

FAR/42-26

Electricity System Commercial Operator JSC

**Financial Statements
for 2025**

Contents

Independent Auditors' Report	3
Statement of Financial Position	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Management of Electricity System Commercial Operator JSC

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Tbilisi 0162, Georgia

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www.rsm.ge**Opinion**

We have audited the accompanying financial statements of "Electricity System Commercial Operator JSC" (hereinafter - company, ID: 205170036), which comprise the statement of financial position as on 31 December 2025 and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, 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.

Emphasis of Matter – Recoverability of Trade Receivables

We draw attention to Note 15 to the financial statements, which describes the Company's trade receivables amounting to GEL 39,253,342 as at 31 December 2025 due from LLC Georgian Manganese and JSC Zestafoni Ferroalloy Plant. As disclosed in the note, although the debtors experienced financial difficulties and had outstanding overdue balances at the reporting date, management has not recognised an expected credit loss allowance under IFRS 9 – Financial Instruments, based on the Ministry of Economy and Sustainable Development of Georgia's ongoing support measures for the metallurgical sector, planned actions to facilitate recovery of the outstanding balances, and the availability of legal enforcement mechanisms. The ultimate recoverability of these receivables depends on the successful implementation of these measures. Our opinion is not modified in respect of this matter.

Other information

The Company's Management is responsible for the other information. The other information comprises the information included in the management report for the year ended 31 December 2025, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance is responsible for supervision of preparation and presentation of financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Company, 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.

July 31, 2026

RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)

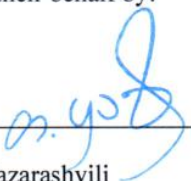
RSM Georgia
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Electricity System Commercial Operator JSC
Statement of Financial Position as at 31 December 2025

GEL	Note	31 December 2025	31 December 2024
Assets			
Right-of-use asset	13	2,027,362	2,409,591
Property and equipment		307,596	445,803
Intangible assets		-	7,423
Investment in equity-accounted investee	9	-	-
Trade and other debtors	10	-	7,745,231
Non-current assets		2,334,958	10,608,048
Inventories		2,544	1,725
Trade and other debtors	10	205,457,182	135,384,521
Cash and cash equivalents	11	26,809,426	33,042,228
Current assets		232,269,152	168,428,474
Total assets		234,604,110	179,036,522
Equity			
Share capital		254,724	254,724
Non-cash owner contribution reserve		(15,660)	(15,660)
Property and equipment revaluation surplus		707,505	707,505
Retained earnings		34,442,097	34,049,299
Total equity	12	35,388,666	34,995,868
Non-current Liabilities			
Lease liabilities	13	2,222,633	2,591,900
Non-current liabilities		2,222,633	2,591,900
Current Liabilities			
Trade and other payables	14	192,154,078	140,974,569
Lease Liabilities	13	369,267	327,249
Current tax liability		4,469,466	146,936
Current liabilities		196,992,811	141,448,754
Total liabilities		199,215,444	144,040,654
Total equity and liabilities		234,604,110	179,036,522

These financial statements were approved by Management on 31 July 2026 and were signed on their behalf by:



Tornike Kazarashvili
General Director

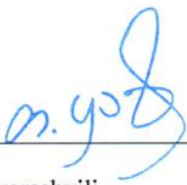


Khatuna Chaduneli
Head of Finance Department

Electricity System Commercial Operator JSC
Statement of Profit or Loss and Other Comprehensive Income for 2025

GEL	Note	2025	2024
Revenue	5	867,019,513	799,214,214
Cost of revenue	5	(861,770,205)	(793,004,937)
Gross profit		5,249,308	6,209,277
Other income	6	(2,306,431)	12,604
Administrative expenses	7	(6,570,465)	(6,657,381)
Impairment losses on trade receivables, net	15	(229,491)	(396,288)
Profit/(loss) from operating activities		(3,857,079)	(831,788)
Finance income		5,413,145	3,662,702
Finance costs		(392,289)	(412,886)
Net finance income	8	5,020,856	3,249,816
Share of losses of equity-accounted investee	9	(770,979)	(570,695)
Profit before tax		392,798	1,847,333
Income tax		-	-
Profit for the year		392,798	1,847,333
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		392,798	1,847,333

These financial statements were approved by Management on 31 July 2026 and were signed on their behalf by:



 Tornike Kazarashvili
 General Director



 Khatuna Chaduneli
 Head of Finance Department

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 34.

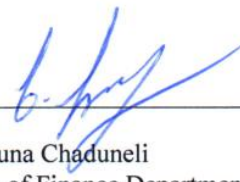
Electricity System Commercial Operator JSC
Statement of Changes in Equity for 2025

GEL	Share capital	Non-cash owner contribution reserve	Property and equipment revaluation surplus	Retained earnings	Total equity
Balance at 1 January 2023	<u>254,724</u>	<u>(15,660)</u>	<u>707,505</u>	<u>32,201,966</u>	<u>33,148,535</u>
Total comprehensive loss					
Profit for the year	-	-	-	1,847,333	1,847,333
Total comprehensive income for the year	-	-	-	1,847,333	1,847,333
Balance at 31 December 2023	<u>254,724</u>	<u>(15,660)</u>	<u>707,505</u>	<u>34,049,299</u>	<u>34,995,868</u>
Balance at 1 January 2024	<u>254,724</u>	<u>(15,660)</u>	<u>707,505</u>	<u>32,201,966</u>	<u>33,148,535</u>
Total comprehensive loss					
Profit for the year	-	-	-	392,798	392,798
Total comprehensive income for the year	-	-	-	392,798	392,798
Balance at 31 December 2024	<u>254,724</u>	<u>(15,660)</u>	<u>707,505</u>	<u>34,442,097</u>	<u>35,388,666</u>

These financial statements were approved by Management on 31 July 2026 and were signed on their behalf by:



Tornike Kazarashvili
General Director



Khatuna Chaduneli
Head of Finance Department

Electricity System Commercial Operator JSC
Statement of Cash Flows for 2025

GEL	Note	2025	2024
Cash flows from operating activities			
Profit for the year		392,798	1,847,333
<i>Adjustments for:</i>			
Depreciation and amortization		587,650	571,184
Impairment loss on trade receivables, net	15	229,491	9,317,018
Net finance income		(5,020,856)	(3,249,816)
Share of loss of equity-accounted investee	9	770,979	570,695
Cash from operating activities before changes in working capital and interest paid		(3,039,938)	9,056,413
Inventories		(819)	1,070
Current tax liability		4,322,530	(364,551)
Trade and other debtors		(62,556,921)	(62,895,553)
Trade and other payables		50,373,126	55,334,416
Cash flows from operations before interest paid		(10,902,022)	1,131,794
Interest paid	13	(374,587)	(412,886)
Net cash (used in)/from operating activities		(11,276,609)	718,908
Cash flows from investing activities			
Interest received	8	5,413,145	3,689,452
Acquisition of property and equipment		(59,791)	(64,408)
Issued loan		-	908,242
Net cash from investing activities		5,353,354	4,533,286
Cash flows from financing activities			
Repayment of lease liabilities	13	(327,249)	(288,949)
Net cash used in financing activities		(327,249)	(288,949)
Net (decrease)/increase in cash and cash equivalents		(6,250,504)	4,963,245
Cash and cash equivalents at 1 January	11	33,042,228	28,052,233
Effect of exchange rate fluctuations on cash and cash equivalents		17,702	26,750
Cash and cash equivalents at 31 December	11	26,809,426	33,042,228

These financial statements were approved by Management on 31 July 2026 and were signed on their behalf by:



Tornike Kazarashvili
General Director



Khatuna Chaduneli
Head of Finance Department

Note	Page
1. Reporting entity	10
2. Basis of preparation	11
3. Functional and presentation currency	11
4. Use of estimates and judgments	11
5. Revenue and cost of revenue.....	12
6. Other income.....	13
7. Administrative expenses	13
8. Net finance income	14
9. Investment in equity-accounted investee	14
10. Trade and other debtors	14
11. Cash and cash equivalents.....	15

Note	Page
12. Capital and reserves	15
13. Leases	16
14. Trade and other payables	17
15. Fair values and risk management.....	17
16. Contingencies.....	22
17. Related parties.....	23
18. Subsequent events.....	24
19. Basis of measurement	24
20. Material accounting policies	24
21. New standards and interpretations not yet adopted.....	34

1. Reporting entity

(a) Organisation and operations

Electricity System Commercial Operator JSC (the Company) was established in Georgia on 1 September 2006 as a limited liability company. On 18 August 2011, the legal form of the Company was changed to a Joint Stock Company based on the order # 142 of the Minister of Energy and Natural Resources of Georgia, dated 10 August 2011. The registration number of the Company is 205170036.

The Company's registered office is 2 Baratashvili Street, Tbilisi, Georgia.

The principal activities of the Company include the sale-purchase of balancing electricity and guaranteed capacity, import and export of electricity and facilitation of electricity sale-purchase in Georgia.

According to the "Georgian Law on Electricity and Natural Gas", starting from September 2010, the stability, security and reliability of Georgia's electric energy system is secured by the Guaranteed Capacity. The thermal power plants, which meet the requirements of the technical parameters stipulated by the legislation, represent the sources of the Guaranteed Capacity. The minimum volume of the Guaranteed Capacity for each source and periods of providing the Guaranteed Capacity are defined by the Government of Georgia. According to the "Electricity (Capacity) Market Rules", the trading with the Guaranteed Capacity is conducted exclusively by the Company. Until 31 August 2014, the Company acted in the capacity of an agent rather than as a principal in these transactions. Following legislative amendments effective 1 September 2014, the Company has acted in the guaranteed capacity transaction as a principal.

The Company's principal activities are defined by the law of Georgia about "Electricity and water supply" and Order N77 of the Minister of Energy and Natural Resources dated 30 August 2006, approved by the "Electricity (Capacity) Market Rules" issued by the Ministry of Energy and Natural Resources of Georgia and the "Electricity Market Model Concept" approved by Georgian Government Decree No. 246 of April 16, 2020.

The law of Georgia on "Electricity and Natural Gas" dated at 30 April 1999 became invalid on 27 December 2019 when the new Law "Georgian National Energy and Water Supply" came into force. The new law defines the general framework of the upcoming markets and gives guidelines for the transition period.

The Company's founder and ultimate controlling party is the Government of Georgia. On 28 February 2020, the Company's immediate parent company Partnership Fund JSC was replaced by the Government of Georgia.

On the basis of Georgian Government Decree No. 87 of March 27, 2025, 'On Amendments to Georgian Government Decree No. 391 of September 17, 2012', and the agreement concluded on March 28, 2025 between the National Agency of State Property and the Ministry of Sustainable Development, the National Agency of State Property has been exercising shareholder/partner authority since March 29, 2025.

As of the date of approval of these financial statements, the Company's immediate and ultimate parent is the Government of Georgia, represented by the Ministry of National Property of Georgia. Related party transactions are disclosed in Note 17.

(b) Georgian business environment

The Company's operations are primarily located in Georgia. Consequently, the company 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.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a

number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry. Georgia's economy was also affected by the mentioned events and is subject to future uncertainties in economy as described; on the other hand, growth of Georgian economy was up to 7.5% in 2025, driven by higher export and tourism revenues and strong private consumption, and further single digit economic growth is expected in 2026.

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

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

3. Functional and presentation currency

According to the law of National Bank the national currency of Georgia is Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in GEL has been rounded to the nearest unit of currency, except when otherwise indicated.

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, 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 estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note:

Note 22 (g) – determining whether the Company is acting as a principal or an agent in selling guaranteed capacity and balancing electricity;

Information about assumptions and estimation uncertainties at the reporting date 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 include in:

Note 15(b)(ii) – measurement of ECL allowance for trade receivables.

Measurement of fair values

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 15 - fair values and risk management.

5. Revenue and cost of revenue

GEL	2025	2024
Revenue from contracts with customers		
Income from sales of balancing electricity	705,438,329	629,782,442
Income from guaranteed capacity service	145,446,576	154,644,934
Income from export of electricity	9,368,047	8,108,338
Income from fixed tariff of services rendered	5,271,756	5,577,912
Income from direct contracts (import)	1,494,805	1,100,588
Total revenue	867,019,513	799,214,214
GEL	2025	2024
Cost of sold balancing electricity	(705,438,329)	(629,782,442)
Cost of guaranteed capacity service	(145,446,576)	(154,644,934)
Cost of export of electricity	(9,214,151)	(7,338,743)
Cost of imported of electricity – direct contracts	(1,671,149)	(1,238,818)
Total cost of electricity sold/services rendered	(861,770,205)	(793,004,937)

The Company is a natural monopolist on balancing electricity market. Prices of balancing electricity are determined in accordance with the "Electricity (Capacity) Market Rules" issued by the Ministry of Energy and Natural Resources of Georgia, using weighted average method.

In accordance with Georgian Government Decree No. 556 of December 7, 2022, "On the Approval of the Support Scheme for the Production and Use of Energy from Renewable Sources and Capacity Auction Rules", an amendment was introduced to the "Electricity (Capacity) Market Rules" — originally approved by Order No. 77 of August 30, 2006 of the Georgian Minister of Energy — by way of Order No. 1-1/65 of February 14, 2024, issued by the Ministry of Economy and Sustainable Development.

The amendment introduced a Contract for Difference (CFD) payment mechanism. Under this mechanism, electricity generated and supplied to the busbar during the support period — both by producers selected through capacity auctions and by producers holding a premium tariff — is classified as balancing electricity. This electricity is sold to qualified electricity purchasing enterprises at a weighted average price under the standard terms of direct supply agreements.

The amendment did not have any impact on the formation of the weighted average selling price.

The fixed tariff for the service rendered of GEL 0.00019 per KW/H is set by the decision of Georgian National Energy and Water Regulatory Commission (the "GNERC") dated 4 December 2008.

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by the primary geographical markets.

GEL	2025	2024
Primary geographical markets		
Domestic	857,651,466	791,105,876
Foreign	9,368,047	8,108,338
Total revenues	867,019,513	799,214,214

(b) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

GEL	2025	2024
Receivables, which are included in "Trade and other debtors", net of impairment allowance	205,264,232	141,512,951

Due to the nature of the business operations, the Company does not have contract assets from contracts with customers.

6. Other income

GEL	2025	2024
Customer penalties for late payment	6,840,697	8,920,730
Impairment losses	-	(8,920,730)
Written-off penalties by state	(9,302,710)	-
Other	155,582	12,604
	(2,306,431)	12,604

On the basis of Georgian Government Decree No. 1907 of November 19, 2025, concerning certain metallurgical companies, and likewise on the basis of Decree No. 1895 of November 14, 2025, and the agreement of December 17, in respect of LLC Georgian Manganese and JSC Zestafoni Ferroalloy Plant — accrued penalties recognised up to and including the reporting period of September 2025 were written off through unconditional waiver, amounting in aggregate to GEL 9,302,710.

Penalty income amounting to GEL 2,231,258 represents penalties accrued from July 2021 to 31 December 2023. The company recognized this income during the 2024 reporting period, following the mutual agreement signed on 31 May 2024. As the net impact is nil, the entire penalty amount has been recognized in the 2024 financial year.

7. Administrative expenses

GEL	2025	2024
Staff costs	5,171,532	5,126,806
Depreciation & amortization*	587,650	571,184
Representative & business trip expenses	225,206	177,005
Office expenses	162,403	152,185
Professional services**	121,645	141,786
Utilities	45,131	48,329
Vehicle maintenance & repair	42,267	45,093
Fuel	35,198	40,937
Taxes, other than on income	9,810	5,150
Insurance	5,903	6,207
Penalty expenses	-	155,582
Other	163,720	187,117
	6,570,465	6,657,381

*Included in depreciation and amortization is amortization of right of use assets and intangible assets in the amount of GEL 383 thousand and GEL 7 thousand, respectively (2024: GEL 383 thousand and GEL 7 thousand).

**Professional services above include fees paid for statutory audit services of GEL 65 thousand (2024: GEL 71 thousand).

8. Net finance income

GEL	2025	2024
Interest income	5,413,145	3,689,452
Foreign exchange gain	-	-
Finance income	5,413,145	3,689,452
Interest expense accrued on lease liabilities	(374,587)	(412,886)
Foreign exchange Loss	(17,702)	(26,750)
Finance costs	(392,289)	(439,636)
Net finance income recognized in profit or loss	5,020,856	3,249,816

9. Investment in equity-accounted investee

The Company owns interest in Georgian Energy Exchange JSC, which was established in December 2019, with equal shareholdings of 50-50% held by the Company and Georgian State Electrosystem JSC. Georgian Energy Exchange JSC is an operator of organized electricity markets and ensures the operation of daily markets.

The day-ahead exchange and daily markets have been operational since July 1, 2024.

The "Electricity Market Model Concept" (the Concept), approved by Georgian Government Decree No. 246 of April 16, 2020, defines the stages of the electricity market reform. At the current stage of the Concept, the deadline for the implementation of the target model — and accordingly, the activation of the balancing market and hourly balancing — is set for July 1, 2027.

In accordance with Order No. [*] of December 25, 2023, an amendment was made to Order No. 1-1/526 of September 28, 2019, of the Minister of Economy and Sustainable Development of Georgia. The amendment removed the previously stipulated provision regarding the 50/50 equal equity participation between JSC Georgian State Electrosystem and JSC Commercial Operator of the Electricity System in the share capital of JSC Georgian Energy Exchange.

Following this amendment, the total share capital of JSC Georgian Energy Exchange is distributed equally among four shareholders, each holding a 25% interest comprising 1,758,545 shares each:

- JSC Georgian State Electrosystem
- JSC Commercial Operator of the Electricity System (ESCO)
- JSC Georgian Oil and Gas Corporation
- LLC Georgian Gas Transportation Company

As at December 31, 2025, the equity interest in the entity is accounted for using the equity method of accounting.

10. Trade and other debtors

GEL	2025	2024
Current portion		
Balancing electricity	171,823,254	111,420,069
Guaranteed capacity	32,887,913	22,187,137
Accrued penalties	25,559	948,505
Services rendered	529,412	484,286
Direct contracts	23,653	180,878
Prepaid expenses	167,391	163,646
Total current portion	205,457,182	135,384,521
Non-current portion		
Balancing electricity	-	7,745,231
Total non-current portion	-	7,745,231
	205,457,182	143,129,752

The Company's exposure to credit risk is disclosed in Note 15.

The trade receivable of GEL 7,745,231, previously classified as a long-term debtor and due for settlement by May 31, 2028 under agreed instalments, has been reclassified as a current asset following the counterparty's breach of the payment agreement. As at December 31, 2025, ESCO has initiated legal proceedings in accordance with applicable legislation for the forced recovery of the outstanding balance. In light of the breach and the uncertainty over recoverability, management has recognised a full expected credit loss provision of GEL 7,745,231 (100%) against this balance.

11. Cash and cash equivalents

GEL	2025	2024
Bank balances	26,809,426	33,042,228
Cash and cash equivalents in the statements of financial position and of cash flows	26,809,426	33,042,228

Interest income accrued on current accounts of the company is disclosed in note 8.

The Company's exposure to interest rate risk is disclosed in Note 15.

12. Capital and reserves

(a) Share capital

GEL	Ordinary shares	
<i>Number of shares</i>	2025	2024
Authorized shares	87,309	87,309
Increased in share capital	167,415	167,415
Par value	GEL 1	GEL 1
On issue at 31 December	254,724	254,724

Ordinary shares

The State is the 100% owner of the Company's ordinary shares. The amount of the Company's share capital and its nominal value are determined by the founding charter. The Company has issued share capital consisting solely of shares with nominal value, and the total issued share capital equals the aggregate nominal value of those shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On May 11, 2022, pursuant to Order No. 1-1/209 of the Minister of Economy and Sustainable Development of Georgia, share capital has been amended and the total number of shares was determined to be 254,724 (two hundred and fifty-four thousand, seven hundred and twenty-four) shares.

(b) Dividends

Effective 1 January 2022, having regard to the interim or annual financial results, a joint-stock company may, as provided for by law, adopt a decision on the distribution of profits to the subscribed shares in the form of dividends, unless:

- i. before or as a result of the distribution of dividends, the net assets as set out in the most recent financial statements of a joint-stock company are lower than the amount of the subscribed capital, plus the reserves determined by law or the statute, which may not be distributed to shareholders;
- ii. the amount of dividends to be distributed exceeds the amount of the net profit of the joint-stock company specified in the most recent financial statements, or in the case of interim dividends, earned after drawing up the most recent financial statements, plus any profits brought forward and amounts drawn from free reserves, less any losses brought forward and sums placed in reserves in accordance with law or the statute;

- iii. by the date dividends are distributed or as a result of the distribution of dividends, a joint-stock company will become insolvent or face the risk of insolvency.

(c) Non-cash owner contribution reserve

The difference between registered share capital and fair value of consideration contributed is recognized as non-cash owner contribution reserve in the statement of changes in equity.

(d) Property and equipment revaluation surplus

The revaluation surplus relates to the revaluation of property and equipment in accordance with accounting policies.

13. Leases

The Company's lease contract relates to lease of office area. The office lease contract expired In April, 2021 and the Company entered into a new lease agreement with the same lessor. As a result of the new agreement, the Company recognised a right-of-use asset. The lease term was determined to be limited to the contractual term of 10 years.

When measuring lease liabilities for leases, the Company discounts lease payments using its incremental borrowing rate at the date of lease recognition. Incremental borrowing rate applied in 2021 was approximately 13%.

Right-of-use assets and related lease liabilities have been presented as a separate line item in the statement of financial position. The maturity analysis of leases is disclosed in Note

The carrying amounts of right of use assets as at 1 January 2024, 31 December 2024 and 2025 were as follows:

GEL	Office Rent
Balance at 1 January 2024	2,792,867
Depreciation charge for the year	(383,276)
Balance at 31 December 2024	2,409,591
Depreciation charge for the year	(382,229)
Balance at 31 December 2025	2,027,362

The carrying amounts of lease liabilities as at 1 January 2024, 31 December 2024 and 2025 were as follows:

GEL	Office Rent
Lease liabilities at 1 January 2024	(3,208,098)
Interest charge	(412,886)
Payment of lease liability	701,835
Lease liabilities at 31 December 2024	(2,919,149)
Interest charge	(374,587)
Payment of lease liability	701,835
Lease liabilities at 31 December 2025	(2,591,900)

Amounts recognized in the statement of cash flows

GEL	2025	2024
Payments of lease liability	(327,249)	(288,949)
Interest paid	(374,587)	(412,886)
Total cash outflow for leases	(701,836)	(701,835)
Current Lease Liabilities	(369,267)	(327,249)
Non-Current Lease Liabilities	(2,222,633)	(2,591,900)

14. Trade and other payables

GEL	2025	2024
Balancing electricity	153,934,871	117,605,604
Guaranteed capacity	37,123,861	22,027,770
Electricity to export	36,263	45,778
Direct contract (import)	-	152,880
Services received	96,754	106,364
Other payables	962,329	1,036,173
	192,154,078	140,974,569

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 15.

15. Fair values and risk management

(a) Accounting classifications and fair values

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 Company has determined fair values 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 market comparison approach.

The management estimates that the fair value of financial assets and liabilities approximate their carrying values.

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk (see i);
- liquidity risk (see ii);
- market risk (see iii).

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(i) Risk management framework

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Management of the Company is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, 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.

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

GEL	Carrying amount	
	2025	2024
Trade receivables*	205,289,791	142,966,106
Cash and cash equivalents	26,809,426	33,042,228
	232,099,217	176,008,334

Trade receivables

The Company's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk. Company's revenue is mostly attributable to sales transactions with a several customers, Telmico, EP Georgia Supply JSC, JSC EnergoPro Georgia. The Company's export sales in 2025 are to Azerbaijan, Turkey and Armenia (2024: Azerbaijan, Turkey and Armenia).

The management of the Company established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes analysis of the information from external sources, when available.

As a result of changes in the legislation, which took effect from 1 September 2014, the Company has acted as a principal bearing all credit risks for sold balancing and guaranteed electricity. Under the existing arrangements, the Company: (a) is responsible for making payments to producers of electricity for the produced and delivered balancing and guaranteed electricity; (b) is obliged to purchase the minimum amount of the predetermined electricity volume, if the supplier is unable to sell it through direct contracts; (c) is providing services directly to its customers and no other parties are involved.

More than 90% of the Company's customers have been transacting with the Company for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, geographic location, aging profile, maturity and existence of previous financial difficulties. Trade receivables relate to the Company's wholesale customers. Current legislation does not envisage advance guarantees. No collateral in respect of Trade and other debtors is generally required.

Approximately 100% of the Company's trade receivables as at 31 December 2025 and 2024 are related to domestic wholesale customers. As at 31 December 2025, the Company had registered 57 wholesale domestic customers (31 December 2024: 57 customers).

Expected credit losses

A summary of the Company's exposure to credit risk for trade receivables:

GEL	Credit impaired	31 December 2025		31 December 2024	
		Gross	Impairment	Gross	Impairment
Low risk	No	165,093,344	-	55,199,206	(2,902,890)
High risk	Yes	59,442,082	(19,078,244)	106,779,300	(15,945,864)
		224,535,426	(19,078,244)	161,978,506	(18,848,754)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, aging profile, maturity and existence of previous financial difficulties.

Low risk - the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in the economic and business conditions in the longer term are unlikely to reduce the ability of the customer to fulfil its contractual cash flow obligations. The weighted average loss rate for low-risk grade is approximately 0.9% (2024: 0.9%).

High risk - the counterparties have a weak capacity to meet their contractual cash flow obligations in the near term and adverse changes in the economic and business conditions in the longer term may likely decrease the ability of the counterparties to fulfil their contractual cash flow obligations. Weighted average loss rate for high-risk grade is 100%. The Company has classified receivables that are overdue for 90 days or more as high-risk exposures.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables. The main component of this allowance is a individual loss component. The Company's trade receivables are mainly from the domestic customers who have long working experience with the Company and a good credit standing.

As at 31 December 2025, ESCO (JSC Electricity System Commercial Operator) carries receivables of GEL 39,253,342 in its books in respect of amounts owed by LLC Georgian Manganese and JSC Zestafoni Ferroalloy Plant (collectively, the "Debtor Companies") for balancing electricity, guaranteed capacity, and electricity transmission services rendered up to and including the August 2025 settlement period.

These receivables are classified within **the high-risk segment** of ESCO's trade receivables.

The Government of Georgia issued Government Order N1338, dated on 17 September 2024, establishing the initial regulatory framework for managing debts owed to energy enterprises and governing related relationships. Following to this the Government of Georgia issued Government Order N1895, amending Order N1338. This order required LLC Georgian Manganese and JSC Zestafoni Ferroalloy Plant to formally regulate their outstanding debts toward the relevant energy enterprises through a written agreement. The purpose was to restructure the debt, agree repayment terms, regulate penalties, and secure obligations through pledges, mortgages, and other security instruments.

Final agreement N04/2025 was executed between the parties on 18th of November 2025. To secure the obligations under Agreement N04/2025, six security instruments were executed and notarially registered. According to the agreement the outstanding balances should have been covered with 4 instalments by the end of 24th of February 2026.

The Debtor Companies failed to meet several key obligations under Agreement N04/2025.

Subsequently, The Government of Georgia issued Government Order N380, amending Government Order N1895. The final payment deadline for the principal debt was extended to 31 May 2026 and all penalties accrued or accruable on the principal debt prior to Agreement N04/2025 were fully forgiven. Additionally, If the principal is not repaid by 31 May 2026, penalties may recommence from 1 June 2026.

According to state decree ESCO retains the right to enforce pledges and mortgages, subject to obtaining prior written consent from the Ministry of Economy and Sustainable Development of Georgia.

Management of ESCO has not recognised any provision or expected credit loss (ECL) in respect of the GEL 39,253,342 receivable balance as at 31 December 2025. Management's position is that the existence of security instruments (six registered pledge and mortgage agreements), the government-backed restructuring framework, and the ongoing enforcement mechanisms provide sufficient basis to recover the outstanding balance in full.

Accordingly, these receivables are carried at their full nominal value of GEL 39,253,342 in ESCO's statement of financial position as at 31 December 2025.

In support of this position, management of ESCO has formally referred the matter to the Ministry of Economy and Sustainable Development of Georgia, which is currently preparing enforcement procedures against the Debtor Companies.

ESCO holds outstanding receivables from several metallurgical companies, which are presented in low risk category amounting to 13,307,163 GEL, in respect of balancing electricity and guaranteed capacity services. Due to financial difficulties across the metallurgical sector, these companies were unable to meet their payment obligations to ESCO, which in turn affected ESCO's ability to settle its own liabilities towards Gardabani Station 1 and Gardabani Station 2.

As a result, the affected metallurgical companies formally approached the Ministry of Economy and Sustainable Development of Georgia requesting a deferral of principal repayments and forgiveness of accrued penalties.

Prior to the State Decree, ESCO and each of the metallurgical companies signed individual comparison (reconciliation) acts, dated on 12 of November 2025, confirming the outstanding balances as at that date. All debt figures referenced in the subsequent decree are based on these signed acts.

In 19th of November 2025, The State issued Decree No. N1907 in response to the metallurgical companies' request, ordering the following:

- Deferral of principal payments — All principal amounts (balancing electricity and guaranteed capacity) owed by the metallurgical companies to ESCO are postponed until 30 June 2027.
- Forgiveness of accrued penalties — All penalties accrued as at the reconciliation date are forgiven in full.
- Breach clause — In the event that any metallurgical company breaches the terms of the arrangement, new penalties will be reinstated on overdue balances. Additionally, ESCO will be entitled to pursue all legally available enforcement measures.
- Pass-through to Gardabani Stations — ESCO's own payment obligations towards Gardabani Station 1 and Gardabani Station 2 are to be deferred in direct proportion to, and to the extent of, the deferral granted to ESCO's metallurgical receivables.

A formal multilateral agreement was executed between all relevant parties, dated on 17th of December 2025, implementing the terms of State Decree No. N1907. Under this agreement, the metallurgical companies committed to repaying ESCO the total outstanding principal (balancing electricity + guaranteed capacity) according to a predetermined payment schedule, with the final repayment deadline of 30 June 2027.

The receivables are classified as low risk given that the deferral is supported by a state decree and a signed multilateral agreement involving ESCO, the metallurgical companies, and Gardabani Stations 1 and 2. The management of ESCO confirmed that no provision is required as the outstanding amounts represent performing receivables under a government-sanctioned repayment arrangement, with repayment expected in full by 30 June 2027.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

GEL	Impairment allowance	
	2025	2024
Balance at beginning of the year	(18,848,753)	(9,531,736)
Provision for expected credit losses	(4,125,480)	(9,317,018)
Recoveries during the year	3,895,990	-
Balance at end of the year	(19,078,244)	(18,848,753)

The allowance account in respect of trade receivables is used to record impairment losses until all possible opportunities for recovery have been exhausted; at that point, the amounts are written off

against the financial asset directly.

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables.

(iii) Cash and cash equivalents

The Company held cash and cash equivalents of GEL 26,809,426 at 31 December 2025 (2024: GEL 33,042,228), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a leading Georgian bank, with short term issuer default rating of B based on rating agency Fitch ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

Cash and cash equivalents are fully placed on the current account in the bank, which also enhances the liquidity position of the Company.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31 December 2025

GEL	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	Over 5 years
Non derivative financial liabilities						
Lease liabilities	2,591,900	3,743,123	701,835	701,835	2,105,506	233,945
Trade and other payables	140,974,569	140,974,569	140,974,569	-	-	-
	<u>194,745,978</u>	<u>195,897,201</u>	<u>192,855,913</u>	<u>701,835</u>	<u>2,105,506</u>	<u>233,945</u>

31 December 2024

GEL	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	Over 5 years
Non derivative financial liabilities						
Lease liabilities	2,919,149	4,444,958	701,835	701,835	2,807,342	233,945
Trade and other payables	140,974,569	140,974,569	140,974,569	-	-	-
	<u>143,893,718</u>	<u>145,419,527</u>	<u>141,676,404</u>	<u>701,835</u>	<u>2,807,342</u>	<u>233,945</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(v) 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 Company'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 optimizing the return.

Currency risk

Based on the “Electricity (Capacity) Market Rules” issued by the Ministry of Energy and Natural Resources of Georgia, the Company is not exposed to significant currency risk.

Interest rate risk

Management does not have a formal policy of determining how much of the Company’s exposure should be to fixed or variable rates instruments. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Company over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Company’s interest-bearing financial instruments was as follows:

GEL	<u>31 December 2025</u>	<u>31 December 2024</u>
Fixed rate instruments		
Financial assets	26,809,426	33,042,228
Financial liabilities	(2,591,900)	(2,919,149)
	<u>24,217,526</u>	<u>30,123,079</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(c) Capital management

Given the nature of the Company’s operations, the Company does not have a formal capital management policy. The Company is not subject to externally imposed capital requirements. In addition, there were no changes in capital management practices during the year.

16. Contingencies

(a) Litigation

The Company is involved in several legal proceedings, which are disclosed below. In the opinion of management, none of these proceedings, individually or in aggregate, are expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows. Accordingly, no additional provisions have been recognized other than those disclosed in these financial statements.

Giorgi Kakushadze vs. ESCO and the Ministry of Economy

In August and September 2022, Giorgi Kakushadze filed a claim and an amended claim with the Tbilisi City Court's Administrative Panel against JSC “Electricity System Commercial Operator” (ESCO) and the Ministry of Economy and Sustainable Development of Georgia. The plaintiff requested disclosure of public information about the maximum costs of electricity imports for 2018–2022 and annulment of the Ministry’s decision not to consider his administrative complaint. Both entities submitted responses rejecting the claims. The Ministry stated it was not a supervisory body over ESCO and therefore not authorized to consider the complaint. ESCO argued that it is not a public institution and thus not obliged to disclose public information. Additionally, ESCO claimed the

requested data constituted commercial secrets protected by confidentiality agreements. As of now, no hearing has been scheduled by the Administrative Panel of the Tbilisi City Court.

ESCO vs. JSC “Telasi”

On December 20, 2024, JSC “Electricity System Commercial Operator” (hereinafter “ESCO” or the “Electricity Market Operator”) filed a cassation appeal with the Supreme Court of Georgia, requesting the annulment of the October 31, 2024 decision of the Civil Chamber of the Tbilisi Court of Appeals and full satisfaction of ESCO’s claim. The cassator (ESCO) seeks to obligate JSC “Telasi” to fully pay the penalty in the amount of GEL 13,172,652.15 in favor of ESCO. The Supreme Court of Georgia admitted ESCO’s cassation appeal for consideration and set a deadline for the opposing party (JSC “Telasi”) to submit a response. As of now, no hearing date has been scheduled.

ESCO vs. LLC “Data Hub”

ESCO filed a claim requesting fulfillment of contractual obligations and payment of outstanding amounts and penalties totaling approximately GEL 1.28 million. The court granted interim measures to secure the claim, and the case is pending before the Tbilisi City Court.

ESCO vs. LLC “Metalolami”

ESCO filed a lawsuit seeking payment of approximately GEL 1.66 million related to guaranteed capacity, balancing electricity fees, service fees, and penalties. The court partially granted interim measures by restricting disposal of certain real estate assets, and the case is pending before the Tbilisi City Court.

ESCO vs. LLC “El-Em-Bi Alois”

ESCO filed a claim seeking fulfillment of contractual obligations and payment of penalties for non-performance. The court granted interim measures, including restrictions on the defendant’s real estate interest and freezing bank accounts up to GEL 716.9 thousand. The case is pending before the Tbilisi City Court.

ESCO vs. Ltd “Marjani-5”

ESCO filed a lawsuit seeking payment of approximately GEL 751.0 thousand related to outstanding obligations and accrued penalties. The court granted interim measures, including freezing bank accounts and restricting disposal of certain real estate and corporate shares. The case is pending before the Tbilisi City Court.

(b) Taxation contingencies in Georgia

The taxation system in Georgia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretations. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are more significant than in other countries with more developed taxation systems. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

17. Related parties

(a) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in salaries and wages (Note 7):

GEL	2025	2024
Salaries and bonuses	630,873	669,018

(b) Transactions with the Government of Georgia

The Government of Georgia directly holds 100% (2024: 100%) of the shares and 100% of voting rights of the Company and this gives the Government significant influence over the Company. Additionally, the Company transacts in its daily operations with a number of entities that are either controlled, jointly controlled or under significant influence by the Government of Georgia. The Company applies the exemption in IAS 24 *Related Party Disclosures* that allows to present reduced related party disclosures regarding transactions with government-related entities.

Collectively, but not individually significant transactions

The Company operates in the energy sector dominated by entities directly or indirectly controlled by the Government of Georgia through its government-related entities.

These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not government related. The Company has established procurement policies and approval processes for purchases of products and services, which are independent of whether the counterparties are government-related entities or not.

For the year ended 31 December 2025, management estimates that the aggregate amount of the Company's significant transactions with other government-related entities are at least 5% (2024: 12%) of its sales of balancing electricity and guaranteed capacity and 25% (2024: 25%) of its purchases of balancing electricity and guaranteed capacity.

18. Subsequent events

The financial statements were approved for release by the company's management on July 31, 2026. After the reporting period, until the release of the audited financial statements report, no significant events that would affect the financial statements of the company have taken place.

19. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for property and equipment, which is measured at revalued amounts.

20. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company 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 retranslated 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 retranslation are generally recognized in profit or loss.

(b) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they

result from existing contractual terms. The Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c) Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.
- The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured 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 25 days past due.

The Company considers a financial asset to be in default when:

- the borrower 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 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.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to

enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories 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 intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset 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. 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. Impairment losses are recognised in profit or loss.

An 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 amortisation, if no impairment loss had been recognised.

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost. Subsequently property and equipment are measured at fair value, based on periodic valuation by external independent valuers, less subsequent depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When 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. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(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 Company, 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) Revaluation

A revaluation increase on property and equipment is recognised directly in the revaluation reserve in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on property and equipment is

recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised directly in other comprehensive income, in which case the reversing amount is recognised directly in other comprehensive income.

(iv) 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 residual value.

Depreciation is 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.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

- | | |
|------------------------------------|------------|
| - vehicles | 5 years; |
| - fixture and fittings | 4-5 years; |
| - computer and technical equipment | 4-5 years. |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

(f) Employee short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(g) Revenue

(i) Sale of electricity

Revenue from the sale of electricity, including the export of electricity, in the course of ordinary activities, is measured at the fair value of the consideration received or receivable. No returns, trade discounts and volume rebates are made. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of electricity can be estimated reliably, there is no continuing management involvement with the electricity sold, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

For sales of balancing electricity, the transfer usually occurs when the electricity is delivered to the point at the electricity grid system from where electricity is distributed into power lines and is considered to be received by the customer.

Since September 2014, due to changes in the regulatory framework, the Company has acted as a principal in the purchase and sale of guaranteed capacity and therefore recognises revenue and respective cost of sales. The Company charges no commission on the purchase and sale of the guaranteed capacity. For the purchase and sale of the guaranteed capacity before 1 September 2014 the Company acted in the capacity of an agent, rather than as the principal in the purchase and sale of guaranteed capacity transactions. Non-cash consideration received from customers is measured at fair value with reference to the date when the Company obtains control over the non-cash consideration. Changes in the fair value of non-cash consideration after the measurement date are not included in the transaction price.

(ii) Services

Revenue is recognized to the extent the Company has rendered services under respective laws and regulations, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company.

(iii) Performance Obligations

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Sales of electricity (local and foreign), including income from sales of:	While making sales based on contracts with customers, both domestic and foreign, customers obtain control over electricity simultaneously as electricity is delivered through the grid by the Company.	Revenue is recognized over time, as services are provided, based on the volume of transmitted electricity.
balancing electricity; guaranteed capacity; imported and exported electricity.	The Company calculates the tariff each month based on the actual prices of purchased electricity for that period. There are no discounts related to sales. Sales contracts do not contain a significant financing component.	
Provision of services to customers (local and foreign) - income from fixed-tariff services rendered.	Pursuant to "Electricity (Capacity) Market Rules", the customers are to pay a predetermined service fee to the Company, based on the volume of transmitted electricity. Sales contracts do not contain a significant financing component.	Revenue is recognized over time, as services are rendered.

(h) Finance income and costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities other than on balancing electricity.

Interest income or expense is recognised using the effective interest method.

Tariffs on balancing electricity are set according to the order "Electricity (Capacity) Market Rules" issued by the Ministry of Energy and Natural Resources of Georgia. When determining tariffs, the Company considers the effect of the foreign exchange rate differences and adjusts the prices of balancing electricity accordingly. Foreign currency gain or loss on financial assets and financial liabilities in connection with sales of balancing electricity is recognized in revenue and cost of sales.

The tariff for guaranteed capacity service is set by the Georgian National Energy and Water Supply Regulatory Commission (the “GNERC”).

(i) Income tax

Income tax expense comprises from current tax. Current 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 has 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 should have become effective from 1 January 2023. In 2022 the Government of Georgia has approved the changes to the current corporate tax model in Georgia for financial institutions, applicable from 2023. According to the amendments to the legislation, the part of financial institutions will no longer switch to the Estonian tax model.

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 shareholders 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. In addition, the tax object includes expenses or other payments not related to the entity's economic activities, free of charge supply and over-limit representative expenses.

Tax reimbursement is available for the current tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

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.

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 Company 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.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company 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, which comprises the initial amount of the lease

liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is measured at amortised cost using the effective interest method. It is remeasured, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, including renting access to transmission line poles. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A lease term reflects the Company's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Company 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 Company to be effectively captured in the estimate of the lease term.

(i) *Interests in equity-accounted investees*

The Company's interests in equity-accounted investees comprise interests in joint venture.

A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets to the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in joint venture are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Company has an obligation or has made

payments on behalf of the investee.

21. New standards and interpretations not yet adopted

The reporting entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. There was no material impact to the financial statements as a result of the adoption of these standards.

There is one primary amendment to the accounting standards and one significant change to the sustainability standards that became mandatory on January 1, 2025:

- Amendments to IAS 21 – Lack of Exchangeability: These amendments specify how to determine if a currency is exchangeable into another and how to estimate a spot exchange rate when it is not. Entities must now provide disclosures to help users understand how the lack of exchangeability affects financial performance and cash flows.

Standards and Amendments Issued but Not Yet Effective

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the reporting entity for the annual reporting period ended 31 December 2025. The reporting entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the reporting entity, are set out below:

- IFRS 18 Presentation and Disclosure in Financial Statements: Replaces IAS 1; effective 1 January 2027.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures: Effective 1 January 2027.
- Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments: Effective 1 January 2026.