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Independent Auditors' Report

To the Shareholder of
Electricity System Commercial Operator JSC

We have audited the accompanying financial statements of Electricity System Commercial Operator JSC (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

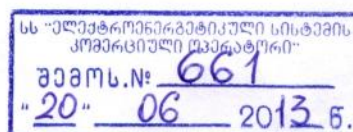
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tbilisi Branch of KPMG CIS Limited, a branch incorporated under the Laws of Georgia, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Other Matter

The financial statements of the Company as at and for the year ended 31 December 2011 were audited by other auditors whose report dated 18 June 2012 expressed an unmodified opinion on those statements.

Tbilisi Branch of KPMG CIS Limited

Tbilisi Branch of KPMG CIS Limited
17 June 2013

Electricity System Commercial Operator JSC

**Financial Statements
for the year ended 31 December 2012**

Electricity System Commercial Operator JSC
Statement of Financial Position as at 31 December 2012

GEL	Note	31 December 2012	31 December 2011
Assets			
Property and equipment	11	303,231	390,945
Intangible assets		1,542	2,238
Other non-current assets		2,358	720
Deferred tax assets	12	433,834	422,458
Non-current assets		740,965	816,361
Inventories	13	10,249	11,162
Current tax assets		422,956	254,862
Trade and other receivables	14	24,544,320	35,364,824
Cash and cash equivalents	15	8,167,881	5,049,634
Current assets		33,145,406	40,680,482
Total assets		33,886,371	41,496,843
Equity			
Share capital		200	200
Share capital under registration		71,449	87,109
Non-cash owner contribution reserve		-	(15,660)
Property and equipment revaluation surplus		78,603	83,276
Retained earnings		4,566,073	3,111,123
Total equity	16	4,716,325	3,266,048
Liabilities			
Trade and other payables	17	29,170,046	38,230,795
Current liabilities		29,170,046	38,230,795
Total liabilities		29,170,046	38,230,795
Total equity and liabilities		33,886,371	41,496,843

Electricity System Commercial Operator JSC
Statement of Comprehensive Income for the year ended 31 December 2012

GEL	Note	2012	2011
Revenue	6	171,695,599	189,854,481
Cost of goods sold/service rendered	6	(167,929,026)	(183,711,529)
Gross Profit		3,766,573	6,142,952
Other income	7	325,654	352,963
Administrative expenses	9	(3,563,571)	(3,191,851)
Impairment reversal/(loss) on trade receivables		87,780	(3,106,585)
Results from operating activities		616,436	197,479
Finance income	8	895,183	844,540
Profit before tax		1,511,619	1,042,019
Income tax expense	10	(61,342)	(38,345)
Profit for the year and total comprehensive income		1,450,277	1,003,674

These financial statements were approved by management on 17 June 2013 and were signed on its behalf by:

General Director



Chief Accountant

Electricity System Commercial Operator JSC
Statement of Changes in Equity for the year ended 31 December 2012

GEL	Note	Share capital	Share capital under registration	Property and equipment revaluation surplus	Retained earnings	Total equity
Balance at 1 January 2011		200	-	83,276	5,145,227	5,228,703
Total comprehensive income for the year						
Profit for the year		-	-	-	1,003,674	1,003,674
Total comprehensive income for the year		-	-	-	1,003,674	1,003,674
Transactions with founders, recorded directly in equity						
Contributions by and distributions to founders						
Dividends paid to founders		-	-	-	(2,136,825)	(2,136,825)
Non-cash contribution by founders	16	-	87,109	-	-	87,109
Adjustment on non-cash contribution reserve	16	-	(15,660)	-	-	(15,660)
Distribution of non-cash assets to founders		-	-	-	(900,953)	(900,953)
Total contributions by and distributions to founders		-	71,449	-	(3,037,778)	(2,966,329)
Balance at 31 December 2011		200	71,449	83,276	3,111,123	3,266,048
Balance at 1 January 2012		200	71,449	83,276	3,111,123	3,266,048
Total comprehensive income for the year						
Profit for the year		-	-	-	1,450,277	1,450,277
Other comprehensive income						
Transfer of revaluation reserve to retained earnings, net of tax		-	-	(4,673)	4,673	-
Total comprehensive income for the year		-	-	(4,673)	1,454,950	1,450,277
Balance at 31 December 2012		200	71,449	78,603	4,566,073	4,716,325

Electricity System Commercial Operator JSC
Statement of Cash Flows for the year ended 31 December 2012

GEL	Note	2012	2011
Cash flows from operating activities			
Profit for the year before tax		1,511,619	1,042,019
<i>Adjustments for:</i>			
Depreciation and amortisation	11	103,064	65,020
Impairment (reversal)/loss on trade receivables	18b(ii)	(87,780)	3,106,585
Gain on disposal of property, plant and equipment		(3,421)	-
Finance income	8	(895,183)	(754,718)
Cash from operating activities before changes in working capital and provisions		628,299	3,458,906
Change in inventories		913	(4,379)
Change in trade and other receivables		10,792,224	(15,781,877)
Change in trade and other payables		(8,659,664)	15,386,058
Cash flows from/(used in) operations before income taxes and interest paid		2,133,473	(400,198)
Income tax paid		(381,125)	(1,242,053)
Net cash from operating activities		2,380,647	1,816,655
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12,969	-
Interest received		750,472	799,629
Acquisition of property, plant and equipment	11	(23,228)	(115,664)
Acquisition of intangible assets		(975)	-
Acquisition of other investments		(1,638)	-
Net cash from investing activities		737,600	683,965
Cash flows from financing activities			
Dividends paid		-	(3,037,777)
Net cash used in financing activities		-	(3,037,777)
Net increase/(decrease) in cash and cash equivalents		3,118,247	(537,157)
Cash and cash equivalents at 1 January		5,049,634	5,586,791
Cash and cash equivalents at 31 December	15	8,167,881	5,049,634