Georgia Capital PLC

Half-year 2019 results

Name of authorised official of issuer responsible for making notification:
Nino Rekhviashvili, Head of Investor Relations and Funding

www.georgiacapital.ge

About Georgia Capital PLC

Georgia Capital PLC ("**Georgia Capital**" or **"the Group"** – LSE: **CGEO LN**) is a platform for buying, building and developing businesses in Georgia. **The Group's** primary business is to develop or buy businesses, help them institutionalize their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. The Group's focus is typically on smaller or early stage businesses in sectors capable of rapid development and consolidation, but we also consider more developed sectors, where a strong market position can be achieved through an acquisition or larger greenfield project. Once we have successfully developed a business, we actively manage our portfolio to determine each company's optimal owner. Georgia Capital will normally seek to monetise its investment either through initial public offering, trade sale, fund structure or promoting interest over a 5-10 year period from initial investment.

Georgia Capital currently has six private company holdings: (i) a **water utility business** (GGU), (ii) a **renewable energy business** (GGU); (iii) a **housing development business** (m^2) (iv) a **hospitality and commercial real estate business** (m^2); (v) a **property and casualty insurance business** (Aldagi) and (vi) a **beverages business** (Georgia Beverages). We also have two public company holdings (London Stock Exchange premium-listed Georgian companies): (i) **Georgia Healthcare Group PLC ("GHG")**, (57% equity stake), a UK incorporated holding company of the largest healthcare services provider in Georgia, which is also the largest pharmaceuticals retailer and wholesaler in the country; and (ii) **Bank of Georgia Group PLC ("BoG")**, (19.9% equity stake), a leading universal bank in Georgia. Additionally, Georgia Capital has three businesses in the pipeline: Education, Auto Service and Digital Services.

Georgia Capital aspires to deliver total shareholder returns of 10-times over 10-years[1]

10x = 10y

[1] 29 May 2018, Georgia Capital's listing date on the London Stock Exchange is the starting point for 10-year return calculation.

Content

Georgia Capital PLC announces the Group's first half 2019 financial results. Throughout this document, "Georgia Capital" and the "Group" refer to Georgia Capital PLC and its portfolio companies as a whole, while "GCAP" refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts[2]. This announcement contains financial results presented on two different bases: under International Financial Reporting Standards ("IFRS") as adopted by the European Union and under an adjusted IFRS methodology[3]. The financial results are unaudited and derived from management accounts.

An investor/analyst conference call, organised by the Group, will be held on 15 August 2019, at 15:00 UK / 16:00 CET / 10:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 20-minute update and a 40-minute Q&A session.

Dial-in numbers:
Pass code for replays/Conference ID: **8084145**
International Dial In: +44 (0) 2071 928000
UK Freephone Dial In: 08003767922
UK Local Dial In: 08445718892
US: 18669661396

30-Day replay:
Pass code for replays / Conference ID: **8084145**
UK Freephone Dial In: 08082380667
UK Local Dial In: 08445718951
International Dial In: +44 (0) 3333009785
US: 1 (866) 331-1332

FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; regional instability; regulatory risk across a wide range of industries; portfolio company strategic and execution risks; investment risk and liquidity risk and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in this document and in Georgia Capital PLC's Annual Report and Accounts 2018. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

[2] Georgia Capital PLC is our UK holding company whose principal subsidiary is JSC Georgia Capital, Georgian holding company for our operating businesses.
[3] The Group operates as a holding company of a diversified group of companies focused on acquiring and developing businesses in Georgia, and its strategy is to exit portfolio companies over a five to ten year time horizon - it is not in the business of managing or owning portfolio companies indefinitely. As such, and in order to present our results in the most relevant and useful way for our investors, we have elected to also provide a set of management accounts that adjust the IFRS results to present Georgia Capital on a holding company basis ("management accounts"). Our Group level discussion therefore focuses more on the management accounts, whereas, at the portfolio company level we present IFRS financial statements for each company and our discussion focuses on IFRS results. To provide full transparency and appropriate balance between our management account and IFRS discussion, a full reconciliation of our holding company basis management accounts to the IFRS statements is provided on page 21. The management accounts are an alternative performance measure ("APM"); the basis for their preparation is described on pages 8-13; they have not been audited or reviewed.

GEORGIA CAPITAL HIGHLIGHTS - MANAGEMENT ACCOUNTS[4] (GEL'000) (except per share information)

Georgia Capital NAV overview	Jun-19	Dec-18	Change
NAV per share, GEL[5]	53.90	44.32	21.6%
NAV per share, GBP[5]	14.81	13.05	13.5%
Net Asset Value (NAV)	1,938,365	1,688,221	14.8%
Total portfolio value	2,237,523	1,883,374	18.8%
Liquid assets & loans issued	556,248	605,130	-8.1%
Net debt	(304,519)	(196,915)	54.6%

Georgia Capital performance	1H19[6]
Total portfolio value creation	346,585
of which, listed businesses	*245,817*
of which, private businesses	*100,768*
Gross capital allocations	44,496
Share buybacks	59,935
Cash flow generation at GCAP level	52,063
Expense ratio[7]	2.0%
Net income	305,627

KEY POINTS

- NAV per share up 21.6% to GEL 53.9 on the back of GEL 347 million value creation and decrease in number of shares outstanding by 2.1 million shares
  - Listed assets contributed GEL 246 million to value creation, while private assets contributed GEL 101 million
  - GEL 60 million share buybacks, while 2 million were cancelled and 0.7 million transferred to management trust in 1H19
- GEL 44 million capital allocated across early stage and pipeline portfolio businesses in 1H19
  - Acquired an 80% stake in the second largest auto service industry player, Amboli
  - Entered the high growth digital services industry by acquiring a 60% stake in the leading digital marketing agency, Redberry
  - The beer business acquired the fifth largest Georgian beverages brand, Kazbegi, with 5% market share
- Since 30 June 2019, invested GEL 41 million to secure high quality partnerships with three top schools across premium, mid-level and affordable private education segments with an aim to grow the existing capacity from 2,530 to 11,750 learners by 2024
- GEL 556 million firepower available for deployment at 30 June 2019 subject to rigorous 360-degree analysis

PERFORMANCE HIGHLIGHTS - IFRS (GEL'000)

Group consolidated	1H19	1H18	Change
Revenue[8]	672,372	616,395	9.1%
Gross profit[8]	257,085	229,719	11.9%
Cash flow from operating activities[8]	109,422	71,587	52.9%
Private, late stage			
Revenue, Water Utility	74,541	69,833	6.7%
EBITDA[9], Water Utility	*40,366*	*37,231*	*8.4%*
Gross real estate profit, Housing Development	4,746	11,183	-57.6%
EBITDA, Housing Development	*(2,101)*	*8,752*	*NMF*
Earned premiums, net, P&C Insurance	36,288	31,449	15.4%
Adjusted net income, P&C Insurance	*8,308*	*8,304*	-
Private, early stage			
Revenue, Renewable Energy	2,395	-	NMF
Revenue, Hospitality & Commercial Real Estate	15,060	3,842	NMF
Revenue, Beverages	46,226	30,466	51.7%
Of which, wine	*17,254*	*9,857*	*75.0%*
Of which, beer	*18,241*	*13,251*	*37.7%*
Private, pipeline			
Revenue, Periodic Technical Inspection (PTI)[10]	5,304	-	NMF

KEY POINTS

- Consolidated cash flow from operating activities up 52.9% y-o-y in 1H19 due to strong performance across all businesses
- The beer business reached a significant milestone and successfully launched five new brands, including Amstel and Heineken. As a result, EBITDA was at break-even level in June 2019, while EBITDA was positive at GEL 0.6 million in July 2019
- 50MW Mestiachala hydro power plant, launched towards the end of 1H19, generated GEL 2 million EBITDA in 1H19
- Construction permit obtained and works commenced on the largest ever affordable housing project, Digomi, in July 2019
- GEL 8 million revaluation gain was recorded in the hospitality business on Kempinski hotel
- Fulfilled all privatisation conditions and subsequently obtained clean title over Water Utility shares
- Periodic technical inspection business, fully launched in March 2019, serviced 140,338 cars in 1H19
  - PTI generated GEL 0.5 million and GEL 0.6 million monthly EBITDA in June and July 2019, respectively

[4] Please see the pages 8-13 where we describe the methodology for management accounts, where we define each highlight presented in the table above.
[5] We calculate NAV per share as total NAV divided by the number of issued shares at the end of the period less unawarded shares in management trust. This represents a change from previously adopted approach, when shares bought under the buyback programme and unvested management shares were also deducted for calculation.
[6] A comparative period is not presented, as management believes that 1H18 is not directly comparable and its presentation is not useful for users.
[7] Last twelve months (LTM) GCAP operating expenses expressed as a percentage of average market capitalization during the last twelve months.
[8] Consolidated IFRS numbers include GHG results. Please refer to GHG's public announcement on 1H19 performance, available at http://ghg.com.ge/financial-results.
[9] EBITDA is an alternative performance measure (APM) and is defined on page 34 in the glossary.
[10] The PTI business is presented within Auto Service segments results.

CHAIRMAN AND CEO'S STATEMENT

Georgia Capital has delivered an excellent performance in the first half of 2019, as our NAV per share increased by 21.6% to GEL 54 at 30 June 2019. This strong growth was a result of a 14.8% increase in NAV to GEL 1.9 billion and a 5.6% reduction in outstanding shares during 1H19. The NAV growth reflects GEL 347 million value creation across the portfolio businesses, where GEL 246 million value was generated by the listed portfolio businesses and GEL 101 million value was provided by our private portfolio businesses. The decrease in share count was driven by our share buyback programme and the subsequent cancellation of 2 million Georgia Capital shares and transfer of 0.7 million shares to the management trust. At 30 June 2019, our firepower available for deployment remained high at GEL 556 million.

During 1H19, we recorded GEL 37 million dividend inflows from our portfolio businesses, while interest income and gains on liquid funds exceeded interest expense for the first time at the GCAP level. Operating expenses were contained at our targeted 2% level of market capitalisation at 30 June 2019, while the 7.2% devaluation in the Georgian Lari during the half was the driver of the GEL 26 million foreign currency loss. As a result, our net income was GEL 306 million during the first six months of 2019.

Listed businesses

Our listed businesses performed well in 1H19 and generated GEL 246 million value. GHG led the value creation with GEL 145 million contribution on the back of its share price recovery, driven by a strong operating performance and declaration of first-time ever dividends. At the same time, we recorded GEL 101 million value creation from our 19.9% investment in Bank of Georgia, where GEL 76 million came from share price appreciation and GEL 25 million from dividend inflows. Bank of Georgia strengthened its executive management team during 1H19 and improved its already strong capital position with the issuance of the first-ever US$100 million Additional Tier 1 capital bonds from Georgia.

Private businesses

Our private businesses delivered a strong GEL 101 million value creation in 1H19 driven by continued growth in operating performance, enhancement of multiples and the first-time valuation of greenfield projects.

Across our **late stage portfolio**, Water Utility and P&C Insurance were major drivers of value creation. Together they generated GEL 68 million value in 1H19, as Water Utility benefited from a remarkable 75% y-o-y increase in electricity sales revenues during the first six months, while a significant multiple enhancement across P&C Insurance peers resulted in GEL 31 million valuation uplift for our P&C insurance business.

The past six months have been busy within our **early stage portfolio**, with the businesses progressing well towards their established goals. Renewable Energy commissioned its first 50MW hydro power plant, although we are sad to report that the plant was damaged during flooding in July, which will take us some time to repair (we expect insurance recoveries to substantially compensate our loss). The hospitality business partnered with Kempinski to manage the only luxury hotel in its portfolio following the buyout of a minority shareholder. As a result, the hotel was revalued, creating GEL 5 million value for the Group. The beer business launched four new brands in 1H19 while integrating the production and sales of the prominent beverages brand, Kazbegi, following its acquisition in March. This has been followed by the launch of Heineken in July 2019. Due to the launch of new products and strong sales, the brewery has been operating at full capacity in the months of June and July. It was pleasing to see all early stage portfolio businesses demonstrating high double-digit revenue growth in 1H19, led by the wine business with outstanding 75% topline growth.

Within the **pipeline portfolio**, we launched the periodic vehicle inspection (PTI) business in March 2019. PTI demonstrated outstanding performance in line with the budget, which led to GEL 15 million value creation at 30 June 2019. In June the PTI business reached 35% market share and generated monthly EBITDA of GEL 0.5 million with a 36% EBITDA margin.

Capital allocations

We allocated GEL 44 million capital to existing and new portfolio businesses in 1H19, of which GEL 20 million was used for bolt-on acquisitions, GEL 23 million was invested in pipeline businesses across Education, Auto Service and Digital Services and GEL 1 million was allocated to the evaluation of new investment opportunities. Since 30 June 2019 we have earmarked a further GEL 41 million capital to the education business. In line with our 360-degree analysis, we took advantage of Georgia Capital's attractive share price and spent GEL 60 million on buybacks in 1H19. Following the completion of the US$ 45 million share buyback programme, where we have already spent US$ 43.8 million, we will be cancelling all remaining shares in treasury (currently 553,375 shares). In addition, we have announced a US$ 20 million share purchase programme for the management trust.

We allocated GEL 10 million to the **auto service** business in 1H19, where we acquired an 80% equity stake in the second largest auto service industry player, Amboli, for GEL 3.4 million. Auto services represents an attractive GEL 1.8 billion market dominated by one large player, where we target to be present throughout the full ecosystem: auto service & parts, PTI, auto trading and auto insurance.

We expanded into the high growth **digital services** business in 1H19 by allocating GEL 9 million capital to acquire a 60% equity stake in Redberry. Redberry works with Georgian corporates to help them build digital sales platforms and also plans to make small bets to launch its own digital businesses.

We have been very active in the high-margin, large and growing, but fragmented **private education** market, where we have acquired majority equity stakes at three leading schools in the country across the premium, mid-level and affordable education segments for GEL 41 million. We will be providing equity capital totaling GEL 73 million spread over these three segments to support their expansions and learner capacity growth. Through these carefully selected three partnerships, we now have a clear pathway to 11,750 learners and to more than 50% of our targeted GEL 70 million EBITDA by 2025.

Macroeconomic environment

Estimated GDP growth was 4.9% in 1H19, which demonstrates that Georgia' economic fundamentals remain strong, backed by improved net export and fiscal stimulus. Declining pressure on imported goods resulted in the current account deficit shrinking significantly from 11.9% of GDP in 1Q18 to 6.2% of GDP in 1Q19. Tourism inflows are expected to remain strong despite a ban on direct flights from Russia, however, negative sentiment led to the Georgian Lari's recent depreciation, which in our view is not driven by fundamental macro factors. The Lari started to rebound after it recorded an all-time low against US$ at 2.95. NBG, a buyer of US$ during 1H19, accumulated record high reserves of US$ 3.7 billion as of 30 June 2019. Based on the preliminary data in the first seven months of 2019 trade deficit narrowed by 14% y-o-y to US$ (2.9) billion from US$ (3.3) billion, further alleviating the pressure on Lari.

Outlook

Our outlook for 2H19 performance and beyond remains robust. Over the last few quarters we have laid strong foundations for significant value creation across all our private businesses, which we expect to be reflected within our NAV over the next 12 to 24 months. We believe that organic growth and operating performance improvements in our late stage portfolio businesses will continue to deliver value for the Group. At the same time, we expect our investments across our early stage and pipeline businesses to start bearing fruit as we complete construction of pipeline hotels, hydro power plants and wind power plants, expand our wine business, benefit from our beer business' turnaround path, scale up and expand recently acquired top class schools, auto service business and high-growth digital services.

Georgia has progressed enormously well over the last two decades and we believe that the rapid development of its democratic institutions and economy achieved so far are irreversible and that progress will continue. This is expected to have positive impact on Georgia Capital's businesses and support its business model and growth for the years to come. This was very clear at our recent investor day that we hosted in Tbilisi, where many of you had a chance to see the depth of our management talent and see a number of our businesses in person. We were pleased to see strong engagement from participants as we continue to build out top class institutions in Georgia. Reshaping part of our investor base, inherited from our former parent company, continues well and we look forward to working with our existing loyal and new long-term shareholders on our journey to our 10x =10y aspiration.

Irakli Gilauri
Chairman and CEO
14 August 2019

DISCUSSION OF RESULTS

Management Accounts

Management monitors the Group's performance on a regular basis based on developments in a management Net Asset Value (NAV) statement and a management income statement, both prepared under the adjusted IFRS methodologies. The management accounts are an alternative performance measure ("APM"); they have not been audited or reviewed. A reconciliation of our management accounts to the IFRS statements is provided on page 21.

Net Asset Value (NAV) Statement

NAV statement breaks down NAV into its components and provides roll forward of the related changes between the reporting periods, including a snapshot of the Group's financial position at any given time. For detailed valuation methodology of the investments and the methodology underling the presentation of the NAV statement please refer to the Georgia Capital PLC's 2018 Annual Report and Accounts on pages 82-90.

NAV STATEMENT

GEL '000, unless otherwise noted	Dec-18	1. Value creation[11]	2a. Capital allocations	2b. Buybacks	3.Operating expenses	4a. Net interest income	4b. Liquidity mgmt./FX/ Other	Jun-19	Change %
Listed Portfolio Companies	**977,827**	**245,817**	**(28,932)**	**-**	**-**	**-**	**-**	**1,194,712**	**22.2%**
GHG	520,332	145,062	(3,981)	-	-	-	-	661,413	27.1%
BoG	457,495	100,755	(24,951)	-	-	-	-	533,299	16.6%
Private Portfolio Companies	**905,547**	**100,768**	**36,496**	**-**	**-**	**-**	**-**	**1,042,811**	**15.2%**
Late Stage	**628,326**	**79,683**	**(26,036)**	**-**	**-**	**-**	**-**	**681,973**	**8.5%**
Water Utility	431,017	28,689	-	-	-	-	-	459,706	6.7%
Housing Development	66,785	12,109	(18,036)	-	-	-	-	60,858	-8.9%
P&C Insurance	130,524	38,885	(8,000)	-	-	-	-	161,409	23.7%
Early Stage	**271,288**	**5,423**	**38,190**	**-**	**-**	**-**	**-**	**314,901**	**16.1%**
Renewable Energy	61,182	-	1,555	-	-	-	-	62,737	2.5%
Hospitality & Commercial RE	149,079	7,086	26,266	-	-	-	-	182,431	22.4%
Beverages	61,027	(1,663)	10,369	-	-	-	-	69,733	14.3%
Of which, wine	56,771	2,593	269	-	-	-	-	59,633	5.0%
Of which, beer	4,256	(4,256)	10,100	-	-	-	-	10,100	NMF
Pipeline	**5,933**	**15,662**	**24,342**	**-**	**-**	**-**	**-**	**45,937**	**NMF**
Education	7,071	-	4,138	-	-	-	-	11,209	58.5%
Auto Service	(1,326)	15,662	10,027	-	-	-	-	24,363	NMF
Digital Services	-	-	8,790	-	-	-	-	8,790	NMF
Other	188	-	1,387	-	-	-	-	1,575	NMF
Total Portfolio Value (1)	**1,883,374**	**346,585**	**7,564**	**-**	**-**	**-**	**-**	**2,237,523**	**18.8%**
Net Debt **(2)**	(196,915)	-	(10,202)	(58,735)	(9,568)	1,273	(30,372)	(304,519)	54.6%
of which, Cash and liquid funds	299,650	-	(10,202)	(58,735)	(9,568)	14,050	88,764	323,959	8.1%
of which, Loans issued	305,480	-	-	-	-	13,115	(86,306)	232,289	-24.0%
of which, Gross Debt	(802,045)	-	-	-	-	(25,892)	(32,830)	(860,767)	7.3%
Net other assets/ (liabilities) **(3)**	1,762	-	2,638	(1,200)	(7,041)	-	9,202	5,361	NMF
Net Asset Value (1)+(2)+(3)	**1,688,221**	**346,585**	**-**	**(59,935)**	**(16,609)**	**1,273**	**(21,170)**	**1,938,365**	**14.8%**
NAV growth %		***20.5%***	***0%***	***-3.6%***	***-1.0%***	***0.1%***	***-1.3%***	***14.8%***	
Shares outstanding	38,089,558	-	-	(2,784,181)	656,026	-	-	35,961,403	-5.6%
Net Asset Value per share[11]	**44.32**	-	**-**	-	-	-	-	**53.90**	**21.6%**
Net Asset Value per share (GBP)[11]	**13.05**	-	**-**	-	-	-	-	**14.81**	**13.5%**

NAV per share increased by 21.6% from 31 December 2018 to 30 June 2019 on the back of 14.8% growth in NAV and a 5.6% decrease in the number of shares outstanding. NAV increased due to a GEL 347 million value creation[12], which led to 20.5% growth of NAV. Listed assets contributed 14.5% to NAV growth with GEL 246 million value creation from a recovery in the share prices of our investments in GHG and BoG. The private portfolio businesses generated GEL 101 million value for the Group in 1H19, thereby contributing 6.0% to NAV growth, as a result of their strong operating performances together with valuations that were overall positively affected by favourable movements across the peer group multiples.

The 20.5% positive NAV impact from value creation was partially offset by the GEL 108 million increase in Net Debt, which reduced the NAV growth by 5.7%. The Net Debt increase was driven primarily by GEL 60 million share buybacks. As of 30 June 2019, 2,890,643 shares were bought back for US$ 39.4 million since the launch of the share buyback programme. Net Debt was further affected by net GEL 10 million capital allocations, as GEL 44 million was invested across private early stage and pipeline businesses, while GEL 33 million dividends were collected from BoG and P&C Insurance (GHG dividends were recorded as income in 1H19, but were collected in July 2019). GCAP cash operating expenses of GEL 9.6 million and foreign

[11] Please see note 5 on page 5.
[12] Please see definition in glossary on page 34.

exchange loss of GEL 26 million also contributed to the widening of Net Debt and, as a result, drove 2.3% decrease in NAV during 1H19.

The number of outstanding shares decreased during 1H19, as Georgia Capital cancelled 2,000,000 shares bought back under the on-going US$ 45 million share buyback programme and transferred 686,468 shares from treasury to the management trust in June 2019. The number of outstanding shares were further impacted by 656,026 million share compensation awards in respect of FY18 annual performance. The cancellation and transfer together with the awards, resulted in 6.8% increase in NAV per share on top of the 14.8% NAV growth.

1) Listed businesses

The listed assets contributed 14.5% to NAV growth with GEL 246 million value creation in 1H19. This reflects GEL 217 million market value increase in BoG and GHG share prices, while the GEL 29 million represents dividend accruals on our BoG and GHG investments.

GHG continued to deliver a strong operating performance in 1H19 with EBITDA increasing 19.4%[13] y-o-y in 1H19. Strong cash flow generation during 2018 enabled GHG to declare dividends in respect of 2018 year, which had a record date of 28 June 2019. The Group received a GEL 4.0 million dividend payment from GHG on 12 July 2019. GHG's share price increased by 19% to GBP 2.42 during 1H19 resulting in a GEL 141 million return for the Group. As a result, the Group recorded total GEL 145 million value creation from its 57% holding in GHG in 1H19. GHG's public announcement on 1H19 performance is available at http://ghg.com.ge/financial-results.

BOG's share price recovered during 1H19 by 9% to GBP 14.98 at 30 June 2019 leading to GEL 76 million increase in the market value of the Group's equity stake in BOG. In June 2019, we received GEL 25.0 million dividend payment from BoG. As a result, aggregate value creation from BoG investment was GEL 101 million in 1H19. BoG's public announcement on 1H19 performance is available at https://bankofgeorgiagroup.com/results/earnings.

2) Private businesses

The table below summarizes valuation of our holdings in private portfolio companies as at 30 June 2019:

Amounts in GEL '000	Valuation method	Fair value 30-Jun-19	Fair value 31-Dec-18	Change %	Multiple 30-Jun-19	Multiple 31-Dec-18
Late stage portfolio		**681,973**	**628,326**	**8.5%**		
Water Utility	EV/EBITDA LTM[14]	459,706	431,017	6.7%	9.0	8.8
Housing Development	Discounted Cash Flows	60,858	66,785	-8.9%	n/a	n/a
P&C Insurance	P/E (LTM)	161,409	130,524	23.7%	9.1	7.4
Early stage portfolio		**314,901**	**271,288**	**16.1%**		
Renewable Energy	At cost or EV/ EBITDA (LTM)	62,737	61,182	2.5%	n/a	n/a
Hospitality & Commercial RE	NAV	182,431	149,079	22.4%	n/a	n/a
Beverages – wine	EV/EBITDA (LTM)	59,633	56,771	5.0%	9.9	9.1
Beverages – beer	EV/Sales (LTM)	10,100	4,256	NMF	2.1	2.2
Pipeline		**45,937**	**5,933**	**NMF**		
Education	At cost	11,209	7,071	58.5%	n/a	n/a
Auto Service	EV/EBITDA (NTM[14]) [15]	24,363	(1,326)	NMF	10.1	n/a
Digital Services	At cost	8,790	-	NMF	n/a	n/a
Other	At cost	1,575	188	NMF	n/a	n/a
Total		**1,042,811**	**905,547**	**15.2%**		

The value of private portfolio companies increased by 15.2% in 1H19 to GEL 1 billion at 30 June 2019. The increase reflects GEL 36 million net capital allocation from Georgia Capital, while the businesses delivered GEL 101 million value creation in 1H19, adding 6.0% to NAV growth. Value creation was driven by strong operating performance across the late stage portfolio (GEL 25 million); first-time valuation of the greenfield projects (GEL 20 million) and enhancement of multiples across the peer companies (GEL 46 million). *The table below summarises value creation drivers in private businesses in 1H19:*

Private Portfolio Businesses	Dividends	Operating Performance	Greenfields	Multiple Change	Value Creation
GEL '000	*(1)*	*(2)*	*(3)*	*(4)*	*(1)+(2)+(3)+(4)*
Late Stage	**8,000**	**25,108**	**-**	**46,576**	**79,683**
Water Utility	-	12,976	-	15,713	28,689
Housing Development	-	12,109	-	-	12,109
P&C Insurance	8,000	22	-	30,863	38,885
Early Stage	**-**	**1,713**	**4,780**	**(1,070)**	**5,423**
Renewable Energy	-	-	-	-	-
Hospitality & Commercial Real Estate	-	2,306	4,780	-	7,086
Beverages	-	(593)	-	(1,070)	(1,663)
of which, wine	-	*1,838*	-	*755*	2,593
of which, beer	-	*(2,431)*	-	*(1,825)*	(4,256)
Pipeline	**-**	**-**	**15,662**	**-**	**15,662**
Education	-	-	-	-	-
Auto Service	-	-	15,662	-	15,662
Digital Services	-	-	-	-	-
Total private businesses	**8,000**	**26,820**	**20,442**	**45,506**	**100,768**

[13] Excluding IFRS 16 impact, EBITDA including IFRS 16 impact was up 36.0% y-o-y in 1H19.
[14] LTM refers to Last Twelve Months, NTM refers to Next Twelve Months.
[15] In line with our valuation policy, Amboli, recently acquired auto service industry player, is stated at cost.

Late stage businesses

The 3.8% increase in **Water Utility's** LTM EBITDA created approximately GEL 28 million value, which was partially offset by GEL 15 million net debt widening. The resulting GEL 13 million value creation from operating performance was further supported by GEL 16 million uplift due to multiple enhancement from 8.8 to 9.0. As a result, the water utility business generated GEL 29 million value for the Group in 1H19.

Housing Development is valued at GEL 61 million using discounted cash flow method. Following the receipt of a construction permit for its largest residential project, Digomi, together with higher than projected sales prices, expected cash inflows were increased leading to a GEL 12 million value creation. Digomi project construction works commenced on 1 July 2019. During the first half of 2019, the business distributed GEL 18 million in-kind dividend, representing commercial spaces (ground floors) in the completed residential projects, which was then allocated to the hospitality & commercial real estate business. As a result, Housing Development's valuation decreased by GEL 6 million to GEL 61 million at 30 June 2019.

P&C Insurance's LTM net income adjusted for non-recurring items remained flat at GEL 17.7 million, while the multiple increase from 7.4 to 9.1 generated GEL 31 million in value. Multiples improved significantly across all peer group companies. P&C Insurance paid a dividend of GEL 8 million in 1H19 on the back of strong cash flow generation and stable operating performance. As a result, GEL 39 million value was created in 1H19, leading to a GEL 31 million net increase in valuation after dividends to GEL 161 million as of 30 June 2019.

Early stage businesses

The **renewable energy business** has successfully commissioned its first hydro power plant in 1H19, which is still carried at cost in the NAV statement. The business has already generated GEL 2.0 million EBITDA from its 50MW Mestiachala HPPs since the launch in April 2019. Value creation is expected to be reflected in the NAV statement over the coming quarters, as the hydro demonstrates stabilised performance following recovery from the flood damage discussed on page 17. The increase of GEL 1.6 million in Renewable Energy value reflects capital allocations from Georgia Capital in 1H19 for the development of wind power plants.

The NAV valuation of **Hospitality & Commercial Real Estate** increased through a GEL 26 million capital allocation and GEL 7 million value creation during 1H19. The business received an in-kind dividend of GEL 18 million in finished commercial properties from Housing Development, while GEL 8 million of cash capital was allocated from Georgia Capital for development of existing and pipeline hotels. The business also created GEL 7.1 million value on the back of operating performance (GEL 2.3 million) and a hotel project revaluation (GEL 4.8 million). In February 2019 the business bought for US$ 5.2 million the 40% equity stake it did not own in a luxury hotel project in Tbilisi. The hotel, which is currently under construction, is located on a hill near the center with views of the city. In May 2019, the business signed a management agreement with the luxury hotels management group Kempinski Hotels S.A. pursuant to which Kempinski will manage the hotel. The management agreement led to the revaluation. Kempinski will be the only luxury hotel in the hospitality business's hotel portfolio.

The 7.6% increase in the **wine business's** LTM EBITDA created approximately GEL 1.8 million value, which was further supported by GEL 0.8 million uplift due to a multiple increase from 9.1 to 9.9. As a result, GEL 2.6 million value was created in 1H19 in the legacy Teliani wine business. The Kindzmarauli business is still carried at cost in line with our valuation policy to keep new equity investments at cost during the first 12-24 months following acquisition. We expect to revalue Kindzmarauli in 2H19.

The **beer business** valuation increased by GEL 6.7 million as a result of the GEL 10 million capital allocation for the acquisition of prominent beverages brand Kazbegi, the fifth largest beer company in Georgia. Beer business performance, however, was negatively affected by delays in launching Heineken brands, and had a negative GEL 2.4 million impact on value creation, which was further affected by a negative GEL 1.8 effect from the multiples change. Operating performance began to improve significantly in June and July, while all Heineken brands have been launched as of today, and the Group expects a positive impact from beer business operating performance in 2H19.

Pipeline businesses

The **education business** value increased by the GEL 4.1 million capital allocation in 1H19. GEL 1.3 million was allocated for the existing land development and GEL 2.8 million was used to acquire new land for a premium school development;

The **auto service business** combines vehicle technical inspection business valued at GEL 19 million and the recently acquired second largest auto service industry player Amboli valued at acquisition cost of GEL 5 million, i.e. the auto service business was valued at GEL 24 million at 30 June 2019. Periodic technical inspection became mandatory in Georgia in 2H18 and the business successfully launched 26 PTI centers in March 2019, while managing to generate GEL 0.6 million EBITDA in 1H19. At 30 June 2019, the periodic technical inspection business was valued using next twelve months (NTM) EBITDA earnings of GEL 6.7 million and an EV/EBITDA multiple of 10.1, resulting in a valuation of GEL 19.4 million. As the greenfield business has demonstrated strong performance in line with the budget, a GEL 15.6 million value was created from the revaluation in 1H19. In addition, GEL 3.4 million was used to acquire an 80% equity stake in Amboli in 1H19 and GEL 1.6 million was an additional pro-rata equity capital injection into Amboli to fund the growth of the business.

The **digital services business** is carried at GEL 8.8 million cost at 30 June 2019. We allocated GEL 1.2 million to the acquisition of Redberry, the leading Georgian digital marketing agency, while GEL 7.6 million was an additional equity capital injection to fund the business growth.

We allocated GEL 1.4 million capital to the research and evaluation of new investment opportunities during 1H19, driving the total cost of other pipeline projects to GEL 1.6 million at 30 June 2019.

3) Net Debt

Cash and liquid funds. In line with its risk management practices, the Group actively monitors the allocation of its liquid resources and its commitment to maintain at least US$ 50 million liquid funds. At 30 June 2019, cash and liquid funds were allocated as follows:

	30-Jun-19	31-Dec-18	Change
Cash at bank	113,629	142,284	-20.1%
Internationally listed debt securities	182,822	129,295	41.4%
Locally listed debt securities	27,508	28,071	-2.0%
Total Cash and liquid funds	**323,959**	**299,650**	**8.1%**

Internationally listed debt securities include Eurobonds issued by Georgian corporates (GEL 144 million) and sovereign Georgian Eurobonds (GEL 34 million). Locally listed debt securities are local bonds issued by Georgian corporates, which are listed and traded on the Georgian Stock Exchange.

Loans issued. At 30 June 2019, loans issued primarily refer to three facilities: (i) a GEL 49.5 million (US$ 17.3 million) to the housing development business (ii) a GEL 30.1 million (US$ 10.5 million) loan to the hospitality & commercial real estate business for on-going development, construction and growth of the hotel pipeline and (iii) a GEL 143.4 million (US$ 50 million) loan issued to the BoG holding company as part of the demerger, maturing in March 2020. During the 1H19 loans issued to portfolio companies in amount of GEL 91 million were repaid, of which, GEL 75 million (US$ 28 million) was repaid by the hospitality & commercial business. The loans are issued at market terms.

Gross debt. At 30 June 2019 the outstanding balance of US$ 300 million six-year Eurobonds due in March 2024 was GEL 861 million, reflecting foreign exchange loss of GEL 58 million during 1H19. Gross debt balance was further impacted by GEL 25 million coupon accrual (included under Net Interest Income column), which was offset by GEL 26 million coupon payment (included in Liquidity Management column) in March 2019.

Capital allocations and buybacks. The table below summarises capital allocations and buybacks during 1H19:

GEL millions		**Dividends**	**Investments**	**Capital reallocation**	**Buybacks**	**Total**
Listed portfolio	BOG	(25.0)	-	-	-	**(25.0)**
	GHG	(4.0)	-	-	-	**(4.0)**
Private late stage portfolio	Water Utility	-	-		-	**-**
	Housing Development	-	-	(18.0)	-	**(18.0)**
	P&C Insurance	(8.0)	-	-	-	**(8.0)**
Private early stage portfolio	Renewable Energy	-	1.6	-	-	**1.6**
	Hospitality & Commercial RE	-	8.3	18.0	-	**26.3**
	Beverages	-	10.4	-	-	**10.4**
	Of which, wine	-	*0.3*	-	-	***0.3***
	O which, beer	-	*10.1*	-	-	***10.1***
Pipeline portfolio	Education	-	4.1	-	-	**4.1**
	Auto Service	-	10.0	-	-	**10.0**
	Digital Services	-	8.8	-	-	**8.8**
	Other	-	1.4	-	-	**1.4**
Buybacks	GCAP	-	-	-	59.9	**59.9**
	Total	**(37.0)**	**44.6**	**-**	**59.9**	**67.5**

Georgia Capital recorded GEL 37 million dividends in 1H19, of which, GEL 25.0 million were from BoG, GEL 4 million from GHG[16] and GEL 8 million from P&C insurance. During 1H19, we invested GEL 44.6 million across our portfolio, of which, GEL 20.3 million was invested in early stage portfolio companies and GEL 24.3 million in the pipeline businesses. We also allocated GEL 60 million capital to share buybacks during 1H19. During the first half of 2019, the housing development business re-allocated GEL 18 million capital, which represents commercial spaces (ground floors) in the completed residential projects, to the hospitality & commercial real estate business.

[16] GHG dividends were received on 12 July 2019, however, the dividend record date fell in June 2019 and therefore, GHG dividends were recorded in 1H19.

INCOME STATEMENT (MANAGEMENT ACCOUNTS)

In line with the change to disclose private businesses at fair values instead of book values in the NAV statement from FY18 results announcement, Georgia Capital is now, therefore, presenting the performance of each portfolio company in its management income statement on fair value basis. The management P&L is an aggregation of: a) GCAP's stand-alone P&L and b) fair value change in the value of portfolio companies during the reporting period. A comparative period is not presented, as management believes that 1H18 is not directly comparable and its presentation is not useful for users. For details on the methodology underling the preparation of management account income statement, please refer to page 33 in this report.

INCOME STATEMENT

GEL '000, unless otherwise noted	**1H19**
Dividend income	36,932
Interest income	21,868
Realised / unrealised gain on liquid funds	5,297
Interest expense	(25,892)
Gross operating income	**38,205**
Operating expenses	(16,609)
GCAP net operating income	**21,596**
Fair value changes of portfolio companies	
Listed portfolio companies	**216,885**
Of which, Georgia Healthcare Group PLC	141,081
Of which, Bank of Georgia Group PLC	75,804
Private portfolio companies	**92,770**
Late Stage	**71,684**
Of which, Water Utility	28,689
Of which, Housing Development	12,109
Of which, P&C Insurance	30,886
Early Stage	**5,424**
Of which, Renewable energy	-
Of which, Hospitality & Commercial Real Estate	7,087
Of which, Beverages	(1,663)
Pipeline businesses	**15,662**
Of which, Auto Service	15,662
Total investment return	**309,655**
Income before foreign exchange movements	**331,251**
Net foreign currency loss	(25,624)
Net Income	**305,627**

Georgia Capital generated *Gross operating income* of GEL 38.2 million in 1H19 on the back of strong dividend inflows, as discussed earlier on page 11 in this report. As part of its comprehensive liquidity management, Georgia Capital earned an average yield of 7.6% on the liquid assets and issued loans in 1H19, of which 9.7% was earned on the loans issued and 5.1% on the liquid funds. As a result, GEL 1.3 million of *net interest income* was generated during 1H19 at GCAP level. The table below summarizes net interest income components for 1H19:

GEL '000, unless otherwise noted	**1H19**
Interest income	27,165
Of which, interest income on loans issued	*13,115*
Of which, interest income on liquid funds	*8,753*
Realised / Unrealised gains on liquid funds	5,297
Interest expense	(25,892)
Net interest income	**1,273**

GCAP operating expenses have a targeted cap of 2% of Georgia Capital's market capitalisation. LTM expense ratio was 2% at 30 June 2019. The components of GCAP's operating expenses are presented in the table below:

GEL '000, unless otherwise noted	**1H19**
Administrative expenses[17]	(5,477)
Management expenses - cash-based[18]	(4,091)
Management expenses - share-based[19]	(7,041)
Total operating expenses	**(16,609)**

Total investment return represents increase in the fair value of our portfolio. Total investment return of GEL 310 million and dividend income of GEL 37 million together led to GEL 347 million value creation as presented in the NAV statement. We discuss valuation drivers for each business on pages 9-11 and the performance of private assets is discussed on pages 14-20.

[17]Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[18]Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[19]Share-based management expenses are share salary and share bonus expenses of management.

The Group's *net income* is then driven by net foreign currency loss during 1H19. GCAP incurred a net foreign currency loss of GEL 25.6 million in 1H19 from GEL devaluation against US dollar due to its net foreign currency liability balance amounting to c. US$ 149 million (GEL 428 million) at 30 June 2019, i.e. difference between foreign currency denominated financial assets and financial liabilities. As a result of the movements described above, *net income* was GEL 306 million in 1H19.

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

GEL '000, unless otherwise noted	1H19	1H18	Change %
Net Cash flow from operating activities	**109,422**	**71,587**	**52.9%**
Net cash flows used in investing activities	**(194,909)**	**(508,051)**	**-61.6%**
Net cash from financing activities	**25,347**	**254,697**	**-90.0%**
Effect of exchange rates changes on cash and cash equivalents	5,768	(9,340)	NMF
Net (decrease) in cash and cash equivalents	**(54,372)**	**(191,107)**	**-71.5%**
Cash and cash equivalents, beginning of the period	256,930	395,081	-35.0%
Cash and cash equivalents, end of the period	**202,558**	**203,974**	**-0.7%**

Cash flows from operating activities. As a result of strong operating performance across all businesses, the Group's consolidated cash flows from operating activities increased significantly by 52.9% y-o-y in 1H19. The increase was mainly driven by a) double-digit growth in the healthcare and pharmacy business operating cash flows, contributing GEL 21 million to the overall growth, b) the water utility business cash flow from operating activities was up 85% y-o-y in 1H19 and drove GEL 14 million growth for the Group, c) on the back of organic business growth and efficient liquidity management, P&C Insurance contributed GEL 5 million to the increased operating cash flows, d) recently launched PTI business added GEL 2 million to operating cash flows within its first three months of operations from March 2019. The increase was slightly offset by GEL 5 million decrease in GCAP operating cashflow, mainly due to y-o-y growth in cash operating expenses. As a result, the Group's consolidated net cash flow from operating activities was GEL 109 million in 1H19.

Cash flows from investing activities. Net cash used in investing activities decreased as GHG has completed its major investment programme in 2018, while following the completion of privatisation obligations investment Water Utility decreased its capital expenditures in 1H19. Further, in 2018, a US$ 50 million loan maturing in March 2020 was issued to JSC BGEO Group as part of the demerger. As a result, net cash used in investing activities decreased by 61.6% to GEL 195 million in 1H19.

Cash flows from financing activities. Decrease in net outflows from financing activities was due to the issuance of the inaugural US$300 million bonds by GCAP in March 2018.

IFRS Results/Business Development - Individual Business Units/Segments

The following sections present the IFRS results and business development derived from our IFRS accounts for each of the late stage and early stage portfolio companies. For the pipeline companies we present information on the investments and where available business development. For a discussion of ***value creation*** by the business units please refer to 1H19 results presentation. For a discussion of **investment rationale**, **value creation potential** and **value realization outlook**, please see the Annual Report.

1. Water Utility
(100% ownership)

Business description

Our Water Utility is a natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c. 34,000 legal entities. Water Utility also operates hydro power plants with total installed capacity of 152 MW.

Water Utility is **100% owned** through GGU.

GEL millions, unless otherwise noted			
Key Highlights	**1H19**	**1H18**	**change**
LTM revenue	153.8	144.3	6.6%
LTM EBITDA	86.5	78.7	9.9%
LTM development capex[2]	99.3	154.9	-35.9%
LTM maintenance capex[2]	21.2	21.4	-1.2%
LTM FCF	(10.5)	(88.2)	-88.1%
LTM Cash from operations	95.7	71.6	33.6%
Net debt	320.8	234.9	36.6%

Key performance metrics

Net investment	153.5
2018 dividend	28.8
LTM ROIC[1]	9.7%
MOIC[1]	2.4
IRR[1]	32.0%

Capital Outlook through 2H19 -2023

Capital needs[3]	**137.0**
of which, equity	-
of which, debt	137.0

(1) Please see definitions on page 34.
(2) Capex figures are stated including VAT.
(3) Gross capital needs, excluding dividend distribution.
(4) Please refer to detailed IFRS financial statements of Water Utility on page 26.

1H19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[4]	**1H19**	**1H18**	**Change**
Revenue	**74,541**	**69,833**	**6.7%**
Water supply	62,844	61,753	1.8%
Energy	8,240	4,722	74.5%
Other	3,457	3,358	2.9%
Operating expenses	**(29,667)**	**(29,580)**	**0.3%**
Provision for doubtful trade receivables	(4,508)	(3,022)	49.2%
EBITDA	**40,366**	**37,231**	**8.4%**
EBITDA margin	54.2%	53.3%	
Depreciation and amortization	(16,018)	(12,085)	32.5%
Net interest expense	(10,498)	(7,253)	44.7%
Net non-recurring expenses	(2,389)	(5,484)	-56.4%
Foreign exchange (loss) gain	(9,497)	4,391	NMF
Net profit	**1,964**	**16,800**	**-88.3%**

CASH FLOW HIGHLIGHTS[4]	**1H19**	**1H18**	**Change**
Cash flow from operating activities before maintenance capex	**44,722**	**30,592**	**46.2%**
Maintenance capex	(11,093)	(12,444)	-10.9%
Cash flow from operating activities	**33,629**	**18,148**	**85.3%**
Cash flow used in investing activities	**(23,826)**	**(63,910)**	**-62.7%**
Development capex	(27,883)	(77,070)	-63.8%
Cash flow from financing activities	**7,099**	**16,728**	**-57.6%**
Net Proceeds from borrowings	20,661	27,225	-24.1%
Cash ending balance	**30,695**	**30,475**	**0.7%**

BALANCE SHEET HIGHLIGHTS[4]	**Jun-19**	**Dec-18**	**Change**
Total assets	**690,442**	**639,267**	**8.0%**
Property, plant and equipment	614,714	586,207	4.9%
Trades and other receivables	23,436	19,657	19.2%
Cash balance	30,695	13,713	NMF
Total liabilities	**415,558**	**368,781**	**12.7%**
Total equity	**274,884**	**270,486**	**1.6%**

KEY POINTS

- 6.7% growth in revenues primarily driven by increased electricity sales
  - Energy revenue up 74.5%, reflecting 55% increase in electricity price on the back of electricity market deregulation
- Positive operating leverage of 6.4 ppts drove 8.4% growth in EBITDA
- Outstanding collection rates and positive operating leverage drive operating cash flow up 85%
- Development capex down significantly by 64%
- In May 2019 privatisation conditions confirmed and GGU obtained clean title on Water Utility assets

INCOME STATEMENT HIGHLIGHTS

The Water Utility's 1H19 revenues up 6.7% y-o-y on the back of solid growth in electricity sales. Significant improvements in average electricity sales price (up from 5.6 Tetri/KWh to 8.7 Tetri/KWh), together with continued savings in Water Utility's self-produced electricity consumption (down 13.1% y-o-y to 86.3 million KWh in 1H19) resulted in almost doubling of energy revenues to GEL 8.2 million in 1H19. Electricity market deregulation, effective from May 2019, had an immediate impact on electricity sales prices and is anticipated to positively affect revenue streams from electricity sales going forward. Growth in top-line was also supported by increased water supply revenues (up 1.8% y-o-y) mainly on the back of strong business activity across various industries. Continued efficiency improvements were reflected in positive operating leverage of 6.4 percentage points, as operating expenses were flat at GEL 29.7 million in 1H19. The result was 8.4% y-o-y growth of Water Utility's 1H19 EBITDA.

Net interest expense was up 44.7% y-o-y in 1H19 in line with increased leverage during 2H18 to finance capital expenditures. Foreign exchange losses of GEL 9.5 million in 1H19 reflect the accounting impact of GEL depreciation against the Euro. GGU recorded losses on its unhedged position of GEL 151.8 million in Euros at 30 June 2019. As a result, Water Utility profit was GEL 2.0 million in 1H19 (down by 88.3% y-o-y).

BALANCE SHEET HIGHLIGHTS

The 4.9% increase in property, plant and equipment in 1H19, was primarily due to development works on water utility infrastructure carried out during the year in order to upgrade the network. Such efficiency programmes have a dual effect of reducing own electricity consumption and increasing third party electricity sales. Additionally, regulated CAPEX is included in Regulated Asset Base, used by the regulator to calculate fair return on investment. Capital expenditure level is expected to decrease in 2019 and gradually reach long-term run-rate level in the range of c. GEL 70-90 million by 2023. The increase in total liabilities is due to increased borrowings obtained from local banks to support capital expenditures for development of water supply network.

CASH FLOW HIGHLIGHTS

GGU has an outstanding water supply receivable collection rates. During 1H19, the collection rates for legal entities and households were 99% and 94%, respectively. Operating cash flow was up 85.3% y-o-y in 1H19 as a result of the growth in revenues and positive operating leverage. Development capex substantially decreased y-o-y by 64% to GEL 28 million in 1H19. Last year's elevated capex was mainly due to privatisation obligations.

2. Housing Development

(100% ownership)

Business description

Our housing development business is a leading real estate developer on the US$ 1.6 billion Georgian real estate market with three business lines: (a) a residential development arm targeting mainly mass market customers by offering affordable, high quality and comfortable housing; (b) a construction arm, engaging in construction contracts for other businesses as well as third-parties; and (c) franchise platform for development of third-party land plots with fee sharing arrangements.

Housing Development is **100% owned** through m².

Gel millions, unless otherwise noted

Key highlights	**1H19**	**1H18**	**change**
LTM revenue	114.4	120.5	-5.1%
LTM Gross real estate profit	14.9	23.4	-36.2%
LTM EBITDA	4.5	16.1	-72.3%
LTM Development Capex	9.5	11.3	-15.9%
LTM Maintenance Capex	-	-	NMF
LTM FCF	(19.5)	(11.1)	76.7%
LTM Cash from operations	(8.7)	0.3	NMF
Net debt	139.2	92.5	50.6%

Key performance metrics	
Net investment	(18.9)
2018 dividend	10.0
MOIC[1]	1.9
IRR[1]	14.6%

Capital Outlook through 2H19 - 2023	
Capital needs[2]	-
of which, equity	-
of which, debt	-

(1) Please see definition on page 34.
(2) Gross capital needs, excluding dividend distribution.
(3) Please refer to detailed IFRS financial statements of Housing Development on page 27.
(4) In line with IFRS requirements, starting from 2019 year the Group ceased capitalization of borrowing costs to cost of inventory property represented by residential apartments from the moment when such properties become ready for sale. Comparative periods were respectively restated.

1H19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[3]	**1H19**	**1H18**[4]	**Change**
Gross profit from apartments sale	1,998	9,993	-80.0%
Gross profit from construction services	2,459	1,080	NMF
Gross Real Estate Profit	**4,746**	**11,183**	**-57.6%**
Revaluation of commercial property	-	2,311	NMF
Operating expenses	**(6,847)**	**(4,742)**	**44.4%**
EBITDA	**(2,101)**	**8,752**	**NMF**
Profit (loss)	**(7,848)**	**388**	**NMF**

CASH FLOW HIGHLIGHTS[3]	**1H19**	**1H18**	**Change**
Cash flow from operating activities	**(16,702)**	**(18,123)**	**-7.8%**
Cash flow used in investing activities	**(4,269)**	**(7,161)**	**-40.4%**
Cash flow from financing activities	**14,988**	**22,240**	**-32.6%**
Cash, ending balance	**3,758**	**13,844**	**-72.9%**

BALANCE SHEET HIGHLIGHTS[3]	**Jun-19**	**Dec-18**[4]	**Change**
Total assets	**228,416**	**248,609**	**-8.1%**
Land bank	9,359	8,722	7.3%
Inventories	93,730	102,923	-8.9%
Total liabilities	**193,802**	**183,236**	**5.8%**
Total equity	**34,614**	**65,373**	**-47.1%**

KEY POINTS

- Construction permit received on the largest ever in-house project at the end of June 2019 expected to drive cash flow generation in 2H19
- Digomi project construction works commenced on 1 July 2019
- Revenue recognition from Digomi project to start from 1 July 2019. No revenue recognized in 1H19
- GEL 18 million in-kind dividend was distributed in 1H19

INCOME STATEMENT HIGHLIGHTS

The Housing Development gross profit from apartment sales fluctuates with the cycle of projects and strength of demand in the market for affordable housing. Despite healthy market conditions, the sales momentum was negatively affected by delayed construction permit for the largest ever in-house residential Digomi project. The permit was finally approved at the end of June 2019 by Tbilisi City Municipality. The construction works commenced in July 2019 and will drive the growth in gross profit from apartment sales as well as cash flow generation in 2H19.

Digomi is the only in-house project in the pipeline of Housing Development in line with its asset-light strategy to develop third-party land plots under franchise agreements going forward. The project will be developed in three stages and the construction and development of 168,000 sq.m. residential and 84,000 sq.m. commercial spaces will continue for approximately four years. Housing Development started pre-sales for the first stage of Digomi residential project from February 2019 and has pre-sold 6,430 sq.m. with US$ 6.5 million sales value to date, representing approximately 29% of the total available space. Revenue from pre-sales has not been recognised yet as construction works commenced in July 2019. Revenue recognition will start in 3Q19 and will be reflected in financials as construction works progress. An additional 1,405 sq.m. with US$ 1.5 million value has also been booked (i.e. reservations were made).

1H19 gross real estate profit was supported by robust performance of the construction arm, which generated gross profit of GEL 2.5 and more than doubled y-o-y. Construction fees were mainly driven by the following two third-party projects: i) the shell and core construction of a new shopping mall located in Tbilisi's Saburtalo district and (ii) fit-out works for Radisson Tsinandali in Kakheti region.

1H19 operating expenses increased by 44.4% y-o-y to GEL 6.8 million and resulted in negative 1H19 EBITDA of GEL 2.1 million. The y-o-y increase reflects increased administrative expenses within the construction arm in line with the business ramp up. The incremental expenses are fully covered by gross profit generated from the construction segment.

BALANCE SHEET HIGHLIGHTS

Housing Development currently has a land bank with a value of GEL 9.4 million. Land bank is expected to decrease further over the coming years, in line with its asset light strategy. During the first half of the year, the business distributed GEL 18 million in-kind dividend to Hospitality & Commercial Real Estate, representing commercial spaces (ground floors) in the completed residential projects.

CASH FLOW HIGHLIGHTS

The housing development business continued to deploy cash for on-going project developments, while most of the apartments sold are on pre-sales stage with cash collection expected to rise in line with the construction progress in 2H19. Operating cash flow, therefore, was negative GEL 16.7 million in 1H19. As the business has received the construction permit at the end of June 2019, cash collection is expected to recover significantly in 2H19.

3. Property & Casualty Insurance

(100% ownership)

Business description

Our property and casualty Insurance (P&C Insurance) business is a leading player in the local P&C insurance market with a 29% market share based on gross premiums. P&C Insurance offers a wide range of insurance products to Georgian corporates and retail through five business lines: motor, property, credit life, liability and other insurance services.

P&C Insurance is **100% owned** through Aldagi.

Gel millions, unless otherwise noted

Key highlights	1H19	1H18	Change
LTM earned premiums, net	72.3	64.7	11.7%
LTM Net income[1]	17.7	17.0	4.2%
LTM Development Capex	-	-	NMF
LTM Maintenance Capex	-	-	NMF
LTM FCF	11.5	9.0	28.1%
LTM Cash from operations	26.1	12.9	102.2%
Net debt	-	-	NMF

Key performance metrics	
Net investment	(21.9)
2018 Dividend	10.0
LTM ROAE[1,2]	32.1%
MOIC[2]	18.9
Capital Outlook through 2H19 - 2023	
Capital needs[3]	-
of which, equity	-
of which, debt	-

(1) Adjusted for non-recurring items.
(2) Please see definition on page 34.
(3) Gross capital needs, excluding dividend distribution.
(4) Please refer to detailed IFRS financial statements of P&C Insurance on page 28.

1H19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[4]	1H19	1H18	Change
Earned premiums, net	36,288	31,449	15.4%
Insurance claims expenses, net	(15,111)	(12,503)	20.9%
Acquisition costs, net	(5,736)	(3,807)	50.7%
Net underwriting profit	**15,441**	**15,139**	**2.0%**
Net investment profit	2,339	2,015	16.1%
Operating profit	**9,518**	**9,999**	**-4.8%**
Net non-recurring items	-	(628)	NMF
Pre-tax profit	**9,787**	**9,025**	**8.4%**
Income tax expense	(1,479)	(1,349)	9.6%
Net profit	**8,308**	**7,676**	**8.2%**

CASH FLOW HIGHLIGHTS[4]	1H19	1H18	Change
Cash flow from operating activities	**14,667**	**9,506**	**54.3%**
Cash flow used in investing activities	**(11,507)**	**(830)**	**NMF**
Cash flow from financing activities	**(9,881)**	**(10,000)**	**-1.2%**
Cash, ending balance	**4,368**	**2,740**	**59.4%**

BALANCE SHEET HIGHLIGHTS[4]	Jun-19	Dec-18	Change
Cash and liquid funds	45,234	38,967	16.1%
Insurance premiums receivable, net	42,821	31,442	36.2%
Pension fund assets	6,334	18,931	-66.5%
Total assets	**161,689**	**145,710**	**11.0%**
Gross technical provision	59,449	45,664	30.2%
Pension benefit obligations	6,335	18,932	-66.5%
Total liabilities	**105,724**	**89,572**	**18.0%**
Total equity	**55,965**	**56,138**	**-0.3%**

KEY POINTS

- Border third-party liability insurance and organic business growth drive revenue up 15.4%
- GEL 8 million dividend was paid out on the back of strong operating cash flow generation, with remaining GEL 4 million dividend expected to be paid in 2H19

INCOME STATEMENT HIGHLIGHTS

The property & casualty insurance business revenue increased as a result of growth in earned premiums from: (i) compulsory border third-party liability insurance, introduced in March 2018 (up GEL 0.8 million y-o-y); (ii) organic growth in credit life insurance (up 28.0% y-o-y); (iii) credit unemployment and property insurance (up GEL 2.4 million y-o-y). P&C Insurance's key performance ratios remained healthy during 1H19 as noted below:

Key Ratios	1H19	1H18
Combined ratio	80.2%	74.7%
Expense ratio	38.6%	34.9%
Loss ratio	41.6%	39.8%

The 5.6 percentage point increase in the combined ratio in 1H19 was mostly due to higher commission rates on credit life, property and compulsory insurance. The 1.8 percentage point increase in the loss ratio was due to increased net claim expenses, predominantly in the credit life insurance portfolio. As a result, Aldagi's net income was up 8.2% y-o-y, resulting in 28.3% ROAE in 1H19 (32.7% in 1H18).

BALANCE SHEET HIGHLIGHTS

At 30 June 2019, total assets stood at GEL 161.7 million, up 11.0% from 31 December 2018. The growth was driven by 16.1% increase in cash and liquid funds. Insurance receivables are up 36.2% from 31 December 2018 mainly due to seasonality of agricultural insurance and prolongation of fidelity bond and commercial property insurance contracts near the period-end. The decrease in pension assets and pension liabilities resulted fully from new state pension regulation that came into effect from 1 January 2019. P&C Insurance's solvency ratio stood at 116% at 30 June 2019, above the required minimum of 100%, however down from 136% at 31 December 2018 due to payment of a dividend of GEL 8 million near the period-end. P&C Insurance is expected to pay an additional GEL 4 million dividend by the end of 3Q19.

CASH FLOW HIGHLIGHTS

Operating cash flow was up 54.3 % y-o-y in 1H19 on the back of efficient asset management and increased interest inflows in line with the growth in liquid assets.

4. Renewable Energy
(65% ownership)

Business description

Our renewable energy business is a platform for developing hydro and wind power plants across Georgia.

Georgia Capital **owns 65%** in the energy business, with the remaining 35% owned by the Austrian company RP Global – an independent power producer with 30 years of experience of developing, building, owning and operating renewable power plants globally.

GEL millions, unless otherwise noted

Key highlights	1H19	1H18	change
LTM revenue	2.4	n/a	NMF
LTM EBITDA	1.1	(1.1)	NMF
LTM Capex	69.4	86.5	-19.7%
LTM FCF	(62.7)	(65.8)	-4.7%
LTM Cash from operations	(0.9)	(0.9)	NMF
Net debt	86.1	71.4	20.6%

Key performance metrics	
Net investment	58.1
2018 dividend	-
LTM ROIC[1]	-0.1%
MOIC[1]	1.1
IRR[1]	3.7%

Capital Outlook through 2H19 - 2023	
Capital needs[2]	**1,240**
of which, our equity (65% stake)	177
of which, equity from minority	95
of which, debt	968

(1) Please see definition on page 34.
(2) Gross capital needs, excluding dividend distribution.
(3) Please refer to detailed IFRS financial statements of Renewable Energy on page 29.

1H19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[3]	1H19	1H18	Change
Revenue	**2,395**	**-**	**NMF**
Operating expenses	**(910)**	**(403)**	NMF
EBITDA	**1,485**	**(403)**	**NMF**
Net loss	**(1,046)**	**(416)**	**NMF**
Attributable to:			
– shareholders of GCAP	(680)	(270)	**NMF**
– non-controlling interests	(366)	(146)	**NMF**

CASH FLOW HIGHLIGHTS[3]	1H19	1H18	Change
Cash flow from operating activities	**(589)**	**(369)**	**NMF**
Cash flow used in investing activities	**(19,121)**	**(19,602)**	**-2.5%**
Development capex	(21,754)	(20,565)	5.8%
Cash flow from financing activities	**30,591**	**23,717**	**29.0%**
Proceeds from borrowings	28,176	18,276	54.2%
Cash ending balance	**20,892**	**11,351**	**84.1%**

BALANCE SHEET HIGHLIGHTS[3]	Jun-19	Dec-18	Change
Total assets	**213,113**	**169,304**	**25.9%**
Property, plant and equipment	141,708	114,645	23.6%
Cash balance	20,892	8,388	NMF
Total liabilities	**111,129**	**75,145**	**47.9%**
Total debt	107,040	70,711	51.4%
Total equity	**101,984**	**94,159**	**8.3%**
Total equity attributable to GCAP	**66,290**	**61,203**	**8.3%**

KEY POINTS

- The first hydro power plants successfully launched in 1H19 on time and within budget
- Mestiachala HPPs recorded GEL 2 million EBITDA with 28 GWh generation since the launch in 2Q19
- Mestiachala HPPs were damaged during flooding in July 2019. Repair works are currently in progress and we estimate that insurance will compensate substantially all of our losses

Renewable Energy financials reflect the Mestiachala HPPs being in its active construction stage throughout the first five months of 2019 and other renewable energy projects being at different stages of development. The increase in property, plant and equipment and in debt is in line with spending on Mestiachala HPPs construction works. Overall the energy business is financing the projects with up to 30% equity contribution. The Mestiachala HPPs successful commissioning and launch in 2Q19 resulted in EBITDA of GEL 2.0 million in 1H19. 28.2 GWh were generated since launch.

The Mestiachala HPPs project was delivered on time and within budget. Its first phase (30MW) was launched on 8 April 2019, followed by the second phase (20MW) on 4 June 2019. Total project cost was US$ 61.2 million, in line with budgeted US$ 1.2 million per MW. Unfortunately, in late July 2019, the HPPs were damaged by flooding resulting from a natural disaster, which has interrupted operations of the cascade of HPPs. The business is currently estimating the losses, working with the insurance company to file a claim and developing a plan to repair the damage and restore operations, which is expected to take several months.

The annual net generation capacity of Mestiachala HPPs is projected at approximately 171GWh on stabilized basis, with peak generation in July-August, when the market prices are higher compared to May-June period, when most of the HPPs in Georgia have peak generation. Mestiachala HPPs has a 15-year fixed price purchase power agreement (PPA) with the Georgian Government, guaranteeing recurring revenue streams for eight months (from September through April) each year at 5.5 cents per kilowatt-hour. Electricity market deregulation has created significant upside for electricity sales also during May-Aug period, when government PPA is not effective.

Renewable Energy continues to develop its pipeline hydro and wind projects with total 330MW installed capacity. The business also seeks acquisition possibilities among existing projects, which are either commissioned or under feasibility stage. Currently, preparation works are underway to commence construction works on 46 MW Zoti HPPs in 2H19, located in Western part of Georgia, with expected net generation of 170 GWh, where c. 53% of generation is covered by a 15-year Government PPA (weighted average 5.1 cents per KWh during Sep-Apr period). The management is currently negotiating with the Government on MoU and PPA terms and conditions of wind power plants near Tbilisi and Kaspi. Due to the changes in the regulatory framework on issuance of PPAs, management is expecting to finalize the process in 2H19.

The table below summarises the indicative pipeline of upcoming energy projects:

Project	MWs	Target Commissioning	Target ROIC	Generation capacity (GWh)
Zoti HPPs	46	2H21	12.1%	170
Bakhvi 2 HPP	36	1H22	11.1%	127
Racha HPPs	38	1H23	11.7%	165
Wind Tbilisi	57	2H21	12.6%	172
Wind Kaspi	54	2H21	14.3%	211
Wind (other)	99	1H23	12.4%	341
Total	**330**			**1,186**

5. Hospitality & Commercial Real Estate

(100% ownership)

Business description

Our hospitality & commercial real estate business renamed as Amber Group is comprised of: (a) rent-earning commercial assets with targeted 10% yield and (b) hotel development business across Georgia with targeted 1,000 rooms.

The hotel development business has already confirmed 1,222 rooms, of which, 152 are operational and 1,070 are in pipeline.

Hospitality & Commercial Real Estate is **100% owned** through m[2].

GEL millions, unless otherwise noted

Key highlights	1H19	1H18	change
LTM revenue	49.7	6.6	NMF
LTM NOI	39.2	3.9	NMF
LTM Development Capex	73.2	75.2	-2.6%
LTM Maintenance Capex	-	-	NMF
LTM FCF	(70.1)	(72.2)	-3.0%
LTM Cash from operations	4.4	3.0	48.4%
Net debt	161.6	78.2	106.6%

Key performance metrics	
Net investment	133.3
2018 Dividend	-
LTM ROIC[1]	14.1%
MOIC[1]	1.4
IRR[1]	14.7%

Capital Outlook through 2H19 - 2023	
Capital needs[2]	**211**
of which, GCAP equity	31
of which, debt	180

(1) Please see definition on page 34.
(2) Gross capital needs, excluding dividend distribution.
(3) Please refer to detailed IFRS financial statements of Hospitality & Commercial real estate on page 30.

1H19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[3]	1H19	1H18	Change
Gross profit from operating leases	2,791	1,900	46.9%
Gross profit from hospitality services	697	457	52.5%
Gross Real Estate Profit	**3,488**	**2,407**	**44.9%**
Revaluation of investment property[4]	7,892	-	NMF
Operating expenses	**(1,860)**	**(556)**	NMF
Net operating income (NOI)	**9,521**	**1,851**	**NMF**
Profit (loss)	**5,880**	**(410)**	**NMF**

CASH FLOW HIGHLIGHTS[3]	1H19	1H18	Change
Cash flow from operating activities	**324**	**1,607**	**-79.8%**
Cash flow used in investing activities	**(53,034)**	**(51,672)**	**2.6%**
Cash flow from financing activities	**31,567**	**44,669**	**-29.3%**
Net Proceeds from borrowings	*52,224*	*73,840*	-29.3%
Cash, ending balance	**7,347**	**9,210**	**-20.2%**

BALANCE SHEET HIGHLIGHTS[3]	Jun-19	Dec-18	Change
Cash and cash equivalents	7,347	28,615	-74.3%
Investment property	294,758	225,343	30.8%
Land bank	*55,606*	*37,459*	*48.4%*
Commercial real estate	*239,152*	*187,884*	*27.3%*
Total assets	**374,639**	**294,833**	**27.1%**
Borrowings & debt securities issued	188,460	124,166	51.8%
Total equity	**184,199**	**159,839**	**15.2%**

(4) Value created on commercial property.

KEY POINTS

- GEL 8 million revaluation gain recorded on the upcoming Kempinski hotel
- Progressing against the targeted 1,000 operational hotel rooms:
  - Kutaisi hotel construction commenced in 1Q19
  - Acquired land in Zugdidi to develop a midscale internationally branded hotel with c. 130 rooms by 2021
  - Acquired land in Shovi to develop a 92-room hotel under Amber group brand by 2021
- Expansion of the commercial real estate portfolio drives gross profit from operating leases up 47%

INCOME STATEMENT HIGHLIGHTS

Gross profit from operating leases increased by 46.9% y-o-y to GEL 2.8 million in 1H19 primarily due to the expansion of the commercial real estate portfolio (which resulted mainly from the re-allocation of finished properties from Housing Development), supported by high occupancy levels. The commercial portfolio increased by 34% to US$ 32.4 million in 1H19 (US$ 24.2 million in 1H18), while the occupancy level and gross income yield stood at 86.7% (89.5% in 1H18) and 8.6% (10.2% in 1H18), respectively. New additions to the portfolio will reach stabilized occupancy and income yield by year-end. Nearly 80% of the total commercial assets represent office and retail areas and another 20% residential and industrial spaces.

Our first hotel, Ramada Encore on Kazbegi ave., launched in March 2018, generated gross profit of GEL 0.7 million in 1H19 with US$ 63.5 ADR and 48.8% occupancy rate. Revenue was supported by a pick-up in occupancy levels, averaging 69.6% in 2Q19 vs. 28.3% in 1Q19. Overall, Ramada Encore hotel RevPAR[1] increased by 12.5% y-o-y to US$ 31.0 in 1H19, which led to improved net operating profit margin of 32.2% (up 3.4 ppt) respectively.

In 1H19 Amber group recognised revaluation gain of GEL 7.9 million on under construction Kempinski hotel, which is expected to open in fall 2020 in Tbilisi. Amber group signed a management agreement with Kempinski to manage the upcoming only luxury hotel in its portfolio. Following initial acquisition in December 2017 Amber group held a 60% stake in Kempinski hotel and the business announced the buyout of the remaining 40% equity stake in February 2019 for US$ 5.2 million. US$ 0.3 million was paid in cash and US$ 4.9 million was settled through bonds issued by the commercial real estate business.

BALANCE SHEET HIGHLIGHTS

At 30 June 2019, total assets of Amber group amounted to GEL 374.6 million (up 27.1% from 31 December 18) and was largely concentrated in investment property. Commercial real estate increased by 27.3% in 1H19 mainly due to the commercial portfolio expansion re-allocation of finished properties from Housing Development and construction works performed for hotels under construction. Amber group continued to build ground for its targeted 1,000 hotel rooms portfolio by acquiring: an 8,694 sq.m. land plot for a total cash consideration of GEL 7.3 million in Zugdidi, a historical region in western Georgia and 7,500 sq.m. land plot for a total cash consideration of US$ 0.9 million located in Shovi, Racha – a climatic and health resort in the greater Caucasus mountain region.

CASH FLOW HIGHLIGHTS

The first operational Ramada Encore hotel added GEL 0.8 million to operating cash flow in 1H19, while contribution from rent-generating assets was GEL 1.9 million. In 1H19 the business spent GEL 43.2 million on capital expenditures and acquisitions of land plots for further hotel development. Amber group targets 70%:30% debt to equity leverage ratio at hotels after hotel opening and 50%:50% during construction stage. During 1H19 business refinanced US$ 28 million debt outstanding from Georgia Capital with borrowings from local financial institutions.

6. Beverages

(86% ownership)

Business description

Our Beverages combines three business lines: a wine business, a beer business and a distribution business. We produce and sell wine locally and export to 17 countries, while in our beer we have a 10-year exclusive license to produce Heineken brands in Georgia and sell them in the South Caucasus.

Georgia Capital **owns 86%** of Beverages.

GEL millions, unless otherwise noted

Key highlights	1H19	1H18	Change
LTM revenue	92.0	68.6	34.0%
LTM EBITDA	(5.1)	(4.3)	17.6%
LTM Development Capex	31.5	32.0	-1.8%
LTM Maintenance Capex	-	0.9	NMF
LTM FCF	(44.3)	(33.1)	34.1%
LTM Cash from operations	(15.0)	(2.8)	NMF
Net debt	113.8	81.8	39.0%

Key performance metrics	
Net investment	126.4
2018 dividend	-
LTM ROIC, wine business[1]	10.0%
LTM ROIC, beer business[1]	-21.3%
MOIC, wine business[1]	1.3
MOIC, beer business[1]	0.1
IRR, wine business[1]	7.0%
IRR, beer business[1]	-

Capital Outlook through 2023	
Capital needs[2]	**77.0**
of which, equity	37.0
of which, debt	40.0

(1) Please see definition on page 34.
(2) Gross capital needs, excluding dividend distribution.
(3) Please refer to detailed IFRS financial statements of Beverages on page 31-32.

1H19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[3]	1H19	1H18	change
Consolidated			
Revenue	46,226	30,466	51.7%
Gross profit	16,664	11,257	48.0%
EBITDA	**(4,731)**	**(6,088)**	**-22.3%**
Net loss	**(24,759)**	**(9,967)**	**NMF**
Wine Business			
Revenue	17,254	9,857	75.0%
Gross profit	7,818	4,683	66.9%
Gross profit Margin	45.3%	47.5%	
Operating expenses	(4,772)	(3,056)	56.2%
EBITDA	**3,046**	**1,627**	**87.2%**
Net (loss)/profit	**(1,992)**	**3**	**NMF**
Beer Business			
Revenue	18,241	13,251	37.7%
Gross profit	4,867	4,448	9.4%
Gross profit Margin	26.7%	33.6%	
Operating expenses	(11,331)	(12,032)	-5.8%
EBITDA	**(6,464)**	**(7,584)**	**-14.8%**
Net loss	**(20,619)**	**(9,464)**	**NMF**
Distribution Business			
Revenue	27,225	9,639	NMF
Gross profit	4,498	2,084	NMF
Gross profit Margin	16.5%	21.6%	
Operating expenses	(5,483)	(1,808)	NMF
EBITDA	**(985)**	**276**	**NMF**
Net loss	**(1,795)**	**(167)**	**NMF**

KEY POINTS

- Wine export sales outperforming the strong market growth in 1H19 and driving wine revenues up 75%
- Outstanding topline growth coupled with positive operating leverage led to 87% growth in wine EBITDA
- Beer business launched four new brands in 1H19, followed by the launch of Heineken in July 2019
- Strong beer sales volumes in June and July of 2019 leading to 100% utilization brewing capacity (c. 31,000 hectolitres in June and c. 33,505 hectolitres in July)
- GEL 0.6 million positive EBITDA in July 2019 in the beer business

WINE BUSINESS

The wine business demonstrated a robust performance in 1H19, which was supported by growth in exports. The country's strong export markets increased by 6% y-o-y in 1H19 reaching record high 40.4 million wine bottle export sales over the last six years. Increase in our wine bottle sales exceeded market growth and was up by 49% from c. 1.7 million bottles in 1H18 to c. 2.5 million in 1H19. As a result, wine revenues increased remarkably by 75.0% y-o-y, reaching GEL 17.3 million in 1H19.

The wine business maintained a solid gross profit margin of 45% in 1H19 (48% in 1H18) despite discontinuation of the Government subsidy on grapes, adversely affecting grape purchase price and therefore cost of goods sold. Management expects to minimize reliance on purchased grapes and manage gross margin levels, as the business benefits from last year's vineyard acquisitions and further progresses towards its targeted 1,000 hectares of vineyards. Outstanding growth in the top-line, coupled with positive operating leverage, led to 87.2% y-o-y growth in EBITDA to GEL 3.0 million.

Wine business is progressing against its strategic priorities to increase production capacity, enter untapped strategic markets and diversify its product mix by portfolio premiumization.

BEER BUSINESS

During the first five months of 2019 beer business was focused on launching new brands: in March the business acquired a prominent Georgian beverages brand – Kazbegi, followed by launch of Kazbegi beer and lemonade in April; Krusovice, Amstel and local light beer, Kayak, three upper-mainstream segment beer brands, were also fully launched during May. As a result, beer sales in June 2019 was close to 100% brewing capacity (c. 31,000 hectolitres out of annual 360,000 hectolitres capacity), resulting in an 88.8% y-o-y increase in month of Jun-19 revenues and improved EBITDA by 72.6% y-o-y.

After successful consecutive trial brews for Heineken, the business received the license to produce Heineken end of June 2019 and launched locally brewed Heineken cans in July 2019. Successful diversification of beer business portfolio is not yet fully reflected in financial results and we expect to see the full effect of new launches from July 2019. EBITDA is expected to break even during the second half of 2019. The beer business expects to achieve 20%+ local market share in beer by the end of 2019 on the back of new brand launches. Meanwhile the business also started to tap the international markets, by exporting its mainstream beer and lemonade brands to Azerbaijan and China.

Pipeline businesses

Attractive service business – Auto Service

Georgia Capital sees strong value creation opportunity in the auto services industry, which is currently a very fragmented market with approximately GEL 1.8 billion annual revenues. The leading player controls c. 16% of the market, while the rest of the market is dominated by small, owner-operated lower-end service shops. The number of vehicles has grown at 8% CAGR over the last six years, while vast majority of vehicles in the country remains largely outdated. The attractive growth rates combined with the expected increase in customer spending due to the stricter regulatory environment make the auto service business an attractive strategic opportunity. Georgia Capital aims to build a diversified business model with digital platform combining many different auto-related services: car services and parts, secondary car trading, car insurance and periodic technical inspection (PTI).

The Group began opening PTI centers in 1H18 and launched the PTI business from March 2019 under the name of Greenway Georgia (GWG), as described in more detail below. Additionally, the Group acquired an 80% interest in Amboli, at the end of June 2019. Amboli, the second largest player on the market with approximately 1% market share, was valued at 0.7x EV/Sales. The Group paid GEL 3.4 million for the acquisition and also contributed GEL 2 million pro-rata capital into equity to fund the business growth. Amboli, an importer, distributor, wholesaler and retailer of car consumables and spare parts, is expected to have break-even EBITDA in 2019.

PTI business 1H19 performance *(GEL '000, unless otherwise noted)*

Income statement highlights	1H19
Revenue	5,304
Gross profit	**3,023**
Operating expenses	(2,410)
EBITDA	**613**
Net loss	**(3,321)**

Cash flow highlights	1H19
Net cash flows from operating activities	1,803
Net cash flows used in investing activities	(15,492)
Net cash flows from financing activities	13,649
Cash, ending balance	**174**

Balance sheet highlights	Jun-18	Dec-18	Change
PPE, net & Intangible assets	49,553	37,840	31%
Total assets	**53,314**	**41,395**	**29%**
Borrowings	46,726	38,095	29%
Total liabilities	**52,961**	**42,721**	**24%**
Total equity	**353**	**(1,326)**	**NMF**

As part of the Georgia-EU Association Agreement, Georgia started implementation of mandatory vehicle inspection programme in several phases starting from January 2018. In July 2018, GWG won state tender to launch and operate 51 periodic technical inspection lines across Georgia with a 10-year licence. Technical inspection prices are set at GEL 60 and GEL 100 for light vehicles and heavy vehicles, respectively. GWG is the only player on the market with support from an international partner, Applus+, a Spain-headquartered worldwide leader in testing, inspection and certification services with a market presence in more than 70 countries.

GWG finalized construction of 26 centres (10 locations in the capital city and 16 locations in the regions) and became fully operational from March 2019. Gross profit margin was 57% and EBITDA margin stood at 12% in 1H19, both expected to substantially increase on a stabilised basis in 2020. In the third month of operations, June 2019, gross margin reached 67%, while GEL 0.5 million monthly EBITDA was generated with 36% EBITDA margin. GWG serviced 140,338 cars (of which, 101,513 were primary checks) in 1H19, capturing 35%[20] of total market share. GWG Invested GEL 48 million to commence its operations, of which, GEL 5 million was equity capital provided by Georgia Capital and the rest was financed by borrowings from a local financial institution.

Education - Fragmented education market offers attractive opportunity for a scaled player

There are currently c. 60,000 learners in private schools in Georgia, representing 10% of total school education market. Georgia Capital expects that the private school market in Georgia will double in size over the next five years. The market is currently very fragmented, with no single player having more than 2% market share. Georgia Capital intends to create a diversified business model combining premium, mid-level and affordable school segments. The Group aims to implement a partnership model across all schools with the Group holding majority stakes. By 2025 the Group aims to generate GEL 70,000 million EBITDA with up to 30,000 learners and GEL 185 million gross capital allocation.

In July 2019 Georgia Capital agreed deals to acquire majority stakes in three leading schools in the attractive private education business, two of which have closed in July 2019 and the third of which is expected to close over the coming weeks. The first, British-Georgian Academy (70% stake) is the leading school in the premium segment of the market. The second, Buckswood International School (80% stake) is well-positioned in the mid-level segment. Both schools were acquired at a 6.4x EV/EBITDA 2020. The third school is Green School (80%-90% ownership[21]), a leading player in the affordable education segment, which is being acquired at 5.6x EV/EBITDA multiple. We plan to increase maximum capacity of existing learners at all three schools by expanding the existing campuses and adding new ones in Tbilisi and surrounding areas.

The table below summarises the recent investments in the education business:

School	Segment	Total existing & future capital allocation from GCAP	Debt/Equity	GCAP ownership	Current capacity of learners	Targeted capacity of learners	Targeted cost per learner
BGA	Premium	GEL 75 million	25%	70%	750	3,350	GEL 35,000 -40,000
Buckswood	Mid-level	GEL 17 million	40%	80%	730	2,700	GEL 13,000 -16,000
Green School	Affordable	GEL 21 million	50%	80% - 90%[21]	1,050	5,700	GEL 6,500 -8,500
Total		**GEL 113 million**			**2,530**	**11,750**	

Redberry – a leading platform for investments in the digital services business

On 8 May 2019 Georgia Capital acquired a 60% equity stake in Redberry, a leading Georgian digital marketing agency. Redberry was fully owned and managed by two young Georgian entrepreneurs who will remain with the business. The total cash consideration for the acquisition was US$ 3.2 million, of which, US$ 0.4 million was used to acquire the equity stake from the existing shareholders and US$ 2.8 million capital was injected to fund business growth. To capitalise on the high growth digital sector, the Group plans to further focus on digital start-up developments through the recent acquisition by: 1) creating digital start-ups focused on Georgia, with small investment sizes of c.US$ 100 thousand per each start-up 2) developing digital sales channels/business lines for Georgian corporates through joint venture partnerships models.

[20] Internal estimate of running market share based on number of vehicles registered.
[21] 80% equity stake in the current campus and 90% equity stake in three new schools that will be developed under Green School brand.

Reconciliation of adjusted IFRS measures to consolidated IFRS figures

Income statement reconciliation, 1H19													
Gel '000, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial Real Estate	Beverages	Auto Service	Digital Services	Corporate Centre	Elimination/ Consolidations	Group Total
Total investment return	141,081	75,804	28,689	12,109	30,885	-	7,087	(1,663)	15,662	-	21,597	-	331,251
Net foreign currency loss	-	-	-	-	-	-	-	-			(25,625)	-	(25,625)
Net Income (Management accounts)	**141,081**	**75,804**	**28,689**	**12,109**	**30,885**	**-**	**7,087**	**(1,663)**	**15,662**	**-**	**(4,028)**	**-**	**305,626**
Difference between Shareholder return* and IFRS profit of portfolio companies	(132,022)	(75,804)	(26,725)	(19,957)	(22,577)	(680)	(1,179)	(19,224)	(18,983)	42	-	-	(317,109)
Profit attributable to non-controlling shareholders	16,060	-	-	-	-	(366)	(28)	(3,877)		15	-	-	11,804
Reversal of intragroup dividend income	-	-	-	-	-	-	-	-	-	-	-	(11,981)	(11,981)
Reversal of hotels' revaluation gains for Group** consolidation purposes	-	-	-	-	-	-	-	-	-	-	-	(8,376)	(8,376)
Reversal of Fair valuation of Debt securities measured at FVOCI	-	-	-	-	-	-	-	-	-	-	-	(4,286)	(4,286)
Reversal of gain on intragroup sale of assets	-	-	-	-	-	-	-	-	-	-	-	(2,956)	(2,956)
Other	-	-	-	-	-	-	-	-			-	(1,924)	(1,924)
Profit for the period (IFRS Consolidated)	**25,119**	**-**	**1,964**	**(7,848)**	**8,308**	**(1,046)**	**5,880**	**(24,764)**	**(3,321)**	**57**	**(4,028)**	**(29,523)**	**(29,202)**

** Calculated based on fair value estimates.*

Balance sheet reconciliation, 30 June 2019														
Gel '000, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality & Commercial Real Estate	Beverages	Auto Service	Digital Services	Other	Corporate Centre	Eliminations/ Consolidations	Group Total
Management accounts:	**661,413**	**533,299**	**459,706**	**60,858**	**161,409**	**62,737**	**182,431**	**69,733**	**24,363**	**8,790**	**12,784**	**(299,158)**	**-**	**1,938,365**
Difference between Fair Value and Book value of portfolio companies	(361,366)		(184,821)	(26,922)	(105,348)	3,531	1,771	(7,592)	(22,975)	(3,977)	-	-	-	(707,700)
Transfer of Market value of 19.9% in BoG to Corporate Center	-	(533,299)	-	-	-	-	-	-	-	-	-	533,299	-	-
Reversal of hotels' revaluation gains for group consolidation purposes**	-	-	-	-	-	-	-	-	-	-	-	-	(35,437)	(35,437)
Reversal of irrevocable instructions on buyback programme	-	-	-	-	-	-	-	-	-	-	-	-	(14,396)	(14,396)
GHG Hospitals and clinics accounted at cost for GCAP consolidation purposes	-	-	-	-	-	-	-	-	-	-	-	-	(9,199)	(9,199)
M^2 long-term share based Compensation adjustment for consolidation purposes	-	-	-	-	-	-	-	-	-	-	-	-	(4,499)	(4,499)
Goodwill recognised at Corporate centre	-	-	-	-	-	-	-	-			-	-	13,653	13,653
Other	-	-	-	-	-	-	-	-	-	-	-	2	(3,658)	(3,656)
Total equity attributable to shareholders of Georgia Capital (IFRS)	**300,047**	**-**	**274,885**	**33,936**	**56,061**	**66,268**	**184,202**	**62,141**	**1,388**	**4,813**	**12,784**	**234,143**	**(53,536)**	**1,176,532**

*** Hotels are accounted at cost for IFRS Group consolidation purposes.*

Detailed financial information

CONSOLIDATED IFRS INCOME STATEMENT			
GEL '000, unless otherwise noted	**1H19**	**1H18**	**change**
Revenue	672,372	616,395	9.1%
Cost of sales	(415,287)	(386,676)	7.4%
Gross profit	**257,085**	**229,719**	**11.9%**
Operating expenses	(147,975)	(122,815)	20.5%
EBITDA	**109,110**	**106,904**	**2.1%**
Share in profit of associates	317	-	NMF
Dividend income	24,951	-	NMF
Depreciation and amortisation	(54,712)	(34,920)	56.7%
Net foreign currency (loss)/ gain	(53,621)	4,787	NMF
Net realized gains from investment securities measured at FVPL	1,011	-	NMF
Interest income	14,908	10,703	39.3%
Interest expense	(65,571)	(46,475)	41.1%
Net operating income before non-recurring items	**(23,607)**	**40,999**	**NMF**
Net non-recurring items	(3,383)	(36,829)	-90.8%
Profit before income tax expense	**(26,990)**	**4,170**	**NMF**
Income tax expense	(2,212)	(1,467)	50.8%
Profit for the period	**(29,202)**	**2,703**	**NMF**
Total profit / (loss) attributable to:			
– shareholders of Georgia Capital PLC	(41,008)	(12,798)	NMF
– non-controlling interests	11,806	15,501	-23.8%
– basic and diluted earnings per share	(1.1597)	(0.3383)	NMF

CONSOLIDATED IFRS STATEMENT OF CASH FLOW			
GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Net Cash flow from operating activities	**109,422**	**71,587**	**52.9%**
Net cash flows used in investing activities	**(194,909)**	**(508,051)**	**-61.6%**
Net cash from financing activities	**25,347**	**254,697**	**-90.0%**
Effect of exchange rates changes on cash and cash equivalents	5,768	(9,340)	NMF
Net (decrease) increase in cash and cash equivalents	**(54,372)**	**(191,107)**	**-71.5%**
Cash and cash equivalents, beginning of the year	256,930	346,241	-25.8%
Cash and cash equivalents of disposal group held for sale beginning of the period	-	48,840	NMF
Cash and cash equivalents of disposal group held for sale, end of the period	-	16,528	NMF
Cash and cash equivalents, end of the period	**202,558**	**187,446**	**8.1%**

CONSOLIDATED BALANCE SHEET

GEL '000, unless otherwise noted	**30-Jun-19**	**31-Dec-18**	**Change**
Cash and cash equivalents	202,558	256,930	-21.2%
Amounts due from credit institutions	58,166	40,299	44.3%
Debt securities owned	120,304	71,824	67.5%
Equity investments at fair value	533,299	457,495	16.6%
Accounts receivable	194,540	170,228	14.3%
Insurance premiums receivable	87,593	57,801	51.5%
Inventories	290,532	276,230	5.2%
Investment properties	178,094	151,232	17.8%
Prepayments	133,347	117,909	13.1%
Income tax assets	1,503	2,405	-37.5%
Property and equipment	1,853,904	1,671,917	10.9%
Goodwill	150,150	142,095	5.7%
Intangible assets	67,703	51,634	31.1%
Other assets	272,473	251,462	8.4%
Total assets	**4,144,166**	**3,719,461**	**11.4%**
Accounts payable	170,968	143,114	19.5%
Insurance contracts liabilities	99,405	68,207	45.7%
Income tax liabilities	1,183	1,119	5.7%
Deferred income	55,261	62,345	-11.4%
Finance lease liabilities	97,025	-	NMF
Borrowings	934,604	764,355	22.3%
Debt securities issued	1,040,329	916,401	13.5%
Other liabilities	241,563	235,771	2.5%
Total liabilities	**2,640,338**	**2,191,312**	**20.5%**
Total equity attributable to shareholders of Georgia Capital PLC	**1,177,132**	**1,199,144**	**-1.8%**
Non-controlling interests	326,696	329,005	-0.7%
Total equity	**1,503,828**	**1,528,149**	**-1.6%**
Total liabilities and equity	**4,144,166**	**3,719,461**	**11.4%**

GEL '000, unless otherwise noted	%	Valuation Method	Multiples		Fair Values		Change%	MOIC	IRR	Realized MOIC
			Jun-19	Dec-18	Jun-19	Dec-18		Jun-19		
Listed Equity Investments					**1,194,712**	**977,827**	**22.2%**	***6.5x***	**33.0%**	***2.1x***
Georgia Healthcare Group PLC	57.0%	LSE			661,413	520,332	27.1%	*5.7x*	*43.9%*	*1.0x*
Bank of Georgia Group PLC	19.9%	LSE			533,299	457,495	16.6%	*7.4x*	*21.4%*	*3.3x*
Private Investments					**1,042,811**	**905,547**	**15.2%**			
Late Stage *(at fair value)*					**681,973**	**628,326**	**8.5%**	***2.8x***		***0.6x***
Water Utility	100.0%	EV/EBITDA	9.0	8.8	459,706	431,017	6.7%	*2.4x*	*32.0%*	*0.3x*
Housing Development	100.0%	DCF			60,858	66,785	-8.9%	*1.9x*	*14.6%*	*1.2x*
P&C Insurance	100.0%	P/E	9.1	7.4	161,409	130,524	23.7%	*18.9x*	*32.9%*	*3.1x*
Early stage *(at fair value)*					**314,901**	**271,288**	**16.1%**	**1.0x**		
Renewable Energy	65.0%	Cost			62,737	61,182	2.5%	*1.1x*	*3.7%*	
Hospitality & Commercial RE	100.0%	NAV			182,431	149,079	22.4%	*1.4x*	*14.7%*	
Beverages	86.0%				69,733	61,027	14.3%	*0.6x*	*0.0%*	
Of which, wine Business		EV/EBITDA	*9.9*	*9.1*	59,633	56,771	5.0%	*1.3x*	7.0%	
Of which, beer Business		EV/Sales	*2.1*	*2.2*	10,100	4,256	NMF	*0.1x*	0.0%	
Pipeline					**45,937**	**5,933**	**NMF**			
Education	100.0%	Cost			11,209	7,071	58.5%			
Auto Service	100.0%	EV/EBITDA	10.1		24,363	(1,326)	NMF			
Digital	60.0%	Cost			8,790	-	NMF			
Other	100.0%	Cost			1,575	188	NMF			
Total Portfolio Value (1)					**2,237,523**	**1,883,374**	**18.8%**			
Net Debt (2)					(304,519)	(196,915)	54.6%			
Of which, Cash and liquid funds					323,959	299,650	8.1%			
Of which, Loans issued					232,289	305,480	-24.0%			
Of which, Gross Debt					(860,767)	(802,045)	7.3%			
Net other assets/ (liabilities) (3)					5,361	1,762	NMF			
Net Asset Value (1)+(2)+(3)					**1,938,365**	**1,688,221**	**14.8%**			
Shares outstanding					35,961,403	38,089,558	-5.6%			
Net Asset Value per share (GEL)					**53.90**	**44.32**	**21.6%**			
Net Asset Value per share (GBP)					**14.81**	**13.05**	**13.5%**			

Cash flow *GEL '000, unless otherwise noted*	1H19	1H18	Change
Dividends received	32,951	10,000	NMF
Interest received	19,110	10,426	83.3%
Interest paid	(24,694)	(21,785)	13.4%
Cash inflow from Operations before Opex	**27,367**	**(1,359)**	**NMF**
GCAP Operating expenses	(9,820)	(2,787)	NMF
Cash inflow from operations	**17,547**	**(4,147)**	**NMF**
Capital allocations	**(43,152)**	**(38,729)**	**11.4%**
Loans (Issued)/Repaid	**90,788**	**(249,635)**	**NMF**
of which, Loans to portfolio companies	90,788	(127,720)	NMF
of which, Loans to third parties	-	(121,915)	NMF
Cash outflow on buybacks	**(61,322)**	**(49,580)**	**22.8%**
of which, Mgmt Trust	(3,444)	(26,478)	-87.0%
of which, Buyback programme	(57,878)	(23,102)	NMF
Cash outflow/inflow from financing activities	**-**	**467,434**	**NMF**
Proceeds from debt securities issued	-	715,729	NMF
Repayment of borrowings from former Parent company	-	(248,295)	NMF
Demerger related outflows	(587)	(24,245)	-97.6%
FX Effect & Fair valuation	21,035	(13,642)	NMF
Net cash flow	**24,309**	**87,456**	**-72.2%**
Beginning cash and liquid funds	299,650	264,546	13.3%
Ending cash and liquid funds	323,959	352,002	-8.0%

Private portfolio companies – IFRS Accounts

Income statement (Water Utility)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Revenue from water supply to legal entities	43,337	42,151	2.8%
Revenue from water supply to individuals	19,507	19,602	-0.5%
Revenue from electric power sales	8,240	4,722	74.5%
Revenue from technical support	1,607	1,303	23.3%
Other income	1,850	2,055	-10.0%
Revenue	**74,541**	**69,833**	**6.7%**
Salaries and benefits	(9,937)	(9,477)	4.9%
Electricity and transmission costs	(8,380)	(9,361)	-10.5%
Other operating expenses	(11,350)	(10,742)	5.7%
Operating expenses	**(29,667)**	**(29,580)**	**0.3%**
Provisions for doubtful trade receivables	(4,508)	(3,022)	49.2%
EBITDA	**40,366**	**37,231**	**8.4%**
EBITDA Margin	*54%*	*53%*	
Depreciation and amortization	(16,018)	(12,085)	32.5%
EBIT	**24,348**	**25,146**	**-3.2%**
EBIT Margin	*33%*	*36%*	
Net interest expense	(10,498)	(7,253)	44.7%
Net non-recurring expenses	(2,389)	(5,484)	-56.4%
Foreign exchange (loss) gain	(9,497)	4,391	NMF
EBT	**1,964**	**16,800**	**-88.3%**
Profit	**1,964**	**16,800**	**-88.3%**

Statement of cash flow (Water Utility)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Cash received from customers	74,034	66,031	12.1%
Cash paid to suppliers	(16,745)	(18,096)	-7.5%
Cash paid to employees	(9,103)	(9,246)	-1.5%
Interest received	592	235	NMF
Taxes paid	(4,056)	(8,332)	-51.3%
Cash flow from operating activities before maintenance capex	**44,722**	**30,592**	**46.2%**
Maintenance capex	(11,093)	(12,444)	-10.9%
Operating cash flow	**33,629**	**18,148**	**85.3%**
Purchase of PPE and intangible assets	(27,883)	(77,070)	-63.8%
Proceeds from PPE and investment property sale	75	1,458	-94.9%
CAPEX VAT	3,653	8,193	-55.4%
Restricted cash in Bank	329	3,509	-90.6%
Total cash used in investing activities	**(23,826)**	**(63,910)**	**-62.7%**
Proceeds from borrowings	29,830	27,522	8.4%
Repayment of borrowings	(9,169)	(297)	NMF
Interest paid	(11,785)	(9,718)	21.3%
Contributions under share-based payment plan	(1,777)	(779)	NMF
Total cash flow from financing activities	**7,099**	**16,728**	**-57.6%**
Effect of exchange rates changes on cash	80	(2,454)	NMF
Total cash (outflow)/inflow	**16,982**	**(31,488)**	**NMF**
Cash, beginning balance	13,713	61,963	-77.9%
Cash, ending balance	**30,695**	**30,475**	**0.7%**

Balance sheet (Water Utility)

GEL '000, unless otherwise noted	**Jun-19**	**Dec-18**	**Change**
Inventories	4,010	3,913	2.5%
Trade and other receivables	23,436	19,657	19.2%
Prepaid taxes other than income tax	565	1,465	-61.4%
Prepayments	2,350	1,647	42.7%
Other current assets	565	436	29.6%
Cash and cash equivalents	30,695	13,713	NMF
Total current assets	**61,621**	**40,831**	**50.9%**
Property, plant and equipment	614,714	586,207	4.9%
Investment Property	11,032	9,865	11.8%
Intangible assets	1,741	1,299	34.0%
Other non-current assets	1,334	1,065	25.3%
Total non-current assets	**628,821**	**598,436**	**5.1%**
Total assets	**690,442**	**639,267**	**8.0%**
Current borrowings	28,411	20,170	40.9%
Trade and other payables	36,439	24,310	49.9%
Other current liabilities	1,374	1,353	1.6%
Total current liabilities	**66,224**	**45,833**	**44.5%**
Long term borrowings	323,114	300,076	7.7%
Deferred income	26,198	22,872	14.5%
Total non-current liabilities	**349,334**	**322,948**	**8.2%**
Total liabilities	**415,558**	**368,781**	**12.7%**
Total equity	**274,884**	**270,486**	**1.6%**
Total liabilities and equity	**690,442**	**639,267**	**8.0%**

Private portfolio companies – IFRS Accounts (cont'd)

Income statement (Housing Development)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Gross profit from apartments sale	1,998	9,993	-80.0%
Gross profit from construction management	2,459	1,080	NMF
Other income	289	110	NMF
Gross Real Estate Profit	**4,746**	**11,183**	**-57.6%**
Revaluation of commercial property	-	2,311	NMF
Operating expenses	**(6,847)**	**(4,742)**	**44.4%**
EBITDA	**(2,101)**	**8,752**	**NMF**
Net operating income before non-recurring items	**(7,472)**	**4,831**	**NMF**
Net non-recurring items	-	(4,443)	NMF
Income tax expense	(376)	**-**	NMF
Profit	**(7,848)**	**388**	**NMF**

Statement of cash flow (Housing Development)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Proceeds from sales of apartments	14,902	37,138	-59.9%
Outflows for development	(15,213)	(45,293)	-66.4%
Net proceeds from construction services	4,074	(2,619)	NMF
Cash paid for operating expenses	(13,385)	(7,349)	82.1%
Income tax paid	(7,080)	-	NMF
Net cash flows from operating activities	**(16,703)**	**(18,124)**	**-7.8%**
Capital expenditure on investment property and PPE	(2,980)	(7,136)	-58.2%
Loans issued	(1,289)	(25)	NMF
Net cash flows used in investing activities	**(4,269)**	**(7,161)**	**-40.4%**
Net Intersegment loans received	19,526	28,925	-32.5%
Contributions under share-based payment plan	(988)	(1,281)	-22.9%
Proceeds from borrowings	-	41,614	NMF
Repayment of borrowings	-	(42,464)	NMF
Interest paid	(3,550)	(4,554)	-22.0%
Net cash flows from financing activities	**14,988**	**22,240**	**-32.6%**
Exchange (losses)/gains on cash equivalents	(726)	(3,171)	-77.1%
Total cash outflow	**(6,710)**	**(6,215)**	**7.9%**
Cash, beginning balance	**10,467**	**20,059**	**-47.8%**
Cash, ending balance	**3,757**	**13,844**	**-72.9%**

Balance sheet (Housing Development)

GEL '000, unless otherwise noted	**Jun-19**	**Dec-18**	**change**
Cash and cash equivalents	3,335	8,833	-62.2%
Amounts due from credit institutions	422	1,634	-74.2%
Investment securities	1,305	512	NMF
Accounts receivable and other loans	13,114	6,063	NMF
Prepayments	34,480	33,976	1.5%
Inventories	93,730	102,923	-8.9%
Investment property	38,346	52,603	-27.1%
Land bank	9,359	8,722	7.3%
Commercial real estate	28,987	43,881	-33.9%
Property and equipment	11,027	8,232	34.0%
Other assets	32,657	33,833	-3.5%
Total assets	**228,416**	**248,609**	**-8.1%**
Amounts due to credit institutions	50,647	46,069	9.9%
Debt securities issued	72,797	67,697	7.5%
Deferred income	21,249	23,295	-8.8%
Other liabilities	49,109	46,175	6.4%
Total liabilities	**193,802**	**183,236**	**5.8%**
Total equity	**34,614**	**65,373**	**-47.1%**
Total liabilities and equity	**228,416**	**248,609**	**-8.1%**

Private portfolio companies – IFRS Accounts (cont'd)

Income Statement (P&C Insurance)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Gross premiums written	52,739	45,885	14.9%
Earned premiums, gross	46,512	42,551	9.3%
Earned premiums, net	36,288	31,451	15.4%
Insurance claims expenses, gross	(21,353)	(13,982)	52.7%
Insurance claims expenses, net	**(15,111)**	**(12,503)**	**20.9%**
Acquisition costs, net	**(5,736)**	**(3,807)**	**50.7%**
Net underwriting profit	**15,440**	**15,141**	**2.0%**
Investment income	2,282	1,725	32.3%
Net fee and commission income	57	290	-80.3%
Net investment profit	**2,339**	**2,015**	**16.1%**
Salaries and employee benefits	(5,391)	(4,618)	16.7%
Selling, general and administrative expenses	(1,965)	(1,836)	7.0%
Depreciation & Amortisation	(994)	(475)	NMF
Impairment charges	(289)	(658)	-56.1%
Net other operating income	377	432	-12.7%
Operating profit	**9,518**	**10,001**	**-4.8%**
Foreign exchange loss	339	(346)	NMF
Interest expense	(70)	-	NMF
Non-recurring costs	-	(628)	NMF
Pre-tax profit	**9,787**	**9,027**	**8.4%**
Income tax expense	(1,479)	(1,349)	9.6%
Net profit	**8,308**	**7,678**	**8.2%**

Statement of cash flow (P&C Insurance)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Insurance premium received	39,225	38,128	-2.1%
Reinsurance premium paid	(4,044)	(7,327)	-44.8%
Insurance benefits and claims paid	(13,682)	(17,279)	-20.8%
Reinsurance claims received	5,096	7,351	-30.7%
Acquisition costs paid	(4,355)	(3,089)	41.0%
Salaries and benefits paid	(6,775)	(7,328)	-7.5%
Interest received	1,888	1,373	37.5%
Net other operating expenses paid	(1,342)	(1,617)	-17.0%
Net cash flows from operating activities before income tax	**16,011**	**10,212**	**56.8%**
Income tax paid	(1,343)	(706)	90.2%
Net cash flows from operating activities	**14,667**	**9,506**	**54.3%**
Purchase of property and equipment	(637)	(605)	5.3%
Purchase of intangible assets	(838)	(863)	-2.9%
Loan Issued	(19,902)	-	NMF
Proceeds from repayment of issued loans	21,166	3	NMF
Proceeds from / (Placement of) bank deposits	(9,512)	872	NMF
Purchase of available-for-sale assets/ Deposits	(1,784)	(237)	NMF
Net cash flows from used in investing activities	**(11,507)**	**(830)**	**NMF**
Dividend Paid	(8,000)	(10,000)	-20.0%
Purchase of treasury shares	(927)	-	NMF
Repayment of lease liability	(915)	-	NMF
Interest paid on lease liabilities	(39)	-	NMF
Net cash flows from financing activities	**(9,881)**	**(10,000)**	**-1.2%**
Effect of exchange rates changes on cash and cash equivalents	(14)	(121)	-88.4%
Total cash outflow	**(6,735)**	**(1,445)**	**NMF**
Cash and cash equivalents, beginning	**11,103**	**4,185**	**NMF**
Cash and cash equivalents, ending	**4,368**	**2,740**	**59.4%**

Balance sheet (P&C Insurance)

GEL '000, unless otherwise noted	**Jun-19**	**Dec-18**	**change**
Cash and cash equivalents	4,365	11,104	-60.7%
Amounts due from credit institutions	33,644	23,456	43.4%
Investment securities	7,225	4,408	63.9%
Insurance premiums receivable, net	42,821	31,442	36.2%
Ceded share of technical provisions	25,083	16,928	48.2%
PPE and intangible assets, net	13,147	9,594	37.0%
Goodwill	13,062	13,062	0.0%
Deferred acquisition costs	3,572	3,324	7.5%
Pension fund assets	6,334	18,931	-66.5%
Other assets	12,436	13,462	-7.6%
Total assets	**161,689**	**145,710**	**11.0%**
Gross technical provisions	59,450	45,663	30.2%
Other insurance liabilities	27,103	16,101	68.3%
Current income tax liabilities	720	588	22.5%
Pension benefit obligations	6,335	18,932	-66.5%
Other Liabilities	12,117	8,287	46.2%
Total liabilities	**105,724**	**89,572**	**18.0%**
Total equity	**55,965**	**56,138**	**-0.3%**
Total liabilities and equity	**161,689**	**145,710**	**11.0%**

Private portfolio companies – IFRS Accounts (cont'd)

Income statement (Renewable Energy)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Total Revenue	**2,395**	**-**	**NMF**
Salaries and benefits	(219)	(134)	63.4%
Electricity and transmission costs	(20)	-	NMF
Other operating expenses	(671)	(269)	NMF
Total Operating Expenses	**(910)**	**(403)**	**NMF**
EBITDA	**1,485**	**(404)**	**NMF**
EBIT	**587**	**(564)**	**NMF**
Net interest expense	(1,498)	46	NMF
Non-recurring expenses	(151)	338	NMF
Foreign exchange (losses) gains	16	(236)	NMF
Profit before income tax	**(1,046)**	**(416)**	**NMF**
Net Profit	**(1,046)**	**(416)**	**NMF**
Attributable to:			
– shareholders of the Group	(680)	(270)	NMF
– non-controlling interests	(366)	(146)	NMF

Statement of cash flow (Renewable Energy)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Cash received from customers	639	-	NMF
Cash paid to suppliers	(349)	(171)	NMF
Cash paid to employees	(237)	(244)	-2.9%
Interest received	111	46	NMF
Taxes paid	(753)	-	NMF
Cash flow from operating activities	**(589)**	**(369)**	**59.3%**
Purchase of PPE and intangible assets	(21,754)	(20,565)	5.8%
VAT return	3,210	963	NMF
Restricted cash in Bank	(577)	-	NMF
Total cash flow used in investing activities	**(19,121)**	**(19,602)**	**-2.5%**
Proceeds from borrowings	28,176	18,276	54.2%
Capital increase	2,415	5,441	-55.6%
Total cash flow used in financing activities	**30,591**	**23,717**	**29.0%**
Exchange (losses)/gains on cash equivalents	1,623	(693)	NMF
Total cash inflow	**12,504**	**3,053**	**NMF**
Cash, beginning balance	8,388	8,298	1.1%
Cash, ending balance	**20,892**	**11,351**	**84.1%**

Balance sheet (Renewable Energy)

GEL '000, unless otherwise noted	**Jun-19**	**Dec-18**	**Change**
Total current assets	**27,007**	**11,895**	**NMF**
Property, plant and equipment	141,708	114,645	23.6%
Other non-current assets	44,398	42,764	3.8%
Total non-current assets	**186,106**	**157,409**	**18.2%**
Total assets	**213,113**	**169,304**	**25.9%**
Total current liabilities	**7,573**	**6,658**	**13.7%**
Long term borrowings	101,803	66,458	53.2%
Other non-current liabilities	1,753	2,029	-13.6%
Total non-current liabilities	**103,556**	**68,487**	**51.2%**
Total liabilities	**111,129**	**75,145**	**47.9%**
Total equity attributable to GCAP	**66,290**	**61,203**	**8.3%**
Non-controlling interest	35,694	32,956	8.3%
Total equity	**101,984**	**94,159**	**8.3%**
Total liabilities and equity	**213,113**	**169,304**	**25.9%**

Private portfolio companies – IFRS Accounts (cont'd)

Income statement (Hospitality & Commercial Real Estate)

GEL '000, unless otherwise noted	1H19	1H18	Change
Gross profit from operating leases	**2,791**	**1,901**	**46.8%**
Gross profit from hospitality services	**697**	**457**	**52.5%**
Other income	-	50	NMF
Gross Real Estate Profit	**3,488**	**2,408**	**44.9%**
Revaluation on commercial property	7,892	-	NMF
Operating expenses	**(1,860)**	**(557)**	**NMF**
NOI	**9,521**	**1,851**	**NMF**
Net interest expense	(3,440)	(949)	NMF
Net operating income before non-recurring items	**5,880**	**777**	**NMF**
Net non-recurring items	-	(1,187)	NMF
Profit before income tax	**5,880**	**(410)**	**NMF**
Profit	**5,880**	**(410)**	**NMF**

Statement of cash flow (Hospitality & Commercial Real Estate)

GEL '000, unless otherwise noted	1H19	1H18	Change
Net proceeds from rent generating assets	1,925	2,124	-9.4%
Net proceeds from hospitality services	822	539	52.5%
Other operating expenses paid	(2,423)	(1,056)	NMF
Net cash flows from operating activities	**324**	**1,607**	**-79.8%**
Acquisition of investment property	(10,574)	(36,760)	-71.2%
Capital expenditure on investment property	(18,741)	(14,197)	32.0%
VAT return	(9,787)	-	NMF
Loans issued	(58)	(715)	-91.9%
Acquisition of subsidiaries	(13,874)	-	NMF
Net cash flows used in investing activities	**(53,034)**	**(51,672)**	**2.6%**
Proceeds from preferred stock issued	6,833	-	NMF
Proceeds from debt securities issued	59,964	-	NMF
Contributions under share-based payment plan	(172)	(81)	NMF
Proceeds from borrowings	67,941	91,031	-25.4%
Repayment of borrowings	(75,681)	(17,191)	NMF
Net intragroup loans (repaid) / received	(19,526)	(27,465)	-28.9%
Interest paid	(7,792)	(1,625)	NMF
Net cash flows from financing activities	**31,567**	**44,669**	**-29.3%**
Effect of exchange rate changes on cash and cash equivalents	(126)	(200)	-37.0%
Total cash inflow/(outflow)	**(21,269)**	**(5,596)**	**NMF**
Cash, beginning balance	**28,616**	**14,806**	**93.3%**
Cash, ending balance	**7,347**	**9,210**	**-20.2%**

Balance sheet (Hospitality & Commercial Real Estate)

GEL '000, unless otherwise noted	Jun-19	Dec-18	change
Cash and cash equivalents*	7,347	28,614	-74.3%
Prepayments	29,903	15,713	90.3%
Investment property	294,758	225,343	30.8%
Land bank	55,606	37,459	48.4%
Commercial real estate	239,152	187,884	27.3%
Property and equipment	401	172	NMF
Other assets	42,230	24,991	69.0%
Total assets	**374,639**	**294,833**	**27.1%**
Borrowings	102,203	104,557	-2.3%
Debt securities issued	86,257	19,609	NMF
Other liabilities	1,980	10,829	-81.7%
Total liabilities	**190,440**	**134,995**	**41.1%**
Total equity attributable to shareholders of the Group	**184,199**	**149,077**	**23.6%**
Non-controlling interest	-	10,761	NMF
Total equity	**184,199**	**159,838**	**15.2%**
Total liabilities and equity	**374,639**	**294,833**	**27.1%**

**Includes amounts due from CI*

Private portfolio companies – IFRS Accounts (cont'd)

Income statement (Beverages)			
GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Wine Business	17,967	10,757	67.0%
Beer Business	20,425	13,251	54.1%
Distribution Business	7,834	6,458	21.3%
Revenue	**46,226**	**30,466**	**51.7%**
Wine Business	(9,306)	(5,361)	73.6%
Beer Business	(14,223)	(8,803)	61.6%
Distribution Business	(6,033)	(5,045)	19.6%
COGS	**(29,562)**	**(19,209)**	**53.9%**
Gross Profit	**16,664**	**11,257**	**48.0%**
Gross Profit Margin	***36.0%***	***36.9%***	
Salaries and other employee benefits	(9,907)	(6,352)	56.0%
Sales and marketing expenses	(2,697)	(3,794)	-28.9%
General and administrative expenses	(4,205)	(3,557)	18.2%
Distribution expenses	(3,112)	(2,012)	54.7%
Other operating expenses	(1,474)	(1,630)	-9.6%
EBITDA	**(4,731)**	**(6,088)**	**-22.3%**
wine EBITDA	*3,046*	*1,627*	*87.2%*
beer EBITDA	*(6,464)*	*(7,584)*	*-14.8%*
distribution EBITDA	*(985)*	*276*	*NMF*
Net foreign currency (loss)/gain	(6,525)	4,501	NMF
Depreciation and amortization	(7,232)	(5,245)	37.9%
Net interest income/expense	(6,271)	(2,939)	NMF
Net non-recurring items	-	(196)	NMF
(Loss) profit before income tax	**(24,759)**	**(9,967)**	**NMF**
(Loss) Profit	**(24,759)**	**(9,967)**	**NMF**

Balance sheet (Wine)			
GEL '000, unless otherwise noted	**Jun-19**	**Dec-18**	**change**
Cash and cash equivalents	5,845	8,380	-30.3%
Amounts due from financial institutions	975	930	4.8%
Accounts Receivable	12,998	12,409	4.7%
Prepayments & Other Assets	1,594	985	61.8%
Inventory	17,934	18,979	-5.5%
Intangible Assets, Net	291	333	-12.6%
Goodwill	3,136	3,136	0.0%
Property and Equipment, Net	34,702	32,233	7.7%
Total Assets	**77,475**	**77,385**	**0.1%**
Accounts Payable	4,687	5,894	-20.5%
Borrowings	31,745	49,857	-36.3%
Other Current Liabilities	2,491	3,658	-31.9%
Total Liabilities	**38,923**	**59,409**	**-34.5%**
Total equity	**38,552**	**17,976**	**NMF**
TOTAL LIABILITIES AND EQUITY	**77,475**	**77,385**	**0.1%**

Balance sheet (Beer)			
GEL '000, unless otherwise noted	**Jun-19**	**Dec-18**	**change**
Cash and cash equivalents	3,055	1,249	NMF
Amounts due from financial institutions	-	8	NMF
Accounts Receivable	8,693	2,156	NMF
Prepayments & Other Assets	5,976	4,998	19.6%
Inventory	9,817	6,618	48.3%
Intangible Assets, Net	8,696	631	NMF
Goodwill	2,226	2,226	0.0%
Property and Equipment, Net	99,589	98,267	1.3%
Total Assets	**138,052**	**116,153**	**18.9%**
Accounts Payable	15,160	9,530	59.1%
Borrowings	92,302	68,096	35.5%
Other Current Liabilities	4,850	2,310	NMF
Total Liabilities	**112,312**	**79,936**	**40.5%**
Total equity	**25,740**	**36,217**	**-28.9%**
TOTAL LIABILITIES AND EQUITY	**138,052**	**116,153**	**18.9%**

Private portfolio companies – IFRS Accounts (cont'd)

Statement of cash flow (Wine)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Cash received from customers	19,921	11,697	70.3%
Cash paid to suppliers	(8,505)	(4,451)	91.1%
Cash paid to employees	(2,608)	(1,121)	NMF
Cash paid for operating expenses	(4,770)	(3,071)	55.3%
Taxes paid	(2,242)	(1,493)	50.2%
Net cash flows from operating activities	**1,797**	**1,564**	**14.9%**
Investments in Subsidiaries	-	(16,604)	NMF
Purchase of Property, Plant & Equipment	(3,844)	(98)	NMF
Cash inflow from restricted cash account	-	1,872	NMF
Net cash flows from used in investing activities	**(3,844)**	**(14,830)**	**-74.1%**
Proceeds from borrowings	18,545	18,918	-2.0%
Repayments of borrowings	(18,115)	(4,547)	NMF
Interest paid	(1,527)	(882)	73.1%
Capital increase	226	432	-47.7%
Net cash flows from financing activities	**(871)**	**13,921**	**NMF**
Effect of exchange rates changes on cash and cash equivalents	380	(485)	NMF
Total cash inflow/(outflow)	**(2,538)**	**170**	**NMF**
Cash and cash equivalents, beginning	**8,380**	**3,485**	**NMF**
Cash and cash equivalents, ending	**5,842**	**3,655**	**59.8%**

Statement of cash flow (Beer)

GEL '000, unless otherwise noted	**1H19**	**1H18**	**Change**
Proceeds from sales	21,802	18,189	19.9%
Cash outflows for inventory	(11,775)	(8,302)	41.8%
Transportation Cost	(982)	(807)	21.7%
Sales and Marketing Expenses	(4,432)	(3,556)	24.6%
Operating Expenses	(13,396)	(12,847)	4.3%
Net cash flows from operating activities	**(8,783)**	**(7,323)**	**19.9%**
Cash outflows for purchase of Property, plant and equipment	(15,810)	(3,850)	NMF
Net cash flows used in investing activities	**(15,810)**	**(3,850)**	**NMF**
Proceeds from borrowings	88,719	1,200	NMF
Repayment of borrowings	(68,658)	(16)	NMF
Interest paid	(3,522)	(1,035)	NMF
Issue of share capital	10,143	1,358	NMF
Net cash flows from financing activities	**26,682**	**1,507**	**NMF**
Effect of exchange rate difference from cash and cash equivalents	(278)	(883)	-68.5%
Total cash inflow/(outflow)	**1,811**	**(10,549)**	**NMF**
Cash and cash equivalents at beginning of period	**1,244**	**13,002**	**-90.4%**
Cash and cash equivalents at end of period	**3,055**	**2,453**	**24.5%**

Appendices

Management income statement preparation methodology

The management P&L is an aggregation of GCAP's stand-alone P&L and fair value change of portfolio companies during the reporting period.

- The top part of the income statement **(GCAP Net Operating Income)** represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on paid or declared annual dividend proceeds from portfolio companies during the reporting period, b) interest income on liquid funds and loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued) and d) expenses incurred at GCAP level. These amounts are derived from IFRS consolidated financial statements, note 6 on segment reporting under segment name of Corporate Center.
- Fair value change of portfolio companies **(Total Investment Return)** represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV statement. Holdings in listed and private portfolio companies are valued for the purposes of NAV as follows: i) listed portfolio companies are carried at the period-end market values based on closing share prices on respective reputable stock exchanges and ii) private businesses are carried at management's estimated fair values based on valuation technique believed to be most appropriate to the investment. A detailed valuation methodology is described in the Group's Annual report and accounts 2018 on pages 82-90. We view fair value changes of portfolio companies as a metric to measure the total investment return of Georgia Capital's holdings, which itself reflects value creation for a shareholder.
- Following the aggregation of *GCAP Net Operating Income* and *Total Investment Return*, we arrive at management *income before foreign exchange movements* for the period.
- Below the *income before foreign exchange movements* line, to arrive at management net income, we present GCAP gains or losses from foreign exchange movements.

In line with the change to disclose private businesses at fair value instead of book value in the NAV statement from FY18 results announcement, Georgia Capital is presenting the performance of each portfolio company in its management income statement on fair value basis starting from 1H19. Comparative period has not been presented, as management believes that 1H18 is not directly comparable and its presentation is not useful for users.

Appendices (cont'd)

Glossary

1. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
2. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole
3. **NMF** – Not meaningful
4. **NAV** – Net Asset Value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
5. **LTM** – last twelve months
6. **MTD** – Month to date
7. **NTM** – next twelve months
8. **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortization; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group's operational performance and the profitability of its operations. The Group considers EBITDA to be an important indicator of its representative recurring operations.
9. **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds
10. **IRR** - for portfolio companies is calculated based on a) historical contributions to the portfolio company less b) dividends received and c) market / fair value of the portfolio company at 30 June 2019.
11. **MOIC** – Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date ii) the denominator is the gross investment amount.
12. **Realised MOIC** – Realised Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs ii) the denominator is the gross investment amount.
13. **Loss ratio** equals net insurance claims expense divided by net earned premiums
14. **Expense ratio** in P&C Insurance equals sum of acquisition costs and operating expenses divided by net earned premiums
15. **Combined ratio** equals sum of the loss ratio and the expense ratio
16. **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders of the business for the same period for BoG and P&C Insurance;
17. **Net investment** - gross investments less capital returns (dividends and sell-downs)
18. **EV** – enterprise value
19. **NOI** – net operating income
20. **Liquid assets & loans issued** include cash, marketable debt securities and issued short-term loans
21. **RevPAR –** Revenue per available room
22. **Total return / value creation** - total return / value creation of each portfolio investment is calculated as follows: we aggregate a) change in beginning and ending fair values, b) gains from realized sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total value creation / investment return.

Principal risks and uncertainties

Understanding our risks

In the Group's 2018 Annual Report and Accounts we disclosed the principal risks and uncertainties and their potential impact, as well as the trends and outlook associated with these risks and the actions we take to mitigate these risks. We have updated this disclosure to reflect recent developments and this is set out in full below. If any of the following risks were to occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. The order in which the principal risks and uncertainties appear does not denote their order of priority. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

REGIONAL INSTABILITY	
PRINCIPAL RISK / UNCERTAINTY	The Georgian economy and our business may be adversely affected by regional tensions. Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories, Abkhazia and the Tskhinvali Region/South Ossetia. Countries within the region, including Azerbaijan, Armenia, Russia and Turkey are key trading partners of Georgia. There has been ongoing geopolitical tension, political instability, economic instability and military conflict in the region, which may have an adverse effect on our business and financial position. The continuation or escalation of political instability, geopolitical conflict, economic decline of Georgia's trading partners and any future deterioration of Georgia's relationship with Russia, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia, which in turn may have an adverse effect on our business including putting adverse pressure on our business model, our revenues and our financial position.
KEY DRIVERS / TRENDS	Russia imposed economic sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed Georgian borders and recognised the independence of Abkhazia and the Tskhinvali/South Ossetia regions. Russian troops continue to occupy the regions and tensions between Russia and Georgia persist. The introduction of a preferential trade regime between Georgia and the EU in 2016 and the European Parliament's approval of a proposal on visa liberalisation for Georgia in 2017 can potentially intensify tensions between the countries. Russia banned direct flights on July 8, 2019 and recommended to stop selling holiday packages to Georgia. The decision was made in response to anti-Putin protests in Tbilisi, which started after a member of the Russian parliament addressed the Georgian parliament in Russian from the speaker's chair. Protests continue and the risk of further economic sanctions have increased. The ongoing conflict between Russia and Ukraine, and Russia's and Turkey's worsening relations with the US, also increase uncertainties in the region. There is an ongoing conflict between Azerbaijan and Armenia which impacts the region.
MITIGATION	The Group actively monitors significant developments in the region and risks related to political instability and the Georgian government's response thereto. It also develops responsive strategies and action plans of its own. The Georgian export market shifted significantly away from the Russian market after Russia's 2006 embargo, and the Group participated in that shift.

	The government's ongoing action plan to further diversify tourism revenues will serve well to reduce exposure on Russia - and again the Group is playing a role in this. While financial market turbulences and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes, including FTAs with both the EU and China, support the country to enhance resilience to regional external shocks.
REGULATORY RISK	
PRINCIPAL RISK / UNCERTAINTY	The Group operates across a wide range of industries: healthcare services, pharmacy and distribution, property and casualty insurance, real estate, water utility and electric power generation, hydro power, wine and beverages, education, auto service and digital services. Many of these industries are highly regulated. The regulatory environment continues to evolve and we cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on our operations.
KEY DRIVERS / TRENDS	Each of our businesses is subject to different regulators and regulation. Legislation in certain industries, such as healthcare, energy, insurance and utilities is continuously evolving. Different changes, including but not limited to, Governmental funding, licensing and accreditation requirements and tariff structures may adversely affect our businesses.
MITIGATION	Continued investment in our people and processes is enabling us to meet our current regulatory requirements and means that we are well placed to respond to any future changes in regulation. Further, our investment portfolio is well diversified, limiting exposure to particular industry specific regulatory risks. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage where possible in constructive dialogue with regulatory bodies and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfill our compliance obligations. Our compliance framework, at all levels, is subject to regular review by Internal Audit and external assurance providers.
INVESTMENT RISK	
PRINCIPAL RISK / UNCERTAINTY	The Group may be adversely affected by risks in respect of specific investment decisions.
KEY DRIVERS / TRENDS	An inappropriate investment decision might lead to poor performance. Investment risks include inadequate research and due diligence of new acquisitions and bad timing of the execution of both acquisition and divestment decisions.
MITIGATION	The Group manages investment risk with established procedures for thorough evaluation of target acquisitions. Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Target entry and exit event prices are monitored and updated regularly, in relation to market conditions and strategic aims. The Group performs due diligence on each target acquisition including financial and legal matters. Subject to an evaluation of the due diligence results an acceptable price and funding structure is determined and, the pricing, funding and future integration plan is presented to the Investment Committee (consisting of the full Board) for approval. The Committee reviews and approves or rejects proposals for development, acquisition and sale of investments and decides on all major new business initiatives, especially those requiring a significant capital allocation.
LIQUIDITY	

PRINCIPAL RISK / UNCERTAINTY	Risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of demand from the market or from not holding cash or being able to raise debt.
KEY DRIVERS / TRENDS	The Group predominantly invests in private portfolio businesses, potentially making the investments difficult to realise at any one point in time. There is a risk that the Group will not be able to meet its financial obligations and liabilities on time due to lack of cash or liquid assets. The risk involves the inability to generate sufficient cash and cash equivalents to meet all payment obligations; this may be caused by numerous factors, such as inability to refinance its long-term liabilities, or excessive investments in long-term assets and a resulting mismatch in the availability of funding to meet liabilities or failure to comply with the creditor covenants causing Event of Default or Default.
MITIGATION	Liquidity Management process is a regular process, where the framework is approved by the Board, monitored by senior management and the Chief Financial Officer. The framework models the ability of the Group to fund under both normal conditions (Base Case) and during stressed situations. This approach is designed to ensure that the funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The finance department is actively involved in the liquidity management on a weekly basis and monitors, on a daily basis, the liquidity measures that are analysed by senior management at least once a month. Such monitoring involves review of the composition of the cash buffer, potential cash outflows and management's readiness to meet such commitments. It also serves as a tool to revisit the portfolio composition and take necessary measures, if required. JSC Georgia Capital successfully issued holding company US$300 million bonds in March 2018. The debt is actively managed so that Georgia Capital maintains a maximum loan to value (LTV) ratio of 30%. The Group has adopted the following measures to manage its standalone credit profile: • the Group depends on its ability to realise its listed securities on the public markets, which are highly liquid. To limit this risk, the Group has adopted a policy to maintain a cash buffer of at least US$50 million in highly-liquid assets in order to always have sufficient capacity for potential downside scenarios as well as for potential acquisition opportunities. Additionally, the Group will maintain at least US$50 million in marketable securities which can be converted into cash within three to four weeks (this would include BOG and GHG shares); • the cash expense coverage ratio (defined as the sum of annual cash inflows from dividends and interest income from on-lent loans divided by sum of annual cash outflows in bond interest payments and cash operating expenses) should be in excess of 1.25 at all times; • the ratio of extra cash (defined as cash in excess of liquid assets of US$50 million) divided by expected cash outflows over the next 180 days should be in excess of 1.0 at all times; and • the Net Debt to Asset Portfolio should be no more than 30% at all times, where ''Net Debt'' is defined as borrowings plus guarantees issued and commitments from financial institutions minus liquid assets and ''Asset Portfolio'' is defined as the sum of fair values of portfolio company investments and loans issued.
PORTFOLIO COMPANY STRATEGIC AND EXECUTION RISKS	
PRINCIPAL RISK / UNCERTAINTY	Market conditions may adversely impact our strategy and all our businesses have their own risks specific to their industry. Our businesses have growth and

	expansion strategies and we face execution risk in implementing these strategies. The Group will normally seek to monetise its investments, including through initial public offering, strategic sale or other appropriate exit, typically within five to ten years of acquisition and we face market and execution risk in connection with exits.
KEY DRIVERS / TRENDS	Each of our private portfolio investments (Water Utility; Renewable Energy; Housing Development; Hospitality and Commercial Real Estate; Property & Casualty Insurance; Beverages; Education; Auto Service; Digital Services;) and our public portfolio investments (Georgia Healthcare Group and Bank of Georgia) face their own risks. These include risks inherent to their industry, or to their industry particularly in Georgia, and each face significant competition. They also face the principal risks and uncertainties referred to in this table. Macroeconomic conditions, the financial and economic environment and other market conditions in international capital markets may limit the Group's ability to achieve a partial or full exit from its existing or future businesses. It may not be possible or desirable to divest, including because suitable buyers cannot be found at the appropriate times or because of difficulties in obtaining favourable terms or prices or because the Group has failed to act at the appropriate time.
MITIGATION	For each business, we focus on building a strong management team and have successfully been able to do so thus far. Management succession planning is regularly on the agenda for the Nomination Committee which reports to the Board on this matter. The Board closely monitors the implementation of strategy, financial and operational performance, risk management and internal control framework and corporate governance of our businesses. We hold management accountable for meeting targets. For each industry in which we operate, we closely monitor industry trends, market conditions and the regulatory environment. We have also sought and continue to seek advice from professionals with global experience in relevant industries. The Group has a strong track record of growth and has accessed the capital markets on multiple occasions as part of the BGEO Group PLC prior to the demerger in May 2018. Our acquisition history has also been successful and we have been able to integrate businesses due to our strong management with integration experience.
CURRENCY AND MACROECONOMIC ENVIRONMENT	
PRINCIPAL RISK / UNCERTAINTY	Unfavourable dynamics of macroeconomic variables, including depreciation of the Lari against the US dollar may have a material impact on the Group's performance.
KEY DRIVERS / TRENDS	The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. Factors such as gross domestic product (GDP), inflation, interest and currency exchange rates, as well as unemployment, personal income, tourist numbers and the financial situation of companies, can have a material impact on customer demand for its products and services. The Lari floats freely against major currencies. Lari depreciation against the US dollar was 9.3% at the end of July as compared to 31 December 2018. The Lari depreciation was likely mainly driven by negative expectations caused by air travel ban, political tensions and protests. NBG intervened in the FX market in August and offered US$ 40 million on the FX auction, from which US$ 32.8

	million was sold. In addition, the Real Effective Exchange Rate is below to its long-term trend and Federal Reserve has started to ease monetary policy. These factors strengthen our expectation about the likelihood of currency appreciation in the medium term. On the macro level, the free floating exchange rate works well as a shock absorber, but on the micro level, the currency fluctuation has affected and may continue to adversely affect the Group's results. There is a risk that the Group incurs material losses or loses material amounts of revenue and, consequently, deteriorates its operating solvency in a specific currency or group of currencies due to the fluctuation of exchange rates. The risk is mainly caused by significant open foreign currency positions in the balance sheets. In April 2017, the IMF approved a new three-year US$285 million economic programme, aimed at preserving macroeconomic and financial stability and addressing structural weaknesses in the Georgian economy to support higher and more inclusive growth. Despite the regional turbulences and global slow down, Georgian economic growth remains robust, inflation is managed and resilience to external shocks improves. A shrinking trade deficit supported a 4.9% rise in GDP in the first five months of 2019, whilst average inflation was 3.6% in 1H19. One-off factors like increase in excise tax contributed by 1.4% in the annual inflation. The current account deficit narrowed significantly to 6.2% in 1Q19. Monetary policy stance is appropriate to the current macroeconomic environment. Official reserve assets reached a historically high level at US$3.7 billion in 1H19.
MITIGATION	The Group continually monitors market conditions, reviews market changes and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements. Currency risk management process is an integral part of the Group's activities; currency risk is managed through regular and frequent monitoring of the Group's currency positions and through timely and efficient elaboration of responsive actions and measures. Senior management reviews overall currency positions of the Group several times during the year and elaborates respective overall currency strategies; the Finance department monitors the daily currency position for stand-alone Georgia Capital, weekly currency positions on portfolio company level and manages short-term liquidity of the Group across different currencies. Control procedures involve regular monitoring and control of the currency gap and currency positions, running currency sensitivity tests and elaborating response actions/steps based on the results of the tests.

Statement of Directors’ Responsibilities

We, the Directors, confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related parties’ transactions and changes therein)

After making enquiries, the Directors considered it appropriate to adopt the going concern basis in preparing this Results Report.

The Directors of the Group are as follows:
Irakli Gilauri
Caroline Brown
Jyrki Talvitie
David Morrison
Kim Bradley
Massimo Gesua’ sive Salvadori

By order of the Board

Irakli Gilauri
Chairman & Chief Executive Officer

14 August 2019

Georgia Capital PLC and Subsidiaries Unaudited Interim Condensed Consolidated Financial Statements

CONTENTS

INTERIM REVIEW REPORT

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT REVIEW REPORT TO GEORGIA CAPITAL Plc (the "Company")

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2019, which comprises the Interim Consolidated Statement of Financial Position, the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Changes in Equity, the Interim Consolidated Statement of Cash Flows and related notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

14 August 2019

Notes:
1. The maintenance and integrity of the Georgia Capital PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(Thousands of Georgian Lari)

	Notes	As at *30 June 2019 (unaudited)*	*31 December 2018**
Assets			
Cash and cash equivalents	7	202,558	256,930
Amounts due from credit institutions	8	58,166	40,299
Debt securities owned	9	120,304	71,824
Equity investments at fair value	9	533,299	457,495
Accounts receivable		194,540	170,228
Insurance premiums receivable		87,593	57,801
Inventories		290,532	276,230
Investment properties	10	178,094	151,232
Prepayments		133,347	117,909
Income tax assets		1,503	2,405
Property and equipment	11	1,853,904	1,671,917
Goodwill		150,150	142,095
Intangible assets		67,703	51,634
Other assets		272,473	251,462
Total assets		**4,144,166**	**3,719,461**
Liabilities			
Accounts payable		170,968	143,114
Insurance contracts liabilities		99,405	68,207
Income tax liabilities		1,183	1,119
Deferred income		55,261	62,345
Lease liabilities		97,025	-
Borrowings	12	934,604	764,355
Debt securities issued	13	1,040,329	916,401
Other liabilities		241,563	235,771
Total liabilities		**2,640,338**	**2,191,312**
Equity	15		
Share capital		1,229	1,293
Additional paid-in capital		2,008	-
Treasury shares		(102)	(118)
Other reserves		432,200	415,164
Retained earnings		741,797	782,805
Total equity attributable to shareholders of Georgia Capital PLC		**1,177,132**	**1,199,144**
Non-controlling interests		326,696	329,005
Total equity		**1,503,828**	**1,528,149**
Total liabilities and equity		**4,144,166**	**3,719,461**

** Certain amounts do not correspond to the 2018 consolidated financial statement as they reflect the adjustments made for change in accounting policy as described in Note 3.*

The financial statements on page 43 to 80 were approved by the Board of Directors on 14 August 2019 and signed on its behalf by:

Irakli Gilauri Chief Executive Officer

14 August 2019

Georgia Capital PLC
Registered No. 10852406

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2019 (unaudited)	30 June 2018 (unaudited, represented)*
Revenue		672,372	616,395
Cost of sales		(415,287)	(386,676)
Gross profit	16	**257,085**	**229,719**
Salaries and other employee benefits		(81,446)	(63,264)
Administrative expenses		(53,659)	(47,572)
Other operating expenses		(4,819)	(4,286)
Expected credit loss on financial assets	17	(7,525)	(6,795)
Impairment charge on insurance premium receivables, other assets and provisions	17	(526)	(898)
		(147,975)	**(122,815)**
EBITDA		**109,110**	**106,904**
Share in profit of associates		317	-
Dividend income	9	24,951	-
Depreciation and amortization		(54,712)	(34,920)
Net foreign currency (loss) / gain		(53,621)	4,787
Net realised gains from investment securities measured at FVOCI		1,011	-
Interest income		14,908	10,703
Interest expense		(65,571)	(46,475)
Net operating (loss) /income before non-recurring items		**(23,607)**	**40,999**
Net non-recurring items	18	(3,383)	(36,829)
(Loss)/ Profit before income tax expense		**(26,990)**	**4,170**
Income tax expense		(2,212)	(1,467)
(Loss) / profit for the period		**(29,202)**	**2,703**
Total (loss) / profit attributable to:			
– shareholders of Georgia Capital PLC		(41,008)	(12,798)
– non-controlling interests		11,806	15,501
		(29,202)	**2,703**
Loss per share:	15		
– basic and diluted		(1.1597)	(0.3383)

** Certain amounts do not correspond to the 2018 interim consolidated financial statement as they reflect the adjustments made for change in accounting policy described in Note 3 and discontinued operations described in Note 5.*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited, represented)*
(Loss) profit for the period		**(29,202)**	**2,703**
Other comprehensive income / (loss)			
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:			
Income / (Loss) from currency translation differences		9,388	(11,692)
Changes in the fair value of debt instruments at FVOCI		939	(698)
Realised gain on financial assets measured at FVOCI reclassified to the consolidated income statement		1,011	-
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI		352	224
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods		**11,690**	**(12,166)**
Revaluation of property and equipment (Note 11)		3,492	-
Changes in fair value of equity instruments designated at FVOCI (note 15)		75,804	(111,931)
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**79,296**	**(111,931)**
Other comprehensive income / (loss) for the period, net of tax		**90,986**	**(124,097)**
Total comprehensive income / (loss) for the period		**61,784**	**(121,394)**
Total comprehensive income / (loss) attributable to:			
– shareholders of Georgia Capital PLC		47,589	(135,842)
– non-controlling interests		14,195	14,448
		61,784	**(121,394)**

** Certain amounts do not correspond to the 2018 interim consolidated financial statement as they reflect the adjustments made for change in accounting policy as described in Note 3 and discontinued operations described in Note 5.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Attributable to shareholders of Georgia Capital							
	Share capital	***Additional paid-in capital***	***Treasury Shares***	***Other reserves***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total Equity***
31 December 2017	**10,000**	**466,187**	**-**	**171,254**	**197,222**	**844,663**	**297,565**	**1,142,228**
Effect of adoption of IFRS 9	-	-	-	192	(10,808)	(10,616)	(3,216)	(13,832)
Effect of change in accounting policy (Note 3)*	-	-	-	(370)	(3,450)	(3,820)	-	(3,820)
1 January 2018	**10,000**	**466,187**	**-**	**171,076**	**182,964**	**830,227**	**294,349**	**1,124,576**
(Loss) Profit for the six months ended 30 June 2018 (unaudited, represented) (Note 5)*	-	-	-	-	(12,798)	(12,798)	15,501	2,703
Other comprehensive (loss) income for the six months ended 30 June 2018 (unaudited)	-	-	-	(123,092)	48	(123,044)	(1,053)	(124,097)
Total comprehensive loss for the six months ended 30 June 2018 (unaudited)	**-**	**-**	**-**	**(123,092)**	**(12,750)**	**(135,842)**	**14,448**	**(121,394)**
Issue of share capital (Note 15)	1,526	127,844	-	577,913	-	707,283	-	707,283
Increase in equity arising from share-based payments	-	23,443	-	-	-	23,443	2,860	26,303
Dilution of interests in subsidiaries	-	-	-	2,760	-	2,760	(2,758)	2
Increase in share capital of subsidiaries	-	-	-	-	-	-	1,871	1,871
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(3,778)	-	(3,778)	(11,209)	(14,987)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	(472)	(472)
Formation of new parent company (Note 15)	1,644,011	-	-	(1,644,011)	-	-	-	-
Capital Reduction and demerger transactions (Note 15)	(1,654,244)	(598,416)	-	1,644,011	608,444	(205)	-	(205)
Purchase of treasury shares	-	(19,058)	(81)	(65,327)	-	(84,466)	-	(84,466)
30 June 2018 (unaudited)	**1,293**	**-**	**(81)**	**559,552**	**778,658**	**1,339,422**	**299,089**	**1,638,511**

** Certain amounts do not correspond to the 2018 interim consolidated financial statement as they reflect the adjustments made for change in accounting policy described in Note 3 and discontinued operations described in Note 5.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

(Thousands of Georgian Lari)

	Attributable to shareholders of Georgia Capital							
	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total Equity*
31 December 2018	**1,293**	**-**	**(118)**	**415,473**	**785,167**	**1,201,815**	**329,005**	**1,530,820**
Effect of change in accounting policy*	-	-	-	(309)	(2,362)	(2,671)	-	(2,671)
1 January 2019	**1,293**	**-**	**(118)**	**415,164**	**782,805**	**1,199,144**	**329,005**	**1,528,149**
(Loss) Profit for the six months ended 30 June 2019 (unaudited)	-	-	-	-	(41,008)	(41,008)	11,806	(29,202)
Other comprehensive income for the six months ended 30 June 2019 (unaudited)	-	-	-	88,597	-	88,597	2,389	90,986
Total comprehensive income for the six months ended 30 June 2019 (unaudited)	**-**	**-**	**-**	**88,597**	**(41,008)**	**47,589**	**14,195**	**61,784**
Increase in equity arising from share-based payments	-	-	-	13,141	-	13,141	3,455	16,596
Dilution of interests in subsidiaries	-	-	-	5,008	-	5,008	(3,973)	1,035
Increase in share capital of subsidiaries	-	-	-	-	-	-	1,237	1,237
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(6,106)	-	(6,106)	(12,776)	(18,882)
Non-controlling interests arising on acquisition of subsidiary (Note 4)	-	-	-	-	-	-	3,046	3,046
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(7,493)	(7,493)
Cancellation of own shares (Note 15)	(64)	-	64	-	-	-	-	-
Purchase of treasury shares	-	2,008	(48)	(83,604)	-	(81,644)	-	(81,644)
30 June 2019 (unaudited)	**1,229**	**2,008**	**(102)**	**432,200**	**741,797**	**1,177,132**	**326,696**	**1,503,828**

** Certain amounts do not correspond to the 2018 consolidated financial statement as they reflect the adjustments made for change in accounting policy described in Note 3.*

***Acquisition of non-controlling interest in existing subsidiaries is mostly attributable to buy-out of 40% stake in Kass 1 LLC (subsidiary of Group's hospitality and commercial business engaged in a construction of a hotel in Tbilisi), for consideration of GEL 13,850. GEL 850 was paid in cash and GEL 13,000 was settled through bonds issued by the Commercial Real Estate Business.*

****During six months ended 30 June 2019 Georgia Healthcare Group PLC, Group's 57% owned subsidiary, announced dividend out of which GEL 2,873 was paid dividends to it minority shareholders. In addition, JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of 4,620 GEL.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

(Thousands of Georgian Lari)

	Notes	*30 June 2019 (unaudited)*	*30 June 2018 (unaudited, represented)**
Cash flows from operating activities			
Revenue received		629,688	567,175
Cost of goods sold paid		(403,547)	(398,317)
Net other (expense paid) / income received		5,738	793
Salaries and other employee benefits paid		(73,248)	(51,751)
General, administrative and operating expenses paid		(63,246)	(54,854)
Interest received		13,915	10,054
Net change in operating assets and liabilities		1,368	(227)
Net cash flows (used in) from operating activities before income tax		**110,668**	**72,873**
Income tax paid		(1,246)	(1,286)
Net Cash flow from operating activities		**109,422**	**71,587**
Cash flows used in investing activities			
Net placement of amounts due from credit institutions		(17,161)	(42,670)
Loans repaid		(2,388)	(129,414)
Acquisition of subsidiaries, net of cash acquired	4	(3,786)	(38,875)
Repayment of remaining holdback amounts from previous year acquisitions		(5,224)	-
Purchase of debt securities		(73,570)	(81,857)
Proceeds from sale and redemption of debt securities		34,967	-
Proceeds from sale of investment properties		-	2,456
Purchase and construction of investment properties		(1,093)	(18,935)
Proceeds from sale of property and equipment and intangible assets		724	800
Purchase of property and equipment		(136,982)	(193,387)
Purchase of intangible assets		(15,347)	(6,169)
Dividends received		24,951	-
Net cash flows used in investing activities		**(194,909)**	**(508,051)**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019
(Thousands of Georgian Lari)

	Notes	*30 June 2019 (unaudited)*	*30 June 2018 (unaudited, represented)**
Cash flows from financing activities			
Proceeds from borrowings		277,246	83,355
Repayment of borrowings		(140,453)	(353,869)
Proceeds from debt securities issued		57,625	717,560
Redemption and buyback of debt securities issued		(10,319)	(62,251)
Other purchases of treasury shares	15	(57,870)	(23,101)
Dividends paid		(4,950)	(6,270)
Interest paid		(73,091)	(54,840)
Contributions under share-based payment plan		(9,762)	(47,758)
Increase in share capital of subsidiaries		1,237	1,871
Purchase of additional interest in existing subsidiaries		(1,726)	-
Cash payments for principal portion of lease liability		(9,578)	-
Cash payments for interest portion of the lease liability		(3,012)	-
Net cash from financing activities		**25,347**	**254,697**
Effect of exchange rates changes on cash and cash equivalents		5,769	(9,339)
Effect of change in expected credit losses for cash and cash equivalents		(1)	(1)
Net (decrease) increase in cash and cash equivalents		**(54,372)**	**(191,107)**
Cash and cash equivalents, beginning of the period	7	**256,930**	**346,241**
Cash and cash equivalents of disposal group held for sale, beginning of the period	5	**-**	**48,840**
Cash and cash equivalents of disposal group held for sale, end of the period	5	**-**	**16,528**
Cash and cash equivalents, end of the period	7	**202,558**	**187,446**

* *Interim consolidated statement of cash flows for the six months ended 30 June 2018 has been re-presented to include the figures of Georgia Healthcare Group PLC, a subsidiary of the Group previously presented as disposal group held for sale and discontinued operation. For details, please refer to Note 5.*

(Thousands of Georgian Lari)

1. Principal Activities

Georgia Capital PLC ("Georgia Capital") is a public limited liability company incorporated in England and Wales with registered number 10852406. Georgia Capital PLC holds 100% of the share capital of the JSC Georgia Capital, which makes up a group of companies (the "Group"), focused on investing in and developing businesses in Georgia. Group principally operates in utility and renewable energy, property and casualty insurance, housing development, commercial and hospitality property construction and development, wine and beer production, auto service businesses through privately held subsidiaries and healthcare, pharmaceutical and medical insurance businesses through London Stock Exchange premium-listed Georgia Healthcare Group PLC. In addition to its operating subsidiaries, the Group has significant investments in London Stock Exchange premium-listed Bank of Georgia Group PLC. The shares of Georgia Capital are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities, effective 29 May 2018.

Georgia Capital's registered legal address is 84 Brook Street, London W1K 5EH, United Kingdom.

As at 30 June 2019 and 31 December 2018, the following shareholders owned more than 5% of the total outstanding shares* of Georgia Capital. Other shareholders individually owned less than 5% of the outstanding shares.

Shareholder	***As at* *30 June 2019* *(unaudited)***	***As at* *31 December 2018***
M&G Investment Management Ltd	8%	8%
Others	92%	92%
Total	**100%**	**100%**

For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares which includes shares held in the trust for share-based compensation purposes of the Group and treasury shares bought as part of buyback programme announced on 14 June 2018.

2. Basis of Preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting", as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct authority.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates in these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2018, signed and authorized for release on 3 April 2019.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts, which are presented in Georgian Lari, and unless otherwise noted.

The interim condensed consolidated financial statements are unaudited, reviewed by the auditors and their review conclusion is included in this report.

Going concern

The Board of Directors of Georgia Capital has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the interim condensed consolidated financial statements continue to be prepared on a going concern basis.

3. Summary of significant accounting policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019, change in accounting policy for capitalisation of borrowing costs and addition of two new segments in segment reporting. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/decrease) is as follows:

	30 June 2019
Property and equipment	84,254
Prepayment	(261)
Total Assets	**83,993**
Lease liabilities	83,993
Total Liabilities	**83,993**
Weighted average incremental borrowing rate	**6.74%**

The adoption had no impact on shareholder equity.

Impact on the income statement (increase/decrease) for the six months ended 30 June 2019:

	30 June 2019
Occupancy and rent (included in administrative expenses)	12,590
EBITDA	**12,590**
Depreciation and amortization	(10,861)
Interest expense	(3,012)
Net losses from foreign currencies	(4,751)
Net operating income before non-recurring items	**(18,624)**
Total (loss)/profit attributable to:	**(6,034)**
– shareholders	(2,669)
– non-controlling interests	(3,351)

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land, building, vehicles and other equipment. Before the adoption of IFRS 16, when a lease was determined to be economically similar to purchasing the underlying asset, the lease was classified as a finance lease and reported on a company's balance sheet. All other leases were classified as operating leases and not reported on a company's balance sheet (they were 'off balance sheet leases'). Off balance sheet leases were accounted for similarly to service contracts, with the company reporting a rental expense in the income statement. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets as described below. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

(b) Leases previously accounted for as operating leases

The group recognised a lease liability for leases previously classified as operating leases applying IAS 17 at January 1 2019. The lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. A right-of-use asset was recognised at the date of initial application for leases previously classified as an operating lease applying IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group also applied the available practical expedients wherein it:
• Used a single discount rate to a portfolio of leases with reasonably similar characteristics
• Relied on its assessment of whether leases are onerous immediately before the date of initial application
• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

(c) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are presented within property, plant and equipment.

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

Nature of the effect of adoption of IFRS 16 (continued)

(d) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(e) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its the lease of vehicles and equipment across the Group, but the exemption will not be applied to the lease of real estate. The Group will apply the low value lease exemption to its low value leases such as computers and furniture (assets with a value, when new, of US$5,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(f) Significant judgement in determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

IAS 23 Borrowing costs

Up until reporting period ended 31 December 2018, the Group's accounting policy was to capitalize borrowing costs to cost of inventory represented by residential apartments from the moment when such properties become ready for sale. In March 2019, IFRS Interpretations Committee adopted the final agenda decision in relation to recognition of borrowing costs in arrangements to sell properties (units in a building) where the property is transferred to customer over time under IFRS 15. According to the agenda decision, capitalization of borrowing costs to cost of sold or unsold units would not be appropriate under IAS 23. As the result of new interpretation arising from the IFRS Interpretations Committee decision, starting from interim reporting period ended 30 June 2019, the Group changed its existing accounting policy and ceased capitalization of borrowing costs to cost of inventory property represented by residential apartments.

The change in accounting policy has been applied retrospectively by restating each of the affected consolidated financial statement line items for the prior periods, as follows:

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

IAS 23 Borrowing costs (continued)

Consolidated statement of financial position as at 31 December 2018	***As previously reported***	***Change in accounting policy***	***As restated***
Inventory	278,615	(2,385)	276,230
Deferred revenue	62,059	286	62,345
Equity	1,201,815	(2,671)	1,199,144

Consolidated statement of financial position as at 1 January 2018	***As previously reported***	***Change in accounting policy***	***As restated***
Inventory	80,110	(3,397)	76,713
Deferred revenue	73,066	423	73,489
Equity	844,663	(3,820)	840,843

Interim consolidated income statement for the six months 30 June 2018	***As previously reported***	***Change in accounting policy***	***As restated***
Revenue	616,165	230	616,395
Cost of sales	(390,034)	3,358	(386,676)
Gross profit	**226,131**	**3,588**	**229,719**
EBITDA	**103,316**	**3,588**	**106,904**
Interest expense	(43,237)	(3,238)	(46,475)
Net profit	**2,353**	**350**	**2,703**
Loss per share, basic and diluted	(0.3476)	0.009	(0.3383)

Interim consolidated statement of other comprehensive income for the six months ended 30 June 2018	***As previously reported***	***Change in accounting policy***	***As restated***
Income from currency translation differences	(11,690)	(2)	(11,692)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(12,164)**	**(2)**	**(12,166)**
Other comprehensive income for the period, net of tax	**(124,095)**	**(2)**	**(124,097)**
Total comprehensive income for the period	**(121,742)**	**348**	**(121,394)**

3. Summary of Significant Accounting Policies (continued)

Accounting policies (continued)

The following amendments had no impact on the Group's condensed interim consolidated financial statements:

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28: Long-term interests in associates and joint ventures

Annual Improvements 2015-2017 Cycle

(Thousands of Georgian Lari)

4. Business Combinations

Acquisitions during the six months ended 30 June 2019

Acquisition of Redberry

On 7th of May 2019 the Group acquired 60% of the share capital in digital services company, Redberry LLC.

Provisionally estimated unaudited net assets of Redberry LLC at acquisition date comprised GEL 399. Consideration comprised of GEL 1,222. Simultaneously with the acquisition, the Group contributed additional GEL 7,568 to the acquiree to finance digital start-up development, without change in Group's ownership share.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	134
Accounts receivable[1]	290
Property and equipment	389
Intangible assets	39
Other assets	12
	864
Lease liability	447
Accounts payable	7
Other liabilities	11
	465
Total identifiable net assets	**399**
Non-controlling interests	3,187
Goodwill arising on business combination	4,010
Purchase consideration	**1,222**

The net cash outflow on acquisition was as follows:

	30 June 2019
Cash paid	(1,222)
Cash acquired with the subsidiary	134
Net cash outflow	**(1,088)**

The acquisition enables the Group to have a platform for investments in the digital business. Management considers that the purchases will have a positive impact on the value of the Group's businesses.

Since the acquisition, company has recorded total of GEL 446 and GEL 59 of revenue and profit, respectively. The acquisition would not have material effect on Group's profit if the combination had taken place at the beginning of the period.

The net assets presented above are estimated provisionally as at the acquisition date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'. The amount of tax-deductible goodwill is 4,010 GEL.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

[1] The fair value of the receivables amounted to GEL 290. The gross amount of receivables is GEL 290.

(Thousands of Georgian Lari)

4. Business Combination (continued)

Acquisitions during the six months ended 30 June 2019 (continued)

Acquisition of Amboli

In June 2019, Georgia Capital acquired an 80% equity interest in Amboli LLC, a car service provider.

Provisionally estimated unaudited net assets of Amboli LLC at acquisition date comprised negative GEL 708. Consideration comprised of GEL 3,434.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	102
Accounts receivable[1]	117
Inventories	1,436
Property and equipment	2,110
Intangible assets	91
Prepayments	640
	4,496
Borrowings	3,315
Accounts payable	721
Deferred income	-
Other liabilities	1,168
	5,204
Total identifiable net assets	**(708)**
Non-controlling interests	(141)
Goodwill arising on business combination	4,001
Purchase consideration [2]	**3,434**

The net cash outflow on acquisition was as follows:

	30 June 2019
Cash paid	(2,800)
Cash acquired with the subsidiary	102
Net cash outflow	**(2,698)**

The Group decided to increase its presence in the auto services markets by acquiring the company. Management considers that the purchases will have a positive impact on the value of the Group's businesses.

Since the acquisition, company has not recorded any revenue or profit. The acquisition would not have material effect on Group's profit if the combination had taken place at the beginning of the period.

The net assets presented above are estimated provisionally as at the acquisition date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'. The amount of tax-deductible goodwill is 4,001 GEL.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group's operations.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

[1] The fair value of the receivables amounted to GEL 219. The gross amount of receivables is GEL 117.
[2] Purchase consideration comprises of GEL 3,434, which consists of cash payment of GEL 2,800 and holdback amount with a fair value of GEL 634.

(Thousands of Georgian Lari)

5. Changes in Presentation and Restatements

At 30 June 2018, the expectation, in line with Georgia Capital's strategy, was that the Group would reduce its Georgia Healthcare Group ("GHG") stake to below 50% by the end of the year 2018. Consequently, in line with IFRS 5 requirements, Georgia Capital classified GHG as a disposal group held for sale/discontinued operations for the six months ended 30 June 2018 in its condensed consolidated financial statements. The Group classified GHG's results of operations under a "discontinued operations" line as a single amount in the interim consolidated income statement.

On 23 August 2018 Georgia Capital announced that it no longer expected to own less than 50% stake in GHG at the end of 2018. The Group concluded that the prevailing share price of GHG significantly undervalued its performance and it would not have been in the best interests of the Group's shareholders to reduce ownership interest in GHG to below 50% during 2018 and consequently, that Georgia Capital PLC shall continue to hold over 50% of GHG until such time as the Group considers it to be in the best interests of shareholders to do otherwise.

As the sell down of GHG shares to below 50% within one year from classification as held for sale is no longer probable (i.e. the Board withdrew the plan to sell at current share price), the investment in GHG stopped meeting the IFRS 5 criteria for classification on 23 August 2018, and therefore Georgia Capital ceased to classify GHG as a disposal group held for sale in 2018 annual consolidated financial statements.

IFRS 5 requires that financial statements for the periods since classification as held for sale shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary.

The results of operations and cash flows of GHG have been included in results from continuing operations for all periods presented. The comparative interim consolidated income statement and interim consolidated statement of cash flows for the six months ended 2018 have been re-presented accordingly.

Below are re-presented income statement line items of the Group attributable to GHG for the six months ended 30 June 2018:

	As previously reported	*Reclassification*	*Restatement ***	*As Reclassified*
Revenue	192,922	423,243	230	616,395
Cost of sales	(103,124)	(286,910)	3,358	(386,676)
Gross profit	**89,798**	**136,333**	**3,588**	**229,719**
Salaries and other employee benefits	(22,032)	(41,232)	-	(63,264)
Administrative expenses	(21,764)	(25,808)	-	(47,572)
Other operating expenses	(954)	(3,332)	-	(4,286)
Expected credit loss on financial assets	(4,536)	(2,259)	-	(6,795)
Impairment charge on insurance premium receivables, other assets and provisions	(739)	(159)	-	(898)
	(50,025)	**(72,790)**	**-**	**(122,815)**
EBITDA	**39,773**	**63,543**	**3,588**	**106,904**
Depreciation and amortisation	(18,357)	(16,563)	-	(34,920)
Net foreign currency loss	2,276	2,511	-	4,787
Interest income	10,134	569	-	10,703
Interest expense	(25,169)	(18,068)	(3,238)	(46,475)
Net operating (loss) /income before non-recurring items	**8,657**	**31,992**	**350**	**40,999**
				-
Net non-recurring items	(35,167)	(1,662)	-	(36,829)
(Loss)/profit before income tax expense from continuing operations	**(26,510)**	**30,330**	**350**	**4,170**
Income tax expense	(1,349)	(118)	-	(1,467)
(Loss)/profit for the period from continuing operations	**(27,859)**	**30,212**	**350**	**2,703**
Profit from discontinued operations*	46,777	(46,777)	-	-
Profit for the period	**18,918**	**(16,565)**	**350**	**2,703**

** The difference with profit from discontinued operations as previously reported is attributable to intra-group eliminations in the net gain amount of GEL 1,823 for the year six months ended 30 June 2018 and cessation of depreciation and amortisation expense of disposal group according to IFRS 5 of GEL 16,565.*
*** Restatement effects are related to change in accounting policy, refer to Note 3*

6. Segment Information

At 30 June 2019 two new segments were added to the Group's reportable segments: Auto Service and Digital Service. For management purposes, the Group is organised into the following operating segments based on the industries as follows:

Healthcare	- Georgia Healthcare Group - principally providing wide-scale healthcare, health insurance and pharmaceutical services to clients and insured individuals;
Housing Development	- Principally developing, constructing and selling residential apartments and providing land development services to third parties;
Hospitality and Commercial	- Developing and leasing rent-earning commercial assets and developing hotels across Georgia;
Water Utility	- Principally supplying water and providing a wastewater service;
Renewable Energy	- Principally developing renewable energy power plants and supplying electricity;
P&C Insurance	- Principally providing wide-scale property and casualty insurance services to corporate and individual clients;
Beverage	- Principally producing and distributing wine, beer and soft beverages;
Auto Services	- Principally providing auto and technical inspection services to corporate and individual clients;
Digital	- Principally providing tech-based marketing solutions to large Georgian corporate and government agencies;
Other	- Comprises of early stage business and feasibility costs incurred in pipeline projects;
Corporate Centre	-Comprising of Georgia Capital PLC and JSC Georgia Capital

Management monitors the operating results of its segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the interim condensed consolidated financial statements.

Transactions between segments are accounted for at actual transaction prices.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 6 months period ended 30 June 2019 and 2018.

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the 6 months ended 30 June 2019:

	Healthcare	*Water Utility*	*Housing development*	*P&C insurance*	*Renewable energy*	*Hospitality and Commercial*	*Beverage*	*Auto Services*	*Digital*	*Other*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	479,106	74,541	39,218	31,040	2,396	15,060	46,033	5,304	446	-	-	(20,772)	672,372
Cost of sales	(320,245)	(18,136)	(34,472)	(15,111)	(20)	(3,680)	(29,564)	(2,281)	(347)	-	-	8,569	(415,287)
Gross profit	**158,861**	**56,405**	**4,746**	**15,929**	**2,376**	**11,380**	**16,469**	**3,023**	**98**	**-**	**-**	**(12,202)**	**257,085**
Operating expenses and impairment	(74,016)	(16,109)	(6,847)	(7,699)	(891)	(1,860)	(21,202)	(2,410)	(95)	-	(15,622)	(1,224)	(147,975)
EBITDA	**84,845**	**40,296**	**(2,101)**	**8,230**	**1,485**	**9,520**	**(4,733)**	**613**	**3**	**-**	**(15,622)**	**(13,426)**	**109,110**
Profit from associates	317	-	-	-	-	-	-	-	-	-	-	-	317
Dividend income	-	-	-	-	-	-	-	-	-	-	36,932	(11,981)	24,951
Depreciation and amortisation	(26,810)	(16,018)	(1,350)	(994)	(898)	(20)	(7,232)	(1,000)	(23)	-	(256)	(111)	(54,712)
Net foreign currency (loss) / gain	(10,576)	(9,497)	(202)	339	16	(181)	(6,528)	(210)	81	-	(26,355)	(508)	(53,621)
Net gains / (losses) from investment securities measured at FVOCI	-	-	-	-	-	-	-	-	-	-	5,297	(4,286)	1,011
Interest income	661	536	208	2,282	111	378	12	-	1	-	21,868	(11,149)	14,908
Interest expense	(22,433)	(10,964)	(4,027)	(70)	(1,609)	(3,817)	(6,283)	(2,409)	(5)	-	(25,892)	11,938	(65,571)
Net operating income / (loss) before non-recurring items	**26,004**	**4,353**	**(7,472)**	**9,787**	**(895)**	**5,880**	**(24,764)**	**(3,006)**	**57**	**-**	**(4,028)**	**(29,523)**	**(23,607)**
Net non-recurring items	(528)	(2,389)	-	-	(151)	-	-	(315)	-		-	-	(3,383)
Profit / (loss) before income tax	**25,476**	**1,964**	**(7,472)**	**9,787**	**(1,046)**	**5,880**	**(24,764)**	**(3,321)**	**57**	**-**	**(4,028)**	**(29,523)**	**(26,990)**
Income tax expense	(357)	-	(376)	(1,479)	-	-	-	-	-		-	-	(2,212)
Profit / (loss) for the period	**25,119**	**1,964**	**(7,848)**	**8,308**	**(1,046)**	**5,880**	**(24,764)**	**(3,321)**	**57**	**-**	**(4,028)**	**(29,523)**	**(29,202)**
Assets and liabilities													
Cash and cash equivalents	15,510	30,695	3,335	4,365	20,892	1,446	9,325	1,408	7,749	-	107,833	-	202,558
Amounts due from credit institutions	11,697	565	422	33,644	-	5,901	141	-	-	-	5,796	-	58,166
Debt investment securities	2,697	-	-	6,320	-	-	-	-	-	-	210,328	(99,041)	120,304
Equity investments at fair value	-	-	1,305	905	-	293	-	-	-	-	533,300	(2,504)	533,299
Total assets	**1,344,396**	**699,382**	**227,739**	**161,845**	**213,113**	**374,643**	**230,607**	**59,149**	**8,468**	**12,784**	**1,100,112**	**(288,072)**	**4,144,166**
Borrowings	276,055	321,561	70,173	-	107,040	102,203	123,235	49,379	-	-	-	(115,042)	934,604
Debt securities issued	92,840	29,964	72,798	-	-	86,257	-	-	-	-	860,767	(102,297)	1,040,329
Total liabilities	**757,704**	**424,497**	**193,803**	**105,784**	**111,129**	**190,441**	**158,308**	**57,503**	**444**	**-**	**865,969**	**(225,244)**	**2,640,338**
Total equity attributable to shareholders of the Group	**300,047**	**274,885**	**33,936**	**56,061**	**66,268**	**184,202**	**62,141**	**1,388**	**4,813**	**12,784**	**234,143**	**(53,536)**	**1,177,132**

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the 6 months ended 30 June 2018:

	Healthcare	*Water Utility*	*Housing development*	*P&C insurance*	*Renewable energy*	*Hospitality and Commercial*	*Beverage*	*Other*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	423,366	69,833	62,680	28,425	-	3,965	30,765	-	-	(2,639)	616,395
Cost of sales	(287,568)	(18,246)	(49,187)	(12,503)	-	(1,434)	(19,321)	-	-	1,583	(386,676)
Gross profit	**135,798**	**51,587**	**13,493**	**15,922**	**-**	**2,531**	**11,444**	**-**	**-**	**(1,056)**	**229,719**
Operating expenses and impairment	(73,167)	(14,642)	(4,741)	(7,172)	(403)	(694)	(17,298)	-	(7,398)	2,700	(122,815)
EBITDA	**62,631**	**36,945**	**8,752**	**8,750**	**(403)**	**1,837**	**(5,854)**	**-**	**(7,398)**	**1,644**	**106,904**
Dividend income	-	-	-	-	-	-	-	-	10,000	(10,000)	-
Depreciation and amortisation	(16,563)	(12,084)	(332)	(475)	(161)	(105)	(5,200)	-	-	-	(34,920)
Net foreign currency gain / (loss)	2,121	4,391	(524)	(346)	(245)	(24)	4,518	-	(4,896)	(208)	4,787
Net gains (losses) / gains from investment securities measured at FVOCI	-	-	-	-	-	-	-	-	(2,915)	2,915	-
Interest income	592	222	255	1,725	55	44	63	-	14,497	(6,750)	10,703
Interest expense	(18,612)	(7,190)	(3,426)	-	-	(993)	(3,041)	-	(19,079)	5,866	(46,475)
Net operating income / (loss) before non-recurring items	**30,169**	**22,284**	**4,725**	**9,654**	**(754)**	**759**	**(9,514)**	**-**	**(9,791)**	**(6,533)**	**40,999**
Net non-recurring items	(1,662)	(5,484)	(4,443)	(628)	338	(1,187)	(196)	-	(23,567)	-	(36,829)
Profit (loss) before income tax	**28,507**	**16,800**	**282**	**9,026**	**(416)**	**(428)**	**(9,710)**	**-**	**(33,358)**	**(6,533)**	**4,170**
Income tax expense	(118)	-	-	(1,349)	-	-	-	-	-	-	(1,467)
Profit / (loss) for the period	**28,389**	**16,800**	**282**	**7,677**	**(416)**	**(428)**	**(9,710)**	**-**	**(33,358)**	**(6,533)**	**2,703**
Assets and liabilities											
Cash and cash equivalents	36,154	13,713	8,830	11,104	8,388	26,275	9,953	229	142,284	-	256,930
Amounts due from credit institutions	11,808	936	1,633	23,456	-	2,341	125	-	-	-	40,299
Debt investment securities	1,285	-	-	4,408	-	-	-	-	157,364	(91,233)	71,824
Equity investments at fair value	-	-	512	-	-	45	-	-	457,495	(557)	457,495
Total assets	**1,239,104**	**646,974**	**247,352**	**145,866**	**169,304**	**294,834**	**205,277**	**48,654**	**1,088,079**	**(365,983)**	**3,719,461**
Borrowings	296,817	290,266	59,312	-	70,711	113,933	118,147	38,095	-	(222,926)	764,355
Debt securities issued	93,573	29,980	67,697	-	-	19,609	-	-	802,045	(96,503)	916,401
Total liabilities	**665,490**	**376,488**	**183,238**	**89,632**	**75,144**	**134,994**	**149,107**	**42,721**	**804,960**	**(330,462)**	**2,191,312**
Total equity attributable to shareholders of the Group	**295,689**	**270,486**	**64,114**	**56,234**	**61,181**	**149,079**	**44,082**	**5,933**	**283,119**	**(30,773)**	**1,199,144**

Certain amounts do not correspond to those presented in 2018 interim condensed consolidated financial statement as they reflect the adjustments made for change in accounting policy described in Note 3 and discontinued operations described in Note 5, as well as remeasurement of presentation of corporate centre to align with Managements' revised operating view.

(Thousands of Georgian Lari)

7. Cash and Cash Equivalents

	As at	
	30 June 2019 (unaudited)	*31 December 2018*
Cash on hand	3,857	2,577
Current accounts with financial institutions	198,702	227,541
Time deposits with financial institutions with maturities of up to 90 days	-	26,813
Cash and cash equivalents, Gross	**202,559**	**256,931**
Allowance (Note 17)	(1)	(1)
Cash and cash equivalents, Net	**202,558**	**256,930**

8. Amounts Due from Credit Institutions

	As at	
	30 June 2019 (unaudited)	*31 December 2018*
Time deposits with maturities of more than 90 days	52,019	35,924
Deposits pledged as security for open commitments	6,147	4,375
Amounts due from credit institutions, Gross	**58,166**	**40,299**
Allowance (Note 17)	-	-
Amounts due from credit institutions, Net	**58,166**	**40,299**

9. Debt Securities Owned and Equity Investments at Fair Value

	As at	
	30 June 2019 (unaudited)	*31 December 2018*
Internationally listed debt securities	114,898	67,933
Locally listed debt securities	5,406	3,891
Debt securities owned	**120,304**	**71,824**

	As at	
	30 June 2019 (unaudited)	*31 December 2018*
Bank of Georgia Group PLC*	533,299	457,495
Equity investments at fair value	**533,299**	**457,495**

*During the six months ended 30 June 2019 JSC Georgia Capital received dividend from Bank of Georgia Group PLC in the amount of GEL 24,951 (30 June 2018: nil).

(Thousands of Georgian Lari)

10. Investment Properties

	As at	
	30 June 2019 (unaudited)	***30 June 2018 (unaudited)***
At 1 January	**151,232**	**159,989**
Additions	2,065	18,935
Disposals	-	(2,456)
Net gains from revaluation of investment property	-	2,311
Transfers from property and equipment and other assets*	11,562	10,102
Currency translation differences	13,235	(7,866)
At 30 June	**178,094**	**181,015**

**** Comprised of GEL 11,562 transfer from property and equipment (2018: transfers from property and equipment GEL 2,119), GEL nil transfer from other assets - inventories (2018: transfer from other assets – inventories GEL 7,983).***

Investment properties are stated at fair value. Fair value represents the price that would be received in exchange for an asset in an arm's length transaction between market participants at the measurement date. The date of latest revaluation is 31 December 2018 and was carried out by accredited independent valuers. The Group concluded that otherwise no significant change in fair values of its investment properties occurred during 6 months ended 30 June 2019.

(Thousands of Georgian Lari)

11. Property and Equipment

The movements in property and equipment during the 6 months ended 30 June 2019 were as follows:

	Office buildings	*Hotels*	*Hospitals & clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Right of Use assets*	*Other*	*Total*
Cost or revalued amount										
31 December 2018	**195,653**	**24,360**	**433,159**	**248,770**	**429,895**	**101,116**	**278,838**	**-**	**114,639**	**1,826,430**
IFRS 16 transition effect	-	-	-	-	-	-		84,254	-	84,254
Additions	15,396	1,785	4,856	73,953	9,687	4,761	14,298	9,118	7,854	141,708
Business combinations, Note 4	713	-	-	-	-	-	194	1,393	199	2,499
Disposals	(751)	-	-	-	(289)	(13)	(630)	(2,988)	(1,542)	(6,213)
Transfers	28,795	-	-	(166,243)	136,798	-	(847)	-	1,497	-
Transfers to investment properties	(13,449)	-	-	1,887	-	-	-	-	-	(11,562)
Revaluation at transfer to investment properties	3,492	-	-	-	-	-	-	-	-	3,492
Currency translation differences	402	1,636	-	5,188	8,690	-	218	-	632	16,766
At 30 June 2019 (Unaudited)	**230,251**	**27,781**	**438,015**	**163,555**	**584,781**	**105,864**	**292,071**	**91,777**	**123,279**	**2,057,374**
Accumulated impairment										
31 December 2018	**105**	**-**	**(4)**	**-**	**-**	**-**	**23**	**-**	**(7)**	**117**
Disposals	-	-	-	-	-	-	-	-	7	7
At 30 June 2019 (Unaudited)	**105**	**-**	**(4)**	**-**	**-**	**-**	**23**	**-**	**-**	**124**
Accumulated depreciation										
31 December 2018	**6,463**	**162**	**10,753**	**-**	**43,496**	**10,805**	**60,124**	**-**	**22,593**	**154,396**
Depreciation charge	959	420	2,190	-	14,241	4,269	12,555	10,861	5,515	51,010
Currency translation differences	7	-	-	-	-	-	120	-	227	354
Transfers	5	-	-	-	(5)	-	(18)	-	18	-
Disposals	(48)	-	-	-	(266)	(36)	(339)	(548)	(1,177)	(2,414)
At 30 June 2019 (Unaudited)	**7,386**	**582**	**12,943**	**-**	**57,466**	**15,038**	**72,442**	**10,313**	**27,176**	**203,346**
Net book value:										
31 December 2018	**189,085**	**24,198**	**422,410**	**248,770**	**386,399**	**90,311**	**218,691**	**-**	**92,053**	**1,671,917**
At 30 June 2019 (Unaudited)	**222,760**	**27,199**	**425,076**	**163,555**	**527,315**	**90,826**	**219,606**	**81,464**	**96,103**	**1,853,904**

(Thousands of Georgian Lari)

11. Property and Equipment (continued)

The movements in property and equipment during the 6 months ended 30 June 2018 were as follows:

	Office buildings	*Hotels*	*Hospitals & Clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost or revalued amount									
31 December 2017	**136,784**	**-**	**-**	**142,801**	**275,669**	**91,023**	**13,949**	**41,614**	**701,840**
Additions	400	4,670	-	140,460	5,427	5,160	1,087	3,856	161,060
Business combinations	6,639	-	-	-	-	7,892	5,632	11,433	31,596
Disposals	(53)	-	-	-	(55)	(31)	(1)	(891)	(1,031)
Transfers	(130)	23,194	-	(54,783)	30,007	-	1,163	549	-
Transfers from / (to) investment properties	(2,487)	-	-	-	-	-	-	8	(2,479)
Currency translation differences	(491)	(261)	-	(4,994)	-	-	(64)	(267)	(6,077)
At 30 June 2018 (Unaudited)	**140,662**	**27,603**	**-**	**223,484**	**311,048**	**104,044**	**21,766**	**56,302**	**884,909**
Accumulated impairment									
31 December 2017	**390**	**-**	**-**	**-**	**-**	**-**	**23**	**1**	**414**
Reversal	(16)	**-**	**-**	-	-	-	-	-	(16)
Transfers to investment properties	(270)	**-**	**-**	-	-	-	-	-	(270)
At 30 June 2018 (Unaudited)	**104**	**-**	**-**	**-**	**-**	**-**	**23**	**1**	**128**
Accumulated depreciation									
31 December 2017	**5,249**	**-**	**-**	**-**	**23,084**	**3,887**	**6,314**	**5,257**	**43,791**
Depreciation charge	537	89	52	-	9,706	3,583	12,996	5,571	32,534
Currency translation differences	(181)	-	-	-	-	-	247	(157)	(91)
Transfers	(59)	-	-	-	-	-	540	(481)	-
Transfers to investment properties	(90)	-	-	-	-	-	-	-	(90)
Transfer to assets of disposal group held for sale	(46)	-	(52)	-	-	-	(11,804)	(2,970)	(14,872)
Disposals	-	-	-	-	(11)	(1)	(4)	(20)	(36)
At 30 June 2018 (Unaudited)	**5,410**	**89**	**-**	**-**	**32,779**	**7,469**	**8,289**	**7,200**	**61,236**
Net book value:									
31 December 2017	**131,145**	**-**	**-**	**142,801**	**252,585**	**87,136**	**7,612**	**36,356**	**657,635**
At 30 June 2018 (Unaudited)	**135,148**	**27,514**	**-**	**223,484**	**278,269**	**96,575**	**13,454**	**49,101**	**823,545**

(Thousands of Georgian Lari)

12. Borrowings

Borrowings comprise:

	As at	
	30 June 2019 (unaudited)	***31 December 2018***
Borrowings from local financial institutions	537,889	306,340
Borrowings from international financial institutions	390,128	451,984
Other borrowings	6,587	6,031
Borrowings	**934,604**	**764,355**

Some borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants"). At 30 June 2019 and 31 December 2018 the Group complied with all the Lender Covenants of the borrowings from international credit institutions.

13. Debt Securities Issued

Debt securities issued comprise:

	As at	
	30 June 2019 (unaudited)	***31 December 2018***
USD denominated Eurobonds issued by Georgia Capital	786,133	732,519
USD denominated local bonds issued by m2	149,153	85,663
GEL denominated local bonds issued by GHG	91,687	84,858
GEL denominated local bonds issued by GGU	13,356	13,361
Debt securities issued	**1,040,329**	**916,401**

In March 2018 JSC Georgia Capital issued a USD 300 million (GEL 734 million) 6.125% notes due in March 2024 denominated in US Dollars which were admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market (the "Notes"). Notes were sold at the price of 98.770% of par value at the initial offering.

On 31 December 2018 m2 Commercial Assets LLC, 100% subsidiary of the Group's Hospitality and Commercial segment, issued USD 30 million (GEL 80 million) 7.5% notes due in December 2021. Part of the bond were placed in 2019. Notes were admitted to trade on the Georgian Stock Exchange.

14. Commitments and Contingencies

Legal

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

As at 30 June 2019, the Group had litigation with the Social Service Agency ("SSA") in relation to an aggregate amount of GEL 7,868 (2018: GEL 7,233). The litigation with SSA was mainly related to procedural violations in medical documentation as well as the billing and invoicing process.

(Thousands of Georgian Lari)

15. Equity

Share capital

As at 30 June 2019 issued share capital comprised 37,384,712 authorised common shares (31 December 2018: 39,384,712), of which 37,384,712 were fully paid (2018: 39,384,712). Each share has a nominal value of one British penny. Shares issued and outstanding as at 30 June 2019 are described below:

	Number of shares Ordinary	*Amount*
31 December 2017	**10,000,000**	**10,000**
Issue of share capital	1,526,000	1,526
Transfer of JSC Georgia Capital shares to new parent company	(11,526,000)	(11,526)
Incorporation of New Parent Company (Georgia Capital PLC)	39,384,712	1,644,011
Capital Reduction (change in Nominal Value)	-	(1,642,718)
30 June 2018 (unaudited)	**39,384,712**	**1,293**

	Number of shares Ordinary	*Amount*
31 December 2018	**39,384,712**	**1,293**
Cancellation of shares	(2,000,000)	(64)
30 June 2019 (unaudited)	**37,384,712**	**1,229**

Treasury Shares

The number of treasury shares held by the Company as at 30 June 2019 was 3,071,619 (31 December 2018: 3,567,765). From which 2,890,643 (31 December 2018: 1,251,829) shares were bought back within the Buyback Programme announced on 14 June 2018. On June 12, 2019 2,000,000 treasury shares bought back under the Buyback Programme were cancelled and 686,468 shares were transferred to JSC Georgia Capital Executive Equity Compensation Trust. The rest of the shares are kept by the Company for the purposes of its future employee share-based compensations.

Incorporation of New Parent company

On 29 May 2018, Georgia Capital PLC issued and listed 39,384,712 ordinary shares on London stock exchange, premium listing segment. 11,526,000 shares of JSC Georgia Capital were transferred to New Parent company (Georgia Capital PLC) as part of Demerger process of BGEO Group PLC (Note 1).

Nominal Value of shares issued by Georgia Capital PLC were GBP 12.7. The incorporation of the new parent company did not result in changes in the Group's net assets.

Capital Reduction

On 12 June 2018 the Georgia Capital PLC undertook a planned reduction of capital to create distributable reserves for the Company. Following the reduction of capital, the nominal value of the Company's shares was reduced to GBP 0.01. Reduction of the capital created a new reserve on the statement of financial position (comprising the reduction of the original nominal value of ordinary shares from GBP 12.70 to GBP 0.01 per share), which became distributable to the shareholders and was fully reclassified to retained earnings.

(Thousands of Georgian Lari)

15. Equity (continued)

Buyback Programme

On 14 June 2018 the Group announced commencement of a share buyback programme of up to USD 45 million (GEL 110.3 million) (the "Programme"). The Company has entered into an agreement with its brokers Numis Securities Limited ("Numis") and Investec Bank PLC ("Investec") to enable Numis and Investec to use the maximum consideration of USD 45 million (GEL 110.3 million) to purchase the Group's shares ("Shares") in accordance with the terms of the general authority to make market purchases of up to 3,938,471 of its Shares. As of 30 June 2019 the total consideration for shares bought back under the buyback programme was GEL 103,804.

Nature and purpose of Other Reserves

Unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries
This reserve records unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries with functional currency other than GEL.

Movements in other reserves during the 6 months ended 30 June 2019 and 30 June 2018 are presented in the statements of other comprehensive income.

On 16 February 2018, 19.9% stakes in JSC Bank of Georgia and JSC Bank of Georgia Financial Group were transferred to Georgia Capital as an equity contribution from JSC BGEO Group in exchange for 1,516,000 (GEL 1,516) shares issued. In line with IFRS 9 requirements, Georgia Capital initially recognized financial asset (investment in equity instruments) at fair value of GEL 706,000 with corresponding increase in equity. On 29 May 2018, as a part of BGEO Group's demerger, 19.9% interest in Banking Business was exchanged for 19.9% stake in Bank of Georgia Group PLC at fair value of GEL 599,406 (calculated using LSE share price).
Transaction costs directly attributable to the contribution of 19.9% stake in the amount of GEL 2,299 were deducted from the equity.

Upon initial recognition, management irrevocably designated 19.9% equity interest in Banking Business and Bank of Georgia Group PLC at fair value through other comprehensive income (FVOCI). As a result, fair value difference in the amount of GEL 75,804 (2018: GEL 111,931) has been recognized in other comprehensive income Subsequently, all changes in fair value of 19.9% equity stake will be recorded through other comprehensive income (OCI) and never reclassified to PL, not even upon disposal of the stake.

(Thousands of Georgian Lari)

15. Equity (continued)

Georgia Healthcare Group PLC ("GHG") is the only significant subsidiary of the Group that has a material non-controlling interest of 43% as of 30 June 2019 (31 December 2018 43%). The following table summarises key information before intragroup eliminations relevant to Georgia Healthcare Group PLC.

Non-controlling interest

	2019	*2018*
Total assets	1,344,394	1,222,503
Total Liabilities	757,704	665,487
Non-controlling interest	276,845	272,677
Revenue	479,107	423,367
Profit for the year	25,119	28,389
Total comprehensive income for the year	25,079	28,389
Net decrease in cash and cash equivalents	(20,643)	(32,312)
Profit attributable to non-controlling interest	16,060	17,777

Earnings per share

	For the six months ended	
	30 June 2019 (unaudited)	*30 June 2018 (unaudited, represented)*
Basic and diluted loss per share		
Loss for the period attributable to ordinary shareholders of the parent	(41,008)	(12,798)
Weighted average number of ordinary shares outstanding during the period	35,362,204	37,830,420
Loss per share	(1.1597)	(0.3383)

16. Gross Profit

	For the six months ended	
	30 June 2019 (unaudited)	*30 June 2018 (unaudited, represented)*
Pharma revenue	274,775	247,695
Healthcare revenue	160,843	143,591
Utility and energy revenue	72,598	65,769
Net insurance premiums earned	63,795	51,670
Beverage revenue	46,226	30,809
Real estate revenue	39,431	66,413
Auto service revenue	5,304	-
Digital services revenue	362	-
Other income	9,038	10,448
Revenue	**672,372**	**616,395**
Cost of pharma services	(206,145)	(191,413)
Cost of healthcare	(89,889)	(77,832)
Cost of utility and energy	(17,796)	(17,967)
Net insurance claims incurred	(38,282)	(30,168)
Cost of beverage	(29,529)	(19,322)
Cost of real estate	(31,018)	(49,974)
Cost of auto service	(2,281)	-
Cost of digital services	(347)	-
Cost of sales	**(415,287)**	**(386,676)**
Gross profit	**257,085**	**229,719**

(Thousands of Georgian Lari)

16. Gross Profit (continued)

Total revenue above includes the following revenue streams that are not in scope of IFRS 15 Revenue from Contracts with customers:

	For the six months ended	
	30 June 2019 (unaudited)	*30 June 2018 (unaudited, represented)*
Real estate revenue:		
Revaluation of m2 investment property	-	2,311
Income from operating leases	4,341	2,190
	4,341	**4,501**
Net insurance premiums earned	**63,795**	**51,670**
Other income		
Gain from call option	1,501	2,342
Payables derecognised	-	1,212
Revenue from penalties	-	758
Other	(59)	2,621
	69,578	**63,104**

Operating lease commitments – Group as a lessor:

The Group's future minimum lease payments receivable under non-cancellable operating leases amounted to:

	30 June 2019 (unaudited)	*31 December 2018*
Not later than 1 year	9,810	5,243
Later than 1 year but not later than 5 years	17,804	11,531
Later than 5 years	13,372	9,090
Total	**40,986**	**25,864**

Most of the Company's leases are prices in USD and have lease term varying from 3 moths to 10 years (average term: 4 years).

17. Impairment of insurance premiums receivable, accounts receivable, other assets and provisions

The movements in the allowance for insurance premiums receivables and other receivables are as follows:

	Insurance premiums receivable 2019	*Other assets 2019*	*Provisions 2019*	*Total 2019*
At 1 January	**8,285**	**414**	**525**	**9,224**
Charge (reversal)	505	64	(43)	526
Recoveries	85	-	-	85
Currency translation differences	217	-	-	217
At 30 June 2019 (Unaudited)	**9,092**	**478**	**482**	**10,052**

	Insurance premiums receivable 2018	*Other assets 2018*	*Provisions 2018*	*Total 2018*
At 1 January	**4,243**	**22**	**3,103**	**7,368**
Charge	817	-	81	898
Reversal	-	-	(1,045)	(1,045)
Recoveries	(162)	-	(1,070)	(1,232)
Write-offs	(45)	-	(141)	(186)
Transfer to assets of disposal group held for sale	4	-	-	4
Currency translation differences	(129)	(22)	-	(151)
At 30 June 2018 (Unaudited)	**4,728**	**-**	**928**	**5,656**

(Thousands of Georgian Lari)

17. Impairment of insurance premiums receivable, accounts receivable, other assets and provisions (continued)

The movements in the allowance for financial assets according to IFRS 9 are as follows:

	Cash and cash equivalents 2019	***Amounts due from credit institutions 2019***	***Debt securities owned 2019***	***Accounts receivable 2019***	***Total 2019***
At 31 December	**1**	**-**	**309**	**21,713**	**22,023**
Charge	-	-	352	7,173	7,525
Recoveries	-	-	-	84	84
Write-offs	-	-	-	(1,115)	(1,115)
At 30 June 2019 (Unaudited)	**1**	**-**	**661**	**27,855**	**28,517**

	Cash and cash equivalents 2018	***Amounts due from credit institutions 2018***	***Debt securities owned 2018***	***Accounts receivable 2018***	***Total 2018***
At 31 December	**-**	**-**	**-**	**4,003**	**4,003**
IFRS 9 Effect	2	-	192	6,803	6,997
At 1 January	**2**	**-**	**192**	**10,806**	**11,000**
(Reversal) Charge	(1)	89	224	6,483	6,795
Recoveries	-	-	-	(650)	(650)
Write-offs	-	-	-	(2,275)	(2,275)
Transfer from assets of disposal group held for sale	-	-	-	(1,610)	(1,610)
Currency translation difference	-	-	-	(160)	(160)
At 30 June 2018 (Unaudited)	**1**	**89**	**416**	**12,594**	**13,100**

For contract assets and accounts receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets, the ECL is based on the 12-month ECL since there has not been a significant increase in credit risk since origination.

(Thousands of Georgian Lari)

18. Net Non-recurring Items

Net non-recurring expense for the year ended 30 June 2019 comprised:

	For the six months ended
	30 June 2019 (unaudited)
Termination benefits	(3,295)
Other	(88)
Net non-recurring items	**(3,383)**

During the reporting period one of the Group's senior executives resigned and remained entitled to previously awarded unvested shares of Georgia Capital PLC, that will continue to vest according to the original schedule. The related share-based payment expense that has not been recognized in income statement as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed.

Net non-recurring expense for the year ended 30 June 2018 comprised:

	For the six months ended
	30 June 2018 (unaudited, represented)
Demerger fees	(13,077)
Share based payment acceleration effect	(20,303)
Loan prepayment fee	(1,325)
One-off charity expense	(783)
Loss from employee dismissal compensation	(184)
Other	(1,157)
	(36,829)

(Thousands of Georgian Lari)

19. Fair Value Measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

30 June 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	178,094	178,094
Land	-	-	*58,743*	*58,743*
Residential properties	-	-	*19,078*	*19,078*
Non-residential properties	-	-	*100,273*	*100,273*
Debt securities owned	33,694	86,610	-	120,304
Equity investments at fair value	533,299	-	-	533,299
Total revalued property	-	-	527,315	527,315
Infrastructure assets	-	-	*527,315*	*527,315*
Other assets	-	-	19,761	19,761
Loans issued	-	-	*1,292*	*1,292*
Call option	-	-	*18,469*	*18,469*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	202,558	-	202,558
Amounts due from credit institutions	-	58,166	-	58,166
Accounts receivable	-	-	191,878	191,878
Other assets	-	-	161,695	161,695
Loans issued	-	-	*161,695*	*161,695*
Liabilities measured at fair value				
Other liabilities	-	-	89,916	89,916
Payable for share acquisitions	-	-	*89,916*	*89,916*
Liabilities for which fair values are disclosed				
Borrowings	-	777,858	165,639	943,497
Debt securities issued	-	754,543	255,574	1,010,117
Lease liabilities	-	97,611	-	97,611

31 December 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	151,232	151,232
Land	-	-	*49,128*	*49,128*
Residential properties	-	-	*14,196*	*14,196*
Non-residential properties	-	-	*87,908*	*87,908*
Debt securities owned	27,010	44,814	-	71,824
Equity investments at fair value	457,495	-	-	457,495
Total revalued property	-	-	386,399	386,399
Infrastructure assets	-	-	*386,399*	*386,399*
Other assets	-	-	18,668	18,668
Loans issued	-	-	*1,038*	*1,038*
Other derivative financial assets	-	-	*661*	*661*
Call option	-	-	*16,969*	*16,969*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	256,930	-	256,930
Amounts due from credit institutions	-	40,299	-	40,299
Accounts receivable	-	-	170,228	170,228
Other assets	-	-	162,862	162,862
Loans issued	-	-	*162,862*	*162,862*
Liabilities measured at fair value				
Other liabilities	-	-	92,189	92,189
Derivative financial liabilities	-	-	*715*	*715*
Payable for share acquisitions	-	-	*91,474*	*91,474*
Liabilities for which fair values are disclosed				
Borrowings	-	506,711	254,056	760,767
Debt securities issued	-	678,973	184,551	863,524

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

Fair value hierarchy (continued)

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative financial instruments include call option representing an option on acquisition of remaining 33% equity interest in JSC GEPHA from non-controlling interests in 2022 based on pre-determined EBITDA multiple (6.0 times EBITDA) of JSC GEPHA. The Group has applied binomial model for option valuation. Major unobservable input for call option valuation represents volatility of price of the underlying 33% minority share of equity, which was estimated based on actual volatility of parent company's market capitalisation from 1 July 2016 till 30 June 2019 period, which equalled 40.8%. If the volatility was 10% higher, fair value of call option would increase by GEL 2,774 (2018: GEL 2,012) if volatility was 10% lower call option value would decrease by GEL 2,692 (2018: GEL 2,035). The Group recognised GEL 1,501 (2018: GEL 1,212) unrealised gains on the call option during the six months ended 30 June 2019 within other income, included in revenue in consolidated income statement.

Put option represents option owned by non-controlling shareholders on sale of remaining 33% equity interest in JSC GEPHA to the Group in 2022 based on pre-determined EBITDA multiple (4.5 times EBITDA) of JSC GEPHA. The Group has estimated put option value based on number of unobservable inputs. The Group has not changed any of its input estimates (EBITDA or discount rate) as compared to valuation as at 31 December 2018. The redemption liability increased by GEL 3,772 in the six months period ended 30 June 2019 solely due to the unwinding of discount. Major unobservable input for put option valuation represents estimated EBITDA of JSC GEPHA as well as discount rate used to value the option. The Group has applied 11% discount rate to value the option. If the discount rate was 1% higher, fair value of put option redemption liability would decrease by GEL 2,336 (2018: GEL 2,528) if discount rate was 1% lower put option redemption liability value would increase by GEL 2,433 (2018: GEL 2,644).

Investment securities

Fair value of quoted debt and equity investments measured at fair value through other comprehensive income is derived from quoted market prices in active markets at the reporting date. The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities.

Movements in level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value:

	1 January 2018	*Reclassification of securities*	*Transfer from AHS*	*Gain (loss) on revaluation*	*Payment*	*Business combination*	*At 31 December 2018*	*Gain on revaluation*	*Payment*	*At 30 June 2019*
Level 3 financial assets										
Equity securities at FVOCI	1,153	(1,153)	-	-	-	-	-	-	-	-
Call option	-	-	10,106	6,863	-	-	16,969	1,501	-	18,470
Payables for share acquisitions: put option	61,512	-	-	10,156	-	-	71,668	3,772	-	75,440
Payables for share acquisitions: holdback for business acquisitions	36,746	-	-	(1,340)	(16,626)	1,026	19,806	771	(6,101)	14,476

All investment properties and revalued properties of property and equipment are level 3. Reconciliations of their opening and closing amounts are provided in Notes 10 and 11 respectively.

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions:

	Carrying Amount	Effect of reasonably possible alternative assumptions	Carrying Amount	Effect of reasonably possible alternative assumptions
	30 June 2019		30 June 2018	
Level 3 financial assets				
Equity securities at FVOCI	-	+/- 0	-	+/- 0
Other derivative, call option	18,470	+2,774 / -2,692	16,969	+2,012/- 2,035
Payables for share acquisitions: put option	75,440	+2,433 / -2,336	71,668	+2,644/-2,528

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable model inputs as follows:

For equities, the Group adjusted the price-over-book-value multiple by increasing and decreasing the ratio by 10%, which is considered by the Group to be within a range of reasonably possible alternatives based on the price-over-book-value multiples used across peers within the same geographic area of the same industry.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the interim condensed consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities, or fair values of other smaller financials assets and financial liabilities, fair values of which are materially close to their carrying values.

	Carrying value 30 June 2019	Fair value 30 June 2019	Unrecognised gain (loss) 30 June 2019	Carrying value 31 December 2018	Fair value 31 December 2018	Unrecognised gain (loss) 31 December 2018
Financial assets						
Cash and cash equivalents	202,558	202,558	-	256,930	256,930	-
Amounts due from credit institutions	58,166	58,166	-	40,299	40,299	-
Loans Issued	154,267	162,986	8,719	150,300	163,900	13,600
Financial liabilities						
Lease liabilities	97,025	97,611	(586)	-	-	-
Borrowings	934,604	943,497	(8,893)	764,355	760,767	3,588
Debt securities issued	1,040,329	1,010,117	30,212	916,401	863,524	52,877
Total unrecognised change in unrealised fair value			**29,452**			**70,065**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the interim consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

20. Maturity Analysis

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	30 June 2019		
	Less than 1 Year	***More than 1 Year***	***Total***
Cash and cash equivalents	202,558	-	202,558
Amounts due from credit institutions	38,618	19,548	58,166
Debt securities owned*	120,304	-	120,304
Equity investments at fair value*	533,299	-	533,299
Accounts receivable	178,477	16,063	194,540
Insurance premiums receivable	87,593	-	87,593
Inventories	218,852	71,680	290,532
Investment properties	-	178,094	178,094
Prepayments	115,356	17,991	133,347
Income tax assets	119	1,384	1,503
Property and equipment	-	1,853,904	1,853,904
Goodwill	-	150,150	150,150
Intangible assets	-	67,703	67,703
Other assets	239,845	32,628	272,473
Total assets	**1,735,021**	**2,409,145**	**4,144,166**
Accounts Payable	170,868	100	170,968
Insurance contracts liabilities	95,085	4,320	99,405
Income tax liabilities	1,114	69	1,183
Deferred income	30,862	24,399	55,261
Lease liabilities	21,499	75,526	97,025
Borrowings	264,391	670,213	934,604
Debt securities issued	86,876	953,453	1,040,329
Other liabilities	131,747	109,816	241,563
Total liabilities	**802,442**	**1,837,896**	**2,640,338**
Net	**932,579**	**571,249**	**1,503,828**

**Internationally listed debt and equity investments are allocated to "less than 1 year" rather than based on contractual maturity.*

(Thousands of Georgian Lari)

20. Maturity Analysis (continued)

	31 December 2018		
	Less than 1 Year	***More than 1 Year***	***Total***
Cash and cash equivalents	256,930	-	256,930
Amounts due from credit institutions	29,884	10,415	40,299
Debt securities owned*	71,824	-	71,824
Equity investments at fair value*	457,495	-	457,495
Accounts receivable	153,106	17,122	170,228
Insurance premiums receivable	57,801	-	57,801
Inventories	211,868	64,362	276,230
Investment properties	-	151,232	151,232
Prepayments	62,424	55,485	117,909
Income tax assets	1,021	1,384	2,405
Property and equipment	-	1,671,917	1,671,917
Goodwill	-	142,095	142,095
Intangible assets	-	51,634	51,634
Other assets	80,507	170,955	251,462
Total assets	**1,382,860**	**2,336,601**	**3,719,461**
Accounts Payable	135,826	7,288	143,114
Insurance contracts liabilities	60,555	7,652	68,207
Income tax liabilities	1,119	-	1,119
Deferred income	35,163	27,182	62,345
Borrowings	157,629	606,726	764,355
Debt securities issued	86,089	830,312	916,401
Other liabilities	128,635	107,136	235,771
Total liabilities	**605,016**	**1,586,296**	**2,191,312**
Net	**777,844**	**750,305**	**1,528,149**

(Thousands of Georgian Lari)

21. Related Party Disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to 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.

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

	30 June 2019 (unaudited)		*31 December 2018*	
	Management*	***Entities under common control *****	***Management****	***Entities under common control *****
Liabilities				
Debt securities issued	1,477	-	2,596	-
	1,477	**-**	**2,596**	**-**

	30 June 2019 (unaudited)		*30 June 2018 (unaudited) **	
	Management*	***Entities under common control *****	***Management****	***Entities under common control *****
Income and expenses				
Gross profit	-	-	3,990	1,998
Salaries and other employee benefits	-	-	-	(428)
Administrative expenses	-	-	-	(527)
Net foreign currency (loss)	-	-	-	(675)
Interest income	-	-	-	4,409
Interest expense	-	-	-	(5,038)
	-	**-**	**3,990**	**(261)**

During 2018, prior to demerger JSC Georgia Capital issued a loan to the former parent JSC BGEO Group GEL 143,435 (31 December 2018: GEL 133,830), presented in other assets in consolidated statement of financial position. Since as at 31 December 2018 (post demerger) JSC BGEO Group does not represent a related party, this loan is not disclosed in the above table. As at 30 June 2019, one of the Group's subsidiaries, JSC m2 Real Estate has a loan issued to a joint venture JSC Isani Park in the amount of GEL 1,292 (31 December 2018: 1,038). Interest income on loan issued to JSC Isani Park is GEL 76 as of 30 June 2019 (30 June 2018: 8).

* *Including Discontinued operations. i.e. GHG*
** *Entities under common control comprise of BGEO Group PLC's Banking Business subsidiaries*
*** *Management of Georgia Capital PLC consist of 5 executives and 6 members of board of directors*

Compensation of key management personnel comprised the following:

	30 June 2019 (unaudited)	**30 June 2018 (unaudited)**
Salaries and other benefits	1,830	648
Share-based payments compensation	6,401	-
Total key management compensation	**8,231**	**648**

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 30 June 2019 was 11 (30 June 2018: 11).

(Thousands of Georgian Lari)

22. Events after the Reporting Period

Acquisition in education business

In June 2019 Georgia Capital signed SPA with a private school, British Georgian Academy ("BGA") to acquire 70% equity stake. BGA provides a premium quality education to approximately 750 learners from Preschool to 12th grade. Georgia Capital obtained control over BGA in July 2019 and will therefore consolidate it from the second half of 2019.

On July 18, 2019 Georgia Capital PLC signed SPA to acquire a 80% equity in Buckswood International School – Tbilisi LLC. The acquisition of Buckswood is in line with Georgia Capital's strategy to secure a leading private school education platform for its mid-level segment.

The total consideration for the above acquisitions amounted to GEL 35.1 million.

Update on legal cases of the Group's healthcare business

Subsequent to 30 June 2019, the SSA completed its scheduled inspection of several major hospitals and clinics of Georgia Healthcare Group PLC, the Group's healthcare subsidiary. As a result of the procedures, SSA provided preliminary acts of inspection and proposed penalties due to some procedural violations, similar to the ones disclosed in Note 14. The management conducted preliminary assessment of the inspection acts and concluded that around GEL 3 million penalty was possible (but not probable) to be incurred with regard to the above inspection. The Group continues to assess the identified cases in details and will come up with the updated assessment in the 2019 year-end financial statements.

COMPANY INFORMATION

Georgia Capital PLC

Registered Address
84 Brook Street
London W1K 5EH
United Kingdom
www.georgiacapital.ge
Registered under number 10852406 in England and Wales

Stock Listing
London Stock Exchange PLC's Main Market for listed securities
Ticker: "CGEO.LN"

Contact Information
Georgia Capital PLC Investor Relations
Telephone: +44 (0) 203 178 4052; +995 322 000000
E-mail: ir@gcap.ge

Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY
United Kingdom

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - + 44 (0) 370 702 0176

Share price information
Shareholders can access both the latest and historical prices via the website
www.georgiacapital.ge