Georgian Renewable Power Operations JSC

Condensed interim consolidated financial statements for the six months ended

30 June 2024 (unaudited)

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As at 30 June 2024

(Amounts expressed in thousands of Georgian Lari)

	Note	30 June 2024	31 December 2023
Assets			
Non-current assets			
Property, plant and equipment	6	249,125	242,571
Right-of-use assets		1,078	1,056
Other non-current assets		3,823	3,311
Total non-current assets		**254,026**	**246,938**
Current assets			
Trade and other receivables	7	3,596	2,484
Prepaid taxes other than income tax		1,263	693
Other current assets		2,492	2,365
Cash at bank	17	16,078	23,821
Tota current assets		**23,429**	**29,363**
Total assets		**277,455**	**276,301**
Equity			
Share capital	8	232	232
Additional paid-in capital		148,513	148,513
Accumulated losses		(54,950)	(57,386)
Other reserves	8	(38,599)	(41,456)
Total equity		**55,196**	**49,903**
Liabilities			
Non-current liabilities			
Borrowings and bonds issued	9	216,506	220,006
Lease liabilities		936	903
Other non-current liabilities		434	420
Total non-current liabilities		**217,876**	**221,329**
Current liabilities			
Borrowings and bonds issued	9	3,513	3,367
Trade and other payables	10	758	1,590
Lease liabilities		112	112
Total current liabilities		**4,383**	**5,069**
Total liabilities		**222,259**	**226,398**
Total liabilities and equity		**277,455**	**276,301**

Approved for issue and signed on behalf of Georgian Renewable Power Operations JSC on 15 August 2024

Zurab Gordeziani
Chief Executive Officer

Nana Mshvidobadze
Chief Financial Officer

Interim consolidated statement of financial position

As at 30 June 2024

(Amounts expressed in thousands of Georgian Lari)

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Approved for issue and signed on behalf of Georgian Renewable Power Operations JSC on 15 August 2024

Zurab Gordeziani
Chief Executive Officer

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Chief Financial Officer

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim consolidated financial statements

Interim consolidated statement of profit or loss and other comprehensive income

For the six month ended 30 June 2024

(Amounts expressed in thousands of Georgian Lari)

	Note	*1H24*	*1H23*
Revenue from electric power sales	11	20,621	15,427
Total revenue and gains		**20,621**	**15,427**
Electricity and transmission costs		(1,551)	(846)
Salaries and other employee benefits	12	(807)	(722)
Taxes other than income tax		(830)	(903)
Other general and administrative expenses		(118)	(198)
Professional fees	13	(205)	(226)
Raw materials, fuel and other consumables		(150)	(174)
Maintenance expenditure		(1,272)	(1,247)
Other operating expenses	14	(422)	(710)
		(5,355)	**(5,026)**
EBITDA*		**15,266**	**10,401**
Finance income		218	15
Finance costs	15	(7,581)	(7,451)
Net foreign exchange loss		(262)	(16)
Depreciation and amortisation	6	(4,857)	(4,576)
Non−recurring expenses, net		(348)	(1,418)
Loss before income tax expense		**2,436**	**(3,045)**
Income tax expense		-	-
Loss for the period		**2,436**	**(3,045)**
Other comprehensive loss			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Exchange differences arising on translation to presentation currency		2,857	(525)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**2,857**	**(525)**
Other comprehensive loss for the period		**2,857**	**(525)**
Total comprehensive loss for the period		**5,293**	**(3,570)**

* For the purposes of issued bonds' terms and conditions, subsidiary shall not include the Issuer's indirect subsidiary Darchi LLC under any circumstances, as the Group plans the spin-off of Darchi LLC in the future. Darchi LLC's total debt, lease liabilities, cash and cash equivalents and half year EBITDA is GEL 8,199, GEL 621, GEL 194 and GEL (8), respectively.

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim consolidated financial statements

Interim consolidated statement of changes in equity

For the six month ended 30 June 2024

(Amounts expressed in thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Other reserves*	*Accumulated losses*	*Total equity*
Balance as at 31 December 2022	**232**	**148,513**	**(41,641)**	**(58,995)**	**48,109**
Profit for the year				1,609	**1,609**
Other comprehensive income	-	-	185	-	**185**
Total comprehensive income for the year	-	-	**185**	**1,609**	**1,794**
Balance as at 31 December 2023	**232**	**148,513**	**(41,456)**	**(57,386)**	**49,903**
Profit for the period	**-**	**-**	-	2,436	**2,436**
Other comprehensive income	**-**	**-**	2,857	-	**2,857**
Total comprehensive income for the period	**-**	**-**	**2,857**	**2,436**	**5,293**
Balance as at 30 June 2024	**232**	**148,513**	**(38,599)**	**(54,950)**	**55,196**

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim consolidated financial statements

Interim consolidated statement of cash flows

For the six month ended 30 June 2024

(Amounts expressed in thousands of Georgian Lari)

	Note	*1H24*	*1H23*
Cash flows from operating activities			
Receipts from customers		19,485	13,710
Payments to suppliers		(4,088)	(4,994)
Payments to employees		(771)	(669)
Taxes paid		(1,350)	(1,362)
Net cash from operating activities		**13,276**	**6,685**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(871)	(251)
Interest received		103	45
Net cash (used in) from investing activities		**(768)**	**(206)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		-	23
Proceeds from borrowings and debt securities issued	9	532	256
Repayment of borrowings and debt securities issued	9	(13,679)	-
Interest paid	9	(7,382)	(7,219)
Net cash used in financing activities		**(20,529)**	**(6,940)**
Effect of exchange rate changes on cash and cash equivalents		278	(447)
Net change in cash and cash equivalents		**(7,743)**	**(908)**
Cash and cash equivalents at the beginning of period	17	23,821	12,370
Cash and cash equivalents at the end of period	17	**16,078**	**11,462**

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim consolidated financial statements

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

Georgian Renewable Power Operations JSC ("GRPO" or the "Company") is a joint stock company incorporated on 28 June 2022. The Company is a holding entity of a group of companies incorporated and domiciled in Georgia (the "Group"). The registered office of the Company is located at 10 Medea (Mzia) Jugheli Str., 0179, Tbilisi, Georgia. The Company is a part of a larger group − Georgia Capital JSC ("GCAP"), which is a Georgia−based investment entity holding investments in various subsidiaries in Georgia.

The Group's business represents a platform for operating hydro power plants ("HPPs") and wind power plant ("WPP") across the country. The business operates commissioned renewable assets with 71MWs of installed capacity in aggregate: 30MW Mestiachala 2 HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP.

As at 30 June 2024 and 31 December 2023, the Company is fully owned by Georgian Renewable Power Holding JSC ("GRPH" or the "Parent"), which is under 100% ownership of GCAP. GCAP is wholly owned by Georgia Capital plc (the "Ultimate Parent"), an entity incorporated in England and listed on London Stock Exchange.

In October 2022 GRPO closed USD 80 million green secured bond offering listed on Georgian Stock Exchange.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements (the "consolidated financial statements") for the six months ended 30 June 2024 were prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The consolidated financial statements have been prepared on a historical cost basis, except for trading financial assets measured at fair value through profit or loss. The consolidated financial statements are presented in Georgian Lari (the "GEL") and all values are rounded to the nearest thousand, unless otherwise indicated. These consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation and comparable information

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Information about subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

	Country of incorporation	*Date of acquisition/ incorporation*	*30 June 2024*	*31 December 2023*
Svaneti Hydro LLC ("SH")	**Georgia**	**20 April 2017**	**100%**	**100%**
Hydrolea LLC ("HYDL")	**Georgia**	**28 October 2019**	**100%**	**100%**
Geoenergy LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Hydro Georgia LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Kasleti 2 LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Darchi LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Qartli Wind Farm LLC ("QWF")	**Georgia**	**31 December 2019**	**100%**	**100%**
GRPC Trade LLC	**Georgia**	**13 May 2022**	**100%**	**100%**

3. Operating environment

The Group's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well−developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets, including the risk that the Georgian Lari is not freely convertible outside the country, there are currency exchange fluctuation risks, debt and equity markets are not well developed. However, over the last few years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation, including new Tax Code and procedural laws. In the view of the Management, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the developed countries.

4. Summary of significant accounting policies

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

5. Significant accounting judgements and estimates

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

Impairment of property, plant and equipment

For the six month ended 30 June 2024 and year 2023 the Group analysed property, plant and equipment impairment or recovery indicators. Management found no indications of potential impairment of property, plant and equipment nor recovery of previously recognized impairment, except as in relation to an impairment due to physical damage or loss event. In case of any impairment as a result of physical damage or destruction of assets, the Group assesses the extent of such damage for each individual item and writes−off respective items of the property, plant and equipment that are no longer usable. Such assessment requires judgment in determination whether the assets can be usable.

(Amounts expressed in thousands of Georgian Lari)

Measurement of reimbursement assets

Significant judgment is required to assess whether an insurance reimbursement for a loss event is virtually certain and whether recognition of respective insurance claim receivable is appropriate, as well as in the measurement of the insurance claim receivable at the reporting date.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

6. Property, plant and equipment

	Land plots	*Buildings*	*Energy infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Gross carrying amount							
31 December 2022	**1,095**	**65,446**	**209,925**	**802**	**1,046**	**5,794**	**284,108**
Additions	-	138	348	19	69	1,580	**2,154**
Disposals and write-offs	-	(3)	-	-	(348)	(523)	**(874)**
Transfer between categories	-	800	1,263	7	-	(2,070)	**-**
Currency translation	(7)	(424)	(1,361)	(6)	(6)	(38)	**(1,842)**
31 December 2023	**1,088**	**65,957**	**210,175**	**822**	**761**	**4,743**	**283,546**
Additions	-	-	-	-	-	796	**796**
Write-off	-	6	-	-	-	(6)	**-**
Currency translation	48	2,930	9,336	37	34	210	**12,595**
30 June 2024	**1,136**	**68,893**	**219,511**	**859**	**795**	**5,743**	**296,937**
Accumulated depreciation and impairment							
31 December 2022	**-**	**7,121**	**24,742**	**81**	**153**	**-**	**32,097**
Depreciation charge	-	2,742	6,560	65	45	-	**9,412**
Currency translation	**-**	(118)	(412)	(1)	(3)	**-**	**(534)**
31 December 2023	**-**	**9,745**	**30,890**	**145**	**195**	**-**	**40,975**
Depreciation charge	**-**	**1,421**	**3,281**	**46**	**100**	**-**	**4,848**
Currency translation	**-**	**471**	**1,502**	**7**	**9**	**-**	**1,989**
30 June 2024	**-**	**11,637**	**35,673**	**198**	**304**	**-**	**47,812**
Net book value							
31 December 2022	**1,095**	**58,325**	**185,183**	**721**	**893**	**5,794**	**252,011**
31 December 2023	**1,088**	**56,212**	**179,285**	**677**	**566**	**4,743**	**242,571**
30 June 2024	**1,136**	**57,256**	**183,838**	**661**	**491**	**5,743**	**249,125**

As at 30 June 2024 and 31 December 2023, the Group pledged all its property, plant and equipment as collateral for its bonds issued.

(Amounts expressed in thousands of Georgian Lari)

7. Trade and other receivables

	30 June 2024	*31 December 2023*
Current		
Trade receivables from electric power sales	3,596	2,484
Total restructured trade receivables, net	**3,596**	**2,484**

As at 30 June 2024, carrying amount of trade and other receivables equals to GEL 3,596 (31 December 2023: GEL 2,484). Carrying amounts approximate fair values due to their short−term maturities. All trade and other receivables are current and related to revenue from electric power sales.

8. Equity

Share Capital

As at 30 June 2024 and 31 December 2023 share capital as presented in these consolidated financial statements comprised of GEL 232.

As at 30 June 2024 and 31 December 2023 authorized share capital of the Company comprised of 200,000,000 ordinary shares. Issued share capital of the Company comprised of 232,000 ordinary shares as of 30 June 2024 and 31 December 2023. Each share has a nominal value of 1 (one) GEL.

Dividends

In 2024 half year and in 2023 no dividends were declared and paid.

Other reserves

Other reserves reflect unrealised gains/(losses) from foreign currency translation reserve. Movements in other reserves for the six month ended 30 June 2024 and year 2023 are largely attributed to other comprehensive (loss)/income for the period/year related to currency translation reserve.

Management of capital

The Group’s objectives when managing capital are:

- To safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain sufficient size to make the operation of the Group cost−efficient.

To achieve these goals the Group performs a detailed analysis of capital structure considering the cost of borrowed funds and level of own capital available. The Group defines capital for capital management purposes as equity, borrowings and bonds issued recognized in the consolidated financial statements. There were no changes in the objectives, policies or processes for managing capital as of six months ended 30 June 2024 and year 2023.

9. Borrowings and allocated debt securities issued

	30 June 2024		*31 December 2023*	
	Current liabilities	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*
Green bonds issued	3,513	208,016	3,367	212,703
Loans from related parties	-	8,490	-	7,303
Total borrowings	**3,513**	**216,506**	**3,367**	**220,006**

On 12 October 2022, GRPO issued US Dollar 80 million green bonds. The bonds are US Dollar−denominated with a 5−year non−call 2−year bullet maturity and carry a 7.00% coupon rate. The Green bonds are listed on the Georgian Stock Exchange. The bonds were issued and sold at par value. The Green bonds are secured by all of the Group’s property. In January 2024, the Group repurchased and cancelled US Dollar 5.1 million and of its US Dollar 80 million green bonds. The debt balance of as at 30 June 2024 is US Dollar 74.9 million.

(Amounts expressed in thousands of Georgian Lari)

As of 30 June 2024, the Group's borrowings from entity under common control related to Darchi HPP project are denominated in USD with a fixed interest rate of 10% and with average maturity of 1 years (31 December 2023: fixed interest rate of 10% with average maturity of 2 years). The Group withdrew additional GEL 2,618 (USD 1,000) from credit limit in 2023. As at 30 June 2024 and 31 December 2023 no undrawn loan commitment is left available to the Group. The borrowing is related to the development of the Darchi HPP project.

For six month 2024 the Group incurred borrowings costs of GEL 7,852 (for six month 2023: GEL 7,562) of which GEL 271 (for six month 2023: GEL 232) has been capitalized to property, plant and equipment.

Changes in liabilities arising from financial activities

	Borrowings	*Green Bond Issued*	*Lease liabilities*	*Total*
Carrying amount at 31 December 2022	**4,149**	**216,564**	**1,102**	**221,815**
Foreign currency translation	(41)	(1,092)	(78)	**(1,211)**
Cash proceeds	2,618	-	-	**2,618**
Cash repayments	-	-	(9)	**(9)**
Interest accrued	577	15,214	146	**15,937**
Interest paid	-	(14,616)	(146)	**(14,762)**
Carrying amount at 31 December 2023	**7,303**	**216,070**	**1,015**	**224,388**
Foreign currency translation	309	9,004	38	**9,351**
Cash proceeds	532	-	-	**532**
Cash repayments	-	(13,669)	(5)	**(13,674)**
Interest accrued	346	7,433	73	**7,852**
Interest paid	-	(7,309)	(73)	**(7,382)**
Carrying amount at 30 June 2024	**8,490**	**211,529**	**1,048**	**221,067**

10. Trade and other payables

	30 June 2024	*31 December 2023*
Trade payables	703	1,492
Payables to employees	55	98
Total trade and other payables	**758**	**1,590**

Trade and other payables are non−interest bearing and are normally settled within 60 days.

11. Revenue from electric power sales

	30 June 2024	*30 June 2023*
Revenue from electric power sales to ESCO	11,218	9,704
Revenue from electric power sales to legal entities	9,399	5,723
Total revenue from electric power sales	**20,617**	**15,427**

12. Salaries and other employee benefits

	30 June 2024	*30 June 2023*
Salaries	731	653
Bonuses	76	69
Total salaries and benefits	**807**	**722**

(Amounts expressed in thousands of Georgian Lari)

13. Professional fees

	30 June 2024	*30 June 2023*
Legal and other professional fees	164	143
Consulting expenses	41	83
Total professional fees	**205**	**226**

14. Other operating expenses

	30 June 2024	*30 June 2023*
Insurance expense	288	464
Rent expenses related to short−term leases	94	14
Charity expenses	73	41
Maintenance expenditure	44	44
Other (income)/expenses, net	(77)	147
Total other operating expenses	**422**	**710**

15. Finance costs

	30 June 2024	*30 June 2023*
Interest expenses on borrowings and issued bonds measured at effective interest rate method	7,507	7,367
Interest expenses on lease liability	72	82
Bank fees and charges	2	2
Total finance costs	**7,581**	**7,451**

16. Commitments and contingencies

Commitments

As at 30 June 2024 and 31 December 2023 certain entities of the Group (Qartli Wind Farm LLC, Svaneti Hydro JSC, Kasleti 2 LLC, Hydro Georgia LLC – expired in December 2023) have active agreements with Electricity System Commercial Operation (ESCO) on the guaranteed purchase of electric power generated by these entities for the period from eight to fifteen years. Hydro Georgia HPP power purchase agreement has expired in December 2023, since then this company sells generated electricity on the open market. In accordance with the agreements, the companies are obliged to sell the produced electricity to ESCO during winter months (September to April), except for Qartli Wind Farm LLC, which on top of this obligation has an option of sell electricity to ESCO for a full year. The expiration dates for respective power purchase agreements are as follows:

- Mestiachala 2 HPP− April 2034
- Kasleti 2 HPP− September 2028
- Qartli Wind Farm WPP− January 2030

Guaranteed prices vary from 5.5 to 6.5 USD cents per 1 kWh.

Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement position of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. The Group does not have any decommissioning, restoration or similar obligations.

Taxation

In Georgia, tax returns remain open and subject to inspection for a period of up to three years. If an understatement of a tax liability is detected as a result of an inspection, penalties and fines to be paid might be material in respect of the tax liability misstatement. The Group's management does not expect the outcome of the inspections to have a material impact on the Group's consolidated financial position or results of operations. Management believes that the Group has paid and accrued all taxes that are applicable.

17. Financial instruments

Financial instruments overview

Cash at bank

Cash at bank as at 30 June 2024 and 31 December 2023 includes the funds placed on current accounts in Georgian banks. All cash at bank balances are classified as current and not impaired.

Trade receivables

Trade receivables as at 30 June 2024 and 31 December 2023 are represented by short−term receivables from sales of electricity, due from ESCO and Georgian corporate customers. All trade receivables are classified as current and not impaired.

Risk arising from financial instruments

In the course of its ordinary activity the Group is exposed to interest rate, currency, credit and liquidity risks. The Group does not have any floating interest rate financial instruments and as such is not exposed to interest rate risk. The Group's management oversees the management of these risks.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

As at 30 June 2024 and 31 December 2023 the Group has no other significant financial assets subject to credit risk except for:

- Cash and cash equivalents: as at 30 June 2024 total cash and cash equivalents of GEL 16,078 (31 December 2023: GEL 9,865) was kept with Georgian banks having rating of "BB/bb−" from Fitch Ratings and invested in US treasuries in amount of nil (31 December 2023: GEL 13,956) having credit rating of AA+.
- Trade and other receivables (Note 7).

All cash and cash equivalents and trade and other receivable balances are classified as current and are not impaired. Due to short−term and (in respect of cash and cash equivalents) highly liquid nature of these financial assets, the Group has assessed corresponding expected credit losses to be immaterial. Therefore, no impairment is recognized for cash and cash equivalents and trade and other receivables under IFRS 9. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. The Group does not have an internal credit rating system for evaluation of credit rating of its trade and other receivables.

As at 30 June 2024 and 31 December 2023 carrying values of financial instruments best represent their maximum exposure to the credit risk.

(Amounts expressed in thousands of Georgian Lari)

18. Related parties disclosures

In accordance with IAS 24, Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's−length basis.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	30 June 2024	*31 December 2023*
	Entities under common control	*Entities under common control*
Assets		
Reimbursement asset	2,115	2,025
Borrowings as at 1 January	**7,303**	**4,149**
Proceeds from borrowings and interest and foreign currency translation accrued during the year	1,187	3,154
Borrowings at the end of the period/year	**8,490**	**7,303**

Key management personnel remuneration amounted to:

	30 June 2024	*30 June 2023*
Salaries and other short−term employee benefits	75	70
Cash bonus	30	35

19. Events after the end of reporting period

In July 2024, the Company repurchased and subsequently redeemed 190 of own issued Green bonds with principal amount of GEL 5,293 (USD 1,900).

Georgian Renewable Power Operations JSC

Interim managerial report for the six months ended

30 June 2024

Contents

Notes to the Interim managerial report

1. Corporate information

Georgian Renewable Power Operations JSC ("GRPO" or the "Company") is a joint stock company incorporated on 28 June 2022. The Company is a holding entity of a group of companies incorporated and domiciled in Georgia (the "Group"). The registered office of the Company is located at 10 Medea (Mzia) Jugheli Str., 0179, Tbilisi, Georgia. The Company is a part of a larger group - Georgia Capital JSC ("GCAP"), which is a Georgia-based investment entity holding investments in various subsidiaries in Georgia.

The Group's business represents a platform for operating hydro power plants ("HPPs") and wind power plant ("WPP") across the country. The business operates commissioned renewable assets with 71MWs of installed capacity in aggregate: 30MW Mestiachala 2 HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP.

As at 30 June 2024 and 31 December 2023, the Company is fully owned by Georgian Renewable Power Holding JSC ("GRPH" or the "Parent"), which is under 100% ownership of GCAP. GCAP is wholly owned by Georgia Capital plc (the "Ultimate Parent"), an entity incorporated in England and listed on London Stock Exchange.

As at 30 June 2024 and 31 December 2023 the subsidiaries of the Group are presented in the table below:

	Country of incorporation	*Date of acquisition/incorporation*	*30 June 2024*	*31 December 2023*
Svaneti Hydro JSC ("SH")	**Georgia**	**20 April 2017**	**100%**	**100%**
Hydrolea LLC ("HYDL")	**Georgia**	**28 October 2019**	**100%**	**100%**
Geoenergy LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Hydro Georgia LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Kasleti 2 LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Darchi LLC	*Georgia*	*28 October 2019*	*100%*	*100%*
Qartli Wind Farm LLC ("QWF")	**Georgia**	**31 December 2019**	**100%**	**100%**
GRPC Trade LLC	**Georgia**	**13 May 2022**	**100%**	**100%**

2. Operating environment

The Group's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well−developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets, including the risk that the Georgian Lari is not freely convertible outside the country, there are currency exchange fluctuation risks, debt and equity markets are not well developed. However, over the last few years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation, including new Tax Code and procedural laws. In the view of the Management, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the developed countries.

3. Business Overview

The Group's business represents a platform for operating hydro power plants ("HPPs") and wind power plant ("WPP") across the country. The business operates commissioned renewable assets with 71MWs of installed capacity in aggregate: 30MW Mestiachala 2 HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP. The latter two assets represent successful acquisitions made by the business at the end of 2019, while the Mestiachala 2 HPP was built and commissioned by GCAP's renewable energy business in 2019. Power plants (except for the Akhmeta HPP and Debeda HPP) benefit from long-term power purchase agreements (the "PPAs") formed with the Electricity System Commercial Operator ("ESCO"), resulting in predictable dollar-linked cash flows, as PPAs are fixed in US dollars.

4. Definitions of key financial indicators

The main source of revenue of JSC "GRPO" is the production and sale of electricity. In US$ terms, revenue in HY24 increased by 26.1%. In GEL terms, which reflects the impact of GEL's depreciation against US$ by ~7.3% y-o-y, HY24 revenue was increased by 33.6% y-o-y. Electricity generation of the Group power plants reached 134,039 MWh in HY24, increased by 26.7% y-o-y, higher generation was mainly attributable to the resumption of operations of two power-generating units of Hydrolea HPPs. In HY24 average electricity selling prices decreased by 0.5% y-o-y, to 5.61 USc/KWh, around 47% of electricity sales were covered by PPA contracts (HY23: 63%).

Generations during HY24 and HY23 are presented below:

	HY24	*HY23*
30MW Mestiachala HPP		
PPA	9,086	4,390
Non-PPA	28,154	31,201
	37,240	**35,591**
21MW Qartli wind farm		
PPA	39,330	42,707
Non-PPA	-	-
	39,330	**42,707**
20MW Hydrolea HPPs		
PPA	8,561	12,877
Non-PPA	48,908	14,624
	57,469	**27,501**
Total During HY	**134,039**	**105,799**

In HY24 operating expenses incurred by the Group increased by 6.5% (to 5,355 thousand GEL) mainly reflecting the electricity and transmission costs incurred due to electricity export in the Republic of Türkiye. EBITDA in HY24 increased by 47% (reaching 15,266 thousand GEL), mainly due to higher generation mainly attributable to the resumption of operations of two power-generating units of Hydrolea HPPs.

Bond issuance

In October 2022 GRPO closed USD 80 million green secured bond offering listed on Georgian Stock Exchange and issued intercompany loans to the subsidiaries.

The Company pays the bond coupon twice a year, which is paid by withdrawing interest payables from the abovementioned intercompany loans. The main source of GRPO's cash inflow is from operating subsidiaries production and sale of electricity.

Corporate governance reporting

5. Governing Body and Management

Under the Law on Entrepreneurs and the Charter, shareholders are authorised to pass resolutions, inter alia, on the following issues at a GMS:

- changing the share capital of the Issuer;
- approval of amendments to the Charter;
- liquidation of the Issuer;
- any merger, division or transformation of the Issuer into another legal entity;
- full or partial cancellation of pre-emptive rights during an increase of share capital;
- approval of proposals by Supervisory Board and/or CEO regarding distributions of profits;
- election and dismissal of the members of the Supervisory Board and determination of its members' term of service;
- approval of the reports of the Supervisory Board and the CEO;
- acquisition, sale, transfer, exchange or encumbrance (whether through a single transaction or a series of related transactions) of the Issuer's assets, with a value exceeding GEL 20,000,000 (twenty million);
- approval of the annual accounts of the Issuer;
- election and/or dismissal of an external auditor; and
- other matters provided by the Law on Entrepreneurs and the Charter.

Supervisory Board

The Supervisory Board shall consist of at least three members, each of whom is elected by shareholders at the GMS. The Supervisory Board members are required to act in the best interests of the Issuer and its business when performing their duties.

The responsibilities of the Supervisory Board, inter alia, include:

- appointing and dismissing the CEO and controlling his/her activities;
- approving and amending the Issuer's policies and other regulatory documentation;
- inspecting the Issuer's accounts and property, personally or with the help of invited experts;
- requesting reports of the Issuer's activities from the CEO (including information concerning related companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- convening extraordinary general meetings, if necessary;
- reviewing annual reports and the proposals on profit distribution;
- approving the annual budget;
- other matters provided by the Law on Entrepreneurs and the Charter.

In accordance with the Law of Georgia on the Securities Market, GRPO, as a reporting entity, has set up an audit committee that controls accuracy of financial reports of the Issuer and ensures the efficiency of internal control systems. The audit committee was established on 23 September 2022 and its chairperson is an independent member of the Supervisory Board.

6. The process of preparing consolidated financial statements

The reporting and budgeting department is responsible for the preparation of consolidated financial statements. The department should provide not only a presentation of the group's financial performance, but also a description of its activities, operating environment and accounting policies. The consolidated financial statements of the group are approved by the financial and general directors. Consolidated financial statements are submitted for approval to external audit representatives who, after closing the financial year, carry out an examination of GRPO’s procedures, documentation and consolidated financial indicators.

A non-financial Report

7. Non-financial indicators

During HY24, the wind and hydropower plants included in the Group produced a total of 134 gigawatt hours of electricity. Approximately 47% of electricity sales during HY24, were covered by long-term fixed-price power purchase agreements (PPAs) formed with a government-backed entity. During HY24 and HY23, operational hydro power plants and wind power plant of the Group showed the availabilities set below in availability factor table, metric shows how efficiently the power plant is operating and how often are there unscheduled stoppages over a period of time. Availability is calculated based on the power plant hours worked divided by the full working time, excluding time spent due to planned maintenance.

Availability factor table

	HY24	HY23
HPPs		
Mestiachala 2	92.54%	98.35%
Akhmeta	94.86%	99.84%
Debeda	97.18%	99.80%
Kasleti 2	97.11%	99.46%
WPP		
Qartli wind farm	93.82%	96.22%

8. Main risks and mechanisms for their management

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

As at 30 June 2024 and 31 December 2023, the Company has no other significant financial assets subject to credit risk except for:

- Cash and cash equivalents: as at 30 June 2024 total cash and cash equivalents of GEL 16,078 (31 December 2023: GEL 9,865) was kept with Georgian banks having rating of “BB/bb−” from Fitch Ratings and invested in US treasuries in amount of nil (31 December 2023: GEL 13,956) having credit rating of AA+.

All cash and cash equivalents and loans issued are not impaired. In respect of cash and cash equivalents, due to highly liquid nature and short−term, the Company has assessed corresponding expected credit losses to be immaterial. Therefore, no impairment is recognized for cash and cash equivalents and loans issued. The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its payment obligations associated when they fall due under normal or stress circumstances. Management monitors rolling forecasts of the Company’s cash flows on a monthly basis. The Company seeks to maintain a stable funding base primarily consisting of borrowings and bonds issued.

In managing liquidity risk, the management of the Company considers the Company will be able to settle the liabilities falling due by applying cash proceeds from operations towards the upcoming coupon and interest payments due on the green bond and other borrowing.

Currency risk

Volatility of the exchange rate of the national currency, GEL, against USD/other currencies of economically related countries may have a material adverse effect on the Group's activities. Given its mode of activities, the Group has a sort of natural protection against currency risks related to loan liabilities, because its revenues, much like its loan liabilities, are largely denominated in USD. At the same time, the Group's revenue under its Power Purchase Agreements ("PPA") is denominated in USD. In addition, sales to third parties on the open market are typically conducted in USD rather than Georgian GEL. This effectively provides the Group with a hedge against GEL depreciation, which is particularly valuable given fluctuations in the USD/GEL exchange rate. In addition, sale to third party in open market is denominated in USD or is tied to ESCO balancing price which is dependent on import denominated in USD and PPA prices. In accordance with Georgian legislation, local transactions are executed in GEL, although every agreement is directly or indirectly denominated in USD. As interest-bearing liabilities are denominated in foreign currency, namely in USD, financial expenses are also in USD.

Market risks

The Group sells electricity mainly to ESCO in terms of long-term Power Purchase Agreements ("PPA"), but in months which PPA does not cover, the Group takes market risks, which can be expressed in two sub-risks, which are 1) risk of finding offtaker and 2) market price risk.

In the non-PPA period, power plants may sell electricity via a bilateral agreement to any off-taker or sell to ESCO as balancing electricity. After the start of operation of DAM and the Intraday market ("IDM"), the power plants will have two additional channels for power sales, and off-taker risk will be almost fully eliminated. Currently if the power plant neither has PPA nor a bilateral agreement, according to applicable market rules, ESCO pays them the lowest regulated HPP price during the summer months (May to August) or the highest TPP price in winter months (September to April). Enguri HPP has the lowest regulated price of 2.412 Tetri/kWh among regulating HPPs set for the 2024–27 period – in case of non-existence of the bilateral agreement, this would be the ESCO settlement price. Considering the deficit in recent years, the Group always managed to sell the electricity according to the direct contract and sale to ESCO was less than 0.1%. As mentioned above, the volumes can easily be traded on these markets after the launch of DAM and IDM. The launch of DAM and IDM will not affect PPAs with ESCO - the tariff, other terms of payment, term of agreement will remain the same.

Ability to generate, distribute and supply electricity is dependent upon the Georgian transmission system. The distribution of electricity to the Group's distribution networks, as well as the distribution of electricity to customers, is dependent upon the infrastructure of the transmission systems in Georgia. The Group has no control over the operation of the transmission system and it is entirely reliant on the System Operator, which is a state-owned entity. Any failure in the transmission system in Georgia, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent the Group from distributing electricity to its end customers. As a result, any failure in the transmission system could in turn have an adverse effect on the Group's business, results of operations and financial condition. Under normal business conditions, the Group has the risk that the demand for electricity in the country reduce and accordingly affect the market prices. Demand for electricity is mainly determined by the level of economic activity in Georgia.

Environmental, health and safety laws

The Group is subject to various environmental and health and safety laws and regulations governing, among other things, pollution caused by the Group's operations and the health and safety of the Group's employees. The Group is also required to obtain environmental and safety permits from various governmental authorities for its operations.

Although environmental laws and regulations have an increasing impact on the Group's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on the Group's business. While the Group has budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

9. Corporate-Social Responsibilities

GRPO is aware of its corporate responsibility and believes that it can contribute to the sustainable development of society. GRPO considers key stakeholders (customers, shareholders, employees, creditors) to develop business strategies and improve operations.

Within the framework of social responsibility, GRPO conducts full environment and social monitoring process on regular bases; reports any social related issues and taking corrective actions. Company cooperates with central and local government bodies, with non-government organisations and supports and finances cultural, educational and sport activities in areas GRPO operates.

GRPO is subject to various environmental, health and safety laws and regulations that regulate, among other things, the pollution caused by GRPO operations and the health and safety of GRPO employees. GRPO is also required to obtain environmental and safety permits from various government agencies for its operations.

The GRPO has established environmental standards that apply to its operations. GRPO is in compliance with all applicable Georgian environmental, health and safety regulations in all material respects. If a GRPO does not comply with these regulations, it can be held responsible for sanctions and/or the consequences of breaching contractual obligations.

10. Protection of Human Rights

Basic human rights, including labor rights, are protected as much as possible in the group. Explanations about the mentioned rights are given extensive space in the labor regulations of the subsidiaries, which together with the labor code are available to all employees of the companies.

The Group offers equal employment opportunities to all candidates regardless of race, religion, gender, nationality, age, etc. This policy applies to all employment situations, including: hiring, promotion, contracting, compensation, training and other employment law actions.

11. Corruption

The Group conducts its business activities in compliance with ethical principles, as well as in accordance with applicable domestic and international anti-corruption requirements and international practices. The Group's anti- bribery and anti-corruption policy is based on Georgian legislation and regulations and international standards.

GRPO's Anti-Bribery and Anti-Corruption Policy prohibits the transfer or offer of any benefit of value to any person, as well as the acceptance or encouragement of any benefit from any person with a corrupt motive, such as giving an undeserved reward or favor to a public official or to obtain an illegal business advantage for a private person.

12. Training, qualification and career development

GRPO pays great attention to train and raise the qualifications of its personnel. These training consist of not only their field related and technical, but also cross-segment and HS&E related qualifications. As a result of these trainings employees are able to deepen their field knowledge and widen their Social & Environmental overview. Skilled and well performed employees are given opportunity to develop and get promoted in the company. By training employees, GRPO creates professionals with the help of which it plans to implement various projects.

13. Caring the safety of Employees

Trainings are often conducted on how to maintain a safe working environment. In order to protect safety for employees, contractors, visitors and any other stakeholders, GRPO implements standards that are stipulated in agreed occupational Health & Safety Policy. Company implements safety hazard and near miss reporting system and conducts monthly safety reporting. All the incidents and accidents are investigated and corrective action items are set with responsible parties fully involved.

14. Strategies and future developments

The Georgian Renewable Power Holding JSC ("GRPH" or "Parent") plans to develop 194MW installed capacity power plants in the medium term: Zoti HPP (46MW), Tbilisi and Kaspi WPPs (130MW) and Darchi HPP (18MW). The Group aims to establish a renewable energy platform with growing dollar-linked cash flows and profitability.

The Group was not involved in Research and Development (R&D) activities in HY24 and 2023.

Approved for issue and signed on behalf of Georgia Renewable Power Operations JSC on 15 August 2024 by:

Zurab Gordeziani
Chief Executive Officer

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