

Silknet JSC

**Consolidated Financial Statements
for 2025**

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Independent Auditors' Report

To the Shareholder of Silknet JSC

Opinion

We have audited the consolidated financial statements of Silknet JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, 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.

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.

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

Nikoloz Chochua



KPMG Georgia LLC
27 March 2026



| '000 GEL | Note | 31 December 2025 | 31 December 2024 |
|------------------------------------------------------|------------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 12 | 372,242 | 348,460 |
| Intangible assets | 13 | 195,420 | 157,995 |
| Investment property | 14 | - | 78,871 |
| Right-of-use assets | 20 | 46,138 | 13,667 |
| Other non-current assets | 12(b) | 34,923 | 35,023 |
| Prepayments related to IRU* contracts | | 6,323 | 7,225 |
| Total non-current assets | | 655,046 | 641,241 |
| Current assets | | | |
| Inventories | 15 | 8,327 | 9,843 |
| Financial instruments at FVTPL | 22(b)(iii) | - | 2,674 |
| Prepayments related to IRU contracts | | 2,173 | 2,173 |
| Trade and other receivables | 16 | 44,976 | 38,926 |
| Certificate of deposit | | - | 18,362 |
| Cash and cash equivalents | 17 | 68,761 | 160,784 |
| Total current assets | | 124,237 | 232,762 |
| TOTAL ASSETS | | 779,283 | 874,003 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 18 | 84,056 | 84,056 |
| Retained earnings | | 31,897 | 50,632 |
| Equity attributable to owner of the Company | | 115,953 | 134,688 |
| Non-controlling interests | | (22) | (69) |
| TOTAL EQUITY | | 115,931 | 134,619 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans and borrowings | 19 | 404,265 | 553,655 |
| Lease liabilities | 20 | 33,413 | 3,464 |
| Trade and other payables | 21 | 55,159 | 39,760 |
| Advances received from IRU contracts and subscribers | 21 | 10,854 | 11,480 |
| Total non-current liabilities | | 503,691 | 608,359 |
| Current liabilities | | | |
| Loans and borrowings | 19 | 8,805 | 19,566 |
| Lease liabilities | 20 | 14,475 | 14,845 |
| Trade and other payables | 21 | 109,644 | 69,144 |
| Financial instruments at FVTPL | 22(b)(iii) | 852 | - |
| Advances received from IRU contracts and subscribers | 21 | 25,885 | 27,470 |
| Total current liabilities | | 159,661 | 131,025 |
| TOTAL LIABILITIES | | 663,352 | 739,384 |
| TOTAL LIABILITIES AND EQUITY | | 779,283 | 874,003 |

*Indefeasible Right of Use

Silknet JSC
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2025

| '000 GEL | Note | 2025 | 2024 |
|---------------------------------------------------------------|------|-----------------|-----------------|
| Revenues: | | | |
| Commercial revenue | 7 | 567,626 | 530,073 |
| Carrier services | 7 | 50,993 | 51,897 |
| | | 618,619 | 581,970 |
| Costs and expenses: | | | |
| Depreciation and amortization | | (116,127) | (114,822) |
| Salaries and benefits | 9 | (105,587) | (88,244) |
| Purchased services | 8 | (48,927) | (48,255) |
| Other expenses | 10 | (28,673) | (25,547) |
| Network management and maintenance costs | | (23,297) | (20,271) |
| Interconnect fees and roaming expense | | (16,595) | (16,704) |
| Pay TV content cost | | (9,541) | (9,368) |
| Infrastructure capacity rentals, IRU and lease expenses | | (8,133) | (7,702) |
| Advertising and marketing | | (6,533) | (6,601) |
| Costs of SIM cards, scratch cards and other cost of sales | | (1,704) | (1,839) |
| Change in fair value of investment property | 14 | - | 5,333 |
| Profit from operating activities | | 253,502 | 247,950 |
| Finance income | 6 | 13,305 | 17,172 |
| Finance costs | 6 | (71,730) | (57,890) |
| Net foreign exchange gain/(loss) | 6 | 5,601 | (12,990) |
| Net finance costs | | (52,824) | (53,708) |
| Profit before income tax | | 200,678 | 194,242 |
| Income tax expense | | (366) | (216) |
| Profit and total comprehensive income for the year | | 200,312 | 194,026 |
| Profit and total comprehensive income attributable to: | | | |
| Owner of the Company | | 200,265 | 193,976 |
| Non-controlling interests | | 47 | 50 |
| | | 200,312 | 194,026 |

These consolidated financial statements were approved by management on 27 March 2026 and were signed on its behalf by:

David Mamulaishvili
General Director

Lili Pshaylishvili
Finance Director

| '000 GEL | Attributable to owners of the Company | | | Non-controlling interests | Total equity |
|-------------------------------------------------------|---------------------------------------|----------------------|----------------|------------------------------|-----------------|
| | Share capital | Retained earnings | Total | | |
| Balance at 1 January 2025 | 84,056 | 50,632 | 134,688 | (69) | 134,619 |
| Profit and total comprehensive income for the year | - | 200,265 | 200,265 | 47 | 200,312 |
| Dividends (note 18(b)) | - | (219,000) | (219,000) | - | (219,000) |
| Balance at 31 December 2025 | 84,056 | 31,897 | 115,953 | (22) | 115,931 |
| | | | | | |
| Balance at 1 January 2024 | 84,056 | 27,656 | 111,712 | (119) | 111,593 |
| Profit and total comprehensive income for the year | - | 193,976 | 193,976 | 50 | 194,026 |
| Dividends (note 18(b)) | - | (171,000) | (171,000) | - | (171,000) |
| Balance at 31 December 2024 | 84,056 | 50,632 | 134,688 | (69) | 134,619 |

| '000 GEL | Note | 2025 | 2024 |
|---------------------------------------------------------------------------------------|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash received from subscribers | | 661,435 | 623,217 |
| Cash received from other telecom operators and for IRU contracts | | 33,756 | 35,375 |
| Salaries and benefits paid to and on behalf of employees | | (94,818) | (83,283) |
| Interconnection fees and other expenses paid | | (9,532) | (10,363) |
| Purchase of inventory | | (9,366) | (11,892) |
| Taxes paid, other than on income | | (88,727) | (83,063) |
| Income tax paid | | (365) | (191) |
| Network management and maintenance costs paid | | (19,646) | (17,202) |
| Other operating expenses paid | | (85,628) | (95,221) |
| Net cash from operating activities | | 387,109 | 357,377 |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment, intangible assets and other non-current assets | | (136,121) | (106,489) |
| Proceeds from disposals of property and equipment | | 2,424 | 2,306 |
| Proceeds from disposals of investment property | | 76,793 | - |
| Acquisition of certificate of deposit | | (22,476) | (17,808) |
| Proceeds from redemption of certificate of deposit | | 39,408 | - |
| Interest received | | 11,592 | 15,352 |
| Acquisition of subsidiary, net of cash acquired | | (1,883) | - |
| Net cash used in investing activities | | (30,263) | (106,639) |
| Cash flows from financing activities | | | |
| Dividends paid | | (219,000) | (171,000) |
| Repayment of borrowings | | (151,239) | - |
| Interest paid | | (57,169) | (49,974) |
| Costs incurred on Eurobond covenant modification | | - | (3,889) |
| Repayment of lease liabilities | | (14,597) | (13,344) |
| Net cash used in financing activities | 19(d) | (442,005) | (238,207) |
| Effect of exchange rate changes on cash and cash equivalents | | (6,864) | 3,639 |
| Net (decrease)/increase in cash and cash equivalents | | (92,023) | 16,170 |
| Cash and cash equivalents at the beginning of the year | 17 | 160,784 | 144,614 |
| Cash and cash equivalents at the end of the year | 17 | 68,761 | 160,784 |

Material non-cash items are disclosed in note 19 of these financial statements.

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 Fitch, with Long-Term Issuer Default Rating of 'BB-'. Subsequent to the reporting date, in February 2026, the Company's credit rating was withdrawn.

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

(a) 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").

(b) Going concern

The consolidated financial statements have been prepared on a going concern basis.

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 estimates are recognised prospectively.

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:

- Notes 20 and 27(n) – application of portfolio approach and determination of lease term; and
- Note 27(i) – recognition of intangible assets.

Information about other assumptions and estimation uncertainties is included in the note 27(h) (i) – useful lives of property and equipment and intangible assets.

Measurement of fair values

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

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

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

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

- Note 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. Substantially all 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 and Adjusted EBITDAaL 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.

| '000 GEL | <u>31-Dec-25</u> | <u>31-Dec-25</u> | <u>31-Dec-25</u> | <u>31-Dec-25</u> | <u>31-Dec-25</u> |
|------------------------------------------------------------|------------------------|-----------------------|-----------------------|----------------------------|------------------|
| Consolidated statement of financial position | Mobile services | Fixed Services | Silk Media LLC | Unallocated Amounts | Total |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 145,227 | 212,034 | 1,703 | 13,278 | 372,242 |
| Intangible assets | 137,964 | 47,443 | 334 | 9,679 | 195,420 |
| Other non-current assets | 11,912 | 14,927 | - | 8,084 | 34,923 |
| Right-of-use assets | 43,328 | 2,717 | 93 | - | 46,138 |
| Prepayments related to IRU contracts | 6,323 | - | - | - | 6,323 |
| Total non-current assets | 344,754 | 277,121 | 2,130 | 31,041 | 655,046 |
| Current assets | | | | | |
| Inventories | 3,919 | 2,697 | 48 | 1,663 | 8,327 |
| Prepayments related to IRU contracts | 2,173 | - | - | - | 2,173 |
| Financial instruments at FVTPL | - | - | - | - | - |
| Trade and other receivables | 12,824 | 25,343 | 85 | 6,724 | 44,976 |
| Certificate of deposit | - | - | - | - | - |
| Cash and cash equivalents | - | - | 7 | 68,754 | 68,761 |
| Total current assets | 18,916 | 28,040 | 140 | 77,141 | 124,237 |
| TOTAL ASSETS | 363,670 | 305,161 | 2,270 | 108,182 | 779,283 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Loans and borrowings | - | - | - | (404,265) | (404,265) |
| Lease liabilities | (31,316) | (2,097) | - | - | (33,413) |
| Trade and other payables | (26,023) | (20,197) | - | (8,939) | (55,159) |
| Advances received related to IRU contracts and subscribers | - | (10,854) | - | - | (10,854) |
| Total non-current liabilities | (57,339) | (33,148) | - | (413,204) | (503,691) |
| Current liabilities | | | | | |
| Loans and borrowings | - | - | - | (8,805) | (8,805) |
| Lease liabilities | (12,798) | (1,563) | (114) | - | (14,475) |
| Trade and other payables | (57,325) | (32,702) | (92) | (19,525) | (109,644) |
| Financial instruments at FVTPL | - | - | - | (852) | (852) |
| Advances received from IRU contracts and subscribers | (19,984) | (5,894) | - | (7) | (25,885) |
| Total current liabilities | (90,107) | (40,159) | (206) | (29,189) | (159,661) |
| TOTAL LIABILITIES | (147,446) | (73,307) | (206) | (442,393) | (663,352) |
| NET ASSETS/(LIABILITIES) | 216,224 | 231,854 | 2,064 | (334,211) | 115,931 |

| '000 GEL | 31-Dec-24 | 31-Dec-24 | 31-Dec-24 | 31-Dec-24 | 31-Dec-24 |
|------------------------------------------------------------|-----------------|-----------------|----------------|---------------------|------------------|
| Consolidated statement of financial position | Mobile services | Fixed Services | Silk Media LLC | Unallocated Amounts | Total |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| 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 |
| Total non-current assets | 268,746 | 269,348 | 2,152 | 100,995 | 641,241 |
| Current assets | | | | | |
| Inventories | 4,488 | 3,266 | 340 | 1,749 | 9,843 |
| Prepayments related to IRU contracts | 2,173 | - | - | - | 2,173 |
| Trade and other receivables | 12,776 | 24,134 | 64 | 1,952 | 38,926 |
| Financial instruments at FVTPL | - | - | - | 2,674 | 2,674 |
| Certificate of deposit | - | - | - | 18,362 | 18,362 |
| Cash and cash equivalents | - | - | 114 | 160,670 | 160,784 |
| Total current assets | 19,437 | 27,400 | 518 | 185,407 | 232,762 |
| TOTAL ASSETS | 288,183 | 296,748 | 2,670 | 286,402 | 874,003 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| 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) |
| Total non-current liabilities | (21,116) | (30,035) | - | (557,208) | (608,359) |
| Current liabilities | | | | | |
| 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) |
| Total current liabilities | (67,356) | (40,693) | (83) | (22,893) | (131,025) |
| TOTAL LIABILITIES | (88,472) | (70,728) | (83) | (580,101) | (739,384) |
| NET ASSETS/(LIABILITIES) | 199,711 | 226,020 | 2,587 | (293,699) | 134,619 |

Capital expenditures incurred by the Group in relation to the mobile services segment was approximately GEL 93,875 thousand for the year ended 31 December 2025 (out of which GEL 34,501 thousand was added to property and equipment and GEL 59,374 thousand was added to intangible assets), (2024: total mobile services: GEL 29,776 thousand; out of which: property and equipment - GEL 18,012 thousand and intangible assets - GEL 11,764 thousand). Capital expenditures related to the fixed services operating segment for the year ended 31 December 2025 amounted to approximately GEL 36,504 thousand and GEL 23,755 thousand in terms of property and equipment and intangible assets, respectively (2024: fixed services included: property and equipment – GEL 33,639 thousand and intangible assets - GEL 8,933 thousand). Capital expenditures incurred by Silk Media LLC was GEL 389 thousand for property and equipment and GEL 1,517 thousand for intangible assets for the year ended 31 December 2025, (2024: Capital expenditures for Silk Media LLC included GEL 44 thousand for property and equipment and GEL 1,597 thousand – for intangible assets).

| '000 GEL | 2025 | 2025 | 2025 | 2025 | 2025 | 2025 | 2025 |
|-------------------------------------------------------------------------|-----------------|----------------|-----------------------------|----------------------------|----------------|---------------------|----------------|
| Consolidated statement of profit or loss and other comprehensive income | Mobile Services | Fixed services | Elimination mobile services | Elimination fixed services | Silk Media LLC | Unallocated amounts | Total |
| Segment revenue | 372,813 | 249,679 | - | (5,145) | 221 | 1,051 | 618,619 |
| Operating expenses (excluding specific items) | (118,638) | (101,151) | 5,145 | - | (5,204) | (5,350) | (225,198) |
| Adjusted EBITDA | 254,175 | 148,528 | 5,145 | (5,145) | (4,983) | (4,299) | 393,421 |
| Adjusted EBITDA margin | 68% | 59% | | | | | 64% |
| Depreciation and amortization | (55,191) | (52,375) | - | - | (2,338) | (6,223) | (116,127) |
| Specific items | (4,174) | (1,661) | - | - | - | (17,957) | (23,792) |
| Change in fair value of investment property | - | - | - | - | - | - | - |
| Segment operating profit/(loss) | 194,810 | 94,492 | 5,145 | (5,145) | (7,321) | (28,479) | 253,502 |
| Finance income | 1,272 | 41 | - | - | 8 | 11,984 | 13,305 |
| Finance costs | (6,592) | (4,628) | - | - | (23) | (60,487) | (71,730) |
| Net foreign exchange loss | 502 | (970) | - | - | (72) | 6,141 | 5,601 |
| Segment profit/(loss) before tax | 189,992 | 88,935 | 5,145 | (5,145) | (7,408) | (70,841) | 200,678 |
| Income tax expense | - | (13) | - | - | - | (353) | (366) |
| Profit/(loss) for the year | 189,992 | 88,922 | 5,145 | (5,145) | (7,408) | (71,194) | 200,312 |

| '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 |
| Segment revenue | 349,192 | 237,890 | - | (5,288) | 176 | - | 581,970 |
| Operating expenses (excluding specific items) | (115,271) | (97,093) | 5,288 | - | (5,022) | - | (212,098) |
| Adjusted EBITDA | 233,921 | 140,797 | 5,288 | (5,288) | (4,846) | - | 369,872 |
| Adjusted EBITDA margin | 67% | 59% | | | | | 64% |
| 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 |
| Segment operating profit/(loss) | 173,852 | 90,028 | 5,288 | (5,288) | (7,496) | (8,434) | 247,950 |
| Finance income | 1,839 | 317 | - | - | 7 | 15,009 | 17,172 |
| Finance costs | (4,695) | (5,057) | - | - | (36) | (48,102) | (57,890) |
| Net foreign exchange gain/(loss) | (500) | (388) | - | - | (38) | (12,064) | (12,990) |
| Segment profit/(loss) before tax | 170,496 | 84,900 | 5,288 | (5,288) | (7,563) | (53,591) | 194,242 |
| Income tax expense | - | - | - | - | - | (216) | (216) |
| Profit/(loss) for the year | 170,496 | 84,900 | 5,288 | (5,288) | (7,563) | (53,807) | 194,026 |

| '000 GEL | 2025 | 2025 | 2025 | 2025 | 2025 | 2025 | 2025 |
|-----------------------------------------------------------|-----------------|----------------|-----------------------------|----------------------------|----------------|---------------------|----------------|
| Adjusted EBITDAaL and Adjusted EBITDAaL Margin by Segment | Mobile Services | Fixed services | Elimination mobile services | Elimination fixed services | Silk Media LLC | Unallocated amounts | Total |
| Adjusted EBITDA | 254,175 | 148,528 | 5,145 | (5,145) | (4,983) | (4,299) | 393,421 |
| Depreciation of right-of-use assets | (10,248) | (1,168) | - | - | (425) | - | (11,841) |
| Interest expense on lease liabilities | (695) | (414) | - | - | (23) | - | (1,132) |
| Adjusted EBITDAaL | 243,232 | 146,946 | 5,145 | (5,145) | (5,431) | (4,299) | 380,448 |
| Segment Revenue | 372,813 | 249,679 | - | (5,145) | 221 | 1,051 | 618,619 |
| Adjusted EBITDAaL margin % | 65% | 59% | | | | | 61% |

| '000 GEL | 2024 | 2024 | 2024 | 2024 | 2024 | 2024 | 2024 |
|-----------------------------------------------------------|-----------------|----------------|-----------------------------|----------------------------|----------------|---------------------|----------------|
| Adjusted EBITDAaL and Adjusted EBITDAaL Margin by Segment | Mobile Services | Fixed services | Elimination mobile services | Elimination fixed services | Silk Media LLC | Unallocated amounts | Total |
| Adjusted EBITDA | 233,921 | 140,797 | 5,288 | (5,288) | (4,846) | - | 369,872 |
| Depreciation of right-of-use assets | (9,386) | (1,171) | - | - | (386) | - | (10,943) |
| Interest expense on lease liabilities | (1,026) | (520) | - | - | (36) | - | (1,582) |
| Adjusted EBITDAaL | 223,509 | 139,106 | 5,288 | (5,288) | (5,268) | - | 357,347 |
| Segment Revenue | 349,192 | 237,890 | - | (5,288) | 176 | - | 581,970 |
| Adjusted EBITDAaL margin % | 64% | 58% | | | | | 61% |

6. Net finance costs

| '000 GEL | 2025 | 2024 |
|----------------------------------------------------------------|-----------------|-----------------|
| Recognized in profit or loss | | |
| Interest income on current bank accounts and other receivables | 12,033 | 15,027 |
| Interest income on IRU related prepayments | 1,272 | 1,388 |
| Gain on modification of financial instrument | - | 757 |
| Finance income | 13,305 | 17,172 |
| Interest expense on financial liabilities | (53,813) | (54,892) |
| Interest expense on advances received from IRU contracts | (1,367) | (1,416) |
| Interest expense accrued under IFRS 16 | (1,132) | (1,582) |
| Tender and consent fees (note 19(d)) | (10,551) | - |
| Loss on derecognition of financial instrument (note 19(d)) | (4,867) | - |
| Finance costs | (71,730) | (57,890) |
| Net foreign exchange gain/(loss) | 5,601 | (12,990) |
| Net finance costs recognized in profit or loss | (52,824) | (53,708) |

7. Revenues

| '000 GEL | 2025 | 2024 |
|-------------------------------------------|----------------|----------------|
| Commercial revenue | 567,626 | 530,073 |
| Mobile revenue | 337,488 | 313,068 |
| Mobile voice, data and SMS* | 325,617 | 302,638 |
| Revenue from other services | 9,884 | 8,836 |
| Revenue from phone sales and accessories | 1,987 | 1,594 |
| Fixed revenue | 230,138 | 217,005 |
| Fixed broadband | 150,399 | 142,272 |
| Pay TV | 61,555 | 58,211 |
| Fixed telephone | 9,714 | 10,582 |
| Infrastructure capacity rental service | 3,975 | 3,579 |
| Revenue from other services | 4,495 | 2,361 |
| Carrier and other services | 50,993 | 51,897 |
| Interconnect service** | 20,845 | 23,532 |
| Infrastructure capacity rental service*** | 14,442 | 14,188 |
| Roaming revenue | 12,790 | 11,215 |
| Internet wholesale | 2,916 | 2,962 |
| Total revenues | 618,619 | 581,970 |

* Revenue previously included in 'mobile callout', 'mobile data' and revenue from SMS' has been aggregated into a single line item of 'Mobile voice, data and SMS' and as a result, comparative information has also been amended. Management believes that this presentation is more consistent with industry practice within the telecommunications sector.

** Revenue from interconnect service is generated by both segments as follows: GEL 19,071 thousand by the mobile services segment and GEL 1,774 thousand by the fixed services segment in 2025 (2024: GEL 21,632 thousand by the mobile services segment and GEL 1,900 thousand by the fixed services segment). Major part of revenue is generated in Georgia.

*** Revenue from infrastructure capacity rental service includes 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 (2024: GEL 1,815 thousand) has been recognised as revenue for the year ended 31 December 2025 for the IRU contracts recognised in advances received (note 21). Revenue in the amount of GEL 9,077 thousand (2024: GEL 9,077 thousand) will be recognised within five years after the reporting date and GEL 9,968 thousand (2024: GEL 11,784 thousand) after five years till maturity of IRU contracts.

The Group has advances received from subscribers in the ordinary course of business. The Group has applied the practical expedient permitted by IFRS 15 and, accordingly, has not disclosed information about the performance obligations for those contracts with an original expected duration of one year or less.

8. Purchased services

| '000 GEL | 2025 | 2024 |
|---------------------------------|---------------|---------------|
| Utility expenses | 15,759 | 15,197 |
| Software maintenance service | 13,168 | 12,006 |
| Professional fees* | 11,072 | 12,790 |
| Internet clear channel costs | 5,003 | 4,856 |
| Internet protocol (IP) cost | 3,714 | 3,298 |
| Other purchased services | 211 | 108 |
| Total purchased services | 48,927 | 48,255 |

* Professional fees include consulting services provided by an entity under common control (see note 24(c)).

Professional services include audit fees of GEL 626 thousand (2024: GEL 585 thousand).

9. Salaries and benefits

| '000 GEL | 2025 | 2024 |
|------------------------------------------------|----------------|---------------|
| Salaries | 76,310 | 71,228 |
| Bonuses | 23,756 | 10,929 |
| Long-term benefits to key management (note 24) | 2,840 | 3,546 |
| Pension fund | 1,262 | 1,174 |
| Employee health insurance | 840 | 820 |
| Other benefits | 579 | 547 |
| Total salaries and benefits | 105,587 | 88,244 |

The average number of employees employed by the Group in 2025 and 2024 equalled 2,275 and 2,255, respectively.

10. Other expenses

| '000 GEL | 2025 | 2024 |
|------------------------------------------------------------------------------------------|---------------|---------------|
| Communication regulation fee | 4,884 | 4,648 |
| Property and other taxes | 3,824 | 3,955 |
| Security expenses | 3,815 | 3,513 |
| Transportation services | 2,781 | 2,962 |
| Fuel and lubricants used | 2,376 | 3,012 |
| Allowance for impairment of trade and other receivables | 1,789 | 1,329 |
| Office stationery and other supplies | 1,329 | 1,534 |
| Charity expenses | 1,299 | 1,650 |
| Loss/(gain) on disposals of property and equipment | 1,269 | (920) |
| Write-down of slow-moving inventory, property and equipment and other non-current assets | 1,222 | 1,159 |
| Business trip expenses | 707 | 967 |
| Commission for cash receipts | 528 | 89 |
| Dealers commission | 405 | 109 |
| Other losses | 2,445 | 1,540 |
| Total | 28,673 | 25,547 |

11. Alternative performance measures

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

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

(a) Adjusted EBITDA

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 | 2025 | 2024 |
|---------------------------------------------|----------------|----------------|
| Profit for the year | 200,312 | 194,026 |
| Depreciation and amortization | 116,127 | 114,822 |
| Finance costs | 71,730 | 57,890 |
| Finance income | (13,305) | (17,172) |
| Net foreign exchange (gain)/loss | (5,601) | 12,990 |
| Change in fair value of investment property | - | (5,333) |
| Income tax expense | 366 | 216 |
| Specific items (see below) | 23,792 | 12,433 |
| Adjusted EBITDA | 393,421 | 369,872 |

Specific items:

| '000 GEL | 2025 | 2024 | Note | Description |
|------------------------------------------------------------------------------------------|---------------|---------------|------|-----------------------|
| Loss/(gain) on disposals of property and equipment | 1,269 | (920) | 10 | Other expenses |
| Write-down of slow-moving inventory, property and equipment and other non-current assets | 1,222 | 1,159 | 10 | Other expenses |
| Professional fees, one-time consulting expenses* | 3,572 | 7,244 | 8 | Purchased services |
| SRGH Eurobond-related cost ** | 11,865 | - | | Salaries and benefits |
| Key management one-time benefit (note 24) | 2,840 | 3,546 | | Salaries and benefits |
| Charity | 1,299 | 1,650 | 10 | Other expenses |
| Other losses/(income) | 1,725 | (246) | 10 | Other expenses |
| Total specific items | 23,792 | 12,433 | | |

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

** SRGH Eurobond-related cost represents one-time bonuses paid to the Group's employees in relation to Silknet's guaranteed SRGH Eurobond issuance.

(b) Adjusted EBITDA margin

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

| '000 GEL | 2025 | 2024 |
|---------------------------------|------------|------------|
| Adjusted EBITDA | 393,421 | 369,872 |
| Revenue | 618,619 | 581,970 |
| Adjusted EBITDA margin % | 64% | 64% |

(c) Adjusted EBITDAaL

Adjusted EBITDAaL is defined as Adjusted EBITDA less depreciation of right-of-use assets and less interest expenses on recognized lease liabilities.

| '000 GEL | 2025 | 2024 |
|---------------------------------------|----------------|----------------|
| Adjusted EBITDA | 393,421 | 369,872 |
| Depreciation of right-of-use assets | (11,841) | (10,943) |
| Interest expense on lease liabilities | (1,132) | (1,582) |
| Adjusted EBITDAaL | 380,448 | 357,347 |

(d) Adjusted EBITDAaL margin

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

| '000 GEL | 2025 | 2024 |
|---------------------------------|------------|------------|
| Adjusted EBITDAaL | 380,448 | 357,347 |
| Revenue | 618,619 | 581,970 |
| Adjusted EBITDA margin % | 61% | 61% |

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 2024 | 23,117 | 120,390 | 617,286 | 11,588 | 38,906 | | 3,122 | 814,409 | |
| Accumulated depreciation | - | (42,253) | (387,462) | (8,236) | (28,854) | | - | (466,805) | |
| Carrying amount at 1-Jan-24 | 23,117 | 78,137 | 229,824 | 3,352 | 10,052 | | 3,122 | 347,604 | |
| 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) | |
| Carrying amount at 31-Dec-24 | 24,321 | 78,008 | 222,731 | 3,397 | 10,337 | | 9,666 | 348,460 | |
| Cost at 31 December 2024 | 24,321 | 123,222 | 650,143 | 12,502 | 41,645 | | 9,666 | 861,499 | |
| Accumulated depreciation | - | (45,214) | (427,412) | (9,105) | (31,308) | | - | (513,039) | |
| Carrying amount at 31-Dec-24 | 24,321 | 78,008 | 222,731 | 3,397 | 10,337 | | 9,666 | 348,460 | |
| Additions | 812 | 985 | 43,191 | 2,418 | 1,803 | | 27,328 | 76,537 | |
| Disposals | (39) | (67) | (8,981) | (205) | (712) | | - | (10,004) | |
| Transfers, gross | - | 3,491 | 18,828 | - | 32 | | (30,976)* | (8,625) | |
| Transfers, accumulated depreciation | - | - | 8,624 | - | - | | - | 8,624 | |
| Depreciation of disposals | - | 42 | 7,899 | 186 | 581 | | - | 8,708 | |
| Depreciation charge | - | (2,660) | (45,879) | (527) | (2,392) | | - | (51,458) | |
| Carrying amount at 31-Dec-25 | 25,094 | 79,799 | 246,413 | 5,269 | 9,649 | | 6,018 | 372,242 | |
| Cost at 31 December 2025 | 25,094 | 127,631 | 703,181 | 14,715 | 42,768 | | 6,018 | 919,407 | |
| Accumulated depreciation | - | (47,832) | (456,768) | (9,446) | (33,119) | | - | (547,165) | |
| Carrying amount at 31-Dec-25 | 25,094 | 79,799 | 246,413 | 5,269 | 9,649 | | 6,018 | 372,242 | |

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

In 2025, the Group conducted an operational efficiency review of its property and equipment, which resulted in changes to the expected usage of certain assets. As a result, the estimated useful lives of the affected equipment were extended. The revised useful lives led to the following projected changes in depreciation expense:

| '000 GEL | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Later |
|----------------------------------|-------|-------|-------|-------|-------|------|----------|
| Depreciation decrease/(increase) | 7,180 | 6,268 | 4,720 | 4,333 | 1,922 | (76) | (24,380) |

The effect of the revised useful lives was recognized in 2025, resulting in a decrease in depreciation expense of GEL 7,180 thousand.

(a) Security

As at 31 December 2025, property with a carrying value of GEL 32,579 thousand (2024: GEL 33,116 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 2025, other non-current assets include uninstalled equipment of GEL 24,648 thousand, prepayments for non-current assets of GEL 7,775 thousand and a financial guarantee contract receivable of GEL 2,500 thousand (2024: 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). For further details on the financial guarantee receivable, see also note 24(c).

(c) Capital commitments

As at 31 December 2025, capital commitments borne by the Company amounted to GEL 66,908 thousand, mainly attributable to mobile network development projects and acquisition of customer related devices (31 December 2024: GEL 18,192 thousand, which mainly relate to mobile network development projects and acquisition of customer related devices).

(d) Letters of credit and bank guarantees

The Group uses trade finance instruments, specifically letters of credit and bank guarantees, to extend payment terms for capital investments amounting to GEL 39,122 thousand (2024: GEL 22,929 thousand). As at the reporting date, the total amount covered by these instruments amounted to GEL 40,667 thousand (2024: GEL 24,539 thousand). The related balances are primarily recognised within trade and other payables, while a portion also relates to capital commitments.

13. Intangible assets

| '000 GEL | Network operating & computer software licenses | Telecom operating licenses | Broadcastin g rights | Goodwill | Other | CSAC* | Total |
|--------------------------------------------------|------------------------------------------------------------|----------------------------------|-------------------------|--------------|--------------|--------------|----------------|
| Cost at 1 January 2024 | 146,871 | 179,598 | 94,511 | 6,983 | 6,427 | 8,219 | 442,609 |
| Accumulated amortization | (88,099) | (93,993) | (72,699) | - | (1,731) | (6,825) | (263,347) |
| Carrying amount at 1 January 2024 | 58,772 | 85,605 | 21,812 | 6,983 | 4,696 | 1,394 | 179,262 |
| Additions | 14,865 | 957 | 8,417 | - | 140 | 1,476 | 25,855 |
| Amortization charge | (16,939) | (14,175) | (14,023) | - | (545) | (1,440) | (47,122) |
| Disposals and derecognitions, gross | (55,481) | (8,292) | (65,171) | - | (13) | - | (128,957) |
| Disposals and derecognitions, amortization | 55,481 | 8,292 | 65,171 | - | 13 | - | 128,957 |
| Carrying amount at 31 December 2024 | 56,698 | 72,387 | 16,206 | 6,983 | 4,291 | 1,430 | 157,995 |
| Cost at 31 December 2024 | 106,255 | 172,263 | 37,757 | 6,983 | 6,554 | 9,695 | 339,507 |
| Accumulated amortization | (49,557) | (99,876) | (21,551) | - | (2,263) | (8,265) | (181,512) |
| Carrying amount at 31 December 2024 | 56,698 | 72,387 | 16,206 | 6,983 | 4,291 | 1,430 | 157,995 |
| Additions | 16,737 | 47,555*** | 22,732 | - | 31 | 1,508 | 88,563 |
| Amortization charge | (21,048) | (16,249) | (13,464) | - | (555) | (1,512) | (52,828) |
| Acquisition through subsidiary | - | - | - | 4,463 | - | - | 4,463 |
| Impairment loss | - | - | - | (1,837) | - | - | (1,837) |
| Disposals and derecognitions, gross** | (21,944) | (1,745) | (18,129) | - | - | - | (41,818) |
| Disposals and derecognitions, amortization | 21,881 | 1,745 | 17,256 | - | - | - | 40,882 |
| Carrying amount at 31 December 2025 | 52,324 | 103,693 | 24,601 | 9,609 | 3,767 | 1,426 | 195,420 |
| Cost at 31 December 2025 | 101,048 | 218,073 | 42,360 | 9,609 | 6,585 | 11,203 | 388,878 |
| Accumulated amortization | (48,724) | (114,380) | (17,759) | - | (2,818) | (9,777) | (193,458) |
| Carrying amount at 31 December 2025 | 52,324 | 103,693 | 24,601 | 9,609 | 3,767 | 1,426 | 195,420 |

* 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.

*** In 2025, the Company participated in the auction and acquired licenses for 2x5.0 MHz in the 700 MHz band and 50.0 MHz in the 3,500 MHz band to support the development of 5G services. The undiscounted consideration of GEL 48,802 thousand for these licenses is included as an addition to telecom operating licenses. The Company is committed to cover key geographic and infrastructural locations of Georgia, considering specific technical criteria such as speed, signal strength and coverage area.

14. Investment property

In 2019, the Company acquired a land plot measuring 20,397 square meters (sq.m.) in a prime location in the centre of Tbilisi from a related party for the acquisition price of GEL 29,582 thousand (USD 10 million), along with a contingent consideration of an additional USD 10 million, contingent on the approval for the 60,000 sq.m. gross buildable area master plan (“Development Regulation Plan”) by 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. In 2021, the gross buildable area was increased and reached 69,000 sq.m.

As at 31 December 2024 the Group viewed future use of the land plot as uncertain and, therefore, classified the asset as an investment property.

The fair value of the investment property as at 31 December 2024 was determined as USD 28,100 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. 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 was categorized within Level 3 of the fair value hierarchy.

On 30 September 2025, the Company disposed of its investment property carried at fair value to a related party for total consideration of GEL 76,117 thousand. Management estimated the fair value of the investment property as at 30 September 2025, in USD terms to approximate to that determined for the last annual consolidated financial statements as at and for the year ended 31 December 2024, due to insignificant changes in real estate prices for similar properties in similar physical condition.

The movement on investment property was as follows:

| '000 GEL | 2025 | 2024 |
|-------------------------------------------------------|-------------|---------------|
| Carrying amount at 1 January | 78,871 | 70,462 |
| Change in fair value | - | 5,333 |
| Effect of foreign currency exchange rate fluctuations | (2,754) | 3,076 |
| Disposal | (76,117) | - |
| Carrying amount at 31 December | - | 78,871 |

15. Inventories

| '000 GEL | 31 December 2025 | 31 December 2024 |
|----------------------------------------|-------------------------|-------------------------|
| Spare parts and installation materials | 4,837 | 5,485 |
| Fuel | 1,010 | 1,164 |
| Mobile phone and accessories | 360 | 674 |
| Other | 2,120 | 2,520 |
| Total | 8,327 | 9,843 |

16. Trade and other receivables

| '000 GEL | 31 December 2025 | 31 December 2024 |
|----------------------------------------------------------|-------------------------|-------------------------|
| Receivables from subscribers | 26,077 | 23,103 |
| Receivables from telecom operators | 7,401 | 8,914 |
| Other trade receivables | 3,273 | 3,538 |
| Total trade receivables | 36,751 | 35,555 |
| Financial guarantee contract receivable fee (note 19(c)) | 5,197 | - |
| Prepaid expenses | 3,028 | 3,371 |
| Total trade and other receivables | 44,976 | 38,926 |

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 2025</u> | <u>31 December 2024</u> |
|----------------------------------------|-------------------------|-------------------------|
| Call deposits | 54,067 | 120,299 |
| Bank balances | 13,769 | 39,307 |
| Cash in transit | 912 | 1,165 |
| Cash on hand | 13 | 13 |
| Total cash and cash equivalents | <u>68,761</u> | <u>160,784</u> |

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.

18. Equity

(a) Share capital

Number of shares

| | <u>Ordinary shares</u> | |
|-----------------------------------------------|--------------------------|--------------------------|
| | <u>2025</u> | <u>2024</u> |
| In issue at 1 January | 84,056,099 | 84,056,099 |
| Issued during the year | - | - |
| In issue at 31 December, fully paid | <u>84,056,099</u> | <u>84,056,099</u> |
| Authorised shares - par value (in GEL) | <u>1</u> | <u>1</u> |

(b) Dividends

In 2025 the Company declared and paid dividends of GEL 219,000 thousand (2024: declared and paid dividends of GEL 171,000 thousand). Declared dividend per ordinary share amounted to GEL 2.6054 (2024: 2.0344) (see note 19(d)).

(c) 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.

| '000 GEL | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------|-------------------------|-------------------------|
| Eurobonds - non-current | - | 553,655 |
| Related-party loan- non-current | 404,265 | - |
| | <u>404,265</u> | <u>553,655</u> |
| Eurobonds – current | - | 19,566 |
| Related-party loan – current | 8,805 | - |
| | <u>8,805</u> | <u>19,566</u> |
| Total | <u>413,070</u> | <u>573,221</u> |

(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 2025 | |
|-----------------------------------|----------|-----------------------|------------------|------------------|-----------------|
| | | | | Face value* | Carrying amount |
| Eurobond | USD | 8.375% | 2025 | - | - |
| Related-party loan | USD | 7.5% | 2030 | 413,070 | 413,070 |
| Total loans and borrowings | | | | 413,070 | 413,070 |

| '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 |
| Total loans and borrowings | | | | 582,749 | 573,221 |

* 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 was 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).

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.

On 1st of September 2025, the Company and its intermediate parent, Silk Road Group Holding LLC (“SRGH” or “Intermediate Parent”) invited holders of Silknet Eurobonds (“Noteholders”), to participate in the tender offer, as a result of which SRGH announced its intention to issue USD 400,000 thousand Eurobonds, guaranteed by Silknet and due in 2030 (“New Notes”) and invited Noteholders to tender their notes for purchase for cash, to be settled from the proceeds of the New Notes issuance.

Concurrently, the Group initiated actions to (i) cancel the notes purchased pursuant to the tender offer, (ii) facilitate onward lending by SRGH of any cash or net proceeds from the issuance of the New Notes to the Group, to be applied towards meeting its obligations under the Silknet Eurobonds, and (iii) modify the terms and conditions of the Silknet Eurobonds to provide for the mandatory early redemption of any Silknet Eurobonds that remain outstanding following the completion of the tender offer.

On 15 September 2025, SRGH issued USD 400,000 thousand in New Notes due 2030 guaranteed by Silknet and other subsidiaries of the SRGH.

From the proceeds of the New Notes, on 16 September 2025, for a total consideration of GEL 472,127 thousand (USD 174,532 thousand), SRGH purchased, and the Group forwarded for cancellation, a portion of Silknet's outstanding Eurobonds with a nominal amount of GEL 456,583 (USD 168,786 thousand) (out of a total outstanding nominal balance of GEL 540,384 thousand (USD 199,765 thousand) together with the accrued interest of GEL 4,993 thousand (USD 1,846 thousand), with the difference representing tender and consent fees in the amount of GEL 10,551 thousand (USD 3,900 thousand). The proceeds from borrowings and the repurchase of Eurobonds represent non-cash transactions and cannot be traced in the consolidated statement of cash flows.

The remaining balance of Silknet Eurobonds amounted of GEL 84,464 thousand (USD 30,979 thousand) was fully redeemed by the Group on 3 October 2025 as part of mandatory early redemption.

Repurchased Silknet Eurobonds were derecognized from the balance sheet at their amortised cost and the difference between the repurchased amount and the amortized cost was recognised under the loss on derecognition of financial instrument in profit or loss in the amount of GEL 4,867 thousand (USD 1,799 thousand).

As a result of above, SRGH and the Group entered into a loan agreement (hereinafter referred as "New Loan") under which total consideration of GEL 472,127 thousand (USD 174,532 thousand) paid by SRGH was classified as a loan payable by the Group to SRGH. The New Loan is due in 2030, bears interest of 7.5% and is payable semi-annually. The New Loan is measured at amortised cost using the effective interest rate method.

During the reporting period, the Group repaid GEL 66,775 thousand (USD 24,532 thousand) of the New Loan principal, resulting in a remaining nominal balance of GEL 404,265 thousand (USD 150,000 thousand).

(c) Financial guarantee

On 15 September 2025, SRGH issued USD 400,000 thousand in New Notes due 2030 guaranteed by Silknet and other subsidiaries of the SRGH. The guarantors are the subsidiaries that represent 5% of SRGH's consolidated EBITDA or 5% of SRGH's consolidated revenue. SRGH is obliged to maintain over the life of the New Notes the guarantor package covering at least 70% of SRGH's consolidated total assets. Silknet is a Guarantor (see note 20), on its standalone basis as at and for the year ended 31 December 2024 had an Adjusted EBITDA of GEL 374.7 million, representing 91% of the Group's consolidated Adjusted EBITDA.

As a restricted subsidiary and a guarantor, Silknet is subject to various covenants, as described in the Terms and Conditions included in Listing Particulars publicly available on Silk Road Group Holding's website: <https://srgh.ge/en/investor>

As at 31 December 2025, the Group has complied with all covenants and expects to remain in compliance throughout the term of SRGH New Notes. Accordingly, loans and borrowings balances (excluding balances contractually repayable within 12 months from the reporting date) are classified as non-current as at 31 December 2025.

(d) Changes in liabilities arising from financing activities*

| '000 GEL | Dividends payable | Lease liabilities | Loans and borrowings | Total |
|--------------------------------------------------------------------------------------------|--------------------------|--------------------------|-----------------------------|------------------|
| Balance at 1 January 2025 | - | 18,309 | 573,221 | 591,530 |
| Interest paid | - | (1,132) | (48,423) | (49,555) |
| Principal paid | - | - | (151,239) | (151,239) |
| Dividends paid | (219,000) | - | - | (219,000) |
| Lease payments | - | (14,597) | - | (14,597) |
| Total changes from financing cash flows | (219,000) | (15,729) | (199,662) | (434,391) |
| The effect of changes in foreign exchange rates | - | (105) | (20,297) | (20,402) |
| Other changes | | | | |
| Interest expense | - | 1,132 | 44,390 | 45,522 |
| Tender and consent fees | - | - | 10,551 | 10,551 |
| Loss on derecognition of financial instrument | - | - | 4,867 | 4,867 |
| Recognition of lease liabilities arising from lease contracts originated during the period | - | 2,523 | - | 2,523 |
| Reassessment of lease term | - | 43,333 | - | 43,333 |
| Write-off of ROU and respective lease liability for terminated contracts | - | (1,575) | - | (1,575) |
| Total liability-related other changes | - | 45,413 | 59,808 | 105,221 |
| Total equity-related other changes | 219,000 | - | - | 219,000 |
| Balance at 31 December 2025 | - | 47,888 | 413,070 | 460,958 |

| '000 GEL | Dividends payable | Lease liabilities | Loans and borrowings | Total |
|--------------------------------------------------------------------------------------------|--------------------------|--------------------------|-----------------------------|------------------|
| 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) |
| Total changes from financing cash flows | (171,000) | (14,926) | (45,049) | (230,975) |
| The effect of changes in foreign exchange rates | - | 261 | 23,290 | 23,551 |
| Other changes | | | | |
| 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) |
| Total liability-related other changes | - | 4,042 | 44,146 | 48,188 |
| Total equity-related other changes | 171,000 | - | - | 171,000 |
| Balance at 31 December 2024 | - | 18,309 | 573,221 | 591,530 |

* 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.

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.

As lease agreements include option to extend the lease, significant judgement is required in determining whether these optional periods should be included when determining the lease term. As a lessee, optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option; this depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset. While determining the lease term, management considers its strategic planning horizon, anticipated technological developments, and economic penalties associated with contract termination, including costs of removing leasehold improvements or relocating, and indirect costs such as disruption to business. The value of the right-of-use asset and lease liability will be greater when extension options are included in the lease term.

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</u> |
|----------------------------------|-----------------------------------------------------|----------------------------|
| Site rent for fixed services | 4-10 years | Same as contractual |
| Site rent for mobile services | | |
| Leases for rooftop surface areas | 1-6 months* | 3 years |
| Leases for land and other | 1-6 months* | 5 years |

* Non-cancellable period

Lease terms are reassessed if a significant event or change in circumstances occurs relating to the leased assets that is within the control of the Group; such changes usually relate to strategic business decisions made by the Group. Where such changes alter the Group's assessment of whether it is reasonably certain to exercise options to extend, or not terminate leases, the lease term is reassessed and the lease liability is remeasured.

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 rates (in GEL) applied in 2025 and 2024 were approximately 13% and 12%, respectively.

| '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> |
|-----------------------------------------------------|----------------------------------------------|-----------------------------------------|------------------------------------------|-----------------|
| Carrying amount of RoU at 1 January 2025 | 9,715 | 3,885 | 67 | 13,667 |
| Additions | 2,072 | - | 451 | 2,523 |
| Reassessment* | 43,333 | - | - | 43,333 |
| Disposals | (4,526) | - | - | (4,526) |
| Accumulated depreciation of disposals | 2,982 | - | - | 2,982 |
| Depreciation charge | (10,248) | (1,168) | (425) | (11,841) |
| Gross balance of RoU at 31 December 2025 | 91,702 | 9,860 | 2,385 | 103,947 |
| Accumulated depreciation at 31 December 2025 | (48,374) | (7,143) | (2,292) | (57,809) |
| Carrying amount of RoU at 31 December 2025 | 43,328 | 2,717 | 93 | 46,138 |
| Lease liability at 1 January 2025 | (13,100) | (5,090) | (119) | (18,309) |
| Additions | (2,072) | - | (451) | (2,523) |
| Reassessment* | (43,333) | - | - | (43,333) |
| Disposals | 1,575 | - | - | 1,575 |
| Interest charge | (695) | (414) | (23) | (1,132) |
| Payments | 13,581 | 1,679 | 469 | 15,729 |
| The effect of changes in foreign exchange rates | (70) | 165 | 10 | 105 |
| Lease liability at 31 December 2025 | (44,114) | (3,660) | (114) | (47,888) |

* During the reporting period, the previously assessed lease terms expired and management changed its operational strategy, resulting in an updated assessment of the reasonably certain threshold for exercising lease extension options and the expected enforceability period of the leases. As a result, the Group reassessed the lease terms and determined the lease terms as three years for leases of rooftop surface areas and five years for leases of land and other. As a result of the reassessment, the lease liabilities and corresponding right-of-use assets increased by GEL 16,083 thousand for rooftop surface areas and by GEL 27,250 thousand for land and other, respectively.

| '000 GEL | Site rent for mobile services | Site rent for fixed services | Space rent for Silk Media LLC | Total |
|-----------------------------------------------------|-------------------------------|------------------------------|-------------------------------|-----------------|
| Carrying amount of RoU at 1 January 2024 | 17,963 | 4,459 | 453 | 22,875 |
| 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) |
| Gross balance of RoU at 31 December 2024 | 50,823 | 9,860 | 1,934 | 62,617 |
| Accumulated depreciation at 31 December 2024 | (41,108) | (5,975) | (1,867) | (48,950) |
| Carrying amount of RoU at 31 December 2024 | 9,715 | 3,885 | 67 | 13,667 |
| Lease liability at 1 January 2024 | (22,980) | (5,415) | (537) | (28,932) |
| 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) |
| Lease liability at 31 December 2024 | (13,100) | (5,090) | (119) | (18,309) |

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

| '000 GEL | 31 December 2025 | | 31 December 2024 | |
|----------------------------------------------------|------------------|----------------|------------------|---------------|
| | Non-current | Current | Non-current | Current |
| Payables for non-current assets | 18,126 | 29,421 | 13,044 | 19,482 |
| Payable to suppliers | - | 14,828 | - | 14,078 |
| Payable for licenses and broadcasting rights | 11,112 | 29,855 | 5,896 | 10,725 |
| Payable to other operators | - | 3,355 | - | 3,774 |
| Payable to employees (note 24) | 18,842 | 22,758 | 19,498 | 13,010 |
| Other payables | 1,925 | 955 | - | 993 |
| VAT and other tax liabilities | - | 7,433 | - | 7,082 |
| Financial guarantee contract liability* | 5,154 | 1,039 | 1,322 | - |
| Total trade and other payables | 55,159 | 109,644 | 39,760 | 69,144 |
| Advances received related to IRU contracts | 10,262 | 1,888 | 10,891 | 1,888 |
| Advances received related to subscribers | 592 | 23,997 | 589 | 25,582 |
| Total contract liabilities from prepayments | 10,854 | 25,885 | 11,480 | 27,470 |
| Total | 66,013 | 135,529 | 51,240 | 96,614 |

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 coverage expansion projects and intangible assets for 5G license and broadcasting rights.

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).

* Included in financial guarantee contract liability is an unconditional and irrecoverable guarantee issued by the Group in respect of the Intermediate Parent's New Notes for a consideration of GEL 5,197 thousand, equivalent to its original fair value, receivable in six month period from issue date. In March 2026 the consideration was repaid in full, as contractually defined.

The financial guarantee to SRGH with the amount of USD 400,000 thousand notes has been valued by an independent external valuator and its fair value at the grant date of the guarantee is USD 3,072 thousand (2024: nil), out of which Silknet's share represents 63% USD 1,925 thousand (2024: nil).

In 2025, the original fair value of the guarantee liability is amortized through the statement of profit and loss and other comprehensive income on a straight-line basis over the tenor of the New Notes with the amount of GEL 306 thousand (2024: nil). Receivable from the Intermediate Parent of GEL 5,197 thousand (2024: nil) is recorded in trade and other receivables (see note 16).

The Company estimated expected credit losses to be lower than the amortized portion of the originally recognized guarantee liability as at 31 December 2025.

The terms and conditions of the New Notes require the Intermediate Parent together with Group to comply with certain financial and non-financial covenants, details of which are included in listing particular, publicly available on the website of SRGH. The Company does not expect material risks associated with the Intermediate Parent's ability to comply with the covenants.

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:

| '000 GEL | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------------------|--------------------------------|--------------------------------|
| Trade receivables | 36,751 | 35,555 |
| Financial guarantee contract receivable fee | 5,197 | - |
| Certificate of deposit | - | 18,362 |
| Cash and cash equivalents | 68,748 | 160,771 |
| Recognized financial assets | <u>110,696</u> | <u>214,688</u> |

Trade 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 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 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 receivables per risk groups are as follows:

| '000 GEL | <u>Collectively assessed</u> | | | <u>Individually assessed</u> | | |
|-----------------------------|-------------------------------------|-----------------------------------------|-------------------------------|-------------------------------------|-----------------------------------------|-------------------------------|
| | <u>Gross carrying amount</u> | <u>Impairment loss allowance</u> | <u>Credit-impaired</u> | <u>Gross carrying amount</u> | <u>Impairment loss allowance</u> | <u>Credit-impaired</u> |
| 31 December 2025 | | | | | | |
| Current | 23,950 | 452 | No | 12,033 | - | No |
| 1-30 past due | 1,150 | 145 | No | - | - | No |
| 31-90 days past due | 490 | 295 | No | - | - | No |
| Past due | | | | | | |
| 91-150 days | 333 | 313 | Yes | - | - | Yes |
| Past due more than 150 days | 24,648 | 24,648 | Yes | 3,065 | 3,065 | Yes |
| Total | <u>50,571</u> | <u>25,853</u> | | <u>15,098</u> | <u>3,065</u> | |

| '000 GEL | Collectively assessed | | | Individually assessed | | |
|-----------------------------|-----------------------|---------------------------|-----------------|-----------------------|---------------------------|-----------------|
| | Gross carrying amount | Impairment loss allowance | Credit-impaired | Gross carrying amount | Impairment loss allowance | Credit-impaired |
| 31 December 2024 | | | | | | |
| 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 |
| Total | 46,570 | 24,377 | | 16,114 | 2,752 | |

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

| '000 GEL | 2025 | 2024 |
|------------------------------------------------------------------|-----------------|-----------------|
| At 1 January | (27,129) | (25,800) |
| Charge for the year | (1,789) | (1,329) |
| Reversal of amounts written off during the year as uncollectible | - | - |
| At 31 December | (28,918) | (27,129) |

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.

Financial guarantee

On 15 September 2025, SRGH issued USD 400,000 thousand in New Notes due 2030 guaranteed by Silknet and other subsidiaries of the SRGH. Silknet is a Guarantor (see note 21), on its standalone basis as at and for the year ended 31 December 2024 had an Adjusted EBITDA of GEL 374.7 million, representing 91% of the Group's consolidated Adjusted EBITDA.

Bank balances and call deposits

Bank balances and call deposits are mainly held with Georgian banks with a short-term issuer minimum 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 2025

| '000 GEL | Carrying amount | Total | On demand | Less than 3 months | 3-12 months | 1-5 years | Over 5 years |
|---------------------------------------------|--------------------|------------------|------------------|-----------------------|----------------|----------------|-----------------|
| Non-derivative financial liabilities | | | | | | | |
| Loans and borrowings | 413,070 | 555,283 | - | 15,035 | 15,285 | 524,963 | - |
| Lease liability | 47,888 | 59,820 | - | 3,949 | 11,500 | 44,303 | 68 |
| Trade and other payables | 158,610 | 175,799 | 43,828 | 34,049 | 40,876 | 57,046 | - |
| Financial guarantee* | 6,193 | 1,150,134 | 1,101,622 | - | - | 48,512 | - |
| | 625,761 | 1,941,036 | 1,145,450 | 53,033 | 67,661 | 674,824 | 68 |

*As at the reporting date, the carrying amount of the financial guarantees recognised as a financial liability in the statement of financial position amounts to GEL 6,193 thousand. Total outstanding contractual commitment of GEL 1,150,134 thousand, included as contractual cash flows in the table above, does not represent a financial liability, but rather the maximum potential exposure under the guarantees at the reporting date, if counterparties failed to perform as contracted. Therefore, the total outstanding contractual commitments presented above do not necessarily represent future cash outflows, as these commitments may expire or terminate without being funded.

31 December 2024

| '000 GEL | Carrying amount | Total | On demand | Less than 3 months | 3-12 months | 1-5 years | Over 5 years |
|---------------------------------------------|--------------------|----------------|---------------|-----------------------|----------------|----------------|-----------------|
| Non-derivative financial liabilities | | | | | | | |
| Loans and borrowings | 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 | 107,582 | 111,559 | 20,805 | 23,627 | 25,472 | 41,514 | 141 |
| Financial guarantee** | 1,322 | 50,522 | - | - | - | 50,522 | - |
| | 700,434 | 859,166 | 20,805 | 50,893 | 59,950 | 727,309 | 209 |

**As at 31 December 2024, the carrying amount of the financial guarantee recognised as a financial liability in the statement of financial position amounts to GEL 1,322 thousand. Total outstanding contractual commitment of GEL 50,522 thousand, included as contractual cash flows in the table above, does not represent a financial liability, but rather the maximum potential exposure under the guarantee at the reporting date, if counterparties failed to perform as contracted. Therefore, the total outstanding contractual commitments presented above do not necessarily represent future cash outflows, as these commitments may expire or terminate without being funded.

The financial guarantee to SRGH with the amount of USD 400,000 thousand notes has been valued by an independent external valuator and its fair value at the grant date of the guarantee is USD 3,072 thousand (2024: nil), out of which Silknet's share represents 63% USD 1,925 thousand (2024: nil).

The maximum exposure to liquidity risk represents the maximum amount the Company could be required to pay if the guarantee were called. Based on management's assessment, the probability of the guarantee being exercised is remote.

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 sufficient cash balance (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 2025, the Group's exposure to currency risk is mainly attributable to USD-denominated loans and borrowings. To partially hedge an open foreign currency position, the Company invests its liquid funds in USD-denominated instruments, such as deposits. 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 2025, the Group recognized derivative liability with a carrying amount of GEL 852 thousand (31 December 2024: derivative asset with a carrying amount of GEL 2,674 thousand). 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 2025 and 2024.

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

| '000 GEL | USD-denominated 31 December 2025 | USD-denominated 31 December 2024 |
|------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Bank balances | 2,795 | 3,911 |
| Call deposit | 34,060 | 120,299 |
| Certificate of deposit | - | 18,362 |
| Trade and other receivables | 4,460 | 6,814 |
| Financial guarantee contract receivable | 2,500 | 2,369 |
| Trade and other payables | (50,096) | (36,982) |
| Loans and borrowings | (413,070) | (573,221) |
| Net exposure before considering investment property | (419,351) | (458,448) |
| Investment property | - | 78,871 |
| Net exposure | (419,351) | (379,577) |

As part of risk management, the Company entered into forward contracts totalling USD 45,400 thousand and EUR 3,940 thousand in 2025 and USD 70,500 thousand in 2024, of which USD 60,500 thousand were realized during the year ended 31 December 2025 (2024: USD 10,000 thousand). As of 31 December 2025, the outstanding balance stands at USD 45,400 thousand (31 December 2025: Buy: USD 45,400 thousand; Sell: GEL 128,617 thousand (31 December 2024: Buy: USD 60,500 thousand; Sell: GEL 169,581 thousand)) and EUR 3,940 thousand (31 December 2025: Buy: EUR 3,940 thousand; Sell: GEL 12,944 thousand (31 December 2024: 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 payments for loans and borrowings. These outflows are fully hedged from January 2026 through the end of 2026, with an average forward exchange rate of GEL 2.8 for USD-denominated forwards and GEL 3.3 for forwards denominated in EUR.

| '000 GEL | <u>EUR-denominated</u> <u>31 December 2025</u> | <u>EUR-denominated</u> <u>31 December 2024</u> |
|-----------------------------|---------------------------------------------------|---------------------------------------------------|
| Bank balances | 13 | 772 |
| Trade and other receivables | 1,240 | 1,355 |
| Trade and other payables | (33,454) | (22,687) |
| Net exposure | (32,201) | (20,560) |

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

| in GEL | <u>Average rate</u> | | <u>Reporting date spot rate</u> | |
|--------|---------------------------------------|---------------------------------------|---------------------------------|------------------------------|
| | <u>Year ended</u> <u>31-Dec-25</u> | <u>Year ended</u> <u>31-Dec-24</u> | <u>31-Dec</u> <u>2025</u> | <u>31-Dec</u> <u>2024</u> |
| USD 1 | 2.7422 | 2.7208 | 2.6951 | 2.8068 |
| EUR 1 | 3.0960 | 2.9440 | 3.1737 | 2.9306 |

Sensitivity analysis

A reasonably possible strengthening/(weakening) of GEL, as indicated below, against the USD as at 31 December 2025 and 2024 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 does not consider the effect of derivatives and assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| '000 GEL | <u>Strengthening</u> | | <u>Weakening</u> | |
|-------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| | <u>Directly to</u> <u>equity</u> | <u>Profit or</u> <u>(loss)</u> | <u>Directly to</u> <u>equity</u> | <u>Profit or</u> <u>(loss)</u> |
| 31 December 2025 | | | | |
| USD (10% movement) | - | 41,935 | - | (41,935) |
| EUR (10% movement) | - | 3,220 | - | (3,220) |
| 31 December 2024 | | | | |
| USD (10% movement) | - | 45,845 | - | (45,845) |
| EUR (10% movement) | - | 2,056 | - | (2,056) |

Exposure to interest rate risk

As at 31 December 2025, the Company did not have the variable interest-bearing financial instruments (2024: 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 | 2025 | 2024 |
|-----------------|---------------|---------------|
| Salaries | 6,865 | 6,861 |
| Other bonuses* | 17,926 | 6,635 |
| | 24,791 | 13,496 |

* 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 these employees to different types of awards, mainly dependent upon the choice of the employee, but also subject to certain events and conditions. Award #1 implies granting of a 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 2025, as the probability of meeting the non-vesting condition stipulated under the contract is remote. Award #2, to which employees are entitled from 1 January 2025, is calculated as a certain percentage of forecast 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 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 benefits under IAS 19 Employee Benefits and are initially measured at the present value of future benefits accruing to the employees. Award #2 is expensed as incurred as no service condition is attached to it, whereas the value of Award #3 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 represented an unconditional liability as at 31 December 2023 and its estimated present value was the largest amongst the three of the available awards.

In 2024, the changes in circumstances related to the consent solicitation process of Eurobond covenant affected the calculation of the benefit amount under the Award #2 due to the adjusted payout ratio. In 2025, further changes were made to the payout ratio assumptions used in calculating the benefit amount under Award #2.

These changes remained in compliance with the Law of Georgia on Entrepreneurs and the covenants attached to Group loans and borrowings, resulting in additional expense of GEL 2,840 thousand and GEL 3,546 thousand for the year ended 31 December 2025 and 2024 respectively. No significant changes were made to other assumptions used in calculation of the benefit amount under the Award #2. In 2025, the Company paid GEL 6,570 thousand in accordance with contractual terms.

Other bonuses also include one-time short-term bonuses in amount of GEL 11,042 thousand (2024: nil) in relation to Silknet's guaranteed SRGH Eurobond issuance (see also note 11(a)).

(c) Other related party transactions

| '000 GEL | Transaction value for the year ended 31 December | | Outstanding balance as at 31 December | |
|---------------------------------------|-----------------------------------------------------|-------|------------------------------------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| Other operating expenses: | | | | |
| Entities under common control* | 8,755 | 8,458 | (546) | (700) |
| Other income: | | | | |
| Entities under common control | 384 | 201 | 139 | 84 |
| Other related parties | - | - | - | - |
| Loans and borrowings: | | | | |
| Intermediate Parent** | 472,126 | - | (413,070) | - |
| Fuel and lubricants used: | | | | |
| Entities under common control | 2,448 | 2,975 | (208) | (182) |
| Sale of fixed assets: | | | | |
| Entities under common control*** | 76,314 | - | - | - |
| Other: | | | | |
| Entities under common control | 33 | (20) | (1,491) | 10 |
| Guarantee contract receivable: | | | | |
| Parent**** | 167 | 161 | 2,500 | 2,369 |
| Intermediate Parent***** | 5,197 | - | 5,197 | - |

As at 31 December 2025, the Group maintained a bank balance of GEL 661 thousand, with a related party financial institution, which is an entity under common control (2024: GEL 744 thousand), on which interest income of GEL 324 thousand was recognized during the year ended 31 December 2025 (2024: GEL 278 thousand).

In 2025, the Company entered into forward contracts with SRGH totalling USD 10,000 thousand (31 December 2025: Buy: USD 10,000 thousand; Sell: GEL 28,441 thousand (2024: nil)). See also note 22(b)(iii). As at 31 December 2025, the fair value of these instruments amounted to liability of GEL 233 thousand (2024: nil).

* In 2025, other operating expenses with entities under common control mainly include: consulting services of GEL 3,136 thousand (2024: 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 3,413 thousand (2024: GEL 3,102 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 2025 of GEL 114 thousand represents a lease liability for the office space rent by Silk Media LLC from an entity under common control (2024: GEL 119 thousand). The cash outflow related to the lease liability during the period ended 31 December 2025 amounted to GEL 469 thousand (2024: 465 thousand), (see note 20). Except for the lease liability and guarantee receivable, 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.

** Interest expense accrued on the loans and borrowings during the year ended 31 December 2025 was GEL 9,210 thousand (2024: nil). Terms of loans and borrowings are disclosed in note 19.

*** In 2025, the Group sold its investment property to an entity under common control for its carrying amount of GEL 76,116 thousand. Relevant terms of the transaction are disclosed in note 14.

**** 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 2025, a financial guarantee contract liability of GEL 1,300 thousand (2024: GEL 1,322 thousand) is recorded in trade and other payables (see note 21) and a related receivable from the parent of GEL 2,500 thousand (2024: GEL 2,369 thousand) is recorded in other non-current assets (see note 11). The Company will receive a fee for the service provided.

***** On 15 September 2025, the Company became a guarantor for SRGH New Notes (see note 19(c) and note 21). As at 31 December 2025, a financial guarantee contract liability of GEL 4,893 thousand (2024: nil) is recorded in trade and other payables (see note 21) and a related receivable from the intermediate parent of GEL 5,197 thousand (2024: nil) is recorded in trade and other receivables (see note 16). The Company will receive a fee for the service provided, disclosed in full in a transaction value. In 2025, the original fair value of the guarantee liability is amortized through the statement of profit and loss and other comprehensive income on a straight-line basis over the tenor of the New Notes with the amount of GEL 306 thousand (2024: nil).

25. Subsidiaries

| Subsidiary | Country of incorporation | 31 December 2025 Ownership/voting | 31 December 2024 Ownership/voting |
|---------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|----------------------------------------------|
| Qarva LLC | Georgia | 51% | 51% |
| Silk Media LLC* | Georgia | 100% | 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% |
| Silk Cloud JSC** | Georgia | 100% | 0% |

* Silk Media LLC operates Euronews Georgia - a free-to-air news channel.

** On January 21, 2025, the Company established a new subsidiary, Silk Cloud JSC, with a 100% ownership interest.

On May 29, 2025, Silknet acquired 100% of the shares of Neutrino LLC - a cybersecurity company. The acquisition was not material for the Group's consolidated financial statements. In September 2025 the Group merged Silk Cloud JSC with Neutrino LLC, Silk Cloud JSC being the surviving entity.

The consolidation does not have a material impact on the Group's financial statements.

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. For bundled packages, the Group accounts for individual services separately, if they are distinct, that is, if a service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate services in bundle based on their stand-alone selling prices.

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 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.

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

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

The Group recognises loss allowance for ECLs on financial assets measured at amortised cost. The financial assets measured 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.

The Group uses a portfolio approach for leases with similar characteristics when applying IFRS 16, such as leases for rooftop surface areas and leases for land and other. The Group reasonably expects that applying the standard to a portfolio of leases would not differ materially from applying it to individual leases.

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 2025 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.

- *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).*
- *Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).*