
Repayment of subordinated loan interest	-	(4,989)	-
Repayment of promissory note.....	-	(43,170)	-
Dividends paid	(36,417)	(5,441)	-
Net cash (used in)/from financing activities	286,489	9,144	(99,774)

Effect of exchange rate changes on cash and cash equivalents	648	7,384	11,845

Net (decrease)/increase in cash and cash equivalents.....	6,741	65,600	2,929

Cash and equivalents at the beginning of the year	2,521	9,262	74,862

Cash and cash equivalents at the end of the year	9,262	74,862	77,791

Net cash from operating activities

For the nine months ended 30 September 2021, the Group's net cash from operating activities was GEL 165.1 million, an increase of GEL 0.2 million, or 0.1 per cent., compared to GEL 164.9 million for the nine months ended 30 September 2020.

Cash received from subscribers for the nine months ended 30 September 2021 was GEL 320.7 million, an increase of GEL 19.7 million, or 6.5 per cent., compared to GEL 301.0 million for the nine months ended 30 September 2020. This increase was predominantly due to the increase in commercial revenue of 5.9 per cent. for nine months ended 30 September 2021, compared to the nine months ended 30 September 2020.

Cash received from other telecom operators and for IRU contracts during nine months ended 30 September 2021 increased by GEL 2.9 million, or 19.3 per cent., compared to nine months ended 30 September 2020. This increase was primarily due to the increase of 33.2 per cent., in revenue from carrier services as a result of the increase in revenue from interconnect services and roaming revenue. Net cash from operating activities for the nine months ended 30 September 2021 was also affected by the increase in salaries and benefits and other operating expenses such as utility expenses.

For the year ended 31 December 2020, the Group's net cash from operating activities was GEL 226.8 million, an increase of GEL 24.6 million, or 12.2 per cent., compared to GEL 202.2 million for the year ended 31 December 2019. The increase in net cash from operating activities for the year ended 31 December 2020 to the year ended 31 December 2019 was partly attributable to increased commercial revenue, leading to increased cash received from subscribers. Increase in net cash from operating activities for the year ended 31 December 2020 to the year ended 31 December 2019 was also due to the several non-recurring expenses accrued in the year ended 31 December 2018 and paid in the year ended 31 December 2019.

For the year ended 31 December 2019, the Group's net cash from operating activities was GEL 202.2 million, an increase of GEL 55.5 million, or 37.8 per cent., compared to GEL 146.7 million for the year ended 31 December 2018. The increase in net cash from operating activities for the year ended 31 December 2019 to the year ended 31 December 2018 was primarily due to the Geocell Acquisition, which resulted in a significant increase in all of the cash flow line items. The increase in net cash from operating activities for the year ended 31 December 2019

compared to year ended 31 December 2018 was also attributable to higher other operating expenses incurred during 2018.

Net cash used in investing activities

For the nine months ended 30 September 2021, the Group's net cash used in investing activities was GEL 77.4 million, a decrease of GEL 24.5 million, or 24.0 per cent., compared to GEL 101.9 million for the nine months ended 30 September 2020. Significant net cash used in investing activities during the nine months ended 30 September 2020 was mainly attributable to the cash paid for the acquisition of investment property.

For the year ended 31 December 2020, the Group's net cash used in investing activities was GEL 135.9 million, a decrease of GEL 17.3 million, or 11.3 per cent., compared to GEL 153.2 million for the year ended 31 December 2019. The decrease in net cash used in investing activities was due to an approximately GEL 15 million payment for the frequency license acquired in 2018 (F105).

For the year ended 31 December 2019, the Group's net cash used in investing activities was GEL 153.2 million, a decrease of GEL 273.9 million, or 64.1 per cent., compared to GEL 427.1 million for the year ended 31 December 2018. The decrease in net cash used in investing activities for the year ended 31 December 2019 compared to the year ended 31 December 2018 was due to the Geocell Acquisition and to the acquisition of Global TV, together amounting to approximately GEL 330 million.

Net cash (used in)/from financing activities

For the nine months ended 30 September 2021, the Group's net cash used in financing activities was GEL 89.9 million, an increase of GEL 34.5 million, or 62.3 per cent., compared to net cash used in financing activities of GEL 55.4 million for the nine months ended 30 September 2020. The increase is mainly attributable to the redemption of unsecured local bond in the first quarter of 2021 and increased interest payments expressed in Lari on the Silknet 2019 Bonds due to the adverse foreign exchange rate movements.

For the year ended 31 December 2020, the Group's net cash used in financing activities was GEL 99.8 million, an increase of GEL 108.9 million, compared to the net cash received from the financing activities of GEL 9.1 million for the year ended 31 December 2019. The increase was predominantly due to the net proceeds from the issuance of the Silknet 2019 Bonds and consequent repayment of certain loans and promissory note in 2019.

For the year ended 31 December 2019, the Group's net cash from financing activities was GEL 9.1 million, a decrease of GEL 277.4 million, compared to GEL 286.5 million for the year ended 31 December 2018. The decrease was as a result of entering into loans in an amount of GEL 334.4 million for the Geocell Acquisition, entering into a guarantee agreement in relation to a GEL 35.0 million loan between Rhinestream Holdings and TBC Bank and reclassification of certain dividend to repayment of borrowings and interest paid, having no effect on total cash flow from financing activities. In addition, adoption of IFRS 16 in the year ended 31 December 2019 also had a significant effect on the classification of cash flow items.

On 28 December 2021, by way of a shareholder resolution, Silknet Holding LLC, as sole shareholder of the Issuer, approved declaration of a GEL 31 million dividend based on the net income for the nine months ended 30 September 2021, which is expected to be distributed in 2022.

Contingencies and commitments

The Group's contingencies and commitments are split out into taxation contingencies and litigation. See note 24 to the 2020 Audited Consolidated Financial Statements and 2019 Audited Consolidated Financial Statements.

BUSINESS DESCRIPTION OF THE GROUP

Overview

The Group is one of the leading telecommunications operators in Georgia, based on the number of subscribers (Source: GNCC). It is the leading fixed line operator and second largest IPTV and fixed broadband operator in Georgia and the second largest mobile operator in Georgia based on the number of subscribers as at the date of these Listing Particulars (Source: GNCC). Its primary operations comprise the provision of fixed broadband, pay television, fixed telephone and mobile services to a range of residential and corporate customers in Georgia, as well as wholesale connectivity and related services to domestic and international telecommunications operators. The Group's telecommunications network comprises over 4,000 kilometres of fiber across Georgia.

The Group primarily operates in Georgia. The Group mainly offers the following services:

- **Mobile services:** The Group provides voice and mobile broadband services, utilising 2G, 3G and 4G/LTE technologies from approximately 1,600 physical locations, of which 1,300 are macro and 300 are micro sites, including approximately 1,500 4G/LTE sites, in Georgia. Approximately 500 macro and 300 micro sites of the Group are connected by fiber. Following the Group's acquisition of Geocell in 2018, the Group became the second largest mobile operator in Georgia. As at 30 September 2021, the Group's mobile services had approximately 1.72 million mobile subscribers and a subscriber market share of approximately 33 per cent. in Georgia (Source: GNCC). For the nine months ended 30 September 2021, mobile services comprised 48 per cent. of the Group's revenues compared to 48 per cent. for the nine months ended 30 September 2020.
- **Fixed broadband services:** The Group's fixed broadband services comprise a technologically advanced offering of internet and data connectivity services to homes, businesses and other organisations, as well as additional data services to its corporate customers. As at 30 September 2021, the Group had approximately 293,000 subscribers and an approximate 30 per cent. market share of the fixed broadband market in Georgia based on the number of subscribers (Source: GNCC). Fixed broadband services comprised 25 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 26 per cent. for the nine months ended 30 September 2020.
- **Pay television:** The Group offers a variety of television programme options within its fixed line business through its IPTV digital offering, Silk TV and wireless television through Global TV and SilkSat. The Group also offers Silk Go, a streaming and VOD service available through the internet as well as an application, which allows customers to watch selected TV programmes on any mobile device with internet access. In 2019, the Group also launched silksport.ge, which is an online video and news portal that includes the Group's in-house sports channels. The Group's VOD services also include a community project called 'Home School' that provides recorded classes to students attending school across a wide age group. This project was especially relevant during the COVID-19 outbreak. The Group's ability to offer diversified content, such as premium sports content, has been an important factor in its ability to acquire new subscribers. The Group also produces and broadcasts a variety of proprietary television channels. The Group generated broadcasting revenue, revenue from channel sales and advertising, of GEL 3.0 million for the nine months ended 30 September 2021 compared to GEL 0.8 million for the nine months ended 30 September 2020. Pay TV comprised 11 per cent. of the Group's revenue for the nine months ended 30 September 2021 compared to 12 per cent. for the nine months ended 30 September 2020.
- **Fixed telephone services:** The Group offers a comprehensive range of fixed telephone services to residential and corporate customers. Key fixed line services include national and international fixed telephone services. As at 30 September 2021, the Group had approximately 197,000 subscribers and an approximate 57 per cent. share of the Georgian fixed line market based on the number of subscribers according to GNCC. The fixed line segment is experiencing a decline in demand as a result of the shift towards mobile services. VOIP technology is the only area in this segment that demonstrates growth. As a result, fixed telephone services comprised 4 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 4 per cent. for the nine months ended 30 September 2020. The Group is the market leader in both the number of subscribers and market share for fixed telephone services.

- **Carrier and other services (wholesale):** Carrier and other services (wholesale) are offered to local operators in Georgia as well as to international operators. Carrier and other services (wholesale) consist primarily of fixed and, through the Group's mobile services mobile interconnection services and data services provided to national and international operators including local call termination, international call termination, bulk SMS termination, transit, internet resale, rent of equipment and cash collections. Carrier and other services (wholesale) comprised 11 per cent. of the Group's revenue for the nine months ended 30 September 2021 compared to 9 per cent. for the nine months ended 30 September 2020.

In the nine months ended 30 September 2021, the Group's revenue was GEL 306.4 million compared to GEL 282.9 million in the nine months ended 30 September 2020. In the year ended 31 December 2020, the Group's revenue was GEL 382.2 million, compared to GEL 387.2 million in the year ended 31 December 2019, and GEL 344.3 million (not including results of operations of mobile service segment prior to Geocell Acquisition) in the year ended 31 December 2018.

The Group invests in a limited number of related businesses that are complementary to and support its retail, enterprise and wholesale telecommunications businesses. For more information see "*Business Description—Capital Structure—Subsidiaries*".

History

The Issuer was established by JSC United Telecom, Adjara Telecom Ltd. and Wanex Ltd on 2 April 2009. Rhinestream Holdings Limited was the sole shareholder of the Group between December 2010 and 19 April 2019. On 19 April 2019, Silknet Holding LLC, a majority-owned subsidiary of Silk Road Group Holding LLC, became the sole shareholder of the Group. The ultimate beneficial shareholders of the Group are George Ramishvili (36.3 per cent.), Yerkin Tatishev (36.3 per cent.), Alexsi Topuria (16.8 per cent.), David Borger (5.6 per cent.) and David Mamulaishvili (5.0 per cent.).

In July 2011, the Group acquired Novus LLC (as at the date of this Listing Particulars is currently inactive and in the process of liquidation), which owned certain television broadcasting rights. On 5 April 2012, the Group founded a Non-Entrepreneurial (Non-Commercial) Legal Entity NG Georgia which publishes the National Geographic magazine in Georgia and supports the activities of the National Geographic Society.

In January 2014, the Group acquired WiMax Georgia LLC (as at the date of this Listing Particulars is currently inactive and in the process of liquidation) which provided fixed wireless broadband service with WiMax technology. In the same year, the Group acquired an 85 per cent. equity interest in Georgian Media Network Ltd ("GMN"), which provided pay TV channels.

Since 2014, the Group has owned a 51 per cent. equity interest in Qarva. Qarva provides software, operation and maintenance support for the Group's IPTV service. In addition, Qarva develops software, adding new features, as requested by the Group. Any new product developed by Qarva for the Group is either owned by the Group or the Issuer has indefinite rights of usage. For more information see "*Material Contracts—Service agreements—Service Agreement with Qarva*".

Until August 2015, the Group performed the maintenance of its cable network, acquisition of new subscribers and new network rollout within its in-house unit. In 2015, the Group signed a non-exclusive contract to outsource these activities to Servicenet, a company which has performed several network rollout projects on the Group's behalf since 2013, to enhance its flexibility and cost-effectiveness. For more information see "*Material Contracts—Service Agreement with Servicenet*".

In December 2015, the Issuer merged with Vtel Georgia Ltd, which provided fixed wireless broadband services with WiMax technology. Following the merger, the Group became the owner of F48 and F53 spectrum licenses, which are currently used for fixed LTE services but are contemplated to be used by the Group for mobile LTE services in the future.

In December 2016, the Group acquired the remaining 15 per cent. equity interest in GMN and GMN merged with the Group. Following the merger, the Issuer became an authorised broadcaster.

In August 2017, the Group issued the Silknet 2017 Bonds. The terms and conditions of the Silknet 2017 Bonds were amended on 5 October 2018 and 21 January 2022 via a consent solicitation, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Financing Arrangements—Silknet 2017 Bonds, Consent Solicitation and Early Redemption by the Issuer*".

In January 2018, the Group acquired the pay TV operating segment from JSC Global TV Group for the consideration of GEL 5.3 million (net of VAT and excluding subscriber prepayments). In January 2018, the Issuer entered into the Geocell Share Purchase Agreement to acquire Geocell, the second-largest mobile services

operator in Georgia. The acquisition was completed on 20 March 2018 following regulatory approval from the GNCC and the merger was completed on 1 November 2018. However, the process had commenced earlier with the appointment of the management team for the combined entity, and a number of integration initiatives were also implemented including convergence initiatives, mobile network maintenance, cost rationalisation, distribution network concept, rebranding and IT transformation, and the appointment of an external adviser to assist with the integration process.

In October 2018, the Issuer transferred the maintenance of its mobile network sites to Servicenet. For more information see "*—Material Contracts—Service Agreement with Servicenet*".

On 19 April 2019, Rhinestream Holdings Limited transferred its entire shareholding in Silknet to a newly established holding company, Silknet Holding LLC. Silknet Holding LLC is owned 95 per cent. by Silk Road Group Holding LLC and 5 per cent. by Rhinestream Holdings Limited (Malta) and is registered in Georgia.

In April 2019, the Issuer issued the Silknet 2019 Bonds.

In July 2019, Silk Media LLC, a subsidiary of Silknet, was established for the purpose of operating the Euronews Georgia TV channel. The Euronews Georgia TV channel was launched in May 2020.

In August 2020, Yerkın Tatishev became a beneficial shareholder in Silknet with approximately a 36.3 per cent. equity interest. This was as a result of his acquisition of a 38.2 per cent. equity interest in Prometheus Holdings (Malta) Limited, the majority shareholder of Silk Road Group Holding LLC, which holds 95 per cent. equity interest in Silknet Holding LLC, the sole shareholder of Silknet.

Strategy

The Group's core strategy is to compete by aiming to provide customers with an improved and innovative customer experience, through building and leveraging powerful telecom infrastructure and data, internal innovation and obtaining rights to third-party products and services.

The Geocell Acquisition was strategically important to the Group. It resulted in the addition of mobile services to the Group's product range which represents a significant opportunity to build the leading convergent operator in the Georgian market with leadership in innovation and the capability to market fixed-mobile and television content offering to new customers with competitive pricing and limited additional investment compared to new players entering those markets.

Core Strategy Foundation

The Group is focused on developing the following areas that form the foundation of its core strategy:

Network Leadership

The Group is investing in and developing its network infrastructure in order to provide improved network quality to its customers and to operating efficiencies. Areas of focus for investment include:

- **Mobile network:** Geocell's mobile network required significant investments to catch up with the competition with respect to 4G coverage and key network parameters given the Group's 4G population was 57 per cent. which was significantly below that of its competition. Immediately following the Geocell Acquisition, the Group began investing in modernization of the mobile network and acquired a 2x5 MHz spectrum license in the 800 MHz band which was used as a base layer for the 4G coverage and was also used by the two other mobile operators in the market. For more information see, "*Business Description—Licenses*" below. The Group has also connected 36 per cent. of its macro sites with fiber. As a result of these investments, the Group's mobile network has been recognized as the fastest mobile network provider in Georgia according to Ookla, based on analysis of data for the third and fourth quarters of 2020. GNCC's regular drive tests throughout 2020 and 2021 show the Group's 4G/LTE mobile service as the fastest in Tbilisi and most of the other regions of Georgia.
- **Maintaining existing footprint:** The Group decided to maintain the network strategy used by both Silknet and Geocell, and concentrate its activities in key areas rather than extending coverage to more remote, less populated areas. Accordingly, the network investments were undertaken largely within the existing footprint.
- **Implementing gigabit-LTE technology:** The Group has pioneered the implementation of gigabit-LTE technology in Georgia, having already installed it in 263 sites in major cities (or 20 per cent. of its macro sites). The gigabit-LTE technology allows the Group to assume a technological advantage in the Georgian mobile market, as competitors have yet to implement such technology and lack spectrum resources to do so.

- *Improving fixed line network:* The Group recently modernized the fixed IP/MLS network, allowing it to accommodate greater subscriber data consumption, especially for broadband and IPTV traffic. In addition, the Group has continued to expand its FTTH network, reaching approximately 696,000 homes passed as at 30 September 2021.

Maintain technological innovation through IT transformation

The Group has recently undergone an IT transformation program, switching many of its current systems to new solutions, to improve and standardize processes across the Group. For more information, see "*Information Technology*". The Group believes that this IT transformation will give it a technological advantage over its competitors by improving customer experience, reducing the time required to launch new products and services, and improving customer segmentation and real-time analytics of data. The new system has improved time to market of new product and service launches by implementing advanced business process tools in accordance with the BPMN 2.0 standard, which allows the implementation of new processes or update of existing processes without requiring new coding by developers.

As a result of the mobile network modernization program and other capital expenditures, the Group's capital expenditure intensity was relatively high, with capital expenditures, excluding telecom operating licenses and right of use assets, comprising 28 per cent. of the Group's total revenues in 2019 and 33 per cent. in 2020.

High quality customer base

The Georgian market has low entry and exit barriers for subscribers due to the absence of long-term contracts, which makes bundling a key indicator of customer base quality. The Group believes that high bundling rates are indicative of a high quality customer base and lead to lower churn rate. The Group's fixed services are highly bundled, for example, 79 per cent. of B2C FTTH subscribers also subscribe for IPTV and most of its fixed broadband subscribers have voice service. The Group believes that there is an ongoing increase in the number of mobile subscribers using packages, for example, approximately 27 per cent. of its B2C subscribers purchase 'Meti' packages (voice/data/SMS) and the Group has recorded approximately 66 per cent. data penetration in mobile subscribers.

Subscribers with a broadband and IPTV bundle, many of whom likely use the Group's fixed line service, constitute the main target for cross selling of mobile services, as the Group believes that barriers to entry into new households are substantially higher than the barriers to entry for existing customers switching their mobile subscription. The Group has experienced an increase in convergence since the launch of the inaugural fixed-mobile convergent offers in Georgia in 2018, with approximately 15,000 Silk+ subscribers (with over 33,000 SIM cards), or 6.0 per cent. of the FTTH B2C subscribers as at 30 September 2021. The Group's main focus is completing the mobile network modernization program and then promoting convergent offers across its B2C subscriber base.

Experienced management team and high-quality workforce

The Group believes that its employees are integral to its business, and therefore aims to create job opportunities for people from diverse backgrounds, and to create a safe workplace environment where all employees feel engaged and supported. In 2020, the Group's employee retention rate amounted to 89 per cent. and employee turnover was 8 per cent.

The Group believes that it has a strong and stable Supervisory Board and executive team. All of the senior members of the Group's Supervisory Board and executive team have extensive knowledge of the telecommunications sector in Georgia and bring with them significant experience in leading telecommunications institutions. The Group continuously ensures that the composition of its executive team is aligned with the Group's strategy. In 2021, the Group decided to strengthen the executive team by appointing David Birman as the Chief Product and Brand Management Officer, a new position that would report to the CEO, and Nino Kankia as the Chief Technical Officer, such appointment expected to unify mobile and network technology management and operations under one leader.

The Group's internal process involving its employees is continuously evolving to support its goal to build a high quality workforce. The Group is in the process of evaluating its remuneration policy with the aim of improving performance management, ensuring more equitable pay and better aligning the interests of the Group and those of its employees.

Advanced capabilities and services

In addition to the core strategies outlined above, the Group is working on furthering its capabilities and services offered by investing in additional areas.

- *Advanced analytics:* The Group procured a campaign management solution from the SAS Institute and is currently in the process of implementing this in its operations. The Group expects to expand the utilization of data analytics by means of procuring third-party solutions and developing in-house expertise to better serve its subscribers, as well as streamline the Group's operations.
- *Loyalty Programs:* The Group also intends to use the above SAS Institute solution to create a loyalty program for the Group's subscribers. Initially, the loyalty program will focus on the services currently provided by the Group.
- *Convergence:* The Group intends to unify all services with a single Silknet ID and will seek to generate direct commercial synergies such as obtaining incremental fixed-mobile-digital applications subscribers from competition, lower churn of fixed-mobile customers and migration from prepaid to postpaid resulting in higher customer lifetime value and the premium price effect of fixed-mobile offers (ARPU growth). Residential consumers in the Georgian mobile telephone market have historically favored prepaid mobile contracts over postpaid services. The higher proportion of prepaid customers in turn supports relatively higher churn rates than postpaid customers. As part of the Group's convergent strategy, it intends to gradually switch certain customer segments from prepaid to postpaid contracts. This gives the Group the potential to grow its revenue and business by reducing churn rates.
- *Digital products and services:* Historically, the Group has offered separate self-service applications and websites for fixed and mobile services. Following the completion of its IT transformation, the Group intends to develop a new and convergent self-service application and website to offer increased flexibility to its subscribers.

The Group pioneered digital content delivery on the Georgian telecommunications market by means of applications and websites, such as Silk Go and silktv.ge. The Group intends to further develop digital applications to increase subscriber satisfaction and gain competitive advantage. Such applications may include improved video content delivery, music and gaming platforms. Digital applications are expected to play an important role in its convergence strategy. A product innovation and digital ecosystem development department was recently created to further focus the Group's efforts in this area.

- *Improving Brand:* The Group intends to further develop its brands to reflect its technological improvements and emphasize its focus on customers and digital services. The Group is currently in the process of evaluating its branding, including the merits of continuing with both Silknet and Geocell brands.
- *B2B ICT Service:* The Group is in the process of evaluating potential information and telecommunications solutions for its B2B subscribers, such as security, data center services and systems integration.

Ecosystem

In the longer term, the Group intends to implement an advanced layer of capabilities and services which will form the base of its digital ecosystem. This digital ecosystem will also encompass third-party products and services, unified by the Silknet ID and the loyalty program open to third parties. Such an ecosystem may include financial services as well.

Competitive Strengths

The Group believes that its business is characterized by the following key competitive strengths.

Convergent telecommunications operator with leading market positions

The Group is one of the leading convergent telecommunication operators in Georgia. It has the market-leading position as a fixed line operator (Source: GNCC) and is the second largest IPTV, fixed broadband operator and mobile provider based on the number of subscribers (Source: GNCC).

The Group's status as a converged telecommunication operator with leading positions across major product segments strongly positions it to capitalize on trends in the global telecommunications markets, likely to be adopted in Georgia, towards bundled and combined product offerings containing broadband, pay television, fixed line and mobile. By combining its network with its product differentiation based on digital applications and premium and exclusive content, the Group believes that there are significant opportunities to increase revenues by cross-selling bundled services. Broadband and IPTV bundled subscribers, which are also likely to use the Group's fixed line service, constitute the main target for cross-selling of mobile services, as the barriers of entry into households are substantially higher than the barriers to switching mobile subscription.

Mobile business

The Group has a well-established position as the second largest mobile operator in Georgia based on the number of subscribers, with a market share of 35.3 per cent. of total service revenue in the nine months ended 30 September 2021 (Source: GNCC). The Group's mobile services have a strong brand in Georgia as a result of being a leader in distribution network and customer service in the Georgian telecommunications market. It has provided a number of customer service innovations including the digitization of customer channels, online self-service portals, customer service contacts through social media and e-signatures. Since the Geocell Acquisition in 2018, the Group is continually significantly upgrading its network, to improve network performance, provide a better mobile data experience to its subscribers and drive further mobile data usage. Such investments will allow the Group to provide competitive network experience and complete market-leading end-to-end quality for its subscribers. For more information, see "*—Products and Services—Network Infrastructure—Wireless Mobile Network*".

Fixed line, fixed broadband and pay television business

The Group is a leader in the fixed line markets in Georgia, with a market share of 57 per cent., and is the second largest fixed broadband and IPTV provider in Georgia based on the number of subscribers with a market share of 31 per cent. and 34 per cent. in fixed broadband and pay television respectively as at 31 December 2020 (Source: GNCC). The Group's fixed infrastructure supports further expansion of the network in previously under-served localities, including for mobile service needs. The Group's Pay TV market position is supported by access to premium and exclusive content.

Unique and diversified content portfolio

The Group is the only telecommunications provider in Georgia that has developed its own IPTV platform which it believes to be "best in class" in Georgia. The Group also directly acquires rights to film, documentary, entertainment and sports content for its channels and provides Georgian language programs to its subscribers. The Group's ability to offer premium sports content including the Champions League, Europa League and La Liga football, NBA basketball and other competitions, some of it via exclusive contracts, has been an important factor in its ability to acquire new subscribers. The Group is also continuously developing streaming applications for Android, iOS and PC.

Leadership in under-penetrated and growing market segments

Mobile market

While wireless penetration rates in Georgia are high, as with most of Europe, there is potential for further increases in wireless data penetration due to increasing smartphone penetration and mobile data usage. As at 30 September 2021, mobile data penetration rate in Georgia was 62 per cent. (Source: GNCC). The Group believes it is positioned within the mobile service market as a high-quality provider and aims to capitalize on this by placing emphasis on the adoption of smartphones and increasing mobile data penetration in Georgia. The Group's strategy of content-based convergence also supports the trend in customer demand for data-related services.

Fixed Market

The Group is one of the market leaders in both fixed broadband and Pay TV services in Georgia which are growing market segments based on the number of subscribers. As at 30 September 2021, the Group had a market share of 30 per cent. and 33 per cent. in the broadband and Pay TV markets in Georgia, respectively, based on the number of subscribers.

Residential fixed broadband penetration in Georgia, expressed as a percentage of households, was 83 per cent. as at 30 September 2021 (Source: GNCC). According to GNCC, revenue from fixed broadband services in Georgia has grown from GEL 99 million in 2011 to GEL 276 million in 2020. According to GNCC, household penetration of Pay TV services in Georgia is approximately 62 per cent. and that Pay TV revenue has grown from GEL 19 million in 2011 to GEL 120 million in 2020.

The growing economy and increasing urbanization in Georgia drive further demand for telecommunications services. The Group expects to continue to roll out its fiber networks, increasing penetration in major cities, as well as smaller towns. The Group expects this will increase the number of subscribers, as copper network penetration in smaller towns tends to be relatively low, substantially increase the service quality and upsell IPTV and mobile services.

The Group believes that its leadership position in these growing market segments, combined with significant barriers to entry, puts the Group in a strong position to benefit from current market trends.

Robust operating performance

The Group has historically maintained stable growth across its operations in Georgia. For the year ended 31 December 2020, the Group had profit from operating activities of GEL 80.5 million compared to GEL 89.3 million for the year ended 31 December 2019. For the nine months ended 30 September 2021, the Group had profit from operating activities of GEL 78.0 million compared to GEL 63.2 million for the nine months ended 30 September 2020. In addition, for the year ended 31 December 2020, the Group had Adjusted EBITDA of GEL 211.5 million compared to GEL 215.9 million for the year ended 31 December 2019. For the nine months ended 30 September 2021, the Group had Adjusted EBITDA of GEL 168.3 million compared to GEL 156.9 million for the nine months ended 30 September 2020. The Group's balanced and disciplined expansion policy has enabled it to maintain and develop its strong infrastructure network. The Group believes that its strong operating performance, financial condition and prudent risk management will enable it to continue monitoring the competitive landscape in order to take advantage of new opportunities in Georgia as they arise.

Prior to the Geocell Acquisition, the Group had maintained a conservative financial profile and low indebtedness levels. The Group's low indebtedness levels have enabled it to generate cash flow that it has utilized to maintain its investment strategy, including the Geocell Acquisition. For more information see "*Business Description of the Group—Competitive Strengths—Convergent telecommunications operator with leading market positions*". The Group generated net cash from operating activities of GEL 226.8 million in the year ended 31 December 2020, compared to GEL 202.2 million in the year ended 31 December 2019. This cash flow generation allowed the Group to gain competitive advantage by financing its network modernization program, maintaining a high rate of capital expenditures relative to revenues and maintaining a net cash position at the end of each of these periods, with GEL 77.8 million, GEL 74.9 million and GEL 9.3 million in cash and cash equivalents in the years ended 31 December 2020, 2019 and 2018, respectively. The Group anticipates that cash generation will continue to improve due to enhanced Adjusted EBITDA margins. Accordingly, the Issuer expects its liquidity profile will continue to improve.

Unparalleled and resilient infrastructure

The Group believes it has an unparalleled and resilient infrastructure. It is the pioneer, and only provider, of gigabit-LTE technology in Georgia, having already installed it in 263 sites in major cities (or 20 per cent. of its macro sites). The Group has the largest spectrum portfolio in Georgia with 173 MHz across multiple brands. Ookla, the speed test provider, recognized Silknet as the fastest mobile network operator in Georgia based on analysis of data for the third and fourth quarters of 2020. The Group has an extensive optical network in Georgia, which comprises over 4,000 kilometres of fiber. The Group has developed a backbone network connecting Tbilisi with other major cities and creating an arrangement that has the highest number of cross-border connections in Georgia. This has also allowed the Group to back up and diversify potential suppliers. The Group has also been involved in modernizing the fixed IP MPLS network.

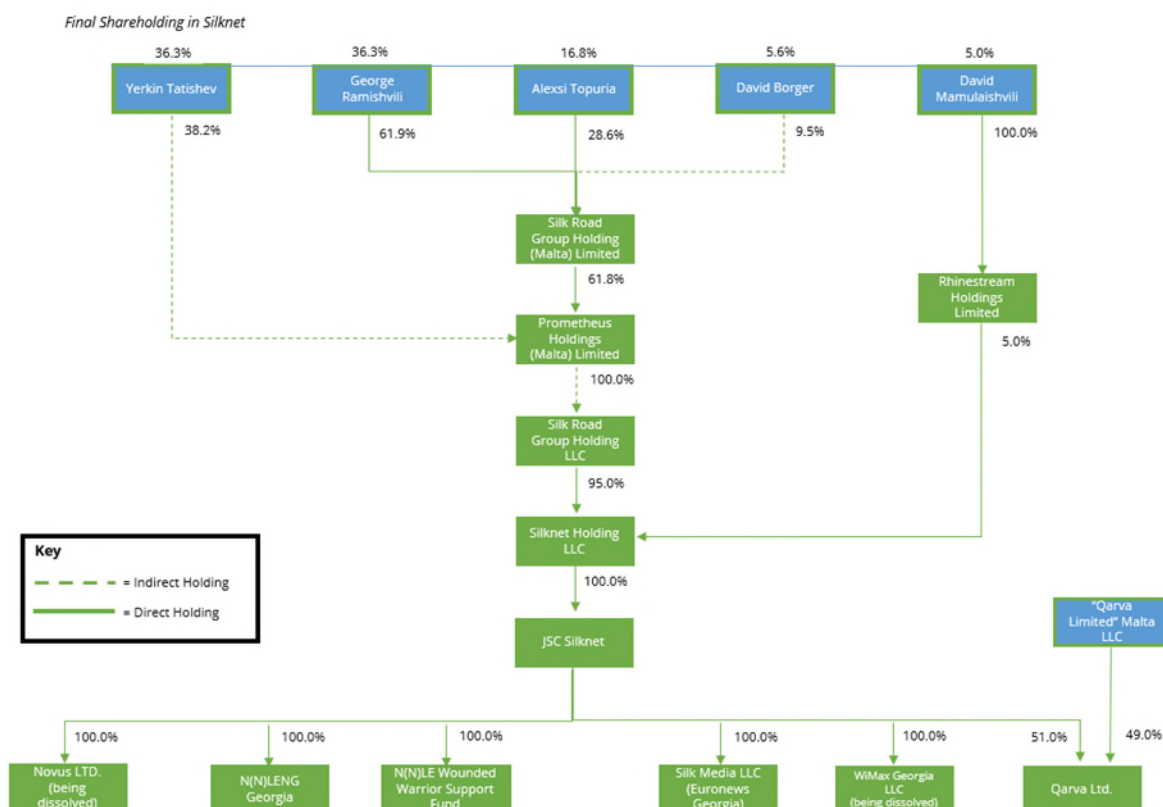
Experienced Management

The Group believes that it has a strong and stable Supervisory Board and an executive team with a strong track record in Georgia. All of the senior members of the Group's Supervisory Board and executive team have extensive knowledge of the telecommunications sector in Georgia and bring with them significant experience in leading telecommunications institutions. Further details of the Group's Supervisory Board and management are set out under "*Management – Supervisory Board*".

The Group believes that the composition of its management team puts it in a very good position to successfully implement its growth strategy, as well as to focus on improving its operating performance as the Group encounters opportunities to generate benefits from its significant investments in infrastructure to date. Senior executives of the Group have an average of approximately eight years' experience in the telecommunications industry. The Group's management continuously looks to strengthen its management bench, and attract managers with diversified expertise, particularly in the area of technology and innovation.

Structure of the Group

The following diagram sets out the Group's significant subsidiaries and associate companies as at the date of these Listing Particulars:



Capital Structure

As at the date of these Listing Particulars, the issued and subscribed share capital of the Issuer consisted of 84,056,099 ordinary shares of GEL 1 each.

Silknet Holding LLC is the sole shareholder of the Group. The ultimate beneficial shareholders of the Group are: George Ramishvili (36.3 per cent.), Yerkın Tatishev (36.3 per cent.), Alexsi Topuria (16.8 per cent.), David Borger (5.6 per cent.) and David Mamulaishvili (5.0 per cent.).

Subsidiaries

The following table sets out details of each subsidiary and associated company of the Group as at the date of these Listing Particulars:

	Location	Equity Interest
Subsidiaries		
Qarva LLC.....	Georgia	51.0 per cent.
WiMax Georgia LLC ⁽¹⁾	Georgia	100.0 per cent.
Novus LLC ⁽¹⁾	Georgia	100.0 per cent.
NG Georgia N(N)LE	Georgia	100.0 per cent.
Wounded Warrior Support Fund N(N)LE	Georgia	100.0 per cent.
Silk Media LLC.....	Georgia	100.0 per cent.

⁽¹⁾ On 8 April 2021, Silknet initiated liquidation proceedings of WiMax Georgia LLC and Novus LLC. As at the date of these Listing Particulars, the companies are going through the procedure of cancellation of registration.

Qarva LLC

Qarva was established in June 2012 and is engaged in the development and operation of the Group's IPTV platform. It is 51 per cent. owned by the Issuer and the remaining 49 per cent. is owned by LLC "Qarva Limited" Malta with the beneficial owners being the management of LLC "Qarva Limited" Malta. Qarva provides software,

operation and maintenance support for the Issuer's IPTV service. In addition, Qarva develops software, adding new features, as requested by the Issuer. Any new product developed by Qarva for the Group is either owned by the Group or the Issuer has indefinite rights of usage. For more information see "*—Material Contracts—Service agreements—Service Agreement with Qarva*".

WiMax Georgia LLC

In 2014, the Group acquired WiMax Georgia LLC which provided fixed wireless broadband services with WiMax technology. This subsidiary is inactive and in the process of liquidation.

Novus LLC

In 2011, the Group acquired Novus LLC, which owned certain television broadcasting rights. This subsidiary is inactive and in the process of liquidation.

N(N)LENG Georgia

In 2012, Silknet founded a Non-Entrepreneurial (Non-Commercial) Legal Entity NG Georgia which publishes the National Geographic magazine in Georgia and supports the activities of the National Geographic Society. NG Georgia is a non-profit venture (a non-entrepreneurial (non-commercial) legal entity) and while Silknet is its sole founder, Silknet does not hold an equity interest.

N(N)LE Wounded Warrior Support Fund

Funded by Silknet and public donations, Wounded Warrior Support Fund supports soldiers who participated in wars for Georgia's territorial unity as well as those who served in international peace missions. It supports the health, higher education and professional re-qualification of wounded soldiers and provides assistance to their underage children.

Silk Media LLC

Silk Media LLC was established in 2019 for the purpose of operating the Euronews Georgia TV channel, created as a result of a license agreement entered into between Silknet and Euronews. The Euronews Georgia TV channel was launched in May 2020.

Competition

Mobile Services

The share of retail mobile services revenue in Georgia has decreased since 2016, from 57 per cent. of total retail revenue in 2016 to 53 per cent. in 2020 (Source: GNCC). As at 30 September 2021, mobile services penetration in Georgia was approximately 138 per cent. or approximately 5.14 million subscribers (Source: GNCC). The volume of subscribers has remained relatively stable since 2016 due to the already high level of penetration.

In 2016, MagtiCom LLC acquired the retail assets of Caucasus Online Ltd., as well as Deltacom Group, and attained a significant share of the fixed broadband segment. Herein and hereinafter, the historical number of the subscribers of MagtiCom and other data include MagtiCom LLC, Caucasus Online Ltd and Deltacom Group. Similarly, following the Geocell Acquisition, herein and hereinafter, the historical number of subscribers of the Group and other data include Geocell.

The following table sets forth key data on Georgia's mobile services market as at the dates indicated:

	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands)</i>					
Subscribers	4,949	5,129	4,894	5,009	4,879	5,142

Source: GNCC and Company estimates

The Group's primary mobile services competitors in Georgia are MagtiCom and Veon Georgia which had 41.6 per cent. and 24.9 per cent. of the Georgian market share by number of subscribers, respectively, as at 30 September 2021 (Source: GNCC). The number of mobile subscribers has been relatively flat during the past five years. As a result of the COVID-19 outbreak, incoming tourism significantly decreased in Georgia which had a negative effect on the number of mobile subscribers in 2020, although this effect was insignificant relative to the total subscriber base. In addition, this also had an adverse impact on mobile revenues in 2020, as compared to the increase recorded in previous years. The following table illustrates the number of mobile services subscribers, the

number of residential mobile services subscribers, the number of mobile broadband services subscribers, revenues and residential ARPUs for each network operator in Georgia as at and for the dates indicated:

Mobile Services	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group	1,746	1,797	1,775	1,732	1,656	1,722
MagtiCom	2,004	1,981	1,977	2,015	1,972	2,138
Veon Georgia	1,193	1,349	1,141	1,262	1,251	1,282
The Group's Market Share.....	35.3%	35.0%	36.3%	34.6%	33.9%	33.5%

Mobile residential services	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group	1,315	1,301	1,269	1,296	1,229	1,297
MagtiCom	1,543	1,514	1,491	1,496	1,455	1,595
Veon Georgia	866	950	878	956	953	988
The Group's Market Share.....	35.3%	34.5%	34.9%	34.6%	33.8%	33.4%

Mobile broadband services	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group		911	937	993	1,016	1,144
MagtiCom	751	804	792	826	904	1,116
Veon Georgia	352	513	680	838	901	936
The Group's Market Share.....	42.5%	40.9%	38.9%	37.4%	36.0%	35.8%

Mobile revenue	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
	<i>(amounts in GEL thousands, unless otherwise indicated)</i>						
The Group	155,334	166,416	176,876	178,767	178,576	132,298	143,560
MagtiCom	188,943	207,276	225,398	230,068	222,703	164,132	188,721
Veon Georgia	71,136	74,449	78,658	90,371	88,570	65,566	74,445
The Group's Market Share.....	37.4%	37.1%	36.8%	35.8%	36.5%	36.5%	35.3%

Mobile residential ARPU	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
	<i>(amounts in GEL, unless otherwise indicated)</i>						
The Group	8.1	8.4	8.6	9.0	9.5	9.3	10.0
MagtiCom	7.8	8.3	8.9	8.9	9.1	8.9	10.0
Veon Georgia	6.0	5.9	5.9	6.0	5.5	5.4	6.0

Source: GNCC and Company estimates

Fixed broadband services

The share of fixed broadband services revenue in Georgia has grown rapidly since 2016, from 27 per cent. of total retail revenue in 2016 to 30 per cent. in 2020 due to the investment in network modernisation and rollout on the supply side and availability of connected devices and digital content on the demand side (Source: GNCC). As at 30 September 2021, household fixed broadband penetration in Georgia was approximately 83 per cent. or

approximately 919,000 residential subscribers (Source: GNCC). The growth of the segment revenue substantially follows the increase in subscribers, as ARPU has remained relatively stable.

The following table sets forth key data on Georgia's fixed broadband market as of the dates indicated:

	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands)</i>					
Subscribers	670	750	837	916	945	966

Source: GNCC

The Group's primary fixed broadband competitor in Georgia is MagtiCom, which had 49 per cent. of the Georgian market share by number of subscribers as at 30 September 2021 (Source: GNCC). Competition is currently based largely on local tariff prices and secondarily on network coverage and quality, the level of customer service provided, and international tariffs and the range of services offered. For a description of the risks the Group faces from increasing competition, see "Risk Factors—The main risks related to the Group's business—The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates".

The following table illustrates the number of broadband subscribers, number of residential broadband subscribers, revenues and residential ARPUs for each network operator in Georgia as at and for the dates indicated:

Fixed broadband subscribers	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group	266	278	278	288	292	293
MagtiCom	220	299	378	443	462	475
Other.....	184	173	181	186	190	197
The Group's Market Share.....	39.8%	37.1%	33.2%	31.4%	31.0%	30.4%

Fixed broadband residential subscribers	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group	253	263	261	268	274	274
MagtiCom	205	283	362	430	449	462
Other.....	175	163	172	174	176	184
The Group's Market Share.....	39.9%	37.1%	32.8%	30.8%	30.4%	29.8%

Fixed broadband revenue	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
	<i>(amounts in GEL thousands, unless otherwise indicated)</i>						
The Group	80,062	84,057	82,841	93,249	96,193	71,619	74,680
MagtiCom	75,577	87,550	102,303	123,898	129,064	95,950	102,601
Other.....	43,885	43,636	41,620	46,716	50,659	37,726	40,826
The Group's Market Share.....	40.1%	39.1%	36.5%	35.3%	34.9%	34.9%	34.2%

Fixed broadband residential ARPU	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
	<i>(amounts in GEL, unless otherwise indicated)</i>						
The Group	20.9	19.5	17.8	18.9	19.2	19.1	19.8
MagtiCom	22.3	20.2	17.7	19.0	19.0	18.8	19.5
Other.....	18.4	17.7	16.4	17.0	17.7	17.9	18.5

Source: GNCC and Company estimates

Due to the continuous roll out of the FTTH network, the Group's mix of fixed broadband subscribers is changing and its main focus is directed towards FTTH subscribers. The table below illustrates the number of FTTH subscribers and revenues for each network operator in Georgia as at and for the dates indicated:

FTTH subscribers	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group	124	165	196	235	259	267
MagtiCom	197	285	369	439	460	473
Other.....	72	71	74	85	92	102
The Group's Market Share.....	31.6%	31.7%	30.7%	31.0%	32.0%	31.7%

FTTH revenue	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
	<i>(amounts in GEL thousands, unless otherwise indicated)</i>						
The Group	44,529	53,168	60,855	77,703	86,489	63,982	69,463
MagtiCom	37,308	77,125	92,607	117,231	123,463	91,662	98,673
Other.....	48,568	17,169	16,119	20,207	23,678	17,568	20,265
The Group's Market Share.....	34.1%	36.1%	35.9%	36.1%	37.0%	36.9%	36.9%

Source: GNCC and Company estimates

Pay television

The share of pay television services revenue in Georgia has grown, from 9 per cent. of total retail revenue in 2016 to 13 per cent. in 2020. As at 30 September 2021, household pay television penetration in Georgia was approximately 63 per cent. or approximately 695,000 subscribers (Source: GNCC). These data do not include mobile streaming application subscribers.

The following table sets forth key data on Georgia's pay television market as at the dates indicated:

	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands)</i>					
Subscribers	455	570	622	665	677	695

Source: GNCC and Company estimates

The Group's primary pay television competitor in Georgia is MagtiCom, which had 52 per cent. of the Georgian market share by number of subscribers as at 30 September 2021 (Source: GNCC).

The following table illustrates the number of pay television subscribers, revenues and ARPUs for each network operator in Georgia as at and for the dates indicated:

Pay TV subscribers	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021

<i>(amounts in thousands, unless otherwise indicated)</i>						
The Group	184	212	213	222	228	226
MagtiCom	169	255	309	347	344	360
Other.....	102	104	100	96	105	109
The Group's Market Share.....	40.4%	37.2%	34.2%	33.3%	33.7%	32.5%

Pay TV revenue	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
<i>(amounts in GEL thousands, unless otherwise indicated)</i>							
The Group	30,548	34,446	34,901	41,555	44,169	32,591	33,562
MagtiCom	18,666	25,307	44,667	56,842	64,579	48,306	51,744
Other.....	16,740	16,073	16,279	14,859	12,293	8,964	10,778
The Group's Market Share.....	46.3%	45.4%	36.4%	36.7%	36.5%	36.3%	34.9%

Pay TV ARPU	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
<i>(amounts in GEL thousands, unless otherwise indicated)</i>							
The Group	15.9	14.3	13.6	16.0	16.2	16.0	16.6
MagtiCom	9.1	10.0	13.2	14.7	15.8	15.8	16.3
Other.....	13.3	12.9	13.3	12.5	10.7	10.7	11.4

Source: GNCC and Company estimates

The table below illustrates the number of IPTV subscribers and revenues for each network operator in Georgia as at and for the dates indicated:

IPTV subscribers	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
<i>(amounts in thousands, unless otherwise indicated)</i>						
The Group	131	166	178	191	203	206
MagtiCom	57	154	232	285	302	317
Other.....	0	19	30	27	28	34
The Group's Market Share.....	69.6%	48.9%	40.5%	38.0%	38.1%	36.9%

IPTV revenue	Year ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
<i>(amounts in GEL thousands, unless otherwise indicated)</i>							
The Group	25,475	29,243	30,740	37,742	40,429	29,782	31,279
MagtiCom	11,487	17,865	37,841	50,909	59,715	44,552	48,463
Other.....	180	1,472	4,003	5,200	2,961	2,002	3,541
The Group's Market Share.....	68.6%	60.2%	42.4%	40.2%	39.2%	39.0%	37.6%

Source: GNCC and Company estimates

Fixed line services

The share of fixed line services revenue in Georgia has decreased, from 7 per cent. of total retail revenue in 2016 to 3 per cent. in 2020. As at 30 September 2021, household fixed line services penetration in Georgia was approximately 26 per cent. or approximately 286,000 subscribers (Source: GNCC). For more information, see "Risk Factors—The Group's fixed and mobile voice businesses are in relative decline as more customers move to data-based communications services".

The following table sets forth key data on Georgia's fixed line services market as at the dates indicated:

	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands)</i>					
Subscribers	790	675	583	495	377	348

Source: GNCC and Company estimates

The New Net group is the Group's primary fixed voice wireline competitor. As at 30 September 2021, the Issuer had 56 per cent. of the Georgian wireline market share including PSTN and VOIP service on fiber and the New Net group had 26 per cent. of the Georgian wireline market share.

The following table illustrates the number of fixed line services for each network operator in Georgia as at the dates indicated:

	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands, unless otherwise indicated)</i>					
The Group	361	332	297	264	214	197
MagtiCom	227	169	121	75	16	6
New Net Group	170	142	125	111	97	88
Other.....	30	32	40	45	51	56
The Group's Market Share	45.8%	49.2%	50.9%	53.3%	56.7%	56.7%

Products and Services

The table below provides a breakdown of the Group's customers, as applicable, across the services below:

	As at 31 December					As at 30 September
	2016	2017	2018	2019	2020	2021
	<i>(amounts in thousands)</i>					
The Group's customers						
Mobile services	1,746	1,797	1,775	1,732	1,656	1,722
Fixed services						
Fixed line.....	361	332	297	264	214	197
Fixed broadband.....	266	278	278	288	292	293
Pay television	184	212	213	222	228	226
Total.....	2,557	2,619	2,562	2,504	2,390	2,439

Source: GNCC and Company estimates

Mobile Services

Overview

The Group primarily offers mobile services to business and residential customers. In addition to direct sales customers, the Group also sells SIM cards and service "top-ups" through approximately 500 third party resellers. The more onerous requirements regarding SIM card sales in effect from 2018, initially reduced the number of resellers from 1,300 to 150 in early 2018 before increasing to the current number of 500 resellers. Approximately 63 per cent. of the Group's total B2C SIM card sales transactions during the period starting from 1 January 2018 and ending 30 September 2021 were generated through third parties (dealers).

As at 30 September 2021, the Group's mobile services subscriber base was 1.72 million subscribers, an increase of 4 per cent. compared to 1.66 million mobile subscribers as at 31 December 2020, which in turn was a decrease of 4 per cent. compared to 1.73 million mobile subscribers as at 31 December 2019. Between 31 December 2020 and 30 September 2021, the total number of mobile services subscribers in Georgia increased from 4.88 million to 5.14 million. As at 30 September 2021, the Group had a 33 per cent. share of the Georgian mobile market by number of subscribers. (Source: GNCC).

Demand for mobile data and broadband services has grown significantly in recent years, supporting increases in the Group's revenue from mobile services. The market has also been characterised by growing competition during this period.

Mobile penetration was 138 per cent. of the population of Georgia as at 30 September 2021, and active mobile broadband subscriptions reached 62 per cent. as at that date (Source: GNCC).

Residential products and services

The Group's mobile services offer mobile voice services, as well as mobile broadband services across targeted offerings.

Services and add-ons

The Group offers residential subscribers the following prepaid tariff plans:

	<u>Pay-as-you-go</u>	<u>Nulomani</u>	<u>Unlimited 5</u>	<u>Meti S+</u>	<u>Meti M</u>	<u>Meti Unlimited</u>	<u>Meti Unlimited +</u>	<u>Meti 1 year subscription</u>	<u>Daily Cosmo</u>	<u>Cosmo</u>	<u>Mega Cosmo</u>	<u>Cosmo Max</u>
Fees	No fees	GEL 1/30 days	GEL 8/5 days	GEL 8/30 days	GEL 10/30 days	GEL 25/30 days	GEL 35/30 days	GEL 210/1 year	GEL 1.5/24 hours	GEL 7/28 days	GEL 12/28 days	GEL 30/28 days
Voice	GEL 0.24 per minute	GEL 0.1 call initiation fee, charged every 10 min of uninterrupted call, GEL 0/min on-net calls, GEL 0.1/min for local calls	unlimited	150 minutes, on local networks	unlimited on-net	unlimited	unlimited	unlimited	unlimited	100 minutes, on local networks	220 minutes, on local networks	Unlimited
SMS	GEL 0.06 per SMS	GEL 0.06 for first SMS per day, 100/day included, GEL 0.06 after exceeding this limit	unlimited	1,000 SMS	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
Data	GEL 0.70 for 1 MB	100 MB, GEL 0.15 for additional data volume	1 GB	300 MB	700 MB	1 GB	7 GB	12 GB	500 MB	1 GB	1.5 GB	5 GB

Other paid services include:

- Global tariff for international calls;
- Other SMS services such as various SMS packages and value-added services;
- MMS;
- Premium numbers;
- Number concealment;
- GeoCredit (GEL 2.4 for GEL 2.0 credit);
- International calls;

- Roaming (including roaming mobile broadband packages). The Group has approximately 300 roaming agreements with various operators around the world. While roaming voice is usually charged on a per-minute basis, mobile broadband is offered on a pay-as-you-go basis as well as time-limited roaming data packages to residential subscribers. Historically, the growing business and leisure tourism in Georgia led to increased visitor roaming revenues for the Group, however, as a result of COVID-19, there has been a decrease in tourism levels and a consequential decrease in roaming revenues; and
- Tourist package.

Mobile broadband

The following prepaid mobile broadband packages are offered to residential subscribers:

Volume	Price (GEL)
150 MB/day	0.5
2 GB/day	1.5
Unlimited/day	1
Unlimited/5 days	4
Unlimited/30 nights-only	4.9
2 GB/14 days	3
6 GB/14 days	6
2 GB/28 days	5
6 GB/28 days	10
750 MB/30 days	4
1.5 GB/30 days	6
3.0 GB/30 days	9
5.0 GB/30 days	12
8.0 GB/30 days	15
20.0 GB/30 days	30

B2B products and services

The Group caters to various government and public entities, as well as large, medium and small enterprises. Government and public contracts are usually awarded through annual tenders, while other enterprise relationships vary.

Tariffs are predominantly bespoke and tailored to each client; however, small enterprises usually receive standardised tariffs. Services include:

- Mobile services (including voice, SMS and data services);
- International calls;
- Roaming (including mobile broadband packages). Similar to those offered to residential customers. For more information, see "*Products and Services—Mobile Services—Residential products and services – Services and add-ons*"; and
- Account management interfaces.

Fixed Broadband Services

Overview

The Group provides fixed broadband in homes, businesses and other organisations. As at 30 September 2021, the Group's fixed broadband subscriber base was approximately 293,000 subscribers, essentially similar to the subscriber base as at 31 December 2020 of approximately 292,000 subscribers.

For the nine months ended 30 September 2021, fixed broadband services contributed 25 per cent. of the Group's total revenue, compared to 26 per cent. for the nine months ended 30 September 2020.

Residential products and services

The Group offers residential fixed home broadband services, including options utilising FTTH, DSL and LTE technologies. These services are offered across the Group's Fiber, DSL and LTE tariff packages. This range of

services allows customers to choose a plan based on their data and broadband speed needs and connectivity availability in their area. As demands for broadband data usage have increased in recent years, the majority of the Group's fixed broadband offerings includes unlimited data, with tariff pricing based on broadband speeds and bundling of related services. A limited number of tailored LTE tariff options are available with fixed data limits, offering customers with low data needs an economical option for broadband connectivity. As at 30 September 2021, the Group had 267,000 fiber subscribers, 18,000 DSL subscribers and 8,000 LTE subscribers. As of 30 September 2021, the Group had 9,000 DSL and PSTN bundled subscribers, 7,000 DSL, DSL TV and PSTN bundled subscribers, 187,000 FTTH TV and FTTH bundled subscribers (although many subscribers have PSTN also) 15,000 Silk+ subscribers (as described below) with 33,000 SIM cards and 21,000 FTTH TV and FTTH broadband mobile bundled residential subscribers.

Fiber Broadband

The Group's Fiber Broadband offering is its highest speed offering, available in areas with FTTH network infrastructure connectivity, with download speeds of up to 100 Mbps and upload speeds of up to 50 Mbps. Within the Fiber Broadband portfolio, the Group offers four broadband packages, based on top-end download speed: 20 Mbps, 35 Mbps, 50 Mbps and 100 Mbps. Each of the Group's fiber plans includes an unlimited data allowance. Additionally, fiber plans are offered bundled with fixed line offerings (primarily IPTV).

In July 2020, the Group redesigned its convergent offerings branded as Silk+ Family, bundling fixed broadband, IPTV and mobile Meti packages consisting of voice, data and messaging as described below. Subscribers can further customise their packages by choosing to boost the broadband speed, add thematic IPTV packages or add SIM cards. The following table summarises fixed broadband and IPTV bundled offerings of the Silk+ Family packages with the possibility of adding mobile packages with 20 per cent. discount for 1 to 5 SIM cards.

	20 Mbps fixed broadband	35 Mbps fixed broadband	50 Mbps fixed broadband	100 Mbps fixed broadband
70 IPTV channels	40 GEL/month	48 GEL/month	60 GEL/month	110 GEL/month
170 IPTV channels	49 GEL/month	56 GEL/month	69 GEL/month	115 GEL/month
204 IPTV channels	60 GEL/month	65 GEL/month	75 GEL/month	120 GEL/month

DSL Broadband

Broadband plans are offered in areas with DSL network infrastructure connectivity, with download speeds ranging from up to 3 Mbps to up to 8 Mbps, and upload speeds of up to 1 Mbps. Each of the Group's DSL plans includes an unlimited data allowance. Within the Group's portfolio, customers can choose from four unlimited broadband data plans, each of which is bundled with tiered fixed line services, including limited or unlimited voice minutes for calls to the fixed lines on the Group's network or on different networks and discounts on international call rates.

LTE Broadband

The Group launched its LTE internet service in December 2014. LTE is fourth generation technology which is capable of providing a high-quality fixed broadband service, in addition to its mobile use, in areas devoid of wireline networks or where deployment of wireline networks is not cost-effective. This wireless offering includes a data-only service and a VOIP-based fixed voice, with tariffs based on the maximum download speed selected by the customer, ranging from 8 Mbps to 50 Mbps. In the event that the customer exceeds the monthly data allowance, download speeds are slowed, with top-up options available to revert to higher speeds.

For the nine months ended 30 September 2021, the Group's average residential ARPU was GEL 29.5 for FTTH subscribers, GEL 21.0 for DSL subscribers and GEL 19.1 for LTE fixed broadband subscribers (Source: GNCC).

B2B products and services

The Group provides a range of services to corporate customers. These include voice, internet and connectivity services, ranging from fixed line, VOIP, E1, PRI, ADSC, LTE, ISDN, broadband, Dedicated Internet Access, IP MPLS, Ethernet and national lease line (including national leased line to Inmarsat).

For the nine months ended 30 September 2021 revenue from corporate customers accounted for approximately 35 per cent. (Source: GNCC) of the Group's total broadband service revenue, while the number of corporate

subscribers was approximately 7 per cent. of the total broadband service subscribers. Large corporations are usually served by means of dedicated point-to-point fiber-optical connections. Tariff packages for corporate customers are not made publicly available.

Pay Television

Pay television

The Group offers a variety of television programming options within its fixed line business through its IPTV digital offering, Silk TV and wireless television through Global TV. The Group is the only telecommunications provider in Georgia that has developed its own IPTV platform which it believes to be "best in class" in Georgia. The Group's ability to offer premium and exclusive sports content, including Champions League, Europa League and La Liga football, and NBA basketball in particular, has been an important factor in its ability to acquire new subscribers. The "Silk TV Go" application and Silk TV website (www.silktv.ge) allow customers to watch selected TV programmes on any mobile device with internet access. IPTV transmissions offer a variety of content, including sports, movies, children's programs and hobbies. The service is available to FTTH and DSL subscribers. However, only FTTH subscribers can connect multiple TV sets and receive high-definition channels. As of 30 September 2021, IPTV was used by approximately 226,000 customers. The Group's Silk TV services are priced based on the number of channels on offer, starting at 71 channels up to 204 channels with stand-alone tariffs ranging from GEL 12 per month to GEL 38 per month.

The main features of the NPVR-based IPTV service include catch-up TV, VOD services, electronic programme guide, including assignment of channel positions and other value-added services. Through VOD, over 4,200 hours of TV series, movies and documentary content are available. The VOD offering also includes "Home School", a social-responsibility project whereby a variety of recorded classes for school pupils are available. This project was especially relevant during the COVID-19 outbreak. The Silk TV Go offering includes the opportunity to watch TV on multiple screens with interactive functions, including catch-up TV. Currently, Silk TV Go includes the Group's own channels, as well as popular Georgian and international channels.

For the nine months ended 30 September 2021, ARPU of the Group's IPTV service amounted to GEL 17.1 compared to GEL 16.8 for the same period in 2020.

In 2019, the Group also launched "silksport.ge", which is an online video and news portal that includes the Group's in-house sports channels.

Key Sports Content Broadcasting Rights

Competition	Sport	Right
La Liga	Football	Exclusive rights of the Georgian territory to 30 June 2023
NBA	Basketball	Exclusive Georgian language rights to 30 September 2023
Champions League	Football	Co-exclusive rights of the Georgian territory to 30 June 2024
Europa League	Football	Co-exclusive rights of the Georgian territory to 30 June 2024
Conference League	Football	Co-exclusive rights of the Georgian territory to 30 June 2024
Portugal Liga NoS	Football	Exclusive rights of the Georgian territory to 31 May 2022
Italian Serie A	Football	Co-exclusive rights of the Georgian territory to 31 August 2022
Dutch League	Football	Exclusive rights of the Georgian territory to 31 May 2022
French Cup	Football	Exclusive rights of the Georgian territory to 31 May 2022
MLS	Football	Exclusive rights of the Georgian territory to 31 December 2022
Conmebol	Football	Exclusive rights of the Georgian territory to 31 December 2022

South American Qualifiers	Football	Exclusive rights of the Georgian territory to 31 March 2022
Euroleague	Basketball	Exclusive rights of the Georgian territory to 30 June 2023
VTB League	Basketball	Exclusive rights of the Georgian territory to 30 June 2022
ATP 500/1,000	Men's Tennis	Co-exclusive rights of the Georgian territory to 31 December 2023
Various International Competitions in Judo	Judo	Exclusive rights of the Georgian territory to 31 December 2021
United World Wrestling	Wrestling	Exclusive rights of the Georgian territory to 31 December 2024
WTA	Tennis	Exclusive rights of the Georgian territory to 31 December 2022
Nations League/ European Qualifiers (except Georgian National Team matches)	Football	Exclusive rights of the Georgian territory to 15 November 2022
EHF	Handball	Exclusive rights of the Georgian territory to 30 June 2024
Spanish Basketball League	Basketball	Exclusive rights of the Georgian territory to 24 June 2022
Racing UK	Equestrianism	Non-exclusive rights of the Georgian territory to 31 December 2023

Broadcasting

The Group also produces and broadcasts the following channels:

Channel	Category	Status
Silk Sport HD1	Sports	Pay TV
Silk Sport HD2	Sports	Pay TV
Silk Sport HD3	Sports	Pay TV
	Sports, TV Series, TV shows, Documentaries	
Silk Universal		FTA
Silk Movies Hollywood.....	Films	Pay TV
Silk Movies Collection.....	Films	Pay TV
Silk Kids	Children	Pay TV
Silk Documentary	Documentary	Pay TV
Euronews Georgia	News	FTA

Pay TV channels are available to the Group's subscribers, varying by package.

The Group also produces a free-to-air channel, "Silk Universal", which is available free of charge to subscribers of digital terrestrial broadcasting in Georgia and subscribers of any pay TV operator, if requested by the operator.

For the nine months ended 30 September 2021, the Group generated GEL 2.6 million of advertising revenue on its TV channels compared to GEL 0.3 million for the same period in 2020. The Group also generated GEL 0.4 million and GEL 0.5 million from providing its pay television channels to other pay television operators in the nine months ended 30 September 2021 and 2020, respectively.

Fixed Telephone Services

The Group's business tariffs are bespoke and are not publicly announced.

Overview

The Group's fixed telephone services include service offerings for both residential and corporate customers across a range of services, including local access, national and international connectivity. Fixed line services comprised 4 per cent. of the Group's revenue for the nine months ended 30 September 2021, compared to 4 per cent. for the nine months ended 30 September 2020.

Residential products and services

The Group provides fixed telephony services with three main technologies:

- PSTN on copper lines; and
- VOIP on fiber-optical network and LTE service.

In common with other telecommunication operators, the Group has experienced a consistent decline in PSTN subscribers over recent years. This decline is principally the result of the replacement of fixed line telephones by mobile phones, along with the rollout of FTTH networks which accounts for the growth of VOIP subscribers.

The tariff plans available to most residential subscribers include:

- Subscription fee which includes limited or unlimited on-net minutes and, in higher tariff plans, certain amount of off-net minutes;
- Variable payment for local and international off-net calls; and
- Payment for value added services, e.g. caller ID.

B2B products and services

The Group's business tariffs are bespoke and are not publicly announced.

Carrier and other services (wholesale services)

The Issuer's carrier and other services (wholesale) consists primarily of fixed interconnection services and data services provided to national and international operators, including local call termination, international call termination, bulk SMS termination, transit, internet sale, rent of equipment and cash collections. Local call termination includes fees for the termination of calls from local operators in the Issuer's network. International call termination includes fees for the termination of calls from international operators in the Issuer's network. Transit includes calls through the Issuer's network in which neither the call originator nor call receiver is the Issuer's subscriber. Internet sale includes sale of internet service to local and international operators. Rent of equipment fees includes fees for usage of the Issuer's infrastructure paid by other operators. Cash collections include fees for cash collection service from the Issuer's subscribers on behalf of other operators.

For the nine months ended 30 September 2021, carrier and other services (wholesale) contributed 11 per cent. of the Issuer's total revenue, compared to 9 per cent. for the nine months ended 30 September 2020.

Network Infrastructure

The Group has developed integrated network infrastructure providing extensive coverage throughout Georgia. As at 30 September 2021, the Group's 3G mobile network, covered 98 per cent. of Georgia's households and 4G/LTE covered 97 per cent. of the population. As at 30 September 2021, 83 per cent. of households in Georgia had access to fixed broadband. The Group's international services network includes at least one border (backbone) crossing with each of Georgia's neighbouring countries: two crossings with Turkey, two crossings with Armenia, two crossings with Azerbaijan and one crossing with Russia. The Group's network infrastructure is fundamental to its ability to provide network and fixed line services to its customers. The Group primarily uses Servicenet for the provision and maintenance of its fixed line infrastructure.

Fixed Line Network

The Group's fixed line network consists of two main soft switches, operating in load-balancing mode, and supporting approximately 197,000 subscribers as at 30 September 2021. In addition, there are five gateways and eight legacy exchanges, with approximately one quarter of the Group's fixed line subscribers currently being migrated to Next Generation Networks ("NGN") soft switches. The remaining three quarters of the Group's fixed line subscribers are already served by NGN using the MSAN platform.

Both soft switches in the Group's network are used for national as well as international connections. Both of them terminate international connections based on Session Initiation Protocol and Time Division Multiplexing.

The Group may consider upgrading the switching software and signalling system to the IP Multimedia Subsystem platform in the future in order to further enhance the network performance and to ensure that the network can deal effectively with the Group's growing subscriber base.

Backbone

In the past, the Group invested significantly in building its optical network infrastructure, and plans to continue doing so in the future. As a result, the Group is currently one of the market leaders in this field, owning an extensive optical network in Georgia. Due to the Group's extensive duct infrastructure, it is relatively easy to establish additional new optical connections between arbitrary Points of Presence within Tbilisi and other major cities. Some smaller settlements are connected with microwave links, which are primarily used to connect these settlements to aggregation exchanges along the Group's fiber backbone. New fiber rings are continuously being laid to increase the network capacity, coverage and resilience.

The Group also owns an extensive Dense Wavelength Division Multiplexing ("**DWDM**") network, which connects Tbilisi with other major cities in Georgia. Its DWDM network is also used for cross-border connections with neighbouring countries, for international traffic transmission. The capacity of its DWDM network is 40 lambda, and it has the capability to provide mixed (10G/100G) service on each lambda. Huawei is the vendor for the Group's DWDM infrastructure.

Maintenance of the Group's fixed network operations and cable infrastructure is outsourced to Servicenet. In order to ensure network protection and to maintain alternative back-up networks, the main exchange point is connected to at least two exchanges. The Group uses ring topology in the DWDM network, and all lambdas passing through it are protected against potential events of fiber cut or equipment failure. Additionally, the Group maintains back-up processing boards, power interface boards and controller boards for important equipment.

The Group's Operations and Maintenance Centre operates 24 hours per day, seven days per week and continuously monitors the functioning of the entire network.

Internet and Data Services Network

The Group delivers Internet and IPTV services to its subscribers by means of DSL, FTTH-GPON and Point to Point ("**P2P**") links. As at 30 September 2021, there were approximately 18,000 DSL and 267,000 FTTH internet subscribers, as well as approximately 206,000 IPTV subscribers in the Group's network.

The Group's ADSL lines provide downstream speeds of up to 8 Mbps, depending on the subscriber's tariff plan, while the Group's FTTH lines provide download speeds of up to 100 Mbps.

The Group's transport network is organised into several hierarchical layers, comprising powerful core routers serving the entire network, high-performance PE routers that form distribution layers and serve large network domains in Tbilisi and the regions outside Tbilisi, pre-aggregation routers and aggregation switches that serve smaller areas and manage the traffic flowing between the access layers (GPON, DSL, IPTV and P2P) within its own area, access layers of FTTH and DSL. The MPLS system supports a variety of services, transport technologies and is scalable; it also makes use of enhanced security and reliability features.

IPTV services are served by a separate dedicated segment of the network and comprise high performance datacenter switches located in the IPTV headend, which connect to the core of IP/MPLS network serving IPTV all over the country.

International internet traffic is served by pairs of AS border routers that provide Border Gateway Protocol peering to Tier 1 providers in the international exchange points.

The Group's network infrastructure as described above is built using products and equipment from leading vendors, such as Cisco, Juniper, Huawei and ZTE. Cisco and Juniper are the main suppliers of the Group's IP/MPLS equipment. The Group has recently upgraded its IP/MPLS network to handle the trend for increasing data usage.

The following provides certain technical information on the Group's network architecture:

DSL

All Digital Subscriber Line Access Multiplexers ("**DSLAMs**") are connected to aggregation switches using 1G links. At aggregation switches a private Virtual Local Access Network ("**VLAN**") feature is used. Subscribers are located in an isolated secondary VLAN. Primary VLAN is terminated at L3 at IP/MPLS. IP address is assigned dynamically using Dynamic Host Configuration Protocol ("**DHCP**") which is implemented using FreeRadius server. Broadband Network Gateway ("**BNG**") functionality (Juniper BNG) is used for policy enforcement at IP/MPLS routers.

FTTH

The Group's FTTH/GPON network comprises over 4,000 kilometers of fiber optics lines across Georgia, and the FTTH network passes through approximately 700,000 homes. In Tbilisi and the regions, all GPONs are connected to pre-aggregation routers or aggregation switches using at least one 10G link. Layer 3 termination is performed at Juniper BNG routers which is used for subscriber policy enforcement.

Total number of the Group's residential FTTH service users for the top 10 cities as at 30 September 2021 are as follows:

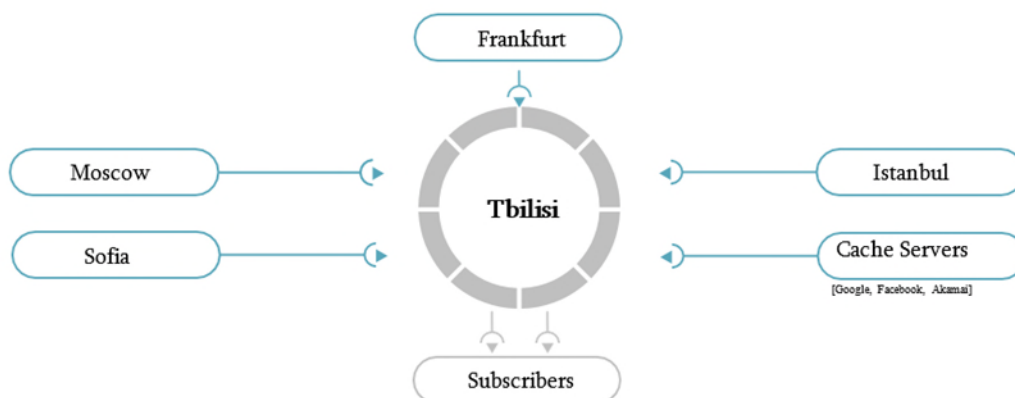
- Tbilisi - 129,000;
- Batumi -41,000;
- Kutaisi - 19, 000;
- Rustavi - 11, 000;
- Gori - 8, 000;
- Telavi - 5, 000;
- Poti - 4,000;
- Khashuri - 5, 000;
- Kobuleti - 3, 000; and
- Zugdidi - 4, 000

B2B point-to point ("P2P")

P2P subscribers are connected using various port types using either fiber or copper 100M, 1G and 10G interfaces. Subscriber last-mile links, from the Group's active equipment to the subscriber, may be directly connected to aggregation switches or in some cases to some pre-aggregation level switches, which in turn are connected to aggregation switches. Each P2P subscriber has its own separate VLAN. A P2P subscriber's layer 3 termination is generally done on Juniper BNG routers and is used for P2P subscriber policy enforcement.

Regardless of the access technology used for landline data connection, all subscribers can take advantage of IPTV services (however, the service may not run at the optimum level on some copper lines due to the required bandwidth). IPTV subscribers use a separate isolated secondary VLAN and a corresponding primary VLAN. Layer 3 termination is always done at IP/MPLS aggregation switches and IP address assignment is done dynamically using DHCP.

The table below depicts the Group's international connections for Internet and Data Service Network:



Wireless Mobile Network

The Group maintains an extensive range of mobile wireless services network in Georgia in respect of both telephony and internet services. When a voice call or a data transmission is made on a mobile device, voice or

data is sent from the device and transmitted by low powered radio signals to the nearest base station, which in turn is connected to the core network via its access transmission infrastructure.

The principal components of the Group's mobile network are:

- Base Transceiver Stations/Node Bs (3G)/eNode Bs (4G);
- Base Station Controllers/Radio Network Controllers;
- CS Core/Mobile Switching Centres (including Silknet's CS Core Media Gateway and Mobile Soft Switch equipment);
- PS Core/Evolved Packet Core;
- Transmission Network (Mobile Packet Backbone and Backhaul);
- HLR/HSS;
- Various platforms for other mobile services, such as the SMS centre and the MMS centre; and
- Enhanced business support systems and operating support systems, for time-charge and invoicing platforms.

As at 30 September 2021, the Group's mobile services had mobile network coverage in approximately 1,600 physical locations, of which 1,300 are macro and 300 are micro sites, including approximately 1,400 2G base stations, approximately 1,600 3G base stations and approximately 1,500 LTE base stations. Approximately 500 macro and 300 micro sites of the Group are connected by fiber.

The Group's mobile services operate 2G (GSM), 3G (UMTS/HSPA) and 4G (LTE) networks, utilising a diversity of network capacity with operations from the 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz and 2,300 MHz spectrum bands. During the license renewal process, the Group anticipates being required to pay a significant amount for continued use of the numerous spectrum ranges it currently operates. As a result, the Group regularly evaluates the commercial and technical feasibility of continuing to operate at each spectrum range, as against its requirements and strategy. In addition, the Group is actively following global developments to ensure it is prepared for advances toward 5G spectrum technologies.

The Group's 2G network operates on GSM at 900 MHz and 1,800 MHz, and can support download speeds of up to 256 kbps using (E)GPRS. The Group's 3G network operates on UMTS at 2,100 MHz and 900 MHz, and can support download speeds of up to 42 Mbps. The Group's 4G/LTE network operates on LTE FDD at 800 MHz, 1,800 MHz, as well as 900 MHz in Tbilisi and Batumi, and can support download speeds of up to 180 Mbps (due to deployment of the carrier aggregation feature). Furthermore, the Group uses TDD-LTE in 2,300 MHz (3GPP Band 40), in combination with 4X4 MIMO and above in both 2,300 MHz and 1,800 MHz (by means of 3 carrier aggregation feature) and 256 QAM, in order to provide Gigabit LTE services in Tbilisi, Batumi and most of the important cities and tourist areas. This allows Silknet to increase capacity and achieve theoretical speeds of up to 1,000 Mbps, enhancing user experience in high user-traffic areas. The Group's F48, F53 and F98 LTE licenses together cover 50 MHz spectrum in the entire country.

The table below depicts spectrum license allocation between operators in Georgia:

Band	Silknet	MagtiCom	Veon Georgia
	MHz	MHz	MHz
800 MHz	2x5.00	2x5.00	2x10.00
900 MHz	2x11.80	2x13.20	2x5.49
1800 MHz	2x29.90	2x29.90	2x10.00
2100 MHz	2x15.00	2x15.00	2x10.00
2300 MHz	50.00		
Total 800/900/1800/2100/2300	173.40	126.20	80.98

Source: GNCC

MagtiCom has also applied for additional 2x5.00 MHz in the 800 MHz band.

To date, Silknet provides 2G, 3G and 4G/LTE services with its existing wireless licenses. The GNCC is working on new spectrum auction procedures and is conducting consultation process with the involved parties and interested stakeholders on the auctioning of 5G spectrum licenses in Georgia. It is possible that the GNCC will complete the consultation process and be ready to hold an auction for 5G spectrum licenses in the course of 2022. If, as a result of spectrum limitations or for any other reason, additional 3G, 4G/LTE or 5G spectrum licenses were to be auctioned in Georgia (as they have been in various other countries), then the Group would consider submitting bids in such auctions. See *"Risk Factors—The main risks related to the Group's business—Spectrum limitations may adversely affect the Group's ability to provide services to its customers"*.

There are no firm dates for upcoming network auctions. They will be held dependent on demand for network. For more information, see *"Regulation of Electronic Communications and Broadcasting—Regulation of Electronic Communications—Use of Scarce Resources—Radio Frequency Spectrum"*.

In 2021, the Group completed a modernization of its Subscriber Data Management System from the old monolith HLR/HSS to the new distributed architecture and fully redundant UDC (User Data Management) platform, that comprises HSS-FE Front End ("**HSS-FE**"), HLR-FE Front End ("**HLR-FE**") and Centralized User Data Base Back End. Mobile Packet Backbone Network ("**MPBN**") was recently upgraded to support 100 Mbps Network Throughput, while the ongoing PS Core modernization project will ensure increased capacity (100 Mbps) and redundancy of this important network domain.

The quality of the Group's mobile network has been recognized by third parties. Ookla recognized Silknet as the fastest mobile network operator in Georgia based on analysis of data for the third and fourth quarters of 2020. The GNCC's regular drive tests throughout 2020 and 2021 show Silknet's mobile service as the fastest in Tbilisi and most of the other regions of Georgia.

Some further information is provided below for the Core Network elements:

- Circuit switched ("**CS**") core network provides voice and SMS services to the subscribers; Group CS core network contains network nodes set out in the table below:

Network Type	Network Node	Short Name	Quantity	Functionality
CS Core	MSC Server	MSC	2	MSC is responsible for signalling information control for Voice & SMS services, routes calls and performs location updates of subscribers periodically.
CS Core	Media Gateway	MGW	7	MGW is a device used in the core network of a telecom network operator to provide transformation and interworking between media streams that use different network standards, communication protocols, codecs and physical connections, for phone calls to work properly between networks using different technologies.
CS Core	Home Location Register	HLR	2	HLR is a database from a mobile network in which information from all mobile subscribers is stored. It contains information about the subscriber's identity, his telephone number, the associated services and general information about the location of the subscriber.
CS Core	Base Station Controller	BSC	6	BSC is in control of and supervises a number of 2G Base Transceiver Stations (" BTS "). It is responsible for the allocation of radio resources to a mobile call and for the handovers that are made between base stations under its control.
CS Core	Radio Network Controller	RNC	5	BSC is in control of and supervises a number of 3G Base Stations (NodeB). The RNC is responsible for the allocation of radio resources to a mobile call and for the handovers that are made between base stations under its control.

Packet Switched ("**PS**") Core network allows 2G/3G/4G network subscribers to transmit IP packets to external networks such as the Internet using GPRS, HSDPA, HSPA, HSPA+, LTE, LTE-A services. Using the above-mentioned services the subscribers can download/upload files or use mobile applications such as WhatsApp,

Viber, Skype and Facebook. In Group PS core network services are provided by the PS core network nodes set out in the table below:

Network Type	Network Node	Short Name	Quantity	Functionality
PS Core	Serving GPRS Support Node	SGSN/MME	2	SGSN is a main component of the GPRS network, which handles all packet switched data within the network, e.g. the mobility management and authentication of the users. The SGSN performs the same functions as the MSC for voice traffic
PS Core	GPRS Support Node	GGSN/PGW	1	GGSN keeps a record of active mobile users and the SGSN to which the mobile users are attached. It allocates IP addresses to mobile users and, last but not least, the GGSN is responsible for the billing.
PS Core	Home Location Register	HLR	2	HLR is a database from a mobile network in which information from all 2G/3G mobile subscribers is stored. It contains information about the subscriber's identity, his telephone number, the associated services and general information about the location of the subscriber within 2G/3G networks.
PS Core	Home Subscriber Server	HSS	1	HSS is a database, where information from all 4G mobile subscribers is stored. It contains information about the subscriber's identity, his telephone number, the associated services and general information about the location of the subscriber within 4G network.
PS Core	Mobile Packet	MPBN	15	MPBN consists of routers, switches and firewalls that provide IP connectivity between the Core Network Elements.
PS Core	Base Station Controller	BSC	6	BSC is in control of and supervises a number of 2G Base Transceiver Stations (" BTS "). It is responsible for the allocation of radio resources to a mobile call and for the handovers that are made between base stations under its control.
PS Core	Radio Network Controller	RNC	5	BSC is in control of and supervises a number of 3G Base Stations (NodeB). RNC is responsible for the allocation of radio resources to a mobile call and for the handovers that are made between base stations under its control.

Information Technology

The Group's IT portfolio consists of numerous software applications, modules and platforms designed to support functions such as customer relations management, billing, service and resource management, product, service, supply and partner management and strategic management. The Group has recently completed its IT Transformation project. For more information see "*—Strategy—Core Strategy Foundation—Maintain technological innovation through IT transformation*". The Group has three broad IT areas: BSS, which covers billing, CRM and related services such as reporting; enterprise resource planning ("**ERP**"); and operational support services.

Agreement with Whale Cloud

On 11 July 2018 the Issuer entered into an agreement with Whale Cloud Technology Co. Ltd (formerly ZTEsoft Technology Co. Ltd.) ("**Whale Cloud**") for the provision of seven different modules under the IT transformation. Under the agreement, Whale Cloud provided the relevant software suites and customised them to the Issuer's requirements. The modules were implemented between 2019 and 2021. The initial cost of the deliverables, including, *inter alia*, software and related services, amounted to USD 9.4 million, to be paid between 2018 to 2025. The Issuer has provided the hardware required to install and operate the modules.

The Group collects and maintains significant amounts of data on its customers which it is required to maintain and use in accordance with applicable regulations. As the telecommunications sector has become increasingly digitalised, automated and online-based in recent years, the Group has also had to increase measures preventing the risks of exposure to unauthorised or unintended data release through hacking and general information technology system failures. See "*Risk Factors—The main risks related to the Group's business—Risks Related to the Group's Business and Industry – The interruption, inadequacy or other failure of the Group's internal systems, including its internal controls over financial reporting and information technology systems, could have an adverse effect on the Group*".

The IT transformation project was completed in 2021 under which convergent business support systems, such as CRM, product catalogue, order management, sales inventory management, balance management, rating and charging, billing and invoicing, settlement and mediation, as well as certain operation support systems (such as service order management, provisioning, workforce management, problem management, services and resources inventory, field operator app) were implemented. The new systems are built on standardised platform and all subscriber data are unified for traditional telecommunications services, as well as for new digital services. The new systems will allow the Group to better analyse subscriber behaviour and needs (the ongoing integration of the SAS campaign management and loyalty program tool builds upon the new data architecture), to launch new products and offers significantly faster, to improve customer service and to utilize resources more efficiently.

The Group does not maintain an offsite data recovery centre. For more information, see "*Risk Factors—The main risks related to the Group's business—Risks Related to the Group's Business and Industry—The interruption, inadequacy or other failure of the Group's internal systems, including its internal controls over financial reporting and information technology systems, could have an adverse effect on the Group*".

Licenses

The Issuer

The Issuer holds the following licenses in connection with its business.

Licence	Frequency	Notes	Expiry Date
F48	2,299-2,350 MHz	Geographical area: Tbilisi	05.05.2026
F53	2,300-2,350 MHz	Geographical area: territory of Georgia (except: the cities of Tbilisi and Kutaisi; the regions of Samtredia, Vani, Baghdati, Tkibuli, Kharagauli, Sachkhere, Chiatura, Tsageri, Ambrolauri, Martvili, Senaki, Abasha, Terjola, Zestaponi and Khoni; Autonomous Republic of Abkhazia)	18.01.2027
F98	2,300-2,350 MHz	Geographical area: Kutaisi; the regions of Samtredia, Vani, Baghdati, Tkibuli, Kharagauli, Sachkhere, Chiatura, Tsageri, Ambrolauri, Martvili, Senaki, Abasha, Terjola, Zestaponi and Khoni	11.08.2026
F36	11.294-11.883 GHz	Geographical area: Batumi, Kobuleti, Poti, Samtredia, Senaki, Lanchkhuti, Chokhatauri and Ozurgeti	01.12.2026
	11.700-12.289 GHz	Geographical area: Tbilisi, Rustavi, Kutaisi, Chiatura, Mtskheta, Gori, Kaspi, Khashuri, Kharagauli, Zestaponi, Sachkhere, Terjola, Tkibuli, Abasha, Khobi, Zugdidi, Martvili, Chkhorotsku, Tsalenjikha, Khulo, Keda, Khelvachauri, Dusheti, Akhlagori, Tianeti, Kazbegi, Oni, Ambrolauri, Lentekhi, Tsageri, Mestia, Gali, Ochamchire, Sokhumi, Gardabani, Marneuli, Tetrtskaro, Bolnisi, Dmanisi, Tsalka, Tskhinvali, Borjomi, Aspindza, Akhalkalaki, Vani, Baghdati, Khoni, Tskaltubo, Ninotsminda	
	11.359-11.672 GHz and 12.228-12.289 GHz	Geographical area: Telavi and Kvareli	
	11,083-11672 MHz	Geographical area: Akhmeta, Gurjaani and Sighnaghi municipalities	

	12,228-12,817 MHz	Geographical area: Dedoplistskaro and Sagarejo municipalities	
F54	12,317-12,905 MHz	Geographical area: Kaspi, Kareli, Khashuri, Gori, Tskhinvali, Dusheti, Kvareli, Telavi, Lagodekhi, Akhmeta, Signaghi, Gurjaani	09.12.2026
	11,191-11,667 MHz	Geographical area: Tbilisi, Mtskheta, Zestaponi, Kutaisi, Chiatura, Sachkhere, Gardabani, Tetritskaro, Dmanisi, Bolnisi, Sagarejo, Dedoplistskaro	
	10,705-11,293 MHz	Geographical area: Terjola, Tkibuli, Baghdadi, Khoni, Samtredia, Abasha, Lanchkhuti, Ozurgeti, Chokhatauri, Poti, Kobuleti, Khelvachauri, Khulo, Batumi, Oni, Ambrolauri, Akhalkalaki, Akhaltsikhe, Ninotsminda, Tsalenjikha, Tianeti, Tsalka, Kazbegi, Senaki, Chkhorotsku, Zugdidi, Lentekhi, Tsageri, Mestia, Gali, Sokhumi, Gagra, Gulripshi, Ochamchire, Gudauta, Tkvarcheli	
F17	890-901.8 MHz and 935-946.8 MHz	Geographical area: Georgia	01.02.2030
F18	1,710-1,725MHz and 1,805-1,820 MHz; 1,725.1-1,740 MHz and 1,820.1-1,835MHz	Geographical area: Georgia	01.02.2030
F24	1,950-1,965 MHz and 2,140-2,155 MHz	Geographical area: Georgia	01.02.2030
F105	796-801 MHz and 837-842 MHz	Geographical area: Georgia	04.10.2033

Source: GNCC and Company information

Sales and Marketing

The Group uses the following sales channels:

- 032-2100100 and 7777 call centre – inbound calls;
- Active call centre – outbound calls with approximately 439,000 calls answered each month with 48 seconds average waiting time in the nine months ended 30 September 2021;
- Sales managers and agents;
- Approximately 500 third-party points of sale;
- 48 sales agents in Tbilisi and the regions;
- 54 shops, service centres and sales desks throughout Georgia;
- "mysilknet.com" self-care web site;
- Facebook page "liked" by approximately 500,000 people, with approximately 45,000 organic reaches each day in the nine months ended 30 September 2021; and
- Website with 1.1 million visitors in the nine months ended 30 September 2021.

Insurance

The Issuer's operations are subject to operational and geographic risks, including accidents, natural disasters, war, terrorism, fire, weather-related perils and other events beyond the Issuer's control. The Issuer maintains various

types of insurance policies to protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. For more information see *"Risk Factors—The main risks related to the Group's business—A significant event that exceeds the coverage limits of the Group's insurance could result in substantial losses"*.

The Group has not historically experienced difficulty renewing its insurance policies and management believes that the Group's insurance coverage is reasonable and consistent with telecommunications industry standards in general.

Employees

The Issuer

As at 31 October 2021, the Issuer had approximately 2,025 FTEs, a decrease of 36, or 1.7 per cent. from 2,061 as at 31 December 2020.

Intellectual Property

The Issuer has its logos registered as intellectual property.

Litigation

A short description of important litigation proceedings of the Issuer pending as of the date of these Listing Particulars is provided below. Following the completion of the merger of Geocell with Silknet on 1 November 2018, Silknet substituted Geocell (as its successor) in the relevant litigation proceedings.

MoD Procurement Agreement

On 26 December 2013, the Issuer, as the provider, entered into State Procurement Agreement No. 13/155 (the **"MoD Procurement Agreement"**) with the Ministry of Defence of Georgia (the **"MoD"**). The subject-matter of the MoD Procurement Agreement was the transfer of ownership over the optical fiber cores and related technical equipment situated in the linear structures of the Issuer to the MoD and the installation of equipment. In addition, the MoD Procurement Agreement envisaged the maintenance of transferred fiber cores for a period of 21 years. For more information, see *"-Material Contracts-Service agreements"*. In March 2015, prior to the expiry of the relevant term under the MoD Procurement Agreement, the Issuer applied to the MoD and proposed the execution of the act of delivery and acceptance in relation to the transfer of fiber cores to the MoD. Despite several other proposals by the Issuer and the fact that the Issuer completed its obligations under the MoD Procurement Agreement, the MoD refused to sign the act of delivery and acceptance and to return the Issuer's bank guarantee in the amount of GEL 5,071,184. In order to protect its interests, the Issuer brought a claim before the Tbilisi City Court. As of the date of these Listing Particulars, the case is pending in Tbilisi Court of Appeals.

Tax Disputes

On 30 December 2013, the Revenue Service of Georgia (the **"Revenue Service"**) assessed Geocell GEL 4,742,583 for certain tax infringements. Initially, Geocell appealed the decision within the system of the Ministry of Finance of Georgia (the **"Ministry of Finance"**). The Council of Mediation of the Revenue Service, as well as the Council of Dispute Resolution of the Ministry of Finance (the **"Dispute Resolution Council"**), partially satisfied Geocell's appeal and held that Geocell was not liable to pay the entire amount of GEL 4,742,583. Thereafter, Geocell appealed the decision of the Dispute Resolution Council to the Tbilisi City Court in relation to the remaining amount. On 29 December 2017, the Tbilisi City Court partially satisfied Geocell's claim and remanded the case to the Revenue Service. On 12 June 2020, the Tbilisi Court of Appeals upheld the decision of the Tbilisi City Court. The Revenue Service and the Ministry of Finance further appealed the decision of the Tbilisi Court of Appeals to the Supreme Court of Georgia (the **"Supreme Court"**). The Supreme Court considered the cassation claims inadmissible and the case is now returned to the Revenue Service for re-examination.

In October 2014, the Revenue Service assessed Geocell GEL 3,269,389 for a number of tax infringements identified in its report on revised tax documents for the years 2008-2009. Geocell appealed against the decision of the Revenue Service in the Dispute Resolution Council and Geocell's appeal was partially satisfied. Geocell further appealed to the Tbilisi City Court. On 9 November 2017, the Tbilisi City Court partially satisfied Geocell's claim. On 1 November 2018, the Tbilisi Court of Appeals upheld the decision of the Tbilisi City Court. The Revenue Service and the Ministry of Finance further appealed the decision of the Tbilisi Court of Appeals to the Supreme Court. On 17 June 2019 the Supreme Court accepted the cassation claims for consideration of admissibility issue. As of the date of these Listing Particulars, the case is pending.

On 21 December 2015 and 5 February 2016, the Revenue Service assessed Geocell GEL 4,343,349.7 for certain tax infringements. The assessed amount was reduced to GEL 2,029,345 as a result of appeal procedure within the

Ministry of Finance system. On 10 February 2017, Geocell appealed against the decision to the Tbilisi City Court. On 26 October 2017, the Tbilisi City Court rejected Geocell's appeal, following which Geocell appealed that decision to the Tbilisi Court of Appeals. On 30 July 2019, the Tbilisi Court of Appeals revoked the decision of the Tbilisi City Court and partially satisfied Geocell's claim remanding the case to the Revenue Service for reconsideration taking into account instructions of the court. The Revenue Service and the Ministry of Finance appealed the decision of the Tbilisi Court of Appeals to the Supreme Court. On 13 July 2020 the Supreme Court accepted the cassation claims for consideration of admissibility issue. As of the date of these Listing Particulars, the case is pending.

The contested tax charges described above, taking account of the decisions/corrections made in various instances of the Ministry of Finance, are reflected in the financial statements of the Issuer in accordance with IFRS.

A dispute is also pending before the Tbilisi City Court between the Issuer and the Revenue Service in relation to GEL 261,803 and GEL 228,450 levied on the Issuer on the basis of the compensation for royalties, and GEL 94,852 and GEL 90,552 as income tax, for the period between 2015-2016 and 2017-2018, respectively. The Issuer does not recognize the foregoing tax claims and has not reflected them in its financial statements. These disputes do not entail any injunctions on the Issuer.

Environmental Matters

The Group is subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise, disposal of hazardous materials, air emissions, water discharge, the clean-up of contaminated sites and historical and artistic preservation. The Group could therefore be exposed to costs and liabilities, including liabilities associated with past activities.

The Group's operations are subject to obligations to obtain environmental permits, licenses and/or authorisations, or to provide prior notification to the appropriate authorities, including when using or installing certain communication equipment. As a result of these activities and operations at the Group's operating sites, the Group could incur costs, including fines, penalties and other sanctions, clean-up costs and third party claims for property damage or personal injuries, as a result of violations of or liabilities under environmental laws and regulations.

Additionally, a number of the Group's operating sites do not have the required building permits or sanitary permits. At the time these sites were acquired by Geocell, it was impractical to obtain such permits. Consequently, the Group could incur costs, including fines, penalties and other sanctions if the regulators decide to bring an action against the Group for violating the requirement to hold such permits. It is not certain exactly how many sites do not have such permits as local authorities did not maintain accurate records at the time. However, the Group estimates that such costs would not be more than GEL 3 to 5 million and, accordingly, would not be material to the Group. For more information see *"Risk Factors—The main risks related to the Group's business—The Group's services depend on the performance of networks, technical equipment and suppliers"*.

The Group's objective is to comply in all respects with applicable environmental and health control laws, and all related permit requirements. The Group believes that the principal environmental risks arising from its current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. The Group deploys various network infrastructure strategies in order to achieve radiation emission ranges lower than the minimum levels required by applicable regulations. See *"Risk Factors—The main risks related to the Group's business—Actual or perceived health risks or other problems relating to mobile devices or transmission masts could lead to litigation or decreased mobile communications usage"*.

As at the date of these Listing Particulars, the Group does not have any outstanding or threatened environmental claims or investigations.

Environmental, social and governance practices

In December 2021, the Group's environmental, social and governance ("ESG") practices were evaluated by Sustainalytics B.V. The overall ESG rating of the Group was 26.1 out of 100. ESG ratings may vary amongst ESG ratings agencies as the methodologies used to determine ESG ratings may differ. The Group's ESG ratings are not indicative of its current or future operating or financial performance, or any future ability to service the Notes and are only current as of the dates on which they were initially issued. Prospective investors must determine for themselves the relevance of any such ESG ratings information contained in these Listing Particulars or elsewhere in making an investment decision. Furthermore, ESG ratings shall not be deemed to be a recommendation by the Group or any other person to buy, sell or hold the Notes. Currently, the providers of such ESG ratings are not subject to any regulatory or other similar oversight in respect of their determination and award of ESG ratings. For more information regarding the valuation methodologies used to determine ESG ratings,

please refer to the relevant ratings agency's website (which website does not form a part of, nor is incorporated by reference in, these Listing Particulars).

Commercial Property

The principal property and equipment of the Group consist of its cables and switching stations located throughout the jurisdictions in which it operates, including its international exchanges, satellite earth stations, mobile switching centres, base stations, transmission equipment, cables and other technical, administrative and commercial property and equipment.

The Group's net book value of property and equipment as at 30 September 2021 was GEL 379.1 million compared to GEL 393.9 million as at 31 December 2020.

Material Contracts

Service agreements

Service Agreement with Servicenet

Until August 2015, the Group performed the maintenance of its cable network, acquisition of new subscribers and new network roll-out within its in-house unit. The employees of this unit predominantly engaged in construction works. The management of such activities was related to operational processes inherently different from other activities of the Group.

The Group decided to outsource these activities to enhance its flexibility and cost-effectiveness. Negotiations were held with various companies from 2013. In 2015, Servicenet, a company which had been performing several network roll-out projects on the Group's behalf since 2013, was chosen as the outsourcing contractor.

The non-exclusive contract between the Group and Servicenet on the maintenance of the cable network and acquisition and technical maintenance of subscribers was signed in August 2015 and extended on 15 August 2020 to remain in force until August 2025. The above-mentioned structural unit ceased to exist at the Group and the vast majority of relevant employees were employed by the contractor.

In October 2018, the Issuer transferred the maintenance of its mobile network sites to Servicenet.

For the year ended 31 December 2020, the Group paid Servicenet GEL 17.5 million for its services, excluding VAT.

Service Agreement with Qarva

Qarva provides software, operation and maintenance support for the Group's IPTV service. In addition, Qarva develops software, adding new features, as requested by the Group. Any new product developed by Qarva for the Group is either owned by the Group or the Issuer has indefinite rights of usage. On 16 December 2021 the service agreement with Qarva was extended until 31 December 2022.

Qarva provides exclusive services to the Issuer on Georgian territory and, during the term of the agreement, it is not entitled to provide similar service (including consulting) to third parties in Georgia without the Issuer's prior written consent.

Qarva's service fee varies and depends *inter alia* on the number of IPTV subscribers. For the year ended 31 December 2020, the Group paid Qarva GEL 6.4 million for its services, excluding VAT; as Qarva is a subsidiary, these amounts are consolidated within the Group's consolidated results of operations. In accordance with the terms of the company charter, the Group engaged an independent third party (PricewaterhouseCoopers) which determined that this transaction was of fair market value. The Group owns a 51 per cent. equity interest in Qarva, while Qarva's management own the remaining 49 per cent. through LLC "Qarva Limited" Malta.

IRU Agreements

The Issuer has entered into several agreements with other telecommunications operators with respect to granting IRU (indefeasible rights of use) on dark fiber for a period of 20 years. Such agreements comprise the rights of use, as well as technical maintenance, during the terms of the agreements. Agreements with the Group constitute a substantial part of the IRU volume.

The IRU agreements contain certain service level clauses and related penalties.

The table below summarises the amounts received by the Group for the dark fiber rights of use for the periods indicated:

	Year ended 31 December		
2018	2019	2020	
	(thousands of GEL)		
10,745	10,321	9,849	

Source: Company information

The Group has entered into several agreements with Delta Comm LLC, currently a subsidiary of MagtiCom, with respect to obtaining IRU on dark fiber. The relevant parties also entered into related maintenance and operation agreements. The agreements are effective for a period of 20 to 25 years, and comprise the rights of use, maintenance and operation services, during the terms of the agreements. The agreements contain certain service level clauses and related penalties.

MoD Procurement Agreement

On 26 December 2013, the Issuer, as the provider, entered into the MoD Procurement Agreement with the MoD. The subject-matter of the MoD Procurement Agreement was the transfer of ownership over the optical fiber cores and related technical equipment situated in the linear structures of the Issuer to the MoD and the installation of equipment. In addition, the MoD Procurement Agreement envisaged the maintenance of the fiber cores for a period of 21 years.

The total price of the MoD Procurement Agreement is GEL 6,720,877 (including VAT). GEL 6,480,877 from the said total price was paid by the MoD as an advance payment. The Issuer provided the MoD with an irrevocable bank guarantee issued by the Bank of Georgia (the guarantee is still in force) to secure the fulfilment of obligations undertaken in accordance with the MoD Procurement Agreement.

The Group transferred the communications equipment and installed it within the timeframe stipulated by the MoD Procurement Agreement and the relevant act of delivery and acceptance was signed by the parties. The amount of the bank guarantee was accordingly reduced by the amount of the value of the communications equipment – GEL 1,410,200.

In March 2015, prior to the expiry of the relevant term under the MoD Procurement Agreement, the Issuer applied to the MoD and proposed the execution of the act of delivery and acceptance in relation to the transfer of fiber cores to the MoD. Despite several other proposals by the Group, the MoD has not yet signed the act of delivery and acceptance even though it never expressed any complaints regarding the fulfilment of the terms of the MoD Procurement Agreement by the Group. In order to protect its own interests, the Issuer applied to Georgian courts. As at the date of these Listing Particulars, the dispute is still ongoing in the Tbilisi Court of Appeals. For more information, see "*Litigation*".

Other Agreements

Agreement with the Ministry of Internal Affairs Georgia

In June 2018, the Issuer entered into an agreement with the Ministry of Internal Affairs of Georgia with respect to providing data connectivity and maintenance service to 2,132 points across Georgia until 31 December 2023.

Geocell Share Purchase Agreement

On 25 January 2018, the Issuer entered into the Geocell Share Purchase Agreement. The parties to the Geocell Share Purchase Agreement were the Sellers, Rhinestream Holdings Limited and the Issuer.

In exchange for acquiring 100 per cent. of Geocell's share capital, the Issuer paid USD 66 million in cash and issued a USD 16 million interest free promissory note. The promissory note was repaid immediately after the issuance of the Silknet 2019 Bonds.

In addition to payment of the share purchase price, the Issuer also paid Fintur Holdings B.V. the principal amount of the loan given to Geocell in the amount of USD 68.3 million together with accrued interest.

Before the transfer of the title to the Issuer, the Sellers took on some standard commitments concerning the management of Geocell. The Sellers have also made certain standard statements and guarantees in relation to the ownership, activities and operations of Geocell and undertook to compensate for certain actions of possible damage from third party claims, subject to upper limits and restrictions.

In addition to the Sellers' and the Issuer's obligations, the Geocell Share Purchase Agreement also provides for the guarantees of parent and affiliated companies in case the Sellers or the Issuer fail to uphold their respective obligations.

Following the Geocell Acquisition, its General Director, Advisory Board members and four Non-Resident Management Representatives, who represented the Sellers' group, have all resigned.

In connection with the Geocell Acquisition, the Issuer received prior consent from the GNCC. The GNCC imposed the following requirements on both Geocell and the Issuer, which remain in force for the Issuer:

- (1) the Issuer is obliged to notify the subscribers and the GNCC about any changes in the terms and conditions of their services ten working days before such change. The Issuer and Geocell are obliged to notify the subscribers and the GNCC about any changes in the terms and conditions of their services that may affect the subscribers' willingness to continue using the service, one month before such change; and
- (2) the Issuer received a special obligation with respect to the services of and access to local zone and inter-zone fiber-optical channels as well as local zone and inter-zone terminal elements, to (a) grant access to all authorised persons, (b) prohibit discrimination and (c) ensure the transparency of information.

Guarantee Agreement with Silknet Holding LLC

On 30 June 2021, the Issuer entered into a guarantee agreement with Silknet Holding LLC (the "**Parent Entity**") (the "**Guarantee Agreement**") with respect to an agreement between *inter alia* the Parent Entity, David Mamulaishvili (the Issuer's CEO) and Rhinestream Holdings Limited (Malta), a company through which Mr. Mamulaishvili holds his equity interest in Silknet (the "**Option Agreement**"). Under the Option Agreement, Mr. Mamulaishvili has the right to put to the Parent Entity either the equity interest beneficially held by him in the Parent Entity or the equity interest held by him in Rhinestream Holdings Limited (provided Mr. Mamulaishvili is the sole shareholder), starting from 1 May 2024, for a period of two years, in exchange for a consideration calculated under a pre-agreed formula. Mr. Mamulaishvili, through Rhinestream Holdings Limited, currently holds 5 per cent. equity interest in the Issuer. The option price payment terms are to be agreed between the parties separately and in the event they fail to do so, payment shall be made in six equal annual instalments, with the first payment date no later than one year after the completion of the option.

Under the Guarantee Agreement, Silknet jointly and irrevocably guarantees the performance of the Parent Entity obligations under the Option Agreement, for which the Parent Entity shall pay Silknet a service fee after the expiry of the put option period. The guarantee amount is capped at U.S.\$18,000,000. In the event the guarantee is triggered and Silknet pays the put option price, the amount paid shall be construed as a loan to the Parent Entity and shall accrue interest subject to market rates prevailing at that time.

EY LLC in Georgia provided an independent appraiser opinion on the fair value and fairness of the Guarantee Agreement at the time it was entered into. As at 30 September 2021, the outstanding balance of the guarantee is U.S.\$661,000.

TBC Warrant Agreement

On 5 June 2018, the Issuer entered into the TBC Warrant Agreement. Under the TBC Warrant Agreement, the Issuer undertook to allot and issue to TBC Bank warrants for 4,795,000 new ordinary shares in the Issuer at GEL 25,000,000 or GEL 5.214 per ordinary share. The option is exercisable at any time during the period of five years from the date of the TBC Warrant Agreement or conditionally upon the occurrence of a liquidity event, which is defined as an IPO or sale of 100 per cent. stake of the Issuer.

Principle vendor contracts

Agreements with Ericsson AB and its affiliates

Ericsson AB equipment is installed in the Group's core and radio access network in Eastern Georgia, which comprises approximately 60 per cent. of the Group's mobile sites. The Group has entered into several agreements with Ericsson AB and its affiliates with respect to the procurement of equipment, hardware and software licenses and technical support services.

Agreements with Huawei Technologies Co. Ltd. and its affiliates

The Group's radio access network in Western Georgia is supplied with equipment by Huawei Technologies Co. Ltd. and its affiliates ("**Huawei**"). The Group has entered into several agreements with Huawei with respect to the procurement of equipment, hardware and software licenses, post-warranty and other services.

Huawei is the Issuer's principal vendor. The Issuer uses Huawei's equipment for certain mobile services, fixed voice services, as well as DSL and FTTH broadband service. The Issuer procures certain equipment from Huawei on a regular basis. In addition, Huawei provides technical support services.

Agreement with JSC Energo-pro Georgia

In February 2019, the Issuer signed an agreement with JSC Energo-pro Georgia ("**Energo-pro**") granting the Issuer the right to deploy fiber-optic cables on Energo-pro's grid of electricity distribution poles for a period of 10 years. Energo-pro's grid serves all the Georgian territory outside Tbilisi, as well as certain outskirts of Tbilisi. The rights granted under this agreement provide the Issuer with the opportunity to connect new broadband and IPTV subscribers in lower density areas in a more cost-effective way, thus eliminating certain advantage hitherto held by MagtiCom which had been the sole telecommunications operator using Energo-pro's grid for fixed broadband network.

Agreements with M Service

In the ordinary course of business, the Group procures various equipment and services from M-Service Ltd., such as customer premises equipment, computer servers, specialised vehicles and support services for various network equipment.

MANAGEMENT

Overview

The Issuer has the following management and governing bodies:

- General Meeting of Shareholders;
- Supervisory Board; and
- General Director ("CEO").

General Meeting of Shareholders

The General Meeting of Shareholders is authorised to:

- adopt the Issuer's charter and restated charter, amend the charter, capital and business name;
- accept or decline the proposal of the Supervisory Board or the CEO on the use of profit or, when these bodies fail to make a joint proposal, make a decision on the use of net profit;
- elect the representatives of shareholders to the Supervisory Board or dismiss them from the Supervisory Board;
- approve the report of the CEO and the Supervisory Board;
- make a decision on the remuneration of the members of the Supervisory Board;
- appoint an auditor; and
- decide on participation in court proceedings against the Supervisory Board and the CEO, including the appointment of a representative for such proceedings.

The General Meeting of Shareholders makes decisions on matters within its scope of authority by the majority of more than 50 per cent. of voting shares present at the General Meeting. One ordinary share equals one vote.

If one shareholder owns more than 75 per cent. of the ordinary shares in the capital of the Issuer, such shareholder is entitled to make decisions without convening shareholder meetings. In this case other shareholders will be notified on the decision made.

Supervisory Board

The Supervisory Board appoints and dismisses the CEO, enters into and terminates the contract with the CEO, supervises the activities of the CEO and is at any time authorised to request a report on the Issuer's activities. The Supervisory Board is authorised to control and inspect the books of the Issuer, as well as the assets, cash desk, state of the securities and goods of the Issuer. The Supervisory Board inspects the annual reports, proposals on the distribution of profit and information on the state of the Issuer and reports to the General Meeting of Shareholders. The Supervisory Board convenes the General Meeting of Shareholders, as necessary.

The Issuer may perform the following activities only with the approval of the Supervisory Board:

- purchase and sale of more than 50 per cent. of shares in enterprises;
- foundation and liquidation of subsidiaries and branches;
- adoption of annual budgets and long-term liabilities;
- taking of loans and credits exceeding the limits determined by the Supervisory Board;
- securing of loans and credits outside the ordinary course of business. Such security for the benefit of the members of the Supervisory Board and the CEO is prohibited;
- commencement of a new type of economic activity or termination of the existing one;
- determination of general principles of business policy;
- appointment and dismissal of trade representatives (proxies);
- making a decision on the admission of the shares and other securities of the Issuer for trading on the stock exchange;
- determination of the participation of management in profits and similar relationships, establishment of the principles of their pension and submission thereof to the General Meeting of Shareholders for approval;

- making a decision on the purchase or sale (or a series of related transactions) of the Issuer's assets, the value of which exceeds the threshold approved by the Supervisory Board;
- making a decision on the purchase, sale (or a series of related transactions) or encumbrance of the Issuer's property, the value of which exceeds 50 per cent. of the value of the Issuer's assets, unless within the ordinary course of the Issuer's business;
- making decisions related to the reorganisation, restructuring and liquidation of the Issuer;
- determination, increase or decrease of the capital of the subsidiaries;
- making decisions on issues which are not directly within the competence of the CEO and the General Meeting of Shareholders under the laws of Georgia or the charter.

The Supervisory Board of the Issuer consists of six members. The members of the Supervisory Board are elected for a term of five years by more than 50 per cent. of the capital present and voting at the General Meeting of Shareholders. The Supervisory Board is quorate if more than 50 per cent. of its members are present or represented. The Supervisory Board makes decisions by a simple majority of votes present or represented. Each member of the Supervisory Board has one vote. The members of the Issuer Supervisory Board are:

George Ramishvili – Chairman of the Supervisory Board

George Ramishvili is the Chairman of the Supervisory Board of the Issuer and is the founder and ultimate beneficial owner of Silk Road Group Holding (Malta) Limited and its subsidiaries (the "**Silk Road Group**"). He is also the founder and the chairman of the board of Silk Road Group. George Ramishvili graduated from Tbilisi State University, Faculty of Economics with major in Economics. George Ramishvili has over 25 years of experience in starting up and successfully running new companies, drawing on wide social network and sound business sense. His industrial skills include transportation, trading, real estate, tourism and energy. George Ramishvili was President of the Georgian Ski Federation for several years and is still supporting development of winter sports in Georgia. He is also a member of international boards of several artistic and cultural organisations and the International Board of the London Philharmonic Orchestra. He is the chairman of the board of National Geographic Georgia (non-entrepreneurial, non-commercial legal entity, the Licensee of National Geographic in Georgia) and the Tsinandali International Festival of Classical Music.

Vasil Kenkishvili – Deputy Chairman

Vasil Kenkishvili is the Deputy Chairman of the Supervisory Board, the Chief Executive Officer of Silk Road Group Holding (Malta) Limited, the Chief Executive Officer of SRG Investments LLC and Deputy Chairman of the Supervisory Board of Silk Road Bank JSC which is a part of the Silk Road Group. Vasil Kenkishvili joined the Silk Road Group in late 2006 as general counsel and was promoted to chief executive officer after three years. Prior to joining the Silk Road Group he served as a head of the legal department for restructuring of Georgian Railway LLC between 2004 and 2006. He was the chief lawyer of the parliamentary faction in the Parliament from 2001 to 2003 and worked for the Ministry of the State Property Management of Georgia from 1999 to 2001. Vasil Kenkishvili received his law degree (JD equivalent) with Summa Cum Laude (the highest GPA) from Ivane Javakhishvili Tbilisi State University, the Faculty of Law in 2000 and LLM degree (Master of Laws in International Legal Studies) from The American University, Washington College of Law (Washington DC, USA) in 2004.

Theodor Charles Jonas – Member

Theodor (Ted) Charles Jonas is an independent member of the board. He is a U.S. qualified lawyer licensed in Washington, D.C. Ted Jonas led DLA Piper's entry to the Georgian market in 2005, and was the managing partner of its Tbilisi office until 2014. Ted Jonas then joined Dentons Georgia LLC as senior counsel from May 2017 to March 2021. Ted Jonas is a non-executive director of the Anaklia (Port) Development Consortium and a member of the Supervisory Board of the Caucasus Nature Fund, a conservation trust fund for South Caucasus, based in Frankfurt, Germany. He also worked for the National Democratic Institute for International Affairs, was a member of the U.S. Congress, and clerked for a U.S. federal appellate judge. Ted Jonas has a degree in history from Cornell University (1984) and received his J.D. with honours from Cornell Law School in 1991.

Mamuka Shurgaia – Member

Mamuka Shurgaia is a member of the board and a chief financial officer of SRG Investments LLC, a part of the Silk Road Group and co-Chief Executive Officer of Silk Road Group Holding LLC. Mamuka joined the Silk Road Group in 2011 as a deputy director of finance, and progressed to the chief financial officer position within a year. Prior to joining the Silk Road Group, Mamuka Shurgaia was a senior auditor at Ernst & Young Audit LLC in Tbilisi and worked as a manager in the accounts team at TBC Bank. Mamuka Shurgaia has a degree in finance

from Caucasus School of Business (2006) and a Master's in business administration from the Grenoble Ecole De Management in 2016.

Alexsi Topuria – Member

Alexsi Topuria is a shareholder and a member of the board of the Silk Road Group, as well as a member of the supervisory board of the Issuer. Alexsi Topuria has more than 20 years of professional experience in developing new business in the Caucasian, Caspian and Central Asian region. He is an expert in finance and operational management. His industrial skills include telecommunications, transportation and trading. Alexsi Topuria established a football school in the suburbs of Tbilisi to support the development of youth football in Georgia. Alexsi Topuria completed advanced studies in economics and business management at Witten/Herdecke University (1991-1997). He also studied at Tbilisi State University Faculty of Economic Geography, with a major in Economics (1984-1989).

David Franz Borger - Member

David Franz Borger joined the Silk Road Group, the shareholder of Silknet, as a partner in 2005. He holds a PhD in accounting and finance from the London School of Economics and has worked in information technology with major IT firms and management consultancy companies. Before joining the Silk Road Group, he was a project leader at Boston Consulting Group.

The business address of each member of the Supervisory Board of the Issuer is JSC Silknet, 95 Tsinamdzghvrishvili Street, Tbilisi, 0112, Georgia.

Chief Executive Officer

The CEO is vested with the management and representation of the Issuer, and is elected by the Supervisory Board with the majority of votes. The CEO is responsible for managing the affairs of the Issuer. The authorities of the CEO are set forth under the contract executed with him or her, the charter and the laws of Georgia. The CEO prepares annual reports and reports on financial standing, as well as proposals for net profit distribution to be presented to the Supervisory Board.

The CEO is authorised to appoint senior executives (division heads), enter into and terminate agreements with them, control and supervise their activities and ensure that they work in a coordinated manner. The CEO or senior executives designated, and within the scope of authority granted, by the CEO represent the Issuer in legal relations with third parties.

Organisational Structure and Employees

The Issuer is organised into different divisions. The following table sets forth the number of employees and key structural units within divisions:

Division	Number of FTEs	Key Structural Units
CEO	172	Advisory Board Acts Monitoring Unit Business Process Optimization Unit Legal Department Human Resources Department Broadcasting Department Strategic Planning Unit Company Development Projects Unit IT Transformation Project Management Unit Information Security Unit
Technical	481	Technical Development and Planning Department Technical Administration Department Radio Access Network Field Service Unit Infrastructure Service Department Data Transmission Department Fixed Core & Access Maintenance Department Fixed Network Transmission Department Mobile Radio Access Network and Core Network Department Mobile Network Transmission Department

		Network Monitoring & Quality Control Department
Products and Brand Management	53	Brand Marketing Department Brand Activation and Special Projects Unit Public Relations Unit Telecommunications Products and Offers Department Product Innovation and Digital Ecosystem Development Content Management Unit
Sales	318	Retail Sales Department Corporate Sales Department Advertising Sales Unit Commercial Analytics and Planning Unit
Financial	59	Accounting Department Financial Projects Budgeting and Financial Analysis Department Treasury Department Back Office Unit
Operating	120	Procurement Unit Transport Unit Property Management Unit Procurement & Supply Analytics Unit
Supply Management	100	Administrative Unit Warehouses Management Department Material Values Management Unit
Information Technologies	94	Business Analytics Unit Billing Department ERP Systems Administration Unit IT Support Unit IT Infrastructure and Datacenter Department Operating Support Unit Reporting and Analysis Department Software Development Unit Database Administration Unit
Customer Service	482	Customer Service Department Subscribers Technical Service Department Reporting Team
Internal Control and Standardisation	133	Internal Control and Security Department Monitoring Unit Chancellery Labour Protection and Safety Regulation Monitoring Team
Strategic Development Direction	8	Careers Unit
Internal Audit	5	Internal Audit Unit

Source: Company information

As of 31 October 2021, the Issuer employed 2,025 FTEs.

Employment relations between the Issuer and its employees are governed by individual employment agreements and the Rules of Procedure approved by the CEO in 2014 (which is an integral part of the employment agreements). The Rules of Procedure regulate matters such as the terms and conditions of employment, procedures for the commencement and termination of employment relations, and disciplinary responsibility of the employees.

Management of the Issuer, Short Biographies of the CEO and other Senior Managers

David Mamulaishvili, CEO

David Mamulaishvili was appointed as the CEO in 2016. Between 2010 to 2016, Mr. Mamulaishvili was the head of the Internal Control and Standardisation Division. Prior to joining the Issuer, Mr. Mamulaishvili engaged in entrepreneurial activities and was one of the founders of several large companies (including Lomisi and

Interplast). For a certain period of time, Mr. Mamulaishvili served as the Vice-Governor of the Mtskheta-Mtianeti region.

Lili Pshavlishvili, Chief Financial Officer

Lili Pshavlishvili was appointed as the Chief Financial Officer in 2010. Prior to joining the Issuer, Ms. Pshavlishvili held the position of the Small and Medium Enterprise Development Director at Bank of Georgia. Prior to that, Ms. Pshavlishvili was the Commercial Director of Silk Road Bank. At the onset of her career, Ms. Pshavlishvili held various management positions at the NBG.

Levan Buchukuri – Chief Sales Officer

Levan Buchukuri was appointed as the Chief Sales Officer in 2021. Between 2020 and 2021, Mr. Buchukuri served as the Chief Strategy Development Officer. Between 2018 and 2020, he served as the Chief Customer Service Officer at Silknet. He served as a member of the Supervisory Board from 2016 till 2018, as the CEO of Silknet from 2011 till 2016 and held different other positions before that (Deputy CEO, Chief Commercial Officer, Deputy CEO Chief Technical Officer). Mr. Buchukuri has extensive experience in the telecoms sector. Between 2009 and 2010 he was the CEO at Novus Ltd. Between 2007 and 2009, he was the CEO at Technoservice Ltd, and between 2004 and 2007, he was the CEO of Iberiatel Ltd. For seven years, Levan Buchukuri worked at MagtiCom as Head of the Sales and Marketing department (1997-1999), Head of the Customer Service Department (1999-2000), Deputy CEO (2000-2001) and CEO (2001 – 2004). From 1995 to 1997, Levan Buchukuri also worked for Megacom Ltd as a sales manager. Mr. Buchukuri holds the equivalents of bachelor degrees in electronics (1988-1994 Georgian Technical University) and in foreign economic affairs (1989-1992 Georgian Technical University).

Vera Duduchava - Chief Operating Officer

Vera Duduchava was appointed as Chief Operating Officer of Silknet in August 2019. Ms Duduchava led Silknet's IT Transformation project in 2018. Prior to that, she was a member of the executive management team at Geocell, where she started her career in the customer relations department in 2000. Over the years, she has held different managerial positions in the same department, and participated in a number of international projects in the sector. In 2013, Ms Duduchava became the Director of Geocell's Customer Relations Department and continued at Silknet. Prior to that, she also worked at Nexus Enterprises as the head of operations.

Nino Kankia - Chief Technical Officer

Nino Kankia joined Silknet in 2020 and was appointed as the Chief Technical Officer in 2021. Prior to joining Silknet, she served as the head of Marketing and Solution Sales Department at Tbilisi Huawei Technologies Co. From 2011 to 2015, Ms. Kankia served as the Head of the Mobile Core Network Operational and Development Department at Veon Georgia. Ms. Kankia holds a Master's degree in Telecommunications Technology from the Tbilisi Technical University.

Shota Ghvinianidze - Chief Information Officer

Shota Ghvinianidze joined Silknet's team in September 2019. Prior to that he worked at MagtiCom LTD, where his career path spanned a number positions from software developer to the head of information technology (IT). Prior to joining MagtiCom, Mr. Ghvinianidze worked at the NBG for several years, where he contributed to the implementation of several IT and payment systems projects.

Rusudan Svani – Chief Customer Service Officer

Rusudan Svani was appointed as Chief Customer Service Officer in 2020. From 2010 to 2020, she served as the Head of the Call Centre. Prior to that, she held managerial positions in a number of different companies.

David Birman – Chief Product and Brand Management Officer

David Birman has over 20 years of experience in marketing, with a strong focus on digital product development, customer experience, and branding. He was until recently working with leading Georgian banks on digital strategy consulting projects. Prior to that, David Birman led digital banking, customer experience, and brand management directions as Chief Experience Officer at Yelo Bank (Azerbaijan), which he joined after leaving Bank of Georgia in 2018. David Birman joined Bank of Georgia in 2010, and during 8 years with the bank he held various managerial positions in Marketing and Brand Management. In his most recent role as Chief Digital Officer, David Birman led the development of digital banking. David Birman holds Bachelor in Business Administration degree from European School of Management and is Master Certified in UX Management and Interaction Design by Nielsen Norman Group.

Ilia Enukashvili (Eli Enoch) – Head of Strategy

Ilia Enukashvili was appointed as the Head of Strategy in 2012. Between 2019 and 2021, Mr. Enukashvili also served as the Chief Executive Officer of Silk Road Bank. Prior to Joining Silknet, Mr. Enukashvili was the Chief executive officer of Liberty Consumer.

Neither the CEO nor any of the senior managers of the Issuer listed above, for at least the previous five years, have:

- had any convictions in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the supervisory board of any company at the time of its insolvency, bankruptcy or liquidation; or
- been subject to any sanction by any state or regulatory authority (including courts) in relation to the management or conduct of the affairs of a company.

The business address of each member of the Group's management team is JSC Silknet, 95 Tsinamdzghvishvili Street, Tbilisi, 0112, Georgia.

Conflict of Interests

Save as disclosed below, there is no conflict of interest or potential conflict of interest between the duties owed by the members of the Issuer's Supervisory Board or the Issuer's executive management to the Issuer and their respective private interest or other duties.

George Ramishvili, David Franz Borger and Alexsi Topuria, the Chairman of the Supervisory Board of the Issuer and members of the Supervisory Board of the Issuer, respectively, and David Mamulaishvili, the CEO of the Issuer, are ultimate beneficial owners of the Issuer and as such in such capacities have the power to influence decisions of the Issuer.

The Issuer Supervisory Board has two committees: audit committee and compliance committee.

RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Issuer has engaged, and continues to engage, in transactions with related parties. Related parties include, among others, the following persons: shareholders/partners, members of the management body, affiliated companies and certain shareholders of such affiliated companies. Furthermore, parties would be considered related if one party has the ability to control the other party or to exercise influence over the decisions of the other party or if such parties are under common control.

The Issuer's charter sets forth certain restrictions with respect to transactions with related parties. For example, any transaction the value of which exceeds GEL 1 million is subject to the prior approval of the Supervisory Board, and if the value of a related party transaction exceeds GEL 5 million, the Supervisory Board has to obtain an opinion from an independent third party to the effect that such related party transaction is fair, from a financial standpoint, to the Issuer.

In order to regulate the related party transactions, the Supervisory Board of the Issuer has approved the "Policy of executing related party transactions", the aim of which is to limit benefits/privileges of Company-related parties (who have direct or indirect material interest (or may have such in future) as a result of the transaction(s)) in transactions on behalf of the Issuer and ensure fairness/non-discrimination.

The Issuer's immediate parent company is Silknet Holding LLC. The ultimate beneficial shareholders of the Issuer are George Ramishvili (36.3 per cent.), Yerkin Tatishev (36.3 per cent.), Alexsi Topuria (16.8 per cent.), David Borger (5.6 per cent.) and David Mamulaishvili (5.0 per cent.). No publicly available financial statements as at 31 December 2020, 31 December 2019 and 31 December 2018 are produced by the Issuer's parent company. See also note 25 to the 2020 Audited Consolidated Financial Statements and the 2019 Audited Consolidated Financial Statements.

The following table sets forth the volumes of related party transactions:

Related party transactions

Key Management Remuneration	For the year ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	(GEL '000)			(GEL '000)	
Salaries	2,067	2,658	4,964	3,642	4,256
Bonuses capitalized on the IT transformation project	-	-	-	-	2,785
Bonuses	4,134	2,530	185	164	545
	6,201	5,188	5,149	3,806	7,586

	Transaction value for the year ended 31 December			Outstanding balance as at 31 December		
	2018	2019	2020	2018	2019	2020
	(GEL '000)					
Loans issued:						
Other related party	586	-	-	-	-	-
Other operating expenses:						
Other related party	2,189	107	212	-	-	-
Entities under common control	1,067	3,345	5,784	(95)	(153)	(1,896)
Subordinated Debt:						
Parent company	44,486	35,315	-	(30,546)	(1)	-
Fuel and lubricants used:						
Entities under common control	1,191	2,453	2,014	(353)	(146)	(157)
Purchase of goods and services from related parties:						
Marketing	78	-	-	-	-	-
Charity	706	-	-	-	-	-

Investment property acquisition:

Entities under common control	-	29,582	31,783	-	-	-
Other:						
Entities under common control	-	-	697	-	-	(19)

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

(1) In 2020, other operating expenses with entities under common control mainly include: consultancy services of GEL 3,062 thousand (2019: nil) provided by SRG Investments to the Issuer in relation to strategy development, funding, investment decisions and certain regulatory matters, and security expenses of GEL 1,935 thousand, compared to GEL 1,583 thousand in 2019. The outstanding balance as at 31 December 2020 of GEL 1,197 thousand represents lease liability for the office space rent by Silk Media LLC from the related party. The cash outflow related to lease liability was GEL 1,078 thousand (see note 21 to the 2020 Audited Consolidated Financial Statements). The lease contract expires in 2025. Except for 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. Certain key staff of SRG Investments are (or were) at the same time the members of the supervisory board and/or beneficial owners of the Issuer.

(2) For further details see "Business Description of the Group—Material Contracts—Other agreements—Guarantee Agreement with Silknet Holding LLC".

REGULATION OF ELECTRONIC COMMUNICATIONS AND BROADCASTING

The information presented below sets out the regulation of electronic communications and broadcasting related to the activities of the Issuer.

Regulation of Electronic Communications

The main piece of legislation regulating the electronic communications sector is the Telecom Law adopted on 2 June 2005. The Telecom Law establishes legal and economic grounds for pursuit of activities by means of electronic communications networks and facilities in the territory of Georgia and defines the principles for the development and regulation of a competitive environment in the electronic communications sector, the functions of the national regulatory authority, the rules for authorisation in the field of electronic communications, main rights and obligations of authorised persons, and other important matters.

Other important legislative acts regulating the activities of persons operating in the field of electronic communications are the laws of Georgia on Broadcasting, on Personal Data Protection, on Licenses and Permits and on Copyrights and Neighbouring Rights. In addition, some of the issues envisaged under the Telecom Law (for example, the granting of a right of use of radio frequency spectrum and numbering resources, determination and calculation of regulation fees) are further regulated in more detail by legal acts adopted by the GNCC, including, *inter alia*, the following: Rules Governing the Activities of the Georgian National Communications Commission; the GNCC Resolution on the Rule of Determination and Payment of Regulation Fee; Regulation on Conducting an Auction for Obtaining the Right to Use a Radio Frequency Spectrum and Determining the Fees for Use of Radio Frequency Spectrum; Regulation on Provision of Services in the Electronic Communications Sector and Protection of Consumers' Rights; Methodological Rules for Cost Accounting and Accounting Separation by Authorised Persons; The National Plan for Allocation of Radio Frequency Spectrum; Regulation on Subscriber Number Portability; and Rules of Issuing, Usage and Payment for Numbering Resources.

Regulatory Authority

The GNCC is the national regulatory body in both the electronic communications and broadcasting sectors. The GNCC is an independent permanent state authority established in the form of a legal entity of public law, which is not subordinated to any other state authority and is not financed from the state budget. The principal source of its revenue is the regulation fee paid by the persons authorised and licensed in the field of electronic communications and broadcasting. Each year the GNCC submits to the Parliament, the President and the Government an annual report of its activities and the results of the financial audit and also publishes the same.

Both the executive and the legislative branches of government are involved in formation of the GNCC. The GNCC is composed of five members, which are elected for a six-year term by the Parliament from among the candidates nominated by the Government. The Chairman of the GNCC is elected by the GNCC for three years by the majority of its members.

The main objectives and functions of the GNCC in the electronic communications sector are:

- optimal and efficient allocation of radio frequency spectrum;
- issuance of licence/grant of a right for the use of scarce resources and revocation of the licence/right for the use of scarce resources;
- authorisation of activities in the field of electronic communications;
- creation of an equal and competitive environment;
- research and analysis of various segments of the electronic communications market;
- identification of authorised persons having significant market power and imposition of specific obligations upon them;
- protection of legitimate interests of customers;
- facilitation of implementation of modern technologies;
- resolution of disputes arising between persons subject to its regulation, as well as disputes between such persons and their consumers;
- control over compliance with applicable laws and regulations in the electronic communications sector.

In order to fulfil the above functions, the GNCC issues normative and individual legal acts, monitors and controls compliance with those acts, and in case a breach is detected, it is authorised to impose sanctions on the relevant persons.

Authorisation and Regulation Fee

Activities in the field of electronic communications are carried out on the basis of authorisation. Authorisation implies registration of activities in the electronic communications sector. Authorisation is required for the provision of electronic communication networks and facilities, and for the provision of electronic communication services.

A person seeking authorisation shall apply to the GNCC with a special declaration, the form of which is approved by the GNCC. The applicant shall, among other information, indicate the types of activities and/or services which it plans to carry out based on the authorisation. If the submitted information is complete, within ten working days after the receipt of the declaration of the applicant the GNCC registers the person in the registry of authorised persons maintained by the GNCC. Anyone can have access to the registry data. A person may commence the activities that are subject to authorisation only after being registered in the registry.

Authorisation is granted for an indefinite time, and it may be revoked only on the basis of an application by the authorised person, or if the authorised person dies or is liquidated. The GNCC may suspend authorisation for a certain period on the basis of a request of the authorised person or, in cases envisaged under law, on its own initiative (for example, if the authorised person fails to fulfil the requirements of the laws of Georgia and a fine has already been used against the person as a sanction for such violation).

If an authorised person intends to modify its activities, it must notify the GNCC thereof within seven working days before such modification. The GNCC will make relevant changes to the registry of authorised persons.

Persons authorised to carry out activities in the electronic communications sector are required to pay a regulation fee. The rules for calculation and payment of the regulation fee are stipulated in the GNCC Resolution No. 12, dated 28 October 2005, on the Rule of Determination and Payment of Regulation Fees. The regulation fee in the electronic communications sector amounts to 0.75 per cent. (excluding VAT) of the total value of the goods/services provided and/or work carried out (that is subject to regulation) by an authorised person, and is payable on a monthly basis. In addition to the payment of the regulation fee, an authorised person must submit to the GNCC information about calculation of the regulation fee in the form of a special declaration.

Main Obligations of Authorised Persons

In addition to other obligations prescribed under the law, an authorised person has the following main obligations:

- ensure the provision of direct or indirect interconnection to other interested operators (and owners of departmental communications networks);
- if requested, provide unrestricted access of an authorised person to specific free elements of its network, their functional resources and capacities;
- ensure that allocated numbering resources are available to all end-users without restriction, in compliance with the requirements of the law;
- maintain integrity and security of the network, and prevent unsanctioned use of electronic communication networks and facilities;
- ensure electromagnetic compatibility and protection from interference and hazardous impact while using radio frequency spectrum;
- ensure fulfilment of service-quality norms prescribed under the legislation, and protection of user safety rules during the use of electronic communication networks and facilities;
- ensure portability (translation) of subscriber numbers in accordance with the regulations approved by the GNCC on the portability of subscriber numbers;
- pay the respective regulation fee, fees for use of finite resources and license fees; and
- ensure creation of proper conditions envisaged under the legislation in order for the operative-technical agency to perform its authorities, including, to have a stationary technical capability for the delivery of communication in real time and technical capability to copy electronic communication identifying databases.

Interconnection and Access

Pursuant to the Telecom Law, electronic communication network operators that provide services to end-users in local service areas by means of subscriber numbering resources are obliged to provide (direct or indirect) interconnection to other interested operators at cost-oriented tariffs and in an unrestricted and non-discriminatory manner.

Interconnection means physical and logical linking of electronic communications networks in order to allow the users of one electronic communication network operator to communicate with the users of another electronic communication network operator, and/or to access services provided by another electronic communication network operator, and which is carried out through mutual access of providers to the specific elements of their networks.

The Telecom Law stipulates the following general requirements in relation to interconnection:

- interconnection must be performed on an unrestricted, mandatory and non-discriminatory manner;
- it is prohibited to terminate an active interconnection between electronic communication network operators; and
- if an interconnected electronic communications network operator fails to fulfil an existing interconnection agreement, the counter-party is entitled to suspend an active interconnection only with the consent of the GNCC and for the period and based on the terms stipulated by it.

The GNCC considers disputes between the parties in relation to interconnection within one month. Furthermore, if parties fail to reach a settlement, terms of interconnection may be prescribed by the GNCC itself.

Based on the general access obligation laid down by the Telecom Law, any authorised person is entitled to request an electronic communication network operator to provide access to the specific elements of its network.

"Access" means provision by an electronic communications network operator (authorised person who provides electronic communication networks to another person, under defined conditions (including tariffs), of the use of specific elements of its network, technical facilities, their free functional resources and capacities or types of electronic communication services that are (or could be) rendered with their use, which includes provision of use of:

- specific elements of the physical infrastructure and local access network elements, including ducts and wells, subscriber pairs, masts and poles;
- co-location space;
- specific network elements of fixed and mobile communication network operators, their free operational functional resources and capacities (including the resources related to the provision of roaming);
- resources of the subscriber's individual access system and of the electronic directory (guide) of programmes (services);
- resources related to operational support software management of electronic communication networks and resources related to user databases and to subscriber number portability;
- different types of virtual network services; and
- functional resources and capacities of other specific elements of electronic communications network or types of communications services.

Relations regarding access and interconnection between operators are governed by the proper agreement executed between the parties, which should determine technical, economic and other terms of access.

Furthermore, in order to promote a competitive environment on the electronic communications market, the GNCC is authorised to identify relevant markets (such as, for example, the interconnection market) that are subject to ex-ante regulation, and impose upon the persons who, based on the market analysis conducted by the GNCC, are designated as having significant market power, one or more specific obligations, including price caps (Please see *"Risk Factors—Other risks related to regulation—The GNCC may apply price control regulations."* for more information).

Use of Scarce Resources

Numbering resources and the radio frequency spectrum are scarce resources. One of the most important functions of the GNCC is to ensure the efficient use of scarce resources. Consequently, the use of scarce resources can be carried out based on a license issued or the right granted by the GNCC for the use of relevant resources.

Numbering resource

The Government defines the national numbering plan in coordination with the GNCC. The GNCC grants the right and establishes terms and conditions for the use of numbering resource.

Pursuant to the Telecom Law, a right of use of a numbering resource is granted for an unlimited time, and is subject to renewal on a yearly basis. In cases envisaged by the Rules of Issuing, Usage of and Payment for Numbering Resources (approved by the GNCC Resolution No. 2 of 21 February 2012), the GNCC is authorised to grant numbering resources to the persons indicated in the same rules for limited or unlimited time.

The grounds for granting a right of use of a numbering resource are: the availability of free resources and the application of the seeker to obtain the right of use. In order to obtain a right of use of a numbering resource, the relevant person must, unless exempted under law, pay the fee for use of numbering resource, the amount of which shall be determined in accordance with the Rules for Issuing and Using of and Payment for Numbering Resources, except for the exceptions permitted by the law.

A right of use of a numbering resource can be renewed before the lapse of one year after the issuance/renewal of the right of use, for which an authorised person must pay the renewal fee. If the fee is not paid and a document certifying the payment of the fee is not submitted to the GNCC within the specified period of time, the right of use is deemed revoked. In addition, if other preconditions laid down by law are met, the GNCC may revoke the right of use in case the relevant person breaches the conditions of the right of use. A right of use can also be revoked at the request of the authorised person.

Radio frequency spectrum

The GNCC allocates the radio frequency spectrum, and issues right of use, as a general rule, by way of issuance of licenses for use of the spectrum.

The GNCC defines the national plan of allocation of radio frequency spectrum in accordance with the Radio Regulations of the International Telecommunication Union (ITU), taking into account the radio frequencies defined by the Government in coordination with the GNCC for execution of the public functions of the state. The National Plan of Allocation of Radio Frequency Spectrum, approved by the GNCC Resolution No. 6 of 30 June 2006, divides radio frequencies into frequency bands, and in relation each given frequency band indicates the Region 1 allocation under the Radio Regulations of the ITU, European common allocation under the European Radiocommunications Committee's Report 25, and allocation at the national level (both in current time as well as in terms of prospective use).

Right of use of radio frequency spectrum is, as a general rule, conveyed by way of issuance of a licence. A license is issued by means of an auction (except the license for the use of a radio frequency spectrum for provision of a digital terrestrial television network) in accordance with the Telecom Law, laws of Georgia on Licenses and Permits, and on License and Permit Fees, and the Regulation on Conducting an Auction for Obtaining the Right to Use a Radio Frequency Spectrum and the Determination of the Fee for Use of Radio Frequency Spectrum, approved by the GNCC Resolution No. 13 of 12 December 2005. In exceptional cases, the use of the specific type of radio frequencies specified in the Telecom Law may be carried out on the basis of the GNCC's decision on grant of a right, without holding an auction. For example, the GNCC may, without conducting an auction, grant the right to use radio frequencies for 15 years to authorised persons who require the radio relay network or one or more sections of radio relay line(s) for a non-commercial auxiliary technological purpose in order to carry out their main activities.

A license for the use of radio frequency spectrum is issued if there is an available radio frequency resource, an application of the person and his/her successful bid at the auction. A decision regarding holding an auction is rendered in the following two cases: (1) there is an availability of free radio frequency spectrum envisaged in the National Plan for Allocation of Radio Frequency Spectrum and a person's request to the GNCC to auction a radio frequency spectrum; or (2) the GNCC receives an application from the current holder of a license for use of radio frequency spectrum to fully or partially transfer its right to use that radio frequency spectrum to any other person.

In order to participate in an auction, a person seeking a license for use of radio frequency spectrum must pay the license fee and 10 per cent. of the initial fee of use of radio frequency resource, which shall be specified in the GNCC's decision on conducting an auction. The criterion for identifying the winner is the highest price offered for the use of finite resources.

A license for use of radio frequency spectrum is issued for a period of ten years (while within harmonised radio frequency bands harmonised for terrestrial systems capable of providing electronic communications services radio spectrum licenses are issued for 15 years, as described below); however, one month prior to the expiration of the license term, a license holder is entitled to apply to the GNCC with a request to extend the term of its licence.

Provided that the license holder has been using the radio frequency spectrum in compliance with the Telecom Law, the term of the license will be extended for another 10-year term based on the decision of the GNCC, in which case the license holder must pay the license charge and the fee for use of radio frequency spectrum, the amount of which shall be calculated in accordance with the Telecom Law.

A license holder may request modification of its license by applying to the GNCC with a substantiated request. Modification of a license and/or alteration of radio frequency spectrum assigned under a license may also take place, in cases prescribed under the Telecom Law, on the GNCC's own initiative. In particular, the GNCC may, at the national level allocate radio frequency bands, defined and harmonised under respective European Commission decisions for terrestrial systems capable of providing electronic communications services (in accordance with the harmonised technical norms and conditions stipulated in the same decision). Licenses for use of radio frequency resources within such bands are issued for a 15-year term, while the licenses already issued within these bands are subject to modification with a 15-year validity period, in accordance with the technology and service neutrality principle, and the license fees are subject to recalculation in accordance with the rule prescribed by the GNCC.

Pursuant to the Telecom Law, after obtaining a license a license holder must commence practical activities within the period specified in the GNCC's decision. Furthermore, it is prohibited to terminate the use of the resources specified in the license or the practical activities carried out using such resources for more than three months consecutively, or for more than six months during a year. In addition, the Telecom Law imposes some other obligations upon license holders, non-fulfilment of which may amount to breach of a license condition and result in imposition of a sanction upon the licensee or revocation of the license by the GNCC. A license can also be revoked at the request of the license holder pursuant to a corresponding decision of the GNCC.

Transfer of a right (licence) to use radio frequency spectrum to another person

A right to use radio frequency spectrum can be transferred to another person by two methods: (1) without an auction, by means of a direct transfer of a license by an authorised person, i.e. by transferring the rights and obligations under the license for the use of a radio frequency spectrum to another person, in full or in part, based on an agreement on direct transfer; and (2) by means of an auction conducted by the GNCC based on the request of a license holder (who has a license obtained by auction).

In case of a direct transfer, the parties must apply to the GNCC with a joint application, based on which the GNCC will commence public administrative proceedings on transfer of the licence. A new license holder having obtained its license by means of a direct transfer may commence the use of radio frequency spectrum after the GNCC makes a decision on assignment of the licence, and after the licensee goes through the authorisation procedure in accordance with the law.

In circumstances prescribed under the Telecom Law, the GNCC may restrict the right of a license holder to transfer its license to another person. One such occasion is when the GNCC, after conducting studies and analysis, establishes that, as a result of the direct (full or partial) transfer of a licence, the receiving person's spectrum holding (alone and/or together with its affiliates) would exceed the spectrum cap determined by the GNCC's respective decision. The spectrum cap can be determined for a specific spectrum band or for a group of spectrum bands with similar characteristics. The GNCC determines such spectrum cap on the basis of research and analysis conducted within the scope of public administrative proceedings commenced in relation to the direct transfer of a licence.

Use of radio frequency spectrum for provision of digital terrestrial television networks and transfer of the right of use to other persons

A license for the use of a radio frequency spectrum for provision of a digital terrestrial television network is issued in case of the existence of free radio frequency spectrum resources, on the GNCC's initiative, or on the basis of the application of an interested party, to the winner of a publicly announced contest.

The GNCC makes a decision to hold a contest in the following cases:

1. a free radio frequency resource envisaged under the National Plan for Allocation of Radio Frequency Spectrum is available for provision of digital terrestrial television network; or
2. the application of a licence-holder for the use of radio frequency spectrum for provision of a digital terrestrial television network, for full transfer of its right of use of radio frequency spectrum to another person.

Transfer of a license for use of radio frequency spectrum for provision of a digital terrestrial television network can be transferred to another person in two ways: (1) without a contest, by means of direct transfer, i.e. by

transferring the rights and obligations under the license for the use of a radio frequency spectrum for provision of a digital terrestrial television network to another person based on an agreement on direct transfer; and (2) by means of a contest conducted by the GNCC based on the application of a person who had obtained the license for the use of radio frequency spectrum for provision of a digital terrestrial television network by way of a competition, to transfer its right of use of radio frequency spectrum to another authorised person.

A person receiving a license by way of a direct transfer is entitled to commence the use of the radio frequency spectrum provided by the license only after the GNCC makes a decision on assignment of the licence, and after the licensee goes through the authorisation procedure in accordance with the law.

A license for the use of radio frequency spectrum for provision of a digital terrestrial television network may not be transferred (or issued) to an administrative body, officials of administrative bodies and other public officers; political parties; a legal person in which any ownership interest is directly or indirectly owned by the state; or any other above-mentioned bodies/officials.

The GNCC assigns to license holders a digital terrestrial television network identification code for the period of the license term. A person holding the license for the provision of a digital terrestrial television network is obliged to commence practical activities within the period specified in the GNCC's decision on issuing the licence. Furthermore, pursuant to the Telecom Law, in order to commence practical activities, the license holder must ensure installation, operational management and exploitation of relevant network elements and facilities in each geographical area covered by the licence, dissemination of TV signal, and access of interested TV-broadcasters to its electronic communications network, their resources and capacities. In addition, the Telecom Law imposes an obligation upon a license holder to provide broadcasters, authorised for the provision of free-to-air broadcasting, with access to its free-to-air multiplex platforms on the basis of non-discriminatory, cost-oriented tariffs, and provide them with services of uniform quality.

Transit of Broadcasting

The Telecom Law defines transit of broadcasting as an authorised activity in which a person transmits the lawfully received television or radio channels of a broadcaster in an unchanged form (without making editorial changes in the television or radio programmes), and delivers it to an end-user through publicly available electronic communication networks and facilities. The transmission in an unchanged form includes cases where, despite the changes in broadcasting program schedule, the GNCC considers that television or radio transit of a broadcaster is essentially fulfilled.

Broadcasting transit service is performed based on a written agreement executed between a user and a service supplier. The agreement must cover the mandatory provisions defined under the law, such as, for example, the package of service (list of channels) to be provided to the user, terms and conditions for restriction and termination of service, the mechanisms for ensuring the quality of service and relevant compensation mechanisms in case of failure to meet the said quality characteristics.

Apart from the general obligations of an authorised person imposed under the law, other specific obligations in relation to transmission of broadcasting are imposed upon persons authorised to transmit broadcasting. In particular, as a result of the legislative amendments implemented in 2013, a mandatory transit obligation (known as "Must Carry") has been imposed upon the persons authorised to transmit broadcasting. Pursuant to the Law of Georgia on Broadcasting, persons authorised to transmit broadcasting are obliged to place, for free, the television channels of broadcasters meeting the relevant criteria set out in the law (upon their request), in all packages offered to customers. The Must Carry obligation applies to persons authorised to transmit satellite broadcasting only if the broadcaster provides a free-to-air satellite broadcasting service. Rights and obligations of the parties in relation to technical issues should be determined under a mandatory transit agreement executed between them.

In case of non-mandatory transit of broadcasting, if a broadcaster demands from a person authorised to transit broadcasting, payment for transmission of its signal, the parties shall enter into an agreement on paid transit. The parties are required to conduct negotiations in good faith, in compliance with the requirements of the law, in order to enter into an agreement for paid transit.

In addition, an authorised person carrying out transmission of broadcasting must observe copyrights and neighbouring rights of the relevant broadcaster when transmitting its channels.

Competition Regulation

General principles of free competition are outlined in the Law of Georgia on Competition ("**Competition Law**"). It encompasses five main pillars: (i) prohibition of anticompetitive agreements; (ii) prohibition of abuse of dominant position; (iii) control of economic concentrations; (iv) prohibition of unfair competition; and (v) prohibition of state aid distorting competition. The Competition Law also defines competences of the national

competition authority – the Competition Agency of Georgia (the "**Competition Agency**"). The Competition Agency is an independent legal entity of public law exercising control over compliance with Georgian competition laws except for certain regulated sectors of economy where the control and supervision over the compliance with the general competition law is mainly exercised by the relevant sectoral regulators.

Provisions of the Law of Georgia on Competition apply to the undertakings operating in the electronic communications and broadcasting sectors, and limit their activities. These sectors belong to regulated sectors of economy and the enforcement of the Competition Law restrictions in the electronic communications and broadcasting sectors is implemented by the GNCC pursuant to the GNCC's recently adopted rules of enforcement of the Competition Law. The Competition Agency does not have authority to impose fines upon undertakings operating in regulated sectors of economy, or to investigate or review complaints about possible restrictions of competition within these sectors except for certain exceptional cases specified in the Competition Law.

Furthermore, until September 2020, the provisions of the Competition Law on control of concentrations (mergers and acquisitions) had not applied to the regulated sectors (including electronic communications and broadcasting sectors). However, in September 2020, the Parliament adopted amendments to the laws, strengthening the application and enforcement of the Competition Law (including concerning the control of concentrations) in the regulated sectors of the economy. As a result, concentrations (if certain turnover-based thresholds are exceeded) and other anticompetitive behaviour (as defined in the Competition Law) in the electronic communications and broadcasting sectors fall under the Competition Law. The GNCC shall serve as a clearance authority for concentrations occurring in the electronic communications or broadcasting sectors. However, in certain cases specified in the law, the Competition Agency is authorized to review and issue decision on concentrations involving undertakings operating in regulated sectors of the economy (for example, if one of the parties to the concentration is not a regulated economic agent or the parties to the concentration are regulated economic agents but operate in different regulated sectors).

Pursuant to the recent legislative amendments, the Competition Agency and the sectoral regulators (including the GNCC) shall cooperate with each other for the investigation and prevention of distortion of competition in the regulated sectors of economy in accordance with the provisions of the Competition Law.

Violation of the Competition Law may result in significant fines, regulatory action and invalidity of restrictive agreements.

In addition to the Competition Law rules, the electronic communications sector is also subject to sector-specific *ex-ante* competition rules. Ex-ante regulation of competition in the electronic communications sector is implemented by the GNCC in two main directions: (i) ex-ante regulation of competition of the relevant market by identifying authorised persons that exercise significant market power ("**SMP**") and (ii) control of mergers with an authorised person, and of acquisition of ownership interest/shares in, and operating assets of, an authorised person.

Ex-ante regulation of competition and specific obligations of an authorised person having significant market power

Pursuant to the Telecom Law, the GNCC exercises ex-ante regulation of competition, which involves identification of an authorised person (or two or more authorised persons jointly) having significant market power on the relevant market or on closely related markets, and imposition of specific obligations upon such person(s).

An authorised person's significant market power is defined as a condition where the analysis conducted by the GNCC confirms that an authorised person has no competitors on the relevant market, is protected from significant competition or its competitive market position allows it to have unilateral significant influence over this market and distort competition. Operators are deemed to have significant market power jointly when the analysis conducted by the GNCC confirms that the market conditions and competition characteristics established on this market enable them to pursue concerted actions and to jointly obtain competitive advantages on the market, even in the absence of structural, contractual or other relations between them.

In order to identify an authorised person as having significant market power on the relevant market, the GNCC defines relevant service and geographical market and conducts research and analysis of the relevant market.

A decision regarding commencement of market research and analysis is made by the GNCC on its own initiative, or upon a request of an authorised person or a state authority provided that the GNCC agrees with the substantiation of the relevant person/authority regarding the need to commence the given research and analysis.

If, based on the market analysis, the GNCC determines that one authorised person (or several authorised persons jointly) exercises significant market power on a relevant market, the GNCC may, by issuing a decision, impose upon such authorised person(s) one or more specific obligations listed below:

- obligation of transparency;
- obligation of non-discrimination;
- obligation of accounting separation (in accordance with the methodological rules approved by the GNCC);
- obligations of access to and use of specific network elements and facilities; and
- price control and cost accounting obligation.

The content and the scope of the above obligations, as well as the conditions of their fulfilment, are defined by the relevant provisions of the Telecom Law. In addition, the GNCC is authorised to specify details of the specific obligations defined in the law and the conditions for their fulfilment. Furthermore, based on the results of market analysis, the GNCC may introduce relevant changes and additions to a specific obligation.

Based on the market analysis conducted by the GNCC at various times, Silknet has been designated as having significant market power on particular wholesale and retail markets and several or all of the five specific obligations prescribed by the Telecom Law, as well as specific terms for the fulfilment thereof, have been imposed upon them. Some of these specific obligations were initially imposed on Geocell as it had been designated as the holder of significant market power on relevant segments of wholesale and retail markets, but as a result of Geocell's merger with Silknet, all of the specific obligations which the GNCC has imposed on Geocell have been reassigned to Silknet.

Silknet's SMP

Silknet has been designated as having significant market power on the following relevant markets:

- wholesale access to global internet resources (IP transit service);¹
- wholesale access to interconnection services (call origination and call termination) in the fixed and mobile electronic communications network;²
- access to the internet services provided at a fixed location (retail market);³
- wholesale access to local loops/sub-loops (copper pair lines) for the purpose of providing broadband and voice services;⁴
- wholesale duct access;⁵
- wholesale access to the backbone ("trunk") and backhaul fibre-optic lines and leased capacity;⁶
- access to the voice telephony services to the mobile end-users (retail market);⁷
- access to the internet services to mobile end-users (retail market);⁸
- wholesale access to Bulk SMS services;⁹ and

¹ The GNCC Decision #57/9, dated 29 January 2015 (as amended).

² The GNCC Decisions #240/9, dated 21 May 2010 and #428/9, dated 17 September 2010 (as amended).

³ The GNCC Decision #610/9, dated 13 November 2009 (as amended) as replaced by the GNCC Decision #266/9 dated 30 April 2019.

⁴ The GNCC Decision #620/9, dated 6 November 2014 (as amended).

⁵ The GNCC Decision #620/9, dated 6 November 2014 (as amended).

⁶ The GNCC Decision #671/9, dated 6 December 2018 (as amended).

⁷ The GNCC Decision #26/9, dated 25 January 2011, as replaced by the GNCC Decision #267/9, dated 30 April 2019.

⁸ The GNCC Decision #610/9, dated 13 November 2009 (as amended).

⁹ The GNCC Decision #G-20-9/385, dated 30 March 2020.

- wholesale access to mobile network services (voice, SMS and data) (see "*MVNO Access Regulation*").¹⁰

On those relevant product and geographical markets where Silknet is found to have significant market power, several or all of the five specific obligations prescribed by the Telecom Law, including the obligation of information transparency, non-discrimination and access to its network elements and facilities, as well as specific terms for the fulfilment thereof have been imposed on Silknet.

In terms of price control, Silknet has an obligation to provide services with cost-oriented tariffs in most of the markets listed above. In addition, prices have been set by the GNCC for the provision of certain services by the Issuer, in particular:

- on the wholesale market for IP transit services, the Issuer is subject to a price cap of GEL 9 per megabit/second per month (excluding taxes) for the access to global internet resources; and GEL 0.5 per megabit/second per month (excluding taxes) for the access to local internet resources;
- on the wholesale market for access to interconnection services the Issuer must provide call origination and call termination services in the fixed and mobile electronic communications networks with the regulated tariffs calculated by the GNCC based on LRIC accounting methodology (see "*Competition Regulation-Call origination/termination tariffs*");
- the price cap set by the GNCC for the provision of wholesale local loop (copper pair lines) access services amounts to GEL 2.20 (excluding taxes);
- on the market for wholesale duct access service, the price cap set by the GNCC for the Issuer amounts to GEL 399.7 per month per 1 channel-km of 100-mm duct pipe (exclusive of taxes). In addition, the GNCC determined the formula for calculation of access prices for cables of different sizes; and
- on the market for wholesale access to backbone ("trunk") and backhaul fibre-optic lines and leased capacity, the price caps set by the GNCC for Silknet amount to GEL 14.9 per month per 1 km of a fibre-optic cable (exclusive of taxes); and GEL 0.5 per month for data transfer at one megabit per second (exclusive of taxes).

On 16 May 2017, the GNCC adopted the Decision N345/22 on temporary regulation of international call termination in Georgia, pursuant to which the GNCC imposed a tariff on authorised persons, including Silknet, in the amount of GEL equivalent of USD 0.22 per minute for international call termination in mobile communication network (inclusive of taxes) and GEL equivalent of USD 0.12 per minute for international call termination in fixed communication network (inclusive of taxes) (see "*International Call Termination*").

MVNO Access Regulation

In December 2019, the GNCC published a decision announcing the country's existing three mobile network operators ("**MNOs**"), Silknet, MagtiCom and Veon Georgia, as the holders of significant market power on the relevant market for wholesale mobile network services (voice, SMS and data), and mandating the existing MNOs holding SMP to grant access to mobile network virtual operators ("**MVNOs**") to their (MNO's) networks. The decision of the GNCC govern the specific obligations of the SMPs (including Silknet) concerning the MVNO access. These obligations include the requirement of the designated MNOs to grant MVNOs access to their network, the obligation of MNOs to publish the reference offers containing proposed terms and conditions for MVNO, and the obligations of non-discrimination and accounting separation.

In terms of price control, the designated MNOs will be required to charge commercial tariffs for the MVNO access, however, where the parties fail to agree on a commercial tariff within a specific period, then the GNCC may, on the basis of the application of the interested party, require the MNO to provide MVNO access at a tariff calculated under the Retail Minus methodology.

The obligations of the existing MNOs (including Silknet) to publish their reference offers for MVNO access was initially set to expire in May 2020, however, as a result of a series of discussions with the GNCC, in November 2021 the GNCC postponed the deadline for the MNOs to publish their Reference Offer to 31 December 2022. As stated by GNCC, the extension of deadline of mandatory publication of reference offers is justified by the following: (a) MNOs have publicly declared their readiness to negotiate with potential MVNOs and meet their reasonable requests regarding access to their network on mutually acceptable commercial terms; (b) as a result of recent legislative amendments the legal mechanisms available to the GNCC under the ex post competition regulations have become sufficiently effective for the GNCC to detect and avert potential anticompetitive

¹⁰ The GNCC Decision #G-20-9/156, dated 31 December 2019 (as amended).

behaviours in electronic communications sector. Due to the foregoing reasons, the GNCC has decided to postpone the obligation of MNOs to publish their reference offers for MVNO access. During this period arrangements between MNO and MVNOs will be mostly left to commercial negotiations between the parties while the GNCC will monitor the process and may intervene to avert any potential anticompetitive behaviours (including refusals to grant access) on the market. Depending on its observations of the market, the GNCC will re-evaluate the necessity of mandatory access regime of MVNOs.

Call origination/termination tariffs

Based on the market analysis conducted by GNCC, Silknet has been designated by the GNCC as having significant market power on wholesale call origination and call termination markets services and is subject to the regulated prices set by the GNCC. In particular, until the merger, Silknet as a fixed communications network operator had been designated as an SMP operator on the wholesale market of access to interconnection services in fixed electronic communications network only, while Geocell as a mobile communications network operator had been designated as an SMP operator on the market of access to interconnection services in mobile electronic communications network. As a result of the merger, Silknet has been designated as an SMP operator on the wholesale market of access to interconnection services in both fixed and mobile electronic communication networks.

On 19 October 2017 the GNCC introduced amendments to the interconnection tariff regulation, pursuant to which, from 1 July 2018 call origination and termination tariffs were gradually reduced and since 1 January 2019 have been further reduced in accordance with the following schedules:

Call origination and termination tariffs (Tetri/Minute, excluding taxes) on fixed and mobile markets calculated under the LRIC ("Long-term Incremental Cost") methodology for operators with significant market power

Call origination and termination tariffs in fixed communications network

	From 1 July 2018	From 1 January 2019
Interconnection service		
Call initiation on a local level, Tetri (exclusive of taxes)	1.04	0.38
Call initiation on a transit level, Tetri (exclusive of taxes)	1.05	0.41
Call termination on a local level, Tetri (exclusive of taxes)	0.99	0.28
Call termination on a transit level, Tetri (exclusive of taxes)	1.01	0.32

Call origination and termination tariffs in mobile communications network

	From 1 July 2018	From 1 January 2019
Interconnection service		
Call initiation, Tetri (exclusive of taxes)	2.16	1.44
Call termination, Tetri (exclusive of taxes)	1.81	0.75

Source: GNCC

The amended tariffs have been recalculated based on the LRIC methodology (namely LRIC+ and Pure LRIC, respectively for call origination and call termination tariffs) developed by consulting company Ernst & Young at the request of the GNCC. The tariffs calculated under this methodology are based on the costs of a hypothetical effective operator and are substantially lower than the previous ones.

International call termination

Based on the temporary regulation of international call termination market in Georgia in force, the GNCC has imposed on all authorised persons operating in the relevant interconnection market, including Silknet, a fixed tariff in the amount of GEL equivalent of USD 0.12 per minute (inclusive of taxes) for international call termination in fixed communication network and GEL equivalent of USD 0.22 per minute (inclusive of taxes) for international call termination in mobile communication networks. The effective term of the temporary regulation of international call termination tariffs has been extended six times. As of the latest extension, the regulation will be in force until 31 December 2022.

Control of mergers with an authorised person, and of acquisitions of ownership interest, shares in and/or operating assets of an authorised person

Pursuant to the Telecom Law, the following are subject to mandatory pre-notification to the GNCC:

- acquisition of operational assets of an authorised person;
- merger with an authorised person; and
- acquisition of shares or ownership interest in an authorised person, as a result of which an acquirer and/or affiliates acquire 5 per cent. or more of the shares or ownership interest in the authorised person.

The notification obligation rests on the authorised person participating in the merger; or whose shares, ownership interest or operational assets are being acquired.

Within 15 days after the receipt of a complete notification by an authorised person, the GNCC either approves the merger/acquisition by issuing consent or conducts further examination in order to determine the possible impact of the merger/acquisition on the competitive environment existing in the relevant markets. If additional examination is required, the GNCC will commence administrative proceedings the duration of which shall not exceed three months.

The GNCC may, based on its substantiated decision, request changes to the conditions of a merger or acquisition, or block the merger or acquisition (of shares, ownership interest or operational assets) of an authorised person, if it considers that the merger or the acquisition will cause substantial distortion of competition in the relevant market.

If consent to a merger or acquisition is granted, the GNCC is empowered to require the person created as a result of the merger, or the authorised person having acquired operating assets, to take such actions that will ensure competition is maintained within the relevant market. Further, if an authorised person (created as a result of a merger or an acquisition consented to by the GNCC) having significant market power significantly distorts competition in the relevant market, the GNCC is empowered to request functional separation of such authorised person, i.e. establishment of separate, independent legal entities for functionally separated structural units.

Specific obligations related to Geocell Acquisition

In connection with the acquisition of shares in Geocell, the Issuer received consent from the GNCC on 13 March 2018. Geocell received consent from the GNCC on 20 September 2018 regarding the merger of Geocell with Silknet. In its consent, the GNCC clarified that the obligations that it had imposed on Silknet in connection with the acquisition of shares in Geocell remain in force with regards to Silknet. The following requirements were imposed by the GNCC on both Silknet and Geocell, which remain in force on Silknet:

- (1) Silknet is obliged to notify subscribers and the GNCC about any changes in the terms and conditions of their services ten working days before such change. With respect to changes in the terms of service that may affect the subscribers' willingness to continue using the service, Silknet is obliged to notify both subscribers and the GNCC one month before such change; and
- (2) The obligation of the Issuer to provide access to backbone (inter-zone) and backhaul (intra-zone) terminal equipment and fibre-optical channels was further specified, in particular, to (a) grant access to all authorised persons on an unrestricted, transparent and non-discriminatory basis, (b) prohibit discrimination by providing the services/access to interested authorised persons under uniform conditions (including tariffs, quality, terms of delivery) which shall not be less favourable than those set for its own structural subdivisions, affiliated and/or other authorised persons and (c) ensure the transparency of information by making the reference offer for the services/access publicly available.

Consumers' Rights

The GNCC supervises the protection of consumers' rights in the electronic communications sector. An office of public defender of consumers' rights operates at the GNCC, one of the major functions of which is to review and respond to applications and complaints filed by consumers. Furthermore, the Telecom Law requires electronic communication service providers to establish an efficient internal mechanism for reviewing and responding to complaints filed by consumers.

The rules of provision of services in the electronic communications sector, as well as consumer protection standards, are laid down in detail in the Regulation on Provision of Services in the Electronic Communications Sector and Protection of Consumers' Rights (the "**Consumer Regulation**"), approved by the GNCC Resolution No. 3 of 17 March 2006.

Major rights of consumers in the electronic communications sector include, *inter alia*, the right to freely choose a type of service provided with publicly available electronic communications networks and facilities, and the right to receive information on the tariffs for provided or selected electronic communications services, terms of provision of services and payment, as well as detailed billing information for the reporting period. The Consumer Regulation further specifies in detail the types of information that consumers are entitled to receive free, without delay.

The Telecom Law sets forth specific requirements in relation to the agreement to be executed between a service provider and a consumer. In particular, an agreement on provision of electronic communication service must be concluded in writing (which also includes electronic agreements) (except in special cases envisaged by the law) and include compulsory information and terms determined by the law, including: terms for the suspension and termination of services; detailed information about tariffs, as well as about the provision of updated information in case of tariff changes; and description of the procedure of appeals and dispute resolution. In cases permitted under the Consumer Regulation communication services can also be provided on the basis of a so-called remote agreement (by various means of remote communication), in compliance with the requirements set forth in the Consumer Regulation.

In April 2021, the GNCC adopted major amendments to the Consumer Regulation. The amendments came into effect on 1 January 2022 and brought about important changes to the Consumer Regulation, enhancing the protection of consumers' rights and further strengthening the standards of telecommunication services. The amendments establish the consumer's right to freely choose and use the terminal equipment (a router and modem) of their choice for telecom services, and prohibit the relevant telecommunications service providers from imposing restrictions on the use of third party terminal equipment unless there are objective technical reasons to do so. Further, the amendments have increased the minimum advance notice period in relation to upcoming changes in the telecom service agreements from 10 business days to one month; imposed the obligation upon internet service providers to ensure that during an emergency situation their customers have access to the GNCC-listed web-pages containing critically important information; and limit the initial term of a telecom service (except for M2M/IoT) contract to a maximum of 24 months.

The Telecom Law imposes certain obligations on electronic communication service providers with respect to subscriber number portability. Namely, persons providing services by means of local communications networks must allow a consumer to retain the same subscriber number in case of change of service provider within the same subscriber geographic zone. Mobile telephone users have the same rights.

Protection of personal data/information confidentiality

One of the most important matters in protection of consumer rights is the protection of consumers' personal data and information.

Pursuant to the Telecom Law information about users of electronic communications networks, as well as information transferred by users via such networks, is confidential and its confidentiality is guaranteed by the legislation of Georgia.

The Consumer Regulation obligates service providers to protect personal information of consumers, and requires the telecom service providers to comply with the Law of Georgia on Personal Data Protection when handling personal data of the customers.

The Law of Georgia on Protection of Personal Data regulates in detail the bases and principles of personal data processing. Personal data is defined as any information connected to an identified or identifiable individual person. A person is deemed identifiable when he/she can be identified directly or indirectly, in particular by an identification number or by any physical, psychological, economic, cultural or social features of this person.

The tapping of telephone conversations, release of information about telephone conversations, and release of other information transmitted by a consumer through electronic communication networks can only be done in compliance with the authorised procedure established under the legislation of Georgia. The obligation of confidentiality of information does not apply to cases where an authorised body carries out secret investigative actions or other similar activities as prescribed under the laws of Georgia, as well as in cases when the State Inspector exercises its authorities in accordance with the laws of Georgia. According to the legislative changes regarding undercover investigation regulation approved in March 2017, authorised persons working in the electronic communications sector shall comply with additional obligations, including technical obligations. A new legal entity of public law – the Georgian Operational and Technical Agency – has been formed, which sets forth the technical requirements of the surveillance system for authorised persons, inspects the IT and telecommunications infrastructure of an authorised person and informs the GNCC about any breach of the

applicable requirements, after which the GNCC makes a decision on imposition of a sanction on the authorised person in accordance with the Telecom Law.

Internet Regulation

On 10 May 2018, the GNCC adopted the Rules for Determination and Monitoring of Quality of Internet Service Provision (the "**Internet Regulation**"), which sets forth the quality parameters for service provision, traffic management and monitoring rules, and the rights and obligations of subscribers and providers of internet services.

The Internet Regulation enforces the principle of net neutrality which imposes the obligation upon the internet service providers to treat all traffic equally, without discrimination, restriction or interference, and irrespective of the sender and receiver, the content accessed or distributed, the applications or services used or provided, or the terminal equipment used. The Internet Regulation does not prevent providers of internet access services from implementing reasonable traffic management measures. However, in order for traffic management measures to be deemed to be reasonable, they should be transparent, non-discriminatory and proportionate.

Furthermore, pursuant to the Internet Regulation, providers of internet access services shall ensure that subscriber agreements specify, among others, minimum, normally available and maximum speed of the internet access services, as well as additional quality of service parameters (such as latency, jitter and packet loss) in the case of fixed networks, and the latency parameter in the case of mobile networks.

According to the new regulation the minimum speed specified in the agreement should be the lowest speed that the fixed internet service provider undertakes to deliver to the end user; The maximum speed should be actually achievable by the end-user at least once a day; And the normally available speed should be the speed that an end-user receives most of the time when accessing internet service and it should not be less than 80 per cent. of the maximum speed and should be achievable (i) always during off-peak hours, (ii) during 90 per cent. of the peak hours or during 95 per cent. of a day (24 hours).

In addition, the Internet Regulation defines the framework for monitoring mechanism and methodology to be used by the GNCC in order to assess conformity of actual performance of the internet service with the performance indicated in the subscriber agreements.

Sanctions and Liabilities

The GNCC implements control over the compliance of authorised persons with the laws of Georgia in the electronic communications sector and the compliance of the persons holding the right of use of scarce resources with the telecom laws of Georgia and the restrictions and requirements imposed under the relevant decrees and resolutions of the GNCC, as well as over the fulfilment of the license conditions.

The observance by authorised persons of the requirements of the laws of Georgia, including the resolutions and decisions of the GNCC in the field of electronic communications, is monitored by the GNCC on a continuous and regular basis, whereas supervision over the fulfilment of license conditions by license holders is conducted by the GNCC through random inspection of the license conditions and/or regular reporting by the license holder.

If a breach of the laws of Georgia on electronic communications is discovered, the GNCC is authorised to impose upon the relevant person liability under the law.

Pursuit of activities without authorisation, or use of radio frequency spectrum and/or numbering resource without a right of use

Pursuit of activities in the electronic communications sector without the authorisation, or use of radio frequency spectrum and/or numbering resource without having a license or the right of use of scarce resource constitutes an administrative offence punishable with a fine in the amount of GEL 5,000. If the breach is repeated the amount of the fine will be doubled, and in each subsequent case the amount of the fine will be GEL 50,000. If the similar offence is committed in the occupied territories of Georgia, the amount of the fine increases up to GEL 500,000, and a repeated offence will result in criminal liability.

Further, illegal entrepreneurial activities without registration, permit or licence, or in violation of the terms of a permit or licence, which have resulted in substantial damage, or which have been accompanied by receipt of large income constitute a criminal offence. For committing this offence, a legal person could be punished by a fine, be deprived of the right to carry out business activities, or be subject to liquidation and a fine.

Breach of the laws and non-fulfilment of the terms of licence/right of use of finite resource

- If an authorised person breaches the requirements and obligations imposed under the laws of Georgia on electronic communications, including the resolutions and decisions of the GNCC, and/or if a license holder

fails to observe its license conditions, the GNCC may give a written warning to such person, and in case of failure to eliminate a continuous breach within a period specified in the GNCC's decision, or occurrence of a new single breach within a period of one year, the GNCC is authorised to impose a fine in the amount of 0.5 per cent. of the authorised person's revenue (total income excluding VAT as defined by the Tax Code of Georgia) during the last 12 calendar months, but not less than GEL 3,000 or more than GEL 30,000.

- If, after having been fined, an authorised person and/or a license holder fails to eliminate a continuous breach, and/or, within a year after having been fined, commits a new single breach, the GNCC is authorised to impose a fine in the amount of 1 per cent. of the authorised person's and/or the license holder's revenue during the last 12 calendar months, but not less than GEL 9,000 or more than GEL 90,000, or to revoke the licence.
- If, after having been fined for a second time, an authorised person and/or a license holder fails to eliminate a continuous breach, and/or after being fined for the second time and, during a year from the date of the first fine, commits a new single breach, the GNCC is authorised to impose a fine in the amount of 3 per cent. of the authorised person's and/or the license holder's revenue during the last 12 calendar months, but not less than GEL 27,000 or more than GEL 270,000, or to revoke the licence.
- Breach of the conditions for the use of finite resources by the person (except for the license holder and the person who received the right of use of finite resource free) to whom the GNCC granted the right of use of the finite resource is subject to a fine of GEL 1,000, and if, within one year after having been fined, a new single breach is committed, or in case of failure to eliminate a continuous breach within the term specified in the GNCC's decision, the GNCC is authorised to impose a fine of GEL 3,000 upon the relevant person or to revoke the right.

The GNCC may, on its own initiative, suspend an authorisation if an authorised person:

- for more than one year, does not carry out an authorised activity; fails to submit to the GNCC calculation of the regulation fee or submits a zero sum calculation, and fails to pay the regulation fee; and/or
- violates the requirements of the laws of Georgia, and a written warning and a fine have already been used against the person as a sanction for such violation.

The GNCC may, on its own initiative, revoke a relevant person's license for use of radio frequency spectrum based on one of the following grounds:

- termination by the license holder of the use of the resources covered by the license or of practical activities using these resources for three consecutive months or for six months during a year;
- failure to commence practical activities within the period determined under the licence; or
- failure to eliminate a continuous breach and/or commission of a new single breach within one year after having been fined for breach of the license conditions.

The GNCC may revoke a relevant person's right of use of numbering resources if, after having been fined, the holder of right of use of numbering resources fails to eliminate a continuous breach, and/ or, within one year after having been fined, commits a new single breach.

Extraordinary measures for enforcement of the GNCC's decisions

In July 2020, following the sale of indirect ownership in one of the Georgian telecommunication companies without the GNCC's consent, widely contested legislative amendments were adopted in the Telecom Law. These amendments give the GNCC power to appoint a special manager to an authorised person/license holder operating in the telecom sector to ensure the enforcement of the GNCC's decision in respect of certain violations committed by an authorised person/license holder.

In particular, pursuant to the amendments, the GNCC is authorised to appoint a special manager to an authorised person/license holder in order to ensure the enforcement of a decision made by the GNCC concerning a violation by the authorised person/license holder of the Telecom Law provisions relating to control of mergers and acquisitions in telecom companies. In addition, a special manager may also be appointed to ensure the enforcement of a decision issued by the GNCC in relation to a violation by a SMP operator of specific obligations imposed on it concerning access to its network elements and facilities, and/or price control and cost accounting. In this case, a final decision to appoint a special manager shall be adopted a Georgian court, on the basis of a substantiated decision of the GNCC.

In both cases, the special manager can be appointed only if the following two additional preconditions are satisfied: (i) the authorised person/license holder, after having been fined for at least three times for the above violation, fails to enforce the decision of the GNCC; and, at the same time, (ii) the suspension of the authorisation/cancellation of license may harm the economic interest of the country, legitimate interests of the authorised persons/license holders or the consumers in the field of the electronic communication, or the competition on the market.

Under the amendments, the powers and responsibilities of the special manager will be defined by the GNCC, taking into account the content of the decision to be executed. Within these powers, a special manager may be empowered to exercise control over the authorised person/license holder, and entire powers of all bodies of the authorized/licensed person (including, director/board of directors, supervisory board, general meeting of shareholders) may be transferred to it, except for the power to sell the assets and/or equity of the authorized/licensed person.

For execution of the GNCC's decision, the special manager will be authorized to:

- (i) appoint and/or dismiss the director(s) and/or the member(s) of the supervisory board (if any) of the authorized person/license holder;
- (ii) challenge in court any action or transactions carried out or concluded by the authorized person/license holder within one year before the appointment of a special manager and request their annulment if the said action or transaction has harmed or harms the economic interests of the country, the legitimate interests of the authorised persons/license holders or the consumers in the field of the electronic communication, or the competition on the market;
- (iii) suspend or limit distribution of profits, payment of dividends or bonuses, increase of salaries by the authorized/licensed person; and
- (iv) perform other functions of the authorized/license holder's governance bodies (except for the power to sell the assets and/or equity of the authorized/license holder).

The special manager acts pursuant to the instructions and guidelines issued by the GNCC, and is accountable before the GNCC only. In addition, the GNCC may define under its decision that the performance of certain or all powers of a special manager requires prior written consent of the GNCC.

After the appointment of a special manager, any actions and transactions on behalf of the relevant authorised person/license holder requires a prior consent of the special manager and/or the GNCC.

Pursuant to the amendments, the special manager will be dismissed and the special enforcement measures against the authorised person/license holder will be terminated after the enforcement of the relevant decision of the GNCC is completed and the related documents/information are submitted to the GNCC.

In addition, appealing the decisions of the GNCC (including the decision on appointment of a special manager) in court will no longer have an automatic suspensive effect, unless otherwise decided by the court.

The above amendments to the Telecom Law have been negatively assessed by the Venice Commission (the European Commission for Democracy Through Law). In particular, in the joint opinion of the Venice Commission and the Directorate General of Human Rights and Rule of Law (DGI) published in March 2021, the Venice Commission concluded that these amendments lead to far reaching consequences for the right of property and media freedom as well as for the right to a fair trial. The Venice Commission invited the Parliament to carry out a full and thorough re-examination of the legislative amendments in accordance with recommendations of the Venice Commission.

Regulation of Broadcasting

The main piece of legislation regulating the broadcasting sector is the Law of Georgia on Broadcasting ("**Broadcasting Law**"), adopted on 23 December 2004. The rule of carrying out broadcasting, the procedure for setting up the national regulatory body in the field of broadcasting and its functions, regulatory principles applicable in this sector, the rule and procedures for obtaining a right to broadcast, matters regarding broadcast advertisement, teleshopping and sponsorship, broadcasters' obligations and other important issues are regulated

under the Broadcasting Law. Apart from the Broadcasting Law, certain legal aspects related to the broadcasting sector are regulated by, *inter alia*, the Telecom Law, law of Georgia on Copyrights and Neighbouring Rights, the Code on the Rights of the Child, the Election Code of Georgia and the normative acts adopted by the GNCC, such as, for example, the Broadcasters' Code of Conduct, and Guidelines on Indicating a Sponsor.

Regulatory Authority

Activities in the broadcasting sector are regulated by the GNCC, whose main obligations are:

- authorisation of activities in the field of broadcasting and control over the fulfilment of authorisation terms;
- determination of license conditions, issuance and modification of licenses, suspension and revocation of licenses, supervision and control over the fulfilment of license conditions and imposition of sanctions for breach of license conditions;
- determination and allocation of radio frequencies;
- allotment of radio frequencies;
- determination of the amounts and the rule of payment of license charges and regulation fees;
- supervision and control over compliance with the broadcasting laws, including with the Broadcasting Law, the Code on Product Safety and Free Movement, the laws on Copyrights and Neighbouring Rights, the Code on the Rights of the Child, and on Advertising, as well as with other relevant requirements;
- control over the compliance with the protective measures concerning dissemination of information hazardous to the child in accordance with the Code on the Rights of the Child;
- imposition on relevant persons of liability/sanctions prescribed under laws in case of violation of the legislation; and
- within its competence, review and resolution of disputes arising between broadcasters, as well as disputes arising between broadcasters and customers.

In order to implement the above functions, the GNCC issues normative and individual legal acts, monitors and controls compliance with those acts and, in case a breach is detected, it is authorised to impose sanctions on the relevant persons.

The Bases of Pursuing Activities in the Broadcasting Sector

Pursuant to the Broadcasting Law, broadcasters are: the Public Broadcaster, the Adjara TV and Radio of the Public Broadcaster, and license holders and/or authorised persons carrying out TV or radio broadcasting.

Pursuant to the Broadcasting Law a special legal status is granted to the Public Broadcaster and to the Adjara TV and Radio of the Public Broadcaster. They are legal entities of public law established based on state property in accordance with the laws of Georgia, and their legal status, activity principles, management bodies and structure, as well as specific requirements applicable to them, are provided in special provisions of the Broadcasting Law.

Activities in the field of broadcasting are carried out on the basis of a license or authorisation. There are two types of broadcasting – television broadcasting and radio broadcasting. Radio and TV broadcasters fall into one of the three categories – community broadcasting, and private broadcasting and university broadcasting. Depending on geographical areas, broadcasting may be national or local.

Broadcasting which is not oriented towards generating a profit and which ensures involvement in broadcasting of the part of society that it serves is deemed to be community broadcasting. Private broadcasting is divided into two categories: general broadcasting (broadcasting of programmes involving at least two topics, including news and socio-political topics) and specialised broadcasting (broadcasting of programmes basically on one topic, except for news and socio-political topics). University broadcasting is a not-for-profit, specialized educational and/or scientific broadcasting carried out by a higher educational institution in accordance with the Broadcasting Law.

Television and radio broadcasting (other than radio broadcasting using frequency spectrum) is carried out on the basis of authorisation. A license is issued only for radio broadcasting if it is carried out by means of broadcast transmitters using the radio frequency spectrum. Broadcasting using any other technology is subject to authorisation.

Authorisation

Authorisation in the broadcasting sector is performed by the GNCC.

In order to obtain authorisation, a person willing to carry out broadcasting (other than broadcasting using frequency spectrum) shall apply to the GNCC with a special application form adopted by the GNCC, and enclose it with necessary documentation as defined in the law. If the submitted application and enclosed documents are complete, the GNCC will register the relevant person in the departmental registry of authorised persons within ten working days from the receipt of the application. A person may commence broadcasting from the day of registration in the departmental registry of authorised persons.

A person authorised in the broadcasting sector shall be a Georgian citizen or Georgian resident individual or legal entity. The law envisages other requirements as well in relation to persons authorised in the broadcasting sector. For example, an authorised person cannot be an administrative body (other than a higher educational institution), a political party or an official of a political party, a public official or a legal entity affiliated with an administrative body, or an offshore company or a legal entity in which ownership interest/shares are directly or indirectly owned by an offshore company, or an entity whose beneficial owner is a political party of another state or an official of a political party of another state.

The term of authorisation in the broadcasting sector is unlimited. The GNCC may suspend authorisation for a specific period based on an application of an authorised person or, in cases envisaged under the law, on its own initiative (for example when an authorised person violates the requirements of the laws of Georgia and a written warning and fine has already been used against this person as a sanction for such violation).

If an authorised person terminates broadcasting or intends to modify the authorised activities, including the type of broadcasting, it must notify the GNCC thereof seven working days prior to such modification/termination and the GNCC shall enter the relevant information/data into the departmental registry of authorised persons.

An authorised person must adhere to the applicable laws in the broadcasting sector (including the resolutions and decisions of the GNCC), adhere to each authorisation condition provided for in the authorisation application, notify customers in advance regarding possible changes to the terms and conditions of the service, and perform all other obligations imposed by the laws of Georgia.

Licensing

Licensing of activities in the broadcasting sector is performed by the GNCC.

In order to obtain a licence, the license seeker shall make a written application to the GNCC and enclose it with the necessary information and documents specified in the law. A license is issued by the GNCC through a contest. The GNCC announces a contest by issuing a decision which, apart from other statutory information, must provide a description of the license to be issued, the geographic coverage of the broadcasting licence, the license fee amount, and the technical parameters of the project to be submitted by a license seeker.

A person holding a license in the broadcasting sector must be a Georgian citizen or a Georgian resident individual or legal entity. The law envisages other requirements as well in relation to broadcasting license holders. For example, a license holder cannot be an administrative body (other than a higher educational institution), a political party or an official of a political party, a public official or a legal entity affiliated with an administrative body, or an offshore company or a legal entity in which ownership interest/shares are directly or indirectly owned by an offshore company; or an entity whose beneficial owner is a political party of another state or an official of a political party of another state.

A license is issued for a term of ten years. The term of the license is automatically renewed once for the same term (except as provided by the law). In case of automatic prolongation, the license holder must pay the license charge and, in cases envisaged by the law, an initial amount of the license fee determined at the time of the prolongation of the licence. If a license is not subject to automatic prolongation, six months prior to the expiration of the license term the license holder shall submit an application to the GNCC and request announcement of a contest. The GNCC shall conduct a contest before the term of the license expires.

The GNCC may revoke a broadcasting license upon the application of a licensee or, in cases envisaged under the law, on its own initiative (for example, when a license holder terminates the activities covered by the license for more than three consecutive months in a year, or for 120 days during a year).

A license can be transferred to another person only with the prior consent of the GNCC. A broadcaster holding a license may apply to the GNCC with a substantiated request for modification of a licence. In addition, legislative

changes or changes/additions introduced in broadcasting priorities can also be a basis for modification of a licence. A decision on modification of a license shall be made by the GNCC through public administrative proceedings.

Other Regulatory Principles in the Broadcasting Sector

Many important aspects of the broadcasters' activities are governed by the broadcasting legislation. For example, in addition to other obligations, the Broadcasting Law and the Election Code impose specific obligations on broadcasters during pre-election periods. Special restrictions and requirements apply with respect to the contents of a broadcasting programme, advertising and teleshopping, and to the placement thereof, as well as to funding and sponsoring of broadcasters.

Broadcasters must also adhere to the Broadcasters' Code of Conduct adopted by the GNCC, which defines in detail the principles, rules and guidelines for preparing and broadcasting programmes. All broadcasters are required to establish an effective internal regulatory mechanism in accordance with the Broadcasters' Code of Conduct in order to ensure timely consideration of and response to incoming complaints.

Furthermore, the law sets forth certain restrictions with respect to concentration of broadcasting ownership. In particular, pursuant to the Broadcasting Law, a person may possess, independently or together with an affiliated person, not more than one general over-the-air television channel and one general over-the-air radio channel per service area. In addition, in order to ensure transparency of broadcasting ownership, broadcasters are required to submit to the GNCC and make available to the public the information and documents prescribed by the law, including the compliance declaration filled in accordance with the form established by the GNCC, and information regarding holding an ownership interest or shares in other media outlets as defined by the law. A broadcaster also has the obligation to submit to the GNCC an updated compliance declaration in case of change of its shareholders, members of its management body or officials, within ten days after implementation of the relevant changes, and must publish this information on its website. Furthermore, a broadcaster must submit to the GNCC, on an annual basis, financial information and reports as provided for by the law, including information on the fulfilment of the requirements of the laws of Georgia, its license and/or authorisation terms and the Broadcasters' Code of Conduct, and on the sources of its financing.

One of the general obligations imposed upon broadcasters is the obligation to pay the regulation fee. In accordance with the rules and procedures established under the Broadcasting Law, broadcasters are obliged to pay to the GNCC the regulation fee, and submit to the GNCC the information regarding calculation of the regulation fee. The regulation fee amount is 0.5 per cent. of the total value (exclusive of VAT) of delivery of goods (services) and/or works performed by a broadcaster, which are subject to regulation. The regulation fee shall be calculated based on the total amount accrued from the broadcaster's revenue during a calendar year, taking into account the revenues that have actually been received on a monthly basis since the beginning of the year.

Sanctions

Pursuit of activities in the broadcasting sector without a licence/authorisation, and use of radio frequency spectrum without it having been legally granted

Pursuit of activities in the broadcasting sector without a license and/or authorisation, or use of radio frequency spectrum without grant of a right to do so is punishable with a fine in the amount of GEL 5,000. If the breach is repeated the amount of the fine will be doubled, and in each subsequent case the amount of the fine will be GEL 50,000. If the similar offence is committed in the occupied territories of Georgia, the amount of the fine increases up to GEL 500,000, and a repeated offence will result in criminal liability.

Breach of laws and non-fulfilment of licence/authorisation terms

The GNCC decides on issues regarding breach of the laws of Georgia on broadcasting and on non-fulfilment of the GNCC's decisions, as well as breach or non-fulfilment of licence/authorisation terms. If a fact of violation is confirmed, the GNCC gives the relevant broadcaster a written warning and sets a reasonable time for the broadcaster to carry out relevant measures for elimination or prevention of the violation.

- If a broadcaster fails to eliminate the violation referred to in the written warning or if it fails to fulfil the decision of the GNCC within the period specified in the warning, also if it commits violations anew within one year after receiving such a warning, the GNCC may impose a fine on the broadcaster in an amount not exceeding 0.5 per cent. of the broadcaster's annual income, but not less than GEL 2,500.
- If, after having been fined, a broadcaster fails to eliminate a continuous breach, and/or, within a year after having been fined, commits a new single breach, the GNCC is authorised to impose on the relevant broadcaster a fine in an amount not exceeding 1 per cent. of the broadcaster's annual income, but not less

than GEL 5,000, or to commence public administrative proceedings for suspension of the licence/authorisation.

- If, after having been fined for a second time, a broadcaster fails to eliminate a continuous breach within the period specified in the law and/or commits a new single breach, the GNCC is authorised to impose on the broadcaster a fine in an amount not exceeding 3 per cent. of its annual income, but not less than GEL 10,000, or to commence public administrative proceedings for suspension of the licence/authorisation.

The GNCC may, on its own initiative, suspend the broadcaster's authorisation, if an authorised person:

- for more than one year, does not carry out an authorised activity; fails to submit to the GNCC calculation of regulation fee or submits zero sum calculation; and fails to pay the regulation fee; and/or
- violates the requirements of the laws of Georgia, and a written warning and a fine have already been used against the person as a sanction for such violation.

In case of suspension of authorisation, the authorised person is prohibited from carrying out authorised activities until the authorisation is renewed.

The GNCC may, on its own initiative, suspend a relevant person's license if, after having been fined for the first time for breach of the laws of Georgia or a license condition, the license holder fails to eliminate a continuous breach, and/or, within one year after having been fined, commits a new single breach.

In case of a violation by a broadcaster of the requirements relating to protection of minors from harmful influence, the GNCC is obliged to impose a penalty and, where applicable, the obligation to rectify such violation. If the broadcaster commits the same violation within a year, the GNCC will suspend the license.

Furthermore, the GNCC is also authorised to revoke, on its own initiative, a relevant broadcaster's licence, based on one of the following grounds:

- termination by the license holder of practical activities covered by the license for more than three consecutive months in a year or for 120 days during a year;
- expiration of a term of suspension of a licence, unless the license holder eliminates the breach indicated by the GNCC within this period;
- failure to commence practical activities covered by the license within the period specified in the GNCC's decision.

Expected Changes in Electronic Communications and Broadcasting Regulations

The Government and regulatory bodies are working on draft legislative amendments and new legal documents in the field of both electronic communications and broadcasting.

A draft law on amendments to the Broadcasting Law has already been prepared, intending to bring the Georgian legislation in the field of broadcasting in compliance with the relevant parts of the Audiovisual Media Service Directive by introducing a new regulatory framework for audio-visual media services and ensuring protection of customers' rights in a new media environment.

In terms of electronic communications, the expected legislative amendments will apply to the existing telecom laws and regulations relating to, *inter alia*, ex-ante regulation of competition, principles of market analysis, licensing and authorisation, radio frequency resource management, customer rights, personal data protection and universal service obligations.

The Draft Law of Georgia on Sharing Telecommunication Infrastructure and Physical Infrastructure Used for Telecommunication Purposes has been submitted to the Parliament, which will regulate the symmetric access of authorised persons to the telecom ready passive physical infrastructure and in-building infrastructure for telecommunication purposes.

In June 2021, important amendments were adopted to the Law of Georgia on Information Security. As a result of the amendments, electronic communication companies (authorized persons providing telephone/internet networks and/or services) that have been qualified as "critical information system subjects" by the Government will be subject to various information and cybersecurity requirements (including with respect to developing information security policy, compliance with the rules of managing information assets and information security audit). The amendments came into effect on 30 December 2021. The amendments also provide that a number of necessary secondary regulations implementing or specifying the application of the new information and cybersecurity requirements (including the list of different categories of "critical information system subjects") shall be adopted.

As a result, a number of legislative amendments are expected in the near future, in both electronic communication and broadcasting regulatory legislation.

INDUSTRY OVERVIEW

Certain information contained in the discussion and analysis set forth below and elsewhere in these Listing Particulars includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ from those anticipated (see "Risk Factors" and "Forward-Looking Statements").

Macroeconomic Overview of Telecommunication Sector

Between 2016 and 2020 the share of the telecommunication sector's retail revenue as part of Georgia's GDP has remained relatively stable at 1.9 per cent. in the years 2017-2020, compared to 2.0 per cent. in 2016.

in GEL million	2016	2017	2018	2019	2020
Retail revenue of telecommunications sector	731	786	845	912	917
Growth y/y	3.5%	7.5%	7.5%	8.0%	0.6%
Share in GDP.....	2.0%	1.9%	1.9%	1.9%	1.9%
GDP in current prices	35,836	40,762	44,599	49,253	49,267

Source: GeoStat

Compared to other parts of the economy, the communications sector receives relatively small volume of FDI. In 2020 the sector accounted for USD 49.9 million of investments, which is 30.8 per cent. less compared to the previous year. In terms of overall share, in 2020 communications accounted for 8.7 per cent. of the overall FDI, while in 2019 this figure stood at 5.4 per cent.

in USD million	2016	2017	2018	2019	2020
Communications sector FDI.....	87.1	49.5	(40.3)	72.1	49.9
Growth y/y	n/a	-43.2%	n/a	n/a	-30.8%
Share in total FDI	5.3%	2.5%	-3.1%	5.4%	8.7%
Total FDI.....	1,654.0	1,980.8	1,317.1	1,335.8	572.0

Source: GeoStat

Electronic Communications and Broadcasting Sectors in Georgia

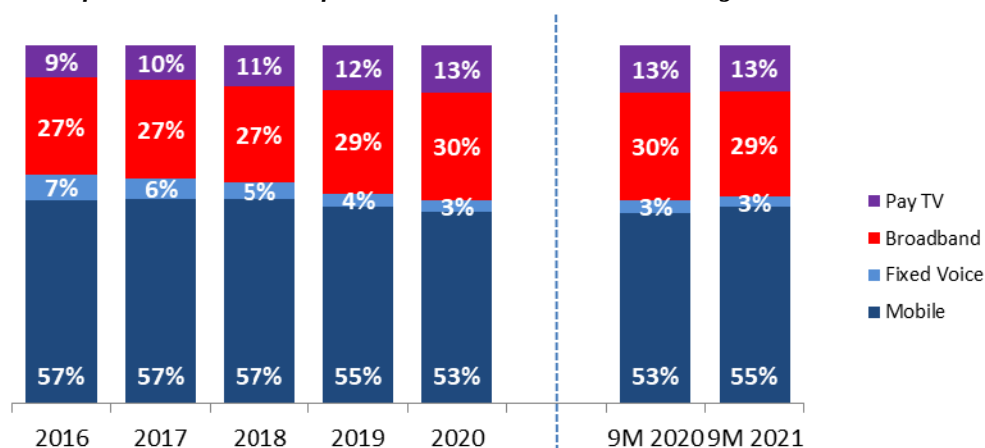
The electronic communications sector in Georgia encompasses four main segments: fixed broadband services, pay television services, fixed line services and mobile services. According to the GNCC, in 2020 the retail revenue of the Georgian telecommunications operators – amounts paid by the Georgian resident individuals and legal entities – amounted to GEL 917 million.

Evolution of Retail Revenue by Segments, GEL millions

	Years ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
Mobile	416	448	481	499	490	362	407
Fixed Telephony.....	50	47	41	35	30	23	20
Fixed Broadband	200	215	227	264	276	205	218
Pay TV	66	76	96	113	121	90	96
Total.....	731	786	845	912	917	680	741

Source: GeoStat

Evolution of the Market Shares of the Electronic Communications Segments



Source: GNCC

The market has undergone changes since 2016:

- The share of the fixed broadband service increased from 27 per cent. of total retail revenue to 30 per cent. in 2020;
- The share of fixed telephony service decreased from 7 per cent. of total retail revenue to 3 per cent. in 2020;
- The share of mobile service decreased from 57 per cent. of total retail revenue to 53 per cent. in 2020;
- The share of Pay TV increased from 9 per cent. of total retail revenue to 13 per cent. in 2020

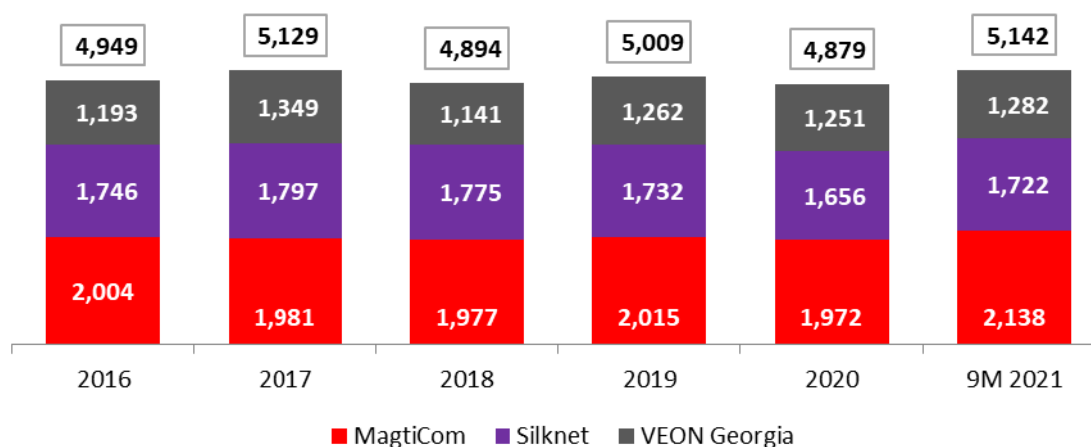
Mobile Service Segment

The mobile service mainly includes voice and data service. As at 30 September 2021, the number of mobile subscribers in Georgia reached approximately 5.1 million which equals approximately 138 per cent. penetration of the population. The volume of subscribers has remained broadly stable since 2016 due to the already high level of penetration.

The three main mobile operators – MagtiCom, Silknet and Veon Georgia (operating under the brand of Beeline) – provide voice, broadband and other services with GSM/UMTS/LTE technologies.

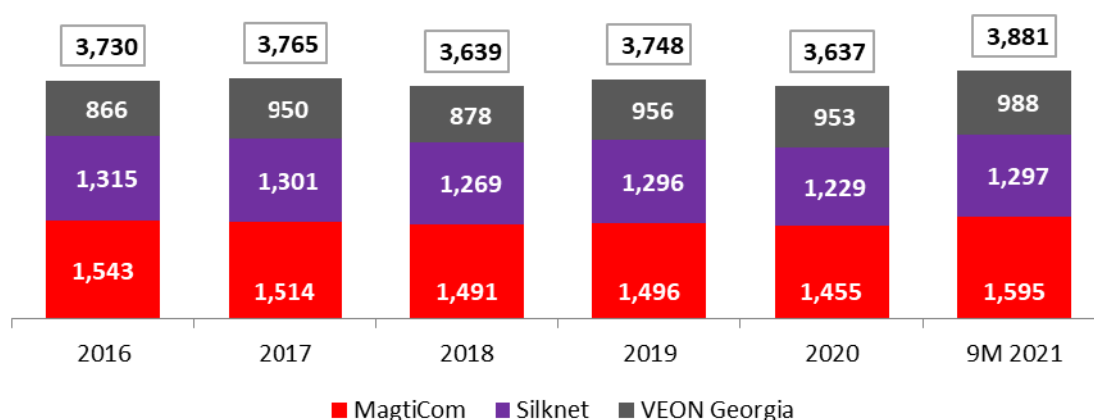
In 2018 the Issuer acquired Geocell and attained a significant share of the Georgian mobile service segment. Herein and hereinafter, the historical number of the subscribers of the Issuer and other data include both the Issuer and Geocell (before the merger the GNCC reported Geocell separately).

Evolution of Mobile Subscribers by Operators, '000



Source: GNCC

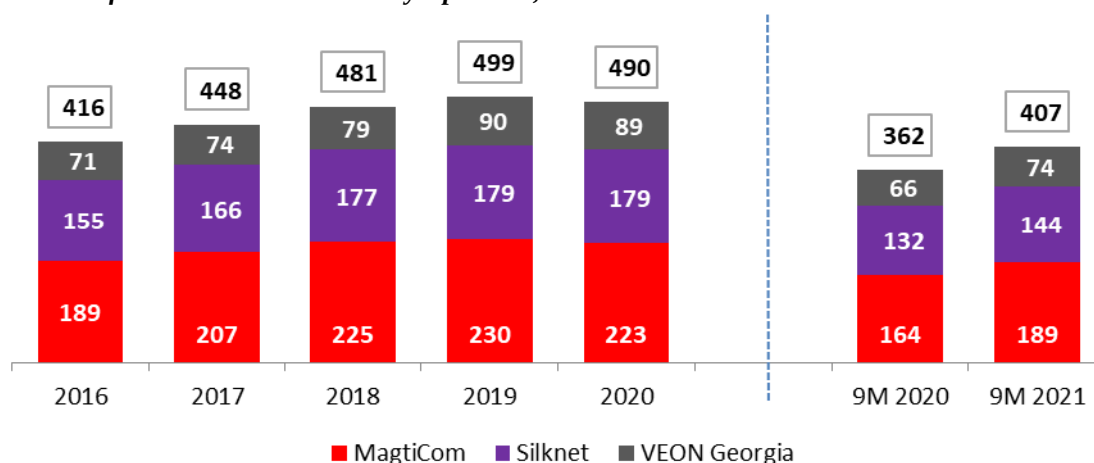
Evolution of Residential Mobile Subscribers by Operators, '000



Source: GNCC

In 2017 and 2018 mobile retail segment revenue growth was supported by the reduction and eventual abolition of excise tax on local call termination. Excise tax on mobile call was decreased from 8 per cent. to 3 per cent. in 2017 and abolished from 2018.

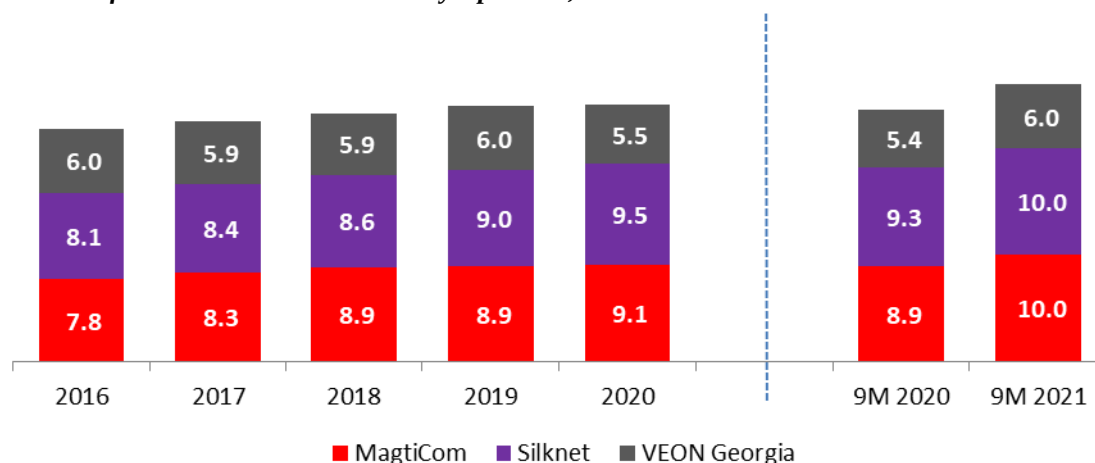
Evolution of Mobile Retail Revenues by Operators, GEL millions



Source: GNCC

Both Silknet's and MagtiCom's residential ARPUs have increased since 2016 mainly because of increased customer spending in mobile data. VEON Georgia continues to have lower ARPU than Silknet and MagtiCom.

Evolution of Mobile Residential ARPUs by Operators, GEL millions

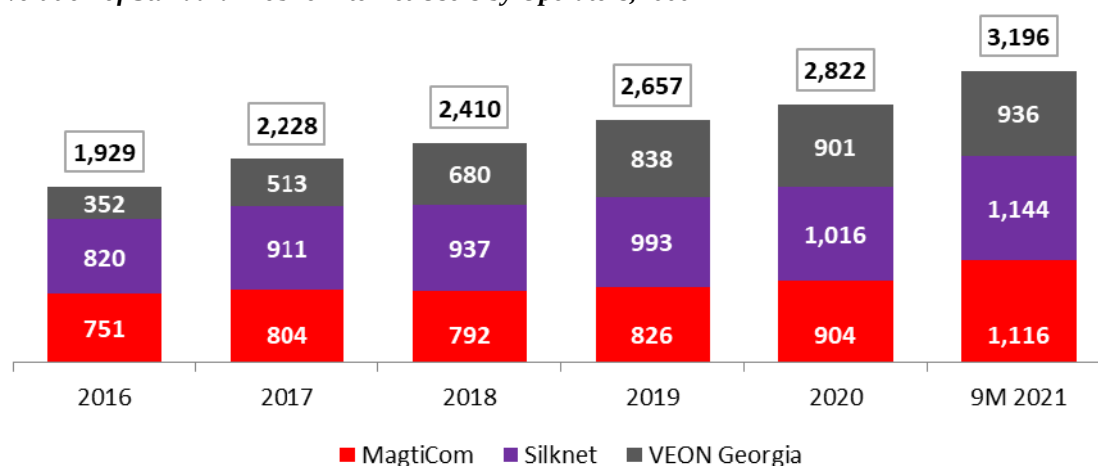


Source: GNCC

The length of outgoing calls has remained relatively stable with 10,181 million minutes in 2020 compared to 10,284 million minutes in 2016. Despite minutes remaining relatively stable, due to reduction in effective fees, the combined revenue from voice services decreased from GEL 221 million in 2016 to GEL 128 million in 2020.

In terms of services the mobile services segment underwent a major change. The number of mobile internet users increased from 1.93 million in 2016 to 3.20 million as at 31 September 2021.

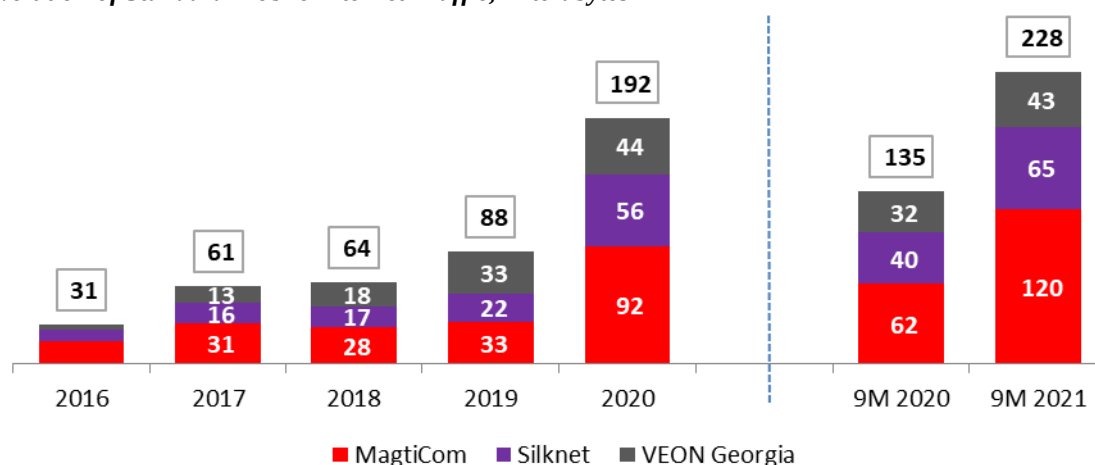
Evolution of Standard Mobile Internet Users by Operators, '000



Source: GNCC

The volume of mobile internet traffic grew together with the number of standard mobile internet subscribers between 2016 and 2020. In 2016 the volume stood at 30,580 terabytes while by 2020 it grew to 192,316 terabytes. In the nine months ended 30 September 2021 the standard mobile internet traffic stood at 228,024 terabytes compared to 134,562 terabytes in the nine months ended 30 September 2020. Together with the growth in volume, subscribers switched to mobile packages with lower effective fees.

Evolution of Standard Mobile Internet Traffic, in terabytes

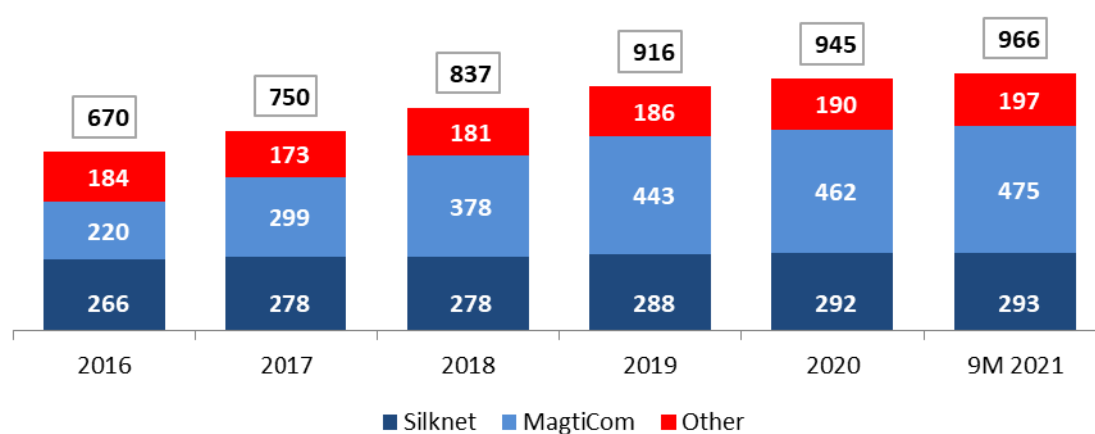


Source: GNCC

Fixed Broadband Service Segment

The household penetration of fixed broadband service in Georgia has reached approximately 83 per cent. as at 30 September 2021. The number of subscribers grew from 670,000 as at 31 December 2016 to 966,000 as at 30 September 2021, of which 919,000 are individual subscribers. The growth rate has decreased in recent years mainly due to high penetration rates in the cities.

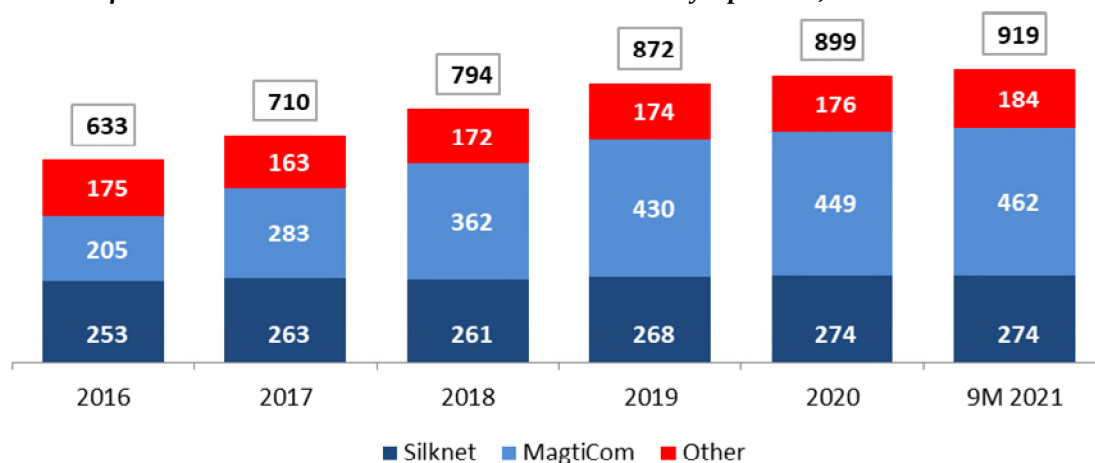
Evolution of Fixed Broadband Service Subscribers by Operators, '000



Source: GNCC

As at 30 September 2021, the Issuer had 293,000 fixed broadband service subscribers, which comprise 30 per cent. of the total segment.

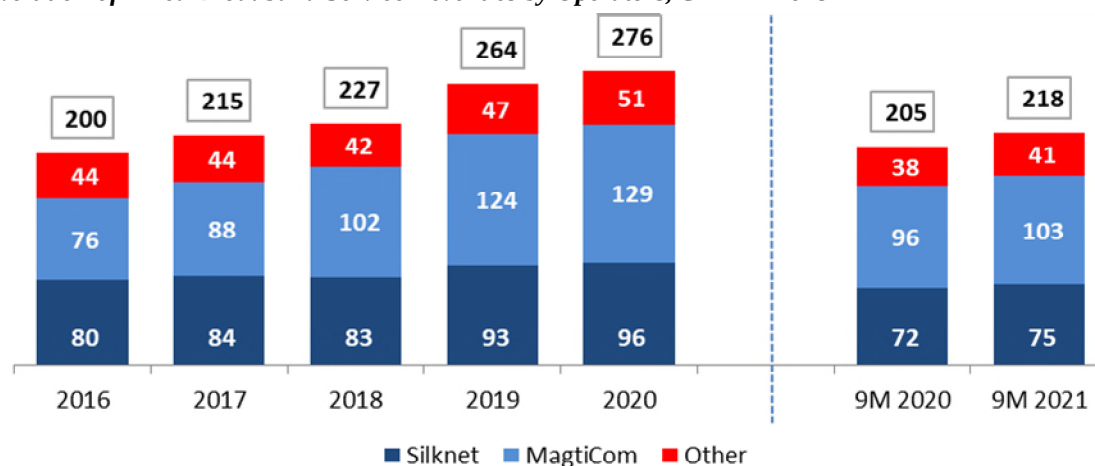
Evolution of Residential Fixed Broadband Service Subscribers by Operators, '000



Source: GNCC

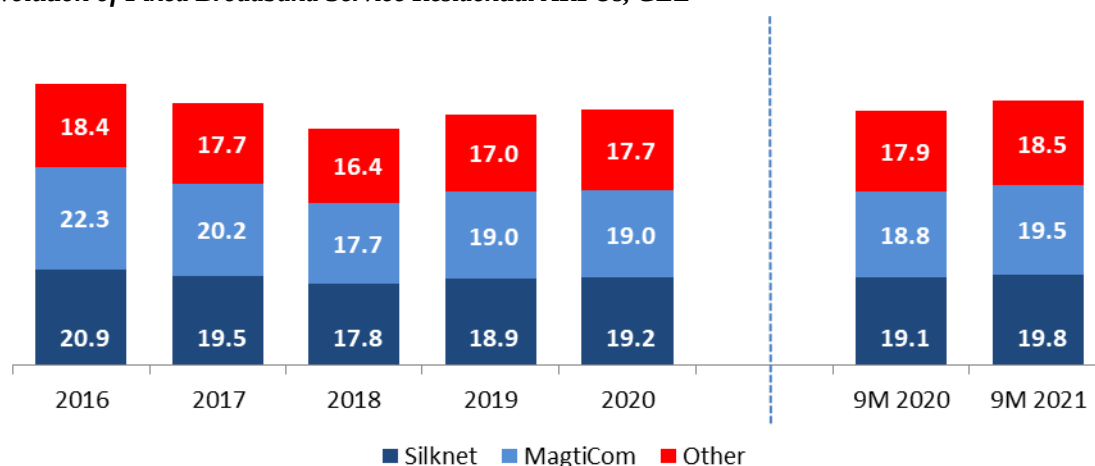
The growth of segment revenue substantially follows the increase in subscribers as well as the increase in ARPU.

Evolution of Fixed Broadband Service Revenues by Operators, GEL millions



Source: GNCC

Evolution of Fixed Broadband Service Residential ARPUs, GEL



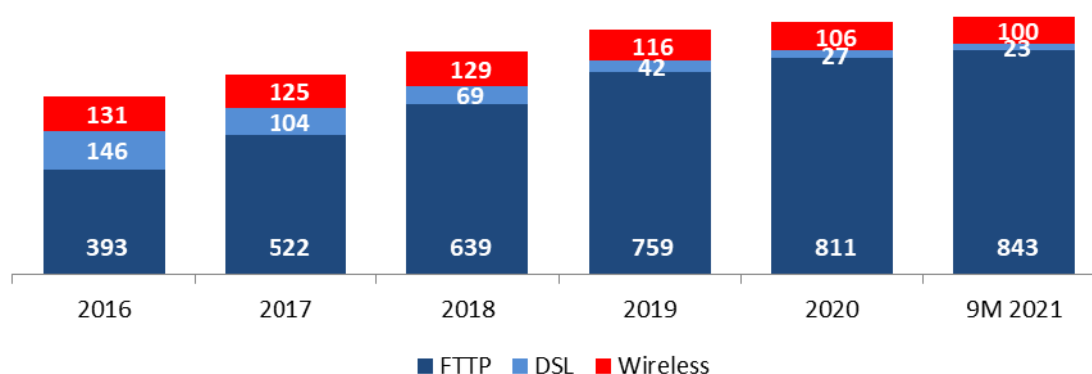
Source: GNCC

Fixed broadband service is provided to subscribers in Georgia by the following means:

- Fiber-optics, which includes FTTH and FTTB technologies;
- DSL, broadband over copper telephone lines;
- Wireless, including LTE, WiFi, WiMax and other technologies.

Fiber-optics subscribers amount to approximately 87 per cent. of all fixed internet subscribers. Fiber-optics networks were substantially rolled out over existing copper networks and this resulted in a gradual decline in the number of DSL subscribers. Wireless technologies were deployed in rural and suburban areas where wireline networks were historically deficient. Wireless fixed internet subscribers amounted to 10 per cent. of total subscribers as at 30 September 2021, the majority of which are served by small operators with WiFi technology.

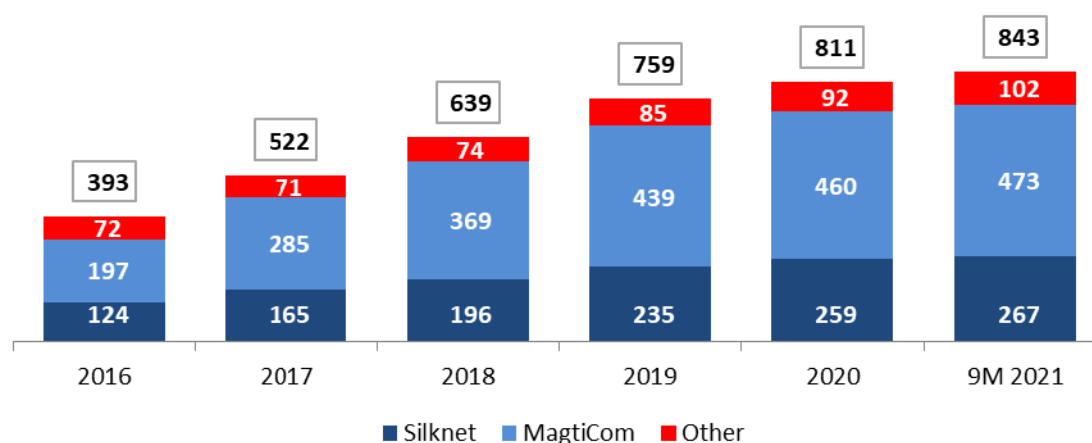
Evolution of Fixed Broadband Subscribers by Technologies, '000



Source: GNCC

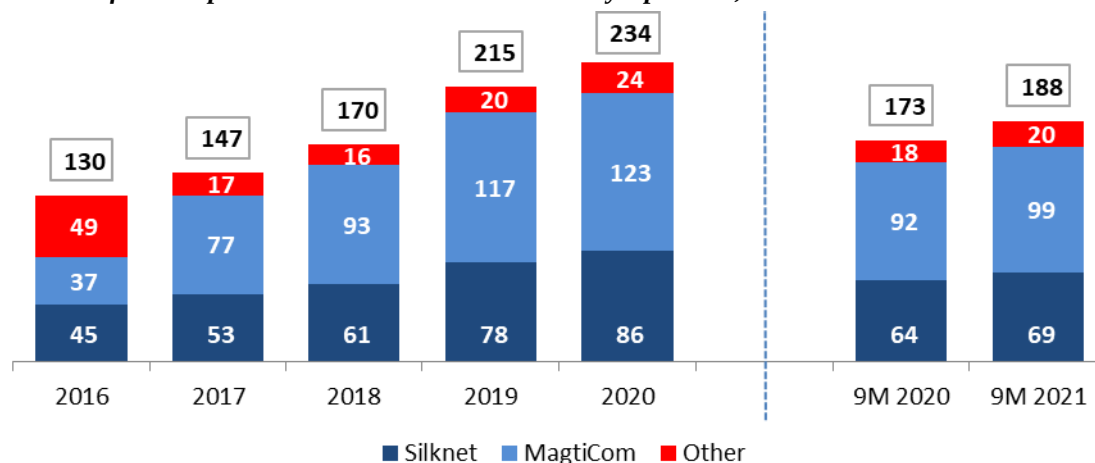
As at 30 September 2021, the Issuer had 267,000 fiber-optics broadband subscribers, which comprised 32 per cent. of the total fiber-optics broadband market. For the nine months ended 30 September 2021, the Issuer's fiber-optics broadband revenue market share comprised 37 per cent. of the market.

Evolution of Fiber-optics Broadband Service Subscribers by Operators, '000



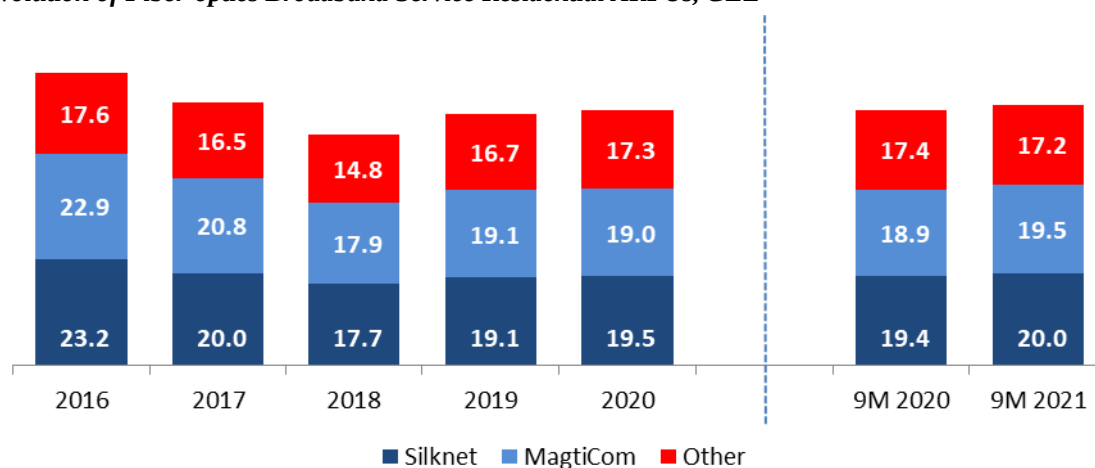
Source: GNCC

Evolution of Fiber-optics Broadband Service Revenues by Operators, GEL millions



Source: GNCC

Evolution of Fiber-optics Broadband Service Residential ARPUs, GEL

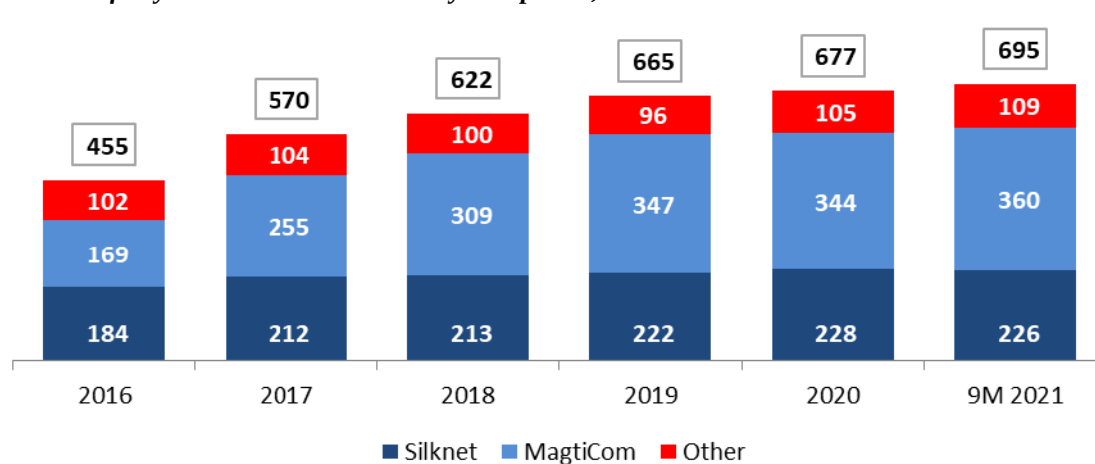


Source: GNCC

Pay TV

The household penetration of pay TV in Georgia has reached 63 per cent. as at 30 September 2021. The number of pay TV subscribers grew from 455,000 as at 31 December 2016 to 695,000 as at 30 September 2021. In this document, the number of pay TV subscribers does not include mobile streaming application subscribers.

Evolution of Pay TV Service Subscribers by Companies, '000



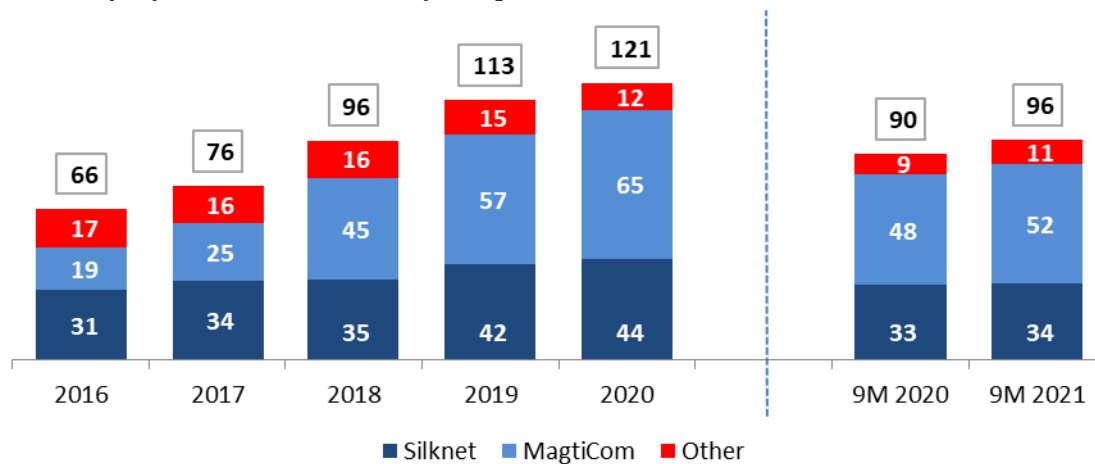
Source: GNCC

Pay TV is provided in Georgia by the following means:

- IPTV;
- DTH/satellite television;
- Radio frequency television; and
- Cable and other.

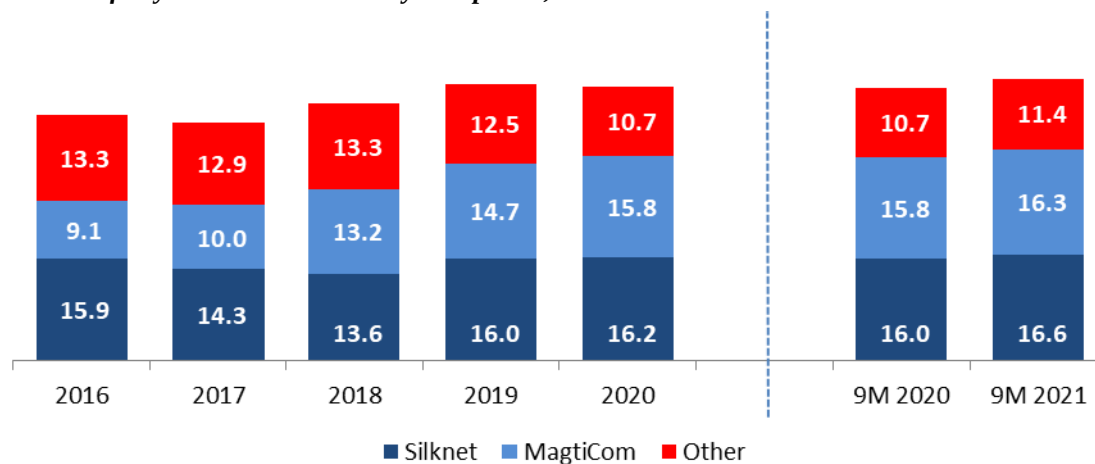
As at 30 September 2021, the Issuer had 226,000 pay TV subscribers or 33 per cent. of the total market. The Issuer provides pay TV services with IPTV, DTH/satellite and radio frequency technologies. The market share of the Issuer by revenue was 35 per cent. for the nine months ended 30 September 2021.

Evolution of Pay TV Service Revenues by Companies, GEL millions



Source: GNCC

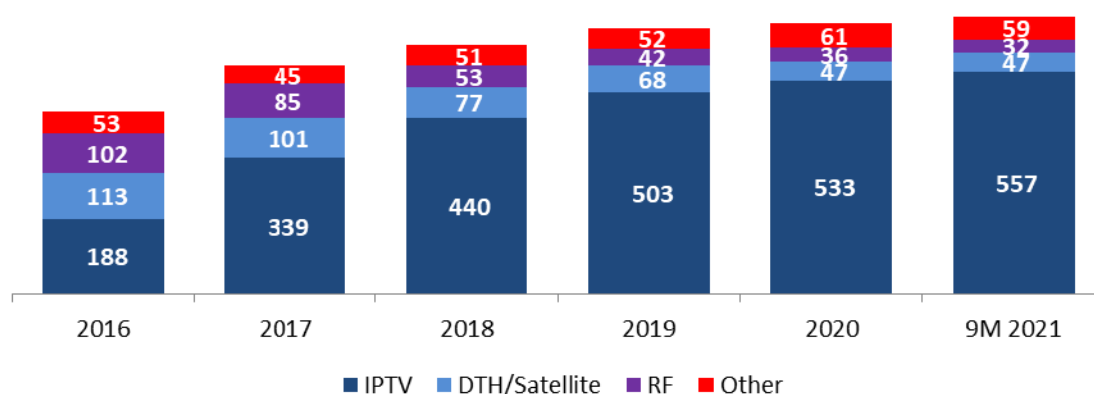
Evolution of Pay TV Service ARPUs by Companies, GEL



Source: GNCC

The share of IPTV technology has reached 80 per cent. of total subscribers as at 30 September 2021 in line with the development of the fiber-optics networks. The subscriber share of the Issuer in this sub-segment is approximately 37 per cent. of the market. IPTV can be provided over fiber-optics lines, as well as over DSL with appropriate line parameters.

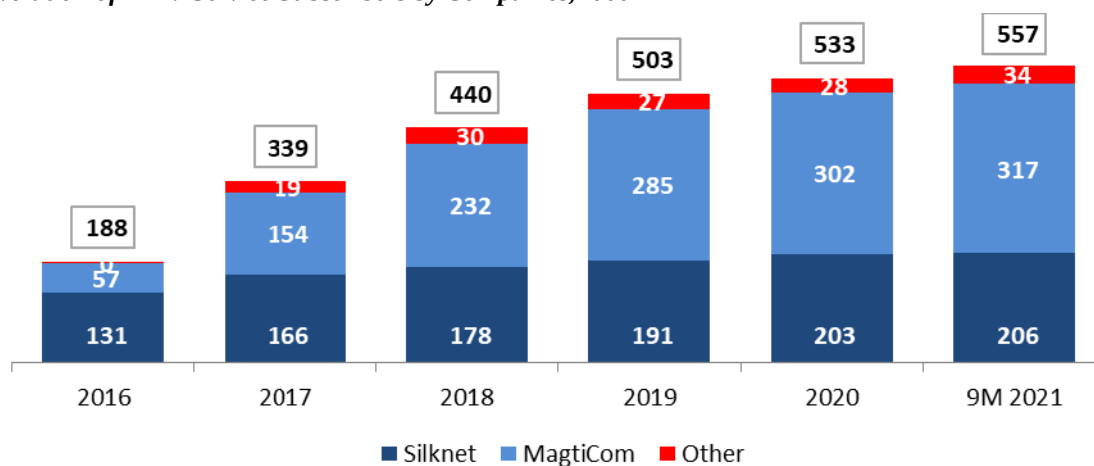
Evolution of Pay TV Service Subscribers by Technologies, '000



Source: GNCC

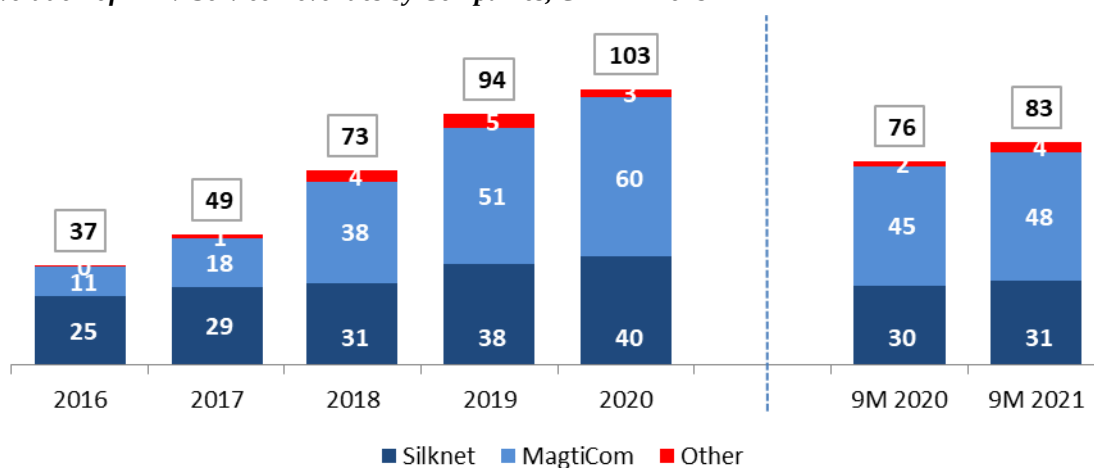
As at 30 September 2021, the Issuer had 206,000 IPTV subscribers, which comprised 37 per cent. of the total IPTV market. For the nine months ended 30 September 2021, the Issuer's IPTV revenue market share comprised 38 per cent. of the market.

Evolution of IPTV Service Subscribers by Companies, '000



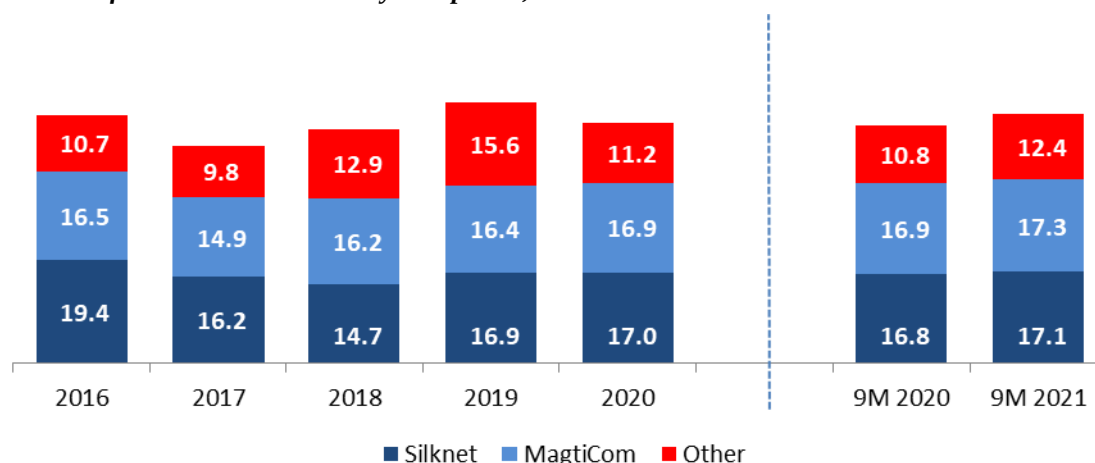
Source: GNCC

Evolution of IPTV Service Revenues by Companies, GEL millions



Source: GNCC

Evolution of IPTV Service ARPU by Companies, GEL



Source: GNCC

Fixed Telephony Segment

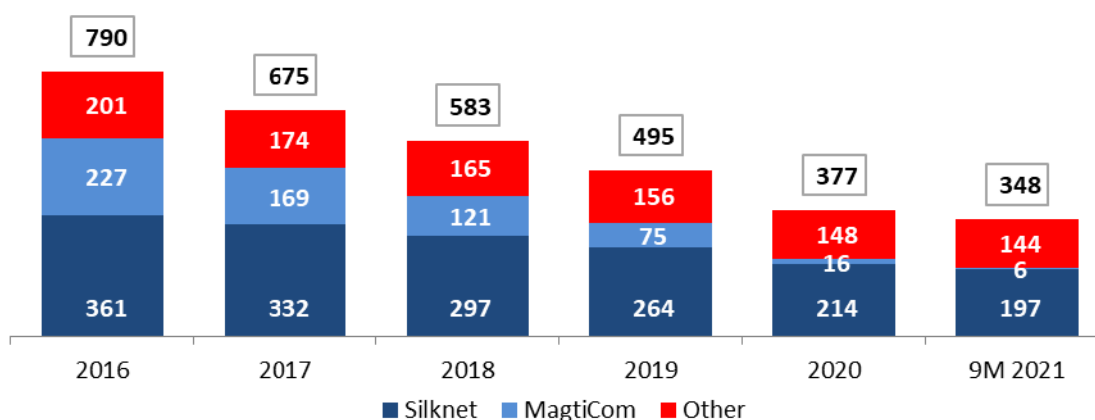
Historically, fixed telephony service in Georgia was provided by means of Public Switch Telephone Network ("PSTN") technology. The PSTN penetration during the Soviet period was not high, especially in low-density settlements. Following the collapse of the Soviet Union, copper networks were not substantially expanded and this resulted in PSTN penetration of no more than 50 per cent. of households.

From 2007, Georgian companies began to roll out wireless fixed telephony service based on CDMA technology to satisfy demand in areas with no wireline telephony service. In 2011, the number of CDMA subscribers exceeded the number of PSTN subscribers. However, the trend has reversed as a result of fixed-mobile substitution ("FMS") in line with international trends.

The development of fiber-optics networks has resulted in the growth of the VOIP service, partially at the expense of PSTN subscribers. The total number of PSTN and VOIP subscribers has gradually declined as a result of FMS. The CDMA service was discontinued by both Silknet and MagtiCom.

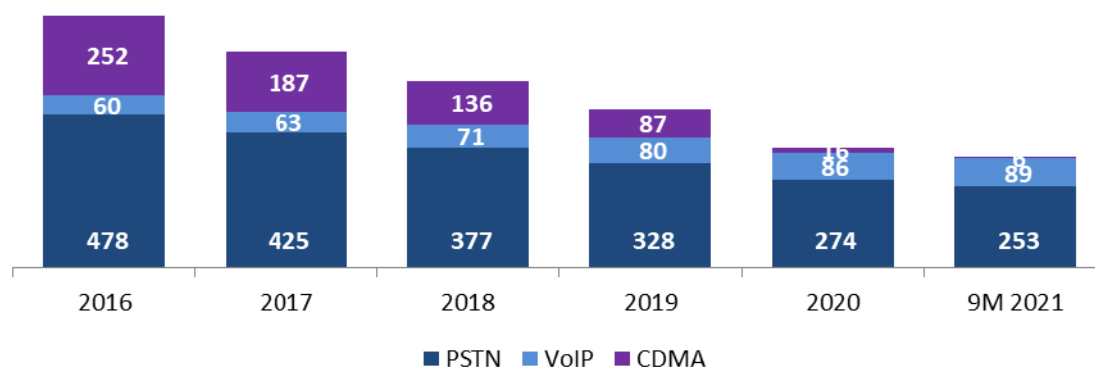
The Issuer and group companies of NewNet are the main providers of the fixed telephony service in Georgia. In total, the market share of the Issuer is 57 per cent. and the Issuer's share in segment revenues is approximately 52 per cent.

Evolution of Fixed Telephony Subscribers by Companies, '000



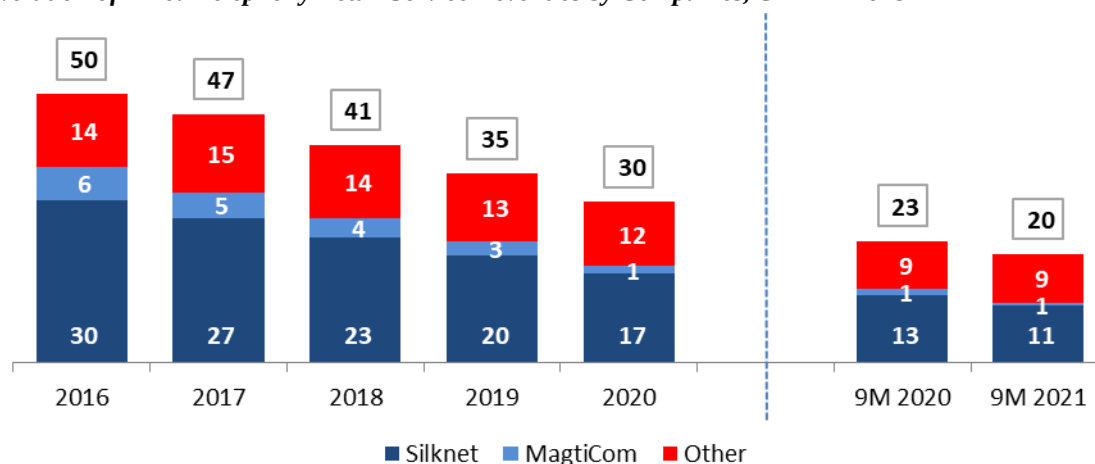
Source: GNCC

Evolution of Fixed Telephony Subscribers by Technologies, '000



Source: GNCC

Evolution of Fixed Telephony Retail Service Revenues by Companies, GEL millions



Source: GNCC

Television Broadcasting Sector in Georgia

Advertising is the main source of revenue in the television broadcasting sector in Georgia. Expenditures for advertising and sponsorship, in their turn, largely depend on macroeconomic factors.

Evolution of TV Broadcasters' Revenues (except the Public Broadcaster), GEL millions

	Years ended 31 December					Nine months ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
Total Revenue*	87	77	77	68	80	45	59

Source: GNCC

*Total TV broadcaster's revenues (except the Public Broadcaster) excluding government financing, donations, revenues from the sale of archives, revenues from the sale of content, revenues from technical support and other non-broadcasting related revenues.

The advertising and sponsorship revenue of Telemedi and Mtavari Channel reached GEL 18 million and GEL 8 million, respectively, in the nine months ended 30 September 2021, or approximately 31 per cent. and 14 per cent. of the total market, respectively. The corresponding revenue of the Issuer in the nine months ended 30 September 2021 reached approximately GEL 3 million, or approximately 5 per cent. of the total market.

Digital media (websites, social networks, applications) have attained substantial importance on the Georgian media market in recent years in line with global trends. International practice suggests that the growth of digital media is due to the growth of the total media market and at the expense of non-TV media, e.g. print and outdoor.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Certificate (if issued) and incorporated by reference into the Global Certificates:

The U.S.\$300,000,000 8.375 per cent. Notes due 2027 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Joint Stock Company Silknet (the "**Issuer**") (a) are constituted by and subject to, and have the benefit of, a trust deed dated 31 January 2022 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes under the Trust Deed) and (b) are the subject of an agency agreement dated 31 January 2022 (as amended or supplemented from time to time, the "**Agency Agreement**") between, *inter alios*, the Issuer, the Trustee and The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), and The Bank of New York Mellon SA/NV, Luxembourg Branch, in its capacity as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes). The Principal Paying Agent, the Paying Agents, the Transfer Agents and the Registrar are together referred to herein as the "**Agents**" and any reference to an "**Agent**" is to any one of them.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of the provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection, upon reasonable request and at the applicant's expense, during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, *provided that*, if an Agent is not able to make available for inspection at its Specified Office such documents by events beyond its reasonable control, it may provide such documents to a Noteholder electronically, subject to such Noteholder being able to provide evidence satisfactory to the Issuer and the relevant Agent as to its holding and identity.

As of the Issue Date, all of the Issuer's Subsidiaries are Restricted Subsidiaries. However, in the circumstances described in Condition 4(o) (*Designation of Restricted and Unrestricted Subsidiaries*), the Issuer will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in these Conditions and will not guarantee the Notes. As of the Issue Date, the Issuer has no Unrestricted Subsidiaries.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (i) qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on the exemption from registration under the Securities Act provided by Rule 144A (the "**Rule 144A Notes**") and (ii) in offshore transactions in reliance on Regulation S (the "**Regulation S Notes**").

Capitalised terms that are not defined in these Conditions have the meanings given to them in the Trust Deed.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Notes are issued in registered form, without interest coupons attached, and shall be serially numbered. Notes, whether sold (i) in offshore transactions in reliance on Regulation S, or (ii) to QIBs in reliance on Rule 144A, will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Definitive note certificates (the "**Definitive Certificates**" and, each, a "**Definitive Certificate**") will be issued to each Noteholder in respect of its registered holding.

(b) **Title**

Title to the Notes will pass by transfer and registration as described in Condition 2 (*Transfers of Notes and Issue of Definitive Certificates*). The Noteholder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no Person will be liable for so treating the Noteholder.

In these Conditions, "**Noteholder**" or "**holder**" means the Person in whose name a Note is for the time being registered in the register of Noteholders (or, in the case of a joint holding, the first named thereof) kept by the Registrar at its Specified Office in which will be entered the names and addresses of the Noteholders and the particulars of the Notes held by them and all transfers and redemptions of the Notes (the "**Register**").

2. TRANSFERS OF NOTES AND ISSUE OF DEFINITIVE CERTIFICATES

(a) **Transfers**

Subject to Conditions 2(d) (*Closed Periods*) and 2(e) (*Regulations*), a Note may be transferred by depositing a Definitive Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the Specified Office of the Registrar or any of the Agents.

(b) **Delivery of new Definitive Certificates**

Each new Definitive Certificate to be issued upon a transfer of Notes will, within five Business Days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate, be mailed by uninsured mail at the risk of the Noteholder entitled to the Note to the address specified in the form of transfer.

Issues of Definitive Certificates upon transfer of Notes are subject to compliance by the transferor and the transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, redeemed in accordance with Condition 7(b) (*Optional Redemption by the Issuer*) or 7(c) (*Redemption for Equity Offering*) or repurchased in accordance with Condition 7(e) (*Redemption at the Option of the Noteholders upon a Change of Control*), a new Definitive Certificate in respect of the Notes not so transferred, redeemed or repurchased will, within five Business Days of receipt by the Registrar or the relevant Agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the Noteholder of the Notes not so transferred to the address of such Noteholder appearing on the register of Noteholders or as specified in the form of transfer. Neither the part transferred, redeemed or repurchased nor the balance not transferred, redeemed or repurchased may be less than U.S.\$200,000.

(c) **Formalities Free of Charge**

Registration of a transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the Person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

(d) **Closed Periods**

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of (i) 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes; (ii) during the period of 15 days immediately prior to (and including) any date which has been fixed for redemption of the Notes by the Issuer at its option pursuant to Condition 7(b) (*Optional Redemption by the Issuer*); or (iii) after all such Notes have been called for redemption.

(e) **Regulations**

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to (i) reflect changes in legal requirements or (ii) in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee (such approval not to be unreasonably withheld or delayed). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of the regulations.

3. STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4(b) (*Limitation on Liens*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. COVENANTS

(a) **Incurrence of Indebtedness and Issuance of Preferred Stock**

(i) The Issuer shall not, nor shall it permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however, that* the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Issuer's Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Consolidated Leverage Ratio for the Group's most recently ended four consecutive fiscal quarterly periods for which consolidated financial statements prepared in accordance with IFRS are publicly available (or are made available) immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, does not exceed 3.5 to 1.0, determined on a *pro forma* basis, as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four consecutive fiscal quarterly periods.

(ii) The foregoing paragraph (i) of this Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Indebtedness**"):

(A) the incurrence by the Issuer and any of its Restricted Subsidiaries of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this paragraph (A) not to exceed U.S.\$40 million (or the U.S. Dollar Equivalent in any other currency or currencies) *plus*, in the case of any refinancing of any Indebtedness permitted under this paragraph (A) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

- (B) without prejudice to paragraph (A) above, the incurrence by the Issuer and any of its Restricted Subsidiaries of additional Indebtedness under a Credit Facility for the purpose prescribed in Condition 4(n) (*Cash Cushion and Credit Facility*) in an aggregate principal amount at any one time outstanding under this paragraph (B) not to exceed U.S.\$30 million (or the U.S. Dollar Equivalent in any other currency or currencies) *plus*, in the case of any refinancing of any Indebtedness permitted under this paragraph (B) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;
- (C) the incurrence by the Issuer of additional Indebtedness under the guarantee agreement dated 30 June 2021 between the Issuer and Silknet Holding LLC (the "**Guarantee Agreement**"), including any payments made under the Guarantee Agreement in an aggregate principal amount under this paragraph (C) not to exceed U.S.\$18 million (or the U.S. Dollar Equivalent in any other currency or currencies);
- (D) the incurrence by the Issuer and its Restricted Subsidiaries of the Existing Indebtedness;
- (E) the incurrence by the Issuer and its Restricted Subsidiaries of Indebtedness under lease obligations that will or may qualify as Capital Lease Obligations in accordance with IFRS 16;
- (F) the incurrence by the Issuer of Indebtedness represented by the Notes and the incurrence by any of its Restricted Subsidiaries of Indebtedness represented by any guarantee issued in connection with the Notes pursuant to these Conditions;
- (G) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, revolving financings or purchase money obligations or any other financing for capital expenditures, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Issuer or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this paragraph (G), not to exceed 5 per cent. of the Issuer's Consolidated Total Assets at any time outstanding;
- (H) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, any Indebtedness (other than intercompany Indebtedness) that was permitted to be incurred under Condition 4(a)(i) above or pursuant to Condition 4(a)(ii)(B), (D), (N), (R) and this paragraph (H);
- (I) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which will be used to renew, refund, refinance, replace, defease or discharge, any Indebtedness that was permitted to be incurred under Condition 4(a)(ii)(F), where such renewal, refinancing, replacement, defeasance or discharge occurs within 120 days of such incurrence;
- (J) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries, *provided, however, that* (I) if the Issuer is the obligor on such Indebtedness and the payee is not the Issuer, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash

of all Obligations then due with respect to the Notes (except in those jurisdictions or territories where such internal subordination is contrary to law, rule or regulation), in the case of the Issuer; and (II) (a) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer and (b) any sale or other transfer of any such Indebtedness to a Person that is not the Issuer or a Restricted Subsidiary of the Issuer, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this paragraph (J);

- (K) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of the Issuer's Restricted Subsidiaries of shares of preferred stock; *provided, however, that:* (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this paragraph (K);
- (L) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;
- (M) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a cheque, overdraft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within ten Business Days;
- (N) Indebtedness of any Person outstanding on the date on which such Person becomes a Subsidiary of the Issuer or is merged, consolidated, or amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary of the Issuer (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary of the Issuer) or Indebtedness of the Issuer incurred in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided, however,* with respect to this paragraph (N), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (i) the Issuer would have been able to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Condition 4(a)(i) above after giving effect to the incurrence of such Indebtedness pursuant to this paragraph (N) calculated on a *pro forma* basis; or (ii) the Consolidated Leverage Ratio is equal to or lesser than the Consolidated Leverage Ratio immediately prior to giving such *pro forma* effect thereto;
- (O) the incurrence by the Issuer of Indebtedness (including any Permitted Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this paragraph (O) and then outstanding, will not exceed 100 per cent. of the net cash proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock) of the Issuer, in each case, subsequent to the Issue Date; *provided, however, that* (i) any such net cash proceeds that are so received or contributed shall be

excluded for purposes of making Restricted Payments under the first paragraph and sub-paragraphs (ii)(B) and (E) of Condition 4(c) (*Limitation on Restricted Payments*) to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this paragraph (O) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and sub-paragraphs (ii)(B) and (E) of Condition 4(c) (*Limitation on Restricted Payments*) in reliance thereon;

- (P) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising under agreements providing for indemnification, adjustment of purchase price or similar obligations in connection with disposition of any assets or Equity Interests, other than any credit support given by the Issuer or any of its Restricted Subsidiaries with respect to Indebtedness incurred by any Person (other than the Issuer or any of its Restricted Subsidiaries) which is acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness permitted pursuant to this paragraph (P) will at no time exceed the net proceeds, including the Fair Market Value of non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received from such disposition;
 - (Q) Indebtedness incurred in connection with any securitisation of receivables, asset-backed financing, factoring, cash cover loans or similar financing structure in an aggregate principal amount at any one time outstanding under this paragraph (Q) not to exceed U.S.\$30 million (or the U.S. Dollar Equivalent in any other currency or currencies);
 - (R) Indebtedness of the Issuer or a Restricted Subsidiary owing to the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank, or any multilateral, governmental or European Union-controlled or US-controlled financial institution in an aggregate principal amount at any time outstanding not to exceed U.S.\$20 million (or the U.S. Dollar Equivalent in any other currency or currencies); *provided that* the aggregate principal amount at any time outstanding of such Indebtedness that is secured by a Lien does not to exceed U.S.\$20 million (or the U.S. Dollar Equivalent in any other currency or currencies) at any time outstanding;
 - (S) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness of the Issuer or of a Restricted Subsidiary, which Indebtedness in each case is permitted to be incurred by another provision of this Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*); and
 - (T) the incurrence by the Issuer or any Restricted Subsidiary of the Issuer of Indebtedness (other than and in addition to Indebtedness permitted under paragraphs (A) through (S) above) in an aggregate principal amount at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, replace, refinance, defease or discharge any Indebtedness incurred pursuant to this paragraph (T), not to exceed 5 per cent. of the Issuer's Consolidated Total Assets.
- (iii) The Issuer will not incur any Indebtedness (including Permitted Indebtedness) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms; *provided, however, that* no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

- (iv) For purposes of determining compliance with any U.S. dollar denominated restriction on the incurrence of Indebtedness where the Indebtedness incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the incurrence of such Indebtedness; *provided, however, that*, if any such Indebtedness denominated in a different currency is subject to a currency hedging agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be the U.S. Dollar Equivalents of such Indebtedness and the fair value of the currency hedging agreement (as determined in accordance with IFRS in the reporting currency of the Issuer), in each case determined on the date of the incurrence of such Indebtedness. The principal amount of any Refinancing Indebtedness incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent, as appropriate, of the Indebtedness Refinanced, except to the extent that (A) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the principal amount of such Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (B) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess, as appropriate, will be determined on the date such Refinancing Indebtedness is incurred. Notwithstanding any other provision of this covenant, the maximum amount that the Issuer or a Subsidiary of the Issuer may incur pursuant to this covenant shall not be deemed to be exceeded, with respect to outstanding Indebtedness, due solely as a result of fluctuations in the exchange rates of currencies.
- (v) For purposes of determining compliance with Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*), in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in Conditions 4(a)(ii)(A) through (T) above, or is entitled to be incurred pursuant to Condition 4(a)(i), the Issuer will be permitted to divide and/or classify such item of Indebtedness (or any portion thereof) in more than one of the types of Permitted Indebtedness on the date of its incurrence in any manner that complies with this covenant and may later divide and/or reclassify any item of Indebtedness (or any portion thereof) described in Condition 4(a)(i) as well as Conditions 4(a)(ii)(A) through (ii)(T) above (*provided that*, at the time of division and/or reclassification, it meets the criteria in such category or categories) (other than such Indebtedness pursuant to Condition 4(a)(ii)(A), 4(a)(ii)(B) and Indebtedness outstanding under any Credit Facilities on the Issue Date under Condition 4(a)(ii)(D) above, which may not be reclassified). The reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this Condition 4(a)(v); *provided, in each such case, that* the amount thereof is included in Consolidated Net Indebtedness as accrued.
- (vi) The amount of any Indebtedness outstanding as of any date will be (without double counting) calculated in accordance with IFRS.

(b) **Limitation on Liens**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien, other than Permitted Liens, upon any of their property or assets, now owned or hereafter acquired, or on any income, revenue or profits therefrom securing Indebtedness unless, at the same time or prior thereto, all payments due under the Trust Deed and the Notes are secured on an equal and ratable basis with the obligations so secured or as shall be otherwise approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, in each case until such time as such other obligations are no longer secured by a Lien.

(c) **Limitation on Restricted Payments**

- (i) The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:
 - (A) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary of the Issuer);
 - (B) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer;
 - (C) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any of the Issuer's Restricted Subsidiaries that is contractually subordinated in right of payment to the Notes (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or
 - (D) make any Restricted Investment,

(all such payments and other actions set forth in these paragraphs (A) through (D) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment:

- (I) no Potential Event of Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (II) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four quarterly periods, have been permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*); and
- (III) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding payments permitted by Condition 4(c)(ii)(B), (C), (D), (E), (F), (G) and (H) below), is less than the sum, without duplication, of:
 - (1) 50 per cent. of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the first fiscal quarterly period commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal period for which publically available financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); *plus*

- (2) 100 per cent. of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of the Issuer or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case, that have been converted into or exchanged for Qualifying Equity Interests of the Issuer (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Restricted Subsidiary) and 100 per cent. of any cash capital contribution received by the Issuer from its shareholder subsequent to the Issue Date; *plus*
 - (3) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold for cash or otherwise cancelled, liquidated or repaid for cash, or (b) made in an entity that subsequently becomes a Restricted wholly-owned Subsidiary of the Issuer, the initial amount of such Restricted Investment.
- (ii) The preceding provisions will not prohibit:
 - (A) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Condition;
 - (B) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), or from the substantially concurrent contribution of common equity capital to the Issuer; *provided that* the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from the calculation of amounts under sub-paragraph (III)(2) above;
 - (C) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests on a pro rata basis;
 - (D) the repurchase, redemption or other acquisition or retirement for value of Indebtedness of the Issuer that is contractually subordinated to the Notes with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
 - (E) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;
 - (F) so long as no Potential Event of Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary of the Issuer issued on or after the Issue Date in accordance with the Consolidated Leverage Ratio test set forth in Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);
 - (G) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the

payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Capital Stock of any such Person;

- (H) so long as no Potential Event of Default or Event of Default has occurred and is continuing, payments by the Issuer of any dividends in an aggregate amount not to exceed U.S.\$15 million (or the U.S. Dollar Equivalent in any other currency or currencies), provided that any such payment is made prior to 31 December 2023; and
 - (I) so long as no Potential Event of Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed U.S.\$15 million, since the Issue Date.
- (iii) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

(d) **Transactions with Affiliates**

- (i) The Issuer shall not, and shall ensure that none of its Restricted Subsidiaries, directly or indirectly, will, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, (without limitation) the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to such entity, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefore) for Fair Market Value with a Person that is not an Affiliate of such entity.
- (ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in excess of 5 per cent. of the Issuer's Consolidated Total Assets, carried out on a single occasion or during 12 consecutive months, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Trustee a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value and is fair from a financial point of view to the Issuer.
- (iii) The following transactions shall not be deemed to be Affiliate Transactions and therefore shall not be subject to the provisions of (i) and (ii) above:
 - (A) any employment agreement entered into by a member of the Group in the ordinary course of business and consistent with the past practice of such member of the Group;
 - (B) a Restricted Payment permitted to be made pursuant to Condition 4(c) (*Limitation on Restricted Payments*);
 - (C) transactions between or among the Issuer and its Restricted Subsidiaries;
 - (D) payment of reasonable fees to Persons who are members of the management bodies of the Issuer and are not otherwise Affiliates of the Issuer; and
 - (E) any insurance contracts with Affiliates made available on an arm's length basis for the purpose of insuring the operations or assets of the Issuer in the ordinary course of business.

(e) **Asset Sales**

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to consummate an Asset Sale unless:

- (i) the Issuer or any of its Restricted Subsidiaries receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or the relevant Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
 - (A) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any of its Restricted Subsidiaries (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Issuer or Restricted such Subsidiary from or indemnifies against further liability;
 - (B) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by the Issuer or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and
 - (C) any stock or assets of the kind referred to in paragraphs (I) or (V) of the next paragraph of this Condition 4(e) (*Asset Sales*).

Without prejudice to the second paragraph below, an amount equal to 100 per cent. of the Net Available Cash from such Asset Sale may be applied, within one year from the date of such Asset Sale, by the Issuer or such Restricted Subsidiary, as the case may be:

- (I) to repay Indebtedness and other Obligations under a Credit Facility and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;
- (II) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of holders of the Notes of record on the relevant record date to receive interest due on the relevant interest payment date) (a "**Notes Offer**") or to redeem the Notes as set forth under Condition 7(b) (*Optional Redemption by the Issuer*);
- (III) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Subsidiary of the Issuer;
- (IV) to make a capital expenditure;
- (V) to acquire other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business; or
- (VI) a combination of any of the above permitted by the foregoing paragraphs (I) through to (V).

Pending the final application of any Net Available Cash, the Issuer or any of its Subsidiaries may temporarily reduce revolving credit borrowings or otherwise invest the Net Available Cash in any manner that is not prohibited by these Conditions.

Any Net Available Cash from an Asset Sale that is not applied or invested as provided in the preceding two paragraphs will be deemed to constitute "**Excess Proceeds**". If the aggregate amount of Excess Proceeds exceeds U.S.\$20 million (or the U.S. Dollar Equivalent in any other currency or currencies), as of the date that is one year from the date of such Asset Sale, then within five days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to all Noteholders to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes (plus all accrued and unpaid interest and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100 per cent. of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase or redemption. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. If the aggregate principal amount of Notes tendered in (or required to be redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds (or in the case of a Notes Offer, the Net Available Cash from such Asset Sale), the Issuer will accept the Notes to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by the Issuer so that only Notes in denominations of U.S.\$200,000, or an integral multiple of U.S.\$1,000 in excess thereof, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of all securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Condition 4(e) (*Asset Sales*), the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Condition 4(e) (*Asset Sales*) by virtue of such compliance.

(f) **Merger, Consolidation or Sale of Assets**

(i) The Issuer will not change its legal form, be divided, consolidate with or merge with or into (whether by way of merger, accession, de-merger, division, separation, conversion or transformation, or other bases or procedures for reorganisation contemplated or, where relevant, as may be contemplated from time to time by Georgian legislation, and as these terms are construed by applicable Georgian legislation), or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:

(A) either (A) the Issuer will be the continuing corporation or (B) the resulting, surviving or transferee Person, if not the Issuer (the "**Successor Company**"), shall be a Person organised and existing under the laws of Georgia or any Approved Jurisdiction and the Successor Company (if not the Issuer) shall expressly assume, by way of a supplement to the Trust Deed in form and substance satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Trust Deed;

(B) the Issuer shall have delivered to the Trustee an Officer's Certificate certifying that:

(I) immediately after giving pro forma effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any subsidiary of the Successor Company as a result of such transaction as having been incurred by the Successor Company or such subsidiary at the time of such transaction), no Potential Event of Default or Event of Default shall have occurred and be continuing;

- (II) immediately after giving pro forma effect to such transaction, the Issuer or the Successor Company, as the case may be, would be able to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);
- (III) such consolidation, merger or transfer complies with the Trust Deed and that the relevant supplemental trust deed, the Trust Deed and the Notes constitute legal, valid and binding obligations of the Issuer and/or the Successor Company, enforceable in accordance with their terms; and
- (C) the Issuer shall have delivered to the Trustee Opinions of Counsel in the relevant jurisdiction(s) to the effect that the Noteholders will not recognise income, gain or loss for United Kingdom or Georgian income tax purposes as a result of such transaction and will be subject to income tax on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred,

provided, however, that paragraph (B) will not be applicable to (x) a Restricted Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Issuer (so long as no Capital Stock of the Issuer is distributed to any Person) or (y) the Issuer merging with an Affiliate of the Issuer solely for the purpose and with the sole effect of reincorporating the Issuer in another jurisdiction.

The Successor Company will be the successor to the Issuer and shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under, the Trust Deed, and the Notes.

For the purposes of this Condition 4(f) (*Merger, Consolidation or Sale of Assets*), the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer. The Trustee shall be obliged to enter into the supplemental trust deed upon receipt of the Officer's Certificate and Opinion(s) of Counsel referred to above.

- (ii) The Issuer shall not (without the approval of an Extraordinary Resolution), permit:
 - (A) any of its Material Subsidiaries to enter into any reorganisation (whether by way of merger, accession, de-merger, division, separation or transformation, or other procedures for reorganisation contemplated or, where relevant, as may be contemplated from time to time by Georgian legislation, and as these terms are construed by applicable Georgian legislation); or
 - (B) any of its Material Subsidiaries incorporated in a jurisdiction other than Georgia, to participate in any type of corporate reconstruction or other analogous event (as determined under the legislation of the relevant jurisdiction),

in the case of each of (ii)(A) and (ii)(B) above involving a Person which is not a member of the Group and which would have a Material Adverse Effect.

(g) **Business Activity**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business.

(h) **Dividend and other Payment Restrictions Affecting Restricted Subsidiaries**

- (i) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Restricted Subsidiaries or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Issuer or any of its Restricted Subsidiaries, (2) make any loans or advances to the Issuer or any of its Restricted Subsidiaries or (3) sell, lease or transfer any of its property or assets to the Issuer or any of its Restricted Subsidiaries.
- (ii) The foregoing sub-paragraph (i) will not apply to encumbrances or restrictions existing under or by reason of:
 - (A) agreements governing Existing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided that* the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are no less favourable in any material respect to the Noteholders, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;
 - (B) the Notes or the Trust Deed;
 - (C) agreements governing other Indebtedness permitted to be incurred under Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided that* the restrictions therein are not materially less favourable to the Noteholders, taken as a whole, than those contained in these Conditions;
 - (D) applicable law, rule, regulation or order;
 - (E) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided that*, in the case of Indebtedness, such Indebtedness was permitted by the terms of the instrument to be incurred;
 - (F) customary non-assignment provisions in contracts and licences entered into in the ordinary course of business;
 - (G) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in paragraph (i)(3) of this Condition 4(h) (*Dividend and other Payment Restrictions Affecting Restricted Subsidiaries*);
 - (H) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
 - (I) Permitted Refinancing Indebtedness; *provided that* the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being Refinanced;

- (J) Liens permitted to be incurred under the provisions of Condition 4(b) (*Limitation on Liens*) that limit the right of the debtor to dispose of the assets subject to such Liens;
- (K) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of the Issuer's Supervisory Board, which limitation is applicable only to the assets that are the subject of such agreements; and
- (L) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

(i) **Reports**

- (i) So long as any Notes are outstanding, the Issuer shall (i) make available on the Issuer's website or (ii) so long as the Notes are listed on Euronext Dublin (or alternative stock exchange), make available on the official website of Euronext Dublin (or such alternative stock exchange), to the extent and in the manner permitted by the rules of Euronext Dublin (or such alternative stock exchange):

- (A) as soon as they become available but in any event within 120 days after the end of the Issuer's fiscal year, beginning with the fiscal year ended 31 December 2021, copies of the Accounts as at and for such fiscal year, in each case audited by the Auditors; and
- (B) within 60 days following the end of the first six months in each fiscal year of the Issuer, beginning with the first six months ended 30 June 2022, copies of the Accounts as at, and for such periods, in each case reviewed by the Auditors,

provided, however, that each set of Accounts delivered by it pursuant to this Condition 4(i) (*Reports*) is accompanied by an audit report, in the case of paragraph (A) above and a review report, in the case of paragraph (B) above, of the Auditors together with accompanying notes and annexes. The Issuer undertakes to furnish to the Trustee such information as Euronext Dublin (or any other or further stock exchange or stock exchanges on which the Notes may, from time to time, be listed or admitted to trading) may require as necessary in connection with the listing or admission to trading on such stock exchange at the same time as such information is provided to Euronext Dublin (or any other or further stock exchange or stock exchanges on which the Notes may, from time to time, be listed or admitted to trading).

- (ii) Contemporaneously with the provision of the information discussed above, the Issuer will also either provide the information to a regulatory news service or file a press release with the appropriate internationally recognised wire services with respect to such information and post such press release on the Issuer's website.

(j) **Maintenance of Listing**

The Issuer shall use all reasonable endeavours to maintain the listing of the Notes on the Official List of Euronext Dublin for so long as any Note is outstanding; *provided that*, if at any time the listing becomes impractical or unduly onerous, the Issuer shall use all reasonable endeavours to obtain, and thereafter to maintain a quotation for, or listing of, the Notes on such other stock exchange as is commonly used for the quotation or listing of debt securities as the Issuer may decide.

(k) **Payment of Taxes and Other Claims**

The Issuer shall pay or discharge, or cause to be paid or discharged, before the same shall become overdue, all taxes, assessments and government charges levied or imposed upon, or

upon their income, profits or property, *provided that* this covenant will not require the payment or discharge of any tax, assessment or charge (i) the amount, the applicability of which is being contested in good faith and by appropriate proceedings (or has been the subject of such proceedings within the then preceding 60 days, resulted in a final, non-appealable determination of liability in a definitively ascertained amount) and for which adequate reserves or other appropriate provision has been made or (ii) the amount, together with all such unpaid or undischarged taxes, assessments, charges and claims, does not exceed U.S.\$10 million (or the U.S. Dollar Equivalent in any other currency or currencies).

(l) **Suspension of Covenants when Notes rated Investment Grade**

If on any date following the Issue Date (i) the Notes have achieved an Investment Grade Rating; and (ii) no Potential Event of Default or Event of Default shall have occurred and be continuing on such date, then, the Issuer will notify the Trustee in writing, including a copy of the letter evidencing such Investment Grade Rating, and beginning on the date of such notice and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating (such period, the "**Suspension Period**"), the following covenants will no longer be applicable: Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*); Condition 4(c) (*Limitation on Restricted Payments*); Condition 4(d) (*Transactions with Affiliates*); Condition 4(e) (*Asset Sales*), and Condition 4(h) (*Dividend and other Payment Restrictions Affecting Restricted Subsidiaries*), *provided that* such covenants (and any related default provisions) will again apply in accordance with their terms from the first day on which a Suspension Period ceases to be in effect with regard to actions of the Issuer or any Restricted Subsidiary properly taken during the continuance of the Suspension Period, and the covenant under Condition 4(c) (*Limitation on Restricted Payments*) will be interpreted as if it had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while such covenant was suspended.

(m) **Payments for Consent**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholders for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of these Conditions or the Trust Deed unless such consideration is offered to be paid to all Noteholders (save for any Noteholders for which such offer or payment of consideration would breach any applicable law or regulation applicable to the Issuer and its Restricted Subsidiaries) that consent, waive or agree to amend in the time frame and on the terms set forth in the solicitation documents relating to such consent, waiver or agreement.

(n) **Cash Cushion and Credit Facility**

- (i) With respect to each fiscal quarterly period ending during the period starting from the Issue Date to 31 January 2023, the Issuer will ensure that the Group's cash and Cash Equivalents are at least U.S.\$20 million (or the U.S. Dollar Equivalent in any other currency or currencies) (the "**Cash Cushion Threshold**"), as of the end of the relevant fiscal quarterly period, provided that if any such cash or Cash Equivalent is held in a currency other than U.S. Dollars, then the U.S. Dollar Equivalent shall be discounted by 20 per cent. for purposes of determining the Cash Cushion Threshold (the "**Cash Cushion Condition**").
- (ii) With respect to each fiscal quarterly period ending after 31 January 2023, the Issuer shall be entitled to elect to:
 - (A) satisfy the Cash Cushion Condition as of the end of the relevant fiscal quarterly period; or
 - (B) within 20 Business Days of the end of the relevant fiscal quarterly period, establish and maintain a Credit Facility in an amount of at least U.S.\$20 million which shall be used by the Issuer for purposes of discharging its obligations to pay interest due on the Notes on an Interest Payment Date, provided that the Issuer shall be entitled to terminate such Credit Facility if (i)

the Cash Cushion Condition has been satisfied as of the end of the immediately preceding fiscal quarterly period; and (ii) no Potential Event of Default or Event of Default shall have occurred and be continuing.

(o) **Designation of Restricted and Unrestricted Subsidiaries**

The Supervisory Board of the Issuer may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiaries) to be an Unrestricted Subsidiary if that designation would not cause an Event of Default or a Potential Event of Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Condition 4(c) (*Limitation on Restricted Payments*) or under one or more paragraphs of the definition of "Permitted Investments", as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Supervisory Board of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause an Event of Default or a Potential Event of Default.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee on the effective date of such designation (i) a certified copy of the Board Resolution giving effect to such designation and (ii) an Officer's Certificate certifying that such designation complies with the requirements set out in the paragraph above and is permitted by Condition 4(c) (*Limitation on Restricted Payments*), and on which the Trustee may rely absolutely and without liability or further enquiry. If, at any time, any Unrestricted Subsidiary fails to meet the requirements set out in the paragraph above, it will thereafter cease to be an Unrestricted Subsidiary for purposes of these Conditions and the Trust Deed, and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date, and if such Indebtedness is not permitted to be incurred as of such date under Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*), the Issuer will be in default of that Condition.

The Supervisory Board of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (i) such Indebtedness is permitted under Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*), calculated on a pro forma basis as if such designation had occurred at the beginning of the four consecutive fiscal quarterly periods for which financial statements are publically available (or made available) and (ii) no Event of Default or Potential Event of Default would be in existence following such designation.

(p) **Provision of Information**

The Issuer shall, during any period in which it is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, duly provide to any holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

5. INTEREST

(a) **Interest Accrual**

Each Note bears interest from, and including, 31 January 2022 (the "**Issue Date**") at the rate of 8.375 per cent. per annum (the "**Rate of Interest**") payable semi-annually in arrear on 31

January and 31 July in each year, commencing on 31 July 2022 (each, an "**Interest Payment Date**"). Each period beginning on, and including, the Issue Date or any Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date is herein called an "**Interest Period**".

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(b) **Cessation of Interest**

Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to that day (except to the extent that there is any subsequent default in payment) in accordance with Condition 13 (*Notices*).

(c) **Day Count Fraction**

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of twelve 30-day months each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under this Condition 5(c) (*Day Count Fraction*) by the Principal Paying Agent shall, in the absence of manifest or proven error, be binding on all parties.

6. **PAYMENTS**

(a) **Principal**

Payment of principal and premium in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the Person shown in the Register at the close of business on the Record Date and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Certificate at the Specified Office of any Paying Agent.

(b) **Interest**

Payments of interest due on an Interest Payment Date will be made to the Person shown in the Register at close of business on the Record Date.

(c) **Payments**

Each payment in respect of the Notes pursuant to Conditions 6(a) (*Principal*) and 6(b) (*Interest*) will be made by transfer to the registered account of the Noteholder.

Payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated by the Paying Agents, in the case of principal, on the later of the due date for payment and the day on which the relevant Definitive Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of any of the Paying Agents and, in the case of interest and other amounts on the due date for payment.

(d) **Delay in Payment**

Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a Business Day or (ii) the

Noteholder being late in surrendering its Definitive Certificate (if required pursuant to these Conditions).

(e) **Payments Subject to Fiscal Laws**

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto (any such withholding or deduction, a "**FATCA Withholding**"). No commissions or expenses shall be charged to the Noteholders in respect of such payments save as provided in Condition 6(c) (*Payments*).

(f) **Partial Payments**

If the amount of principal or interest which is due on the Notes on any date is not paid in full, the Registrar will annotate the Register and any Definitive Certificates surrendered for payment with a record of the amount of principal or interest in fact paid and the date of such payment.

(g) **Appointment of Agents**

The names of the Agents initially appointed by the Issuer and their Specified Offices are set out below. The Issuer reserves the right under and in accordance with the terms of the Agency Agreement at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and to appoint successor or additional Agents, *provided that* it will at all times maintain:

- (i) a Principal Paying Agent;
- (ii) an Agent (which may be the Principal Paying Agent) having a Specified Office in London; and
- (iii) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Agent shall promptly be given to Noteholders in accordance with Condition 13 (*Notices*).

7. REDEMPTION AND PURCHASE

(a) **Scheduled redemption**

Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on the Maturity Date.

(b) **Optional Redemption by the Issuer**

- (i) At any time prior to 31 January 2024, the Issuer may at its option on one or more occasions redeem the Notes in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 13 (*Notices*), at a redemption price equal to 100 per cent. of the principal amount of the Notes redeemed, plus the Applicable Premium, and accrued and unpaid interest, and Additional Amounts (as defined in Condition 8 (*Taxation*)) (if any), to, but excluding, the applicable redemption date (subject to the right of Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).
- (ii) At any time on or after 31 January 2024, the Issuer may at its option redeem the Notes, in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 13 (*Notices*), at the following

redemption prices (expressed as a percentage of the principal amount of the Notes) plus accrued and unpaid interest, and Additional Amounts (as defined in Condition 8 (*Taxation*)) (if any), to, but excluding, the applicable redemption date (subject to the right of Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), if redeemed during the periods indicated below:

Period	Percentage
From, and including, 31 January 2024 to, but excluding, 31 January 2025	104.1875 per cent.
From, and including, 31 January 2025 to, but excluding, 31 January 2026	102.0938 per cent.
From, and including, 31 January 2026 to, but excluding, the Maturity Date	100 per cent.

- (iii) Notices of redemption delivered in accordance with this Condition 7(b) (*Optional Redemption by the Issuer*) will specify (i) the date fixed for redemption, (ii) the amount to be redeemed and (iii) the applicable redemption price (determined in accordance with Condition 7(b)(i) or Condition 7(b)(ii), as the case may be). Upon the expiry of any notice of redemption delivered in accordance with this Condition 7(b) (*Optional Redemption by the Issuer*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b) (*Optional Redemption by the Issuer*).
- (iv) None of the Trustee or the Agents shall be responsible for calculating or verifying the redemption price payable pursuant to this Condition 7(b) (*Optional Redemption by the Issuer*) or for determining or verifying whether a Note is to be accepted for redemption under this Condition 7(b) (*Optional Redemption by the Issuer*) and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so.

(c) **Redemption for Equity Offering**

- (i) At any time prior to 31 January 2024, the Issuer may, at its option, on any one or more occasions redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price equal to 108.375 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest, and Additional Amounts (as defined in Condition 8 (*Taxation*)) (if any), to, but excluding, the applicable redemption date (subject to the right of Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date), with the net cash proceeds of one or more Equity Offerings; *provided that*
 - (A) at least 65 per cent. of the aggregate principal amount of the Notes (excluding Notes held by the Issuer and its Affiliates) remains outstanding immediately after the occurrence of such redemption; and
 - (B) the redemption occurs within 90 days of the date of the closing of such Equity Offering.
- (ii) Notices of redemption delivered in accordance with this Condition 7(c) (*Redemption for Equity Offering*) will specify (i) the date fixed for redemption, (ii) the amount to be redeemed, and (iii) the redemption price. Upon the expiry of any notice of redemption delivered in accordance with this Condition 7(c) (*Redemption for Equity Offering*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(c) (*Redemption for Equity Offering*).
- (iii) None of the Trustee or the Agents shall be responsible for calculating or verifying the redemption price payable pursuant to this Condition 7(c) (*Redemption for Equity Offering*) or for determining or verifying whether a Note is to be accepted for redemption under this Condition 7(c) (*Redemption for Equity Offering*) and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so.

(d) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 13 (*Notices*) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that it has or will become obliged to pay any Additional Amounts as a result of:

- (i) any change in, or an amendment to, or change in the official interpretation of the laws (including any regulations or rulings promulgated thereunder) of, any Relevant Taxing Jurisdiction (as defined in Condition 8 (*Taxation*)); or
- (ii) any change in or amendment to or change in the official interpretation of any official position regarding the application or interpretation of such laws or regulations or rulings (including a judgment by a court of competent jurisdiction);

in each case which change or amendment is announced or becomes effective after the Issue Date, and the Issuer cannot avoid such obligation by taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee an Opinion of Counsel and an Officer's Certificate stating that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent described above in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice referred to above, the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(d) (*Redemption for Taxation Reasons*).

(e) **Redemption at the Option of the Noteholders upon a Change of Control**

Upon the occurrence of a Change of Control, unless the Issuer has given notice to redeem all of the Notes as described under Condition 7(b) (*Optional Redemption by the Issuer*), each Noteholder shall have the right to require that the Issuer repurchase all or any part of that Noteholder's Notes (in integral multiples of U.S.\$1,000; *provided that* Notes of U.S.\$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101 per cent. of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).

Within 30 days following any Change of Control, unless the Issuer has given notice to redeem all of the Notes as described under Condition 7(b) (*Optional Redemption by the Issuer*), the Issuer will notify the Noteholders (with a copy to the Trustee) in accordance with Condition 13 (*Notices*) (the "**Change of Control Offer**") stating:

- (i) that a Change of Control has occurred and that such Noteholder has the right to require the Issuer to purchase such Noteholder's Notes (in integral multiples of U.S.\$1,000; *provided that* Notes of U.S.\$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101 per cent. of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Noteholders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date);
- (ii) the circumstances and relevant facts regarding such Change of Control;

- (iii) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is made); and
- (iv) the procedures determined by the Issuer, consistent with the Agency Agreement, that a Noteholder must follow in order to have its Notes purchased.

The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements of these Conditions and the Trust Deed applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(f) **Partial Redemption**

If the Notes are to be redeemed in part only on any date in accordance with Conditions 7(b) (*Optional Redemption by the Issuer*), 7(c) (*Redemption for Equity Offering*) and 7(e) (*Redemption at the Option of the Noteholders upon a Change of Control*), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant redemption date bears to the aggregate principal amount of outstanding Notes on such date.

(g) **Purchases**

The Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase for their account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (*provided that* such resale is in compliance with all applicable laws) or surrendered to the Registrar for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 7(h) (*Cancellation of Notes*). The Notes so purchased, while held by or on behalf of the Issuer or by any Subsidiary of the Issuer, shall not entitle the Issuer or any such Subsidiary to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a) (*Meetings of Noteholders*).

(h) **Cancellation of Notes**

All Notes which are redeemed pursuant to this Condition 7 (*Redemption and Purchase*) or repurchased and submitted to the Registrar for cancellation pursuant to Condition 7(g) (*Purchases*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on a stock exchange and the rules of such exchange so require, the Issuer shall promptly inform the stock exchange of the cancellation of any Notes under this Condition 7(h) (*Cancellation of Notes*).

8. TAXATION

(a) **Additional Amounts**

All payments of principal, premium and interest payable by or on behalf of the Issuer under or with respect to the Notes will be made free and clear of, and without withholding or deduction for or on account of Taxes imposed or levied by or on behalf of the jurisdiction of organisation of the Issuer and any political subdivision or taxing authority thereof or therein (each a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law. If any amounts are required to be withheld or deducted for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment of principal, premium or interest made under or with respect to the Notes, the Issuer, to the fullest extent then permitted by law, will be required to pay such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by a Noteholder (including Additional Amounts) after such withholding or deduction will not be less than the amount such Noteholder would have received if such Taxes

had not been withheld or deducted; *provided, however, that* the foregoing obligation to pay Additional Amounts does not apply to:

- (i) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Noteholder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the relevant Noteholder, if the relevant Noteholder is an estate, trust, partnership or corporation) and the Relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of such Note); or
 - (ii) any tax, duty, assessment, fee or other governmental charge that would not have been imposed but for the presentation of the Note by the Noteholder for payment more than 30 days after the date on which such payment on such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Noteholder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period); or
 - (iii) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Certificate is surrendered for payment in a Relevant Taxing Jurisdiction; or
 - (iv) any combination of the above.
- (b) Notwithstanding any other provision of these Conditions or the Trust Deed, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of FATCA Withholding. Neither the Issuer nor any person will be required to pay any additional amounts in respect of FATCA Withholding.
- (c) Whenever in the Trust Deed or these Conditions there is mentioned, in any context (i) the payment of principal; (ii) interest; or (iii) any other amount (including premium) payable on or with respect to any of the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of principal, premium and interest will become void unless the relevant Definitive Certificate is surrendered for payment as required by Condition 6 (*Payments*) within a period of ten years in the case of principal and premium and five years in the case of interest from the relevant date for payment thereof.

10. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction) shall give written notice to the Issuer that the Notes are and they shall immediately become due and repayable in each case at their principal amount together with accrued interest, if any of the following events (each, an "**Event of Default**") occurs and is continuing:

- (a) **Non-Payment**
 - (i) failure by the Issuer to pay any principal in respect of any of the Notes when it becomes due and payable (whether at stated maturity, upon redemption, upon acceleration or otherwise) and such failure continues for a period of seven days; or
 - (ii) failure by the Issuer to pay interest in respect of any of the Notes when it becomes due and payable and such failure continues for a period of ten days; or
- (b) **Breach of Other Obligations**

- (i) failure by the Issuer to comply with any of the agreements or covenants described above under Condition 4(f) (*Merger, Consolidation or Sale of Assets*); or
- (ii) failure by the Issuer to comply with any other agreement or covenant in these Conditions or the Trust Deed and such failure continues for 45 days after written notice of such failure has been given to the Issuer by the Trustee; or

(c) **Cross-Acceleration**

- (i) any Indebtedness of the Issuer or any of its Restricted Subsidiaries is not paid on the due date for payment or (as the case may be) within any originally applicable grace period; or
- (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described),

provided that the aggregate principal amount of such Indebtedness falling within (i) and/or (ii) above individually or in the aggregate equals or exceeds U.S.\$25 million (or the U.S. Dollar Equivalent in any other currency or currencies); or

(d) **Judgment Default**

one or more judgments or orders or arbitration awards against the Issuer or a Material Subsidiary of the Issuer from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of U.S.\$25 million (or the U.S. Dollar Equivalent in any other currency or currencies) (net of any amounts that are covered by insurance policies issued by solvent carriers), whether individually or in aggregate, is rendered or granted against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date thereof or, if later, the date therein specified for payment; or

(e) **Bankruptcy**

- (i) the Issuer, or any of the Issuer's Material Subsidiaries or any group of the Issuer's Subsidiaries that, taken together, would constitute a Material Subsidiary,
 - (A) is declared by a court of competent jurisdiction to be insolvent, bankrupt or unable to pay its debts; or
 - (B) stops, suspends, threatens to stop or suspend payment of, all or substantially all of its debts as they mature; or
 - (C) applies for or consents to or suffers the appointment of an administrator, liquidator, special manager, bankruptcy or rehabilitation manager or receiver or other similar person or petition is presented or analogous proceedings taken or an order or judgement is made or an effective resolution passed or analogous proceedings taken for winding up, liquidation, dissolution, bankruptcy, rehabilitation, insolvency, resolution, or temporary administration in respect of the Issuer or any of the Issuer's Material Subsidiaries or any group of the Issuer's Subsidiaries that, taken together, would constitute a Material Subsidiary or over the whole or substantially the whole of their respective undertakings, property, assets or revenues pursuant to any insolvency law (other than for a solvent liquidation of a Material Subsidiary); or
 - (D) takes or becomes subject to any proceedings under any law for a readjustment or deferment of its obligations or substantially all of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution or a Written Resolution (each

as defined in the Trust Deed) of the Noteholders, in each case, other than as permitted under Condition 4(f) (*Merger, Consolidation or Sale of Assets*); or

- (ii) an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any Material Subsidiary of the Issuer or any group of its Subsidiaries that, taken together, would constitute a Material Subsidiary, or the Issuer or any Material Subsidiary of the Issuer or any group of its Subsidiaries that, taken together, would constitute a Material Subsidiary ceases to carry on all or substantially all of their respective businesses or operations (other than in connection with any consolidation, amalgamation or merger of any such entities with, or the sale of all or substantially all the assets of any such entities, any other company where all relevant trust deeds, deeds of guarantee and supplemental trust deeds are executed pursuant to, and to give full effect to, the rights of a Noteholder pursuant to Condition 4(e) (*Asset Sales*)) except, in any such case, (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution or a Written Resolution of the Noteholders or (B) for a solvent liquidation of a Material Subsidiary, in each case, other than as permitted under Condition 4(f) (*Merger, Consolidation or Sale of Assets*); or

(f) **Government intervention**

- (i) all or substantially all of the undertaking, assets and revenues of the Issuer or any of the Issuer's Material Subsidiaries, is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or
- (ii) the Issuer or any of the Issuer's Material Subsidiaries, is prevented by any such Person from exercising normal control over all or substantially all of its undertaking, assets and revenues,

and as a consequence of any such government intervention, the Issuer is unable to perform or comply with any one or more of its obligations under the Notes; or

(g) **Unlawfulness**

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(h) **Analogous effect**

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10 (*Events of Default*),

provided that, in the case of Conditions 10(f) (*Government intervention*), (g) (*Unlawfulness*), and (h) (*Analogous effect*), the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the Noteholders.

11. REPLACEMENT OF NOTES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided that* the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF NOTEHOLDERS; MODIFICATION, AND WAIVERS

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, or the Issuer, or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing a majority in aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however, that*, at any meeting the business of which includes a Reserved Matter, the quorum shall be two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

(b) Written Resolution and electronic consents

A Written Resolution will take effect as if it were an Extraordinary Resolution if it is signed by or on behalf of Noteholders holding not less than three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. So long as the Notes are represented by global note certificates in registered form (the "**Global Certificates**") and such Global Certificates are held on behalf of one or more clearing systems, any Extraordinary Resolution passed by way of electronic consents received through a clearing system by or on behalf of not less than three-quarters of the aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Noteholders duly convened and held in accordance with the Trust Deed.

(c) Modification without Noteholders' consent

The Trustee may agree, without the consent of the Noteholders, (i) to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders or (ii) to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or to correct a manifest or proven error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any breach or proposed breach of the Notes or the Trust Deed (other than a breach or proposed breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver, modification or substitution shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

13. NOTICES

All notices to the Noteholders regarding the Notes will be valid if mailed to them at their respective addresses in the Register and will be deemed to have been given on the fourth Business Day after the date of mailing.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to the Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders and such notice will be deemed to be given on the date of such delivery.

14. TRUSTEE

(a) Indemnification

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or any of its Subsidiaries and any entity relating to the Issuer and/or any of its Subsidiaries without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries.

(b) Exercise of power and discretion

In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, any indemnification in respect of any tax consequences of any such exercise upon individual Noteholders.

(c) Enforcement; Reliance

The Trustee may at any time after the Notes become due and payable, at its discretion and without notice, institute such proceedings or take any other legal action as it thinks fit to enforce its rights under the Trust Deed and these Conditions in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the holders of not less than one-quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer to enforce the provisions of the Notes under the Trust Deed or these Conditions, unless the Trustee, having become bound so to proceed on behalf of the Noteholders, fails to do so within a reasonable time and such failure is continuing.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert or auditor and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

The Trustee may rely without liability to Noteholders on any certificate or report prepared by any of the above mentioned experts or auditors, including specifically the Auditors, pursuant to these Conditions or the Trust Deed, whether or not the expert or auditor's liability in respect thereof is limited by a monetary cap or otherwise.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Potential Event of Default or Event of Default has occurred.

The Trustee is not liable for any failure to monitor compliance by the Issuer with these Conditions (including, without limitation, Condition 4 (*Covenants*) and Condition 10 (*Events of Default*)).

15. FURTHER ISSUES

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes ("**Further Notes**"), *provided that* the Issuer may not consolidate such Further Notes as a single series with the outstanding Notes unless the Further Notes are fungible with the outstanding Notes for U.S. federal income tax purposes. The Further Notes and the Notes shall be treated as a single class for all purposes of the Trust Deed, including waivers, amendments, redemptions and offers to purchase. Any further Notes shall be constituted by a deed supplemental to the Trust Deed. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No Person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW; ARBITRATION

(a) Governing law

The Trust Deed and the Notes, including any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Notes, are governed by, and shall be construed in accordance with, English law.

(b) Arbitration

The Issuer has in the Trust Deed for the benefit of the Trustee and the Noteholders agreed that any claims, controversies, disputes or differences arising out of or in connection with the Notes (including any claim, controversy, dispute or difference relating to the existence, performance, interpretation, breach, validity or termination of the Trust Deed or the Notes) or any non-contractual obligation arising out of or in connection with the Trust Deed or the Notes and, accordingly, any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes ("**Proceedings**") shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**"), which are deemed to be incorporated by reference into the Trust Deed. The tribunal shall consist of three arbitrators, each of whom shall be a lawyer experienced in international finance transactions. The claimant(s), irrespective of the number of them, shall nominate jointly one arbitrator; the respondent(s), irrespective of the number of them, shall nominate jointly one arbitrator; and a third arbitrator, who shall act as presiding arbitrator, shall be nominated by the two party-nominated arbitrators, *provided that*, if the third arbitrator has not been nominated within the time limits specified by the Rules, such arbitrator shall be selected and appointed by the LCIA. The arbitration shall be seated in London, England with hearings to take place in London, England and conducted in the English language. Any provisions of the Rules relating to the nationality of an arbitrator shall, to that extent, not apply. Any award of the tribunal shall be binding from the day it is made and the parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996.

The Issuer agrees that the service of process relating to any Proceedings in England and Wales may be made by delivery to Law Debenture Corporate Services Limited. If such person is not or ceases to be effectively appointed to accept service of process, the Issuer shall (i) immediately notify the Trustee and (ii) promptly appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days of the notification referred to in (i) above, the Trustee shall be entitled to appoint such a person by written notice to the Issuer. Nothing herein shall affect the right of the Trustee to serve process in any other manner permitted by law.

18. DEFINITIONS

For the purposes of these Conditions:

"Accounts" means the consolidated financial statements of the Issuer, prepared in accordance with IFRS.

"Acquired Debt" means, with respect to any specified Person:

- (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Additional Amounts" shall have the meaning given to such term in Condition 8 (*Taxation*).

"Affiliate" of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Transaction" shall have the meaning given to such term in Condition 4(d) (*Transactions with Affiliates*).

"Agency" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not).

"Approved Jurisdiction" means England, Georgia, Luxembourg, any member state of the European Union as constituted on the Issue Date, the United States of America, Canada and Australia.

"Applicable Premium" means, with respect to any Note redeemed pursuant to Condition 7(b)(i) on any redemption date, the greater of:

- (a) 1 per cent. of the principal amount of the Note; or
- (b) the excess of: (i) the present value at such redemption date of (x) the redemption price of such Note at 31 January 2024 (such redemption price being set forth in the table appearing in paragraph (ii) of Condition 7(b) (*Optional Redemption by the Issuer*)), plus (y) all required interest payments due on the Note to, but excluding, 31 January 2024 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points, over (ii) the principal amount of the Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage. For the avoidance of doubt, the calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"Asset Sale" means

- (a) the sale, lease, conveyance or other disposition of any assets or rights by the Issuer or any of the Issuer's Restricted Subsidiaries; *provided that* the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions in Condition 7(e) (*Redemption at the Option of the Noteholders upon a Change of Control*) and Condition 4(f) (*Merger, Consolidation or Sale of Assets*) and not by the provisions of Condition 4(e) (*Asset Sales*); and
- (b) the issuance of Equity Interests by any of the Issuer's Restricted Subsidiaries or the sale by the Issuer or any of the Issuer's Restricted Subsidiaries of Equity Interests in any of the Issuer's Restricted Subsidiaries.

For purposes of this definition, the term **"Asset Sale"** shall not include:

- (i) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than U.S.\$10 million (or the U.S. Dollar Equivalent in any other currency or currencies);
- (ii) a transfer of assets or Equity Interests between or among the Issuer and its Restricted Subsidiaries;
- (iii) an issuance of Equity Interests by a Restricted Subsidiary of the Issuer to the Issuer or to a Restricted Subsidiary of the Issuer;
- (iv) the sale, lease or other transfer of products, inventory, trading stock, services, accounts receivable or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgement of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Issuer and its Restricted Subsidiaries taken as whole);
- (v) licenses and sublicenses by the Issuer or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;
- (vi) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (vii) the granting of Liens not prohibited by the covenant described above under Condition 4(b) (*Limitation on Liens*);
- (viii) the sale or other disposition of cash or Cash Equivalents;
- (ix) the sale or other disposition, after the date that falls on the first anniversary of the Issue Date, of any Notes in an aggregate principal amount not to exceed U.S.\$50 million purchased by the Issuer in the initial distribution on the Issue Date or promptly thereafter from any of the Joint Lead Managers or their respective affiliates that acquired such Notes in the initial distribution, *provided that* such sale or disposition is otherwise in compliance with the requirements of these Conditions and the Trust Deed; and
- (x) a Restricted Payment that does not violate Condition 4(c) (*Limitation on Restricted Payments*), a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment.

"**Auditors**" means the auditors of the consolidated financial statements of the Group from time to time.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board Resolution**" means a duly authorised resolution of the Supervisory Board.

"**Business Day**" means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Tbilisi and New York City and (where surrender is required by these Conditions) in the place of the Specified Office of the Registrar or the relevant Paying Agent to whom the relevant Definitive Certificate is surrendered.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last

payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid or terminated by the lessee without payment of a penalty.

"Capital Stock" means:

- (a) in the case of a corporation, corporate stock;
- (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

- (a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Georgia, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union, the United States of America, Georgia, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;
- (b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition or any other financial investments classified as cash and cash equivalents under IFRS, issued by a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of Georgia or of the United States of America or any state thereof; *provided that* the long-term debt of such bank or trust company (which is not organised under, or authorised to operate as a bank or trust company under the laws of Georgia) is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category of another internationally recognised rating agency and, in relation to any bank or trust company which is organised under, or authorised under the laws of Georgia, the long-term debt of such bank or trust company is rated "B1" by Moody's or "B+" by S&P or higher or the equivalent rating category of another internationally recognised rating agency, and *further provided that* the rating requirements in the foregoing provision shall not apply to Silk Road Bank;
- (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in paragraphs (a) and (b) above entered into with any financial institution meeting the qualifications specified in paragraph (b) above;
- (d) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and
- (e) interests in any investment company or money market funds at least 95 per cent. of the assets of which consist of Cash Equivalents of the type referred to in paragraphs (a) to (d) above.

"Change of Control" means the occurrence of any of the following:

- (a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or sale of assets permitted under Condition 4(f) (*Merger, Consolidation or Sale of Assets*)), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act))

(other than a Principal or a Related Party of a Principal) acting as a group for the purpose of acquiring, holding or disposing of assets of the Issuer and/or its Restricted Subsidiaries; or

- (b) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above), other than a Principal and/or any Related Party, becomes the Beneficial Owner, directly or indirectly, of more of the Voting Stock of the Issuer (measured by voting power rather than number of shares) than is at the time Beneficially Owned by the Principal and its Related Parties in the aggregate.

"Change of Control Offer" shall have the meaning given to such term in Condition 7(e) (*Redemption at the Option of Noteholders upon a Change of Control*).

"Commission" means the U.S. Securities and Exchange Commission.

"Consolidated EBITDA" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

- (a) an amount equal to any extraordinary loss (which is a loss that is non-operating or non-recurring by nature);
- (b) plus any net loss realised by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*
- (c) provision for taxes based on income, profits or distributions of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income and classified as income and expense under IFRS; *plus*
- (d) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*
- (e) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) and losses on hedging instruments of such Person and its Restricted Subsidiaries for such period, to the extent that such losses were taken into account in computing such Consolidated Net Income; *plus*
- (f) depreciation, amortisation (including amortisation of intangible assets and amortisation contract costs but excluding amortisation of prepaid cash expenses that were paid in a prior period), impairment of assets, provision for possible losses and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortisation of a prepaid cash charge or expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortisation and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; *minus*
- (g) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) and losses on hedging instruments of such Person and its Restricted Subsidiaries for such period, to the extent that such gains were taken into account in computing such Consolidated Net Income; *minus*
- (h) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of operating revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS and without any reduction in respect of preferred stock dividends.

"Consolidated Net Indebtedness" means at any date of determination (a **"Determination Date"**) an amount equal to (and without duplication) the aggregate of Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis as calculated in accordance with the then most recently published consolidated financial statements of the Group prepared in accordance with IFRS (other than in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of: (I) the Fair Market Value of such assets at the date of determination; and (II) the amount of the Indebtedness of the other Person), less the aggregate cash and Cash Equivalents of the Group.

"Consolidated Leverage Ratio" as of any Determination Date, means the ratio of (x) the aggregate amount of Consolidated Net Indebtedness to (y) the aggregate amount of Consolidated EBITDA for the period (the **"EBITDA Calculation Period"**) of the four most recent consecutive quarterly periods (*provided that* published, reviewed or audited financial statements are available for such quarterly periods), ending prior to such Determination Date for which financial statements of the Group on a consolidated basis and prepared in accordance with IFRS are available; *provided, however, that:*

- (a) if (i) any member of the Group has incurred any Indebtedness since the balance sheet date (the **"Relevant Date"**) of the most recently published consolidated financial statements of the Group which remains outstanding on the Determination Date or (ii) the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is an incurrence of Indebtedness, or both, the Consolidated Leverage Ratio shall be calculated by adjusting the Consolidated Net Indebtedness for such period to give effect to the incurrence of any Indebtedness mentioned in (i) or (ii) above, or both, as if such Indebtedness had been incurred on the Relevant Date; *provided that* no effect shall be given to any cash or Cash Equivalents (other than Cash or Cash Equivalent recognised as a result of business combination) by any member of the Group as proceeds of such Indebtedness that gave rise to the need to calculate the Consolidated Leverage Ratio;
- (b) if (i) any member of the Group has repaid, repurchased, defeased or otherwise discharged any Indebtedness including contingent obligations since the Relevant Date or (ii) if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Leverage Ratio, or both, the Consolidated Leverage Ratio shall be calculated by adjusting the Consolidated Net Indebtedness for such period to give effect to such repayment, repurchase, defeasement or discharge mentioned in (i) or (ii) above, as if such repayment, repurchase, defeasement or discharge had occurred on the Relevant Date;
- (c) if since the Relevant Date any member of the Group has made an Asset Sale as a result of which a Person ceased to be a member of the Group, the Consolidated Leverage Ratio shall be calculated by adjusting the Consolidated Net Indebtedness for such period to give effect to any reduction of Indebtedness (to the extent originally included) equal to the Indebtedness of such Person as if such disposal had occurred on the Relevant Date;
- (d) if since the beginning of the EBITDA Calculation Period any member of the Group (by merger or otherwise) shall have made an investment in any Person which as a result of such investment becomes a member of the Group or an acquisition of assets which is treated as a business combination under IFRS (including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder), the Consolidated Leverage Ratio shall be calculated by adjusting the Consolidated EBITDA for such EBITDA Calculation Period as if such investment or acquisition had occurred on the first day of such EBITDA Calculation Period; and
- (e) if since the beginning of the EBITDA Calculation Period any member of the Group shall have made an Asset Sale, the Consolidated Leverage Ratio shall be calculated by reducing the Consolidated EBITDA for such EBITDA Calculation Period by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale, or increased by an amount equal to the Consolidated EBITDA (if negative), directly attributable thereto for such period as if such Asset Sale had occurred on the first day of such EBITDA Calculation Period.

The Consolidated Leverage Ratio shall be determined in good faith by an authorised officer of the Issuer, whose determination will be conclusive (in the absence of manifest error).

"Consolidated Total Assets" of any Person as of any date means the total assets of such Person and its Restricted Subsidiaries as of the most recent fiscal period end for which a consolidated balance sheet of such Person and its Restricted Subsidiaries is available all calculated on a consolidated basis in accordance with IFRS.

"continuing" means, with respect to any Potential Event of Default or Event of Default, that such Potential Event of Default or Event of Default has not been cured or waived.

"Credit Facilities" means one or more debt facilities, indentures, bonds, instruments, arrangements or commercial paper facilities, in each case, with banks or other institutional lenders or investors, together with all related documents and security in relation thereto, providing for revolving credit loans, term loans, factoring and receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, restructured, repaid, refunded, replaced or refinanced in whole or in part from time to time.

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

"Disqualified Stock" means Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is six months after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 4(c) (*Limitation on Restricted Payments*). The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Trust Deed will be the maximum amount that the Issuer and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means an underwritten primary public offering or marketed private sale to institutional investors of ordinary shares of the Issuer or a direct or indirect parent company of the Issuer to the extent the proceeds of such offering or sale are received by and contributed to the equity capital of the Issuer.

"Event of Default" shall have the meaning given to such term in Condition 10 (*Events of Default*).

"Existing Indebtedness" means all Indebtedness of the Issuer and its Restricted Subsidiaries in existence as at the Issue Date assuming such facilities are fully drawn.

"Euronext Dublin" means the Irish Stock Exchange plc, trading as Euronext Dublin.

"Fair Market Value" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Supervisory Board of the Issuer.

"Fitch" means Fitch Ratings Limited, its affiliates and any successor to its ratings business.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

- (a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortisation of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred

payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

- (b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalised during such period; *plus*
- (c) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon; *plus*
- (d) the product of (i) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Issuer (other than Disqualified Stock) or to the Issuer or a Restricted Subsidiary of the Issuer, *times* (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

"Further Notes" shall have the meaning given to such term in Condition 15 (*Further Issues*).

"Group" means the Issuer and its Subsidiaries, taken as a whole.

"guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

- (a) currency exchange, interest rate or commodity swap agreements, currency swap, interest rate or commodity cap agreements, currency exchange, interest rate or commodity collar agreements and foreign exchange contracts or futures contracts;
- (b) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates commodity prices or equity risks.

"IFRS" means International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect on the Issue Date.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person (excluding Trade and Other Payables and IRU and Subscriber Advances):

- (a) in respect of borrowed money;
- (b) evidenced by or issued in exchange for bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (c) in respect of banker's acceptances;
- (d) representing Capital Lease Obligations (save for Capital Lease Obligations referred to in Condition 4(a)(ii)(E));

- (e) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed (for the avoidance of doubt, excluding Trade and Other Payables and IRU and Subscriber Advances); or
- (f) representing any net Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "**Indebtedness**" includes:

- (i) any amount raised under any other transaction (including without limitation any forward sale or purchase agreement) having the economic or commercial effect of a borrowing, and the amount of indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation; and
- (ii) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person. Indebtedness shall be calculated without giving effect to the effects of IFRS 9 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the Trust Deed as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

The term "**Indebtedness**" shall not include:

- (A) in connection with the purchase by the Issuer or any of its Restricted Subsidiaries of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however, that*, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;
- (B) any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; and
- (C) anything else accounted for as an operating lease in accordance with IFRS.

"**Independent Appraiser**" means an audit firm or a third party expert in the matter to be determined by the Issuer and approved by the Trustee, *provided that* such firm or third party expert is not an Affiliate of the Issuer.

"**Interest Payment Date**" shall have the meaning given to such term in Condition 5(a) (*Interest Accrual*).

"**Interest Period**" shall have the meaning given to such term in Condition 5(a) (*Interest Accrual*).

"**Investment Grade Rating**" means a long term credit rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories by S&P or any of its successors or assigns or a long term credit rating of "Aaa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns or assigns or a long term credit rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent long term credit ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P, Moody's or Fitch or all of them, as the case may be.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including by way of guarantee or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in paragraph (iii) of Condition 4(c) (*Limitation on Restricted Payments*). The acquisition by the Issuer or any Restricted Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in paragraph (iii) of Condition 4(c) (*Limitation on Restricted Payments*). Except as otherwise provided in the Trust Deed, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary", the definition of "Restricted Payment" and Condition 4(c) (*Limitation on Restricted Payments*):

- (a) **"Investment"** shall include the portion (proportionate to the Issuer's Capital Stock in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however, that*, upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (B) the portion (proportionate to the Issuer's Capital Stock in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and
- (b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Supervisory Board.

"Issue Date" shall have the meaning given to such term in Condition 5(a) (*Interest Accrual*).

"Issuer" means the party named as such above until a successor replaces it in accordance with Condition 4(f) (*Merger, Consolidation or Sale of Assets*) and thereafter means such successor.

"IRU and Subscriber Advances" means those advances accounted for in "Advances received from IRU contracts and subscribers" in the Accounts.

"Joint Lead Managers" means J.P. Morgan Securities plc, TBC Capital LLC and UBS AG London Branch.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the laws of any jurisdiction.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, results of operations, property, assets, condition (financial or otherwise) or prospects of the Issuer or the Group taken as a whole; or
- (b) the Issuer's ability to perform or comply with its obligations under these Conditions or the Trust Deed; or

- (c) the validity, legality or enforceability of these Conditions or the Trust Deed or the rights or remedies of the Noteholders or the Trustee under the Trust Deed.

"Material Subsidiary" means any Restricted Subsidiary which meets any of the following conditions:

- (a) the Issuer and the other Restricted Subsidiaries' investments in and advances to such Restricted Subsidiary exceed 10 per cent. of the total consolidated assets of the Issuer and the Restricted Subsidiaries as of the end of the most recently completed financial year; or
- (b) the Issuer and the other Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Restricted Subsidiary exceeds 10 per cent. of the total consolidated assets of the Issuer and the Restricted Subsidiaries as of the end of the most recently completed financial year; or
- (c) the Issuer and the other Restricted Subsidiaries' equity in the consolidated income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Restricted Subsidiary exceeds 10 per cent. of such consolidated income of the Issuer and the Restricted Subsidiaries for the most recently completed financial year.

"Maturity Date" means 31 January 2027.

"Moody's" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors or assigns.

"Net Available Cash" from an Asset Sale means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Sale or received in any other non-cash form) therefrom, in each case net of:

- (a) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Sale;
- (b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;
- (c) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures or to holders of royalty or similar interests as a result of such Asset Sale; and
- (d) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Sale and retained by the Issuer or any of its Restricted Subsidiaries after such Asset Sale.

"Noteholder" shall have the meaning given to such term in Condition 1(b) (*Title*).

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer's Certificate" means a certificate signed by any duly authorised signatory of the Issuer.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be (among others) an employee of or counsel to the Issuer or the Trustee.

"Permitted Business" means any business, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries on the Issue Date, and in each case all activities reasonably necessary to, or undertaken in connection with, the foregoing, or any business activity (including financial services, payment solutions, ecommerce) that is a reasonable extension, development or expansion thereof or ancillary thereto, or any business reasonably related, incidental or complimentary thereto, including as it relates to the development and expansion of the Group's digital ecosystem.

"Permitted Indebtedness" shall have the meaning given to such term in Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*).

"Permitted Investment" means:

- (a) any Investment in the Issuer or any Restricted Subsidiary of the Issuer;
- (b) any Investment in cash and Cash Equivalents;
- (c) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in a Person, if as a result of such Investment:
 - (i) such Person becomes a Restricted Subsidiary of the Issuer; or
 - (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;
- (d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Condition 4(e) (*Asset Sales*);
- (e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;
- (f) any Investments received in compromise or resolution of (I) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (II) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (g) Investments represented by Hedging Obligations;
- (h) repurchases of the Notes;
- (i) any guarantee of Indebtedness permitted to be incurred by Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) or Condition 4(f) (*Merger, Consolidation or Sale of Assets*) other than a guarantee of Indebtedness of an Affiliate of the Issuer that is not a Restricted Subsidiary of the Issuer;
- (j) guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course of business of the Issuer and its Restricted Subsidiaries including obligations under licences, concessions or operating leases related to the ordinary course of the business of the Issuer and its Restricted Subsidiaries;
- (k) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided that* the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted under these Conditions;
- (l) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of the Issuer of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries, or

all or substantially all of the assets of another Person, in each case, in a transaction that is not prohibited by Condition 4(f) (*Merger, Consolidation or Sale of Assets*) after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

- (m) Investments in a Permitted Joint Venture having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (m) that are at the time outstanding not to exceed U.S.\$25 million (or the U.S. Dollar Equivalent in any other currency or currencies) ; and
- (n) other Investments in any Person other than an Affiliate of the Issuer that is not a Restricted Subsidiary of the Issuer having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (n) that are at the time outstanding not to exceed U.S.\$25 million (or the U.S. Dollar Equivalent in any other currency or currencies).

"Permitted Joint Venture" means a joint venture formed by the Issuer or a Restricted Subsidiary of the Issuer in good faith to pursue a joint venture related to a Permitted Business.

"Permitted Liens" means:

- (a) Liens securing Indebtedness under Credit Facilities that are incurred under Condition 4(a)(ii)(A) and Condition 4(a)(ii)(B);
- (b) Liens to secure Hedging Obligations incurred in the ordinary course of business;
- (c) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer; *provided that* such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Issuer or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer;
- (d) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Restricted Subsidiary of the Issuer; *provided that* such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;
- (e) Liens granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition, *provided that* the maximum amount of Indebtedness thereafter secured by such Liens does not exceed the purchase price of such property, transactional expenses and/or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (f) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its business for the purpose of netting debit and credit balances;
- (g) any Liens upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation of receivables, asset-backed financing or similar financing structure and whereby all payment obligations secured by such Liens or having the benefit of such Liens, are to be discharged solely from such assets or revenues, *provided that* the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this paragraph (g) does not exceed U.S.\$40 million (or the U.S. Dollar Equivalent in any other currency or currencies) at the time of incurrence;

- (h) Liens arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market relating to interest rate and foreign currency hedging operations and not for speculative purposes;
- (i) Liens to secure the performance of statutory obligations, letters of credit, insurance, performance bonds, surety bonds, bid bonds, appeal bonds, workers compensation obligations, or other obligations of a like nature incurred in the ordinary course of business;
- (j) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Condition 4(a)(ii)(G) covering only the assets acquired with or financed by such Indebtedness;
- (k) Liens existing on the Issue Date;
- (l) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided that* any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;
- (m) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens and non-consensual liens, in each case, incurred in the ordinary course of business;
- (n) survey exceptions, easements or reservations of, or rights of others for, licences, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (o) Liens created for the benefit of (or to secure) the Notes;
- (p) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under these Conditions; *provided, however, that:*
 - (i) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
 - (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (q) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (r) filing of financing statements as a precautionary measure in connection with operating leases;
- (s) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (t) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (u) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

- (v) grants of software and other technology licences in the ordinary course of business;
- (w) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (x) Liens in favour of the Issuer or any of its Restricted Subsidiaries; and
- (y) Liens; *provided that* the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this paragraph (y) does not exceed 5 per cent. of the Issuer's Consolidated Total Assets at the time of incurrence.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided that*:

- (a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (b) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity that is (a) equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged or (b) more than 90 days after the final maturity date of the Notes;
- (c) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and
- (d) such Indebtedness is incurred either by the Issuer or by the Restricted Subsidiary of the Issuer that was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged and is guaranteed only by Persons who were obligors on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"Person" means any individual, corporation, firm, partnership, joint venture, association, trust, unincorporated organisation or government or judicial entity or any Agency or political subdivision thereof, in each case, whether or not having a separate legal personality.

"Potential Event of Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Pre-Expansion European Union" means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Ireland, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004.

"Principal" means George Ramishvili, Alexsi Topuria, David Borger, David Mamulaishvili and Yerkin Tatishev.

"Qualifying Equity Interests" means Equity Interests of the Issuer other than Disqualified Stock.

"Rating Agencies" means Fitch, Moody's and S&P.

"Record Date" means the fifteenth day before the due date for the relevant payment.

"Refinance" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part, and **"Refinanced"** and **"Refinancing"** shall have correlative meanings.

"Register" shall have the meaning given to such term in Condition (b) (*Title*).

"Related Party" with respect to any Principal means:

- (a) any controlling stockholder, majority owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or
- (b) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of any one or more of the Principal and/or such other Persons referred to in the immediately preceding paragraph (a).

"Relevant Taxing Jurisdiction" shall have the meaning given to such term in Condition 8 (*Taxation*).

"Reserved Matter" means any of the following:

- (a) reducing, or changing the maturity of the principal of any Note;
- (b) reducing the rate of or extending the time for payment of interest on any Note;
- (c) reducing any premium payable upon redemption of the Notes or changing the date on, or the circumstances under, which any Notes are subject to redemption (other than provisions relating to the purchase of Notes described in Condition 7(e) (*Redemption at the Option of the Noteholders upon a Change of Control*) and Condition 4(e) (*Asset Sales*) except that if a Change of Control has occurred, no amendment or other modification of the obligation of the Issuer to make a Change of Control Offer relating to such Change of Control shall be made without the consent of Noteholders by way of Extraordinary Resolution);
- (d) making any Note payable in money or currency other than that stated in the Notes;
- (e) modifying or changing any provision of the Trust Deed or the related definitions to affect the ranking of the Notes in a manner that adversely affects the holders;
- (f) reducing the percentage of holders necessary to consent to an amendment or waiver to the Trust Deed or the Notes;
- (g) waiving a default in the payment of principal of or premium or interest on any Notes (except a rescission of acceleration of the Notes by the holders thereof as provided in the Trust Deed and a waiver of the payment default that resulted from such acceleration);
- (h) impairing the rights of holders to receive payments of principal of or interest on the Notes on or after the due date therefor or to institute suit for the enforcement of any payment on the Notes; or
- (i) making any change in this definition of "Reserved Matter" or changing the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Payment" shall have the meaning given to such term in Condition 4(c) (*Limitation on Restricted Payments*).

"Restricted Subsidiary" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors or assigns.

"Stated Maturity" means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the terms of these Conditions, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any specified Person:

- (a) any corporation, association or other business entity of which more than 50 per cent. of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (b) any partnership or limited liability company of which (i) more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Supervisory Board" means, as to any Person, the supervisory board or other equivalent executive body of such Person or any duly authorised committee thereof.

"Suspension Period" has the meaning given to it in Condition 4(l) (*Suspension of Covenants when Notes Rated Investment Grade*).

"Taxes" means any taxes, duties, assessments or governmental charges of whatsoever nature.

"Trade and Other Payables" means those expenses, payables and liabilities, accounted for in "Trade and other payables" in the Accounts.

"Treasury Rate" means, as of any redemption date, the yield to maturity as of such redemption date of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the Maturity Date; *provided, however, that*, if the period from the redemption date to the Maturity Date, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer that is designated by the Supervisory Board of the Issuer as an Unrestricted Subsidiary in accordance with Condition 4(o) (*Designation of Restricted and Unrestricted Subsidiaries*) pursuant to a Board Resolution (and any Subsidiary of an Unrestricted Subsidiary), but only to the extent that:

- (a) immediately after giving effect to such designation the Issuer (or any other Restricted Subsidiary) could incur at least U.S.\$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in Condition 4(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*); and
- (b) such designation and the Investment of the Issuer or a Restricted Subsidiary in such Unrestricted Subsidiary complies with Condition 4(c) (*Limitation on Restricted Payments*).

"U.S. Dollar Equivalent" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such

other currency as most recently published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates" or any replacement thereof.

"U.S. Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Supervisory Board of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying (x) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment;
by
- (b) the then outstanding principal amount of such Indebtedness.

TAXATION

The following is a general description of certain material Georgian tax considerations relating to the Notes. It also includes a limited discussion of certain United States federal income tax considerations. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in the United Kingdom, the EU and Georgia or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law in effect on the date of these Listing Particulars and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Georgian Taxation

The analysis below is a general overview of certain Georgian tax implications related to the Notes prepared in accordance with Georgian tax legislation as of the date of these Listing Particulars. As with other areas at Georgian legislation, tax law and practice in Georgia is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that changes may be made in the law or in the current interpretation of the law or current practice, including changes that could have a retroactive effect. Accordingly, it is possible that payments to be made to the Noteholders could become subject to taxation in Georgia, or that rates currently in effect with respect to such payments could be increased, in ways that cannot be anticipated as of the date of these Listing Particulars. Each prospective purchaser of Notes should also consider any further tax implications that may be relevant to it under the laws and regulations of other countries in connection with its purchase, holding and sale of Notes.

Withholding Tax on Interest

Payments of interest on Notes (for the avoidance of doubt definition of "interest" under the Tax Code does not include fines for delay of repayment) will be exempt from withholding tax and such payments of interest shall not be included in the gross taxable income of Noteholders (whether they are residents or non-residents, individuals (physical persons) or legal entities), so long as the Notes are issued by the Georgian resident and listed and admitted to trading on a "recognised stock exchange of the foreign country". For these purposes, Euronext Dublin is a "recognised stock exchange of the foreign country" under Georgian law. See "*Risk Factors—Risks Related to the Notes Generally—The uncertainties of the Georgian tax system could have a material adverse effect on the taxation of the Notes*".

Enforceability of Tax Gross-up under the Terms and Conditions of the Notes

Pursuant to Condition 8 (*Taxation*), in the case of withholding or deduction of any taxes (subject to certain customary exceptions) in respect of any payment on the Notes, the Issuer is required to increase the amount of the relevant payment by such amount as would result in the receipt by the relevant Noteholder of the amount which would have been received by it had no such withholding or deduction been required. The Tax Code neither prohibits nor permits the inclusion of tax gross-up clauses (such as that set out in Condition 8 (*Taxation*)) in agreements or instruments made by Georgian companies. In practice, however, such gross-up provisions are widely respected by the tax authorities in Georgia.

Taxation of sale of Notes by Non-Resident Legal Entity Noteholders

Non-resident legal entities will be assessed profit tax on the difference between the initial purchase and subsequent sale price and the relevant non-resident entity will be under an obligation to properly report and pay such profit tax to the Georgian tax authorities. If the sale is carried out through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax at a 10 per cent. rate or at a 15 per cent. rate if the seller is registered in an offshore jurisdiction. However, the actual applicability of this taxation regime is subject to considerable impracticability and lack of enforceability, which may, in limited circumstances, lead to the adoption of peculiar and, at times, rather aggressive interpretations by the tax authorities. The applicability of Georgian profit tax may be affected by a double tax treaty between Georgia and the country of residency of the selling entity.

Taxation of sale of Notes by Non-Resident Individual Noteholders

Individuals in Georgia are subject to income tax at a current rate of 20 per cent., with the tax base being calculated after permitted deductions. For the non-resident individuals the income tax will be assessed on the difference between the initial purchase and subsequent sale price. A relevant non-resident individual will be under an

obligation to properly report and pay such income tax to the Georgian tax authorities. If the sale is done through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax at a 10 per cent. rate or at a 15 per cent. rate if the seller is registered in an offshore jurisdiction. However, the actual applicability of this taxation regime is subject to considerable impracticability and lack of enforceability, which may, in limited circumstances, lead to the adoption of peculiar and, at times, rather aggressive interpretations by the tax authorities. The applicability of Georgian income tax may be affected by a double tax treaty between Georgia and the country of residency of the seller individual.

Certain exemptions may also be available to individual Noteholders if such individuals maintain ownership of Notes for more than two calendar years.

Taxation of sale of Notes by Resident Individual Noteholders

Georgian resident individual Noteholders will become liable to pay income tax at 20 per cent. upon the disposal of the Notes. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax. Certain exemptions may be available to Georgian resident individual Noteholders if such individuals maintain ownership of Notes for more than two calendar years.

Taxation of sale of Notes by Resident Legal Entity Noteholders

Georgian resident legal entities (except commercial banks, credit unions, insurance companies, microfinance organisations and pawnshops, until 1 January 2023) will be subject to a 15 per cent. corporate profit tax on any gain (the difference between initial purchase and subsequent sale price) received from the disposal of the Notes after they distribute profit. Until 1 January 2023, the gain received from the sale of the Notes (i.e., the difference between the initial purchase price and subsequent sale price of the Notes) by commercial banks, credit unions, insurance companies, microfinance organisations and pawnshops will be included in their gross taxable income and after the permitted deductions will be subject to profit tax at the rate of 15 per cent. See *"Risk Factors—Risks Related to the Notes Generally—The uncertainties of the Georgian tax system could have a material adverse effect on the taxation of the Notes"*.

Value Added Tax

Sales (supply) of the Notes are exempt from Value Added Tax in Georgia.

Other Considerations

The Tax Code expressly provides for ability of the tax inspection to re-examine the transaction price indicated by the respective parties, subject to certain procedural requirements. See *"Risk Factors—Risks Related to the Notes Generally—The uncertainties of the Georgian tax system could have a material adverse effect on the taxation of the Notes"*.

Certain U.S. Federal Income Taxation Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below) that acquires the Notes as part of the offering at a price equal to the issue price of the Notes and holds them as a capital asset (generally, property held for investment). The following summary is based on the Code, U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as at the date hereof and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurances that the Internal Revenue Service (the **"IRS"**) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. tax consequences of purchasing, owning or disposing of the Notes.

This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, but not limited to, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, real estate investment trusts, insurance companies, tax-deferred or other retirement accounts, U.S. Holders that will hold the Notes as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S.

Holders liable for alternative minimum tax or the tax on net investment income, U.S. Holders whose functional currency is not the U.S. dollar, investors holding the Notes in connection with a trade or business conducted outside the United States, U.S. Holders required to include certain amounts in income no later than the time such amounts are reflected on their financial statements, investors that actually or constructively own 10 per cent. or more of the Notes by vote or value, and U.S. expatriates or certain former citizens or long-term residents of the United States. In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership or disposition of the Notes under any other U.S. federal tax laws (including, but not limited to, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or of other countries or jurisdictions. This summary does not address U.S. tax consequences to persons other than U.S. Holders of the acquisition, ownership or disposition of Notes.

The summary of the U.S. federal income tax consequences set out below is for general information only and is not tax advice with respect to any specific investor. Prospective investors should consult their own tax advisers as to the particular tax consequences to them of the acquisition, ownership and disposition of the Notes, including the applicability and effect of state, local, non-U.S. and other tax laws and possible changes in tax law.

As used herein, the term "**U.S. Holder**" means a beneficial owner of the Notes that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) a corporation (or other entity or arrangement that is treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (x) is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Therefore, a beneficial owner of a Note that is a partnership, and partners in such partnership, should consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes.

U.S. HOLDERS CONSIDERING THE PURCHASE OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, AS WELL AS THE CONSEQUENCES ARISING UNDER OTHER UNITED STATES FEDERAL TAX LAWS AND THE LAWS OF ANY OTHER TAXING JURISDICTION.

U.S. Federal Income Tax Characterisation of the Notes

No authority directly addresses the characterisation of securities like the Notes for U.S. federal income tax purposes and no ruling will be requested from the IRS as to the characterisation of the Notes for these purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for these purposes consistent with their form. This characterisation is binding on all U.S. Holders unless the U.S. Holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with the Issuer's characterisation. No assurance can be given that the IRS will not assert, or that a court would not sustain, a position regarding the characterisation of the Notes that is contrary to the Issuer's characterisation. If the Notes were treated as equity of the Issuer for U.S. federal income tax purposes, the character, timing and amount (in a given tax period) of income earned by a U.S. Holder may be materially different than as described under "*Payments of Interest*" and "*Sale, Retirement and Other Taxable Disposition of the Notes*" below. Specifically, if the Notes were treated as equity, interest payments on the Notes would be treated as dividends taxable when actually or constructively received and generally would not be expected to be treated as qualified dividend income subject to preferential tax rates for non-corporate U.S. Holders. Corporate U.S. Holders would not be eligible for the dividends received deduction on any such dividends.

Payments of interest

The Notes are expected to, and this discussion generally assumes that the Notes will be issued without original issue discount ("**OID**"). In such case, payments of interest on the Notes (and payments of any Additional Amounts) generally will be taxable to a U.S. Holder as ordinary income at the time such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes will generally constitute income from sources outside the United States, subject to the rules regarding the U.S. foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon).

Should any non-U.S. tax be withheld on a payment of interest, the amount withheld and the gross amount of any Additional Amounts paid to a U.S. Holder (see "*Terms and Conditions of the Notes—Taxation*") will be included in such holder's income as ordinary income at the time such amount is received or accrued in accordance with such holder's method of tax accounting. Non-U.S. withholding tax, if any, imposed on a U.S. Holder would, subject to limitations and conditions and at the election of such holder, be treated as foreign income tax eligible for credit against such holder's U.S. federal income tax liability or a deduction in computing taxable income, to the extent such tax is not otherwise refundable.

If the Notes were issued with OID, the OID with respect to a Note would be equal to the excess of the Note's stated redemption price at maturity over its issue price. A Note's stated redemption price at maturity is the sum of all payments provided by the terms of the Note, other than qualified stated interest. Qualified stated interest generally is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate. The issue price of a Note is the first price at which a substantial amount of the Notes is sold for money to investors, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler. A holder of a Note generally will be subject to special tax accounting rules for OID obligations under the Code and applicable U.S. Treasury regulations. Regardless of whether a U.S. Holder uses the cash or accrual method of tax accounting, the U.S. Holder generally would be required to include OID in ordinary income for U.S. federal income tax purposes as it accrued, calculated using a "constant-yield" method, even if the holder had not yet received the cash attributable to that income. U.S. Holders should consult their own tax advisers regarding the potential application of the OID rules to the Notes.

Sale, exchange, redemption, retirement, or other taxable disposition of Notes

Upon the sale, exchange, redemption, retirement or other taxable disposition of the Notes, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised (i.e., the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which will be taxable as ordinary income as described above under "Payments of interest" to the extent not previously included in income)) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in the Notes generally will equal the amount paid for the Notes reduced by the amount of any payments (including repayments of principal) received by U.S. Holders other than payments of qualified stated interest. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of the Notes will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of the Notes generally will be U.S. source. Net long-term capital gain recognized by a non-corporate U.S. Holder generally is eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their tax advisors regarding the foreign tax credit implications of the sale or retirement of the Notes.

The Notes (i) may be redeemable at the option of the Issuer prior to their stated maturity at their principal amount, plus accrued and unpaid interest to the date of repurchase (as described further under "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*") and/or (ii) may be repayable at the option of the Noteholder prior to their stated maturity at a price equal to 101 per cent. of their principal amount, plus accrued and unpaid interest to the date of repurchase (as described further under "*Terms and Conditions of the Notes—Redemption at the Option of the Noteholders upon a Change of Control*"). Notes containing such features may be subject to special rules related to contingent payment debt instruments that differ from the general rules discussed above. While the Issuer intends to take the position that the likelihood of such repurchase of the Notes is remote or incidental, and thus that the Notes should not be treated as contingent payment debt instruments, U.S. Holders intending to purchase Notes with such features should consult their own tax advisors regarding the possible application of the special rules related to contingent payment debt instruments.

Information reporting and backup withholding

In general, payments of principal and interest on, and the proceeds of the sale, exchange or other taxable disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status, or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including corporations) are not subject to information reporting and backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS. U.S. Holders should

consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of the Notes.

Specified foreign financial assets

Certain United States persons that own "specified foreign financial assets", including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, may be subject to additional reporting obligations if the aggregate value of all of those assets exceeds certain thresholds. The reporting requirement applies to individuals and certain domestic entities that hold, directly or indirectly, specified foreign financial assets. The Notes may be treated as specified foreign financial assets, and U.S. Holders may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to a U.S. Holder subject to the reporting requirement that fails to file information reports. U.S. Holders should consult their own tax advisor regarding this information reporting obligation.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Global Certificates which will apply to, and in some cases modify, the Conditions as they apply to the Notes evidenced by the Global Certificates.

The Notes will be evidenced on issue by (i) in the case of Regulation S Notes, the Regulation S Global Certificate deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, and (ii) in the case of Rule 144A Notes, the Rule 144A Global Certificate deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Initial Issue of Certificates

The Regulation S Notes will be represented by a permanent Regulation S Global Certificate, in fully registered form, without interest coupons, deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg.

The Rule 144A Notes will be represented by a permanent Rule 144A Global Certificate, in fully registered form, without interest coupons, deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Upon the registration of the Regulation S Global Certificate in the name of a nominee for Euroclear and Clearstream, Luxembourg and delivery of the Regulation S Global Certificate to the common depositary for Euroclear and Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid as represented by the Regulation S Global Certificate.

Upon the registration of the Rule 144A Global Certificate in the name of Cede & Co. as nominee of DTC and delivery of the Rule 144A Global Certificate to the custodian for DTC, DTC will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid as represented by the Rule 144A Global Certificate.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for their share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

Exchange for Definitive Certificates

The Regulation S Global Certificate will only become exchangeable in whole, but not in part, for Regulation S Definitive Certificates if (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The 144A Global Certificate will only become exchangeable in whole, but not in part, for 144A Definitive Certificates if (i) the Rule 144A Global Certificate is held by or on behalf of DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such Rule 144A Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

Whenever the Global Certificates are to be exchanged for Definitive Certificates, such Definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the relevant Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the relevant Global Certificate, Euroclear, Clearstream, Luxembourg and/or DTC, to the Registrar of such information as is required to complete

and deliver such Definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the Definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Amendments to Conditions

Each Global Certificate will contain provisions that modify the Conditions as they apply to the Notes evidenced by the Global Certificates. The following is a summary of those provisions:

Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Notices

Notwithstanding Condition 13 (*Notices*), for so long as all of the Notes are represented by one or more Global Certificates and such Global Certificates are held on behalf of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (an "**Alternative Clearing System**"), notices to holders of Notes represented by the Global Certificates may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as applicable); provided that, so long as the Notes are listed and/or quoted on any stock exchange, all requirements of the relevant stock exchange are complied with. Any such notice shall be deemed to be given to the holders of the Notes on the day on which such notice is delivered to Euroclear, Clearstream, Luxembourg, DTC or the Alternative Clearing System (as applicable).

Meetings

The holder of the Global Certificates will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$1,000 in principal amount of Notes for which the Global Certificates may be exchanged.

Trustee's Powers

In considering the interests of Noteholders while the Global Certificates are held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificates and may consider such interests as if such accountholders were the holder of the Global Certificates.

Change of Control

On the occurrence of a Change of Control, the provisions of Clauses 9.3 (*Change of Control*) and 9.4 (*Exercise of redemption rights following a change of control*) of the agency agreement dated 31 January 2022 (the "**Agency Agreement**") between, *inter alios*, the Issuer and The Bank of New York Mellon, London Branch (the "**Principal Paying Agent**") as principal paying agent shall apply to the rights of the registered holder hereof, and the form of Change of Control Put Notice shall be as set out in Schedule 2 to the Agency Agreement.

Prescription

Claims against the Issuer in respect of principal or premium and interest on the Notes while the Notes are represented by the Global Certificates will be prescribed after ten years (in the case of principal and premium) and five years (in the case of interest) from the appropriate due date.

CLEARING AND SETTLEMENT

Book-Entry Procedures for the Global Certificates

Custodial and depository links are to be established between DTC, Euroclear or Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes*" below.

Investors may hold their interests in the Global Certificates directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Overview of Provisions relating to the Notes in Global Form—Exchange for Definitive Certificates*", DTC will surrender the Rule 144A Global Certificate for exchange for individual Rule 144A Definitive Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Certificate representing the Regulation S Notes will have an ISIN, a Common Code and a CFI code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

DTC

The Rule 144A Global Certificate representing the Rule 144A Notes will have an ISIN, a Common Code and a CUSIP number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, NY 10041, United States.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for their share of each payment made by the Issuer to the holder of such Global Certificate and in relation to all other rights arising under such Global Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Certificate, and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Certificate to such persons may be limited. As the clearing systems can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the relevant Global Certificate to pledge such interest to persons or entities that do not participate in the clearing systems, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 p.m. (New York time) on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m. (Brussels or Luxembourg time) one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg, or their respective Direct or Indirect Participants, of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Issue Date, which will be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades

in the United States secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade the Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be affected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States in reliance on Regulation S. The Subscription Agreement (as defined in "*Subscription and Sale*") provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Rule 144A Notes

Each purchaser of Rule 144A Notes within the United States, by accepting delivery of these Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) it is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A;
- (2) it understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs each of which is purchasing not less than U.S.\$200,000 principal amount of Notes, (b) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), and in each case in accordance with any applicable securities laws of any state of the United States;
- (3) it understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A (A "**QIB**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.";

- (4) the Issuer, the Trustee, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion

with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

- (5) it understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Certificate. Before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

Regulation S Notes

Each purchaser of Regulation S Notes will be deemed to have represented, agreed and acknowledged that:

- (1) it understands that the Notes have not been and will not be registered under the Securities Act, and such Notes are being offered and sold in accordance with Regulation S;
- (2) it or any person on whose behalf it is acting is, or at the time the Notes are purchased will be, the beneficial owner of such Notes and (i) it is purchasing the Notes in an offshore transaction (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (3) it will not offer, sell, pledge or otherwise transfer Notes, except in accordance with the Securities Act and any applicable securities laws of any states of the United States; and
- (4) the Issuer, the Trustee, the Registrar, the Transfer Agent, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc, TBC Capital LLC and UBS AG London Branch (together, the "**Joint Lead Managers**") have, in a subscription agreement dated 26 January 2022 (the "**Subscription Agreement**") entered into between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, agreed to subscribe for the Notes on a several (and not a joint and several) basis at their issue price of 100 per cent. of their principal amount plus any accrued interest in respect thereof and less a combined management and underwriting commission. The Subscription Agreement provides that the obligations of the Joint Lead Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled, in certain circumstances, to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The Issuer has informed the Joint Lead Managers that it intends to acquire Notes in the aggregate principal amount of U.S.\$50 million for its own account and not for distribution, pursuant to the Notes Acquisition. In connection with the Notes Acquisition, the Issuer has agreed with the Joint Lead Managers that, for a period of one year after the Issue Date of the Notes, it will not, and will procure that none of the other members of the Group or any persons acting on its or their behalf will, without the prior written consent of the Joint Lead Managers, directly or indirectly (i) pledge, sell, contract to sell, sell or grant any option, right or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of the Notes acquired pursuant to the Notes Acquisition, or any securities convertible into or exchangeable for such Notes; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any such Notes, whether any such transaction described in paragraph (i) above is to be settled by delivery of the Notes, or other securities, in cash or otherwise, in each case, other than to any other member of the Group.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws of any other jurisdiction and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has, severally and not jointly, represented that it has not offered or sold, and agrees that it will not offer or sell, the Notes as part of their distribution at any time except (i) outside the United States in offshore transactions in accordance with Rule 903 or 904 of Regulation S or (ii) to persons reasonably believed to be QIBs in reliance on Rule 144A. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in the paragraph have the meaning given to them by Regulation S.

Each Joint Lead Manager has, severally and not jointly, represented, warranted and undertaken that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf, has engaged or will engage in any form of "general solicitation" or "general advertising" (within the meaning of Regulation D) in connection with any offer or sale of the Notes in the United States.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder. To the extent that the Joint Lead Managers intend to effect any sales of the Notes in the United States, they will do so through their respective U.S. broker-dealer affiliates, or one or more U.S. registered broker-dealers or as otherwise permitted by applicable United States law.

Each Joint Lead Manager may, directly or through its U.S. registered broker-dealer affiliates, arrange for the offer and resale of Notes in the United States only to QIBs in accordance with Rule 144A.

TBC Capital LLC is a non-U.S. bank or dealer that is not registered as a broker-dealer under Section 15 of the Securities Act, and has therefore agreed that, while acting as a Joint Lead Manager in respect of the offering of the Notes and in any event during the term of the Subscription Agreement, it will not, directly or indirectly, make use of any U.S. mails or any means or instrumentality of interstate commerce to effect transactions in, or induce

or attempt to induce the purchase or sale of, any securities except for transactions in compliance with Rule 15a-6 under the Exchange Act or as otherwise permitted by Section 15 of the Securities Act and the rules and regulations thereunder.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has, severally and not jointly, represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has, severally and not jointly, represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive 2016/97/EU, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

United Kingdom

Each Joint Lead Manager has, severally and not jointly, represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Georgia

These Listing Particulars have not been approved by the NBG. No notification has been made to, and no consent has been sought or obtained from, the NBG for a public offering of the Notes in Georgia. The Notes are not intended to and should not be advertised, marketed, offered, sold or otherwise made available in a public offering in Georgia, unless and to the extent permitted under Georgian law. The Notes may be offered and sold in Georgia only to sophisticated investors within the meaning of the Securities Market Law and its implementing regulations. Each Joint Lead Manager has represented, warranted and agreed that the Notes shall not be advertised, marketed, offered or sold in the territory of Georgia to any person that is not a sophisticated investor. Without limitation of any of the foregoing, each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable provisions of Georgian law with respect to anything done by it in relation to the Notes in, from or otherwise involving Georgia.

General

Each Joint Lead Manager has, severally and not jointly, undertaken that it will (to the best of its knowledge and belief) (a) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes these Listing Particulars and (b) not take any action in any jurisdiction that would permit a public offering of the Notes.

Neither the Issuer nor any of the Joint Lead Managers represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

No action has been or will be taken in any jurisdiction by the Issuer or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of these Listing Particulars or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands these Listing Particulars come are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Notes or have in their possession, distribute or publish these Listing Particulars or any other offering material relating to the Notes, in all cases at their own expense.

Other relationships

The Joint Lead Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and its affiliates. The Joint Lead Managers have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and the Group routinely hedge their credit exposure to the Issuer and the Group consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, in connection with the offering of the Notes, the Issuer intends to enter into an agreement with TBC Capital LLC and certain of its affiliates, pursuant to which TBC Capital LLC and such affiliates of TBC Capital LLC have agreed to purchase Notes in the offering in the aggregate principal amount of U.S.\$50 million and sell such Notes to the Issuer who will acquire such Notes from TBC Capital LLC and/or such affiliates of TBC Capital LLC (as applicable) for its own account and not for distribution. For more information, see "*Use of Proceeds*".

LISTING AND GENERAL INFORMATION

- (a) The Issuer is incorporated and registered in Georgia. The Issuer has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and execution of the Notes. The issue of the Notes was authorised by resolutions of the Supervisory Board and the sole Shareholder of the Issuer both passed on 30 December 2021.
- (b) There has been no significant change in the financial or trading position of the Group since 30 September 2021.
- (c) There has been no material adverse change in the prospects of the Group since 31 December 2020.
- (d) Save as disclosed in pages 112 to 113 in "*Business Description of the Group*", neither the Issuer nor any other member of the Group is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of these Listing Particulars which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
- (e) The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC (which are the entities in charge of keeping the records). The Common Code, ISIN and CFI code for the Regulation S Notes are 243685834, XS2436858349 and DAFNFR, respectively. The Common Code, ISIN, CUSIP and CFI code for the Rule 144A Notes are 243693993, US47972FAA93, 47972FAA9 and DBXUGR, respectively. The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States.
- (f) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any Group company being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.
- (g) For as long as the Notes are admitted to the Official List and to trading on the GEM, physical copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered address of the Issuer at 95 Tsinamdzhvishvili Street, Tbilisi 0112, Georgia:
 - the Trust Deed (which includes the forms of the Global Certificates);
 - the Agency Agreement;
 - the Issuer's Charter;
 - a copy of these Listing Particulars (and any further listing particulars);
 - the review report of KPMG Georgia LLC on the Unaudited Condensed Consolidated Interim Financial Statements on page F-4 of these Listing Particulars, and a copy of the Unaudited Condensed Consolidated Interim Financial Statements; and
 - the audit reports of KPMG Georgia LLC on each of the Audited Consolidated Financial Statements beginning on page F-31 and F-75, respectively, of these Listing Particulars, and copies of the Audited Consolidated Financial Statements.
- (h) J.P. Morgan Securities plc and UBS AG London Branch are authorised by the Prudential Regulation Authority (the "**PRA**") and regulated by the PRA and the Financial Conduct Authority in the United Kingdom. TBC Capital LLC is authorised and regulated by the NBG in Georgia. Neither the Joint Lead Managers nor any of their respective affiliates have authorised the content of, or any part of, these Listing Particulars.
- (i) These Listing Particulars will be published on the website of the Issuer (www.silknet.com) and the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).
- (j) Each of the 2020 Audited Consolidated Financial Statements and the 2019 Audited Consolidated Financial Statements included in these Listing Particulars have been audited by KPMG Georgia LLC, independent auditors, as stated in their audit reports included in these Listing Particulars.

With respect to the Unaudited Condensed Consolidated Interim Financial Statements included in these Listing Particulars, KPMG Georgia LLC, independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their

separate report included in the Unaudited Condensed Consolidated Interim Financial Statements and included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The registered address of KPMG Georgia LLC is 5th Floor, GMT Plaza, 4 Liberty Square, 0105 Tbilisi, Georgia.

- (k) Application has been made to Euronext Dublin to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the GEM. It is expected that admission of the Notes to the Official List and to trading on the GEM will be granted on or around the Issue Date, subject only to the issue of the Notes.
- (l) On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the gross yield of the Notes is 8.375 per cent. on an annual basis. The yield to maturity is calculated as at the pricing date on the basis of the issue price, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes. It is not an indication of future yield.
- (m) Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the GEM.
- (n) The Legal Entity Identifier (LEI) code of the Issuer is 635400QGWS2BG73SGG55.

DEFINITIONS AND GLOSSARY

The following are selected terms and abbreviations used in these Listing Particulars:

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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**

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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	30 September 2021	31 December 2020
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

* Indefeasible Right of Use

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 27.

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

The condensed consolidated interim statements of profit or loss and other comprehensive income are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 27.

Silknet JSC
*Condensed Consolidated Interim Statements of Changes in Equity for the nine months ended 30 September 2021
and 30 September 2020*

	Attributable to owner of the Company				Non- controlling interests	Total equity (deficit)
	Share capital	Additional paid-in capital	Accumulated losses	Total		
'000 GEL						
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)

The condensed consolidated interim statements of changes in equity are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 27.

'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.

Silknet JSC
*Notes to the Condensed Consolidated Interim Financial Statements
for the nine months ended 30 September 2021*

'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:

’000GEL

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:

’000GEL

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:

	For the nine months ended 30 September	
	2021	2020
'000 GEL		
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:

	For the nine months ended 30 September		
	2021	2020	FS line
'000 GEL			
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.

	For the nine months ended 30 September	
	2021	2020
'000 GEL		
Adjusted EBITDA	168,306	156,858
Revenue	306,363	282,908
Adjusted EBITDA margin %	55%	55%

10. Property and equipment

	Land	Buildings and facilities	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
'000 GEL							
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

	Network Operating & Computer software licenses	Telecom operating licenses	Broadcasting rights	Goodwill	Other***	CSAC*	Total
'000 GEL							
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)
Other changes					
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
Other changes					
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:

	USD-denominated 30 September 2021	USD-denominated 31 December 2020
'000 GEL		
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)

	EUR-denominated 30 September 2021	EUR-denominated 31 December 2020
'000 GEL		
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.

	Strengthening		Weakening	
	Equity	Profit or (loss)	Equity	Profit or (loss)
'000 GEL				
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:

	Carrying amount	
'000 GEL	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):

	For the nine months ended 30 September	
	2021	2020
'000 GEL		
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	31 December 2020
		Ownership/voting	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.

Silknet JSC

Consolidated Financial Statements
for 2020

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Independent Auditors' Report

To the Shareholder of Silknet JSC

Opinion

We have audited the consolidated financial statements of Silknet JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investment property

The key audit matter	How the matter was addressed in our audit
As described in note 15 to the consolidated financial statements, the Group, using an external independent property valuator, has determined the fair value of its investment property in accordance with IFRS 13 as at 31 December 2020. We consider valuation of investment property to be a key audit matter, because it has a material impact on the consolidated financial statements and involves significant judgements and estimates applied by the Group's management.	We have performed the following audit procedures to address the key audit matter: • We evaluated independence, objectivity and competence of the external valuator; • We assessed, with the support of our own valuation specialist, the methodology and key assumptions applied, being the adjustments for the unobservable inputs against our understanding of the comparable properties; • We compared the underlying inputs, in particular prices of comparable properties, to the externally derived data; • We assessed the adequacy of disclosures in respect of fair value measurement of investment property.

Other Information

Management is responsible for the other information. The other information comprises the Group's Annual Report and the Management Report prepared for statutory purposes. Other information does not include the consolidated financial statements and our auditors' report thereon. The other information is expected to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Management Report prepared for statutory purposes, we conclude whether the other information:

- is consistent with the consolidated financial statements and does not contain material misstatement;
- contains all information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Karen Safaryan

KPMG Georgia LLC
27 February 2021

'000 GEL	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property and equipment	13	393,887	377,686
Intangible assets	14	196,229	199,716
Investment property	15	63,055	29,582
Right-of-use assets	21	44,783	52,872
Other non-current assets	13(b)	39,611	41,713
Financial instrument at FVTPL	20(f)	13,425	-
Prepayments related to IRU* contracts		9,849	10,321
Total non-current assets		760,839	711,890
Current assets			
Inventories	16	10,645	10,980
Prepayments related to IRU contracts		2,173	2,173
Trade and other receivables	17	30,349	37,481
Cash and cash equivalents	18	77,791	74,862
Total current assets		120,958	125,496
TOTAL ASSETS		881,797	837,386
EQUITY AND LIABILITIES			
Equity			
	19		
Share capital		84,056	84,056
Additional paid-in capital		8,026	8,026
Accumulated losses		(151,321)	(64,289)
Equity (deficit) attributable to owner of the Company		(59,239)	27,793
Non-controlling interests		(74)	54
TOTAL EQUITY (DEFICIT)		(59,313)	27,847
LIABILITIES			
Non-current liabilities			
Loans and borrowings	20	668,084	617,798
Lease liabilities	21	39,847	45,438
Trade and other payables	22	32,968	13,144
Advances received from IRU contracts and subscribers	22	13,911	14,662
Total non-current liabilities		754,810	691,042
Current liabilities			
Loans and borrowings	20	54,399	16,989
Trade and other payables	22	96,446	67,380
Advances received from IRU contracts and subscribers	22	23,041	21,949
Lease liabilities	21	12,414	12,179
Total current liabilities		186,300	118,497
TOTAL LIABILITIES		941,110	809,539
TOTAL LIABILITIES AND EQUITY		881,797	837,386

*Indefeasible Right of Use

Silknet JSC
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020

'000 GEL	Note	2020	2019
Revenues:			
Commercial revenue	7	347,557	346,155
Carrier services	7	34,598	41,000
		382,155	387,155
Costs and expenses:			
Depreciation and amortization		(117,444)	(111,662)
Salaries and benefits	9	(57,075)	(58,142)
Purchased services	8	(38,743)	(31,357)
Other expenses	10	(25,410)	(31,872)
Network management and maintenance costs		(16,410)	(15,747)
Interconnect fees and roaming expense		(16,242)	(17,837)
Pay TV content cost		(12,932)	(11,218)
Infrastructure capacity rentals, IRU and lease expenses		(6,996)	(9,199)
Advertising and marketing		(6,204)	(8,047)
Change in fair value of investment property	15	(3,277)	-
Costs of SIM cards, scratch cards and other cost of sales		(916)	(2,795)
Profit from operating activities		80,506	89,279
Finance income	6	4,415	4,298
Finance costs	6	(90,462)	(101,160)
Net change in fair value of financial instrument at FVTPL	20(f)	5,794	(1,447)
Net foreign exchange loss	6	(88,136)	(35,825)
Net finance cost		(168,389)	(134,134)
Loss before income tax		(87,883)	(44,855)
Income tax benefit/(expense)	11	723	(1,241)
Loss and total comprehensive loss for the year		(87,160)	(46,096)
Loss and total comprehensive loss attributable to:			
Owner of the Company		(87,032)	(46,091)
Non-controlling interests		(128)	(5)
		(87,160)	(46,096)

These consolidated financial statements were approved by management on 27 February 2021 and were signed on its behalf by:

David Mamulaishvili
General Director

Lili Pshavlishvili
Finance Director

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 44.

'000 GEL	Attributable to owners of the Company					
	Share capital	Additional paid in capital	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity/ (deficit)
Balance at 1 January 2019	68,172	24,471	(18,198)	74,445	59	74,504
Total comprehensive loss for the year						
Loss and total comprehensive loss for the year	-	-	(46,091)	(46,091)	(5)	(46,096)
Transactions with owners, recorded directly in equity						
Shares issued (see note 19(a))	15,884	-	-	15,884	-	15,884
Effect of transactions with entities controlled by the ultimate controlling party (see note 19 (b))	-	(16,445)	-	(16,445)	-	(16,445)
Balance as at 31 December 2019	84,056	8,026	(64,289)	27,793	54	27,847
Balance at 1 January 2020	84,056	8,026	(64,289)	27,793	54	27,847
Total comprehensive loss for the year						
Loss and total comprehensive loss for the year	-	-	(87,032)	(87,032)	(128)	(87,160)
Balance as at 31 December 2020	84,056	8,026	(151,321)	(59,239)	(74)	(59,313)

'000 GEL	Note	2020	2019
Cash flows from operating activities			
Cash received from subscribers		407,659	402,001
Cash received from other telecom operators and for IRU contracts		20,045	31,269
Salaries and benefits paid to and on behalf of employees		(57,301)	(54,793)
Interconnection fees and other expenses paid to carriers		(11,759)	(12,588)
Purchase of inventory		(9,717)	(11,232)
Taxes paid other than on income		(45,294)	(59,641)
Income tax paid		(258)	(837)
Network management and maintenance costs paid		(11,273)	(11,274)
Other operating expenses paid		(65,329)	(80,674)
Net cash from operating activities		226,773	202,231
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(108,537)	(128,358)
Acquisition of investment property		(31,783)	(29,582)
Proceeds from disposals of property and equipment		1,692	2,264
Interest received		2,713	2,517
Net cash used in investing activities		(135,915)	(153,159)
Cash flows from financing activities			
Interest paid	20(e)	(83,782)	(56,663)
Net payments of financial instruments at FVTPL	20(e)	(7,798)	(1,280)
Repayment of lease liabilities	20(e)	(8,194)	(4,513)
Proceeds from borrowings		-	530,651
Repayment of borrowings		-	(367,863)
Loan refinancing fees paid		-	(7,262)
Repayment of subordinated loan		-	(30,326)
Repayment of subordinated loan interest		-	(4,989)
Repayment of promissory note		-	(43,170)
Dividends paid		-	(5,441)
Net cash (used in)/ from financing activities		(99,774)	9,144
Effect of exchange rate changes on cash and cash equivalents		11,845	7,384
Net increase in cash and cash equivalents		2,929	65,600
Cash and equivalents at the beginning of the year	18	74,862	9,262
Cash and cash equivalents at the end of the year	18	77,791	74,862

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 44.

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 consolidated 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 consolidated financial statements include the financial statements of Silknet JSC (the Company) with the registration number of 204566978 and its subsidiaries as detailed in note 26 (together referred to as the Group and individually as the Group entities). The Company and its subsidiaries mainly 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 broadband, 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' and 'b1' with a Stable 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 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.

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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 consolidated 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

The preparation of consolidated financial statements in conformity with IFRSs requires management to make 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 15 – valuation of investment property;
- Note 23(b)(i) – impairment of trade and other receivables.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 21 – determination of lease term;
- Note 29(g) and (h) – useful lives of property and equipment and intangible assets;
- Note 29(g) and (h) – recognition of property and equipment and intangible assets.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities. Fair values have been determined for disclosure and for measurement purposes. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 – fair value of investment property;
- Note 20 (f) - fair value of financial instrument at FVTPL;
- Note 23 (a) – fair values of financial assets and liabilities.

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 (see note 15) is also managed on a centralized basis and is disclosed under unallocated amounts. Silk Media LLC segment is presented separately, as it represents a stand-alone entity and is a separate operating segment.

'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	3,050	23,562	1,237	2,500	30,349
Cash and cash equivalents	-	-	38	77,753	77,791
Total current assets	9,912	27,756	1,481	81,809	120,958
TOTAL ASSETS	373,737	318,970	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	13,967	8,582	-	492	23,041
Lease liabilities	10,658	1,756	-	-	12,414
Total current liabilities	67,126	53,932	3,073	62,169	186,300
TOTAL LIABILITIES	120,805	79,728	6,547	734,030	941,110
NET ASSETS/ (LIABILITIES)	252,932	239,242	5,801	(557,288)	(59,313)

'000 GEL	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19
Consolidated statement of financial position	Mobile services	Fixed services	Silk Media LLC	Unallocated amounts	Total
ASSETS					
Non-current assets					
Property and equipment	159,778	215,979	-	1,929	377,686
Intangible assets	157,960	32,595	1,789	7,372	199,716
Other non-current assets	21,980	17,570	-	2,163	41,713
Investment property	-	-	-	29,582	29,582
Right-of-use assets	47,618	5,254	-	-	52,872
Prepayments related to IRU contracts	10,321	-	-	-	10,321
Total non-current assets	397,657	271,398	1,789	41,046	711,890
Current assets					
Inventories	6,355	4,037	-	588	10,980
Prepayments related to IRU contracts	2,173	-	-	-	2,173
Trade and other receivables	13,246	22,255	18	1,962	37,481
Cash and cash equivalents	-	-	-	74,862	74,862
Total current assets	21,774	26,292	18	77,412	125,496
TOTAL ASSETS	419,431	297,690	1,807	118,458	837,386
LIABILITIES					
Non-current liabilities					
Loans and borrowings	-	-	-	617,798	617,798
Lease liabilities	40,478	4,960	-	-	45,438
Advances received related to IRU contracts and subscribers	-	14,662	-	-	14,662
Trade and other payables	6,386	5,716	-	1,042	13,144
Total non-current liabilities	46,864	25,338	-	618,840	691,042
Current liabilities					
Loans and borrowings	-	-	-	16,989	16,989
Trade and other payables	31,266	28,504	161	7,449	67,380
Advances received related to IRU contracts and subscribers	16,061	5,646	-	242	21,949
Lease liabilities	10,937	1,242	-	-	12,179
Total current liabilities	58,264	35,392	161	24,680	118,497
TOTAL LIABILITIES	105,128	60,730	161	643,520	809,539
NET ASSETS/(LIABILITIES)	314,303	236,960	1,646	(525,062)	27,847

Capital expenditures incurred by the Group in relation to the mobile services segment was approximately GEL 42,923 thousand for the year ended 31 December 2020 (out of which GEL 32,269 thousand was added to property and equipment and GEL 10,654 thousand was added to intangible assets). Capital expenditures related to the fixed services operating segment for the year ended 31 December 2020 were approximately GEL 43,235 thousand and GEL 21,564 thousand in terms of property and equipment and intangible assets, respectively. Capital expenditures incurred by Silk Media LLC was GEL 4,675 thousand for property and equipment and GEL 4,690 thousand – for intangible assets for the year ended 31 December 2020.

'000 GEL	2020	2020	2020	2020	2020	2020	2020
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	203,239	182,919	-	(4,063)	60	-	382,155
Depreciation and amortization	(67,200)	(47,373)	-	-	(2,219)	(652)	(117,444)
Other costs and expenses	(80,596)	(95,949)	4,063	-	(2,709)	(9,014)	(184,205)
Segment operating profit	55,443	39,597	4,063	(4,063)	(4,868)	(9,666)	80,506
Finance income	1,701	12	-	-	3	2,699	4,415
Finance costs	(6,476)	(5,005)	-	-	(623)	(78,358)	(90,462)
Financial instrument at FVTPL – net change in fair value (note 20 (f))	-	-	-	-	-	5,794	5,794
Net foreign exchange loss	(460)	(7,387)	-	-	(1,171)	(79,118)	(88,136)
Segment profit/(loss) before tax	50,208	27,217	4,063	(4,063)	(6,659)	(158,649)	(87,883)
Income tax benefit/(expense)	-	(197)	-	-	-	920	723
Profit/(loss) for the period	50,208	27,020	4,063	(4,063)	(6,659)	(157,729)	(87,160)

'000 GEL	2019	2019	2019	2019	2019	2019	2019
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	209,070	181,928	-	(3,843)	-	-	387,155
Depreciation and amortization	(69,845)	(41,178)	-	-	-	(639)	(111,662)
Other costs and expenses	(87,647)	(97,322)	3,843	-	(129)	(4,959)	(186,214)
Segment operating profit	51,578	43,428	3,843	(3,843)	(129)	(5,598)	89,279
Finance income	1,732	-	-	-	-	2,566	4,298
Finance costs	(8,248)	(4,018)	-	-	-	(91,828)	(104,094)
Net foreign exchange loss	(165)	(1,429)	-	-	(15)	(32,729)	(34,338)
Segment profit/(loss) before tax	44,897	37,981	3,843	(3,843)	(144)	(127,589)	(44,855)
Income tax expense	-	-	-	-	-	(1,241)	(1,241)
Profit/(loss) for the year	44,897	37,981	3,843	(3,843)	(144)	(128,830)	(46,096)

6. Net finance costs

'000 GEL	2020	2019
Recognised in profit or loss		
Interest income on current bank accounts and other receivables	2,713	2,549
Interest income on IRU related prepayments	1,702	1,749
Finance income	4,415	4,298
Interest expense on financial liabilities	(82,761)	(92,642)
Interest expense accrued under IFRS 16	(6,126)	(6,890)
Interest expense on advances received from IRU contracts	(1,575)	(1,628)
Finance costs	(90,462)	(101,160)
Net foreign exchange loss	(88,136)	(35,825)
Net change in fair value of financial instrument at FVTPL	5,794	(1,447)
Net finance costs recognised in profit or loss	(168,389)	(134,134)

7. Revenues

'000 GEL	2020	2019
Commercial revenue	347,557	346,155
Mobile revenue	183,357	182,755
Mobile callout	103,179	105,831
Mobile data	66,286	57,919
Revenue from SMS	9,212	12,698
Revenue from other services	3,873	4,022
Revenue from phone sales and accessories	807	2,285
Fixed revenue	164,200	163,400
Fixed broadband	98,164	94,329
Pay TV	45,453	43,013
Fixed telephone	16,449	19,559
Infrastructure capacity rental service	2,336	2,067
Revenue from other services	1,798	3,341
Wireless telephone ("CDMA") service**	-	1,091
Carrier and other services	34,598	41,000
Interconnect service*	22,609	24,334
Infrastructure capacity rental service	7,763	7,820
Internet wholesale	2,183	2,060
Roaming revenue	2,043	6,786
Total revenues	382,155	387,155

* Revenue from interconnect service is generated by both segments as follows: GEL 17,609 thousand by the mobile services segment and GEL 5,000 thousand by the fixed services in 2020 (2019: GEL 19,494 thousand by mobile services segment and GEL 4,840 thousand by the fixed services segment).

** From July 2019 the Group abandoned the CDMA technology and ceased the service. Part of the CDMA subscribers were migrated to mobile GSM technology.

8. Purchased services

'000 GEL	2020	2019
Software maintenance service	11,498	9,936
Utility expenses	10,128	10,141
Professional fees*	8,794	3,469
Internet protocol (IP) cost	4,510	4,159
Internet clear channel costs	3,717	3,557
Other purchased services	96	95
Total purchased services	38,743	31,357

* In 2020 professional fees include consulting services provided by the entity under common control (see note 25(c)) and a number of other one-off professional services (see note 12(a) f).

Professional services include audit fees of GEL 381 thousand (2019: GEL 450 thousand).

9. Salaries and benefits

'000 GEL	2020	2019
Salaries	51,853	50,342
Bonuses	3,143	5,875
Employee health insurance	1,021	915
Pension fund	810	723
Other benefits	248	287
Total salaries and benefits	57,075	58,142

The average number of employees employed by the Group in 2020 and 2019 were 2,441 and 2,565, respectively.

10. Other expenses

'000 GEL	2020	2019
Property and other taxes	4,150	4,433
Write-down of slow moving inventory, property and equipment and other non-current assets	4,118	335
Communication regulation fee	3,233	3,217
Charity expenses*	3,063	1,184
Security expenses	2,254	2,424
Fuel and lubricants used	2,136	2,505
Allowance for impairment of trade and other receivables**	1,910	4,188
Bank fees and charges	1,708	3,101
Transportation services	1,367	1,319
Office stationary and other supplies	1,132	1,330
Commission for cash receipts	670	713
Loss on disposals of property and equipment	487	6,525
Business trip expenses	350	966
Dealers commission	218	288
Other income	(1,386)	(656)
Total	25,410	31,872

* In 2020, charity expenses include amount of GEL 2,097 thousand related to donations and other charity costs incurred by the Company with regards to the COVID-19 pandemic.

**Allowance for impairment of trade and other receivables in 2019 contains GEL 2,168 thousand in relation to an impairment of pre-acquisition balances of Geocell LLC and is one-off by nature.

11. Taxation

Amounts recognised in profit or loss

'000 GEL	2020	2019
Current year	(723)	1,241
Current tax (benefit)/expense	(723)	1,241

In 2020, following the finalization of ongoing tax inspection, the Company's tax position was closed, without any material penalties, till 1 August 2019. The tax inspection has also closed the pre-acquisition period of Geocell LLC (see note 1(b)). Following the tax inspection results, the Company has reversed previously accrued profit tax of GEL 1,163 thousand, that is included in current tax income of GEL 723 thousand above.

12. 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	2020	2019
Loss for the year	(87,160)	(46,096)
Depreciation and amortization	117,444	111,662
Finance costs	90,462	101,160
Finance income	(4,415)	(4,298)
Net foreign exchange loss	88,136	35,825
Net change in fair value of financial instrument at FVTPL	(5,794)	1,447
Change in fair value of investment property	3,277	-
Income tax (income)/expense	(723)	1,241
Specific items (see below)	10,276	14,915
Adjusted EBITDA	211,503	215,856

'000 GEL	2020	2019	Note	Description
a) Loss on disposals of property and equipment	487	6,525	10	Other expenses
b) Allowance for impairment of prepayments and trade and other receivables (one-off)	-	2,168	10	Other expenses
c) Write-down of slow moving inventory, property and equipment and other non-current assets	4,118	335	10	Other expenses
d) Bank fees and charges	-	358	10	Other expenses
e) Bonuses, staff costs related to Eurobond issuance	-	1,942	9	Salaries and benefits
f) Professional fees, one-time consulting expenses	3,827	3,110	8	Purchased services
g) Charity	3,063	1,184	10	Other expenses
h) Other income	(1,219)	(707)	10	Other expenses
Total specific items	10,276	14,915		

Specific items are attributable to the following events:

- Allowance for impairment of prepayments and trade receivables under item b represents an impairment of pre-acquisition balances of Geocell LLC, receivable from certain roaming and SMS wholesale vendors.
- Item e is directly attributable to Eurobond issuance in 2019 and thus, is one-off by nature.
- Item f mainly consists of one-time professional fees related to the adoption of the MVNO (Mobile Virtual Network Operator) regulation, developing strategy for mobile financial services, undertaken jointly by Silknet and Silk Road Bank (an entity under common control), and GeDN s (see note 20 (b) and 20 (c)).
- Item g mainly consists of charity expenses of GEL 2,097 thousand incurred by the Group in 2020 in relation to COVID-19 pandemic.
- Item h in 2020 mainly consists of reversal of previously paid taxes and the write-off of the payables to certain creditors following their liquidation.

(b) Adjusted EBITDA margin

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

'000 GEL	2020	2019
Adjusted EBITDA	211,503	215,856
Revenue	382,155	387,155
Adjusted EBITDA margin %	55%	56%

13. Property and equipment and other non-current assets

'000 GEL	Land	Buildings and facilities	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost at 1 January 2019	26,422	118,759	394,045	7,978	31,084	4,318	582,606
Accumulated depreciation	-	(32,499)	(161,414)	(4,923)	(13,554)	-	(212,390)
Carrying amount at 1 January 2019	26,422	86,260	232,631	3,055	17,530	4,318	370,216
Additions	439	208	37,637	1,366	1,049	39,425	80,124
Disposals	(653)	(1,035)	(18,944)	(1,251)	(566)	(56)	(22,505)
Transfers, gross	16	4,382	23,878	-	-	(36,933)	(8,657)
Transfers, accumulated depreciation	-	-	6,661	-	-	-	6,661
Depreciation of disposals	-	244	10,992	740	365	-	12,341
Depreciation charge	-	(2,596)	(53,196)	(956)	(3,706)	-	(60,454)
Write-off, gross*	-	-	(30,556)	-	(9)	-	(30,565)
Write-off, depreciation*	-	-	30,517	-	8	-	30,525
Carrying amount at 31 December 2019	26,224	87,463	239,620	2,954	14,671	6,754	377,686
Cost at 31 December 2019	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 31 December 2019	26,224	87,463	239,620	2,954	14,671	6,754	377,686
Additions	84	1,526	29,662	3,119	2,949	46,571	83,911
Disposals	(347)	(2,267)	(2,089)	(230)	(692)	-	(5,625)
Transfers, gross	-	994	21,081	-	92	(31,721)	(9,554)
Transfers, accumulated depreciation	-	-	8,549	-	-	-	8,549
Depreciation of disposals	-	1,233	1,057	179	713	-	3,182
Depreciation charge	-	(3,087)	(56,659)	(1,019)	(3,497)	-	(64,262)
Carrying amount at 31 December 2020	25,961	85,862	241,221	5,003	14,236	21,604	393,887
Cost at 31 December 2020	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 31 December 2020	25,961	85,862	241,221	5,003	14,236	21,604**	393,887

*The write-off of gross book value and respective accumulated depreciation of property and equipment is fully attributable to zero net book value items and CDMA (Code Division Multiple Access technology supporting the Group's wireless telephone services) equipment discharged.

** This amount is 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.

(a) Security

As at 31 December 2020, property with a carrying value of GEL 81,862 thousand (2019: GEL 80,777 thousand) is collateralized and guarantees the indebtedness of RCF (refer to note 20 (d)) and letter of credits related to operating activities of the Group.

(b) Other non-current assets

As at 31 December 2020 other non-current assets include uninstalled equipment of GEL 30,660 thousand and prepayments for non-current assets of GEL 8,951 thousand (2019: uninstalled equipment of GEL 37,558 thousand and prepayments for non-current assets of GEL 4,055 thousand).

(c) Capital commitments

As at 31 December 2020 the capital commitments borne by the Company amounted GEL 34,321 thousand (31 December 2019: GEL 5,552 thousand) out of which GEL 26, 151 thousand is related to the ongoing IT transformation project (replacement and upgrade of many of the Company's current information technology systems).

14. Intangible assets

'000 GEL	Network operating & computer software licenses	Telecom operating licenses	Broadcasting rights	Goodwill	Other***	CSAC*	Total
Cost at 1 January 2019	57,978	178,767	36,778	6,983	-	3,439	283,945
Accumulated depreciation	(22,163)	(27,359)	(20,147)	-	-	(1,937)	(71,606)
Carrying amount at 1 January 2019	35,815	151,408	16,631	6,983	-	1,502	212,339
Additions	15,103	823	12,578	-	-	1,564	30,068
Amortization charge	(15,750)	(14,537)	(11,077)	-	-	(1,327)	(42,691)
Disposals and derecognitions, gross	(8,894)	(4,494)	-	-	-	-	(13,388)
Disposals and derecognitions, amortization	8,894	4,494	-	-	-	-	13,388
Carrying amount at 31 December 2019	35,168	137,694	18,132	6,983	-	1,739	199,716
Cost at 31 December 2019	64,187	175,096	49,356	6,983	-	5,003	300,625
Accumulated depreciation	(29,019)	(37,402)	(31,224)	-	-	(3,264)	(100,909)
Carrying amount at 31 December 2019	35,168	137,694	18,132	6,983	-	1,739	199,716
Additions	16,789	901	18,854	-	4,286	511	41,341
Amortization charge	(13,007)	(14,588)	(14,739)	-	(274)	(1,213)	(43,821)
Disposals and derecognitions, gross**	(682)	-	(15,763)	-	-	(1,103)	(17,548)
Disposals and derecognitions, amortization**	548	-	14,977	-	-	1,016	16,541
Carrying amount at 31 December 2020	38,816	124,007	21,461	6,983	4,012	950	196,229
Cost at 31 December 2020	80,294	175,997	52,447	6,983	4,286	4,411	324,418
Accumulated depreciation	(41,478)	(51,990)	(30,986)	-	(274)	(3,461)	(128,189)
Carrying amount at 31 December 2020	38,816	124,007	21,461	6,983	4,012	950	196,229

* CSAC – Capitalized Subscribers Acquisition Cost

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

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

15. 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.

In 2020 and 2019, movement on investment property was as follows:

'000 GEL	2020	2019
Carrying amount as at 1 January	29,582	-
Additions	29,438	29,582
Change in fair value	(3,277)	-
Effect of foreign currency exchange rate movements	7,312	-
	63,055	29,582

The fair value of the investment property as at 31 December 2020 was determined as USD 19,244 thousand by the independent valuator and was based on announced asking prices and 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. As at 31 December 2019 the fair value of investment property approximates to the cost paid for the acquisition of GEL 29,582 thousand. Investment property is categorized within Level 3 of the fair value hierarchy.

16. Inventories

'000 GEL	31 December 2020	31 December 2019
Spare parts and installation materials	6,655	6,523
Mobile phones and accessories	699	1,131
Fuel	807	889
Other	2,484	2,437
Total	10,645	10,980

17. Trade and other receivables

'000 GEL	31 December 2020	31 December 2019
Receivables from subscribers	17,024	17,148
Receivables from telecom operators	4,341	6,335
Other trade receivables	3,363	4,299
Total trade receivables	24,728	27,782
Prepaid expenses	4,749	5,086
Prepaid taxes	872	4,613
Total trade and other receivables	30,349	37,481

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 23.

18. Cash and cash equivalents

'000 GEL	31 December 2020	31 December 2019
Bank balances	76,874	74,012
Cash in transit	903	833
Cash on hand	14	17
Total cash and cash equivalents	77,791	74,862

The Group's exposure to interest rate, credit and currency risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

19. 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, 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	
	2020	2019
In issue at 1 January	84,056,099	68,171,901
Issued during the year	-	15,884,198
In issue at 31 December, fully paid	84,056,099	84,056,099
Authorised shares - par value	1	1

(b) Additional paid-in capital

In March 2018 the Company's shareholder issued a loan of USD 17 million on non-market conditions due to which additional paid-in capital amounting to GEL 16,445 thousand arose. Additional paid-in capital was derecognised during 2019 because of earlier repayment of the subordinated loan.

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

In 2020 and 2019, the Company did not declare any dividends.

(d) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows and long-term loans and borrowings. With these measures the Group aims for steady profits growth. As at 31 December 2020, despite the negative equity, that is mainly driven by the foreign exchange currency fluctuations related to long-term borrowings, the Group maintains sufficient capital base to meet its operational and strategic needs (see note 23 (b) (ii)).

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

20. 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. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 23.

'000 GEL	31 December 2020	31 December 2019
Eurobonds - non-current	634,084	554,954
Unsecured local bonds - non-current	34,000	62,677
Financial instrument at FVTPL – non-current (note 20(f))	-	167
	668,084	617,798
Eurobonds - current	21,124	16,459
Unsecured local bonds – current	33,275	530
	54,399	16,989
Total	722,483	634,787

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

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

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2019	
				Face value	Carrying amount
Eurobond	USD	11%	2024	581,394	571,413
Unsecured local bonds	GEL	3.5% + refinancing rate	2022	34,481	34,481
Unsecured local bonds	USD	8.5%	2021	28,727	28,727
Financial instrument at FVTPL	GEL/USD	Note 20(f)	2024	167	167
Total loans and borrowings				644,769	634,787

(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 28 December 2020 was 108.62% 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 31 December 2020 and 2019, the Company holds repurchased Eurobonds with a nominal value of USD 2,600 thousand.

(c) Georgian Depositary notes

In 2020, the Company has issued Georgian Depositary Notes (GeDNs) on the back of Eurobonds listed on the Global Exchange Market of Euronext Dublin (“the Notes”). The GeDNs are available in the denomination of USD 1 thousand (compared to USD 200 thousand minimum denomination for Eurobonds), grant the holder indirect ownership of Eurobonds and replicate most of the terms and conditions of the underlying asset. The GeDN program is a debut depositary instrument issued in Georgia and aims to strengthen the local demand and the liquidity of Silknet’s Eurobonds. The issuance of the notes does not represent additional indebtedness for the Company.

(d) Secured bank loan (“RCF”)

In March 2019, the Company entered into a five-year agreement with the 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 31 December 2020 and 2019, the credit facility was not used.

(e) Changes in liabilities arising from financing activities

'000 GEL	Dividends payable	Lease liabilities	Financial instruments at FVTPL*	Loans and borrowings	Total
Balance at 1 January 2020	1,043	57,617	167	634,620	693,447
Interest paid	-	(6,126)	-	(77,656)	(83,782)
Net payments of financial instruments at FVTPL	-	-	(7,798)	-	(7,798)
Lease payments	-	(8,194)	-	-	(8,194)
Total changes from financing cash flows	-	(14,320)	(7,798)	(77,656)	(99,774)
The effect of changes in foreign exchange rates	-	1,739	-	87,484	89,223
Other changes					
Interest expense	-	6,126	-	78,173	84,299
Effect of change in financial instruments at FVTPL (note 20 (f))	-	-	(5,794)	-	(5,794)
Non-resident income tax paid	-	-	-	(30)	(30)
Income tax paid to resident individuals	-	-	-	(108)	(108)
Recognition of lease liabilities arising from lease contracts came into force during the period	-	6,440	-	-	6,440
Write-off of ROU and respective lease liability for terminated contracts	-	(5,341)	-	-	(5,341)
Total liability-related other changes	-	7,225	(5,794)	78,035	79,466
Balance at 31 December 2020	1,043	52,261	(13,425)	722,483	762,362

'000 GEL	Dividends payable	Lease liabilities	Loans and borrowings	Total
Balance at 1 January 2019	6,484	58,719	443,406	508,609
Proceeds from borrowings	-	-	530,651	530,651
Repayment of borrowings	-	-	(359,520)	(359,520)
Repayment of subordinated loan	-	-	(30,326)	(30,326)
Loan refinancing fees paid	-	-	(7,262)	(7,262)
Interest paid	-	(6,890)	(49,773)	(56,663)
Net payments of financial instruments at FVTPL	-	-	(1,280)	(1,280)
Repayment of subordinated loan interest	-	-	(4,989)	(4,989)
Eurobonds repurchase	-	-	(8,343)	(8,343)
Lease payments	-	(4,513)	-	(4,513)
Dividend paid	(5,441)	-	-	(5,441)
Total changes from financing cash flows	(5,441)	(11,403)	69,158	52,314
The effect of changes in foreign exchange rates	-	817	38,682	39,499
Other changes				
Interest expense	-	6,890	75,817	82,707
Bank commissions for early repayment of loans	-	-	7,262	7,262
Effect of change in financial instruments at FVTPL	-	-	1,447	1,447
Increase in share capital	-	-	(15,884)	(15,884)
Payments directly deducted from proceeds from Eurobonds	-	-	(10,411)	(10,411)
Eurobond transaction costs	-	-	9,050	9,050
Non-resident income tax paid	-	-	(162)	(162)
Income tax paid to resident individuals	-	-	(23)	(23)
Recognition of lease liabilities arising from lease contracts came into force during the period	-	5,391	-	5,391
Write-off of ROU and respective lease liability for terminated contracts	-	(2,797)	-	(2,797)
Total liability-related other changes	-	9,484	67,096	76,580
Total equity-related other changes (see note 19)	-	-	16,445	16,445
Balance at 31 December 2019	1,043	57,617	634,787	693,447

(f) 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 114,681 thousand as at 31 December 2020) 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 31 December 2020, the fair value of the financial instrument at FVTPL amounted to asset of GEL 13,425 thousand (2019: liability of GEL 167 thousand). Fair value is estimated in accordance with Level 2 of the fair value hierarchy.

21. 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 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 2020 and 2019 was approximately 12%.

'000 GEL	Site rent for mobile services	Site rent for fixed services	Space rent for Silk Media LLC	Total
Carrying amount at 1 January 2020	47,618	5,254	-	52,872
Additions	4,506	-	1,934	6,440
Disposals	(6,489)	-	-	(6,489)
Disposals of accumulated depreciation	1,210	-	-	1,210
Depreciation charge	(7,958)	(904)	(387)	(9,249)
Gross balance at 31 December 2020	53,311	5,859	1,934	61,104
Accumulated depreciation at 31 December 2020	(14,425)	(1,509)	(387)	(16,321)
Carrying amount at 31 December 2020	38,886	4,350	1,547	44,783
Lease liability at 1 January 2020	(51,415)	(6,202)	-	(57,617)
Additions	(4,506)	-	(1,934)	(6,440)
Disposals	5,340	-	-	5,340
Interest charge	(5,279)	(701)	(146)	(6,126)
Payments	11,879	1,363	1,078	14,320
The effect of changes in foreign exchange rates	(709)	(834)	(195)	(1,738)
Lease liability at 31 December 2020	(44,690)	(6,374)	(1,197)	(52,261)

'000 GEL	Site rent for mobile services	Site rent for fixed services	Total
Carrying amount at 1 January 2019	55,564	3,155	58,719
Additions	2,687	2,704	5,391
Disposals	(2,957)	-	(2,957)
Disposals of accumulated depreciation	236	-	236
Depreciation charge	(7,912)	(605)	(8,517)
Gross balance at 31 December 2019	55,294	5,859	61,153
Accumulated depreciation at 31 December 2019	(7,676)	(605)	(8,281)
Carrying amount at 31 December 2019	47,618	5,254	52,872
Lease liability at 1 January 2019	(55,564)	(3,155)	(58,719)
Additions	(2,687)	(2,704)	(5,391)
Disposals	2,798	-	2,798
Interest charge	(6,257)	(633)	(6,890)
Payments	10,667	736	11,403
The effect of changes in foreign exchange rates	(372)	(446)	(818)
Lease liability at 31 December 2019	(51,415)	(6,202)	(57,617)

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

'000 GEL	31 December 2020		31 December 2019	
	Non-current	Current	Non-current	Current
Payables for non-current assets	23,209	42,580	6,100	25,866
Payable to suppliers	-	27,111	-	19,445
Payable for licenses and broadcasting rights	8,716	17,863	6,001	11,371
Payable to other operators	-	4,550	-	6,297
Payable to employees	-	3,276	-	3,254
Other payables	-	1,066	-	1,147
Dividend payable	1,043	-	1,043	-
Total trade and other payables	32,968	96,446	13,144	67,380
Advances received related to IRU contracts	13,014	1,888	13,648	1,925
Advances received related to subscribers	897	21,153	1,014	20,024
Total contract liabilities from prepayments	13,911	23,041	14,662	21,949
Total	46,879	119,487	27,806	89,329

Payables for non-current assets represent discounted value of deferred payments for acquisition of property and equipment related to network upgrade and expansionary projects undertaken by the Group. In 2020, in order to maintain the strong cash liquidity in uncertain market condition of 2020 (see note 27), the management negotiated extended payment terms with some of its major vendors. In 2020, upon initial recognition, payables for acquisition of property and equipment were discounted using the Group's incremental borrowing rate of 9% and the 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. Major part of payables for non-current assets are denominated either in USD or EUR and thus are exposed for foreign currency exchange rate fluctuations (see note 23 (b)(iii)).

23. Fair values and financial risk management

(a) Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Group's financial assets and liabilities, except for bonds (see note 20(b)), approximates their carrying amounts.

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Risk management framework

The Board of Directors together with the Supervisory Board has overall responsibility for establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies and reporting regularly to the shareholder on its activities.

The Group's risk management approaches are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management approaches and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The supervisory board oversees the adequacy of risk management measures adopted by the Group.

(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 loans receivable, trade receivables and bank balances.

The maximum exposure to credit risk for recognised financial assets and unrecognised commitments at the reporting date was as follows:

'000 GEL	31 December 2020	31 December 2019
Trade receivables	24,728	27,782
Cash and cash equivalents	77,777	74,845
Recognized financial assets	102,505	102,627

Trade and other receivables and contracts costs

Credit risk is managed by assessing the creditworthiness of the customers before the Group's standard payment and service terms and conditions are offered. No collateral in respect of trade and other receivables is generally required.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main component of this allowance is a collective loss component. The Group's trade receivables are mainly from the domestic retail customers. The Group does not have a significant concentration of customers.

Impairment losses

The impairment loss allowances of trade and other receivables per risk groups are as follows:

	Collectively assessed			Individually assessed		
	Gross carrying amount	Impairment loss allowance	Credit-impaired	Gross carrying amount	Impairment loss allowance	Credit-impaired
31 December 2020						
Current	16,009	186	No	8,120	-	No
1-30 past due	765	151	No	-	-	No
31-90 days past due	453	297	No	-	-	No
Past due						
91-150 days	355	340	Yes	-	-	Yes
Past due more than 150 days	17,952	17,953	Yes	2,410	2,410	Yes
Total	35,534	18,927		10,530	2,410	

	Collectively assessed			Individually assessed		
	Gross carrying amount	Impairment loss allowance	Credit-impaired	Gross carrying amount	Impairment loss allowance	Credit-impaired
31 December 2019						
Current	15,711	229	No	11,288	-	No
1-30 past due	705	110	No	-	-	No
31-90 days past due	608	321	No	-	-	No
Past due						
91-150 days	484	427	Yes	-	-	Yes
Past due more than 150 days	16,095	16,022	Yes	2,318	2,318	Yes
Total	33,603	17,109		13,606	2,318	

The movements in provision for impairment of trade and other receivables were as follows:

'000 GEL	2020	2019
At 1 January	(19,427)	(15,895)
Charge for the year	(2,040)	(4,188)
Reversal of amounts written off during the year as uncollectible	130	656
At 31 December	(21,337)	(19,427)

An impairment rate of 100% was applied to gross trade and other receivables from retail customers overdue by more than 150 days, with lower impairment rates applied for risk categories of trade and other receivables that are overdue for shorter periods. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Bank balances

The cash and cash equivalents are mainly held with Georgian banks with a short term issuer default rating of BB-, based on Fitch Rating. The Group does not expect any counterparty to fail to meet its obligations.

(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.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2020

'000 GEL	Carrying amount	Total	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities	-						
Loans and borrowings	722,483	970,148	-	34,479	74,073	861,596	-
Lease liability	52,261	66,887	-	3,262	9,943	51,441	2,241
Trade and other payables	129,414	136,590	17,275	31,319	41,542	46,454	-
Total	904,158	1,173,625	17,275	69,060	125,558	959,491	2,241

31 December 2019

'000 GEL	Carrying amount	Total	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities							
Loans and borrowings	634,787	923,451	-	1,679	71,249	850,523	-
Lease liability	57,617	79,079	-	-	13,036	51,748	14,295
Trade and other payables	80,524	83,284	50,338	4,855	9,869	11,320	6,902
Total	772,928	1,085,814	50,338	6,534	94,154	913,591	21,197

Despite the net current liability position, and taking account of reasonably possible downsides, the management believes that, as at 31 December 2020 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 31 December 2020 (note 18), positive adjusted EBITDA (note 12) and growing customer base and new network deployment (note 13). The Group's liquidity risk, including its significant exposure to foreign currency exchange movements (note 23 (b)), is managed by foreign currency hedge (note 20 (f)), closely monitoring capital expenditure, that is mostly discretionary by nature, and the Company's capacity to roll over its existing debt instruments (see note 20). As at the date these consolidated financial statements are authorised for issue, the largest roll over risk faced by the Group is related to its USD 200 thousand 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 31 December 2020, 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, considering the effect of the derivative financial instrument (see note 20 (f)), was as follows:

	USD-denominated 31 December 2020	USD-denominated 31 December 2019
'000 GEL		
Bank balances	34,146	53,283
Trade and other receivables	2,768	5,898
Trade and other payables	(77,411)	(43,390)
Loans and borrowings (including financial instrument at FVTPL)	(573,341)	(499,769)
Net exposure	(613,838)	(483,978)

	EUR-denominated 31 December 2020	EUR-denominated 31 December 2019
'000 GEL		
Trade and other receivables	1,869	1,892
Trade and other payables	(36,709)	(18,649)
Net exposure	(34,840)	(16,757)

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

in GEL	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
USD 1	3.1097	2.8192	3.2766	2.8677
EUR 1	3.5519	3.1553	4.0233	3.2095

Sensitivity analysis

A reasonably possible strengthening/(weakening) of GEL, as indicated below, against the USD as at 31 December 2020 and 2019 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)
31 December 2020				
USD (10% movement)	-	61,384	-	(61,384)
EUR (10% movement)	-	3,484	-	(3,484)
31 December 2019				
USD (10% movement)	-	48,398	-	(48,398)
EUR (10% movement)	-	1,676	-	(1,676)

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:

	Carrying amount	
	31 December 2020	31 December 2019
'000 GEL		
Variable rate instruments		
Financial liabilities	34,461	34,481
	34,461	34,481

Fair value sensitivity analysis for fixed rate instruments

Except for the derivative financial instrument (see note 20 (f)), the Group does not account for any fixed-rate financial instruments as fair value through profit or loss 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 each reporting date would have affected profit or loss by GEL 345 thousand. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

24. Contingencies and commitments

(a) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred. These circumstances may create tax risks in Georgia that are more significant than in 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. The Company's tax position till 1 August 2019 was covered by the tax inspection (see note 11).

(b) Litigation

In the ordinary course of business, the Group is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(c) Regulatory environment

On 19 July 2020, the Parliament of Georgia passed amendments to the Law of Georgia on Electronic Communications proposed by the Georgian National Communication Committee ('GNCC'). As per amendments GNCC is granted the discretion to assign a temporary administrator and suspend the authority of the members of the management of the regulated entity in case the entity breaches certain obligations including but not limited to obligations regarding acquisition of businesses and/or assets, mergers, network access and tariff regulation (obligations as per articles 26, 27, 34 and 35 of Law of Georgia on Electronic Communications). Prior to the adoption of the amendments to the law, GNCC was entitled to impose charges and suspend authorization of a regulated entity in case of violation of any of the obligations listed above. The assignment of a temporary administrator creates an intermediary measure that can be used only in case a written warning and a fine against the entity have been proved ineffective and suspension of authorization is against the best economic interest of the country.

Although the management of the Company assumes the changes to the law impose additional sanctions to the industry participants, the Company has a record of compliance with the regulation and has the intention and capacity to ensure the compliance with the laws and regulations going forward. Hence, the management does not expect the amendments to the Law of Georgia on Electronic Communications to have any material adverse effect on the ordinary course of the business.

25. Related parties

(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, entity controlled by an individual, George Ramishvili. No publicly available financial statements are produced by any of the Company's parent companies.

(b) Key management remuneration

The key management remuneration contains the salary and bonus of the key management and Supervisory Board of the Company and are included in salaries and benefits (see note 9):

'000 GEL	2020	2019
Salaries	3,316	2,403
Supervisory board salaries	1,648	255
Bonuses	185	2,530
	5,149	5,188

(c) Other related party transactions

'000 GEL	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2020	2019	2020	2019
Other operating expenses:				
Other related party	212	107	-	-
Entities under common control*	5,784	3,345	(1,896)	(153)
Subordinated debt:				
Parent company (note 19 (a))	-	35,315	-	(1)
Fuel and lubricants used:				
Entities under common control	2,014	2,453	(157)	(146)
Investment property acquisition (note 15):				
Entities under common control	31,783	29,582	-	-
Other:				
Entities under common control	697	-	(19)	-

* In 2020, other operating expenses with entities under common control mainly include: consulting services of GEL 3,062 thousand (2019: nil) provided by SRG Investments to the Company in relation to strategy development, funding, investment decisions and certain regulatory matters, and security expenses of GEL 1,935 thousand (2019: GEL 1,583 thousand). The outstanding balance as at 31 December 2020 of GEL 1,197 thousand represents lease liability for the office space rent by Silk Media LLC from the related party. The cash outflow related to lease liability was GEL 1,078 thousand (see note 21). The lease contract expires in 2025. Except for 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.

26. Subsidiaries

Subsidiary	Country of incorporation	31 December 2020	31 December 2019
		Ownership/voting	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%

In 2019, Silknet and Euronews signed a memorandum of understanding with respect to Euronews Georgia, a free to air news channel that will be made in Georgian language. For this purpose, Silknet established Silk Media LLC., a 100%-owned subsidiary. Euronews will be in charge of Euronews Georgia's editorial policy and nominate its news director. Euronews will share its content with Euronews Georgia, while the latter will prepare certain local content which will be shared with Euronews.

27. 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 Georgian government started to take measures to contain the virus – imposed restrictions on the cross-border movement, instructed the business community to transfer employees to work from home, etc. To enhance social distancing the schools, restaurants, cinemas and sports activities have stayed suspended for most of the 2020.

The outbreak of COVID-19 has substantially affected the economy and the business environment globally and in Georgia. Georgia's real GDP year-over-year change for 2020 is estimated at negative 6.1% (according to Geostat) compared to positive 5.1% and 4.8% in 2019 and 2018 respectively. Although, the telecommunications sector tends to be the more resilient than the most of the other sectors, still COVID-19 did have a negative impact both on Georgian telecommunications sector and Silknet.

Georgian Communication Committee (ComCom) publishes the monthly statistical data for major retail telecommunication services on Georgian market. As per the information published by ComCom the year over year change in total retail market revenue amounted 8% for the first quarter of the year compared to the minus 1% for the rest of the 2020. According to the same source Silknet's retail revenue growth has reached 9% in the first quarter and has declined to minus 1% on year-over-year basis for the rest of the year.

The major implications of COVID-19 pandemic on the business and the industry have been following:

- Significant drop in tourism level negatively impacted the number of active SIM cards on the market and overall spending in roaming and other mobile services.
- The home confinement resulted in a slow-down of customer mobility, spending and acquisitions especially in mobile services.
- Temporary closure of businesses and resulting suspension of telecom services directly impacted the Company's revenue generation from its corporate segment.
- The slow-down of the economy affected the disposable income and the spending patterns of individuals and businesses.
- The local currency devaluation against US dollar by 12% (change in the year end exchange rates) had an unfavorable impact on the profitability.
- The Group has carefully monitored and successfully handled the elevated network load throughout the year. The traffic consumption more than doubled mainly on the back of flat rate and unlimited content offers.

- The management closely observed and actively managed the Company’s short-term liquidity. As a result the Company maintained the strong cash liquidity throughout the year and did not incur any significant bad debt losses.
- The Company did not seek any additional indebtedness either for the liquidity purposes or for its ongoing capital investment projects. Neither of the Group’s network development or expansionary projects have been suspended during the year.

Despite the short-term negative implications, the management observes the long-term secular 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 recovery of economy provide additional headroom to benefit from elevated consumption and growing demand for digital and OTT (‘Over the top’) services.

28. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for:

- the identifiable net assets of the subsidiaries that are measured at fair value at the acquisition dates;
- investment property is measured at fair value; and
- derivative financial instruments are measured at fair value.

29. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Revenues

Revenue is recognized when the Group satisfies a performance obligation by transferring the promised service to a customer. When a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price, which excludes amounts collected on behalf of third parties and estimates of variable consideration that are constrained, that is allocated to that performance obligation.

The Group has the following main revenue streams: mobile callout service, internet and pay TV services, mobile data services, fixed line and wireless telephone services, which mainly consists of connection, airtime usage and monthly subscription fees, interconnect services and rent of lines, roaming revenue, revenue from phone sales and accessories and other revenues. Revenue is recognized net of credits and adjustments for service discounts, value-added and excise taxes.

Mobile callout: revenue is recognized based on the actual airtime used by the subscribers for mobile phone calls. In relation to prepaid subscribers, the unused airtime is not recognized as revenue until the related service has been provided to the subscriber or the prepaid subscription is expired.

Fixed broadband and pay TV: revenue from fixed broadband and pay TV services primarily consists of monthly fixed charges for usage of an internet connection and pay TV services and is recognized as the service is provided.

Mobile data: revenue from each subscriber for data services. This revenue is recognised as the service is provided.

Fixed line and wireless telephones: revenue for airtime usage and connection fees by contract customers are recognized as revenue as services are performed, based upon minutes of use and contracted fees, with unbilled revenue resulting from services already provided accrued at the end of each month and unearned revenue from services to be provided in future periods deferred. Monthly subscription fee is recognised as revenue in the month when service is provided to the subscriber.

Interconnect services: access charges for interconnect services are earned from other telecommunications operators for traffic terminated on the Group's network under agreements, which also regulate the Group's use of the other operators' networks. Revenue from interconnect fees is recognized at the time the services are performed.

Facility rental service from IRU contracts: revenue from rent of lines consists of monthly fixed charges for usage of the cable network of the Group. This revenue is recognised as the service is provided.

Roaming revenues: revenue from other carriers for non-Silknet subscribers utilising Silknet's voice, SMS and data services. The Company recognises such revenues when the services are provided.

Revenues from phone sales and accessories: revenue is recognized when the equipment passes to the end customer.

Other revenues: the revenue recognition policy for other revenues (including SMS, MMS and other value added services) is to recognise revenue as services are provided.

Significant payment terms: for all post paid services subscribers make payments on a monthly basis.

(c) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets, financial liabilities and investment property;
- financial instruments measured at FVTPL.

Interest income or expense is recognized as it accrues in profit or loss, using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(e) Income tax

Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law will become effective at a later date.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholder as a dividend. However some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution.

Set off the tax payable on dividends declared and paid is available for the corporate income tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The Group considers the taxation of such transaction as outside of the scope of IAS 12 *Income Taxes* and accounts for the tax on such items as taxes other than on income.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for land, are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Cost of the acquired property and equipment is the present value of the expected cash outflows if the payments are deferred beyond the twelve months' period.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

• buildings and facilities	25 -50 years;
• machinery and equipment	3-20 years;
• vehicles, furniture and fixture	3-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Long term financial liabilities for capital expenditures are measured at amortised cost using incremental borrowing rate.

(h) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets primarily include telecommunication operating licenses, computer software licences and capitalized broadcasting rights. A broadcasting rights contract is capitalised if the following conditions are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

The company considers other terms of a contract such as termination terms. Capitalised broadcasting rights contracts are discounted based on incremental borrowing rate.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value. Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for intangible assets for the current and comparative periods varies from 3 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Long term financial liabilities for capital expenditures are measured at amortised cost using incremental borrowing rate.

(i) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. When measuring the fair value of investment property in accordance with IFRS 13, an entity ensures that the fair value reflects, among other things, assumptions that market participants would use when pricing the investment property under current market conditions.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(j) Financial instruments

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 and 180 days past due according to the type of receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(iii) *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) *Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(v) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) *Impairment*

(i) *Non-derivative financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- economic conditions that correlate with defaults.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset and its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Credit related commitments

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(m) Leases

The Group has adopted IFRS 16 Leases from 1 January 2019. The Group chooses to use a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of the future lease payments as at the date of transition, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

A lease term reflects the Group's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Group bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation and the future business plans of the Group to be effectively captured in the estimate of the lease term.

(n) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Silknet JSC

Consolidated Financial Statements
for 2019

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Independent Auditors' Report

To the Shareholder of Silknet JSC

Opinion

We have audited the consolidated financial statements of Silknet JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adoption of new standard - IFRS 16 - Leases

The key audit matter	How the matter was addressed in our audit
As described in note 5 to the consolidated financial statements, the Group has adopted IFRS 16 as at 1 January 2019. IFRS 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its statement of financial position. We consider adoption of IFRS 16 and respective IFRIC decisions to be key audit matter because it had a material impact on the consolidated financial statements and required Group's management to apply significant judgement, in particular, when determining the lease term.	We have performed the following audit procedures to address the key audit matter: • We have assessed whether management has appropriately applied the requirements of the new standard and respective IFRIC decisions, including determination whether the contract is, or contains a lease, lease term, discount rate used, measurement principles and classification applicable to right-of-use assets and lease liabilities. • We verified the accuracy of the underlying data used in the calculations by agreeing terms and conditions on a sample basis to original contractual terms and checked the accuracy of the calculations for each lease agreement sampled by performing recalculation. We also reviewed completeness over identified leases included by management in the calculations. • We tested that management has consistently applied the portfolio approach to its lease agreements. • We assessed the discount rate and reviewed the methodology of discount rate calculation. We ensured that disclosures in the consolidated financial statements are complete and appropriate as required by new standard.

Other Information

Management is responsible for the other information. The other information comprises the Group's Annual Report and the Management Report prepared for statutory purposes. Management report does not include the consolidated financial statements and our auditors' report thereon. The other information is expected to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Management Report prepared for statutory purposes, we conclude whether the other information:

- is consistent with the consolidated financial statements and does not contain material misstatement;
- contains all information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

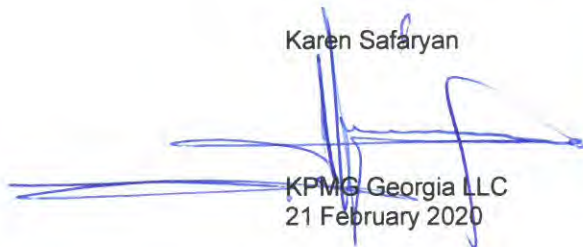
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Karen Safaryan


KPMG Georgia LLC
21 February 2020



'000 GEL	Note	31 December 2019	31 December 2018*
ASSETS			
Non-current assets			
Property and equipment	14	377,686	370,216
Intangible assets and contract costs	15	199,716	212,339
Right-of-use assets	5	52,872	-
Other non-current assets	14	41,713	32,727
Investment property	16	29,582	-
Prepayments related to IRU** contracts		10,321	10,745
Total non-current assets		711,890	626,027
Current assets			
Inventories	17	10,980	22,283
Prepayments related to IRU** contracts		2,173	2,173
Trade and other receivables	18	37,481	37,876
Cash and cash equivalents	19	74,862	9,262
Total current assets		125,496	71,594
TOTAL ASSETS		837,386	697,621
EQUITY AND LIABILITIES			
Equity			
	20		
Share capital		84,056	68,172
Additional paid-in capital		8,026	24,471
Accumulated losses		(64,289)	(18,198)
Equity attributable to owner of the Company		27,793	74,445
Non-controlling interests		54	59
TOTAL EQUITY		27,847	74,504
LIABILITIES			
Non-current liabilities			
Loans and borrowings	21	617,798	375,791
Subordinated loan		-	30,546
Promissory notes		-	37,286
Lease liabilities	5	45,438	-
Advances received from IRU** contracts and subscribers	22	14,662	14,483
Trade and other payables	22	13,144	18,165
Total non-current liabilities		691,042	476,271
Current liabilities			
Loans and borrowings	21	16,989	37,069
Trade and other payables	22	67,380	87,285
Advances received from IRU** contracts and subscribers	22	21,949	22,492
Lease liabilities	5	12,179	-
Total current liabilities		118,497	146,846
TOTAL LIABILITIES		809,539	623,117
TOTAL LIABILITIES AND EQUITY		837,386	697,621

* The Group has initially adopted IFRS 16 Leases from 1 January 2019. See note 5.

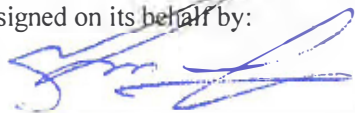
** Indefeasible Right of Use

'000 GEL	Note	2019	2018*
Revenues:			
Commercial revenue	8	346,155	289,492
Carrier services	8	41,000	54,818
		387,155	344,310
Costs and expenses:			
Depreciation and amortization		(111,662)	(98,459)
Salaries and benefits	10	(58,142)	(55,506)
Other expenses	11	(31,872)	(31,565)
Purchased services	9	(31,357)	(46,662)
Interconnect fees and roaming expense		(17,837)	(28,956)
Network management and maintenance costs		(15,747)	(16,494)
Pay TV content cost		(11,218)	(9,976)
Infrastructure capacity rentals, IRU and lease expenses		(9,199)	(18,316)
Advertising and marketing		(8,047)	(4,659)
Costs of SIM cards, scratch cards and other cost of sales		(2,795)	(3,073)
Bargain gain from acquisition		-	41,845
Profit from operating activities		89,279	72,489
Finance income	7	4,298	2,722
Finance costs	7	(104,094)	(47,242)
Net foreign exchange loss	7	(34,338)	(37,527)
Net finance cost		(134,134)	(82,047)
Loss before income tax		(44,855)	(9,558)
Income tax expense	12	(1,241)	(718)
Loss and total comprehensive loss for the year		(46,096)	(10,276)
Loss and total comprehensive loss attributable to:			
Owner of the Company		(46,091)	(9,535)
Non-controlling interests		(5)	(741)
		(46,096)	(10,276)

*2018 figures do not include the results from operations of mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

* The Group has initially adopted IFRS 16 Leases from 1 January 2019. See note 5.

These consolidated financial statements were approved by management on 21 February 2020 and were signed on its behalf by:



David Mamulaishvili
General Director



Lili Pshavlishvili
Finance Director

'000 GEL	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Additional paid in capital	Retained earnings	Total		
Balance at 1 January 2018	68,172	-	31,200	99,372	800	100,172
Total comprehensive income for the year						
Loss and total comprehensive loss for the year	-	-	(9,535)	(9,535)	(741)	(10,276)
Transactions with owners, recorded directly in equity						
Effect of transactions with entities controlled by the ultimate controlling party (see note 20(b))	-	16,445	-	16,445	-	16,445
Call option granted (see note 20 (b))	-	8,026	-	8,026	-	8,026
Dividends (see note 20 (c))	-	-	(39,863)	(39,863)	-	(39,863)
Balance as at 31 December 2018	68,172	24,471	(18,198)	74,445	59	74,504
Balance at 1 January 2019	68,172	24,471	(18,198)	74,445	59	74,504
Total comprehensive loss for the year						
Loss and total comprehensive loss for the year	-	-	(46,091)	(46,091)	(5)	(46,096)
Transactions with owners, recorded directly in equity						
Shares issued (see note 20(a))**	15,884	-	-	15,884	-	15,884
Effect of transactions with entities controlled by the ultimate controlling party (see note 20 (b))	-	(16,445)	-	(16,445)	-	(16,445)
Balance as at 31 December 2019	84,056	8,026	(64,289)	27,793	54	27,847

* The Group has initially adopted IFRS 16 Leases from 1 January 2019. See note 5.

** Loan from shareholder partially converted into equity (see note 20(a)).

'000 GEL	Note	2019	2018
Cash flows from operating activities			
Cash received from subscribers		402,001	338,901
Cash received from other telecom operators and for IRU contracts		31,269	32,968
Salaries and benefits paid to and on behalf of employees		(54,793)	(53,957)
Interconnection fees and other expenses paid to carriers		(12,588)	(9,969)
Purchase of inventory		(11,232)	(14,765)
Taxes paid other than on income		(59,641)	(47,647)
Income tax paid		(837)	(1,140)
Network management and maintenance costs paid		(11,274)	(14,548)
Other operating expenses paid		(80,674)	(83,111)
Net cash from operating activities		202,231	146,732
Cash flows from investing activities			
Acquisition of property and equipment		(89,321)	(58,453)
Purchase of investment property		(29,582)	-
Acquisition of intangible assets		(39,037)	(40,278)
Proceeds from disposals of property and equipment		2,264	1,442
Acquisition of subsidiaries, net of cash acquired		-	(329,711)
Issue of loans		-	(727)
Repayments of issued loans		-	136
Interest received		2,517	463
Net cash used in investing activities		(153,159)	(427,128)
Cash flows from financing activities			
Proceeds from borrowings		530,651	423,545
Repayment of borrowings		(367,863)	(67,006)
Loan refinancing fees paid		(7,262)	-
Repayment of subordinated loan		(30,326)	-
Repayment of subordinated loan interest		(4,989)	-
Repayment of promissory note		(43,170)	-
Interest paid		(49,773)	(33,633)
Net payments of other financial instruments at FVTPL*		(1,280)	-
Repayment of lease liabilities		(11,403)	-
Dividends paid		(5,441)	(36,417)
Net cash from financing activities		9,144	286,489
Effect of exchange rate changes on cash and cash equivalents		7,384	648
Net increase in cash and cash equivalents		65,600	6,741
Cash and equivalents at the beginning of the year	19	9,262	2,521
Cash and cash equivalents at the end of the year	19	74,862	9,262

* Cross-currency swap instrument at fair value through profit and loss.

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 consolidated 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 consolidated financial statements include the financial statements of Silknet JSC (the Company) with the registration number of 204566978 and its subsidiaries as detailed in note 26 (together referred to as the Group and individually as the Group entities). The Company and its subsidiaries are limited liability and joint stock companies as defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia.

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 services, pay TV services, SMS (messaging) and other wholesale services.

On 20 March 2018 the Group acquired a 100% holding in Georgia's second-largest mobile operator, Geocell LLC ("Geocell"), for a transaction price of USD 151.7 million, approximately corresponding to an EV/EBITDA multiple of 4.5. Geocell has more than 1.7 million mobile voice and almost 1 million mobile data subscribers representing approximately 35% of the local market and generates revenue from its major service lines, which represent mobile voice, mobile data, interconnect, messaging, sale of mobile equipment and others. The consideration given included repayment of a loan owed by Geocell LLC to Fintur Holdings B.V. ("Fintur"), the parent company of Geocell LLC. Geocell LLC has ceased its legal existence and was merged by the Group on 1 November 2018.

Following the acquisition of Geocell on 20 March 2018 the Group directs its activities as two operating segments, fixed services (Silknet JSC) and mobile services (Geocell LLC). Information about the Group's reportable segments is disclosed in note 6 Operating segments.

The Company is rated by two rating agencies with Long-Term Issuer Default Rating of 'B+' and 'b1' with a Stable Outlook affirmed by Fitch and Moody's respectively.

On 19 April 2019, Rhinestream Holdings Limited, shareholder of the Company and an entity incorporated in Malta, which is ultimately controlled by an individual, Giorgi Ramishvili has made a decision to transfer 100% of ownership in the Company to its wholly owned subsidiary Silknet Holding LLC ("Silknet Holding", the "owner"), which is incorporated in Georgia. The group is ultimately controlled by an individual, Giorgi Ramishvili. Related party transactions are detailed in note 25.

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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 consolidated 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

The preparation of consolidated financial statements in conformity with IFRSs requires management to make 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 ongoing 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 2018 except for new significant estimates related to useful lives of property and equipment (see note 14) and lessee accounting under IFRS 16, which are described in note 5.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities. Fair values have been determined for disclosure and for measurement purposes. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 23 (a) – fair values of financial assets and liabilities.

5. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

IFRS 16

The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group has applied IFRS 16 using the modified retrospective approach and has measured the right-of-use asset at the amount equal to the lease liability, adjusted for prepayments and accruals. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

The Group has changed its approach to the adoption of IFRS 16 to be in line with IFRIC agenda paper 4 issued in November 2019 in relation to leases, according to which a narrow interpretation of penalties is no longer acceptable.. For interim financial statements for the six-months ended 30 June 2019, the Group used the contractual minimum non-cancellable periods for determining the lease term. Accordingly, the lease terms and related balance sheet amounts in these financial statements differ significantly from those disclosed in interim financial statements. As the change was done to be in line with IFRIC requirements the Group chooses not to reissue restated interim financial statements for the six-months ended 30 June, 2019 and disclose the restated amounts as comparable in interim financial statements for the six-months ending 30 June 2020.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

A. As a lessee

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.

As a lessee, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Both the right-of-use assets as well as related lease liabilities have been presented as a separate line items in the consolidated statement of financial position.

Maturity analysis of leases is disclosed in note 23(b)(ii).

The carrying amounts of right-of-use assets and lease liabilities as at 1 January 2019 and 31 December 2019 are as below:

'000 GEL	Site rent for mobile services	Site rent for fixed services	Total
Carrying amount at 1 January 2019	55,564	3,155	58,719
Gross balance at 31 December 2019	55,294	5,859	61,153
Accumulated depreciation at December 2019	(7,676)	(605)	(8,281)
Carrying amount at 31 December 2019	47,618	5,254	52,872
Lease liabilities at 1 January 2019	(55,564)	(3,155)	(58,719)
Lease liabilities at 31 December 2019	(51,415)	(6,202)	(57,617)

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of the future lease payments as at the date of transition, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

A lease term reflects the Group's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Group bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation and the future business plans of the Group to be effectively captured in the estimate of the lease term.

(i) Transition

Previously, the Group classified leases as operating leases under IAS 17. The Group uses the option to maintain this treatment for short-term leases and recognises the right-of-use asset and respective lease liability as per IFRS 16 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 followed:

	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.

At transition to IFRS 16 both the lease liabilities and related right-of-use assets were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied portfolio accounting for leases with similar characteristics.

B. Impacts on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities in the amount of GEL 58,719 thousand.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 12.3% and 11.6% for GEL and USD denominated leases, respectively. The applicable interest rates are based on the Company's borrowing rates on outstanding loan balances as at the transition date.

(ii) Impact for the year

The impact of IFRS 16 on the financial statements for the year ended 31 December 2019 has been as follows:

'000 GEL	Site rent for mobile services	Site rent for fixed services	Total
Carrying amount at 1 January 2019	55,564	3,155	58,719
Additions	2,687	2,704	5,391
Disposals	(2,957)	-	(2,957)
Disposals of accumulated depreciation	236	-	236
Depreciation charge	(7,912)	(605)	(8,517)
Gross balance at 31 December 2019	55,294	5,859	61,153
Accumulated depreciation at 31 December 2019	(7,676)	(605)	(8,281)
Carrying amount at 31 December 2019	47,618	5,254	52,872
Lease liability at 1 January 2019	(55,564)	(3,155)	(58,719)
Additions	(2,687)	(2,704)	(5,391)
Disposals	2,798	-	2,798
Interest charge	(6,257)	(633)	(6,890)
Payments	10,667	736	11,403
The effect of changes in foreign exchange rates	(372)	(446)	(818)
Lease liability at 31 December 2019	(51,415)	(6,202)	(57,617)

6. Operating segments

Following the acquisition of Geocell on 20 March 2018, the Group directs two operating segments, fixed services and mobile services. 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 the each operating segments.

Revenues and operating profit for the mobile services segment for the year 2018 reflects post-acquisition performance from 20 March 2018 to 31 December 2018. For the year 2019 the segment information reflects transactions for the full year.

Liquidity and leverage are managed by the group on a centralized basis. As a result management shows total amount of debt, cash and cash equivalents as well as finance costs and related foreign exchange gain/(loss) under unallocated amounts.

'000 GEL	31 December 2019	31 December 2019	31 December 2019	31 December 2019
	Mobile services	Fixed services	Unallocated amounts**	Total
Statement of financial position				
ASSETS				
Non-current assets				
Property and equipment	159,778	215,979	1,929	377,686
Intangible assets and contract costs	157,960	32,595	9,161	199,716
Other non-current assets	21,980	17,570	2,163	41,713
Investment property	-	-	29,582	29,582
Right-of-use assets	47,618	5,254	-	52,872
Prepayments related to IRU contracts	10,321	-	-	10,321
Total non-current assets	397,657	271,398	42,835	711,890
Current assets				
Inventories	6,355	4,037	588	10,980
Prepayments related to IRU contracts	2,173	-	-	2,173
Trade and other receivables	13,246	22,255	1,980	37,481
Cash and cash equivalents	-	-	74,862	74,862
Total current assets	21,774	26,292	77,430	125,496
TOTAL ASSETS	419,431	297,690	120,265	837,386
LIABILITIES				
Non-current liabilities				
Loans and borrowings	-	-	617,798	617,798
Lease liabilities	40,478	4,960	-	45,438
Advances received related to IRU contracts and subscribers	-	14,662	-	14,662
Trade and other payables*	6,386	5,716	1,042	13,144
Total non-current liabilities	46,864	25,338	618,840	691,042
Current liabilities				
Loans and borrowings	-	-	16,989	16,989
Trade and other payables*	31,266	28,504	7,610	67,380
Advances received related to IRU contracts and subscribers	16,061	5,646	242	21,949
Lease liabilities	10,937	1,242	-	12,179
Total current liabilities	58,264	35,392	24,841	118,497
TOTAL LIABILITIES	105,128	60,730	643,681	809,539
NET ASSETS	314,303	236,960	(523,416)	27,847

* Trade and other payables shown under unallocated amounts mainly consist of payables for an IT transformation project (replacement of many of the Company's current IT systems to new more advanced solutions).

** Unallocated amounts include among others Silk Media LLC, a 100%-owned subsidiary of the Company established to operate Euronews Georgia, a free-to-air news channel, in the light of the memorandum of understanding signed between the Company and Euronews. As at 31 December, 2019 balance sheet amounts of Silk Media LLC have been as follows: total assets – GEL 1,807 thousand, total liabilities – GEL 161 thousand, equity – GEL 1,646 thousand.

'000 GEL	31 December 2018	31 December 2018	31 December 2018	31 December 2018
	Mobile services	Fixed services	Unallocated amounts	Total
Statement of financial position				
ASSETS				
Non-current assets				
Property and equipment	174,554	195,662	-	370,216
Intangible assets and contract costs	177,410	34,929	-	212,339
Other non-current assets	16,979	15,399	348	32,726
Prepayments related to IRU contracts	10,745	-	-	10,745
Total non-current assets	379,688	245,990	348	626,026
Current assets				
Inventories	9,106	13,177	-	22,283
Prepayments related to IRU contracts	2,173	-	-	2,173
Trade and other receivables	10,931	24,414	2,530	37,875
Cash and cash equivalents	-	-	9,264	9,264
Total current assets	22,210	37,591	11,792	71,595
TOTAL ASSETS	401,898	283,581	12,142	697,621
LIABILITIES				
Non-current liabilities				
Loans and borrowings	-	-	375,791	375,791
Subordinated loan	-	-	30,546	30,546
Promissory notes	-	-	37,286	37,286
Trade and other payables	11,248	6,917	-	18,165
Advances received related to IRU contracts and subscribers	-	14,483	-	14,483
Total non-current liabilities	11,248	21,400	443,623	476,271
Current liabilities				
Loans and borrowings	-	-	37,069	37,069
Trade and other payables	44,260	29,095	13,833	87,188
Advances received related to IRU contracts and subscribers	14,479	7,720	294	22,492
Current income tax payable	-	97	-	97
Total current liabilities	58,739	36,912	51,196	146,846
TOTAL LIABILITIES	69,987	58,312	494,819	623,117
NET ASSETS	331,911	225,269	(482,679)	74,504

Capital expenditures incurred by the Group in relation to the mobile services segment was approximately GEL 35,317 thousand for the year ended 31 December 2019 (out of which GEL 28,158 thousand was added to property and equipment and GEL 7,159 thousand was added to intangible assets). Capital expenditures related to the fixed services operating segment for the year ended 31 December 2019 were approximately GEL 49,282 thousand and GEL 13,301 thousand in terms of property and equipment and intangible assets, respectively.

'000 GEL	2019	2019	2019	2019	2019	2019
Statement of profit or loss and other comprehensive income	Mobile services	Fixed services	Elimination mobile services	Elimination fixed services	Unallocated amounts	Total
Segment revenue	209,070	181,928	-	(3,843)	-	387,155
Depreciation and amortization	(69,845)	(41,178)	-	-	(639)	(111,662)
Other costs and expenses	(87,647)	(97,322)	3,843	-	(5,088)	(186,214)
Segment operating profit	51,578	43,428	3,843	(3,843)	(5,727)	89,279
Finance income	1,732	-	-	-	2,566	4,298
Finance costs	(8,248)	(4,018)	-	-	(91,828)	(104,094)
Net foreign exchange loss	(165)	(1,429)	-	-	(32,744)	(34,338)
Segment profit/(loss) before tax	44,897	37,981	3,843	(3,843)	(127,733)	(44,855)
Income tax expense	-	-	-	-	(1,241)	(1,241)
Profit/(loss) for the year	44,897	37,981	3,843	(3,843)	(128,974)	(46,096)

'000 GEL	2018	2018	2018	2018	2018	2018
Statement of profit or loss and other comprehensive income	Mobile services	Fixed services	Elimination mobile services	Elimination fixed services	Unallocated amounts	Total
Segment revenue	178,500	173,814	(2,735)	(5,269)	-	344,310
Depreciation and amortisation	(52,101)	(46,358)	-	-	-	(98,459)
Other costs and expenses*	(98,226)	(103,446)	5,269	2,735	(21,539)	(215,207)
Bargaining gain from acquisition**	-	-	-	-	41,845	41,845
Segment operating profit	28,173	24,010	2,534	(2,534)	20,306	72,489
Finance income	665	2,057	-	-	-	2,722
Finance costs	-	-	-	-	(47,242)	(47,242)
Net foreign exchange loss	-	-	-	-	(37,527)	(37,527)
Segment profit/(loss) before tax	28,838	26,067	2,534	(2,534)	(64,463)	(9,558)
Income tax expense	(19)	(699)	-	-	-	(718)
Profit/(loss) for the year	28,819	25,368	2,534	(2,534)	(64,463)	(10,276)

7. Net finance costs

'000 GEL	2019	2018
Recognised in profit or loss		
Interest income on current bank accounts and other receivables	2,549	1,374
Interest income on IRU related prepayments	1,749	1,348
Finance income	4,298	2,722
Interest expense on financial liabilities	(95,576)	(44,916)
Interest expense accrued under IFRS 16	(6,890)	-
Interest expense on advances received from IRU contracts	(1,628)	(2,326)
Finance costs	(104,094)	(47,242)
Net foreign exchange loss	(34,338)	(37,527)
Net finance costs recognised in profit or loss	(134,134)	(82,047)

8. Revenues

'000 GEL	2019	2018
Commercial revenue	346,155	289,492
Mobile callout	105,831	83,658
Fixed broadband	94,329	83,243
Mobile data	57,919	40,589
Pay TV	43,013	36,025
Fixed telephone	19,559	22,382
Revenue from SMS	12,698	9,507
Revenue from other services	7,363	7,180
Revenue from phone sales and accessories	2,285	2,597
Wireless telephone ("CDMA") service*	1,091	2,538
Infrastructure capacity rental service	2,067	1,773
Carrier services	41,000	54,818
Interconnect service	24,334	38,725
Infrastructure capacity rental service	7,820	7,876
Roaming revenue	6,786	6,373
Internet wholesale	2,060	1,844
Total revenues	387,155	344,310

* Code Division Multiple Access technology supporting the Group's wireless telephone services.

For the year ended 31 December 2019 the mobile services segment includes the following revenue streams: mobile callout, mobile data, revenue from SMS, revenue from phone sales and accessories and roaming revenue. The fixed services segment includes the following revenue streams: fixed broadband, pay TV, fixed telephone, wireless telephone ("CDMA") service and facility rental service related to IRU contracts. Revenue from interconnect service and revenue from other services are generated by both segments as follows: GEL 23,516 thousand by the mobile services segment and GEL 8,181 thousand by the fixed services in 2019. (2018: GEL 33,018 thousand by mobile services segment and GEL 12,887 thousand by the fixed services segment).

Except for revenue streams attributable to the mobile services segment the business is not subject to seasonal fluctuations and remains stable throughout the year. Revenue streams attributable to the mobile services segment are approximately GEL 10-15 million higher for the second half than for the first six months of the year.

In 2019 the Group abandoned the CDMA technology and ceased the service from July, 2019. Part of the CDMA subscribers were migrated to mobile GSM technology.

In October 2017, the Georgian National Communications Commission (“GNCC”) proposed new local interconnection tariffs, which became effective partially from July 2018 and have a full scope effect from January 2019. The determination of the tariffs above are based on Long-Run Incremental Costing (LRIC) and are significantly lower than those effective in 2017 and the prior years.

9. Purchased services

'000 GEL	2019	2018
Utility expenses	10,141	7,893
Software maintenance service	9,936	8,734
Internet protocol (IP) cost	4,159	3,583
Internet clear channel costs	3,557	3,392
Professional fees *	3,469	22,645
Other purchased services	95	415
Total purchased services	31,357	46,662

* During the year ended 31 December 2019, the Group incurred expenses of GEL 10,411 thousand in connection with the issue of Eurobonds (refer to note 21 (b)) including, amongst other, underwriting fees, legal counsel fees, rating agency expenses, listing expenses, etc. Most of these amounts are not accounted for as expenses but are rather capitalised as transaction costs. They are included in the calculation of effective interest rate of Eurobonds and are deferred over 5 years (see note 21 (b)).

* In 2018 the Group incurred advisory, legal and other professional and consulting fees of approximately GEL 13,072 thousand, in respect of the acquisition of Geocell LLC.

Professional services include audit fees of GEL 450 thousand (2018: GEL 312 thousand).

10. Salaries and benefits

'000 GEL	2019	2018
Salaries	50,342	47,980
Bonuses	5,875	5,691
Employee health insurance	915	731
Pension fund	723	-
Other benefits	287	1,104
Total salaries and benefits	58,142	55,506

11. Other expenses

'000 GEL	2019	2018
Loss on disposals of property and equipment	6,525	4,719
Taxes, other than on income	4,433	4,129
Allowance for impairment of trade and other receivables	4,188	2,638
Communication regulation fee	3,217	2,578
Bank fees and charges	3,101	2,635
Fuel and lubricants used	2,505	1,253
Security expenses	2,424	1,879
Office stationary and other supplies	1,330	802
Transportation services	1,319	893
Charity expenses	1,184	956
Business trip expenses	966	1,163
Commission for cash receipts	713	789
Write-down of slow moving inventory and other non-current assets	335	4,170
Dealers commission	288	695
Provision for impairment of loan issued	-	4,113
Other (income)	(656)	(1,847)
Total	31,872	31,565

12. Taxation

(a) Amounts recognised in profit or loss

'000 GEL	2019	2018
Current year	(1,241)	(718)
Current tax expense	(1,241)	(718)

(b) Reconciliation of effective tax rate:

	2019		2018	
	'000 GEL	%	'000 GEL	%
Dividends declared	-	-	39,863	
Dividends for which CIT is not applicable	-	-	(36,783)	
CIT applicable dividends	-	-	3,080	100
Tax using the Group's domestic tax rate	-	-	544	18
Set off the tax payable on dividends	-	-	(259)	(8)
Adjustment for over provided in prior years	-	-	-	-
Income tax on other non-deductible expenses and adjustment for under-provided in prior years	1,241	-	433	14
Income tax expense for the year	1,241	-	718	24

As the Group has not declared dividends in 2019 there is no main taxable item and effective interest tax rate is not calculated.

13. 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	2019	2018
Loss for the year	(46,096)	(10,276)
Depreciation and amortization	111,662	98,459
Finance costs	101,159	47,242
Finance income	(4,298)	(2,722)
Net foreign exchange loss	35,826	37,527
Change in fair value of derivative instrument*	1,447	-
Income tax expense	1,241	718
Specific items (see below)	14,915	(1,690)
Adjusted EBITDA	215,856	169,258

* Cross-currency swap instrument at fair value through profit and loss (note 21(d)).

'000 GEL	2019	2018	Note	Description
a) Bargaining gain from acquisition	-	(41,846)		Bargaining gain
b) Loss on disposals of property and equipment	6,525	4,719	11	Other expenses
c) Allowance for impairment of prepayments and trade and other receivables (one-off)	2,168	-	11	Other expenses
d) Write-down of slow moving inventory and other non-current assets	335	4,170	11	Other expenses
e) Professional fees (Geocell acquisition expenses)	-	13,072	9	Purchased services
f) Bank fees and charges (Geocell acquisition financing fees)	358	1,067	11	Other expenses
g) Bonuses, staff costs related to the Geocell acquisition and Eurobond issuance	1,942	4,443	10	Salaries and benefits
h) Professional fees, one-time consulting expenses	3,110	7,845	9	Purchased services
i) Provision for impairment of loans issued	-	4,113	11	Other expenses
j) Other (income)/expenses	477	727	11	Other expenses
Total specific items	14,915	(1,690)		

Specific items are attributable to the following events:

- Items a, e and f are fully attributable to acquisition of Geocell LLC, mobile network operator, in March, 2018 and thus represent non-recurring charges for the business.
- Provision of prepayments and trade receivables under item c represents an impairment of pre-acquisition balances of Geocell LLC, receivable from certain roaming and SMS wholesale vendors.
- Item g is related to Geocell LLC acquisition and merger in 2018 and Eurobond issuance in 2019. Since, both events are one-off by nature, the Company charges the relevant directly attributable staff costs to the specific items.
- Item h consists of one-time consulting expenses related to Eurobond issuance, convergence of fixed-mobile commercial services resultant of Geocell acquisition, professional fees related to specific regulatory matters and others.
- Item i represents the write-off of the loan to Technoboom LLC, mobile handset provider, by Geocell LLC prior to the acquisition and the loan to related party company issued by JSC Silknet prior to 2018.

(b) Adjusted EBITDA margin

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

'000 GEL	2019	2018*
Adjusted EBITDA	215,856	169,258
Revenue	387,155	344,310
Adjusted EBITDA margin %	56%	49%

* 2018 figures do not include the results from operations of mobile services segment (Geocell LLC) prior to the acquisition date of 20 March 2018.

(c) IFRS 16 impact on adjusted EBITDA

The Group has initially adopted IFRS 16 Leases from 1 January 2019 using the modified retrospective approach, thus the comparative information presented for 2018 has not been restated. The positive impact of IFRS 16 on Company's Adjusted EBITDA for 2019 has been GEL 12,620 thousand or 6 per cent. Without the application of IFRS 16, the Group's Adjusted EBITDA margin for 2019 would have been 52 per cent.

14. Property and equipment and other non-current assets

'000 GEL	Land	Buildings and facilities	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost at 1 January 2018	20,650	111,095	199,188	4,532	13,594	76	349,135
Accumulated depreciation	-	(31,581)	(108,868)	(3,975)	(10,192)	-	(154,616)
Carrying amount at 1 January 2018	20,650	79,514	90,320	557	3,402	76	194,519
Acquisition through business combination	7,846	11,058	149,924	3,040	12,308	-	184,176
Additions	2	19	37,090	771	5,260	22,326	65,468
Disposals	(2,081)	(4,376)	(7,702)	(365)	(92)	(4)	(14,620)
Transfers and others	5	963	15,545	-	14	(18,080)	(1,553)
Depreciation of disposals	-	1,590	3,760	178	86	-	5,614
Depreciation charge	-	(2,508)	(56,306)	(1,126)	(3,448)	-	(63,388)
Carrying amount at 31 December 2018	26,422	86,260	232,631	3,055	17,530	4,318	370,216
Cost at 31 December 2018	26,422	118,759	394,045	7,978	31,084	4,318	582,606
Accumulated depreciation	-	(32,499)	(161,414)	(4,923)	(13,554)	-	(212,390)
Carrying amount at 31 December 2018	26,422	86,260	232,631	3,055	17,530	4,318	370,216
Additions	439	208	37,637	1,366	1,049	39,425	80,124
Disposals	(653)	(1,035)	(18,944)	(1,251)	(566)	(56)	(22,505)
Transfers, gross	16	4,382	23,878	-	-	(36,933)	(8,657)
Transfers, accumulated depreciation	-	-	6,661	-	-	-	6,661
Depreciation of disposals	-	244	10,992	740	365	-	12,341
Depreciation charge	-	(2,596)	(53,196)	(956)	(3,706)	-	(60,454)
Write-off , gross	-	-	(30,556)	-	(9)	-	(30,565)
Write-off , depreciation	-	-	30,517	-	8	-	30,525
Carrying amount at 31 December 2019	26,224	87,463	239,620	2,954	14,671	6,754	377,686
Cost at 31 December 2019	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 31 December 2019	26,224	87,463	239,620	2,954	14,671	6,754	377,686

The write-off of gross book value and respective accumulated depreciation of property and equipment is fully attributable to zero net book value items and CDMA (Code Division Multiple Access technology supporting the Group's wireless telephone services) equipment discharged.

(a) Security

During the year ended 31 December 2019, the Group has fully repaid secured bank loans that were outstanding as at 31 December 2018 and therefore a large part of the Group's property and equipment has been released from the pledge. As at 31 December 2019, property with a carrying value of GEL 80.7 thousand remains collateralized and guarantees the indebtedness of RCF (refer to note 21 (c)) and letter of credits related to operating activities of the Group.

(b) Other non-current assets

As at 31 December 2019 other non-current assets include uninstalled equipment of GEL 37,558 thousand and prepayments for non-current assets of GEL 4,055 thousand (2018: uninstalled equipment of GEL 26,471 thousand and prepayments for non-current assets of GEL 6,162 thousand).

(c) Capital commitments

In 2019, the Group signed an agreement with Euronews, a free-to air news channel that will be made available to the audience in Georgian language. Capital commitment attributable to Silk Media LLC as a result of binding contract is EUR 1,730 thousand, on which the Group has a binding obligation and thus is considered as a capital commitment.

(d) Change in estimate

During the year ended 31 December 2019, the Group conducted an operational efficiency review over certain items within its machinery and equipment group, which resulted in an increase of expected useful lives. The change of useful lives became effective from 1 January 2019. The effect of the changes in useful lives resulted in a decrease of depreciation charge, recorded in the costs, in current and future periods is as follows:

'000 GEL	2019	2020	2021
Decrease/(increase) in depreciation expense	11,783	7,965	(3,891)

15. Intangible assets and contract costs

'000 GEL	Network operating & computer software licenses	Telecom operating licenses	Broadcasting rights	Goodwill	CSAC*	Total
Cost at 1 January 2018	14,124	19,606	15,130	2,894	2,128	53,882
Accumulated amortization	(9,708)	(16,812)	(10,250)	-	(586)	(37,356)
Carrying amount at 1 January 2018	4,416	2,794	4,880	2,894	1,542	16,526
Acquisition through business combination	34,864	132,489	-	4,089	428	171,870
Additions	15,451	26,672	21,648	-	883	64,654
Amortization charge	(13,276)	(10,547)	(9,897)	-	(1,351)	(35,071)
Disposals and derecognitions, gross	(6,461)	-	-	-	-	(6,461)
Disposals and derecognitions, amortization	821	-	-	-	-	821
Carrying amount at 31 December 2018	35,815	151,408	16,631	6,983	1,502	212,339
Cost at 31 December 2018	57,978	178,767	36,778	6,983	3,439	283,945
Accumulated depreciation	(22,163)	(27,359)	(20,147)	-	(1,937)	(71,606)
Carrying amount at 31 December 2018	35,815	151,408	16,631	6,983	1,502	212,339
Additions	15,103	823	12,578	-	1,564	30,068
Amortization charge	(15,750)	(14,537)	(11,077)	-	(1,327)	(42,691)
Disposals and derecognitions, gross	(8,894)	(4,494)	-	-	-	(13,388)
Disposals and derecognitions, amortization	8,894	4,494	-	-	-	13,388
Carrying amount at 31 December 2019	35,168	137,694	18,132	6,983	1,739	199,716
Cost at 31 December 2019	64,187	175,096	49,356	6,983	5,003	300,625
Accumulated depreciation	(29,019)	(37,402)	(31,224)	-	(3,264)	(100,909)
Carrying amount at 31 December 2019	35,168	137,694	18,132	6,983	1,739	199,716

* CSAC – Capitalized Subscribers Acquisition Cost

16. Investment property

In 2019, the Company acquired a land plot of 20,397 m² from a related party for the acquisition price of GEL 29,582 thousand (USD 10 million). The land plot is situated on a prime location in the centre of Tbilisi. The acquired land plot has attached to it the right of construction of a building with 20,358 sq.m. The land purchase contract stipulates an additional contingent consideration of USD 10 million, payable in case approval for 60,000 sq.m. gross buildable area master plan (Development regulation plan) is received from the municipal authorities.

The Company may use a portion of the land plot for the purposes of constructing its head office. However, before the master plan is completed, the Group considers the future use of the land plot to be undefined and thus classifies the asset as an investment property. The fair value of investment property was determined by an external, independent property valuator and complies with covenants set forth by the terms and conditions of the issued Eurobonds.

The accounting policy adopted by the Group requires that the Group's investment property be measured at fair value (see note 28 (i)).

17. Inventories

'000 GEL	31 December 2019	31 December 2018
Spare parts and installation materials	6,523	10,373
Other	2,378	4,865
Mobile phones and accessories	1,131	1,903
Fuel	889	1,236
Optic cables	59	3,906
Total	10,980	22,283

18. Trade and other receivables

'000 GEL	31 December 2019	31 December 2018
Receivables from subscribers	17,148	16,922
Receivables from telecom operators	6,335	8,106
Other trade receivables	4,299	5,393
Total trade receivables	27,782	30,421
Prepaid expenses	5,086	7,455
Prepaid taxes	4,613	-
Total trade and other receivables	37,481	37,876

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 23.

19. Cash and cash equivalents

'000 GEL	31 December 2019	31 December 2018
Bank balances	74,012	8,762
Cash in transit	833	490
Cash on hand	17	10
Total cash and cash equivalents	74,862	9,262

The Group's exposure to interest rate, credit and currency risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

20. 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, 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	
	2019	2018
In issue at 1 January	68,171,901	68,171,901
Issued during the period	15,884,198	-
In issue at 31 December, fully paid	84,056,099	68,171,901
Authorised shares - par value	1	1

(b) Additional paid-in capital

In March 2018 the Company's shareholder Rhinestream Holdings Limited issued a loan of USD 17 million. The loan from the parent company was borrowed on non-market conditions due to which additional paid-in capital amounting to GEL 16,445 thousand arose (see note 21(b)). Additional paid-in capital was derecognised during 2019 because of earlier repayment of the subordinated loan.

In June 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 and will be charged to profit or loss through amortization of Geocell acquisition related loans. 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 year ended 31 December 2019, the Company did not declare any dividends.

In 2018 the Company declared dividends of GEL 39,863 thousand to its shareholder. This represented dividends of GEL 0.59 per share. As at 31 December 2019 dividends of GEL 1,043 thousand (2018: GEL 6,484 thousand (note 22)) are unpaid and included in trade and other payables.

(d) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows and long-term loans and borrowings. With these measures the Group aims for steady profits growth.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

21. 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. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 23.

'000 GEL	31 December 2019	31 December 2018
Eurobonds - non-current	554,954	-
Derivative financial instrument*– non-current	167	-
Secured bank loans – non-current	-	315,025
Unsecured local bonds - non-current	62,677	60,766
	617,798	375,791
Eurobonds - current	16,459	-
Secured bank loans – current	-	36,642
Unsecured local bonds – current	530	427
	16,989	37,069
Subordinated loan	-	30,546
	-	30,546
Total	634,787	443,406

* Cross-currency swap instrument at fair value through profit and loss (note 21(d)).

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2019	
				Face value	Carrying amount
Eurobond	USD	11%	2024	581,394	571,413
Unsecured local bonds	GEL	3.5% + refinancing rate	2022	34,481	34,481
Unsecured local bonds	USD	8.5%	2021	28,727	28,727
Derivative financial instrument*	GEL/USD	Note 21(d)	2024	167	167
Total loans and borrowings				644,769	634,787

* Cross-currency swap instrument at fair value through profit and loss (note 21(d)).

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2018	
				Face value	Carrying amount
Secured bank loans	USD	7.5%+ 6 month Libor rate	2025	268,738	261,497
Secured bank loans	USD	11%+ 6 month Libor rate	2025	26,876	26,876
Secured bank loans	GEL	12%	2024	37,630	37,630
Secured bank loans	GEL	11.7%	2024	25,664	25,664
Unsecured local bonds	USD	8.50%	2021	26,772	26,772
Unsecured local bonds	GEL	3.5 % + Refinancing rate	2022	34,421	34,421
Total loans and borrowings				420,101	412,860

(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 30 December 2019 was 111.72% per bond.

The Company has an option to redeem its Eurobonds in whole or in part at a redemption price and prior to the maturity date in accordance with specific provisions as disclosed in the Company’s prospectus for Eurobonds. In addition, the Company may redeem up to 35 per cent of the aggregate principal amount of the Eurobonds at a redemption price equal to 101 per cent with the net proceeds from one or more of the Company’s equity offerings.

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.

In May 2019, the Company has repurchased its Eurobonds with a nominal amount of USD 3,000 thousand at a price of 103.5%, with the resulting difference between the nominal and the market price of USD 105 thousand recorded as finance costs. In September 2019, the Company resold Eurobonds with a nominal amount of USD 400 thousand at an average of 108.76% per bond.

(c) Secured bank loan ("RCF")

In March 2019, the Company entered into a five-year agreement with the 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 31 December 2019 the credit facility was not used.

(d) Derivative financial instrument

In June 2019, the Company entered into a five-year cross-currency swap agreement with JSC TBC Bank 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 100,370 thousand as at 31 December 2019) 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 National Bank of Georgia; the deposit bears an interest rate of 3.1% plus six-month LIBOR rate. The deposit is restricted to withdrawal and is pledged to secure the bank loan. The Company has an obligation for the periodic mark-to-market settlements related to the deposit, if the exchange rate decreases below a rate used at initial conversion, so that at any point in time the amount of the deposit exceeds or be equal to the GEL loan amount.

Derivative financial instruments are recorded at their fair value through profit and loss at each reporting date. As at 31 December 2019, the fair value of the derivative financial instrument amounted to GEL 200 thousand. Change in fair value of the instrument is recorded in profit or loss. Fair value is estimated in accordance with Level 2 of the fair value hierarchy. As at 31 December 2019, the following significant assumptions were used in estimating fair value of the derivative instrument: refinancing rate of National Bank of Georgia was assumed to be stable at the level of 9%; cost of borrowing of the Company was assumed to be 11% based on TBC Bank's cost of financing which was estimated according to the yield to maturity (YTM) of TBC's Eurobond and data on financial institutions with a similar credit rating.

(e) Changes in liabilities arising from financing activities

'000 GEL	Dividends payable	Lease liabilities	Loans and borrowings	Total
Balance at 1 January 2019	6,484	58,719	443,406	508,609
Proceeds from borrowings	-	-	530,651	530,651
Repayment of borrowings	-	-	(359,520)	(359,520)
Repayment of subordinated loan	-	-	(30,326)	(30,326)
Loan refinancing fees paid	-	-	(7,262)	(7,262)
Interest paid	-	-	(49,773)	(49,773)
Net payments of other financial instruments at FVTPL	-	-	(1,280)	(1,280)
Repayment of subordinated loan interest	-	-	(4,989)	(4,989)
Eurobonds repurchase	-	-	(8,343)	(8,343)
Lease payments	-	(11,403)	-	(11,403)
Dividend paid	(5,441)	-	-	(5,441)
Total changes from financing cash flows	(5,441)	(11,403)	69,158	52,314
The effect of changes in foreign exchange rates	-	817	38,682	39,499
Other changes				
Interest expense	-	6,890	75,817	82,707
Bank commissions for early repayment of loans	-	-	7,262	7,262
Effect of change in other financial instruments at FVTPL*	-	-	1,447	1,447
Increase in share capital	-	-	(15,884)	(15,884)
Payments directly deducted from proceeds from Eurobonds	-	-	(10,411)	(10,411)
Eurobond transaction costs	-	-	9,050	9,050
Non-resident income tax paid	-	-	(162)	(162)
Income tax paid to resident individuals	-	-	(23)	(23)
Recognition of lease liabilities arising from lease contracts came into force during the period	-	5,391	-	5,391
Write-off of ROU and respective lease liability for terminated contracts	-	(2,797)	-	(2,797)
Total liability-related other changes	-	9,484	67,096	76,580
Total equity-related other changes (see note 20)	-	-	16,445	16,445
Balance at 31 December 2019	1,043	57,617	634,787	693,447

* Cross-currency swap instrument at Fair value through profit and loss.

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

'000 GEL	31 December 2019		31 December 2018	
	Non-current	Current	Non-current	Current
Payable for non-current assets	6,100	25,866	10,865	12,174
Payable to suppliers	-	19,445	-	33,705
Payable for licenses and broadcasting rights	6,001	11,371	7,300	24,381
Payable to other operators	-	6,297	-	7,132
Payable to employees	-	3,254	-	1,832
Other payables	-	1,147	-	1,032
Dividend payable	1,043	-	-	6,484
VAT and other tax liabilities	-	-	-	545
Total trade and other payables	13,144	67,380	18,165	87,285
Advances received related to IRU contracts	13,648	1,925	13,234	1,925
Advances received related to subscribers	1,014	20,024	1,249	20,567
Total contract liabilities from prepayments	14,662	21,949	14,483	22,492
Total	27,806	89,329	32,648	109,777

The Group's exposure to liquidity and currency risks and a sensitivity analysis for financial assets and liabilities is disclosed in note 23.

23. Fair values and financial risk management

(a) Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate 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. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

(i) Risk management framework

The Board of Directors together with the Supervisory Board has overall responsibility for establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies and reporting regularly to the shareholder on its activities.

The Group's risk management approaches are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management approaches and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The supervisory board oversees the adequacy of risk management measures adopted by the Group.

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 loans receivable, trade receivables and bank balances.

The maximum exposure to credit risk for recognised financial assets and unrecognised commitments at the reporting date was as follows:

'000 GEL	31 December 2019	31 December 2018
Trade receivables	27,782	30,421
Cash and cash equivalents	74,845	9,252
Recognized financial assets	102,627	39,673

Trade and other receivables and contracts costs

Credit risk is managed by assessing the creditworthiness of the customers before the Group's standard payment and service terms and conditions are offered. No collateral in respect of trade and other receivables is generally required.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main component of this allowance is a collective loss component. The Group's trade receivables are mainly from the domestic retail customers. The Group does not have a significant concentration of customers.

Impairment losses

The impairment loss allowances of trade and other receivables per risk groups are as follows:

	ECL for corporate customers			ECL for individual customers		
	Gross carrying amount	Impairment loss allowance	Credit-impaired	Gross carrying amount	Impairment loss allowance	Credit-impaired
31 December 2019						
Current	-	-	No	10,949	-	No
1-30 past due	15,722	241	No	339	-	No
31-90 days past due	1,086	289	No	-	-	No
91-180 days past due	696	553	No	-	-	No
More than 180 days past due	16,099	16,026	Yes	2,318	2,318	Yes
Total	33,603	17,109		13,606	2,318	

	ECL for corporate customers			ECL for individual customers		
	Gross carrying amount	Impairment loss allowance	Credit-impaired	Gross carrying amount	Impairment loss allowance	Credit-impaired
31 December 2018						
Current	-	-	No	13,156	-	No
1-30 past due	14,724	178	No	-	-	No
31-90 days past due	1,880	312	No	-	-	No
91-180 days past due	884	562	No	-	-	No
More than 180 days past due	13,786	13,301	Yes	1,887	1,542	Yes
Total	31,274	14,353		15,043	1,542	

The movements in provision for impairment of trade and other receivables were as follows:

'000 GEL	2019	2018
At 1 January	(15,895)	(14,370)
Charge for the year (note 11)	(4,188)	(2,638)
IFRS 9 effect on receivables	-	(768)
Reversal of amounts written off during the year as uncollectible	656	1,881
At 31 December	(19,427)	(15,895)

An impairment rate of 100% was applied to gross trade and other receivables from retail customers overdue by more than 180 days, with lower impairment rates applied for risk categories of trade and other receivables that are overdue for shorter periods. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Bank balances

The cash and cash equivalents are mainly held with Georgian banks with a short term issuer default rating of BB-, based on Fitch Rating. The Group does not expect any counterparty to fail to meet its obligations.

(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.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2019

'000 GEL	Carrying amount	Total	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities							
Loans and borrowings	634,787	923,451	-	1,679	71,249	850,523	-
Lease liability	57,617	79,079	-	-	13,036	51,748	14,295
Trade and other payables	80,524	83,284	50,338	4,855	9,869	11,320	6,902
Total	772,928	1,085,814	50,338	6,534	94,154	913,591	21,197

31 December 2018

'000 GEL	Carrying amount	Total	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities							
Loans and borrowings	412,860	583,862	-	13,103	63,959	391,102	115,698
Subordinated loan	30,546	80,214	-	-	-	-	80,214
Promissory notes	37,286	42,826	-	-	-	42,826	-
Trade and other payables	105,450	109,634	43,707	10,930	33,556	21,441	-
Total	586,142	816,536	43,707	24,033	97,515	455,369	195,912

(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 31 December 2019, the Group's exposure to currency risk is mainly attributable to USD-denominated Eurobonds issued during the year 2019.

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

	USD-denominated 31 December 2019	USD-denominated 31 December 2018
'000 GEL		
Bank balances	53,283	126
Trade and other receivables	5,898	6,965
Trade and other payables	(43,390)	(50,956)
Loans and borrowings	(499,769)	(315,145)
Subordinated loan	-	(30,546)
Net exposure	(483,978)	(389,556)

	EUR-denominated 31 December 2019	EUR-denominated 31 December 2018
'000 GEL		
Trade and other receivables	1,892	1,592
Trade and other payables	(18,649)	(15,018)
Net exposure	(16,757)	(13,426)

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

in GEL	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
USD 1	2.8192	2.5345	2.8677	2.6766
EUR 1	3.1553	2.9913	3.2095	3.0701

Sensitivity analysis

A reasonably possible strengthening/(weakening) of GEL, as indicated below, against the USD as at 31 December 2019 and 2018 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)
31 December 2019				
USD (10% movement)	-	48,398	-	(48,398)
EUR (10% movement)	-	1,676	-	(1,676)
31 December 2018				
USD (10% movement)	-	38,956		(38,956)
EUR (10% movement)	-	1,343	-	(1,343)

Exposure to interest rate risk

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

'000 GEL	Carrying amount	
	31 December 2019	31 December 2018
Fixed rate instruments		
Financial liabilities	600,263	120,612
	600,263	120,612
Variable rate instruments		
Financial liabilities	34,524	322,794
	34,524	322,794

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial instruments as fair value through profit fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an 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 345 thousand. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

24. Contingencies and commitments

(a) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred. These circumstances may create tax risks in Georgia that are more significant than in 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(b) Litigation

In the ordinary course of business, the Group is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

25. Related parties

(a) Parent and ultimate controlling party

The Company's immediate parent is Silknet Holding LLC. The Company is ultimately controlled by an individual, Giorgi Ramishvili. No publicly available financial statements as at 31 December 2019 and 31 December 2018 are produced by the Company's immediate parent or ultimate controlling party.

(b) Key management remuneration

Key management received the following remuneration during the year:

'000 GEL	2019	2018
Salaries	2,658	2,067
Bonuses	2,530	4,134
	5,188	6,201

(c) Other related party transactions

'000 GEL	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2019	2018	2019	2018
Loans issued:				
Other related party	-	586	-	-
Other operating expenses:				
Other related party	107	2,189	-	-
Entities under common control	3,345	1,067	(153)	(95)
Subordinated debt:				
Parent company (note 20 (a))	35,315	44,486	(1)	(30,546)
Fuel and lubricants used:				
Entities under common control	2,453	1,191	(146)	(353)
Investment property acquisition:				
Entities under common control	29,582	-	-	-
Purchase of goods and services from subsidiaries:				
Marketing	78	78	(5)	-
Charity	727	706	-	-

During 2019, the Company acquired a land plot from a related party for GEL 29,582 thousand (USD 10 million (see note 16)).

During 2018 the Company has received a guarantee on market terms from an entity under common control amounting USD 13 million, the guarantee extinguished upon a payment by the Company in 2019.

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.

26. Subsidiaries

Subsidiary	Country of incorporation	31 December 2019	31 December 2018
		Ownership/voting	Ownership/voting
Qarva LLC	Georgia	51%	51%
Silk Media LLC	Georgia	100%	-
Novus LLC	Georgia	100%	100%
NG Georgia N(N)LE	Georgia	100%	100%
Wounded Warrior Support Fund N(N)LE	Georgia	100%	100%

In 2019, Silknet and Euronews signed a memorandum of understanding with respect to Euronews Georgia, a free to air news channel that will be made in Georgian language. For this purpose, Silknet established Silk Media LLC., a 100%-owned subsidiary. Euronews will be in charge of Euronews Georgia's editorial policy and nominate its news director. Euronews will share its content with Euronews Georgia, while the latter will prepare certain local content which will be shared with Euronews.

27. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the identifiable net assets of the subsidiaries that are measured at fair value at the acquisition dates. This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in note 5.

28. Significant accounting policies

The accounting policies set out below have been applied consistently (except for those, mentioned in note 5) to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Revenues

Revenue is recognized when the Group satisfies a performance obligation by transferring the promised service to a customer. When a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price, which excludes amounts collected on behalf of third parties and estimates of variable consideration that are constrained, that is allocated to that performance obligation.

The Group has the following main revenue streams: mobile callout service, internet and pay TV services, mobile data services, fixed line and wireless telephone services, which mainly consists of connection, airtime usage and monthly subscription fees, interconnect services and rent of lines, roaming revenue, revenue from phone sales and accessories and other revenues. Revenue is recognized net of credits and adjustments for service discounts, value-added and excise taxes.

Mobile callout: revenue is recognized based on the actual airtime used by the subscribers for mobile phone calls. In relation to prepaid subscribers, the unused airtime is not recognized as revenue until the related service has been provided to the subscriber or the prepaid subscription is expired.

Fixed broadband and pay TV: revenue from fixed broadband and pay TV services primarily consists of monthly fixed charges for usage of an internet connection and pay TV services and is recognized as the service is provided.

Mobile data: revenue from each subscriber for data services. This revenue is recognised as the service is provided.

Fixed line and wireless telephones: revenue for airtime usage and connection fees by contract customers are recognized as revenue as services are performed, based upon minutes of use and contracted fees, with unbilled revenue resulting from services already provided accrued at the end of each month and unearned revenue from services to be provided in future periods deferred. Monthly subscription fee is recognised as revenue in the month when service is provided to the subscriber.

Interconnect services: access charges for interconnect services are earned from other telecommunications operators for traffic terminated on the Group's network under agreements, which also regulate the Group's use of the other operators' networks. Revenue from interconnect fees is recognized at the time the services are performed.

Facility rental service from IRU contracts: revenue from rent of lines consists of monthly fixed charges for usage of the cable network of the Group. This revenue is recognised as the service is provided. See note 27(l).

Roaming revenues: revenue from other carriers for non-Silknet subscribers utilising Silknet's voice, SMS and data services. The Company recognises such revenues when the services are provided.

Revenues from phone sales and accessories: revenue is recognized when the equipment passes to the end customer.

Other revenues: the revenue recognition policy for other revenues (including SMS, MMS and other value added services) is to recognise revenue as services are provided.

Significant payment terms: for all post paid services subscribers make payments on a monthly basis.

(c) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognized as it accrues in profit or loss, using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(e) Income tax

Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law will become effective at a later date.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholder as a dividend. However some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution.

Set off the tax payable on dividends declared and paid is available for the corporate income tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The Group considers the taxation of such transaction as outside of the scope of IAS 12 *Income Taxes* and accounts for the tax on such items as taxes other than on income.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for land, are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

• buildings and facilities	25 -50 years;
• machinery and equipment	3-20 years;
• vehicles, furniture and fixture	3-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of certain items of property and equipment were revised in 2019 (see Note 14(g)).

(h) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets primarily include telecommunication operating licenses, computer software licences and capitalized broadcasting rights.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value. Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for intangible assets for the current and comparative periods varies from 3 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate

(i) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. When measuring the fair value of investment property in accordance with IFRS 13, an entity ensures that the fair value reflects, among other things, assumptions that market participants would use when pricing the investment property under current market conditions.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(j) Financial instruments

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 and 180 days past due according to the type of receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(iii) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) *Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(v) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) *Impairment*

(i) *Non-derivative financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- economic conditions that correlate with defaults.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset and its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Credit related commitments

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(m) Leases

The Group has adopted IFRS 16 Leases from 1 January 2019. The Group chooses to use a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The details of accounting policy are disclosed in note 5 (changes in accounting policies).

(n) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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