

# **Georgia Global Utilities JSC**

## **Consolidated financial statements**

*for the year ended 31 December 2024  
with independent auditor's report*

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## Independent auditor's report

To the Shareholders and Supervisory Board of Georgia Global Utilities JSC

### **Opinion**

We have audited the consolidated financial statements of Georgia Global Utilities JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

### **Basis for opinion**

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

### **Key audit matters**

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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working world

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Key audit matter	How our audit addressed the key audit matter
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***Revenue recognition from metered water supply***

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Revenue from metered water supply was the Group's major revenue stream in 2024.

Recognition of revenue from metered water supply was one of the matters of most significance in our audit due to the significance of the amount of revenue recognized as well as due to the number of customers and the level of management judgment involved in the estimation of volumes delivered but not yet billed.

The disclosures related to revenue from metered water supply are included in Notes 3 and 16 to the consolidated financial statements.

We analyzed the patterns of water consumption in order to assess management's estimates, including the estimate made in respect of the volumes delivered but not billed. We compared estimated volumes delivered but not yet billed to the historical information. We clerically recalculated the unbilled revenue adjustment as at 31 December 2024.

We assessed the Group's accounting policy in respect of revenue recognition.

We analyzed revenue disclosures in the consolidated financial statements.

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***Existence and measurement of infrastructure assets***

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The Group's property, plant and equipment as at 31 December 2024 constituted a significant portion of its total assets. Significant share of property, plant and equipment balance is represented by underground infrastructure assets that are not readily available for physical observation.

This matter was one of the matters of most significance in our audit due to the complexity of the physical access to the underground assets.

In addition, the Group incurs substantial capital expenditures related to infrastructure assets, of which significant share is represented by capitalization of employee benefits. We consider this matter to be a key audit matter due to the judgmental nature and management's ability to manipulate performance through overcapitalization of repair works not eligible for capitalization under the requirements of IAS 16, Property, Plant and Equipment ("IAS 16").

Related disclosures are included in Notes 3 and 7 to the consolidated financial statements.

We compared the information about underground assets constructed during the period to the information in customer billing systems in respective locations. We evaluated internal controls over the matching of address between the billing system and property, plant and equipment register. For additions to the underground infrastructure assets in 2024, on a sample basis, we compared the cost of additions recorded in the Group's financial statements to the supporting documents.

We analyzed and made inquiries to the representatives of the Group about the nature of capitalized expenditures. We assessed the Group's capitalization guidelines and the management's documented assessment for the current period capitalizations. For each type of capitalized expenditures, we inspected, on a sample basis, supporting evidence. We evaluated IAS 16 capitalization criteria in relation to such items.

Key audit matter	How our audit addressed the key audit matter
<b><i>Issuance of bonds</i></b>	
<p>Bonds issued represent the substantial portion of the Group's liabilities recognized in the consolidated statement of financial position as at 31 December 2024. In 2024, the Group issued bonds listed on an international stock exchange.</p> <p>The significance of the balances of the bonds issued and complexities involved in the determination of the original effective interest rate and amortised cost measurement made accounting for the bond issuance one of the matters of most significance in our audit.</p> <p>Information on the bonds issued is included to Note 13 to the consolidated financial statements.</p>	<p>We analyzed the terms of the bonds issued, including amounts, interest rates, currency, payment schedule, and financial and non-financial covenants.</p> <p>We traced respective cash movements related to the issuance of bonds to the supporting documentation.</p> <p>We assessed the transaction costs included in the carrying value of bonds and the effective interest rate calculation. We recalculated amortized cost of the bonds issued as at 31 December 2024, as well as respective finance costs and foreign exchange gains or losses for the year then ended.</p> <p>We evaluated compliance with the covenants as at 31 December 2024.</p> <p>We analyzed the disclosures in the consolidated financial statements related to bonds issued.</p>

***Other information included in the Group's 2024 Management Report***

Other information consists of the information included in the Group's 2024 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2024 Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the Management Report and we will not express any form of assurance conclusion thereon in our report on the audit of the consolidated financial statements.

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.

### ***Responsibilities of management and the Supervisory Board for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

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

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

- ▶ Identify and assess the risks of material misstatement of the 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 auditor's 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 auditor's 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Dmytro Iurjelevych.



Dmytro Iurjelevych (SARAS-A-644274)

On behalf of EY LLC (SARAS-F-855308)

25 April 2025

Tbilisi, Georgia

**Consolidated statement of financial position****As at 31 December 2024***(Amounts expressed in thousands of Georgian Lari)*

	<i>Note</i>	<b>31 December 2024</b>	<b>31 December 2023</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	973,876	843,439
Investment property	8	11,358	9,297
Right-of-use assets		991	1,648
Restructured trade receivables	11	79	155
Other non-current assets	9	7,337	5,452
<b>Total non-current assets</b>		<b>993,641</b>	<b>859,991</b>
<b>Current assets</b>			
Inventories	10	8,010	6,942
Trade and other receivables	11	27,368	23,801
Prepaid taxes other than income tax		76	467
Reimbursement assets	24	1,900	1,900
Prepayments		1,673	3,194
Deposits at bank	25	169,383	-
Cash and cash equivalents	25	50,029	7,282
<b>Total current assets</b>		<b>258,439</b>	<b>43,586</b>
<b>Total assets</b>		<b>1,252,080</b>	<b>903,577</b>
<b>Equity</b>			
Share capital	12	84,666	84,666
Treasury shares	12	(15,875)	(15,875)
Additional paid-in capital and other reserves	12	15,021	15,021
Revaluation reserve for property, plant and equipment	12	4,385	4,385
Retained earnings		264,147	201,792
<b>Total equity</b>		<b>352,344</b>	<b>289,989</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings and bonds issued	13	767,038	2,604
Deferred revenue	14	39,027	32,054
Lease liabilities		854	1,512
Other non-current liabilities		154	152
<b>Total non-current liabilities</b>		<b>807,073</b>	<b>36,322</b>
<b>Current liabilities</b>			
Borrowings and bonds issued	13	29,772	509,295
Advances received	14	27,115	26,252
Trade and other payables	15	19,733	28,423
Provisions for liabilities and charges	24	5,275	6,868
Deferred revenue	14	7,356	6,261
Lease liabilities		146	152
Other taxes payable		3,266	15
<b>Total current liabilities</b>		<b>92,663</b>	<b>577,266</b>
<b>Total liabilities</b>		<b>899,736</b>	<b>613,588</b>
<b>Total liabilities and equity</b>		<b>1,252,080</b>	<b>903,577</b>

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 25 April 2025:



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José Miguel Santos Gonzalez  
Chief Executive Officer

The accompanying notes on pages 5 to 28 are an integral part of these consolidated financial statements.

**Consolidated statement of financial position****As at 31 December 2024***(Amounts expressed in thousands of Georgian Lari)*

	<b>Note</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
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<b>Total liabilities and equity</b>		<b>1,252,080</b>	<b>903,577</b>

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 25 April 2025:

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 José Miguel Santos Gonzalez

Chief Executive Officer

The accompanying notes on pages 5 to 28 are an integral part of these consolidated financial statements.

**Consolidated statement of profit or loss and other comprehensive income****For the year ended 31 December 2024***(Amounts expressed in thousands of Georgian Lari)*

	<b>Note</b>	<b>2024</b>	<b>2023</b>
Revenue from water supply and related services	16	253,406	190,969
Revenue from electric power sales	17	34,756	28,747
Other revenue		1,187	611
<b>Total revenue, income and gains</b>		<b>289,349</b>	<b>220,327</b>
Electricity and transmission costs		(20,840)	(23,574)
Salaries and other employee benefits	18	(33,545)	(27,637)
Allowance for expected credit losses	11	(15,076)	(7,314)
Taxes other than income tax		(8,355)	(9,487)
General and administrative expenses	19	(6,203)	(5,631)
Professional fees	20	(3,471)	(3,045)
Raw materials, fuel and other consumables		(3,728)	(3,638)
Maintenance expenditure		(2,905)	(2,660)
Reversal (charge) for provisions and legal claims related expenses		731	(913)
Other operating expenses	22	(15,716)	(12,444)
Other income	21	4,522	3,698
		<b>(104,586)</b>	<b>(92,645)</b>
<b>EBITDA</b>		<b>184,763</b>	<b>127,682</b>
Finance income		4,664	2,094
Finance costs	23	(52,752)	(34,330)
Net foreign exchange loss		(23,414)	(162)
Depreciation and amortisation		(51,610)	(42,898)
Net gain (loss) from write-off and disposal of property and equipment		704	(2,974)
<b>Profit before income tax expense</b>		<b>62,355</b>	<b>49,412</b>
Income tax expense		-	-
<b>Profit for the year</b>		<b>62,355</b>	<b>49,412</b>
<b>Other comprehensive income</b>		-	-
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>62,355</b>	<b>49,412</b>

The accompanying notes on pages 5 to 28 are an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity****For the year ended 31 December 2024***(Amounts expressed in thousands of Georgian Lari)*

	<b>Share capital</b>	<b>Treasury shares</b>	<b>Additional paid-in capital and other reserves</b>	<b>Retained earnings</b>	<b>Revaluation reserve for property, plant and equipment</b>	<b>Total</b>
<b>Balance as at 31 December 2022</b>	84,666	(15,875)	15,021	152,380	4,385	240,577
Profit for the year	-	-	-	49,412	-	49,412
<b>Total comprehensive income for the year</b>	-	-	-	49,412	-	49,412
<b>Balance as at 31 December 2023</b>	84,666	(15,875)	15,021	201,792	4,385	289,989
Profit for the year	-	-	-	62,355	-	62,355
<b>Total comprehensive income for the year</b>	-	-	-	62,355	-	62,355
<b>Balance as at 31 December 2024</b>	<b>84,666</b>	<b>(15,875)</b>	<b>15,021</b>	<b>264,147</b>	<b>4,385</b>	<b>352,344</b>

The accompanying notes on pages 5 to 28 are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows****For the year ended 31 December 2024***(Amounts expressed in thousands of Georgian Lari)*

	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>			
<b>Profit before income tax expense</b>		<b>62,355</b>	<b>49,412</b>
<i>Adjustments for:</i>			
Depreciation and amortisation		51,610	42,898
Allowance for expected credit losses	11	15,076	7,314
(Reversal) charge for provisions and legal claims related expenses		(731)	913
Net (gain) loss from disposal of and write-off of property, plant and equipment		(704)	2,974
Revaluation gain on investment property	8	(1,883)	(1,930)
Net foreign exchange losses		23,414	162
Finance income		(4,664)	(2,094)
Finance costs	23	52,752	34,330
Other adjustments		1,598	-
<i>Working capital changes</i>			
Change in inventories		(1,068)	(1,166)
Change in trade and other receivables		(18,529)	(9,677)
Change in reimbursement assets	24	-	(1,900)
Change in prepaid taxes other than income tax		391	(449)
Change in prepayments		1,521	(1,655)
Change in trade and other payables		(2,642)	4,500
Change in deferred revenue – current portion		1,095	766
Change in advances received		863	9,977
Change in other tax payables		3,251	(2,445)
<b>Operating cash flows after working capital changes</b>		<b>183,705</b>	<b>131,930</b>
Change in deferred revenue – non-current portion		6,973	2,257
<b>Net cash flows from operating activities</b>		<b>190,678</b>	<b>134,187</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(191,648)	(193,563)
Proceeds from sale of property, plant and equipment and investment property		1,255	200
Transfer to deposits at bank		(380,769)	-
Returns from deposits at bank		218,361	-
Interest received		3,686	1,891
<b>Net cash used in investing activities</b>		<b>(349,115)</b>	<b>(191,472)</b>
<b>Cash flows from financing activities</b>			
Payment of principal portion of lease liabilities		(1,139)	(735)
Proceeds from borrowings and debt securities issued	13	826,328	37,355
Repayment of borrowings	13	(618,044)	(118)
Interest paid	13	(5,868)	(8,850)
<b>Net cash from financing activities</b>		<b>201,277</b>	<b>27,652</b>
Effect of exchange rate changes on cash and cash equivalents		(93)	6
<b>Net change in cash and cash equivalents</b>		<b>42,747</b>	<b>(29,627)</b>
Cash and cash equivalents at the beginning of year	25	<b>7,282</b>	36,909
<b>Cash and cash equivalents at the end of year</b>	25	<b>50,029</b>	<b>7,282</b>

In 2024 following non-cash items were included in purchase of property, plant and equipment and intangible assets: GEL 451 (2023: GEL 2,087) and GEL 11,040 (2023: GEL 12,230) of change in prepayments and payables for non-current assets respectively, capitalised accrued bonuses and capitalised borrowing costs to GEL 2,611 and GEL 144 (2023: GEL 1,446 and GEL 218) respectively.

(Amounts expressed in thousands of Georgian Lari)

## 1. Corporate information

Georgian Global Utilities LTD, formerly known as Multiplex Energy Limited, was incorporated in British Virgin Islands on 16 August 2007 as a private limited liability company.

In the beginning of 2020, Georgian Global Utilities LTD implemented a planned de-offshorisation (re-domiciliation), pursuant where to, change has been made to the Georgian Global Utilities LTD's shareholding structure. Georgian Global Utilities LTD has been replaced by Georgia Global Utilities JSC, identification number 404591599 ("GGU" or "the Company"), a Georgian resident entity, incorporated on 22 January 2020 in accordance with regulation of the National Agency of Public Registry, as a 100% owned subsidiary of Georgia Capital JSC.

In March 2020, Georgian Global Utilities LTD was liquidated.

GGU is considered as a continuation of Georgian Global Utilities LTD for the purpose of preparation of these consolidated financial statements.

As at 31 December 2024 and 2023, Aqualia Georgia LLC ("immediate Parent"), a subsidiary of FCC Aqualia S.A. ("Ultimate Parent") and Georgia Capital JSC ("GCAP") owned 80% and 20% of GGU's shares, respectively.

GGU is a holding parent company of the following entities (referred together as "the Group"):

	<b>Country of incorporation</b>	<b>Date of incorporation</b>	<b>Date of acquisition</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Georgian Water and Power LLC	Georgia	25-Jun-1997	14-May-2008	100%	100%
Gardabani Sewage Treatment Plant LLC	Georgia	20-Dec-1999	14-May-2008	100%	100%
Georgian Engineering and Management Company LLC	Georgia	29-Mar-2011	29-Mar-2011	100%	100%
Saguramo Energy LLC	Georgia	11-Dec-2008	19-Dec-2015	100%	100%
Georgian Energy Trading Company LLC	Georgia	23-Apr-2019	15-Dec-2019	100%	100%

GGU is rendering water supply and wastewater collection services to legal entities and general population of Tbilisi, Rustavi, Mtskheta cities and the nearby villages. GGU owns and operates water and wastewater infrastructure assets used in water supply and wastewater collection. As at 31 December 2024 and 2023 GGU also owned and operated hydroelectric stations generating electric power for own use and for sale.

The GGU's registered address is 10 Medea (Mzia) Jugheli Str., 0179, Tbilisi, Georgia.

## 2. Basis of preparation

These consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2024 reporting.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value.

The consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

## 3. Summary of material accounting policies

### Adoption of new or revised standards and interpretations

Several amendments and interpretations apply for the first time in 2024, but do not have an impact on the consolidated financial statements of the Group, except as discussed below:

#### *Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback*

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments did not have impact on the Group's consolidated financial statements.

(Amounts expressed in thousands of Georgian Lari)

### 3. Summary of material accounting policies (continued)

#### Adoption of new or revised standards and interpretations (continued)

##### *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments did not have impact on classification of the Group's liabilities. Information about the Group's liabilities subject to future covenants is disclosed in Note 13.

##### *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

The amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments did not have impact on the Group's consolidated financial statements.

#### Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- ▶ Amendments to IAS 21: Lack of exchangeability– (effective for annual reporting periods beginning on or after 1 January 2025);

In August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

- ▶ IFRS 18: Presentation and Disclosure in Financial Statements – (effective for reporting periods beginning on or after 1 January 2027);

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the financial statements and the notes.

(Amounts expressed in thousands of Georgian Lari)

### 3. Summary of material accounting policies (continued)

#### Standards issued but not yet effective (continued)

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

- ▶ IFRS 19: Subsidiaries without Public Accountability: Disclosures – (effective for reporting periods beginning on or after 1 January 2027).

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Group currently is not eligible for adoption of IFRS 19 as it is a listed entity and therefore has public accountability. The Group will continue to monitor its eligibility status by the effective date of the standard.

The Group is assessing the impact of the revised standards and amendments.

#### Business combinations under common control

The business combinations under common control are accounted for using pooling of interest method with restatement of periods prior to the combination under common control.

The assets and liabilities acquired are recognised at carrying amounts to reflect the combination as if it had occurred from the beginning of the earliest period presented and no adjustments are made to reflect fair values at the date of combination. The difference between consideration transferred and net assets acquired is recorded as an adjustment to the equity. No goodwill is recognised as a result of business combination under common control.

#### Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 25.

For assets and liabilities that are measured in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial assets

Financial assets in the scope of IFRS 9 are classified at initial recognition as subsequently measured at amortised cost, FVOCI, and fair value through profit or loss ("FVPL").

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For purposes of subsequent measurement, financial assets of the Group are classified as financial assets at amortised cost, which include trade and other receivables, cash and cash equivalents and bank deposits.

(Amounts expressed in thousands of Georgian Lari)

### 3. Summary of material accounting policies (continued)

#### Financial assets (continued)

##### *Impairment of receivables*

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For majority of its trade receivables, the Group evaluates the assets to be credit-impaired on a collective basis based on days past due information. The asset is deemed to be credit-impaired if it becomes past due for 90 days or more. Other evidence of impairment may include:

- ▶ Significant financial difficulty of the counterparty;
- ▶ It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- ▶ There is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

If, in a subsequent year, the amount of the estimated ECLs increases or decreases, the previously recognised ECLs are increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss in the allowance for impairment of trade receivables line a reversal of impairment.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the asset.

Note 11 provides further details on assessment and judgement applied in respect with ECL and write-off of trade and other receivables.

#### Derecognition of financial instruments

##### *Financial assets*

Uncollectible assets are written off against the related ECL allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. In addition, a customer may file an application with the regulator, GNERC, for derecognition of a receivable overdue for more than 3 years. If such an application is approved by GNERC, the Group is required to derecognize respective receivable by law. Write-off constitutes a derecognition event.

##### *Financial liabilities*

All of the Group's financial liabilities, including borrowings, debt securities issued and trade and other payables, are carried at amortised cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms (such as where the present value of the modified cash flows discounted using the original effective interest rate differs by more than 10% from the carrying value of the original liability), or the terms of an existing liability are substantially modified (for example, by changing the currency of denomination, changing interest rate accrual basis from fixed to floating or visa versa, or by introduction of an equity conversion feature), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

(Amounts expressed in thousands of Georgian Lari)

### 3. Summary of material accounting policies (continued)

#### Property, plant and equipment

Water infrastructure assets comprise a network of systems consisting of raw water aqueducts, mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines. Investment expenditure on infrastructure assets relating to increases in capacity or enhancements of the network and asset replacements to maintain the operating capability of the network is treated as an addition and initially recorded at cost, whilst repair and maintenance expenditure which does not enhance the asset's base is charged as an operating cost. In addition to the purchase price, cost of property, plant and equipment, including assets under construction, includes directly attributable costs. Directly attributable costs include professional services provided by technical, environmental and other relevant experts and an allocation of internal costs.

The Group owns real estate that mainly consists of administrative buildings and operational premises. All categories of property, plant and equipment are accounted for at cost less accumulated depreciation and impairment.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation of depreciable amount (defined as cost less residual value) is calculated on a straight-line basis over estimated useful lives. Existing useful lives applicable for several classes of property, plant and equipment are:

	<u>Useful lives</u>
Real estate	Up to 60 years
Infrastructure assets	5–45 years
Fixtures and fittings	5–10 years
Vehicles	5–10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. Residual values for majority of the Group's property and equipment, except for vehicles, is assessed at nil.

#### Investment property

Investment property is represented by land and buildings that are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income, capital appreciation or both. Investment property also includes land held for undetermined future use.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise and presented within Other income.

#### Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. If the possibility of outflow becomes probable, the Group recognizes respective Provisions for liabilities and charges to provisions. Contingent assets are not recognized in the consolidated statement of financial position unless reimbursement is virtually certain (which is usually the case with reimbursement from insurance companies) but disclosed when an inflow of economic benefits is probable.

#### Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations are not taxed in Georgia starting from 1 January 2017. Corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008–2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia.

Georgian tax legislation also provides for charging corporate income tax on abnormal water losses. Pursuant to the regulation published by GNERC, normative loss rate has been increased and the Group does not expect to be subject to respective taxes. Taxation of such transactions is not considered to be in scope of IAS 12 *Income Taxes* and is accounted as other expenses in the consolidated statement of profit or loss and other comprehensive income.

(Amounts expressed in thousands of Georgian Lari)

### 3. Summary of material accounting policies (continued)

#### Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average basis.

#### Cash and cash equivalents

Cash and cash equivalents include current accounts and deposits held with banks at call or with original maturities of three months or less and are subject to insignificant risk of change in value.

#### Deposits at bank

As at 2024, the Group had a number of deposits in local commercial banks with maturity from one to three months. Amounts placed in these bank deposits were not considered part of cash and cash equivalents as deposits are estimated to be prolonged once matured and are not held for the purpose of satisfying short-term liquidity commitments.

#### Share capital

The amount of the Group's authorized share capital is defined by the Group's charter. The authorized capital is recognised as share capital in the equity of the Group to the extent that it was paid. Treasury shares are presented separately in the consolidated statement of financial position.

#### Value added tax

Value added tax ("VAT", charged at 18% in Georgia) related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is recognised upon the receipt of a tax invoice from a supplier but is reclaimable against sales VAT only upon a payment of such invoice. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the consolidated statement of financial position on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

#### Provisions for liabilities and charges to provisions

Provisions for liabilities are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, such as in case of litigations against the Group.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain, which is normally the case whether the Group has a valid insurance contract in place.

In the normal course of business, the Group is a party to legal actions. As at the reporting date, management is unaware of any actual, pending or threatened claims against the Group that would have a material impact on the Group's financial position, except as recognized within provisions in the consolidated statement of financial position.

#### EBITDA

The Group separately presents EBITDA on the face of consolidated statement of profit or loss and other comprehensive income. EBITDA is not defined in IFRS and is defined by the Group as earnings before interest, taxes, depreciation and amortisation, and is derived as the Group's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, finance costs, net foreign exchange gains or losses, loss from property and equipment disposals and write-offs and non-recurring expenses.

#### Functional currencies and foreign currency translation

The Group's consolidated financial statements are presented in Georgian Lari, which is the functional currency of the Company and its subsidiaries.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia ("NBG") exchange rate on the date of the transaction are included in foreign exchange losses less gains. The official NBG exchange rates as at 31 December 2024 and 2023 were 2.9306 and 2.9753 GEL to 1 Euro, respectively. The official NBG exchange rates as at 31 December 2024 and 2023 were 2.8068 and 2.6894 GEL to 1 USD, respectively.

(Amounts expressed in thousands of Georgian Lari)

### 3. Summary of material accounting policies (continued)

#### Income and expense recognition

Revenue is recognized when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for promise to transfer the goods and services to a customer. The following specific principles also apply to the Group's major classes of revenues:

##### *Revenue from water supply and related services*

Revenue from water supply is recognized over time as a single performance obligation to supply water to customer is satisfied. Amounts billed to customers include billings for water supply as well as charges for connection and installation of water meters, as follows.

Revenue from water supply to legal entities includes amounts billed to the commercial customers based on the metered and estimated usage of water and by application of the relevant tariff for services set per unit of water supplied. Meters are read on a cyclical basis and the Group recognises revenue for unbilled amounts based on estimated usage of water based on the last billing through to the end of the financial year.

Revenue from water supply to general population includes amounts billed on monthly basis to the residential customers (with meter) based on the metered usage of water and by application of the relevant tariff for services set per unit of water supplied. For the residential customers having no meters, revenue is recognized based on the number of individual persons registered by the respective city municipality per each residential address by application of the relevant per capita tariff on a monthly basis.

Charges for installation of water meters includes amounts billed to residential customers under GNERC rules. The performance obligations under such contracts are satisfied over time as the Group supplies water to respective customer and the revenue is recognised during the service period. The estimated service period for the meters is considered to be 10 years. The revenue is recognized over the respective time period.

Charges for connection service includes non-refundable amounts billed upfront for connecting customers to water system and providing them with the access to water supply. Charges from connection is recognized as revenue from water supply over the time in line with the satisfaction of performance obligation to supply water to respective customer over the life of water meters.

##### *Revenue from electric power sales*

Revenue from electric power sales is recognised on the basis of metered electric power transferred and by application of the fixed price according to the agreement formed with customers. Customers are usually obliged to pay the respective balances by a following month end.

##### *Penalty income on illegal connections services*

Penalty income on illegal connections services includes fines billed to customers for illegal connections identified by reinforced activities. Amounts billed are defined based on respective tariffs set by GNERC. Penalty income on illegal connections services is included in other income in the consolidated statement of profit or loss and other comprehensive income (Note 21).

##### *Electricity and transmission costs (continued)*

Electricity and transmission costs include payments for guaranteed power, for transit and dispatching of electric power and for maintenance of stations.

### 4. Related party disclosure

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

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

(Amounts expressed in thousands of Georgian Lari)

**4. Related party disclosure (continued)**

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

	<b>31 December 2024</b>		<b>31 December 2023</b>	
	<b>Parent</b>	<b>Other (GCAP companies)</b>	<b>Parent</b>	<b>Other (GCAP companies)</b>
<b>Assets</b>				
Trade and other receivables, gross	-	2,155	-	2,170
Less allowance for expected credit losses	-	(1,000)	-	-
Prepayments	-	357	-	12
Reimbursement asset <sup>1</sup>	-	1,900	-	1,900
<b>Liabilities</b>				
<b>Borrowings as at 1 January</b>				
	<b>509,231</b>	-	<b>446,279</b>	-
Proceeds from borrowings and interest accrued during the year	44,781	-	71,316	-
Repayment of borrowing including interest during the year	(557,959)	-	(8,564)	-
Foreign exchange effect on borrowings	3,919	-	200	-
Other	28	-	-	-
<b>Borrowings as at 31 December</b>				
	<b>-</b>	<b>-</b>	<b>509,231</b>	<b>-</b>
Advances received	-	60	-	46
Trade and other payables	42	152	394	147
	<b>2024</b>		<b>2023</b>	
	<b>Parent</b>	<b>Other (GCAP companies)</b>	<b>Parent</b>	<b>Other (GCAP companies)</b>
<b>Income and expenses</b>				
Revenue from water supply	-	2,419	-	1,810
Professional fees <sup>2</sup>	(1,494)	-	(1,353)	-
Other operating expenses <sup>3</sup>	-	(6,441)	-	(2,721)
Allowance for impairment of trade receivables	-	(1,000)	-	-
Finance costs	(22,586)	-	(33,741)	-

1 In 2023, the Group recognized GEL 1,900 as insurance reimbursement due from other related party, presented as a deduction from other operating expenses in profit or loss for 2023 (Note 24, 22). Amount remains outstanding as at 31 December 2024 and 2023.

2 In 2024, the Group incurred GEL 4,382 (2023: GEL 3,130) in management fees due to the Parent, of which GEL 1,494 (2023: GEL 1,353) was recognized as professional fees in profit or loss and GEL 2,888 (2023: GEL 1,777) was capitalized to cost of assets.

3 Other operating expenses mostly comprises of insurance expense.

**Directors' compensation**

The Group's key management personnel in 2024 and 2023 included non-executive and executive directors of GGU. Total compensation paid to key management for the years ended 31 December 2024 and 2023 is as follows:

	<b>2024</b>	<b>2023</b>
Salaries and benefits	2,994	2,916
Bonuses	933	890
<b>Total management compensation</b>	<b>3,927</b>	<b>3,806</b>

Remuneration to the immediate Parent for management services amounted to GEL 4,382 (2023: GEL 3,130).

(Amounts expressed in thousands of Georgian Lari)

## 5. Significant accounting judgements and estimates

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (other than those related to determination of functional currency (Note 2)) and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

### Fair value of investment property

The Group measures fair value of its investment properties at the end of each reporting period with involvement of external valuation expert. Real estate market in Georgia is relatively illiquid and valuations therefore require judgments about significant unobservable valuation inputs to be exercised. As at 31 December 2024, fair values of investment properties amounted to GEL 11,358 (2023: GEL 9,297) (Note 8).

### Impairment indications for property, plant and equipment

The management of the Group considered facts and circumstances existing as at 31 December 2024 in assessment of whether impairment (or reversal of previously recognized impairment) of water supply and wastewater collection services segment assets was required as at 31 December 2024 and concluded that no impairment indicators existed. The key consideration and assumption of the management in making that assessment was that water supply tariff model in Georgia is designed in a way to provide the investor with predetermined return on regulatory asset base and operating expenditures, and is, as such, not sensitive, in the long term, to the fluctuations in water supply volumes and operating costs. According to the regulatory tariff-setting methodology, fluctuations in the water sales volumes and allowed operating and capital expenditures budgeted by the regulator in the current tariff period (being 2024–2026), have been

incorporated to the tariffs in the next, 2026–2028 period together with respective time value of money component. Regulatory rate of return is also adjusted following change in market interest rates, therefore mitigating the impact of the significant increase in market interest rates observed over 2024. Same methodology was used for setting tariffs for 2024-2026 tariff cycle, increasing tariffs for legal entities nearly by 40% with related increase in revenue from water supply to legal entities during 2024. Accordingly, the management concluded that no impairment or recovery indicators existed as at 31 December 2024.

In assessment of recoverable amount of water supply and wastewater collection services cash generating unit assets, and in subsequent assessment of whether indicators of impairment or recovery of previously recognized impairment exist, significant judgment is required in determination of cash-generating unit composition (whereby the management concluded that, following legal merger in 2023, Rustavi and Tbilisi water supply and wastewater network assets represent a single cash-generating unit considering that interdependent nature of tariff-setting for Tbilisi and Rustavi customers and resulting revenues) appropriate discount rate and assessment of its subsequent changes, developing expectations in relation to water supply tariffs to be applied in subsequent periods (including assumptions about particular capital and operating expenditures eligible for incorporation to the tariff base, and regulatory weighted average cost of capital), expected water supply volumes and forecasted operating expenditures and maintenance capital expenditures, and other relevant impairment or recovery indicators ( Note 7).

### Useful lives and residual values of property, plant and equipment

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

### Expected credit losses in respect of trade and other receivables

The Group applied the simplified approach for estimation of expected credit losses on trade receivables. The expected credit losses for accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(Amounts expressed in thousands of Georgian Lari)

## 5. Significant accounting judgements and estimates (continued)

### Expected credit losses in respect of trade and other receivables (continued)

For the purposes of a collective evaluation of ECLs accounts receivable are grouped on the basis of revenue classes, overdue days and active/passive status per each counterparty. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and, in rare cases, of forecast economic conditions. In 2024, based on forecasted economic conditions in Georgia, related to political turbulence ongoing in the country as at the reporting date, the Group recognized GEL 2,700 additional forward-looking ECLs for receivables from legal entities, as it expected customers' solvency to deteriorate resulting in less cash receipts. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future (Note 11).

The amount of ECLs recognized in respect of trade and other receivables amounted to GEL 58,869 as of 31 December 2024 (2023: GEL 46,309) (Note 11).

## 6. Segment information

Management organized the Group into the following two operating segments based on products sold and services rendered:

### Electric power generation and sales

The segment owns hydroelectric stations that generate electric power for own consumption and for sale to external customers.

### Water supply and wastewater collection services

The segment provides water supply and wastewater collection services which is the core activity of the Group.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained below, is measured according to IFRS standards in the same manner as profit or loss in the consolidated financial statements.

Transactions between segments are accounted for at actual transaction prices, with exception for deemed electricity sales for water supply needs measured in accordance with the terms of GNERC regulations applied for water supply tariff setting purposes.

The Group's operations are concentrated in Georgia. All non-current assets of the Group are located in Georgia.

(Amounts expressed in thousands of Georgian Lari)

**6. Segment information (continued)****Water supply and wastewater collection services (continued)**

The following table present financial results of the Group's operating segments for the year ended 31 December 2024:

	<b>Electric power generation and sales</b>	<b>Water supply and wastewater collection services</b>	<b>Intersegment transactions</b>	<b>Total</b>
Revenue from water supply and related services	–	253,406	–	<b>253,406</b>
Revenue from electric power sales <sup>1</sup>	40,678	–	(5,922)	<b>34,756</b>
Other revenue	–	1,187	–	<b>1,187</b>
<b>Total revenue</b>	<b>40,678</b>	<b>254,593</b>	<b>(5,922)</b>	<b>289,349</b>
Electricity and transmission costs	(520)	(26,242)	5,922	<b>(20,840)</b>
Salaries and other employee benefits	(2,499)	(31,046)	–	<b>(33,545)</b>
Allowance for expected credit losses	–	(15,076)	–	<b>(15,076)</b>
Taxes other than income tax	(53)	(8,302)	–	<b>(8,355)</b>
General and administrative expenses	(162)	(6,041)	–	<b>(6,203)</b>
Professional fees	(105)	(3,366)	–	<b>(3,471)</b>
Raw materials, fuel and other consumables	(155)	(3,573)	–	<b>(3,728)</b>
Maintenance expenditure	(33)	(2,872)	–	<b>(2,905)</b>
Reversal for provisions and legal claims related expenses	–	731	–	<b>731</b>
Other operating expenses	(4,607)	(11,109)	–	<b>(15,716)</b>
Other income	73	4,449	–	<b>4,522</b>
<b>EBITDA</b>	<b>32,617</b>	<b>152,146</b>	<b>–</b>	<b>184,763</b>
Finance income	–	4,664	–	<b>4,664</b>
Finance costs	–	(52,752)	–	<b>(52,752)</b>
Net foreign exchange gains/(losses)	1	(23,415)	–	<b>(23,414)</b>
Depreciation and amortization	(3,076)	(48,534)	–	<b>(51,610)</b>
Gain from disposal and write-off of property and equipment	(4)	708	–	<b>704</b>
<b>Profit before income tax expense</b>	<b>29,538</b>	<b>32,817</b>	<b>–</b>	<b>62,355</b>
Income tax expense	–	–	–	<b>–</b>
<b>Profit for the period</b>	<b>29,538</b>	<b>32,817</b>	<b>–</b>	<b>62,355</b>

<sup>1</sup> 79% of total revenue from electric power sales is generated from one customer.

(Amounts expressed in thousands of Georgian Lari)

**6. Segment information (continued)****Water supply and wastewater collection services (continued)**

The following table present financial results of the Group's operating segments for the year ended 31 December 2023:

	<b>Electric power generation and sales</b>	<b>Water supply and wastewater collection services</b>	<b>Intersegment transactions</b>	<b>Total</b>
Revenue from water supply and related services	–	190,969	–	<b>190,969</b>
Revenue from electric power sales <sup>2</sup>	33,372	–	(4,625)	<b>28,747</b>
Other revenue	–	611	–	<b>611</b>
<b>Total revenue</b>	<b>33,372</b>	<b>191,580</b>	<b>(4,625)</b>	<b>220,327</b>
Electricity and transmission costs	(99)	(28,100)	4,625	<b>(23,574)</b>
Salaries and other employee benefits	(2,074)	(25,563)	–	<b>(27,637)</b>
Allowance for expected credit losses	(226)	(7,088)	–	<b>(7,314)</b>
Taxes other than income tax	(39)	(9,448)	–	<b>(9,487)</b>
General and administrative expenses	(195)	(5,436)	–	<b>(5,631)</b>
Professional fees	(93)	(2,952)	–	<b>(3,045)</b>
Raw materials, fuel and other consumables	(104)	(3,534)	–	<b>(3,638)</b>
Maintenance expenditure	(9)	(2,651)	–	<b>(2,660)</b>
Charge for provisions and legal claims related expenses	–	(913)	–	<b>(913)</b>
Other operating expenses	(4,097)	(8,347)	–	<b>(12,444)</b>
Other income	12	3,686	–	<b>3,698</b>
<b>EBITDA</b>	<b>26,448</b>	<b>101,234</b>	<b>–</b>	<b>127,682</b>
Finance income	288	1,806	–	<b>2,094</b>
Finance costs	(1,470)	(32,860)	–	<b>(34,330)</b>
Net foreign exchange losses	(19)	(143)	–	<b>(162)</b>
Depreciation and amortization	(2,216)	(40,682)	–	<b>(42,898)</b>
Loss from disposal and write-off of property and equipment	(62)	(2,912)	–	<b>(2,974)</b>
<b>Profit before income tax expense</b>	<b>22,969</b>	<b>26,443</b>	<b>–</b>	<b>49,412</b>
Income tax expense	–	–	–	<b>–</b>
<b>Profit for the period</b>	<b>22,969</b>	<b>26,443</b>	<b>–</b>	<b>49,412</b>

<sup>2</sup> 43% of total revenue from electric power sales is generated from one customer.

The majority of revenue and cost elements were directly attributed to the relevant segments. The allocation principles and methods used by the management for revenue and costs elements, which cannot be directly attributed to the relevant operating segments, were:

- ▶ **Revenue** – for the purposes of segment disclosure, revenue from the internally consumed electricity (generated by Zhinvali HPP and Tetrikhevi HPP) was recorded at a regulated tariff set by the GNERC (Decree No. 82, dated 29 December 2020) which was applicable for 2024 and 2023.
- ▶ **Salaries and benefits** – The costs of salaries and other benefits except that of administrative staff were attributed directly to the appropriate segments based on actual expenditure. Salaries and benefits of the administrative staff were allocated proportionally based on the number of employees in each operating segment.
- ▶ **Interest income and finance costs and related foreign exchange gain/losses** were allocated according to the amount of borrowings received by each segment.

(Amounts expressed in thousands of Georgian Lari)

## 7. Property, plant and equipment

The movements in property, plant and equipment in 2024 were as follows:

	<i>Land plots</i>	<i>Real estate</i>	<i>Infrastructure assets</i>	<i>Vehicles</i>	<i>Fixtures and fittings</i>	<i>CIP</i>	<i>Total</i>
<b>Gross carrying amount 31 December 2023</b>	<b>7,431</b>	<b>45,045</b>	<b>1,083,763</b>	<b>41,047</b>	<b>12,521</b>	<b>54,755</b>	<b>1,244,562</b>
Additions	-	7	36,127	105	459	143,809	<b>180,507</b>
Disposals	-	(113)	(7,957)	(2,402)	(310)	(42)	<b>(10,824)</b>
Transfers	175	722	133,917	11,877	701	(147,392)	-
<b>31 December 2024</b>	<b>7,606</b>	<b>45,661</b>	<b>1,245,850</b>	<b>50,627</b>	<b>13,371</b>	<b>51,130</b>	<b>1,414,245</b>
<b>Accumulated depreciation and impairment 31 December 2023</b>	<b>352</b>	<b>11,792</b>	<b>358,072</b>	<b>22,477</b>	<b>8,430</b>	-	<b>401,123</b>
Depreciation charge	-	730	43,785	3,840	1,048	-	<b>49,403</b>
Disposals	-	(36)	(7,806)	(2,028)	(287)	-	<b>(10,157)</b>
<b>31 December 2024</b>	<b>352</b>	<b>12,486</b>	<b>394,051</b>	<b>24,289</b>	<b>9,191</b>	-	<b>440,369</b>
<b>Net book value</b>							
<b>31 December 2023</b>	<b>7,079</b>	<b>33,253</b>	<b>725,691</b>	<b>18,570</b>	<b>4,091</b>	<b>54,755</b>	<b>843,439</b>
<b>31 December 2024</b>	<b>7,254</b>	<b>33,175</b>	<b>851,799</b>	<b>26,338</b>	<b>4,180</b>	<b>51,130</b>	<b>973,876</b>

(Amounts expressed in thousands of Georgian Lari)

## 7. Property, plant and equipment (continued)

The movements in property, plant and equipment in 2023 were as follows:

	<b>Land plots</b>	<b>Real estate</b>	<b>Infrastructure assets</b>	<b>Vehicles</b>	<b>Fixtures and fittings</b>	<b>CIP</b>	<b>Total</b>
<b>Gross carrying amount 31 December 2022</b>	7,033	41,287	910,772	35,581	11,034	34,733	<b>1,040,440</b>
Additions	–	131	28,371	180	240	179,142	<b>208,064</b>
Disposals	(1)	–	(28)	(1,165)	(38)	(2,710)	<b>(3,942)</b>
Transfers	399	3,627	144,648	6,451	1,285	(156,410)	<b>0</b>
<b>31 December 2023</b>	<b>7,431</b>	<b>45,045</b>	<b>1,083,763</b>	<b>41,047</b>	<b>12,521</b>	<b>54,755</b>	<b>1,244,562</b>
<b>Accumulated depreciation and impairment 31 December 2022</b>	<b>352</b>	<b>11,054</b>	<b>324,252</b>	<b>17,735</b>	<b>7,460</b>	–	<b>360,853</b>
Depreciation charge	–	738	33,829	5,538	987	–	<b>41,092</b>
Disposals	–	–	(9)	(796)	(17)	–	<b>(822)</b>
<b>31 December 2023</b>	<b>352</b>	<b>11,792</b>	<b>358,072</b>	<b>22,477</b>	<b>8,430</b>	–	<b>401,123</b>
<b>Net book value</b>							
<b>31 December 2022</b>	<b>6,681</b>	<b>30,233</b>	<b>586,520</b>	<b>17,846</b>	<b>3,574</b>	<b>34,733</b>	<b>679,587</b>
<b>31 December 2023</b>	<b>7,079</b>	<b>33,253</b>	<b>725,691</b>	<b>18,570</b>	<b>4,091</b>	<b>54,755</b>	<b>843,439</b>

As at 31 December 2024 and 2023, the Group has no property, plant and equipment pledged as collateral for its borrowings.

(Amounts expressed in thousands of Georgian Lari)

**8. Investment property**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>As at 31 December 2022</b>	<b>6,677</b>	<b>691</b>	<b>7,368</b>
Net gain (loss) from fair value remeasurement	1,990	(60)	1,930
<b>As at 31 December 2023</b>	<b>8,667</b>	<b>630</b>	<b>9,297</b>
Additions	178	–	178
Net gain from fair value remeasurement	1,710	173	1,883
<b>As at 31 December 2024</b>	<b>10,555</b>	<b>803</b>	<b>11,358</b>

**Fair value measurement**

Investment properties are stated at fair value. The date of the latest valuation performed by an independent appraiser is 30 November 2024, the valuation methods used are in accordance with those recommended by the International Valuation Standards Committee, consistent with IFRS 13, *Fair Value Measurement*, and applied on a consistent basis.

Valuation method used for majority of investment property represents the market approach. Certain properties were appraised applying income approach and cost approach by the independent valuator. The Group uses several properties in a manner that differs from its highest and best use, because Group intends to sell them and not make capital expenditures on projects that may differ from the Groups principal business activities, which are regulated by GNERC.

*Market approach*

This method is based on the direct comparison of the subject property to another property, which has been sold or has been entered to the sale registry. Adjustments to value are determined mainly based on the following considerations: (1) physical condition, (2) location, (3) highest and the best use, and (4) property liens.

*Income approach*

Some items of the Company's Investment Property are rarely sold on the open market. The market for similar property does not provide evidence for using a market-based approach for determining their fair value. Consequently, the fair value of property, was primarily determined using an income approach for these items. Followings are assumptions used in fair value calculation: (1) Fair value per square meter, (2) Discount rate calculation – Discount rate is calculated by adding average growth rate to the yield.

The valuation technique and inputs used in the fair value measurement of the investment property attributed to Level 3 in the fair value hierarchy. The elated sensitivity to reasonably possible changes in inputs are as follows:

<b>Class of investment property</b>	<b>Fair value as at 31 December 2024</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs used</b>	<b>Value of input / range / weighted average</b>
Land plots	10,555	Income approach Market approach Cost approach	Discount rate, Price per square meter, Rent price per square meter	12.22%; 0.019–1.517 (0.073); 0.55
Buildings	803	Market approach Cost approach	Price per square meter	0.246–1.638 (0.327)
<b>Total investment property</b>	<b>11,358</b>			
<b>Class of investment property</b>	<b>Fair value as at 31 December 2023</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs used</b>	<b>Value of input / range / weighted average</b>
Land plots	8,667	Income approach Market approach	Discount rate, Price per square meter, Rent price per square meter	12.31%; 0.013–1.336 (0.061); 0.406
Buildings	630	Market approach	Price per square meter	0.198–1.569 (0.257)
<b>Total investment property</b>	<b>9,297</b>			

The increase or decrease in the price per square meter would result in increase or decrease, respectively, of the fair value of investment property. The increase or decrease in the discount rate would result in decrease or increase, respectively, of the fair value of investment property.

(Amounts expressed in thousands of Georgian Lari)

## 9. Other assets

	<b>31 December 2024</b>	<b>31 December 2023</b>
Intangible assets	3,430	1,996
Prepayments for non-current assets	3,907	3,456
<b>Total other non-current assets</b>	<b>7,337</b>	<b>5,452</b>

Historical cost of intangible assets and accumulated amortisation and impairment as at 31 December 2024 amounted to GEL 14,278 and GEL 10,848, respectively (31 December 2023: GEL 11,974 and GEL 9,978).

Intangible assets amortisation charge was GEL 870 in 2024 (2023: GEL 1,055).

## 10. Inventories

	<b>31 December 2024</b>	<b>31 December 2023</b>
Raw materials	5,601	5,250
Fuel	860	450
Spare parts	373	380
Labor safety materials	586	272
Other inventories	590	590
<b>Total inventories</b>	<b>8,010</b>	<b>6,942</b>

## 11. Trade and other receivables

	<b>31 December 2024</b>	<b>31 December 2023</b>
<b>Non-current</b>		
Trade receivables for water supply services from general population	116	200
	<b>116</b>	<b>200</b>
Less allowance for expected credit losses	(37)	(45)
<b>Total restructured trade receivables, net</b>	<b>79</b>	<b>155</b>
<b>Current</b>		
Trade receivables for water supply services from general population	41,439	37,746
Trade receivables for water supply services from legal entities	31,249	23,239
Trade receivables for installation of water meters	139	167
Trade receivables for connection service	6,837	4,005
Trade receivables for electric power sales	1,978	1,214
	<b>81,642</b>	<b>66,371</b>
Less allowance for expected credit losses	(56,473)	(45,012)
<b>Total current trade receivables, net</b>	<b>25,169</b>	<b>21,360</b>
Other receivables	4,558	3,692
Less allowance for expected credit losses	(2,359)	(1,252)
<b>Total other receivables, net</b>	<b>2,199</b>	<b>2,441</b>
<b>Total current trade and other receivables, net</b>	<b>27,368</b>	<b>23,801</b>

Other receivables mainly relate to the income that is not in scope of IFRS 15, *Revenue from Contracts with Customers*, including GEL 921 (2023: GEL 998) of penalties on illegal connections.

As at 31 December 2024 and 2023, Other receivables of GEL 2,003 related to management services provided to related parties (entities under control by Georgia Capital JSC) and are in scope of IFRS 15 *Revenue from Contracts with Customers*. GEL 1,000 change in allowance for expected credit losses for other receivables between 2024 and 2023 is related to provision accounted on these receivables for management services.

The carrying amounts of the Group's trade and other receivables approximate their fair values and are denominated in GEL.

The Group has no internal credit grading system to evaluate credit quality of its trade and other receivables and assesses credit risk based on days past due information.

(Amounts expressed in thousands of Georgian Lari)

**11. Trade and other receivables (continued)**

Aging analysis of trade and other receivables per classes as at 31 December 2024 is as follows:

<b>31 December 2024</b>	<b>Less than 30 days</b>	<b>30 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 91 days</b>	<b>Total</b>
Expected credit loss rate	1.06%	29.61%	36.81%	100.00%	<b>68.20%</b>
Carrying amount at default	26,299	760	1,410	57,847	<b>86,316</b>
<b>Expected credit loss</b>	<b>278</b>	<b>225</b>	<b>519</b>	<b>57,847</b>	<b>58,869</b>

Aging analysis of trade and other receivables per classes as at 31 December 2023 is as follows:

<b>31 December 2023</b>	<b>Less than 30 days</b>	<b>30 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 91 days</b>	<b>Total</b>
Expected credit loss rate	0.75%	21.95%	36.22%	97.61%	<b>65.91%</b>
Carrying amount at default	20,513	2,570	751	46,429	<b>70,263</b>
<b>Expected credit loss</b>	<b>154</b>	<b>564</b>	<b>272</b>	<b>45,319</b>	<b>46,309</b>

The movements in the ECL allowance for the trade and other receivables are as follows:

	<b>Non-current trade and other receivables</b>	<b>Current trade and other receivables</b>	<b>Total</b>
<b>31 December 2022</b>	<b>39</b>	<b>40,425</b>	<b>40,464</b>
Allowance for expected credit losses	5	7,310	<b>7,315</b>
Bad debts written off	-	(1,472)	<b>(1,472)</b>
<b>31 December 2023</b>	<b>44</b>	<b>46,263</b>	<b>46,307</b>
Allowance for expected credit losses	(7)	15,083	<b>15,076</b>
Bad debts written off	-	(2,514)	<b>(2,514)</b>
<b>31 December 2024</b>	<b>37</b>	<b>58,832</b>	<b>58,869</b>

In 2024 and 2023 the Group wrote-off certain aged receivables arisen more than three years ago. Bad debt write-offs were conditioned by amendments of a decree regarding potable water supply and consumption issued by GNERC, pursuant to which customers were exempted from obligation to pay amounts older than three years. Written-off receivables have been previously fully provided for.

**12. Equity****Share capital**

As at 31 December 2024 and 2023 the Group's charter comprises from several classes of ordinary shares: class A (55,032,421), class B (16,933,053), and class C (12,699,789, fully acquired by the Group and held in treasury). The terms of the Group's charter and shareholder agreement provide for equal dividend rights for class A and class B shareholders, while also establishing voting protocols on certain matters for class A and class B shareholders.

	<b>Number of ordinary shares</b>	<b>Nominal amounts</b>
<b>31 December 2022</b>	<b>84,665,263</b>	<b>84,666</b>
<b>31 December 2023</b>	<b>84,665,263</b>	<b>84,666</b>
<b>31 December 2024</b>	<b>84,665,263</b>	<b>84,666</b>

As at 31 December 2024 and 2023, the Group's shareholders were Aqualia Georgia LLC and Georgia Capital JSC which hold GEL 55,032 and GEL 13,758, respectively, while treasury shares of GEL 15,875 were presented separately in the consolidated statement of financial position and consolidated statement of changes in equity.

(Amounts expressed in thousands of Georgian Lari)

## 12. Equity (continued)

### Treasury shares

In 2022, the Group repurchased its own shares of GEL 15,875 (3,174,948 B class shares and 12,699,789 C class shares).

### Dividends

In 2024 and 2023, no dividends were declared and paid.

### Additional paid-in capital and other reserves

Additional paid-in capital reflects the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Other reserves reflect the legacy share-based compensation arrangement effects and unrealised gains/(losses) from transactions with owners of non-controlling interests in existing subsidiaries, and foreign currency translation reserve.

### Revaluation reserve

Revaluation reserve reflect amount of revaluation reserve of property, plant and equipment revalued at the point of transfer to investment property.

### Management of capital

The Group's objectives when managing capital are:

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

To achieve these goals the Group performs a detailed analysis of capital structure considering the cost of borrowed funds and level of own capital available. The Group defines capital for capital management purposes as equity and borrowings and debt securities issued recognized in the consolidated financial statements. There are no externally imposed capital requirements to which the Group is subject to. Equity as at 31 December 2024 and 2023 was GEL 352,344 and GEL 289,989, respectively. Borrowings and debt securities issued as at 31 December 2024 and 2023 were GEL 796,810 and GEL 511,899, respectively.

There were no changes in the objectives, policies or processes for managing capital in 2024 and 2023.

## 13. Borrowings and debt securities issued

	31 December 2024		31 December 2023	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Debt securities issued	29,723	764,609	–	–
Loans from the Parent	–	–	509,231	–
Loans from Georgian financial institutions	49	2,429	64	2,604
<b>Total borrowings and bonds issued</b>	<b>29,772</b>	<b>767,038</b>	<b>509,295</b>	<b>2,604</b>

As at 31 December 2023, the Group had USD-denominated loan from the Parent of GEL 444,020 at fixed interest rate of 7.35% that matured on 31 August 2024 and EUR-denominated loan from Parent of GEL 65,211 with fixed interest rate of 7.6% that matured on 31 December 2024. During 2024 year, before maturity date, accrued interest related to the USD loan from Parent was capitalized to the carrying amount of EUR-loan in the amount of GEL 21,203.

On 25 July 2024, the Group issued US Dollar 300 million green bonds: senior unsecured US Dollar-denominated 8.875% green notes, with a 5-year non-call 2-year bullet maturity ("the Notes"). The Notes were issued and sold at par value. The Notes are listed on the Global Exchange Market of the Irish Stock Exchange and rated BB- (stable) by Fitch and BB- (positive) by S&P. The proceeds of the Notes were used to refinance existing shareholder loan arrangement of the Group and to finance capital expenditures in the water supply and wastewater collection services. Bonds are guaranteed by one of the subsidiaries of GGU - Georgian Water and Power LLC. The Group repurchased US dollar 24 million of the bonds issued and does not plan to trade them on market for the foreseeable future.

(Amounts expressed in thousands of Georgian Lari)

### 13. Borrowings and debt securities issued (continued)

Commission fees and other transaction costs incurred by the Group during the issuance of green bonds in amount of GEL 10,469 is capitalized and included in carrying value of bonds issued.

The terms and conditions of the Notes require the Group to comply with certain financial covenants, tested on semi-annual basis, such as ratio of consolidated total assets of the GGU and the guarantors to consolidated total assets of the GGU and its subsidiaries and consolidated EBITDA of the GGU and the guarantors to consolidated EBITDA of the issuer and its subsidiaries. The Group is in compliance with the covenants as at 31 December 2024 and does not expect any material difficulties in compliance with the future covenants for at least 12 months from the date of these consolidated financial statements.

As at 31 December 2024, other borrowings comprise of EUR denominated loans from Georgian banks of GEL 205 (2023: GEL 227) and USD denominated loans of GEL 2,273 (2023: GEL 2,441).

As at 31 December 2023 the Group had undrawn borrowing facilities from the Parent amounting to GEL 114,449. There were no undrawn loan facilities available for Group as at 31 December 2024.

#### Changes in liabilities arising from financial activities

	<i>Borrowings</i>	<i>Loan from the Parent</i>	<i>Debt securities issued</i>	<i>Lease liabilities</i>	<i>Total</i>
<b>Carrying amount at 31 December 2022</b>	<b>2,931</b>	<b>446,279</b>	–	<b>344</b>	<b>449,554</b>
Foreign exchange gain	70	200	–	–	270
Cash proceeds	–	37,355	–	–	37,355
Cash repayments	(118)	–	–	(735)	(853)
Interest accrued	162	33,961	–	111	34,234
Interest paid	(175)	(8,564)	–	(111)	(8,850)
Additions to Right of use assets	–	–	–	1,415	1,415
Other	(202)	–	–	640	438
<b>Carrying amount at 31 December 2023</b>	<b>2,668</b>	<b>509,231</b>	–	<b>1,664</b>	<b>513,563</b>
Foreign exchange gain	112	3,919	25,740	–	29,771
Cash proceeds (net of transaction costs)	–	21,952	804,376	–	826,328
Cash repayments	(251)	(552,367)	–	(1,139)	(553,757)
Redemption of debt securities	–	–	(65,426)	–	(65,426)
Interest accrued	150	22,586	29,826	148	52,710
Interest paid	(128)	(5,592)	–	(148)	(5,868)
Additions to Right of use assets	–	–	–	455	455
Other	(73)	271	(184)	20	34
<b>Carrying amount at 31 December 2024</b>	<b>2,478</b>	<b>–</b>	<b>794,332</b>	<b>1,000</b>	<b>797,810</b>

(Amounts expressed in thousands of Georgian Lari)

#### 14. Contract assets and liabilities

The Group recognised GEL 288,162 of revenue from contracts with customers in 2024 (2023: GEL 219,716).

The disaggregation of revenue from contracts with customers by types are presented in the consolidated statement of comprehensive income for 2024 and in Notes 16 and 17.

##### Contract balances

The Group recognised the following revenue-related contract balances:

	<b>31 December 2024</b>	<b>31 December 2023</b>
<b>Receivables</b>		
Trade receivables	25,248	21,515
Other receivables	1,003	2,003
<b>Total</b>	<b>26,251</b>	<b>23,518</b>
<b>Contract liabilities</b>		
Advances received	27,115	26,252
Deferred revenue	46,383	38,315
<b>Total</b>	<b>73,498</b>	<b>64,567</b>

The Group recognised GEL 6,129 of revenue that relates to carried-forward contract liabilities in 2024 (2023: GEL 5,514).

In 2023 the Group identified issues related to application of water supply and wastewater services billing rates for certain customers. Change in trade receivable and contract liabilities in 2023 includes GEL 392 recognized as decrease in trade receivable and GEL 4,500 as increase in advances received in correspondence with revenue for 2023 to reflect cumulative effects of billing correction for those customers. In 2024, the estimate of the impact on total population was updated with immaterial impact on profit or loss for 2024.

##### Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as of 31 December 2024:

	<b>In 2025</b>	<b>In 2026</b>	<b>In 2027</b>	<b>In 3 to 5 years</b>	<b>In 5 to 10 years</b>	<b>Total</b>
Revenue expected to be recognized on contracts with customers	7,356	6,845	6,620	11,171	14,391	<b>46,383</b>

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as at 31 December 2023:

	<b>In 2024</b>	<b>In 2025</b>	<b>In 2026</b>	<b>In 3 to 5 years</b>	<b>In 5 to 10 years</b>	<b>Total</b>
Revenue expected to be recognized on contracts with customers	6,129	5,809	5,354	9,676	11,347	<b>38,315</b>

The Group applies practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected duration of 1 year or less:

#### 15. Trade and other payables

	<b>31 December 2024</b>	<b>31 December 2023</b>
Trade payables	10,128	9,177
Payables for non-current assets	5,124	16,164
Payables to employees	4,481	2,479
Other payables	-	603
<b>Total trade and other payables</b>	<b>19,733</b>	<b>28,423</b>

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

*(Amounts expressed in thousands of Georgian Lari)***16. Revenue from water supply and related services**

	<u>2024</u>	<u>2023</u>
Revenue from water supply to legal entities	193,787	131,655
Revenue from water supply to general population	52,793	53,285
<b>Total revenue from water supply before charges for related services</b>	<b>246,580</b>	<b>184,940</b>
Charges for connection service	6,536	5,781
Charges for installation of water meters	290	248
<b>Total revenue from water supply and related services</b>	<b>253,406</b>	<b>190,969</b>

**17. Revenue from electric power sales**

	<u>2024</u>	<u>2023</u>
Revenue from electric power sales to commercial customers	33,872	28,150
Revenue from electric power sales to ESCO	884	597
<b>Total revenue from electric power sales</b>	<b>34,756</b>	<b>28,747</b>

**18. Salaries and other employee benefits**

	<u>2024</u>	<u>2023</u>
Salaries	30,512	26,076
Bonuses	3,033	1,561
<b>Total salaries and benefits</b>	<b>33,545</b>	<b>27,637</b>

**19. General and administrative expenses**

	<u>2024</u>	<u>2023</u>
Security expenses	2,618	1,612
Utility expenses	1,316	1,424
Communication expenses	598	576
Office expenses	787	760
Advertising expenses	594	1,029
Representation expenses	128	79
Business trip expenses	162	151
<b>Total general and administrative expenses</b>	<b>6,203</b>	<b>5,631</b>

**20. Professional fees**

	<u>2024</u>	<u>2023</u>
Consulting expenses	1,936	1,561
Legal and other professional fees	1,535	1,484
<b>Total professional fees</b>	<b>3,471</b>	<b>3,045</b>

**Auditor's remuneration**

Remuneration of Group's auditor for the years ended 31 December 2024 and 2023 comprises (net of VAT):

	<u>2024</u>	<u>2023</u>
Fees for the audit of the Company's annual consolidated and separate financial statements for the year ended 31 December	130	36
Fees for the review of the Group's interim financial statements for the three months ended 31 March and the six months ended 30 June	217	-
Fees in connection with the Bonds issuance	909	-
Fees for the audit of the Group's subsidiaries' financial statements for the year ended 31 December	563	538
<b>Total auditor's remuneration</b>	<b>1,819</b>	<b>574</b>

(Amounts expressed in thousands of Georgian Lari)

## 21. Other income

	<u>2024</u>	<u>2023</u>
Penalty income on illegal connection services	1,338	749
Net gain from revaluation of investment property (Note 8)	1,883	1,930
Net gain from sale of inventories	215	654
Other income	1,086	365
<b>Total other income</b>	<b><u>4,522</u></b>	<b><u>3,698</u></b>

## 22. Other operating expenses

	<u>2024</u>	<u>2023</u>
Insurance expense	6,564	2,758
Bill processing expenses	1,756	1,567
Compensation for damage	2,330	4,394
Fines and penalties	1,010	1,052
Regulation fee	892	699
Rent expenses	1,311	806
Other expenses	1,853	1,168
<b>Total other operating expenses</b>	<b><u>15,716</u></b>	<b><u>12,444</u></b>

## 23. Finance costs

	<u>2024</u>	<u>2023</u>
Interest expense on borrowings and debt securities issued	52,562	34,123
Bank fees and charges	42	96
Interest expense on lease liabilities	148	111
<b>Total finance costs</b>	<b><u>52,752</u></b>	<b><u>34,330</u></b>

## 24. Commitments and contingencies

### Environmental matters

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

### Taxation

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

### Litigations

The Group is subject to litigations in normal course of business. The Group normally obtains insurance against common types of claims, such as those associated with damages related to water supply network deficiencies. As at 31 December 2024, the Group recognized GEL 5,275 provision for legal claims and GEL 1,900 reimbursement asset due from the insurance company in respect of such claims.

(Amounts expressed in thousands of Georgian Lari)

## 25. Financial instruments

### Financial instruments overview

#### Cash and cash equivalents and deposits at bank

Cash and cash equivalents as at 31 December 2024 and 2023 and deposits at bank as at 31 December 2024 includes the funds placed on current accounts in Georgian banks. All cash at bank and deposits balances are current and not impaired. As at 31 December 2024 and 2023, the Group did not have any significant financial assets that are past due, except for trade and other receivables (Note 11).

### Fair value measurement

Assets and liabilities measured at fair value in the consolidated statement of financial position as at 31 December 2024 include investment property with fair value of GEL 11,358 (Level 3 of fair value hierarchy) (31 December 2023: GEL 9,297).

All financial instruments for which fair values are disclosed by the Group as at 31 December 2024 and 2023, are measured at fair value using a valuation technique with market observable and unobservable inputs. There were no changes in valuation techniques for Level 3 recurring fair value measurements in 2024 and 2023.

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Fair value of debt securities issued was determined with reference to quotes on inactive market (Level 2). As at 31 December 2024, the fair value of fixed rate borrowings and bonds amounted to GEL 812,141 (2023: GEL 504,620).

Management assessed that the fair values of cash at banks, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

### Risk arising from financial instruments

In the course of its ordinary activity the Group is exposed to currency, credit and liquidity risks. The Group's management oversees the management of these risks.

#### Currency risk

Currency risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The management of the Group monitors open currency positions in each material currency and enters into foreign currency derivatives transactions as necessary.

As at 31 December 2024, currency risk arises mostly from the USD denominated borrowings and debt securities issued and cash and cash equivalents and deposits at bank (2023: USD and EUR denominated borrowings).

Currency	Appreciation / depreciation in % 2024	Effect on profit 2024	Appreciation / depreciation in % 2023	Effect on profit 2023
USD	8.05%	(50,517)	18.84%	(84,112)
USD	-2%	12,548	-18.84%	84,112
EUR	N/A	N/A	27.37%	(17,910)
EUR	N/A	N/A	-27.37%	17,910

#### Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

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

- ▶ Cash and cash equivalents and deposits at bank: as at 31 December 2024 out of total cash and cash equivalents and deposits at bank of GEL 219,412, GEL 211,243 was kept with banks having ratings of "BB-" from Standard & Poor's, "Ba3" from Moody's and "BB-" from Fitch Ratings;  
As at 31 December 2023 out of total cash at bank of GEL 7,282, GEL 6,866 was kept with banks having ratings of "BB/bb" from Standard & Poor's, "B1/NP" (FC) & "Ba3/NP" (LC) from Moody's and "BB/bb" from Fitch Ratings;
- ▶ Trade and other receivables (Note 11).

(Amounts expressed in thousands of Georgian Lari)

## 25. Financial instruments (continued)

### Risk arising from financial instruments (continued)

The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. In respect of trade and other receivables, the management monitors credit quality based on days past due information. As at 31 December 2024 and 2023, carrying values of financial instruments best represent their maximum exposure to the credit risk.

#### Liquidity risk

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

The table below shows financial liabilities as at 31 December 2024 and 2023 based on contractual undiscounted repayment obligations.

	<i>Less than 1 year</i>	<i>1–3 years</i>	<i>3–5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<b>As at 31 December 2024</b>					
Long-term and short-term borrowings and bonds issued	69,211	138,422	913,099	736	1,121,468
Trade and other payables	19,733	–	–	–	19,733
Lease liabilities	146	854	–	–	1,000
<b>Total future payments</b>	<b>89,090</b>	<b>139,276</b>	<b>913,099</b>	<b>736</b>	<b>1,142,201</b>
<b>As at 31 December 2023</b>					
Long-term and short-term borrowings	536,546	882	881	1,150	539,459
Trade and other payables	28,423	–	–	–	28,423
Lease liabilities	152	1,512	–	–	1,664
<b>Total future payments</b>	<b>565,121</b>	<b>2,394</b>	<b>881</b>	<b>1,150</b>	<b>569,546</b>

In managing liquidity risk, the management of the Group considers the Group will be able to settle the liabilities falling due by applying cash proceeds from operations towards the upcoming coupon interest and principal payments due on the borrowings and debt securities issued and refinance or renegotiate the borrowings and debt securities issued if needed.

## 26. Events after the reporting date

No events occurred subsequent to 31 December 2024 that may require adjustment to or disclosure in consolidated financial statements and accompanying notes.