GEORGIAN OIL & GAS CORPORATION

Unaudited Interim Consolidated Condensed Financial Statements for the six months ended 30 June 2023

Contents

'000 GEL	Note	30 June 2023	31 December 2022
		Unaudited	Audited
Assets			
Property, plant and equipment	12	1,146,562	1,176,155
Prepayments for non-current assets	13	2,391	2,391
Intangible assets		47	48
Finance lease receivable	14	88,891	86,157
Loans given	15	188	177
Trade and other receivables	16	8,174	7,459
Exploration and evaluation asset		10,836	10,836
Equity accountable investees		1,440	2,253
Non-current assets		**1,258,529**	**1,285,476**
Loans given	15	6	12
Inventories		28,605	23,261
Current tax Assets		2,198	
Prepayments	13	231,434	134,421
Trade and other receivables	16	153,023	434,343
Cash and cash equivalents	17	152,578	386,170
Current assets		**567,844**	**978,207**
Total assets		**1,826,373**	**2,263,683**
Equity			
Share capital	18	695,057	694,656
Additional paid in capital		67,627	67,627
Fair value adjustment reserve for non-cash owner contributions		(282,181)	(282,181)
Retained earnings		519,784	543,051
Total equity		**1,000,287**	**1,023,153**
Liabilities			
Loans and borrowings	20	68,149	57,454
Non-current liabilities		**68,149**	**57,454**
Liabilities			
Loans and borrowings	19	672,508	796,871
Trade and other payables	20	83,365	367,064
Current tax liabilities		-	17,078
Provisions		2,065	2,065
Current liabilities		**757,938**	**1,183,078**
Total liabilities		**826,087**	**1,240,532**
Total equity and liabilities		**1,826,374**	**2,263,683**

The interim consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

		Six months ended June 30	
		2023	**2022**
'000 GEL	**Note**	**Unaudited**	**Unaudited**
Revenue	8	812,384	689,568
Cost of gas		(777,582)	(685,555)
Depreciation and amortization		(31,496)	(31,785)
Personnel costs		(19,068)	(15,395)
Taxes, other than on income		(5,405)	(5,770)
Impairment /reversal loss on trade receivables and contract assets		86	(214)
Other expenses	9	(9,164)	(8,089)
Other income	10	2,879	6,457
Results from operating activities		**(27,366)**	**(50,783)**
Finance income	11	30,309	93,735
Finance costs	11	(25,160)	(12,704)
Net finance income		**5,149**	**81,031**
Profit before income tax		**(22,217)**	**30,248**
Income tax expense		-	-
Profit and total comprehensive income		**(22,217)**	**30,248**
Profit and total comprehensive income attributable to:			
Owners of the Group		-	2,817
Non-controlling interests		-	27,431
		-	**30,248**

These condensed consolidated interim financial statements were approved by management on 15 September 2023 and were signed on its behalf by:

Giorgi Chikovani
General Director

Ekaterine Sisauri
Financial and Property Management Director

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

	Attributable to owners of the Company						
’000 GEL	**Share capital**	**Fair value reserve for non-cash owner contributions**	**APIC**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022	**646,260**	**(282,181)**	**59,797**	**503,408**	**927,284**	**117,764**	**1,045,048**
Profit and total comprehensive income for 6 months of 2022	-	-	-	2,817	**2,817**	27,431	**30,248**
Contributions and distributions							
Increase in share capital	-	-	-	-	-	(8,983)	**(8,983)**
Balance at 30 June 2022	**646,260**	**(282,181)**	**59,797**	**506,225**	**930,101**	**136,212**	**1,066,313**
Balance at 1 January 2023	**694,656**	**(282,181)**	**67,627**	**543,051**	**1,023,153**	**-**	**1,023,153**
Profit and total comprehensive income for 6 months of 2023	-	-	-	(22,217)	**(22,217)**	-	**(22,217)**
Contributions and distributions							
Increase in share capital	399	-	-	-	**399**	-	**399**
Other change	-	-	-	(1,064)	**(1,064)**	-	**(1,064)**
Balance at 30 June 2023	**695,057**	**(282,181)**	**67,627**	**519,784**	**1,000,287**	**-**	**1,000,287**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

	Six months ended 30 June	
	2023	**2022**
Cash flows from operating activities		
Cash receipts from customers	1,219,132	975,433
Cash paid to suppliers and employees	(1,378,434)	(1,071,927)
Value added tax refund from the State	47,143	34,186
Cash flows used in operations before income taxes and interest paid	**(112,159)**	**(62,308)**
Interest paid	(14,418)	(13,680)
Interest received	14,161	3,781
Cash flows used in operating activities	**(112,416)**	**(72,207)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,248)	(4,341)
Cash flows used in investing activities	**(1,248)**	**(4,341)**
Cash flows used from financing activities		
Loan repaid	(115,764)	(93,320)
Loans received	-	167,763
Dividends paid (Note 18 (a))	(2,828)	(5,000)
Net cash used in/ from financing activities	**(118,592)**	**69,442**
Effect of exchange rate fluctuations on cash and cash equivalents	(1,225)	(1,205)
Net decrease in cash and cash equivalents	**(232,256)**	**(7,106)**
Cash and cash equivalents at the beginning of the period	386,172	56,280
Cash and cash equivalents at 30 June	**152,691**	**47,714**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 22.

1. Reporting entity

(a) Organisation and operations

Georgian Oil and Gas Corporation JSC (the "Company") and its subsidiaries (the "Group") comprise Georgian Joint Stock and Limited Liability Companies as defined in the Law of Georgia on Entrepreneurs. The Company was established as a 100% state-owned enterprise by the order of the Ministry of Economy of Georgia on 21 March 2006, on the basis of two Georgian state-owned companies: Georgian International Oil Corporation JSC, Georgian Gas International Corporation JSC, which were subsequently merged into the Company in October 2006 and May 2007, respectively. Upon its incorporation, the Company also became the sole shareholder of JSC "Teleti Oil Company", though its shares in JSC "Teleti Oil Company" were later transferred back to the State in November 2007. Nevertheless, substantial part of its assets (including oil and gas wells and associated infrastructure) was conveyed to the Company.

The Company's registered office is 21 Kakheti Highway, Tbilisi 0190, Georgia. The Company has been registered by Tbilisi Tax Inspection and the registration number is # 4346/007.

The Group's principal activities are natural gas import and wholesale, electricity generation and supply, rent of gas pipelines and oil and gas exploration and extraction in Georgia. Following the completion of the Gardabani Combined-Cycle Power Plant (Gardabani I TPP) construction in July 2015, electricity generation was added to the Group's principal activities. On 7 September 2015, Gardabani I TPP obtained a license on operation for an unlimited period from the Georgian National Energy and Water Supply Regulatory Commission (GNERC) and commenced generating revenue in accordance with the deregulated tariffs on the electricity market in Georgia. In accordance with the Government of Georgia resolution # 475 dated 14 September 2015 Gardabani I TPP was granted the status of guaranteed capacity operator until 1 October 2040, which was reaffirmed by the governmental resolution #625 of 28 December 2021 "On imposition on specific producers of electricity (thermal power plants) of a duty to exercise public service obligations" issued in pursuance of the new energy law of Georgia.

In 2017 the Company started construction of Gardabani II Combined-Cycle Thermal Power Plant (Gardabani II TPP). The major construction works of the Gardabani II TPP were finalized on 12 February 2020 and taking over certificate was signed by Gardabani 2 TPP and the counterparty responsible for the construction of TPP on 28 February 2020. On 25 March 2020, Gardabani II TPP obtained a license on operation for an unlimited period from the Georgian National Energy and Water Supply Regulatory Commission (GNERC) and commenced generating revenue in accordance with the deregulated tariffs on the electricity market in Georgia. In accordance with the resolution of the Government of Georgia #625 of 28 December 2021 "On imposition on specific producers of electricity (thermal power plants) of a duty to exercise public service obligations", Gardabani II TPP was assigned with a public service obligation to serve as a guaranteed capacity source upon commencement of day-ahead, balancing and auxiliary markets operations. Nevertheless, it will operate in accordance with the respective implementation agreement entered into by the Company, Gardabani TPP 2 LLC, the Government of Georgia and JSC Electricity System Commercial Operator ("ESCO") before the said markets became operational.

From December 2006, when the Company was granted the status of National Oil Company on behalf of the State of Georgia, the Company receives and sells the State's share of extracted oil and gas in Georgia in accordance with Production Sharing Agreements signed between the State and investors.

On 16 March 2018 the Company and investors, participating in Production Sharing Agreements, executed the "Loan and Pledge Agreement" according to which, in exchange for the loan borrowed by investors from the Company, Georgian Oil and Gas Corporation JSC was granted an option to acquire a 22% interest in Production Sharing Agreements for a net payment of USD 3,500,000 in aggregate. On 23 July 2021, investors and the Company entered into a non-binding Memorandum of understanding, according to which investors expressed their willingness to transfer to the Company 22% of the Contractor's participating interest in Production Sharing Agreements covering specified license areas. On 6 December 2021 the Government of Georgia issued order # 2147 and consented to exercise the option by the Company to acquire 22% of the investor's participating interest in the mentioned Production Sharing Agreements. The transaction of acquisition of the participating interest was conducted on 29 December 2021, when the Company and investors entered into a joint operation agreement on the specified license areas. As a result of this transaction exploration and evaluation asset of GEL 10,836 thousand has been recognised.

The New law of Georgia on Energy and Water Supply ("The Law") was introduced and entered in force on 27 December 2019. The Law requires adoption of a number of by-laws, such as electricity market concept design ("EMCD") and natural gas market concept design ("NGMCD"), accompanied by certain institutional developments. The Group will follow the schedule set forth by the Law, which was not intended to have immediate effect on the Georgian electricity and gas markets and their participants (including the Group).

The Government of Georgia by its resolution #239 of 29 June 2023 amending certain provisions of the concept of electricity marked model postponed commencement of day-ahead, balancing and auxiliary market operations as well as coming into effect into operation of associated provisions of new energy legislation governing structure and operations of electricity market to ot 1 July 2024.

Natural gas market concept design (NGMCD) was approved in September 2021. The regulation obliged the Company and Georgian Gas Transportation Company LLC (GGTC) to establish a natural gas market operator, with the purpose to form a liquid competitive market for natural gas. However, NGMCD do not restrict the Company from selling natural gas through two-way agreements signed directly with customers.

On 15 October 2021, the Company together with Georgian Gas Transportation Company LLC (GGTC), with the participating interest of 50% each, established natural gas market operator "Georgian Gas Exchange LLC" according to the requirements of the NGMCD. However, the Government of Georgia by the resolution of #145 of 11 April 2023 decided that the market operator shall be owned and operated jointly by the Company, GGTC, JSC Georgian State Electrosystem and JSC Electricity Market Operator.

The commencement of the operations of the natural gas market operator is planned in 2024 year.

Therefore, from the Group's perspective, neither EMCD nor NGMCD will have effect substantial effect on the Group's operations till 2024.

Electricity operations

The management of the Group believes that operations of Gardabani TPP LLC and Gardabani TPP 2 LLC will not be significantly affected by the adoption of the Law and EMCD taking into account that:

- operations and performance results these subsidiaries are backed by the respective implementation agreement entered into by the Company, its respective subsidiaries, the Government of Georgia and JSC Electricity System Commercial Operator ("ESCO") and power purchase agreements ("PPAs") concluded with the latter;
- a status of a guaranteed capacity source assigned to Gardabani II TPP based on the governmental resolution #625 of 28 December 2021 will not negatively affect the results of

operations of Gardabani TPP 2 LLC however the respective implementation agreement has to be modified to reflect modifications in company's operational model.

Main gas pipelines system of Georgia

Based on the Law and governmental resolution No. 129 of 25 March 2021 "On approval of the action plan for unbundling of Georgian transmission system operator" an independent system operator model was selected. Pursuant to the said model, the Company remains indirect owner of the main gas pipeline system of Georgia ("MGPS"). MGPS was transferred to a wholly owned subsidiary of the Company, Georgian Natural Gas Transmission Network Owner LLC, which was assigned the Company's rights and interests to MGPS in the rent agreement with Georgian Gas Transportation Company LLC (GGTC).

Unbundling does not have an effect on the Group's operations (on the Group level), as the company to which MGPS is transferred is a 100% subsidiary of the Georgian Oil and Gas Corporation JSC. For more information about the Company's significant subsidiaries, see note 23.

As at 31 December 2021 and 2020 the Group is wholly owned by Partnership Fund JSC (100% owned by the Georgian Government). The ultimate controlling party of the Group is the Government of Georgia. Related party transactions are disclosed in note 26.

(b) Business environment

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

Starting from February 2022, because of the war between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry. Georgia's economy was also affected by the mentioned events and is subject to future uncertainties in economy as described; on the other hand, single digit growth of Georgian economy is forecasted in 2023, driven by higher export and tourism revenues and strong private consumption.

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

2. Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Going Concern

Reduction of the financial burden for the populace of Georgia, by maintaining low gas sale prices, have impacted the Company, resulting in a breach of financial and non-financial covenants in relation to the loan from EBRD, allowing the lender to request repayment of the loan on demand. As a result of the breach, the total outstanding amount of the loan was classified as current leading to an excess of current liabilities over current assets of the Group by GEL 204,089 thousand as at 31 December 2022. Notwithstanding the above, these financial statements have been prepared on a going concern basis, which the management considers to be appropriate due to the following reasons:

As the Group has been generating enough cash inflows to repay the loan in accordance with the agreed schedule, management believes that it is reasonably certain for the lender not to exercise its right of early repayment of the whole amount of the outstanding loan.

Additionally, GoG has issued a support letter, stating that it is willing to provide, for the foreseeable future, financial support as is necessary to allow the Group to continue its operational existence in case the lender exercises its right for early loan repayment due to covenant breach. During 2022 GoG issued loan to the Group with the amount of GEL 230,000 thousand. As the group is of a strategic importance to the GoG, Management believes that in case of early repayment of the loan, GoG will support the Group until another source of financing is obtained.

Based on the above, the management of the Group concluded that there is no material uncertainty that may cast significant doubt on the Groups' ability to continue as a going concern.

3. Functional and presentation currency

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

4. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and carry a significant risk of resulting in a material adjustment within the next financial year is included in Note 22 – measurement of ECL allowance for financial assets;
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 22 (a) – accounting classifications and fair values.

5. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately. For each of the strategic business units, the Company's General Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

– *Gas supply:* Includes purchase and sale of natural gas.
– *Electricity generation and supply:* Includes electricity sales and guaranteed capacity fees.
– *Pipeline rental:* Includes rental income earned by the Group from the lease of gas pipelines to a related party, Georgian Gas Transportation Company LLC (see note 26).
– *Oil transportation:* Includes income from transportation of oil through the territory of Georgia.
– *Upstream activities:* Includes sale of oil and natural gas from production-sharing arrangements and sales of oil extracted by the Group.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before depreciation, personnel costs, net finance costs, other income/expenses and income and other taxes, as included in the internal management reports that are reviewed by the Group's General Director. The management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. The Company's General Director does not monitor segment assets or liabilities.

(i) Information about reportable segments

'000 GEL	Gas supply		Pipeline rental		Upstream activities		Oil transportation		Electricity generation		Total	
	six months ended 30 June		six months ended 30 June		six months ended 30 June		six months ended 30 June		six months ended 30 June		six months ended 30 June	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
External revenues	634,653	454,886	22,251	22,281	1,219	10,161	884	6,276	153,378	195,963	**812,384**	**689,568**
Cost of gas and oil	(714,068)	(596,931)				(1,326)			(63,514)	(87,297)	**(777,582)**	**(685,555)**
Reportable segment profit before unallocated costs, net finance cost and income tax	**(79,415)**	**(142,045)**	**22,251**	**22,281**	**1,219**	**8,835**	**884**	**6,276**	**89,864**	**108,655**	**34,802**	**4,013**

	Six months ended 30 June	
’000 GEL	**2023**	**2022**
Revenues		
Total revenue for reportable segments	**812,384**	**689,568**
Profit or loss		
Total profit for reportable segments	34,802	4,013
Unallocated personnel expenses	(19,068)	(15,395)
Unallocated depreciation and amortization expenses	(31,496)	(31,785)
Net finance income/(costs)	5,149	81,031
Other net unallocated income/(costs)	(6,285)	(1,631)
Consolidated profit before income tax	**(22,217)**	**30,248**

(ii) Geographical information

All of the Group's revenues are generated in Georgia and all non-current assets are located in Georgia.

(iii) Major customer

During the 6 months of 2023, one customer in the gas supply segment represented approximately 75% of the Group's total revenue GEL 609,018 thousand, (2022: 62%, GEL 427,123 thousand).

7. Seasonality of operations

Gas supply and pipeline rental revenues follow a seasonal pattern with an annual base-load of gas and a large heating peak occurring during the winter season. Natural gas obtained from suppliers is utilized to meet the peak heating season requirements. The Group's other revenues remain relatively stable during the year.

8. Revenue

	Six months ended 30 June	
'000 GEL	**2023**	**2022**
Revenue from contracts with customers:		
Sales of natural gas	634,653	454,886
Income from electricity generation	153,378	195,963
Income from crude oil sales	1,219	10,161
Revenue from contracts with customers	**789,249**	**661,010**
Other revenue		
Income from rent of gas pipelines	22,251	22,281
Oil transportation fee under finance lease	884	6,276
Total other revenues	**23,135**	**28,558**
Total revenues	**812,384**	**689,568**

Income from electricity generation and supply includes the income from guaranteed capacity fees of GEL 63,996 thousand (2022: GEL 71,569 thousand) and income from electricity generation of GEL 89,382 thousand (2022: GEL 124,394 thousand).

Oil transportation fee is received for the oil transit from Azerbaijan through the Baku-Supsa pipeline, since the beginning of the war in Ukraine transportation of oil through Baku-Supsa oil pipeline was ceased but during February 2023 transportation was restored.

The Group rents its main gas pipeline system and related infrastructure to Georgian Gas Transportation Company LLC (GGTC).

The rent agreement with GGTC is prolonged and is valid until 1 January 2024. From 1 January 2021 the fixed rent fee equals to GEL 44,500 thousand per annum (excluding VAT) and which remained unchanged in 2022 year. GGTC is responsible for all costs related to the repair, maintenance, operation and security of the main gas pipeline system. The Group is responsible for capital expenditures only. Transactions with related parties are disclosed in note 23.

9. Other expenses

	Six months ended 30 June	
'000 GEL	**2023**	**2022**
Transportation, materials and repair and maintenance	(1,901)	(1,968)
Utility costs	(831)	(846)
Regulatory fees	(3,672)	(1,841
Consultancy services	(353)	(351)
Insurance costs	(147)	(354)
Write off/disposal	-	(141)
Professional services	(126)	(43)
Representative and business trip expenses	(252)	(74)
Other	(1,874)	(2,491)
	(9,164)	**(8,109)**

10. Other income

	Six months ended 30 June	
'000 GEL	**2023**	**2022**
Penalty income*	1,538	1,897
Rent income	286	282
Oil processing	430	492
Other	625	1,037
	2,879	**3,708**

*The most significant part of penalty income during 6 months of 2023 was attributable to the contractual penalties accrued on overdue Trade receivables of Thermal Power plants.

11. Finance income and finance costs

	Six months ended 30 June	
’000 GEL	**2023**	**2022**
Recognised in profit or loss		
Interest income under the effective interest method at amortized cost	15,428	4,214
Unwinding of discount of finance lease receivable	2,733	2,565
Unwinding of discount on restructured receivable from related party	628	803
Net foreign exchange gain	11,520	86,152
Finance income	**30,309**	**93,735**
Interest expense on loans and borrowings	(25,159)	(12,704)
Finance costs	**(25,159)**	**(12,704)**
Net finance costs recognised in profit or loss	**5,150**	**81,031**

12. Property, plant and equipment

'000 GEL	Gas and oil pipelines	Land and Buildings	Electricity Generating Unit	Oil wells	Plant and equipment	Other	CIP	Total
Opening net book amount as at 1 January 2023	**248,959**	**60,046**	**719,462**	**1,404**	**6,814**	**2,112**	**137,358**	**1,176,155**
Additions	-	1	-	-	-	534	2,113	**2,648**
Disposals	-	-	-	-	-	(57)	(650)	(708)
Depreciation for 6 months	(7,024)	(713)	(21,942)	(184)	(942)	(729)	-	(31,533)
Closing net book amount as at 30 June 2023	**241,935**	**59,334**	**697,520**	**1,220**	**5,872**	**2,808**	**137,873**	**1,146,562**

13. Prepayments

'000 GEL	30 June 2023	31 December 2022
Non-current assets		
Prepayments for non-current assets	2,391	2,391
Current assets		
Prepayments	231,434	134,421
	233,825	**136,812**

Non-current portion of prepayments mainly relates to advances paid for services to be provided in connection with construction of Gardabani 3 TPP.

Current portion of the prepayments balance were made mainly to South Caucasus Pipeline Option Gas Company Limited of GEL 207,012 thousand (31 December 2022: GEL 118,206 thousand) and to Azerbaijan Gas Supply Company Limited (AGSC) of GEL 6,345 thousand (31 December 2022: GEL 12,771 thousand) for the supply of gas.

14. Finance lease receivable

In 1996, the Government of Georgia entered into a 30-year arrangement with a consortium of oil companies that undertook the construction and development of an oil pipeline system from the Georgian-Azerbaijan state border to the Supsa oil terminal on the Georgian Black Sea coast. The arrangement granted the oil companies the right to transport oil across the territory of Georgia through a pipeline system that became the property of the Government of Georgia. The ownership of this pipeline was transferred to the Company in June-July 2010 as a contribution to the charter capital of the Company at a nominal value of GEL 269,299 thousand. In exchange for the oil companies using the pipeline, the Group receives a transit fee for each barrel of oil transported. Management has determined that the initial arrangement contained a finance lease at the inception date, as the lease agreement transferred substantially all of the risks and rewards incidental to ownership to the lessee.

The Group has recognized the finance lease receivable of GEL 39,229 thousand at the date when the title of the pipelines was transferred to the Group. The finance lease receivable is the present value of the net investment in the lease comprising the present value of the assets' unguaranteed residual value at the end of the lease term discounted at the interest rate implicit in the lease. The difference of GEL 230,070 thousand between the nominal and the present value of the net investment in the lease has been recognised in equity as a fair value adjustment for non-cash owner contributions.

	30 June	31 December
'000 GEL	**2023**	**2022**
Balance at the beginning of the year/date of title transfer	86,158	80,898
Unwinding of discount on finance lease receivable	2,733	5,259
Balance at the end of the period	**88,891**	**86,157**

Contingent rents related to oil transportation recognized in the consolidated statement of comprehensive income during six months of 2023 amounted to GEL 884 thousand (six months of 2022 GEL 6,276 thousand).

15. Loans given

	30 June	31 December
'000 GEL	**2023**	**2022**
Non-current assets		
Loan given to third party	187	177
Total non-current	**20,772**	**177**
Current assets		
Loan given to third party	6	12
	6	**12**
Total current	**193**	**189**

16. Trade and other receivables

'000 GEL	**June 30**	**December 31**
	2023	**2022**
Non-current assets		
Restructured receivables	8,174	7,459
Total non-current	**8,174**	**7,459**
Current assets		
Trade receivables	147,980	429,692
Restructured receivables	4,423	4,510
Other receivables	620	141
Total current	**153,023**	**434,343**
	161,197	**441,802**

17. Cash and cash equivalents

	30 June	31 December
'000 GEL	**2023**	**2022**
Bank balances	84,173	281,947
Call deposits	68,405	104,223
Cash and cash equivalents	**152,578**	**386,170**

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

18. Equity

Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	30 June 2023	**31 December 2022**
Par value	GEL 20	GEL 20
On issue at 1 January	**34,732,874**	**32,313,000**
Issue of shares in exchange for non-cash assets	19,965	2,419,874
On issue at the reporting date	**34,752,839**	**34,732,874**

Ordinary shares

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

(a) Dividends and other distribution to shareholders

During 6 monthes of 2023 year Gardabani TPP LLC paid GEL 2,828 thousand to JSC Partnership fund out of the dividends payable declared in 2022 year.

19. Loans and borrowings

	30 June	31 December
'000 GEL	**2023**	**2022**
Non-current liabilities		
Related party loan	68,148	57,454
	68,148	**57,454**
Current liabilities		
Loans from local banks	-	95,031
Related party loan	164,948	164,948
Loan from international bank	507,560	536,894
	672,508	**796,811**
	740,656	**854,265**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2023		31 December 2022	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loan from international bank	EUR	4.2%	2031	496,428	507,560	524,553	536,894
Loan from local bank	USD	8.0%	2023	-	-	66,473	66,473
Loan from local bank	USD	6.5%-8%	2023	-	-	17,683	17,683
Loan from local bank	USD	7.3%	2023	-	-	10,875	10,875
Related party loan	GEL	9.3%	2024	230,000	233,097	230,000	222,400
Total interest-bearing liabilities				**718,832**	**740,659**	**849,584**	**854,325**

As a result of extensive negotiations with the EBRD, the Company signed a EUR 217 million 10-year unsecured loan agreement in September 2020 to refinance the amount payable on outstanding USD 250 million corporate Eurobond debt and accrued coupon.

The USD 250 million corporate Eurobond debt principal and coupon due was fully repaid in April 2021 by utilizing the loan facility from EBRD amounting to GEL 853,734 thousand.

As at 31 December 2022 financial covenants related to Interest Coverage Ratio and Net Financial Debt to EBITDA on the EBRD loan were breached, allowing the lender to request repayment on demand. Additionally, subsequent to the reporting date the Group breached non-financial covenant related to the timing of furnishing the lender with audited IFRS financial statements. The Group is in process of obtaining a waiver. Carrying value of loan from EBRD is considered to be approximation of its fair value due to covenant breach and its classification as on demand.

Related party loan

On 28 December 2022 Government of Georgia issued a subordinated, non-secured loan with the amount of GEL 230,000 thousand to the Group in order to ensure financial liquidity and stability of Group. The loan was received on preferential terms. Accordingly, at initial recognition the loan was discounted using the market rate of interest of 11.5%. The discount of GEL 7,833 thousand was recognised in additional paid in capital.

Unused credit lines

In 2018 the Company signed a loan agreement of EUR 150 million with KfW for financing construction of first underground gas storage in Georgia.

In 2020, due to the financial difficulties caused by the outbreak of COVID -19 pandemic globally, the Ministry of Finance of Georgia issued a letter, dated 23 April 2020, according to which, a decision has been made to redirect the unused loan facility from KFW, designated for construction of Underground Gas Storage, in the amount of EUR 120 million out of EUR 150 million, into the State Budget of Georgia in order to support government programs aimed at prevention of the pandemic and its impact.

Therefore, as at 31 December 2020 the loan agreement between the Company and KfW was revised and reduced from EUR 150 million to EUR 30 million. As at 31 December 2022 financial covenant related to Net Financial Debt to EBITDA was breached.

As at 30 June 2023 the Company has unused credit lines from one Georgian bank (credit line limit amounted to USD 30,000 thousand).

20. Trade and other payables

'000 GEL	**June 30 2023**	**December 31 2022**
Trade payables	27,892	307,648
Payable for acquisition of NCI*	54,711	55,195
Dividend payable	-	2,913
Payables for non-current assets	291	179
Other payables	472	1,129
Total payables	**83,365**	**367,064**

21. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated and separate financial statements as at and for the twelve months ended 31 December 2022.

22. Contingencies

(a) Insurance

The insurance industry in Georgia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

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

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

(c) Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized 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.

23. Related party transactions

(a) Control relationships

As at 30 June 2023 Georgian Oil and Gas Corporation JSC is wholly owned by National Agency of State property agency (Ministry of Economy and Sustainable Development of Georgi – Management rights). The ultimate controlling party of the Group is the Government of Georgia.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs:

	Six months ended 30 June	
’000 GEL	**2023**	**2022**
Salaries and bonuses	**1,665**	**1,376**

(c) Other related party transactions

The Group transacts in its daily operations with a number of entities that are either controlled, jointly controlled or under significant influence of the Government of Georgia. The Group has opted to apply the exemption in IAS 24 *Related Party Disclosures* that allows the presentation of reduced related party disclosures regarding transactions with government-related entities.

Management estimates that the aggregate amounts of other income and expenses and the related balances with Government-related entities, except as disclosed below are not significant.

(i) Revenue

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
’000 GEL	**2023**	**2022**	**2023**	**2022**
State controlled entities:				
Income from rent of gas pipelines*	22,251	22,281	16,973	15,978
Income from gas sale	11,558	7,867	1,664	888
Income from electricity generation and supply	115,590	152,236	40,149	39,260
	149,399	**182,384**	**58,786**	**56,126**

(ii) Expenses

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
’000 GEL	**2023**	**2022**	**2023**	**2022**
State controlled entities:				
Transporation of gas	2,613	4,140	2	1,522
	2,613	**4,140**	**2**	**1,522**

(iii) Loans and borrowings

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
	Interest accrued		Outstanding balance	
’000 GEL	**2023**	**2022**	**2023**	**2022**
State controlled entities:				
Interest expense	10,695		233,095	222,400
	10,695		**232,862**	**222,400**

(iv) Prepayments

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
	Interest accrued		Outstanding balance	
’000 GEL	**2023**	**2022**	**2023**	**2022**
State controlled entities:				
Advances paid for non-current assets	-	-	2,391	2,391
	-	**-**	**2,391**	**2,391**

(v) Other payables

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2023	**2022**	**2023**	**2022**
JSC Partnership fund	-	-	54,711	55,195
	-	**-**	**54,711**	**55,195**

24. New standards and interpretations not yet adopted

Standards and interpretations

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group`s consolidated financial statements:

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*