

**Silknet JSC**

**Consolidated Financial Statements  
for 2024**

## **Contents**

Independent Auditors' Report	3
Consolidated Statement of Financial Position	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11



KPMG Georgia LLC  
5th Floor GMT Plaza  
Mtatsminda District, Liberty Square N4 (plot 66/4)  
0105 Tbilisi, Georgia  
IN 404437695  
Telephone +995 322 93 5713  
Internet www.kpmg.ge

# Independent Auditors' Report

## To the Shareholder of Silknet JSC

### Opinion

We have audited the consolidated financial statements of Silknet JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

The key audit matter	How the matter was addressed in our audit
Revenue generated in the billing system ("billing revenue") (GEL 518 million, included in total revenue, note 7) is a material amount consisting of a high volume of individually low-value transactions. The Group uses billing system to calculate revenue; revenue data is manually transferred from the billing system to the accounting software. Thus, the Group relies on the data processed by the billing system.	We have performed the following audit procedures to address the key audit matter: <ul style="list-style-type: none"><li>– Evaluated, with the assistance of our own IT specialists, the design and implementation and tested the operating effectiveness of key internal automated application controls and related General IT controls over the billing system;</li><li>– Evaluated the design and implementation and tested the operating effectiveness of key internal manual controls over the billing system;</li></ul>

Revenue recognition	
The key audit matter	How the matter was addressed in our audit
<p>Complexity of the billing system with high volume of automated transactions but still certain level of manual processing combined with the always present inherent risk of the Group intentionally overstating the revenue to present better financial performance, result in the manipulation of revenue recognition being an area of audit focus and, hence, a key audit matter.</p>	<ul style="list-style-type: none"> <li>– Performed a reconciliation of revenue as per the billing system to the accounting software and consolidated financial statements;</li> <li>– Reconciled revenue, considering the effect of changes in related receivables' and deposits' balances, to the bank payments' register, received directly from banks;</li> <li>– Using the key data inputs (tariffs, number of subscribers, traffic volume) performed recalculation of revenue, on a sample basis, and compared the results to the recorded amounts of revenue. We tested reliability of data inputs by testing relevant automated controls and, on a sample basis, reconciling to internal and external supporting documentation;</li> <li>– Tested, on a sample basis, manual corrections recorded in the billing system by inspecting the related supporting internal documents and assessing appropriateness of corrections under IFRS Accounting Standards;</li> <li>– Performed analytical procedures over key revenue streams by developing expectations basing on the key data inputs and compared them to the recorded amounts of revenue. We tested reliability of data inputs by testing relevant automated controls and by inspecting, on a sample basis, internal and external supporting documentation;</li> <li>– To incorporate an element of unpredictability in our audit approach, on a sample basis, directly contacted customers and agreed their tariff plans to the billing system.</li> </ul>
Statement on Management Report	

Management is responsible for the other information. The other information comprises the Group's Annual Report and the Management Report prepared for statutory purposes. Other information does not include the consolidated financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Management Report prepared for statutory purposes, we conclude whether the Management Report:

- is consistent with the consolidated financial statements and does not contain material misstatement;
- contains all information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Vakhtang Kezheradze



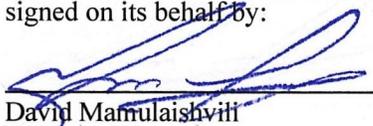
KPMG Georgia LLC  
8 April 2025

'000 GEL	Note	<u>31 December 2024</u>	<u>31 December 2023</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	12	348,460	347,604
Intangible assets	13	157,995	179,262
Investment property	14	78,871	70,462
Right-of-use assets	20	13,667	22,875
Other non-current assets	12(b)	35,023	34,794
Prepayments related to IRU* contracts		7,225	8,010
<b>Total non-current assets</b>		<b><u>641,241</u></b>	<b><u>663,007</u></b>
<b>Current assets</b>			
Inventories	15	9,843	11,470
Financial instruments at FVTPL	22(iii)	2,674	-
Prepayments related to IRU contracts		2,173	2,173
Trade and other receivables	16	38,926	37,565
Certificate of deposit	17(a)	18,362	-
Cash and cash equivalents	17	160,784	144,614
<b>Total current assets</b>		<b><u>232,762</u></b>	<b><u>195,822</u></b>
<b>TOTAL ASSETS</b>		<b><u>874,003</u></b>	<b><u>858,829</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	84,056	84,056
Retained earnings		50,632	27,656
<b>Equity attributable to owner of the Company</b>		<b><u>134,688</u></b>	<b><u>111,712</u></b>
Non-controlling interests		(69)	(119)
<b>TOTAL EQUITY</b>		<b><u>134,619</u></b>	<b><u>111,593</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	19	553,655	529,658
Lease liabilities	20	3,464	15,487
Trade and other payables	21	39,760	40,401
Advances received from IRU contracts and subscribers	21	11,480	11,946
<b>Total non-current liabilities</b>		<b><u>608,359</u></b>	<b><u>597,492</u></b>
<b>Current liabilities</b>			
Loans and borrowings	19	19,566	21,176
Lease liabilities	20	14,845	13,445
Trade and other payables	21	69,144	88,724
Advances received from IRU contracts and subscribers	21	27,470	26,399
<b>Total current liabilities</b>		<b><u>131,025</u></b>	<b><u>149,744</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>739,384</u></b>	<b><u>747,236</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>874,003</u></b>	<b><u>858,829</u></b>

\*Indefeasible Right of Use

'000 GEL	Note	2024	2023
<b>Revenues:</b>			
Commercial revenue	7	530,073	487,851
Carrier services	7	51,897	48,582
		<b>581,970</b>	<b>536,433</b>
<b>Costs and expenses:</b>			
Depreciation and amortization		(114,822)	(118,737)
Salaries and benefits	9	(88,244)	(92,300)
Purchased services	8	(48,255)	(54,855)
Other expenses	10	(25,547)	(20,999)
Network management and maintenance costs		(20,271)	(18,480)
Interconnect fees and roaming expense		(16,704)	(16,978)
Pay TV content cost		(9,368)	(8,815)
Advertising and marketing		(6,601)	(7,246)
Infrastructure capacity rentals, IRU and lease expenses		(7,702)	(6,736)
Costs of SIM cards, scratch cards and other cost of sales		(1,839)	(2,085)
Change in fair value of investment property	14	5,333	6,724
<b>Profit from operating activities</b>		<b>247,950</b>	<b>195,926</b>
Finance income	6	17,172	12,144
Finance costs	6	(57,890)	(54,072)
Net foreign exchange (loss)/gain	6	(12,990)	357
<b>Net finance costs</b>		<b>(53,708)</b>	<b>(41,571)</b>
<b>Profit before income tax</b>		<b>194,242</b>	<b>154,355</b>
Income tax expense		(216)	(258)
<b>Profit and total comprehensive income for the year</b>		<b>194,026</b>	<b>154,097</b>
<b>Profit and total comprehensive income attributable to:</b>			
Owner of the Company		193,976	154,044
Non-controlling interests		50	53
		<b>194,026</b>	<b>154,097</b>

These consolidated financial statements were approved by management on 8 April 2025 and were signed on its behalf by:

  
\_\_\_\_\_  
David Mamulaishvili  
General Director

  
\_\_\_\_\_  
Lili Pshavlishvili  
Finance Director

'000 GEL

	Attributable to owners of the Company					
	Share capital	Additional paid in capital	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2024</b>	<b>84,056</b>	-	<b>27,656</b>	<b>111,712</b>	<b>(119)</b>	<b>111,593</b>
Profit and total comprehensive income for the year	-	-	193,976	193,976	50	194,026
Dividends (note 18(c))	-	-	(171,000)	(171,000)	-	(171,000)
<b>Balance at 31 December 2024</b>	<b>84,056</b>	-	<b>50,632</b>	<b>134,688</b>	<b>(69)</b>	<b>134,619</b>
<b>Balance at 1 January 2023</b>	<b>84,056</b>	<b>8,026</b>	<b>(6,214)</b>	<b>85,868</b>	<b>(172)</b>	<b>85,696</b>
Profit and total comprehensive income for the year	-	-	154,044	154,044	53	154,097
Dividends (note 18(c))	-	-	(128,200)	(128,200)	-	(128,200)
Reclassification of additional paid in capital to retained earnings (note 18(b))	-	(8,026)	8,026	-	-	-
<b>Balance at 31 December 2023</b>	<b>84,056</b>	-	<b>27,656</b>	<b>111,712</b>	<b>(119)</b>	<b>111,593</b>

'000 GEL	Note	2024	2023
<b>Cash flows from operating activities</b>			
Cash received from subscribers		623,217	572,595
Cash received from other telecom operators and for IRU contracts		35,375	31,424
Salaries and benefits paid to and on behalf of employees		(83,283)	(72,856)
Interconnection fees and other expenses paid		(10,363)	(9,845)
Purchase of inventory		(11,892)	(11,103)
Taxes paid, other than on income		(83,063)	(73,216)
Income tax paid		(191)	(244)
Network management and maintenance costs paid		(17,202)	(15,815)
Other operating expenses paid		(95,221)	(85,313)
<b>Net cash from operating activities</b>		<b>357,377</b>	<b>335,627</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment and intangible assets and other non-current assets		(106,489)	(92,141)
Proceeds from disposals of property and equipment		2,306	503
Acquisition of certificate of deposit		(17,808)	-
Acquisition of investment securities		-	(32,052)
Proceeds from sale of investment securities		-	33,518
Interest received		15,352	10,543
Acquisition of subsidiary		-	(1,021)
<b>Net cash used in investing activities</b>		<b>(106,639)</b>	<b>(80,650)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(171,000)	(130,376)
Interest paid		(49,975)	(51,112)
Costs incurred on Eurobond covenant modification		(3,889)	-
Repayment of lease liabilities		(13,344)	(10,766)
<b>Net cash used in financing activities</b>	19(c)	<b>(238,207)</b>	<b>(192,254)</b>
Effect of exchange rate changes on cash and cash equivalents		3,639	(3,017)
<b>Net increase in cash and cash equivalents</b>		<b>16,170</b>	<b>59,706</b>
Cash and cash equivalents at the beginning of the year	17	144,614	84,908
<b>Cash and cash equivalents at the end of the year</b>	17	<b>160,784</b>	<b>144,614</b>

## **1. Reporting entity**

### **(a) Georgian business environment**

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

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

### **(b) Organisation and operations**

These consolidated financial statements include the financial statements of Silknet JSC (the "Company"), (registration # 204566978) and its subsidiaries as detailed in note 25 (together referred to as the "Group" and individually as the "Group entities"). The Company and its main subsidiaries are limited liability and joint stock companies as defined under the Law of Georgia on Entrepreneurs and are incorporated and domiciled in Georgia. In 2018, the Group acquired a 100% ownership interest in, and was subsequently merged with, Georgia's second-largest mobile operator, Geocell LLC ("Geocell").

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

The principal activity of the Group is provision of telecommunication services to corporate and individual customers in Georgia, including fixed and mobile telephone services, mobile data, fixed internet, pay TV services, SMS (messaging) and other wholesale services. The Group directs its activities in two operating segments (see note 5): fixed services and mobile services.

The Company is rated by two rating agencies with Long-Term Issuer Default Rating of 'B+' with stable outlook and 'B1' with a stable outlook assigned by Fitch and Moody's, respectively.

The Company's immediate parent is Silknet Holding LLC. The Company's ultimate parent is Silk Road Group Holding (Malta) Limited – an entity controlled by an individual, George Ramishvili.

## **2. Basis of accounting**

### **Statement of compliance**

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

## **3. Functional and presentation currency**

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

## 4. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with 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 accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in note 14 - valuation of investment property.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 20 – determination of lease term;
- Notes 21 and 27(g) (h) – useful lives of property and equipment and intangible assets;
- Notes 21 and 27(g) (h) – recognition of property and equipment and intangible assets; and
- Note 24(b) – calculation of key management remuneration.

### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities. Fair values have been determined for disclosure and for measurement purposes. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – fair value of investment property;
- Note 22(a) – fair values of financial assets and liabilities.

## 5. Operating segments

The Group directs its activities in two operating segments: fixed services and mobile services. The Group voluntarily discloses media services, directed by Silk Media LLC (an entity operating Euronews Georgia - a free-to-air news channel). Silk Media LLC does not qualify as a separate operating segment under IFRS 8 *Operating Segments*; However, it is presented separately below to demonstrate the financial performance of media services distinctly to users of the consolidated financial statements. The majority of the Group's revenue is generated in Georgia, so information regarding geographical areas is not provided. Information related to each reportable segment is set forth below.

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

Segment operating profit/(loss) for the year is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate in these industries. Management also uses Adjusted EBITDA as an alternative performance measure for each segment.

For fixed and mobile services liquidity and leverage are managed on a centralized basis. As a result, for these segments cash and cash equivalents, debt, finance costs and related foreign exchange gains/(losses) are disclosed in aggregate under unallocated amounts. Investment property held for undetermined future use (note 14) is also managed on a centralized basis and is presented under unallocated amounts.

'000 GEL	<u>31-Dec-24</u>	<u>31-Dec-24</u>	<u>31-Dec-24</u>	<u>31-Dec-24</u>	<u>31-Dec-24</u>
<b>Consolidated statement of financial position</b>	<b>Mobile services</b>	<b>Fixed Services</b>	<b>Silk Media LLC</b>	<b>Unallocated Amounts</b>	<b>Total</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	126,430	207,182	1,824	13,024	348,460
Intangible assets	107,514	44,061	222	6,198	157,995
Other non-current assets	17,861	14,219	41	2,902	35,023
Investment property	-	-	-	78,871	78,871
Right-of-use assets	9,716	3,886	65	-	13,667
Prepayments related to IRU contracts	7,225	-	-	-	7,225
<b>Total non-current assets</b>	<b>268,746</b>	<b>269,348</b>	<b>2,152</b>	<b>100,995</b>	<b>641,241</b>
<b>Current assets</b>					
Inventories	4,488	3,266	340	1,749	9,843
Prepayments related to IRU contracts	2,173	-	-	-	2,173
Financial instruments at FVTPL	-	-	-	2,674	2,674
Trade and other receivables	12,776	24,134	64	1,952	38,926
Certificate of deposit	-	-	-	18,362	18,362
Cash and cash equivalents	-	-	114	160,670	<b>160,784</b>
<b>Total current assets</b>	<b>19,437</b>	<b>27,400</b>	<b>518</b>	<b>185,407</b>	<b>232,762</b>
<b>TOTAL ASSETS</b>	<b>288,183</b>	<b>296,748</b>	<b>2,670</b>	<b>286,402</b>	<b>874,003</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	-	-	-	(553,655)	(553,655)
Lease liabilities	-	(3,464)	-	-	(3,464)
Trade and other payables	(21,116)	(15,091)	-	(3,553)	(39,760)
Advances received related to IRU contracts and subscribers	-	(11,480)	-	-	(11,480)
<b>Total non-current liabilities</b>	<b>(21,116)</b>	<b>(30,035)</b>	<b>-</b>	<b>(557,208)</b>	<b>(608,359)</b>
<b>Current liabilities</b>					
Loans and borrowings	-	-	-	(19,566)	(19,566)
Lease liabilities	(13,099)	(1,627)	(119)	-	(14,845)
Trade and other payables	(32,709)	(33,171)	36	(3,300)	(69,144)
Advances received from IRU contracts and subscribers	(21,548)	(5,895)	-	(27)	(27,470)
<b>Total current liabilities</b>	<b>(67,356)</b>	<b>(40,693)</b>	<b>(83)</b>	<b>(22,893)</b>	<b>(131,025)</b>
<b>TOTAL LIABILITIES</b>	<b>(88,472)</b>	<b>(70,728)</b>	<b>(83)</b>	<b>(580,101)</b>	<b>(739,384)</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>199,711</b>	<b>226,020</b>	<b>2,587</b>	<b>(293,699)</b>	<b>134,619</b>

'000 GEL	31-Dec-23	31-Dec-23	31-Dec-23	31-Dec-23	31-Dec-23
Consolidated statement of financial position	Mobile services	Fixed Services	Silk Media LLC	Unallocated Amounts	Total
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	132,985	204,567	2,561	7,491	347,604
Intangible assets	121,517	52,817	294	4,634	179,262
Investment property	-	-	-	70,462	70,462
Other non-current assets	15,360	15,953	-	3,481	34,794
Right-of-use assets	17,964	4,460	451	-	22,875
Prepayments related to IRU contracts	8,010	-	-	-	8,010
<b>Total non-current assets</b>	<b>295,836</b>	<b>277,797</b>	<b>3,306</b>	<b>86,068</b>	<b>663,007</b>
<b>Current assets</b>					
Inventories	4,131	5,372	406	1,561	11,470
Prepayments related to IRU contracts	2,173	-	-	-	2,173
Trade and other receivables	11,425	23,655	48	2,437	37,565
Cash and cash equivalents	-	-	63	144,551	144,614
<b>Total current assets</b>	<b>17,729</b>	<b>29,027</b>	<b>517</b>	<b>148,549</b>	<b>195,822</b>
<b>TOTAL ASSETS</b>	<b>313,565</b>	<b>306,824</b>	<b>3,823</b>	<b>234,617</b>	<b>858,829</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	-	-	-	(529,658)	(529,658)
Lease liabilities	(11,333)	(4,052)	(102)	-	(15,487)
Trade and other payables	(19,812)	(19,171)	-	(1,418)	(40,401)
Advances received related to IRU contracts and subscribers	-	(11,946)	-	-	(11,946)
<b>Total non-current liabilities</b>	<b>(31,145)</b>	<b>(35,169)</b>	<b>(102)</b>	<b>(531,076)</b>	<b>(597,492)</b>
<b>Current liabilities</b>					
Loans and borrowings	-	-	-	(21,176)	(21,176)
Lease liabilities	(11,647)	(1,363)	(435)	-	(13,445)
Trade and other payables	(39,729)	(39,316)	(131)	(9,548)	(88,724)
Advances received from IRU contracts and subscribers	(20,931)	(5,451)	-	(17)	(26,399)
<b>Total current liabilities</b>	<b>(72,307)</b>	<b>(46,130)</b>	<b>(566)</b>	<b>(30,741)</b>	<b>(149,744)</b>
<b>TOTAL LIABILITIES</b>	<b>(103,452)</b>	<b>(81,299)</b>	<b>(668)</b>	<b>(561,817)</b>	<b>(747,236)</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>210,113</b>	<b>225,525</b>	<b>3,155</b>	<b>(327,200)</b>	<b>111,593</b>

Capital expenditures incurred by the Group in relation to the mobile services segment was approximately GEL 29,776 thousand for the year ended 31 December 2024 (out of which GEL 18,012 thousand was added to property and equipment and GEL 11,764 thousand was added to intangible assets), (2023: total mobile services: GEL 24,761; out of which: property and equipment - GEL 15,203 thousand and intangible assets - GEL 9,558 thousand). Capital expenditures related to the fixed services operating segment for the year ended 31 December 2024 amounted to approximately GEL 33,639 thousand and GEL 8,933 thousand in terms of property and equipment and intangible assets, respectively (2023: fixed services included: property and equipment – GEL 27,023 thousand and intangible assets - GEL 21,968 thousand). Capital expenditures incurred by Silk Media LLC was GEL 44 thousand for property and equipment and GEL 1,597 thousand for intangible assets for the year ended 31 December 2024, (2023: Capital expenditures for Silk Media LLC included GEL 153 thousand for property and equipment and GEL 124 thousand – for intangible assets).

'000 GEL	2024	2024	2024	2024	2024	2024	2024
Consolidated statement of profit or loss and other comprehensive income	Mobile Services	Fixed services	Elimination mobile services	Elimination fixed services	Silk Media LLC	Unallocated amounts	Total
<b>Segment revenue</b>	<b>349,192</b>	<b>237,890</b>	-	<b>(5,288)</b>	<b>176</b>	-	<b>581,970</b>
Operating expenses (excluding specific items)	(115,271)	(97,093)	5,288	-	(5,022)	-	(212,098)
<b>Adjusted EBITDA</b>	<b>233,921</b>	<b>140,797</b>	<b>5,288</b>	<b>(5,288)</b>	<b>(4,846)</b>	-	<b>369,872</b>
<b>Adjusted EBITDA margin</b>	<b>67%</b>	<b>59%</b>					<b>64%</b>
Depreciation and amortization	(59,336)	(49,302)	-	-	(2,830)	(3,354)	(114,822)
Specific items	(733)	(1,467)	-	-	180	(10,413)	(12,433)
Change in fair value of investment property	-	-	-	-	-	5,333	5,333
<b>Segment operating profit/(loss)</b>	<b>173,852</b>	<b>90,028</b>	<b>5,288</b>	<b>(5,288)</b>	<b>(7,496)</b>	<b>(8,434)</b>	<b>247,950</b>
Finance income	1,839	317	-	-	7	15,009	17,172
Finance costs	(4,695)	(5,057)	-	-	(36)	(48,102)	(57,890)
Net foreign exchange loss	(500)	(388)	-	-	(38)	(12,064)	(12,990)
<b>Segment profit/(loss) before tax</b>	<b>170,496</b>	<b>84,900</b>	<b>5,288</b>	<b>(5,288)</b>	<b>(7,563)</b>	<b>(53,591)</b>	<b>194,242</b>
Income tax expense	-	-	-	-	-	(216)	(216)
<b>Profit/(loss) for the year</b>	<b>170,496</b>	<b>84,900</b>	<b>5,288</b>	<b>(5,288)</b>	<b>(7,563)</b>	<b>(53,807)</b>	<b>194,026</b>

'000 GEL	2023	2023	2023	2023	2023	2023	2023
Consolidated statement of profit or loss and other comprehensive income	Mobile Services	Fixed services	Elimination mobile services	Elimination fixed services	Silk Media LLC	Unallocated amounts	Total
<b>Segment revenue</b>	<b>318,216</b>	<b>223,231</b>	-	<b>(5,204)</b>	<b>190</b>	-	<b>536,433</b>
Operating expenses (excluding specific items)	(107,230)	(91,813)	5,204	-	(4,701)	-	(198,540)
<b>Adjusted EBITDA</b>	<b>210,986</b>	<b>131,418</b>	<b>5,204</b>	<b>(5,204)</b>	<b>(4,511)</b>	-	<b>337,893</b>
<b>Adjusted EBITDA margin</b>	<b>66%</b>	<b>59%</b>					<b>63%</b>
Depreciation and amortization	(61,337)	(52,314)	-	-	(2,867)	(2,219)	(118,737)
Specific items	(5,793)	(8,395)	-	-	-	(15,766)	(29,954)
Change in fair value of investment property	-	-	-	-	-	6,724	6,724
<b>Segment operating profit/(loss)</b>	<b>143,856</b>	<b>70,709</b>	<b>5,204</b>	<b>(5,204)</b>	<b>(7,378)</b>	<b>(11,261)</b>	<b>195,926</b>
Finance income	1,481	4	-	-	5	10,654	12,144
Finance costs	(4,932)	(3,538)	-	-	(115)	(45,487)	(54,072)
Net foreign exchange gain/(loss)	343	210	-	-	194	(390)	357
<b>Segment profit/(loss) before tax</b>	<b>140,748</b>	<b>67,385</b>	<b>5,204</b>	<b>(5,204)</b>	<b>(7,294)</b>	<b>(46,484)</b>	<b>154,355</b>
Income tax expense	-	-	-	-	-	(258)	(258)
<b>Profit/(loss) for the year</b>	<b>140,748</b>	<b>67,385</b>	<b>5,204</b>	<b>(5,204)</b>	<b>(7,294)</b>	<b>(46,742)</b>	<b>154,097</b>

## 6. Net finance costs

'000 GEL	2024	2023
<b>Recognized in profit or loss</b>		
Interest income on current bank accounts and other receivables	15,027	10,663
Gain on modification of financial instrument	757	-
Interest income on IRU related prepayments	1,388	1,481
<b>Finance income</b>	<b>17,172</b>	<b>12,144</b>
Interest expense on financial liabilities	(54,892)	(49,451)
Interest expense accrued under lease liabilities	(1,582)	(3,162)
Interest expense on advances received from IRU contracts	(1,416)	(1,459)
<b>Finance costs</b>	<b>(57,890)</b>	<b>(54,072)</b>
Net foreign exchange (loss)/gain	(12,990)	357
<b>Net finance costs recognized in profit or loss</b>	<b>(53,708)</b>	<b>(41,571)</b>

## 7. Revenues

'000 GEL	2024	2023
<b>Commercial revenue</b>	<b>530,073</b>	<b>487,851</b>
<b>Mobile revenue</b>	<b>313,068</b>	<b>283,408</b>
Mobile callout	117,521	113,441
Mobile data	173,431	149,265
Revenue from SMS	11,686	10,622
Revenue from other services	8,836	8,290
Revenue from phone sales and accessories	1,594	1,790
<b>Fixed revenue</b>	<b>217,005</b>	<b>204,443</b>
Fixed broadband	142,272	132,624
Pay TV	58,211	55,855
Fixed telephone	10,582	11,412
Infrastructure capacity rental service	3,579	2,944
Revenue from other services	2,361	1,608
<b>Carrier and other services</b>	<b>51,897</b>	<b>48,582</b>
Interconnect service*	23,532	25,276
Infrastructure capacity rental service**	14,188	11,614
Roaming revenue	11,215	9,033
Internet wholesale	2,962	2,659
<b>Total revenues</b>	<b>581,970</b>	<b>536,433</b>

\* Revenue from interconnect service is generated by both segments as follows: GEL 21,632 thousand by the mobile services segment and GEL 1,900 thousand by the fixed services segment in 2024 (2023: GEL 23,364 thousand by the mobile services segment and GEL 1,912 thousand by the fixed services segment). Major part of revenue is generated in Georgia.

\*\* Revenue from infrastructure capacity rental service include revenue from IRU contracts. Related advances received are included in note 21. Advances received related to IRU contracts relate to the advance consideration received from customers for granting access to certain dark fibers from the Group's infrastructure.

The amount of GEL 1,815 thousand (2023: GEL 1,815 thousand) has been recognised as revenue for the year ended 31 December 2024 for the IRU contracts recognised in advances received (note 21). Revenue in the amount of GEL 9,077 thousand (2023: GEL 9,077 thousand) will be recognised within five years after the reporting date and GEL 11,784 thousand (2023: GEL 13,599 thousand) after five years till maturity of IRU contracts.

## 8. Purchased services

'000 GEL	<u>2024</u>	<u>2023</u>
Utility expenses	15,197	16,217
Software maintenance service	12,790	11,862
Professional fees*	12,006	18,855
Internet clear channel costs	4,856	4,670
Internet protocol (IP) cost	3,298	3,183
Other purchased services	108	68
<b>Total purchased services</b>	<b><u>48,255</u></b>	<b><u>54,855</u></b>

\* Professional fees mainly include consulting services regarding Company's strategic plan (see note 11(a)) and consulting services provided by an entity under common control (see note 24(c)).

Professional services include audit fees of GEL 585 thousand (2023: GEL 600 thousand).

## 9. Salaries and benefits

'000 GEL	<u>2024</u>	<u>2023</u>
Salaries	71,228	62,280
Bonuses	10,929	10,403
Long-term benefits to key management (note 24)	3,546	17,318
Pension fund	1,174	1,026
Employee health insurance	820	868
Other benefits	547	405
<b>Total salaries and benefits</b>	<b><u>88,244</u></b>	<b><u>92,300</u></b>

The average number of employees employed by the Group in 2024 and 2023 equalled 2,255 and 2,229, respectively.

## 10. Other expenses

'000 GEL	<u>2024</u>	<u>2023</u>
Communication regulation fee	4,648	4,297
Property and other taxes	3,955	3,669
Security expenses	3,513	2,518
Fuel and lubricants used	3,012	2,971
Transportation services	2,962	2,575
Charity expenses	1,650	1,400
Office stationery and other supplies	1,534	1,704
Allowance for impairment of trade and other receivables	1,329	1,519
Bank fees and charges	1,214	920
Write-down of slow-moving inventory, property and equipment and other non-current assets	1,159	592
Business trip expenses	967	851
Dealers commission	109	56
Commission for cash receipts	89	95
(Gain)/loss on disposals of property and equipment	(920)	1,410
Other losses/(income)	326	(3,578)
<b>Total</b>	<b><u>25,547</u></b>	<b><u>20,999</u></b>

## 11. Alternative performance measures

### (a) Adjusted EBITDA

The Group believes that the presentation of Adjusted EBITDA and Adjusted EBITDA margin enhances user's understanding of the Group's financial performance. The management uses Adjusted EBITDA and Adjusted EBITDA margin to assess and evaluate the operating performance of the Group.

In addition, Adjusted EBITDA and Adjusted EBITDA margin are frequently used by securities analysts, investors and other stakeholders in the evaluation of companies that operate in the telecommunications sector. Adjusted EBITDA and Adjusted EBITDA margin are not presentations made in accordance with IFRS and the Group's use of the terms Adjusted EBITDA and Adjusted EBITDA margin may vary from those used by others in the telecommunications industry due to differences in accounting policies or differences in the calculation methodology.

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

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

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

#### Reconciliation of adjusted EBITDA to profit from continuing operations

'000 GEL	2024	2023
<b>Profit for the year</b>	194,026	154,097
Depreciation and amortization	114,822	118,737
Finance costs	57,890	54,072
Finance income	(17,172)	(12,144)
Net foreign exchange loss/(gain)	12,990	(357)
Change in fair value of investment property	(5,333)	(6,724)
Income tax expense	216	258
Specific items (see below)	12,433	29,954
<b>Adjusted EBITDA</b>	<b>369,872</b>	<b>337,893</b>

'000 GEL	2024	2023	Note	Description
a) (Gain)/loss on disposals of property and equipment	(920)	1,410	10	Other expenses
b) Write-down of slow-moving inventory, property and equipment and other non-current assets	1,159	592	10	Other expenses
c) Professional fees, one-time consulting* expenses	7,244	13,257	8	Purchased services
d) Key management one-time benefit (note 24)	3,546	17,318		Salaries and benefits
e) Charity	1,650	1,400	10	Other expenses
f) Other income	(246)	(4,023)	10	Other expenses
<b>Total specific items</b>	<b>12,433</b>	<b>29,954</b>		

\* Professional fees, one-time consulting expenses mainly consist of one-time consulting service related to the Company's long-term strategic plan.

#### (b) Adjusted EBITDA margin

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

'000 GEL	2024	2023
Adjusted EBITDA	369,872	337,893
Revenue	581,970	536,433
<b>Adjusted EBITDA margin %</b>	<b>64%</b>	<b>63%</b>

## 12. Property and equipment and other non-current assets

'000 GEL	Buildings and facilities		Machinery and equipment		Furniture and fixtures		Construction in progress	Total
	Land			Vehicles				
Cost at 1 January 2023	23,111	123,605	551,290	11,045	37,762	4,189	751,002	
Accumulated depreciation	-	(41,694)	(308,917)	(7,464)	(26,273)	-	(384,348)	
<b>Carrying amount at 1-Jan-23</b>	<b>23,111</b>	<b>81,911</b>	<b>242,373</b>	<b>3,581</b>	<b>11,489</b>	<b>4,189</b>	<b>366,654</b>	
Additions	142	225	20,739	1,086	2,006	21,986	46,184	
Disposals	(136)	(4,516)	(5,430)	(553)	(987)	-	(11,622)	
Transfers, gross	-	1,076	14,145	10	125	(23,053)*	(7,697)	
Transfers, accumulated depreciation	-	-	7,697	-	-	-	7,697	
Depreciation of disposals	-	2,451	4,751	123	756	-	8,081	
Depreciation charge	-	(3,010)	(54,451)	(895)	(3,337)	-	(61,693)	
<b>Carrying amount at 31-Dec-23</b>	<b>23,117</b>	<b>78,137</b>	<b>229,824</b>	<b>3,352</b>	<b>10,052</b>	<b>3,122</b>	<b>347,604</b>	
Cost at 31 December 2023	23,117	120,390	580,744	11,588	38,906	3,122	777,867	
Accumulated depreciation	-	(42,253)	(350,920)	(8,236)	(28,854)	-	(430,263)	
<b>Carrying amount at 31-Dec-23</b>	<b>23,117</b>	<b>78,137</b>	<b>229,824</b>	<b>3,352</b>	<b>10,052</b>	<b>3,122</b>	<b>347,604</b>	
Additions	1,308	598	23,831	1,013	3,275	28,122	58,147	
Disposals	(104)	(247)	(2,239)	(99)	(620)	-	(3,309)	
Transfers, gross	-	2,481	11,265	-	84	(21,578)*	(7,748)	
Transfers, accumulated depreciation	-	-	7,748	-	-	-	7,748	
Depreciation of disposals	-	150	1,974	80	571	-	2,775	
Depreciation charge	-	(3,111)	(49,672)	(949)	(3,025)	-	(56,757)	
<b>Carrying amount at 31-Dec-24</b>	<b>24,321</b>	<b>78,008</b>	<b>222,731</b>	<b>3,397</b>	<b>10,337</b>	<b>9,666</b>	<b>348,460</b>	
Cost at 31 December 2023	24,321	123,222	613,601	12,502	41,645	9,666	824,957	
Accumulated depreciation	-	(45,214)	(390,870)	(9,105)	(31,308)	-	(476,497)	
<b>Carrying amount at 31-Dec-24</b>	<b>24,321</b>	<b>78,008</b>	<b>222,731</b>	<b>3,397</b>	<b>10,337</b>	<b>9,666</b>	<b>348,460</b>	

\* These amounts include capital expenditure attributable to fixed network deployment, mobile core extension projects and modernization.

### (a) Security

As at 31 December 2024, property with a carrying value of GEL 33,116 thousand (2023: GEL 33,651 thousand) was collateralized and guarantees the indebtedness of letters of credit related to operating activities of the Group.

### (b) Other non-current assets

As at 31 December 2024, other non-current assets include uninstalled equipment of GEL 29,487 thousand, prepayments for non-current assets of GEL 3,167 thousand and a financial guarantee contract receivable of GEL 2,369 thousand (2023: uninstalled equipment of GEL 31,138 thousand, prepayments for non-current assets of GEL 1,487 thousand and a financial guarantee contract receivable of GEL 2,169 thousand). For further details on the financial guarantee receivable, see also note 24(c).

(c) **Capital commitments**

As at 31 December 2024, capital commitments borne by the Company amounted to GEL 18,192 thousand, mainly attributable to mobile network development projects and acquisition of customer related devices (31 December 2023: GEL 16,135 thousand, which mainly relate to mobile network development projects and acquisition of customer related devices).

**13. Intangible assets**

'000 GEL	Network operating & computer software licenses	Telecom operating licenses	Broadcasting rights	Goodwill	Other	CSAC*	Total
Cost at 1 January 2023	136,604	177,751	75,196	6,983	4,703	6,733	<b>407,970</b>
Accumulated amortization	(71,432)	(79,728)	(58,760)	-	(1,204)	(5,486)	<b>(216,610)</b>
<b>Carrying amount at 1 January 2023</b>	<b>65,172</b>	<b>98,023</b>	<b>16,436</b>	<b>6,983</b>	<b>3,499</b>	<b>1,247</b>	<b>191,360</b>
Additions	10,462	1,847	19,192	-	134	1,486	<b>33,121</b>
Acquisition through subsidiary (see note 25)	227	-	123	-	1,590	-	<b>1,940</b>
Amortization charge	(16,667)	(14,265)	(13,939)	-	(527)	(1,339)	<b>(46,737)</b>
Disposals and derecognitions, gross	(422)	-	-	-	-	-	<b>(422)</b>
Disposals and derecognitions, amortization	-	-	-	-	-	-	-
<b>Carrying amount at 31 December 2023</b>	<b>58,772</b>	<b>85,605</b>	<b>21,812</b>	<b>6,983</b>	<b>4,696</b>	<b>1,394</b>	<b>179,262</b>
Cost at 31 December 2023	146,871	179,598	94,511	6,983	6,427	8,219	<b>442,609</b>
Accumulated amortization	(88,099)	(93,993)	(72,699)	-	(1,731)	(6,825)	<b>(263,347)</b>
<b>Carrying amount at 31 December 2023</b>	<b>58,772</b>	<b>85,605</b>	<b>21,812</b>	<b>6,983</b>	<b>4,696</b>	<b>1,394</b>	<b>179,262</b>
Additions	14,865	957	8,417	-	140	1,476	<b>25,855</b>
Amortization charge	(16,939)	(14,175)	(14,023)	-	(545)	(1,440)	<b>(47,122)</b>
Disposals and derecognitions, gross**	(55,481)	(8,292)	(65,171)	-	(13)	-	<b>(128,957)</b>
Disposals and derecognitions, amortization	55,481	8,292	65,171	-	13	-	<b>128,957</b>
<b>Carrying amount at 31 December 2024</b>	<b>56,698</b>	<b>72,387</b>	<b>16,206</b>	<b>6,983</b>	<b>4,291</b>	<b>1,430</b>	<b>157,995</b>
Cost at 31 December 2024	106,255	172,263	37,757	6,983	6,554	9,695	<b>339,507</b>
Accumulated amortization	(49,557)	(99,876)	(21,551)	-	(2,263)	(8,265)	<b>(181,512)</b>
<b>Carrying amount at 31 December 2024</b>	<b>56,698</b>	<b>72,387</b>	<b>16,206</b>	<b>6,983</b>	<b>4,291</b>	<b>1,430</b>	<b>157,995</b>

\* CSAC-Capitalized Subscribers Acquisition Cost.

\*\* These balances represent fully amortized broadcasting rights and other licenses. Amounts written off did not impact operational performance of the Group.

## 14. Investment property

In 2019, the Company acquired a land plot of 20,397 m<sup>2</sup> situated on a prime location in the centre of Tbilisi from a related party for the acquisition price of GEL 29,582 thousand (USD 10 million) plus a contingent consideration of an additional USD 10 million, payable in case the approval for the 60,000 sq.m. gross buildable area master plan (Development Regulation Plan) would be received from the municipal authorities. The Development Regulation Plan was approved in 2020 and the Company paid the remaining USD 10 million in April, 2020 in accordance with the original terms. The Group considers the future use of the land plot to be undefined and thus classifies the asset as an investment property. In 2021, the gross buildable area was increased and reached 69,000 sq.m.

The movement on investment property was as follows:

<b>'000 GEL</b>	<b>2024</b>	<b>2023</b>
Carrying amount as at 1 January	70,462	64,037
Change in fair value	5,333	6,724
Effect of foreign currency exchange rate movements	3,076	(299)
	<b>78,871</b>	<b>70,462</b>

The fair value of the investment property as at 31 December 2024 was determined as USD 28,100 thousand (2023: USD 26,200 thousand) by the independent valuator and was based on announced asking prices and recent market transactions of similar properties in a similar location and physical condition. The significant unobservable inputs related to the differences in the characteristics of the properties, such as size, location, access to the properties and conditions for sale. The adjustments related to each of the significant unobservable input above varied within the range from 5% to 25% in 2024 and 2023. A 5% change in the adjusted market prices used in the valuation would have changed the fair value measurement by approximately GEL 4 million, each year. Investment property is categorized within Level 3 of the fair value hierarchy.

## 15. Inventories

<b>'000 GEL</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Spare parts and installation materials	5,485	6,076
Fuel	1,164	1,280
Mobile phone and accessories	674	651
Other	2,520	3,463
<b>Total</b>	<b>9,843</b>	<b>11,470</b>

## 16. Trade and other receivables

<b>'000 GEL</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Receivables from subscribers	23,103	21,826
Receivables from telecom operators	8,914	8,711
Other trade receivables	3,538	4,474
<b>Total trade receivables</b>	<b>35,555</b>	<b>35,011</b>
Prepaid expenses	3,371	2,554
<b>Total trade and other receivables</b>	<b>38,926</b>	<b>37,565</b>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 22.

## 17. Cash and cash equivalents

'000 GEL	<u>31 December 2024</u>	<u>31 December 2023</u>
Call deposits	120,299	109,513
Bank balances	39,307	32,283
Cash in transit	1,165	2,807
Cash on hand	13	11
<b>Total cash and cash equivalents</b>	<b><u>160,784</u></b>	<b><u>144,614</u></b>

Under one of the covenants of the Group's Eurobonds (see also note 19), the Group is required to maintain a "Cash Cushion" of cash and cash equivalents including investment securities and certificate of deposit (defined per Eurobond's Terms and Conditions) of at least USD 20 million (or its GEL equivalent, discounted as per the Terms and Conditions) at the end of each financial quarter during the period from the issue date of the Eurobonds till 31 January 2023. From 31 January 2023, the Group may elect to either maintain the Cash Cushion as of the end of each fiscal quarter, or alternatively to establish and maintain a Credit Facility of at least USD 20 million for the payment of interest under the Notes.

The Group maintains a "Cash cushion" of cash and cash equivalents (Defined per Eurobond's Terms and Conditions) of at least USD 20 million (its GEL equivalent, discounted as per the Terms and Conditions) as at 31 December 2024. The covenant does not restrict the use of "Cash Cushion", hence the related balance was classified as cash and cash equivalents as at 31 December 2024.

Call deposits represent term deposits with banks with maturities less than three months from acquisition date, or greater than three months from the acquisition date, but for which the Group has the unilateral right to withdraw the deposits immediately after providing notification without incurring penalties or significant loss of interest. Consequently, these term deposits have been classified in accordance with their nature which is that of a call deposit.

The Group's exposure to interest rate, credit and currency risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

### (a) Certificate of deposit

As at 31 December 2024, the Group holds a certificate of deposit ("CD") purchased in 2024 from a commercial bank (2023: nil). The CD is denominated in US Dollars and bears a nominal interest rate of 5.6%, with a maturity date of 20 November 2025.

The certificate of deposit is classified as a financial asset and is measured at amortized cost in accordance with IFRS 9 *Financial Instruments*. The Group recognizes interest income from the CD using an effective interest rate method in the consolidated statement of profit or loss.

The carrying amount of the certificate of deposit as at 31 December 2024 reflects the amortized cost, which approximates its fair value at the reporting date.

The Group's exposure to credit and currency risks related to certificate of deposit are disclosed in note 22.

## 18. Equity

### (a) Share capital

*Number of shares*

	Ordinary shares	
	2024	2023
In issue at 1 January	84,056,099	84,056,099
Issued during the year	-	-
<b>In issue at 31 December, fully paid</b>	<b>84,056,099</b>	<b>84,056,099</b>
<b>Authorised shares - par value (in GEL)</b>	<b>1</b>	<b>1</b>

### (b) Additional paid-in capital

In 2018 the Group issued a call option for 4,795,000 ordinary shares, representing approximately 6.6% ownership on a diluted basis, for the benefit of JSC TBC Bank as a part of the financing received for the acquisition of Geocell. The exercise price of the option is set as GEL 5.214 per share for a total amount of GEL 25,000 thousand. The fair value of the call option was accounted for as an equity instrument at the date of acquisition of Geocell/receipt of funds from TBC. The fair value of GEL 8,026 thousand was credited to additional paid-in capital.

The call option was purchased by the Company's parent from JSC TBC Bank and later expired without being exercised by the option holder. As a result, additional paid-in capital in the amount of GEL 8,026 thousand was reclassified to retained earnings in 2023.

### (c) Dividends

In 2024 the Company declared and paid dividends of GEL 171,000 thousand (2023: declared and paid dividends of GEL 128,200 thousand). Declared dividend per ordinary share amounted to GEL 2.0344 (2023: 1.5252) (see note 19(c)).

### (d) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows and long-term loans and borrowings. With these measures the Group aims for steady profits growth.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 19. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see note 22.

<b>'000 GEL</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Eurobonds - non-current	553,655	529,658
	<b>553,655</b>	<b>529,658</b>
Eurobonds – current	19,566	21,176
	<b>19,566</b>	<b>21,176</b>
<b>Total</b>	<b>573,221</b>	<b>550,834</b>

**(a) Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2024	
				Face value*	Carrying amount
Eurobond	USD	8.375%	2027	582,749	573,221
<b>Total loans and borrowings</b>				<b>582,749</b>	<b>573,221</b>

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2023	
				Face value*	Carrying amount
Eurobond	USD	8.375%	2027	558,375	550,834
<b>Total loans and borrowings</b>				<b>558,375</b>	<b>550,834</b>

\* Face value includes accrued interest.

**(b) Eurobonds**

On 31 January 2022, the Group successfully placed USD 300,000 thousand of Eurobonds due in 2027 carrying an interest rate of 8.375% (the “New Eurobonds”) on the Euronext Dublin Exchange. Interest is payable semi-annually on 31 January and 31 July of each year, commencing from 31 July 2022. The proceeds from the New Eurobonds were used by the Group in 2022 to refinance USD 200,000 thousand effective Eurobonds maturing in 2024 (USD 197,400 thousand outstanding at that time) and repaid unsecured local bonds of GEL 34,981 thousand (principal paid – GEL 34,000 thousand).

The New Eurobonds were accounted for at amortised cost using the effective interest rate method. The Group incurred expenses of GEL 12,936 thousand in connection with the issue of the New Eurobonds, including, amongst others, underwriting fees, legal counsel fees, rating agency expenses, listing expenses, etc. These expenses were accounted for as transaction costs. They are included in the calculation of the effective interest rate of the New Eurobonds.

In 2022, subsequent to the issuance, the Group repurchased New Eurobonds in the amount of USD 100,235 thousand. During 2022, the repurchased bonds were derecognised at their amortised cost and the difference between the repurchased amount and the amortized cost was recognised under interest expense in profit or loss (2024: nil). In accordance with the New Eurobond’s Conditions, bonds repurchased in 2022 are still outstanding and have not been cancelled.

In 2024, the Group implemented a consent solicitation to modify the terms and conditions of New Eurobonds, increasing its distributions flexibility by introducing “leverage-based” basket in the Restricted Payments test, allowing the Company to proceed with Restricted Payments until its Consolidated Leverage Ratio reaches 1.75x. In connection with consent solicitation process, the Group incurred expenses of GEL 3,947 thousand. These costs were recognised as an adjustment to the carrying amount of New Eurobond liability and is amortised over the remaining term of the modified instrument using the revised effective interest rate.

Other than the Eurobond covenant, dividend distribution is subject to compliance with Georgian legislation.

The average market quotation close to the reporting date per Bloomberg was 100.73% of par value. Subsequent to reporting date, as at 31 March 2025, the average market quotation per Bloomberg was 101.47% of par value.

The Group's New Eurobonds are subject to various covenants, details of which are included in the listing particulars, publicly available on the website of Silknet JSC. As at 31 December 2024, the Group has complied with all covenants and expects to remain in compliance throughout the term of the New Eurobonds. Accordingly, New Eurobonds (excluding balances contractually repayable within 12 months from the reporting date) are classified as non-current as at 31 December 2024.

(c) **Changes in liabilities arising from financing activities\***

'000 GEL	<b>Dividends payable</b>	<b>Lease liabilities</b>	<b>Loans and borrowings</b>	<b>Total</b>
Balance at 1 January 2024	-	28,932	550,834	579,766
Interest paid	-	(1,582)	(45,049)	(46,631)
Dividends paid	(171,000)	-	-	(171,000)
Lease payments	-	(13,344)	-	(13,344)
<b>Total changes from financing cash flows</b>	<b>(171,000)</b>	<b>(14,926)</b>	<b>(45,049)</b>	<b>(230,975)</b>
<b>The effect of changes in foreign exchange rates</b>	<b>-</b>	<b>261</b>	<b>23,290</b>	<b>23,551</b>
<i>Other changes</i>				
Interest expense	-	1,582	48,093	49,675
Cost incurred on modification	-	-	(3,947)	(3,947)
Recognition of lease liabilities arising from lease contracts originated during the period	-	3,969	-	3,969
Write-off of ROU and respective lease liability for terminated contracts	-	(1,509)	-	(1,509)
<b>Total liability-related other changes</b>	<b>-</b>	<b>4,042</b>	<b>44,146</b>	<b>48,188</b>
<b>Total equity-related other changes</b>	<b>171,000</b>	<b>-</b>	<b>-</b>	<b>171,000</b>
<b>Balance at 31 December 2024</b>	<b>-</b>	<b>18,309</b>	<b>573,221</b>	<b>591,530</b>

'000 GEL	<b>Dividends payable</b>	<b>Lease liabilities</b>	<b>Loans and borrowings</b>	<b>Total</b>
Balance at 1 January 2023	2,176	34,446	552,064	588,686
Interest paid	-	(3,162)	(44,257)	(47,419)
Dividends paid	(130,376)	-	-	(130,376)
Lease payments	-	(10,766)	-	(10,766)
<b>Total changes from financing cash flows</b>	<b>(130,376)</b>	<b>(13,928)</b>	<b>(44,257)</b>	<b>(188,561)</b>
<b>The effect of changes in foreign exchange rates</b>	<b>-</b>	<b>(30)</b>	<b>(2,355)</b>	<b>(2,385)</b>
<i>Other changes</i>				
Interest expense	-	3,162	45,382	48,544
Recognition of lease liabilities arising from lease contracts originated during the period	-	6,652	-	6,652
Write-off of ROU and respective lease liability for terminated contracts	-	(1,370)	-	(1,370)
<b>Total liability-related other changes</b>	<b>-</b>	<b>8,444</b>	<b>45,382</b>	<b>53,826</b>
<b>Total equity-related other changes</b>	<b>128,200</b>	<b>-</b>	<b>-</b>	<b>128,200</b>
<b>Balance at 31 December 2023</b>	<b>-</b>	<b>28,932</b>	<b>550,834</b>	<b>579,766</b>

\* Cash flows used in financing activities presented in the consolidated statement of cash flows also include the financing component of payments made for acquisition of non-current assets and licenses and broadcasting rights (see note 21).

## 20. Leases

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

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

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

When measuring lease liabilities for leases, the Group discounts lease payments using its incremental borrowing rate at the date of lease recognition. The weighted-average rate (in GEL) applied in 2024 and 2023 was approximately 12%.

'000 GEL	<u>Site rent for mobile services</u>	<u>Site rent for fixed services</u>	<u>Space rent for Silk Media LLC</u>	<u>Total</u>
<b>Carrying amount of RoU at 1 January 2024</b>	<b>17,963</b>	<b>4,459</b>	<b>453</b>	<b>22,875</b>
Additions	3,372	597	-	3,969
Disposals	(4,946)	-	-	(4,946)
Accumulated depreciation of disposals	2,712	-	-	2,712
Depreciation charge	(9,386)	(1,171)	(386)	(10,943)
<b>Gross balance of RoU at 31 December 2024</b>	<b>50,823</b>	<b>9,860</b>	<b>1,934</b>	<b>62,617</b>
<b>Accumulated depreciation at 31 December 2024</b>	<b>(41,108)</b>	<b>(5,975)</b>	<b>(1,867)</b>	<b>(48,950)</b>
<b>Carrying amount of RoU at 31 December 2024</b>	<b>9,715</b>	<b>3,885</b>	<b>67</b>	<b>13,667</b>
<b>Lease liability at 1 January 2024</b>	<b>(22,980)</b>	<b>(5,415)</b>	<b>(537)</b>	<b>(28,932)</b>
Additions	(3,372)	(597)	-	(3,969)
Disposals	1,509	-	-	1,509
Interest charge	(1,026)	(520)	(36)	(1,582)
Payments	12,810	1,652	464	14,926
The effect of changes in foreign exchange rates	(41)	(210)	(10)	(261)
<b>Lease liability at 31 December 2024</b>	<b>(13,100)</b>	<b>(5,090)</b>	<b>(119)</b>	<b>(18,309)</b>

'000 GEL	<u>Site rent for mobile services</u>	<u>Site rent for fixed services</u>	<u>Space rent for Silk Media LLC</u>	<u>Total</u>
<b>Carrying amount of RoU at 1 January 2023</b>	<b>25,194</b>	<b>2,181</b>	<b>838</b>	<b>28,213</b>
Additions	3,248	3,404	-	6,652
Disposals	(3,061)	-	-	(3,061)
Accumulated depreciation of disposals	1,378	-	-	1,378
Depreciation charge	(8,796)	(1,126)	(385)	(10,307)
<b>Gross balance of RoU at 31 December 2023</b>	<b>52,397</b>	<b>9,263</b>	<b>1,934</b>	<b>63,594</b>
<b>Accumulated depreciation at 31 December 2023</b>	<b>(34,434)</b>	<b>(4,804)</b>	<b>(1,481)</b>	<b>(40,719)</b>
<b>Carrying amount of RoU at 31 December 2023</b>	<b>17,963</b>	<b>4,459</b>	<b>453</b>	<b>22,875</b>
<b>Lease liability at 1 January 2023</b>	<b>(30,470)</b>	<b>(3,055)</b>	<b>(921)</b>	<b>(34,446)</b>
Additions	(3,248)	(3,404)	-	(6,652)
Disposals	1,370	-	-	1,370
Interest charge	(2,571)	(513)	(78)	(3,162)
Payments	11,916	1,563	449	13,928
The effect of changes in foreign exchange rates	23	(6)	13	30
<b>Lease liability at 31 December 2023</b>	<b>(22,980)</b>	<b>(5,415)</b>	<b>(537)</b>	<b>(28,932)</b>

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

'000 GEL	31 December 2024		31 December 2023	
	Non-current	Current	Non-current	Current
Payables for non-current assets	13,044	19,482	12,460	30,643
Payable to suppliers	-	14,078	-	24,815
Payable for licenses and broadcasting rights	5,896	10,725	8,937	12,147
Payable to other operators	-	3,774	-	5,135
Payable to employees (note 24)	19,498	13,010	17,604	7,018
Other payables	-	993	-	1,921
VAT and other tax liabilities	-	7,082	-	7,045
Financial guarantee contract liability	1,322	-	1,400	-
<b>Total trade and other payables</b>	<b>39,760</b>	<b>69,144</b>	<b>40,401</b>	<b>88,724</b>
Advances received related to IRU contracts	10,891	1,888	11,418	1,888
Advances received related to subscribers	589	25,582	528	24,511
<b>Total contract liabilities from prepayments</b>	<b>11,480</b>	<b>27,470</b>	<b>11,946</b>	<b>26,399</b>
<b>Total</b>	<b>51,240</b>	<b>96,614</b>	<b>52,347</b>	<b>115,123</b>

Payables for non-current assets and payable for licenses and broadcasting rights represent the discounted value of deferred payments mainly related to the acquisition of property and equipment for network upgrade and expansionary projects and intangible assets for broadcasting rights and IT transformation.

Major portion of payables for non-current assets and payable for licenses and broadcasting rights are denominated either in USD or EUR and thus are exposed to foreign currency exchange rate fluctuations (see also note 22).

## 22. Fair values and financial risk management

### (a) Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Group's financial assets and liabilities, except for bonds (see note 19(b)), approximates their carrying amounts.

### (b) Financial risk management

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

- credit risk;
- liquidity risk;
- market risk.

#### *Risk management framework*

The management together with the Supervisory Board have overall responsibility for establishment and oversight of the Group's risk management framework and are responsible for developing and monitoring the Group's risk management policies and reporting regularly to the shareholder on its activities.

The Group's risk management approaches are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management approaches and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Board oversees the adequacy of risk management measures adopted by the Group.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans receivable, trade receivables and bank balances.

The maximum exposure to credit risk for recognised financial assets and unrecognised commitments at the reporting date was as follows:

<b>'000 GEL</b>	<b><u>31 December 2024</u></b>	<b><u>31 December 2023</u></b>
Trade receivables	35,555	35,011
Certificate of deposit	18,362	-
Cash and cash equivalents	160,771	144,603
<b>Recognized financial assets</b>	<b><u>214,688</u></b>	<b><u>179,614</u></b>

**Trade and other receivables and contracts costs**

Credit risk is managed by assessing the creditworthiness of the customers before the Group's standard payment and service terms and conditions are offered. No collateral in respect of trade and other receivables is generally required.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main component of this allowance is a collective loss component. The Group's trade receivables are mainly from the domestic retail customers. The Group does not have a significant concentration of customers.

**Impairment losses**

The impairment loss allowances of trade and other receivables per risk groups are as follows:

<b>'000 GEL</b>	<b><u>Collectively assessed</u></b>			<b><u>Individually assessed</u></b>		
	<b><u>Gross carrying amount</u></b>	<b><u>Impairment loss allowance</u></b>	<b><u>Credit-impaired</u></b>	<b><u>Gross carrying amount</u></b>	<b><u>Impairment loss allowance</u></b>	<b><u>Credit-impaired</u></b>
<b>31 December 2024</b>						
Current	21,835	209	No	13,362	-	No
1-30 past due	528	118	No	-	-	No
31-90 days past due	395	252	No	-	-	No
Past due						
91-150 days	255	241	Yes	-	-	Yes
Past due more than 150 days	23,557	23,557	Yes	2,752	2,752	Yes
<b>Total</b>	<b><u>46,570</u></b>	<b><u>24,377</u></b>		<b><u>16,114</u></b>	<b><u>2,752</u></b>	

'000 GEL	Collectively assessed			Individually assessed		
	Gross carrying amount	Impairment loss allowance	Credit-impaired	Gross carrying amount	Impairment loss allowance	Credit-impaired
<b>31 December 2023</b>						
Current	20,581	332	No	14,241	-	No
1-30 past due	484	114	No	-	-	No
31-90 days past due	411	275	No	-	-	No
Past due						
91-150 days	315	300	Yes	-	-	Yes
Past due more than 150 days	22,199	22,199	Yes	2,580	2,580	Yes
<b>Total</b>	<b>43,990</b>	<b>23,220</b>		<b>16,821</b>	<b>2,580</b>	

The movements in allowance for impairment of trade and other receivables were as follows:

'000 GEL	2024	2023
<b>At 1 January</b>	(25,800)	(24,281)
Charge for the year	(1,329)	(1,519)
Reversal of amounts written off during the year as uncollectible	-	-
<b>At 31 December</b>	<b>(27,129)</b>	<b>(25,800)</b>

An impairment rate of 100% was applied to gross trade and other receivables from retail customers overdue by more than 150 days, with lower impairment rates applied for risk categories of trade and other receivables that are overdue for shorter periods. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

### **Bank balances, call deposits and certificate of deposit**

Bank balances, call deposits and certificate of deposit are mainly held with Georgian banks with a short-term issuer default rating of B, based on Fitch Rating. The balances are Stage 1 and not past due. The Group does not expect any counterparty to fail to meet its obligations.

#### **(ii) Liquidity risk**

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

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

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

**31 December 2024**

'000 GEL	<u>Carrying amount</u>	<u>Total</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	573,221	678,097	-	23,480	23,479	631,138	-
Lease liability	18,309	18,988	-	3,786	10,999	4,135	68
Trade and other payables	108,904	112,881	20,805	23,627	25,472	42,836	141
	<b><u>700,434</u></b>	<b><u>809,966</u></b>	<b><u>20,805</u></b>	<b><u>50,893</u></b>	<b><u>59,950</u></b>	<b><u>678,109</u></b>	<b><u>209</u></b>

**31 December 2023**

'000 GEL	<u>Carrying amount</u>	<u>Total</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	550,834	694,728	-	22,497	22,497	649,734	-
Lease liability	28,932	32,019	-	3,587	10,706	17,607	119
Trade and other payables	129,125	135,482	25,277	28,203	37,093	44,909	-
	<b><u>708,891</u></b>	<b><u>862,229</u></b>	<b><u>25,277</u></b>	<b><u>54,287</u></b>	<b><u>70,296</u></b>	<b><u>712,250</u></b>	<b><u>119</u></b>

The management believes that, as at and for the foreseeable future, the Group has sufficient funds to meet its liabilities as they fall due. Management's assessment is based on a number of factors, including the significant cash balance as at 31 December 2024 (note 17), positive and growing adjusted EBITDA (note 11), a growing customer base for key business segments and new network deployment (note 12).

**(iii) Market risk**

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

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

**Currency risk**

As at 31 December 2024, the Group's exposure to currency risk is mainly attributable to USD-denominated Eurobonds. To partially hedge an open foreign currency position, the Company invests its liquid funds in USD-denominated instruments, such as deposits and swaps. Additionally, a portion of the Company's operational activities are also denominated in hard currencies. The Company uses forward agreements to mitigate the impact of foreign currency exchange rate fluctuations on operations.

These instruments meet the definition of derivatives under IFRS 9 *Financial Instruments* and are initially measured at fair value. Under IFRS 9, derivatives are instruments, which are subsequently measured at FVTPL.

As at 31 December 2024, the Group recognized derivative asset with a carrying amount of GEL 2,674 thousand (31 December 2023: derivative liability with a carrying amount of GEL 925 thousand (included in other payables – see note 18)). Discounted cash flow models are used for fair value measurement of derivatives, which is categorized within Level 3 of the fair value hierarchy. Estimation uncertainties related to foreign currency exchange rate fluctuations does not have material effect on the consolidated financial statements as at 31 December 2024 and 2023.

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

<b>'000 GEL</b>	<b>USD-denominated 31 December 2024</b>	<b>USD-denominated 31 December 2023</b>
Bank balances	3,911	9,734
Call deposit	120,299	-
Certificate of deposit	18,362	-
Trade and other receivables	6,814	6,272
Financial guarantee contract receivable	2,369	2,169
Trade and other payables	(36,982)	(63,212)
Loans and borrowings	(573,221)	(550,834)
<b>Net exposure before effect of derivatives</b>	<b>(458,448)</b>	<b>(595,871)</b>
Effect of derivatives*	-	107,576
<b>Net exposure before considering investment property</b>	<b>(458,448)</b>	<b>(488,295)</b>
Investment property	78,871	70,462
<b>Net exposure</b>	<b>(379,577)</b>	<b>(417,833)</b>

\* The table above shows the notional amounts of swap contracts (31 December 2024: nil; 31 December 2023: "Buy USD, Sell GEL" - GEL 107,576 thousand). The notional amount, recorded gross, is the amount of a financial instrument's underlying asset or liability, reference rate and is the basis upon which changes in the value of financial instruments are measured. The notional amounts indicate the volume of transactions outstanding at 31 December 2024 and 2023 and are not indicative of the credit risk.

As part of risk management policy, in 2024, the Company entered into forward contracts totalling USD 70,500 thousand, of which USD 10,000 thousand was realized during the year. As of year-end, the outstanding balance stands at USD 60,500 thousand, (31 December 2024: Buy: USD 60,500 thousand, Sell: GEL 169,581 thousand (31 December 2023: nil)).

To reduce future profit volatility due to foreign exchange rate fluctuations, foreign currency derivative contracts are used to hedge future cash outflows, particularly those related to unrecognized operational and capital expenditures denominated in hard currencies, as well as Eurobond coupon payments. These outflows are fully hedged from January 2025 through the end of 2025, with an average forward exchange rate of 2.8.

<b>'000 GEL</b>	<b>EUR-denominated 31 December 2024</b>	<b>EUR-denominated 31 December 2023</b>
Bank balances	772	3,906
Trade and other receivables	1,355	1,894
Trade and other payables	(22,687)	(24,324)
<b>Net exposure</b>	<b>(20,560)</b>	<b>(18,524)</b>

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

<b>in GEL</b>	<b>Average rate</b>		<b>Reporting date spot rate</b>	
	<b>Year ended</b>	<b>Year ended</b>	<b>31-Dec</b>	<b>31-Dec</b>
	<b>31-Dec-24</b>	<b>31-Dec-23</b>	<b>2023</b>	<b>2023</b>
USD 1	2.7208	2.6279	2.8068	2.6894
EUR 1	2.9440	2.8416	2.9306	2.9753

### ***Sensitivity analysis***

A reasonably possible strengthening/(weakening) of GEL, as indicated below, against the USD as at 31 December 2024 and 2023 would have affected the measurement of financial instruments denominated in USD and affected equity and profit or loss before taxes by the amounts shown below. The currency movements would have no direct impact on other comprehensive income or equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 GEL	Strengthening		Weakening	
	Directly to equity	Profit or (loss)	Directly to equity	Profit or (loss)
<b>31 December 2024</b>				
USD (10% movement)	-	45,845	-	(45,845)
EUR (10% movement)	-	2,056	-	(2,056)
<b>31 December 2023</b>				
USD (10% movement)	-	48,830	-	(48,830)
EUR (10% movement)	-	1,852	-	(1,852)

***Exposure to interest rate risk***

As at 31 December 2024, the Company did not have the variable interest-bearing financial instruments (31 December 2023: nil).

***Fair value sensitivity analysis for fixed rate instruments***

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

## **23. Contingencies and commitments**

### **(a) Taxation contingencies**

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. 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. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

### **(b) Litigation**

In the ordinary course of business, the Group is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

## **24. Related parties**

### **(a) Parent and ultimate controlling party**

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

**(b) Remuneration**

The key management remuneration contains the salaries and bonuses of the key management and Supervisory Board of the Company and are included in salaries and benefits (see note 9):

'000 GEL	2024	2023
Salaries	6,861	6,237
Other bonuses*	6,635	20,421
	<b>13,496</b>	<b>26,658</b>

\* On 30 September 2023 and 14 December 2023 (“grant date”) the Company has entered into two agreements with its two key management members that entitles the employees to receive different types of awards, mainly dependent upon the choice of the employee, but also subject to certain events and conditions. Award #1 implies granting cash-settled equity instrument of the Company to the employee, with no service condition and its fair value is close to nil as at 31 December 2024, as probability of meeting the non-vesting condition per contract is remote. Award #2, to which employee is entitled from 1 January 2025, is calculated as a certain percentage of the future dividend distributions by the Company for the lifetime of the employee and is not subject to service conditions. Award #3 envisages granting the employee a certain percentage of the Company’s future value (calculated pursuant to the contractual terms), settled in cash, after 2027, and is subject to a service condition till the end of 2027. Both awards meet the definition of other long term employee benefit under IAS 19 *Employee Benefits* and are initially measured as present value of future benefits accruing to the employees. Award #2 is expensed as incurred, as no service condition attached to it, whereas the value of Award #3 value is spread over the service period.

If in aggregate the benefit amount calculated under Award #3 is higher than Award #2, the entity recognizes additional expense in profit or loss in the period, when employee benefit calculated under Award #3 exceeds the benefit amount calculated under Award #2. In 2023, as at grant date, the Company recognized employee benefits expense of GEL 17,318 thousand in profit or loss calculated under Award #2 conditions, as it represents unconditional liability as at 31 December 2023 and its estimated present value was the largest amongst three of the available awards.

In 2024, the changes in circumstances related to the consent solicitation process of Eurobond covenant (see also note 16 (b)), affected the calculation of the benefit amount under the Award #2 due to the adjusted payout ratio. These changes remained in compliance with Georgian legislation, in particular the new Law of Georgia on Entrepreneurs, and the amended terms and conditions of Eurobond, resulting in additional expense of GEL 3,546 thousand for the year ended 31 December 2024. No significant changes were made to other assumptions used in the calculation of the benefit amount under the Award #2.

**(c) Other related party transactions**

'000 GEL	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2024	2023	2024	2023
<b>Other operating expenses:</b>				
Entities under common control*	8,458	7,720	(700)	(1,032)
<b>Other income:</b>				
Entities under common control	201	-	84	-
Other related parties	-	188	-	-
<b>Fuel and lubricants used:</b>				
Entities under common control	2,975	2,917	(182)	(260)
<b>Acquisition of property and equipment:</b>				
Entities under common control	-	15	-	-
Parent and beneficiaries	-	918	-	-
<b>Other:</b>				
Entities under common control	(20)	281	10	8
<b>Guarantee contract receivable**:</b>				
Parent	161	144	2,369	2,169

As at 31 December 2024 the Group maintained bank balance of GEL 744 thousand (2023: GEL 4,571 thousand) with related party financial institution, on which interest income of GEL 278 thousand was recognized during the year ended 31 December 2024 (2023: GEL 375 thousand).

\* In 2024, other operating expenses with entities under common control mainly include: consulting services of GEL 3,136 thousand (2023: GEL 3,136 thousand) provided by SRG Investments LLC to the Group in relation to strategy development, funding, investment decisions and certain regulatory matters, and security expenses of GEL 3,102 thousand (2023: GEL 2,147 thousand). The remaining amount mostly relates to sponsorship fees paid to the related party entity for organizing the annual festival.

The outstanding balance as at 31 December 2024 of GEL 119 thousand represents a lease liability for the office space rent by Silk Media LLC from a related party (2023: GEL 537 thousand). The cash outflow related to the lease liability during the year ended 31 December 2024 amounted to GEL 465 thousand (2023: 449 thousand), (see note 20). The lease contract expires in 2025. Except for the lease liability, all outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

\*\* On 30 June 2021, the Group entered into a guarantee agreement with its parent, Silknet Holding LLC, to guarantee its indebtedness of a maximum of USD 18,000 thousand from 1 May 2024 to 1 May 2032. The fair value of the guarantee was assessed by an independent appraiser and was determined to be USD 647 thousand. As at 31 December 2024, a financial guarantee contract liability of GEL 1,322 thousand (31 December 2023: GEL 1,400 thousand) is recorded in trade and other payables (see note 21) and a related receivable from the parent of GEL 2,369 thousand (2023: GEL 2,169 thousand) is recorded in other non-current assets (see note 12(b)). The Company will receive a fee for the service provided.

## 25. Subsidiaries

Subsidiary	Country of incorporation	31 December 2024	31 December 2023
		Ownership/voting	Ownership/voting
Qarva LLC	Georgia	51%	51%
Silk Media LLC*	Georgia	100%	100%
Novus LLC**	Georgia	0%	100%
NG Georgia N(N)LE	Georgia	100%	100%
Wounded Warrior Support Fund N(N)LE (registered as two legal entities)	Georgia	100%	100%
Premium Web Solution LLC	Georgia	100%	100%

\* In 2019, Silknet and Euronews signed a memorandum of understanding with respect to Euronews Georgia, a free to air news channel that is aired in the Georgian language. For this purpose, Silknet established Silk Media LLC, a 100%-owned subsidiary.

Euronews is in charge of Euronews Georgia's editorial policy and nominates its news director. Euronews shares its content with Euronews Georgia, while the latter prepares certain local content which is shared with Euronews.

\*\* In 2024, Novus LLC, a non-significant subsidiary, was liquidated without significant impact on the financial performance and operations of the Group.

## 26. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for:

- the identifiable net assets of the subsidiaries that are measured at fair value at the acquisition dates;
- investment property is measured at fair value; and
- derivative financial instruments are measured at fair value.

## 27. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

### (a) Basis of consolidation

#### (i) *Business combinations*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note 27(a)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### (ii) *Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### (iii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

**(b) Revenues**

Revenue is recognized when the Group satisfies a performance obligation by transferring the promised service to a customer. When a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price, which excludes amounts collected on behalf of third parties and estimates of variable consideration that are constrained, that is allocated to that performance obligation.

The Group has the following main revenue streams: mobile callout service, internet and pay TV services, mobile data services, fixed line and wireless telephone services, which mainly consists of connection, airtime usage and monthly subscription fees, interconnect services and rent of lines, roaming revenue, revenue from phone sales and accessories and other revenues. Revenue is recognized net of credits and adjustments for service discounts, value-added and excise taxes.

*Mobile callout:* revenue is recognized based on the actual airtime used by the subscribers for mobile phone calls. In relation to prepaid subscribers, the unused airtime is not recognized as revenue until the related service has been provided to the subscriber or the prepaid subscription is expired.

*Fixed broadband and pay TV:* revenue from fixed broadband and pay TV services primarily consists of monthly fixed charges for usage of an internet connection and pay TV services and is recognized as the service is provided.

*Mobile data:* revenue from each subscriber for data services. This revenue is recognised as the service is provided.

*Fixed line and wireless telephones:* revenue for airtime usage and connection fees by contract customers are recognized as revenue as services are performed, based upon minutes of use and contracted fees, with unbilled revenue resulting from services already provided accrued at the end of each month and unearned revenue from services to be provided in future periods deferred. Monthly subscription fee is recognised as revenue in the month when service is provided to the subscriber.

*Interconnect services:* access charges for interconnect services are earned from other telecommunications operators for traffic terminated on the Group's network under agreements, which also regulate the Group's use of the other operators' networks. Revenue from interconnect fees is recognized at the time the services are performed.

*Facility rental service from IRU contracts:* revenue from rent of lines consists of monthly fixed charges for usage of the cable network of the Group. This revenue is recognised as the service is provided.

*Roaming revenues:* revenue from other carriers for non-Silknet subscribers utilising Silknet's voice, SMS and data services. The Company recognises such revenues when the services are provided.

*Revenues from phone sales and accessories:* revenue is recognized when the equipment passes to the end customer.

*Other revenues:* the revenue recognition policy for other revenues (including SMS, MMS and other value added services) is to recognise revenue as services are provided.

*Significant payment terms:* for all post paid services subscribers make payments on a monthly basis.

**(c) Finance income and costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets, financial liabilities and investment property;
- gain on modification of financial instruments.

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

**(d) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences are recognised in profit or loss.

**(e) Employee benefits**

**(i) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

**(ii) Other long-term employee benefits**

Information about the Group's accounting policies relating to other long-term employee benefits is provided in note 24(b).

**(f) Income tax**

Income tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law entered into force in 2016 and is effective for tax periods starting after 1 January 2017.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholder as a dividend. However some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution.

Set off the tax payable on dividends declared and paid is available for the corporate income tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The Group considers the taxation of such transaction as outside of the scope of IAS 12 *Income Taxes* and accounts for the tax on such items as taxes other than on income.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(h) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment, except for land, are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Cost of the acquired property and equipment is the present value of the expected cash outflows if the payments are deferred beyond the twelve months' period.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

**(ii) Subsequent expenditure**

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- |                                   |               |
|-----------------------------------|---------------|
| • buildings and facilities        | 25 -50 years; |
| • machinery and equipment         | 3-20 years;   |
| • vehicles, furniture and fixture | 3-10 years.   |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Long term financial liabilities for capital expenditures are measured at amortised cost using incremental borrowing rate.

**(i) Intangible assets**

**(i) Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**(ii) Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets primarily include telecommunication operating licenses, computer software licences and capitalized broadcasting rights. A broadcasting rights contract is capitalised if the following conditions are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

The Company considers other terms of a contract such as termination terms. Capitalised broadcasting rights contracts are discounted based on incremental borrowing rate.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

**(iv) Amortisation**

Amortisation is based on the cost of the asset less its estimated residual value. Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for intangible assets for the current and comparative periods varies from 3 to 15 years.

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

Long-term financial liabilities for capital expenditures are measured at amortised cost using incremental borrowing rate.

**(j) Investment property**

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. When measuring the fair value of investment property in accordance with IFRS 13, an entity ensures that the fair value reflects, among other things, assumptions that market participants would use when pricing the investment property under current market conditions.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

**(k) Financial instruments**

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

**(i) Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
---	---

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

**(ii) Impairment of financial assets**

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

**Presentation of impairment**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**(iii) *Non-derivative financial assets and financial liabilities – recognition and derecognition***

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(iv) *Derivative financial instruments and hedge accounting***

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

**(v) *Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(l) *Impairment***

***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset and its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(m) Credit related commitments**

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

**(n) Leases**

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liabilities.

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

A lease term reflects the Group's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Group bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation and the future business plans of the Group to be effectively captured in the estimate of the lease term.

**(o) Segment reporting**

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

All segment capital expenditure is the total cost incurred during the year to acquire property and equipment, and intangible assets.

## **28. New standards and interpretations not yet adopted**

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

### **(a) IFRS 18 *Presentation and Disclosure in Financial Statements***

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

### **(b) Other accounting standards**

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *Lack of Exchangeability (Amendments to IAS 21)*.
- *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*.

## **29. Subsequent events**

On January 21, 2025, the Company established a new subsidiary, Silk Cloud JSC, with a 100% ownership interest. The subsidiary has 200,000 shares outstanding, each with a par value of GEL 1.