

**JSC Georgia Capital Unaudited Interim
Condensed Consolidated Financial
Statements**

30 June 2022



Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholder and Management of JSC Georgia Capital

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Georgia Capital and its subsidiaries as at 30 June 2022 and the related interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, 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 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Other matter

The comparative information for the interim condensed consolidated statement of financial position and related explanatory notes is based on the consolidated financial statements as at 31 December 2021 issued on 15 March 2022 which had not been audited by us and on which the previous auditor issued an unmodified audit report. The comparative information for the interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the six-month period ended 30 June 2021 is based on interim condensed consolidated financial statements issued on 9 August 2021 which had not been audited or reviewed by us and on which the previous auditor issued an unmodified review report.

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Lasha Janelidze (Reg.#SARAS-A-562091)

11 August 2022
Tbilisi, Georgia

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2022***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Assets			
Cash and cash equivalents	5	150,688	89,714
Amounts due from credit institutions	6	182,881	35,667
Marketable securities	7	137,186	79,716
Investment in redeemable securities	7	13,523	17,849
Accounts receivable	9	22,909	96
Prepayments		1,516	680
Loans issued	8	25,374	154,214
Property and equipment		368	410
Intangible assets		73	84
Other assets		761	7,205
Equity investments at fair value	9	2,705,413	3,616,231
Total assets		3,240,692	4,001,866
Liabilities			
Accounts payable		5,362	839
Debt securities issued	10	924,057	1,095,433
Other liabilities		8,244	24,221
Total liabilities		937,663	1,120,493
Equity			
Share capital	11	12,932	13,286
Additional paid-in capital		540,027	624,186
Treasury shares	11	(942)	(940)
Other reserves		(1,574)	(367)
Retained earnings		1,752,586	2,245,208
Total equity		2,303,029	2,881,373
Total liabilities and equity		3,240,692	4,001,866

Signed and authorised for release on behalf of the Management by:

Irakli Gilauri

Chief Executive Officer

Giorgi Alpaidze

Chief Financial Officer

11 August 2022

The accompanying notes on pages 6 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**For the six months ended 30 June 2022***(Thousands of Georgian Lari)*

	<i>Notes</i>	<i>30 June 2022 (unaudited)</i>	<i>30 June 2021 (unaudited)</i>
(Losses)/gains on investments at fair value	9	(509,137)	326,019
<i>Listed and Observable Investments</i>		(221,309)	43,836
<i>Private Investments</i>		(287,828)	282,183
Dividend income	9	34,421	14,430
Interest income at effective interest rate method		12,844	3,080
Other interest income		6,734	7,209
Net losses from investment securities measured at FVPL		(9,724)	(39)
Net realised losses from investment securities measured at FVOCI		(502)	-
Other income		22	30
Gross investment (loss)/profit		(465,342)	350,729
Salaries and other employee benefits		(12,265)	(10,871)
Depreciation and amortisation		(312)	(261)
Other administrative expenses		(3,361)	(2,729)
Interest expense		(33,744)	(37,194)
(Loss)/profit before provisions, Foreign exchange and non-recurring items		(515,024)	299,674
Expected credit losses		(712)	(570)
Net foreign currency gain		29,732	27,266
Loss on derivative financial assets		(6,551)	-
Non-recurring expense		(67)	(222)
(Loss)/profit before income taxes		(492,622)	326,148
Income tax		-	-
(Loss)/profit for the period		(492,622)	326,148

The accompanying notes on pages 6 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2022***(Thousands of Georgian Lari)*

<i>Notes</i>	<i>30 June 2022 (unaudited)</i>	<i>30 June 2021 (unaudited)</i>
(Loss)/profit for the period	<u>(492,622)</u>	<u>326,148</u>
Other comprehensive (loss)/income		
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Changes in the fair value of debt instruments at FVOCI	(2,427)	1,040
Realised loss on financial assets measured at FVOCI	502	-
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI	718	514
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(1,207)</u>	<u>1,554</u>
Other comprehensive(loss)/income for the period, net of tax	<u>(1,207)</u>	<u>1,554</u>
Total comprehensive (loss)/income for the period	<u><u>(493,829)</u></u>	<u><u>327,702</u></u>

The accompanying notes on pages 6 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six months ended 30 June 2022***(Thousands of Georgian Lari)*

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury Shares</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>
31 December 2021	13,286	624,186	(940)	(367)	2,245,208	2,881,373
Loss for the period	-	-	-	-	(492,622)	(492,622)
Other comprehensive loss for the period	-	-	-	(1,207)	-	(1,207)
Total comprehensive loss for the period	-	-	-	(1,207)	(492,622)	(493,829)
Increase in equity arising from share-based payments	-	9,800	-	-	-	9,800
Capital reduction (Note 11)	(354)	(76,741)	-	-	-	(77,095)
Contributions under share-based payment plan (Note 11)	-	(17,218)	(2)	-	-	(17,220)
30 June 2022 (unaudited)	12,932	540,027	(942)	(1,574)	1,752,586	2,303,029

	<i>Share capital</i>	<i>Additional paid- in capital</i>	<i>Treasury Shares</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>
31 December 2020	13,391	634,271	(940)	(744)	1,567,312	2,213,290
Profit for the period	-	-	-	-	326,148	326,148
Other comprehensive income for the period	-	-	-	1,554	-	1,554
Total comprehensive income for the period	-	-	-	1,554	326,148	327,702
Increase in equity arising from share-based payment	-	8,841	-	-	-	8,841
Capital reduction (Note 11)*	(25)	(4,475)	-	-	-	(4,500)
Contributions under share-based payment plan (Note 11)	-	(6,966)	4	-	-	(6,962)
30 June 2021 (unaudited)	13,366	631,671	(936)	810	1,893,460	2,538,371

* During six months ended 30 June 2022 the parent company, GCAP PLC, received GEL 77,095 (30 June 2021: 4,500) in the form of capital redemption from JSC GCAP, of which GEL 77,095 (30 June 2021: GEL 4,500) was paid in cash.

The accompanying notes on pages 6 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the six months ended 30 June 2022***(Thousands of Georgian Lari)*

	<i>Notes</i>	30 June 2022 <i>(unaudited)</i>	30 June 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Salaries and other employee benefits paid		(5,328)	(5,048)
Other administrative expenses paid		(2,863)	(2,324)
Interest income received		6,360	3,619
Net change in operating assets and liabilities		(44)	(634)
Net cash flows used in operating activities before income tax		(1,875)	(4,387)
Income tax paid		-	-
Net Cash flows used in operating activities		(1,875)	(4,387)
Cash flows from investing activities			
Net placement of amounts due from credit institutions		(139,974)	(47,580)
Loans issued		(15,523)	(51,687)
Loans repaid		1,201	922
Proceeds from sale of shares in portfolio companies	9	548,118	-
Increase of equity investments	9	(1,572)	(10,588)
Purchase of marketable securities		(91,069)	(69,771)
Proceeds from sale and redemption of marketable securities		15,988	-
Transaction costs incurred in relation to sale of share in existing equity investment		(18,531)	-
Purchase of property and equipment		(52)	(131)
Dividends received	9	11,623	14,430
Other investing activities		(821)	(1,039)
Net cash flows from/(used in) investing activities		309,388	(165,444)
Cash flows from financing activities			
Proceeds from debt securities issued	10	-	212,725
Redemption and buyback of debt securities issued	10	(120,321)	(13,809)
Share capital redemption	11	(77,095)	(4,500)
Interest paid		(33,751)	(30,464)
Contributions under share-based payment plan	11	(17,220)	(6,962)
Cash payments for principal portion of lease liability		(191)	(221)
Cash payments for interest portion of the lease liability		(24)	(23)
Net cash (used in)/from financing activities		(248,602)	156,746
Effect of exchange rates changes on cash and cash equivalents		2,065	(53)
Effect of change in expected credit losses for cash and cash equivalents		(2)	9
Net increase/(decrease) in cash and cash equivalents		60,974	(13,129)
Cash and cash equivalents, beginning of the period	5	89,714	117,026
Cash and cash equivalents, end of the period	5	150,688	103,897

The accompanying notes on pages 6 to 28 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

JSC Georgia Capital (“Georgia Capital”, “Company”) makes up a group of companies (the “Group”), focused on buying, building and developing businesses in Georgia. The Group currently has the following portfolio businesses (i) a retail (pharmacy) business, (ii) a hospitals business, (iii) an insurance business (P&C and medical insurance); (iv) a clinics and diagnostics business, (v) a renewable energy business (hydro and wind assets) and (vi) an education business; Georgia Capital also holds other small private businesses across different industries in Georgia; a 20% equity stake in the water utility business and a 19.9% equity stake in LSE premium-listed Bank of Georgia Group PLC (“BoG”), a leading universal bank in Georgia.

JSC Georgia Capital’s (Company ID: 404549690) registered legal address is Kazbegi street 3-5, Tbilisi Georgia.

JSC Georgia Capital was established on 6 August 2015 as a joint stock company (JSC) under the laws of Georgia. As of 30 June 2022 and 31 December 2021, the Group’s ultimate 100% owner was Georgia Capital PLC, a company incorporated in England and listed on the London Stock Exchange.

2. Basis of Preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2022 were prepared in accordance with International Accounting Standard (IAS 34) “Interim Financial Reporting”.

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 2021.

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 Company’s annual consolidated financial statements as at and for the year ended 31 December 2021, signed and authorized for release on 15 March 2022.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari (“GEL”), unless otherwise noted.

The interim condensed consolidated financial statements are unaudited, but are reviewed by the Company’s independent 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 and Company’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 financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s and Company’s ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

(Thousands of Georgian Lari)

3. 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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interim period tax measurement

Interim period income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year, if any. The estimated annual tax expense for the year ended 31 December 2022 is nil (31 December 2021: nil).

The following amendments became effective from 1 January 2022 and had no impact on the Group's condensed interim consolidated financial statements:

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

Amendments to LAS 16 Property, Plant and Equipment – Proceeds before Intended Use

Amendments to LAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Costs of Fulfilling a Contract

The following standards that are issued but not yet effective are also expected to have no impact on the Group's condensed interim consolidated financial statements:

IFRS 17 Insurance contracts

Amendments to LAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

Amendments to LAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Amendments to LAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(Thousands of Georgian Lari)

4. Segment Information

For management purposes, the Group is organised into the following operating segments as follows: listed and observable portfolio companies, private large portfolio companies, private investment stage portfolio companies, private other portfolio companies, and corporate centre.

Listed and observable portfolio companies segment

BOG - the Group has a significant investment in London Stock Exchange premium listed Bank of Georgia Group PLC.

Water Utility - the Group has 20% equity stake in the Water Utility business, following the disposal of 80% of its shares during 2021. Water Utility is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services.

Private portfolio companies segment

Large portfolio companies segment:

Large portfolio companies segment includes investments in hospitals, pharmacy and distribution, and insurance businesses.

Pharmacy and distribution business owned through GHG consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies.

Hospitals business owned through GHG, is the largest healthcare market participant in Georgia. Hospitals business provides secondary and tertiary level healthcare services.

Insurance business comprises a property and casualty insurance business owned through Aldagi and medical insurance business owned through GHG. Principally providing wide-scale property and casualty and medical insurance services to corporate and retail clients.

Investment stage portfolio companies segment:

Investment stage portfolio companies segment includes investments into clinics, diagnostics, renewable energy and education businesses.

Clinics & Diagnostics business owned through GHG consists of clinics, providing outpatient and basic inpatient services, polyclinics providing outpatient diagnostic and treatment services, and diagnostics business, operating the largest laboratory in the entire Caucasus region.

Renewable energy business principally operates three wholly owned commissioned renewable energy assets. In addition, a pipeline of renewable energy projects is in an advanced stage of development.

Education business combines majority stakes in four leading private schools in Tbilisi. It provides education for preschool to 12th grade (K-12).

Other portfolio companies segment:

Other portfolio companies segment includes Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and IT Outsourcing businesses.

Corporate Centre comprising of JSC Georgia Capital.

Management monitors the fair values of its segments separately for the purposes of making decisions about resource allocation and performance assessment.

Transactions between segments are accounted for at actual transaction prices.

In 2022, Georgia Capital revised the presentation of its segment note. Following the disposal of 80% of water utility shares, the remaining 20% equity stake in the business is presented under the listed and observable portfolio category, alongside the 19.9% investment in BoG. In addition, the healthcare services business (previously included under Large portfolio companies) is now split into two individual businesses (Hospitals, and Clinics & Diagnostics) given the differences in their stage of development. Hospitals business is still presented under the large portfolio category. Clinics and Diagnostics are presented alongside Renewable Energy and Education under the investment stage portfolio category. The information for the six months ended 30 June 2022 is presented on both the old basis and the new basis.

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents the net asset value (NAV) statement of the Group's operating segments at 30 June 2022 and the roll-forward from 31 December 2021 (new basis):

	<i>31 December 2021</i>	<i>1. Value Creation</i>	<i>2a. Investments and Divestments</i>	<i>2b. Buybacks</i>	<i>2c. Dividends</i>	<i>3. Operating Expenses</i>	<i>4. Liquidity Management/ FX / Other</i>	<i>30 June 2022 (unaudited)</i>
Listed and Observable Portfolio Companies	681,186	(189,061)	139,392	-	(22,798)	-	-	608,719
<i>BoG</i>	681,186	(202,669)	-	-	(22,798)	-	-	455,719
<i>Water Utility</i>	-	13,608	139,392	-	-	-	-	153,000
Private Portfolio Companies	2,935,045	(276,205)	(552,804)	-	(11,623)	-	2,281	2,096,694
Large Portfolio Companies	2,249,260	(156,554)	(696,960)	-	(7,374)	-	821	1,389,193
<i>Retail (Pharmacy)</i>	710,385	(39,358)	-	-	-	-	-	671,027
<i>Hospitals</i>	573,815	(95,769)	-	-	-	-	-	478,046
<i>Water Utility</i>	696,960	-	(696,960)	-	-	-	-	-
<i>Insurance (P&C and Medical)</i>	268,100	(21,427)	-	-	(7,374)	-	821	240,120
<i>Of which, P&C Insurance</i>	211,505	(5,142)	-	-	(7,374)	-	821	199,810
<i>Of which, Health Insurance</i>	56,595	(16,285)	-	-	-	-	-	40,310
Investment Stage Portfolio Companies	461,140	(14,970)	1,559	-	(4,249)	-	487	443,967
<i>Clinics and diagnostics</i>	158,004	(37,958)	-	-	-	-	-	120,046
<i>Renewable energy</i>	173,288	2,247	395	-	(4,249)	-	487	172,168
<i>Education</i>	129,848	20,741	1,164	-	-	-	-	151,753
Other Portfolio Companies	224,645	(104,681)	142,597	-	-	-	973	263,534
Total Portfolio Value	3,616,231	(465,266)	(413,412)	-	(34,421)	-	2,281	2,705,413
Net Debt	(734,858)	-	413,412	(53,540)	34,421	(15,938)	(45,881)	(402,384)
Net Asset Value	2,881,373	(465,266)	-	(53,540)	-	(15,938)	(43,600)	2,303,029

*(Thousands of Georgian Lari)***4. Segment Information (continued)**

The following table presents the net asset value (NAV) statement of the Group's operating segments at 30 June 2022 and the roll-forward from 31 December 2021 (old basis):

	<i>31 December 2021</i>	<i>1. Value Creation</i>	<i>2a. Investments and Divestments</i>	<i>2b. Buybacks</i>	<i>2c. Dividends</i>	<i>3. Operating Expenses</i>	<i>4. Liquidity Management/ FX / Other</i>	<i>30 June 2022 (unaudited)</i>
Listed Portfolio Companies	681,186	(202,669)	-	-	(22,798)	-	-	455,719
<i>BoG</i>	681,186	(202,669)	-	-	(22,798)	-	-	455,719
Private Portfolio Companies	2,935,045	(262,597)	(413,412)	-	(11,623)	-	2,281	2,249,694
Large Portfolio Companies	2,407,264	(180,904)	(557,568)	-	(7,374)	-	821	1,662,239
<i>Healthcare Services</i>	731,819	(133,727)	-	-	-	-	-	598,092
<i>Retail (Pharmacy)</i>	710,385	(39,358)	-	-	-	-	-	671,027
<i>Water Utility</i>	696,960	13,608	(557,568)	-	-	-	-	153,000
<i>Insurance (P&C and Medical)</i>	268,100	(21,427)	-	-	(7,374)	-	821	240,120
<i>Of which, P&C Insurance</i>	211,505	(5,142)	-	-	(7,374)	-	821	199,810
<i>Of which, Health Insurance</i>	56,595	(16,285)	-	-	-	-	-	40,310
Investment Stage Portfolio Companies	303,136	22,988	1,559	-	(4,249)	-	487	323,921
<i>Renewable energy</i>	173,288	2,247	395	-	(4,249)	-	487	172,168
<i>Education</i>	129,848	20,741	1,164	-	-	-	-	151,753
Other Portfolio Companies	224,645	(104,681)	142,597	-	-	-	973	263,534
Total Portfolio Value	3,616,231	(465,266)	(413,412)	-	(34,421)	-	2,281	2,705,413
Net Debt	(734,858)	-	413,412	(53,540)	34,421	(15,938)	(45,881)	(402,384)
Net Asset Value	2,881,373	(465,266)	-	(53,540)	-	(15,938)	(43,600)	2,303,029

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents the NAV statement of the Group's operating segments at 30 June 2021 and the roll forward from 31 December 2020:

	<i>31 December 2020</i>	<i>1. Value Creation</i>	<i>2a. Investments and Divestments</i>	<i>2b. Buybacks</i>	<i>2c. Dividends</i>	<i>3. Operating Expenses</i>	<i>4. Liquidity Management/ FX / Other</i>	<i>30 June 2021 (unaudited)</i>
Listed Portfolio Companies	531,558	43,836	-	-	-	-	-	575,394
<i>BoG</i>	531,558	43,836	-	-	-	-	-	575,394
Private Portfolio Companies	2,376,130	296,613	10,588	-	(14,430)	-	3,031	2,671,932
Large Portfolio Companies	1,858,237	230,090	-	-	(4,959)	-	1,408	2,084,776
<i>Healthcare Services</i>	571,656	114,165	-	-	-	-	-	685,821
<i>Retail (Pharmacy)</i>	552,745	27,657	-	-	-	-	-	580,402
<i>Water Utility</i>	471,148	76,097	-	-	-	-	985	548,230
<i>Insurance (P&C and Medical)</i>	262,688	12,171	-	-	(4,959)	-	423	270,323
<i>Of which, P&C Insurance</i>	197,806	13,081	-	-	(4,959)	-	423	206,351
<i>Of which, Health Insurance</i>	64,882	(910)	-	-	-	-	-	63,972
Investment Stage Portfolio Companies	302,964	40,310	10,338	-	(9,471)	-	627	344,768
<i>Renewable energy</i>	209,902	17,103	2,948	-	(9,471)	-	627	221,109
<i>Education</i>	93,062	23,207	7,390	-	-	-	-	123,659
Other Portfolio Companies	214,929	26,213	250	-	-	-	996	242,388
Total Portfolio Value	2,907,688	340,449	10,588	-	(14,430)	-	3,031	3,247,326
Net Debt	(694,398)	-	(10,588)	(3,199)	14,430	(13,861)	(1,339)	(708,955)
Net Asset Value	2,213,290	340,449	-	(3,199)	-	(13,861)	1,692	2,538,371

1. Value Creation – measures the annual shareholder return on each portfolio company for Georgia Capital. It is the aggregation of a) the change in beginning and ending fair values, b) dividend income during period. The net result is then adjusted to remove capital injections (if any) to arrive at the total value creation / investment return.; 2a. Investments and Divestments – represents capital injections and divestments in portfolio companies made by Georgia Capital; 2b. Buybacks – represent buybacks made by Georgia Capital in order to satisfy share compensation of executives; 2c. Dividends – represent dividends received from portfolio companies by JSC GCAP; 3. Operating Expenses – holding company operating expenses of Georgia Capital; 4. Liquidity Management/FX/Other – holding company movements of Georgia Capital related to liquidity management, foreign exchange movement, non-recurring and other.

(Thousands of Georgian Lari)

4. Segment Information (continued)

Reconciliation to IFRS financial statements:

	30 June 2022 (unaudited)			30 June 2021 (unaudited)		
	<i>JSC Georgia Capital</i>	<i>Reclassifications*</i>	<i>NAV Statement</i>	<i>JSC Georgia Capital</i>	<i>Reclassifications*</i>	<i>NAV Statement</i>
Cash and cash equivalents	150,688	(150,688)	-	103,897	(103,897)	-
Amounts due from credit institutions	182,881	(182,881)	-	85,593	(85,593)	-
Marketable securities	137,186	(137,186)	-	79,027	(79,027)	-
Investment in redeemable securities	13,523	(13,523)	-	-	-	-
Accounts receivable	22,909	(22,909)	-	100	(100)	-
Prepayments	1,516	(1,516)	-	2,129	(2,129)	-
Loans issued	25,374	(25,374)	-	158,191	(158,191)	-
Property and equipment	368	(368)	-	497	(497)	-
Intangible assets	73	(73)	-	88	(88)	-
Other assets, net	761	(761)	-	7,138	(7,138)	-
Equity investments at fair value	2,705,413	-	2,705,413	3,247,326	-	3,247,326
Total assets	3,240,692	(535,279)	2,705,413	3,683,986	(436,660)	3,247,326
Accounts payable	5,362	(5,362)	-	2,342	(2,342)	-
Debt securities issued	924,057	(924,057)	-	1,141,320	(1,141,320)	-
Other liabilities	8,244	(8,244)	-	1,953	(1,953)	-
Total liabilities	937,663	(937,663)	-	1,145,615	(1,145,615)	-
Net Debt	-	(402,384)	(402,384)	-	(708,955)	(708,955)
Total equity/NAV	2,303,029	-	2,303,029	2,538,371	-	2,538,371

* *Reclassification to aggregated balances to arrive at NAV specific presentation, such as aggregating Georgia Capital net debt.*

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents income statement information of the Group's operating segments for the six months ended 30 June 2022 (unaudited) (new basis):

	<i>Private Portfolio Companies</i>					<i>Total</i>
	<i>Listed and Observable Portfolio Companies</i>	<i>Large</i>	<i>Investment Stage</i>	<i>Other</i>	<i>Corporate Center</i>	
Gains/(losses) on investments at fair value	(211,859)	(163,928)	(19,219)	(104,681)	-	(499,687)
<i>Listed and Observable Investments</i>	(211,859)	-	-	-	-	(211,859)
<i>Private Investments</i>	-	(163,928)	(19,219)	(104,681)	-	(287,828)
Dividend income	22,798	7,374	4,249	-	-	34,421
Interest income	-	-	-	-	19,578	19,578
Net losses from investment securities measured at FVPL	-	-	-	-	(9,724)	(9,724)
Net realised gains from investment securities measured at FVOCI	-	-	-	-	(502)	(502)
Other income	-	-	-	-	22	22
Gross investment (loss)/profit	(189,061)	(156,554)	(14,970)	(104,681)	9,374	(455,892)
Administrative expenses	-	-	-	-	(3,361)	(3,361)
Salaries and other employee benefits	-	-	-	-	(12,265)	(12,265)
Depreciation and amortisation	-	-	-	-	(312)	(312)
Interest expense	-	-	-	-	(33,744)	(33,744)
Loss before provisions, foreign exchange and non-recurring items	(189,061)	(156,554)	(14,970)	(104,681)	(40,308)	(505,574)
Expected credit loss	-	-	-	-	(712)	(712)
Net foreign currency gain	-	-	-	-	20,282	20,282
Loss on derivative financial assets	-	-	-	-	(6,551)	(6,551)
Non-recurring expense	-	-	-	-	(67)	(67)
Loss before income taxes	(189,061)	(156,554)	(14,970)	(104,681)	(27,356)	(492,622)
Income tax	-	-	-	-	-	-
Loss for the period	(189,061)	(156,554)	(14,970)	(104,681)	(27,356)	(492,622)

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents income statement information of the Group's operating segments for the six months ended 30 June 2022 (unaudited) (old basis):

	<i>Private Portfolio Companies</i>					<i>Total</i>
	<i>Listed and Observable Portfolio Companies</i>	<i>Large</i>	<i>Investment Stage</i>	<i>Other</i>	<i>Corporate Center</i>	
Gains/(losses) on investments at fair value	(225,467)	(188,278)	18,739	(104,681)	-	(499,687)
<i>Listed Equity Investments</i>	(225,467)	-	-	-	-	(225,467)
<i>Private Investments</i>	-	(188,278)	18,739	(104,681)	-	(274,220)
Dividend income	22,798	7,374	4,249	-	-	34,421
Interest income	-	-	-	-	19,578	19,578
Net losses from investment securities measured at FVPL	-	-	-	-	(9,724)	(9,724)
Net realised gains from investment securities measured at FVOCI	-	-	-	-	(502)	(502)
Other income	-	-	-	-	22	22
Gross investment (loss)/profit	(202,669)	(180,904)	22,988	(104,681)	9,374	(455,892)
Administrative expenses	-	-	-	-	(3,361)	(3,361)
Salaries and other employee benefits	-	-	-	-	(12,265)	(12,265)
Depreciation and amortisation	-	-	-	-	(312)	(312)
Interest expense	-	-	-	-	(33,744)	(33,744)
Loss before provisions, foreign exchange and non-recurring items	(202,669)	(180,904)	22,988	(104,681)	(40,308)	(505,574)
Expected credit loss	-	-	-	-	(712)	(712)
Net foreign currency gain	-	-	-	-	20,282	20,282
Loss on derivative financial assets	-	-	-	-	(6,551)	(6,551)
Non-recurring expense	-	-	-	-	(67)	(67)
Loss before income taxes	(202,669)	(180,904)	22,988	(104,681)	(27,356)	(492,622)
Income tax	-	-	-	-	-	-
Loss for the period	(202,669)	(180,904)	22,988	(104,681)	(27,356)	(492,622)

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents income statement information of the Group's operating segments for the six months ended 30 June 2021 (unaudited):

	<i>Private Portfolio Companies</i>					<i>Total</i>
	<i>Listed and Observable Portfolio Companies</i>	<i>Large</i>	<i>Investment Stage</i>	<i>Other</i>	<i>Corporate Center</i>	
Gains/(losses) on investments at fair value	43,836	225,131	30,839	26,213	-	326,019
<i>Listed and Observable Investments</i>	43,836	-	-	-	-	43,836
<i>Private Investments</i>	-	225,131	30,839	26,213	-	282,183
Dividend income	-	4,959	9,471	-	-	14,430
Interest income	-	-	-	-	10,289	10,289
Net losses from investment securities measured at FVPL	-	-	-	-	(39)	(39)
Other income	-	-	-	-	30	30
Gross investment profit	43,836	230,090	40,310	26,213	10,280	350,729
Administrative expenses	-	-	-	-	(2,729)	(2,729)
Salaries and other employee benefits	-	-	-	-	(10,871)	(10,871)
Depreciation and amortisation	-	-	-	-	(261)	(261)
Interest expense	-	-	-	-	(37,194)	(37,194)
Profit/(loss) before provisions, foreign exchange and non-recurring items	43,836	230,090	40,310	26,213	(40,775)	299,674
Expected credit loss reversal	-	-	-	-	(570)	(570)
Net foreign currency gain	-	-	-	-	27,266	27,266
Non-recurring expense	-	-	-	-	(222)	(222)
Profit/(loss) before income taxes	43,836	230,090	40,310	26,213	(14,301)	326,148
Income tax	-	-	-	-	-	-
Profit/(loss) for the period	43,836	230,090	40,310	26,213	(14,301)	326,148

(Thousands of Georgian Lari)

5. Cash and Cash Equivalents

	<i>As at</i>	
	<u>30 June 2022</u> <i>(unaudited)</i>	<u>31 December</u> <u>2021</u>
Current accounts with financial institutions	150,690	52,542
Time deposits with financial institutions with maturities of up to 90 days	-	37,173
Cash and cash equivalents	<u>150,690</u>	<u>89,715</u>
Allowance	(2)	(1)
Cash and cash equivalents, Net	<u>150,688</u>	<u>89,714</u>

6. Amounts Due from Credit Institutions

	<i>As at</i>	
	<u>30 June 2022</u> <i>(unaudited)</i>	<u>31 December</u> <u>2021</u>
Time deposits with maturities of more than 90 days	183,026	35,818
Amounts due from credit institutions, Gross	<u>183,026</u>	<u>35,818</u>
Allowance	(145)	(151)
Amounts due from credit institutions, Net	<u>182,881</u>	<u>35,667</u>

7. Marketable Securities and Investment in Redeemable Shares

	<i>As at</i>	
	<u>30 June 2022</u> <i>(unaudited)</i>	<u>31 December</u> <u>2021</u>
Internationally listed marketable securities (FVPL)	35,214	37,747
Internationally listed marketable securities (FVOCI)	98,834	39,447
Locally listed marketable securities (FVOCI)	3,138	2,522
Marketable securities	<u>137,186</u>	<u>79,716</u>

Increase in marketable securities balance during six months ended 30 June 2022 is primarily attributable to the temporary investments in dollar-denominated green bonds issued by Georgia Global Utilities JSC.

Investment in redeemable shares

In August 2021 a 100% owned portfolio company of Georgia Capital, JSC Insurance Company Aldagi (P&C Insurance), issued 6 million preference shares. 100% of preference shares were subscribed by Georgia Capital at the price of USD 6 million (GEL 18.6 million). The proceeds from preference shares are invested by JSC Insurance Company Aldagi in a fund that invest in fixed income securities. Preference shares are mandatorily redeemable by JSC Insurance Company Aldagi upon redemption of the underlying fund shares. Redemption amount for preferred shares is equal to proceeds from underlying fund shares subject to certain adjustments. As at 30 June 2022 the fair value of the investment was 13,523 (31 December 2021: GEL 17,849) presented as investment in redeemable shares in the condensed consolidated statement of financial position.

(Thousands of Georgian Lari)

8. Loans Issued

	<i>As at</i>	
	<u>30 June 2022</u> <i>(unaudited)</i>	<u>31 December</u> <i>2021</i>
Loans to equity investments (FVPL)	25,374	154,214
Loans issued, Net	25,374	154,214

As at 30 June 2022, loans to equity investments are denominated in GEL, USD and EUR (31 December 2021: GEL, USD and EUR), carry interest rates from 5.5% to 16% (31 December 2021: 5.5% to 16%), with average remaining terms of maturity of 1.4 years (31 December 2021: 1.9 years).

As at 30 June 2022, under the terms of the Share Purchase Agreement (“SPA”) between JSC Georgia Capital and FCC Aqualia as part of the second stage of the transaction, GCAP had commitment to issue a loan in the amount of USD 95.4 million to Renewable energy business in order for redemption of Green Eurobonds issued.

9. Equity Investments at Fair Value

	<i>31</i> <i>December</i> <i>2021</i>	<i>Portfolio</i> <i>decomposition</i> <i>and Transfer</i> <i>between stages</i>	<i>Value</i> <i>Change</i>	<i>Dividends</i>	<i>Total gains /</i> <i>(Losses) on</i> <i>investments</i> <i>at fair value</i>	<i>Investments</i> <i>and</i> <i>Divestments</i> <i>**</i>	<i>Other</i> <i>***</i>	<i>30 June 2022</i> <i>(unaudited)</i>
Listed and Observable Portfolio Companies	681,186	-	(189,061)	(22,798)	(211,859)	139,392	-	608,719
<i>BoG</i>	681,186	-	(202,669)	(22,798)*	(225,467)	-	-	455,719
<i>Water utility</i>	-	-	13,608	-	13,608	139,392	-	153,000
Private Portfolio Companies	2,935,045	-	(285,655)	(11,623)	(297,278)	(543,354)	2,281	2,096,694
<i>Large Portfolio Companies</i>	2,407,264	(158,004)	(166,004)	(7,374)	(331,382)	(687,510)	821	1,389,193
<i>Retail (Pharmacy)</i>	710,385	-	(39,358)	-	(39,358)	-	-	671,027
<i>Hospitals</i>	731,819	(158,004)	(95,769)	-	(253,773)	-	-	478,046
<i>Water utility</i>	696,960	-	(9,450)	-	(9,450)	(687,510)	-	-
<i>Insurance (P&C and Medical)</i>	268,100	-	(21,427)	(7,374)	(28,801)	-	821	240,120
<i>Of which, P&C Insurance</i>	211,505	-	(5,142)	(7,374)	(12,516)	-	821	199,810
<i>Of which, Health Insurance</i>	56,595	-	(16,285)	-	(16,285)	-	-	40,310
<i>Investment Stage Portfolio Companies</i>	303,136	158,004	(14,970)	(4,249)	138,785	1,559	487	443,967
<i>Clinics and diagnostics</i>	-	158,004	(37,958)	-	120,046	-	-	120,046
<i>Renewable Energy</i>	173,288	-	2,247	(4,249)	(2,002)	395	487	172,168
<i>Education</i>	129,848	-	20,741	-	20,741	1,164	-	151,753
<i>Other Portfolio Companies</i>	224,645	-	(104,681)	-	(104,681)	142,597	973	263,534
Equity investments at fair value	3,616,231	-	(474,716)	(34,421)	(509,137)	(403,962)	2,281	2,705,413

* Dividend receivable from BoG, included in accounts receivable balance in interim consolidated statement of financial position as at 30 June 2022. Dividends receivable were collected on 14 July 2022.

(Thousands of Georgian Lari)

9. Equity Investments at Fair Value (continued)

	31 December 2020	Value Change	Dividends	Total gains / (Losses) on investments at fair value	Investments and Divestments**	Other ***	30 June 2021 (unaudited)
Listed Portfolio Companies	531,558	43,836	-	43,836	-	-	575,394
BoG	531,558	43,836	-	43,836	-	-	575,394
Private Portfolio Companies	2,376,130	296,613	(14,430)	282,183	10,588	3,031	2,671,932
Large Portfolio Companies	1,858,237	230,090	(4,959)	225,131	-	1,408	2,084,776
Healthcare Services	571,656	114,165	-	114,165	-	-	685,821
Retail (Pharmacy)	552,745	27,657	-	27,657	-	-	580,402
Water utility	471,148	76,097	-	76,097	-	985	548,230
Insurance (P&C and Medical)	262,688	12,171	(4,959)	7,212	-	423	270,323
Of which, P&C Insurance	197,806	13,081	(4,959)	8,122	-	423	206,351
Of which, Health Insurance	64,882	(910)	-	(910)	-	-	63,972
Investment Stage Portfolio Companies	302,964	40,311	(9,471)	30,840	10,337	627	344,768
Renewable Energy	209,902	17,104	(9,471)	7,633	2,947	627	221,109
Education	93,062	23,207	-	23,207	7,390	-	123,659
Other Portfolio Companies	214,929	26,212	-	26,212	251	996	242,388
Equity investments at fair value	2,907,688	340,449	(14,430)	326,019	10,588	3,031	3,247,326

** Capital injections in portfolio companies made by JSC Georgia Capital (cash contribution of GEL 1,572 for the period ended 30 June 2022, GEL 10,588 for the period ended 30 June 2021).

Divestments represent sale of 80% interest in water utility business. On 2 February 2022 the JSC GCAP completed the first stage in the proposed two-stage transaction, disposal of controlling interest in Georgia Global Utilities JSC ("GGU") to FCC Aqualia for USD 180 million. Sale proceeds (GEL 548,118) have been received on 2 February 2022.

*** Other investments in portfolio companies.

10. Debt Securities Issued

Debt securities issued comprise:

	<i>As at</i>	
	30 June 2022 (unaudited)	31 December 2021
USD denominated Eurobonds	924,057	1,095,433
Debt securities issued	924,057	1,095,433

In March 2018 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"). The Notes were sold at the price of 98.770% of par value at the initial offering.

On 16 March 2021, Georgia Capital placed USD 65,000 (GEL 215,826) tap issue, which was consolidated and forms a single series with the Notes. From the tap issue, notes with par value of USD 4,154 thousand (GEL 13,809) were repurchased by Georgia Capital at the issue date. Cash proceeds from the tap issue, net of fees paid, was GEL 212,725.

During six months ended 30 June 2022, Georgia Capital repurchased own Eurobonds Issued for total consideration of GEL 120,321 (2020: GEL 13,809).

11. Equity

Share capital

As at 30 June 2022, issued share capital comprised 12,931,632 authorised common shares (31 December 2021: 13,285,616), of which 12,931,632 were fully paid (31 December 2021: 13,285,616). Each share has a nominal value of one Georgian Lari. Shares issued and outstanding as at 30 June 2022 are described below:

(Thousands of Georgian Lari)

11. Equity (continued)

	<i>Number of shares Ordinary</i>	<i>Amount</i>
31 December 2021	13,285,616	13,286
Capital Reduction	(353,984)	(354)
30 June 2022 (unaudited)	12,931,632	12,932
	<i>Number of shares Ordinary</i>	<i>Amount</i>
31 December 2020	13,390,989	13,391
Capital Reduction	(25,266)	(25)
30 June 2021 (unaudited)	13,365,723	13,366

Capital reduction

During the six months ended 30 June 2022, JSC GCAP bought back from its parent 353,984 own shares (2021: 25,266) (of which cash consideration amounted to GEL 77,095 (2021: GEL 4,500)). All of the repurchased ordinary shares were cancelled. GEL 76,741 (2021: GEL 4,475) difference between GEL 354 (2021: GEL 25) par value of the acquired shares and the consideration transferred was recognized as deduction from additional paid-in capital.

Treasury shares

Treasury shares consist of GEL 837 (31 December 2021: GEL 837) Georgia Capital shares and GEL 105 (31 December 2021: 103) shares of Georgia Capital PLC (the Parent) repurchased as a result of management compensation scheme, which are considered as treasury shares for the Group.

During six months ended 30 June 2022, the Group acquired treasury shares in connection to its share-based compensation plans for total consideration of GEL 17,220 (2021: GEL 6,962).

12. 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 2022 (unaudited)	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Assets measured at fair value</i>				
Marketable securities	1,506	135,680	-	137,186
Investment in redeemable securities	-	-	13,523	13,523
Equity investments at fair value	455,719	153,000	2,096,694	2,705,413
Loans issued	-	-	25,374	25,374
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	150,688	-	150,688
Amounts due from credit institutions	-	182,881	-	182,881
Accounts receivable	-	-	22,909	22,909
<i>Liabilities for which fair values are disclosed</i>				
Debt securities issued	-	-	924,386	924,386
Lease liabilities	-	509	-	509

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Fair value hierarchy (continued)

31 December 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value				
Marketable securities	30,420	49,296	-	79,716
Investment in redeemable securities	-	-	17,849	17,849
Equity investments at fair value	681,186	696,960	2,238,085	3,616,231
Loans issued	-	-	154,214	154,214
Assets for which fair values are disclosed				
Cash and cash equivalents	-	89,714	-	89,714
Amounts due from credit institutions	-	35,667	-	35,667
Accounts receivable	-	-	96	96
Liabilities for which fair values are disclosed				
Debt securities issued	-	-	1,129,354	1,129,354
Lease liabilities	-	747	-	747

During six months ended 30 June 2022 movements from Level 1 to Level 2 of the fair value hierarchy for marketable securities amounted to GEL 11,663 as the market for the transferred instruments became less liquid. During the year ended 31 December 2021 movements from Level 2 to Level 1 of the fair value hierarchy for marketable securities amounted to GEL 2,892), as the market for the transferred instruments became more liquid.

Valuation techniques

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.

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.

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. Quoted prices on inactive markets are also observed for bonds and marketable securities. 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.

Equity Investments in Listed and Observable Portfolio Companies

Equity instruments listed on an active market are valued at the price within the bid/ask spread, that is most representative of fair value at the reporting date, which usually represents the closing bid price. The instruments are included within Level 1 of the hierarchy. Listed and observable portfolio also includes instruments for which there is a clear exit path from the business, e.g. through a put and/or call options at pre-agreed multiples. In such cases, pre-agreed terms are used for valuing the company.

Equity Investments in Private Portfolio Companies

Large portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of large private portfolio companies at the reporting date starting from 31 December 2020. The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods including an income approach based mainly on discounted cash flow and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects what is considered to be the most appropriate point in the provided fair value range at the reporting date.

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Valuation techniques (continued)

Investment stage portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of investment stage private portfolio companies at the reporting date starting from 30 June 2022. The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods including an income approach based mainly on discounted cash flow and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects what is considered to be the most appropriate point in the provided fair value range at the reporting date.

Other portfolio companies – fair value assessment is performed internally as described below.

Equity investments in private portfolio companies are valued by applying an appropriate valuation method, which makes maximum use of market-based public information, is consistent with valuation methods generally used by market participants and is applied consistently from period to period, unless a change in valuation technique would result in more reliable estimation of fair value.

The value of an unquoted equity investment is generally crystallised through the sale or flotation of the entire business. Therefore, the estimation of fair value is based on the assumed realisation of the entire enterprise at the reporting date. Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgments and in making the necessary estimates.

Fair value of equity investments is determined using one of the valuation methods described below:

Listed Peer Group Multiples

This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses and for which the Company can determine a group of listed companies with similar characteristics.

The earnings multiple used in valuation is determined by reference to listed peer group multiples appropriate for the period of earnings calculation for the investment being valued. The Group identifies peer group for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles. Some peer-group companies' multiples may be more heavily weighted during valuation if their characteristics are closer to those of the company being valued than others.

As a rule of thumb, last 12-month earnings will be used for the purposes of valuation as a generally accepted method. Earnings are adjusted where appropriate for exceptional, one-off or non-recurring items.

a. Valuation based on enterprise value

Fair value of equity investments in private companies can be determined as their enterprise value less net financial debt (gross face value of debt less cash) appearing in the most recent Financial Statements.

Enterprise value is obtained by multiplying measures of a company's earnings by listed peer group multiple (EV/EBITDA) for the appropriate period. The measures of earnings generally used in the calculation is recurring EBITDA for the last 12 months (LTM EBITDA). In exceptional cases, where EBITDA is negative, peer EV/Sales (enterprise value to sales) multiple can be applied to last 12-month recurring/adjusted sales revenue of the business (LTM sales) to estimate enterprise value.

Once the enterprise value is estimated, the following steps are taken:

- ❑ Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero (assuming the debt is without recourse to Georgia Capital).
- ❑ The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued, if applicable.

Valuation based on enterprise value using peer multiples is used for businesses within non-financial industries.

b. Equity fair value valuation

Fair value of equity investment in companies can be determined as using price to earnings (P/E) multiple of similar listed companies.

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Valuation techniques (continued)

The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is allocated between Georgia Capital and other shareholders of the portfolio company, if any. Fair valuation of equity using peer multiples can be used for businesses within financial sector (e.g. insurance companies).

Discounted cash flow

Under the discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the business or market sector. Under the discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and an internally-developed discounting rate of return.

Net Asset Value

The net assets methodology involves estimating fair value of equity investment in a private portfolio company based on its book value at reporting date. This method is appropriate for businesses (such as real estate) whose value derives mainly from the underlying value of its assets and where such assets are already carried at their fair values (fair values determined by professional third-party valuation companies) on the balance sheet.

Price of recent investment

The price of a recent investment, resulting from an orderly transaction, generally represents fair value as of the transaction date. At subsequent measurement dates, the price of a recent investment may be an appropriate starting point for estimating fair value. However, adequate consideration is given to the current facts and circumstances to assess at each measurement date whether changes or events subsequent to the relevant transaction imply a change in the investment's fair value.

Exit price

Fair value of a private portfolio company in a sales process, where the price has been agreed but the transaction has not yet settled, is measured at the best estimate of expected proceeds from the transaction, adjusted pro-rata to the proportion of shareholding sold.

Validation

Fair value of investments estimated using one of the valuation methods described above is cross-checked using several other valuation methods as follows:

- ❑ Listed peer group multiples – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to respective metrics of the investment being valued depending on the industry of the company. The Company develops fair value range based on these techniques and analyse whether fair value estimated above falls within this range.
- ❑ Discounted cash flow (DCF) – The discounted cash flow valuation method is used to determine fair value of equity investment. Based on DCF, the Company might make upward or downward adjustment to the value of valuation target as derived from primary valuation method. If fair value estimated using discounted cash flow analysis significantly differs from the fair value estimate derived using primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.
- ❑ In line with our strategy, from time to time, we may receive offers from interested buyers for our private portfolio companies, which would be considered in the overall valuation assessment, where appropriate.

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Valuation process for Level 3 valuations

Georgia Capital hired third-party valuation professionals to assess fair value of the large private portfolio companies as at 30 June 2021 and 31 December 2021. Starting from 2022 third-party valuation professionals are hired to assess fair value of the investment stage private portfolio companies as well. As of 30 June 2022 such businesses include Hospitals, P&C insurance, Retail (Pharmacy), Medical Insurance, Clinics & Diagnostics, Renewable energy, Education. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date. Fair values of investments in other private portfolio companies are assessed internally in accordance with Georgia Capital's valuation methodology by the Valuation Workgroup.

Georgia Capital's Management Board proposes fair value to be placed at each reporting date to the Audit and Valuation Committee. Audit and Valuation Committee is responsible for the review and approval of fair values of investments at the end of each reporting period.

Description of significant unobservable inputs to Level 3 valuations

The approach to valuations as of 30 June 2022 was consistent with the Group's valuation process and policy. Management continues to monitor the impact that the COVID-19 pandemic has on the valuation of portfolio companies.

The following tables show descriptions of significant unobservable inputs to level 3 valuations of equity investments:

30 June 2022 (unaudited)				
Description	Valuation technique	Unobservable input	Range [selected input]	Fair value
Loans Issued	DCF	Discount rate	5.5%-16%	25,374
Equity investments at fair value				
<i>Large portfolio</i>				
Retail (Pharmacy)	DCF, EV/EBITDA	EV/EBITDA multiple	5.8x-21.6x [8.3x]	1,389,193 671,027
Hospitals	DCF, EV/EBITDA	EV/EBITDA multiple	6.1x-23.6x [10.5x]	478,046
P&C insurance	DCF, P/E	P/E multiple	4.6x-20.1x [11.0x]	199,810
Medical insurance	DCF, P/E	P/E multiple	6.2x-9.8x [14.5x]	40,310
<i>Investment stage</i>				
Clinics and diagnostics	DCF, EV/EBITDA	EV/EBITDA multiple	6.1x-23.6x [9.8x]	443,967 120,046
Renewable energy	DCF, EV/EBITDA	EV/EBITDA multiple	4.6x-19.9x [11.1 x]	172,168
Education	DCF, EV/EBITDA	EV/EBITDA multiple	8.4x-41.7x [15.3x]	151,753
Other	Sum of the parts	EV/EBITDA multiples	1.4x-18.3x [4.0x-10.0x]	263,534
		EV/Sales multiple	1.1x-2.9x [1.6x]	
		Cashflow probability NAV multiple	[90%-100%] [1.0 x]	

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)
Description of significant unobservable inputs to Level 3 valuations (continued)

31 December 2021				
Description	Valuation technique	Unobservable input	Range [selected input]	Fair value
Loans Issued	DCF	Discount rate	5.5%-16%	154,214
Equity investments at fair value				
<i>Large portfolio</i>				
				2,407,264
Healthcare services	DCF, EV/EBITDA	EV/EBITDA multiple	6.9x-22.6x [10.3x]	731,819
Retail (Pharmacy)	DCF, EV/EBITDA	EV/EBITDA multiple	6.8x-19.9x [9.3x]	710,385
Water utility	DCF, EV/EBITDA	EV/EBITDA multiple	N/A	696,960
P&C insurance	DCF, P/E	P/E multiple	8.0x-28.7x [12.0x]	211,505
Medical insurance	DCF, P/E	P/E multiple	9.7x-16.6x [15.0x]	56,595
<i>Investment stage</i>				
				303,136
Renewable energy	Sum of the parts	EV/EBITDA multiple	10.1x-19.6x [9.2x-12.5x]	173,288
Education	EV/EBITDA	EV/EBITDA multiple	7.3x-21.7x [12.5x]	129,848
		EV/EBITDA multiples	1.1x-17.1x [5.0x-9.8x]	
Other	Sum of the parts	EV/Sales multiple	1.1x-2.7x [1.9x]	224,645
		Cashflow probability	[90%-100%]	
		NAV multiple	[0.9x]	

Georgia Capital hired third-party valuation professionals to assess fair value of the large and investment stage private portfolio companies as at 30 June 2022 including Retail (Pharmacy), Hospitals, P&C insurance, Medical Insurance, Clinics and Diagnostics, Renewable Energy and Education. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

On 31 December 2021, Georgia Capital signed SPA to dispose 80% interest in Water Utility business. The remaining 20% interest in Water Utility business was valued using the option valuation method as at 30 June 2022 as GCAP has a clear exit path from the business through a put and call structure at pre-agreed EBITDA multiples.

Comprehensive analysis was performed to determine the impact of the Russia-Ukraine war on the private portfolio valuations. During the analysis, the impact of the war on discount rates was estimated and changes in listed peer multiples and overall movement in emerging and regional markets were reviewed. Uncertainties surrounding the geopolitical tensions translated into an increase in discount rates and reduced listed peer multiples and were reflected accordingly in the private portfolio companies' valuations, where applicable.

As at 30 June 2022, several portfolio companies (Hospitals, Clinics, P&C Insurance, together "Defendants") were engaged in litigation that has been ongoing since 2015 with some of the former shareholders of Insurance Company Imedi L ("Claimants") in relation to the acquisition price of the business. Former shareholders claim that their 66% shares in Insurance Company Imedi L were sold under duress at a price below market value in 2012. Since the outset, GHG and Aldagi have vigorously defended their position that the claims are wholly without merit. Defendants won the case in Tbilisi City Court in 2018. The Claimants appealed against the court decision and in January 2020, Tbilisi Court of Appeals decided to return the case back to Tbilisi City Court for further analysis of the circumstances of the case, this decision was sustained by Supreme Court in February 2022 as well. In July 2022, Tbilisi City Court partially satisfied the Claimants and ruled that claims in the amount of USD 12.7 million principal amount + annual 5% interest as a lost income (USD 21 million in total) should be paid. Defendants have not yet received the written substantiation of the judgment; they believe that no new evidence has been submitted and that there is no sound basis upon which to have reversed the initial ruling. Defendants intend to appeal, will continue to vigorously defend their position and are confident that they will prevail, accordingly defendants have not made a provision for a potential liability in their financial statements. Management shares Defendants' assessment of the merits of the case and considers that the probability of incurring losses on this claim is low, accordingly, fair values of portfolio companies do not take into account a potential liability in relation to this litigation.

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

In order to determine reasonably possible alternative assumptions Georgia Capital adjusted key unobservable model inputs. Georgia Capital adjusted the inputs used in valuation by increasing and decreasing them within a range which is considered by Georgia Capital to be reasonable.

If the interest rate for each individual loan issued to equity investments as at 30 June 2022 decreased by 20% (31 December 2021: 20%), the amount of loans issued would have decreased by GEL 31 or 0.1% (31 December 2021: increased by GEL 3,174 or 2.1%). If the interest rates increased by 20% (31 December 2021: 20%) then loans issued would have increased by GEL 30 or 0.1% (31 December 2021: decreased by GEL 2,938 or 1.9%).

If the listed peer multiples used in the market approach to value unquoted investments as at 30 June 2022 decreased by 10% (31 December 2021: 10%), value of equity investments at fair value would decrease by GEL 77 million or 2.9% (31 December 2021: GEL 110 million or 3%). If the multiple increased by 10% (31 December 2021: 10%) then the equity investments at fair value would increase by GEL 71 million or 2.6% (31 December 2020: GEL 121 million or 3%).

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (31 December 2021: 50 basis points), the value of equity investments at fair value would increase by GEL 70 million or 2.6% (31 December 2021: GEL 90 million or 2%). If the discount rates increased by 50 basis points (31 December 2021: 50 basis points) then the equity investments at fair value would decrease by GEL 72 million or 2.7% (GEL 80 million or 2%). If the discount rate decreased by 100 basis points, the value of equity investments at fair value would increase by GEL 146 million or 5.4% (31 December 2021: GEL 189 million or 5%). If the discount rate increased by 100 basis points then the equity investments at fair value would decrease by GEL 139 million or 5.1% (31 December 2021: GEL 156 million or 4%).

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis (except for Hospitality and Commercial business) as at 30 June 2022 decreased by 10% (31 December 2021: 10%), value of equity investments at fair value would decrease by GEL 7 million or 0.3% (31 December 2021: GEL 7 million or 0.2%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 7 million or 0.3% (31 December 2021: GEL 7 million or 0.2%).

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:

	<i>At 31 December</i>	<i>PL movement*</i>		<i>Investments and Divestments</i>	<i>Other changes**</i>	<i>Loans issued</i>	<i>Loans repaid</i>	<i>At 30 June 2022 (unaudited)</i>
	<i>2021</i>	<i>realized</i>	<i>unrealized</i>					
Level 3 financial assets								
Loans issued	154,214	547	(6,586)	-	(137,123)	15,523	(1,201)	25,374
Equity investments at fair value	2,238,085	11,623	(287,828)	144,156	(9,342)	-	-	2,096,694
	<i>At 31 December</i>	<i>PL movement*</i>		<i>Investments</i>	<i>Other changes**</i>	<i>Loans issued</i>	<i>Loans repaid</i>	<i>At 30 June 2021 (unaudited)</i>
	<i>2020</i>	<i>realized</i>	<i>unrealized</i>					
Level 3 financial assets								
Loans issued	108,983	109	(1,557)	-	(109)	51,687	(922)	158,191
Equity investments at fair value	2,376,130	14,430	282,183	10,588	(11,399)	-	-	2,671,932

*PL movement represents gain on revaluation of call option, interest income and foreign exchange gain on loans issued and fair value loss and dividend income on investments at fair value.

** Other changes for loans issued represent interest repayment and loans conversion into the equity of private portfolio companies and for equity investments at fair value – dividends and other investments (Note 9).

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

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 financial assets and financial liabilities, fair values of which are materially close to their carrying values.

	<i>Carrying value 30 June 2022 (unaudited)</i>	<i>Fair value 30 June 2022 (unaudited)</i>	<i>Unrecognised gain (loss) 30 June 2022 (unaudited)</i>	<i>Carrying value 31 December 2021</i>	<i>Fair value 31 December 2021</i>	<i>Unrecognised gain (loss) 31 December 2021</i>
Financial assets						
Cash and cash equivalents	150,688	150,688	-	89,714	89,714	-
Amounts due from credit institutions	182,881	182,881	-	35,667	35,667	-
Financial liabilities						
Lease liabilities	594	509	85	823	747	76
Debt securities issued	924,057	924,386	(329)	1,095,433	1,129,354	(33,921)
Total unrecognised change in unrealised fair value			(244)			(33,845)

13. Maturity Analysis

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

	<i>30 June 2022 (unaudited)</i>			<i>31 December 2021</i>		
	<i>Less than 1 Year</i>	<i>More than 1 Year</i>	<i>Total</i>	<i>Less than 1 Year</i>	<i>More than 1 Year</i>	<i>Total</i>
Cash and cash equivalents	150,688	-	150,688	89,714	-	89,714
Amounts due from credit institutions	182,881	-	182,881	35,667	-	35,667
Marketable securities*	137,186	-	137,186	79,716	-	79,716
Investment in redeemable securities	13,523	-	13,523	17,849	-	17,849
Accounts receivable	22,909	-	22,909	96	-	96
Prepayments	1,516	-	1,516	680	-	680
Loans issued	6,053	19,321	25,374	16,933	137,281	154,214
Property and equipment	-	368	368	-	410	410
Intangible assets	-	73	73	-	84	84
Other assets	761	-	761	104	7,101	7,205
Equity investments at fair value	-	2,705,413	2,705,413	557,568	3,058,663	3,616,231
Total assets	515,517	2,725,175	3,240,692	798,327	3,203,539	4,001,866
Accounts payable	5,362	-	5,362	839	-	839
Debt securities issued	17,247	906,810	924,057	20,839	1,074,594	1,095,433
Other liabilities	7,679	565	8,244	23,421	800	24,221
Total liabilities	30,288	907,375	937,663	45,099	1,075,394	1,120,493
Net	485,229	1,817,800	2,303,029	753,228	2,128,145	2,881,373

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

(Thousands of Georgian Lari)

14. 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 are 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 2022 (unaudited)		31 December 2021	
	Management*	Equity Investments**	Management*	Equity Investments**
Assets				
Marketable securities	-	87,346	-	18,499
Investment in redeemable securities	-	13,523	-	17,849
Prepayments	-	1,212	-	563
Loans issued	-	25,373	-	154,214
Other assets	-	-	-	6,268
	-	127,454	-	197,393
Liabilities				
Accounts Payable	-	1,313	-	-
Debt securities issued	4,985	-	5,272	-
Financial guarantees provided (notional value)	-	48,639	-	55,297
Other liabilities	-	522	-	699
	4,985	50,474	5,272	55,996

	30 June 2022 (unaudited)		30 June 2021 (unaudited)	
	Management*	Equity Investments**	Management*	Equity Investments**
Income and expenses				
Dividend income	-	11,623	-	14,430
Administrative expenses	-	(690)	-	(607)
Interest income at EIR method	-	6,605	-	6,140
Other interest income	-	530	-	743
Interest expense	(159)	(24)	(305)	(5)
	(159)	18,044	(305)	20,701

* Management of JSC Georgia Capital as at and for the six months ended 30 June 2022 consist of 5 executives and 6 members of supervisory board (31 December 2021 and 30 June 2021: 4 executives and 6 members of supervisory board).

** Equity Investments comprise of investees of JSC Georgia Capital.

Compensation of key management personnel comprised the following:

	30 June 2022 (unaudited)	30 June 2021 (unaudited)
Salaries and other benefits	(1,228)	(1,321)
Share-based payments compensation	(5,444)	(7,721)
Total key management compensation	(6,672)	(9,042)

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 2022 was 11 (31 December 2021 and 30 June 2021: 10).

There were no related party transactions as of 30 June 2022, other than capital redemption of GEL 77,095 (30 June 2021: GEL 4,500) with GCAP PLC.

(Thousands of Georgian Lari)

15. Events after the Reporting Period

Change in fair value and ownership of listed investment

As at 10 August 2022, fair value of listed equity investment, BoG, has increased by 22% (or GEL 100,367) compared to 30 June 2022 as a result of increased share price in subsequent period by 33% to GBP 17.32.

In 2Q22, the BoG also announced the commencement of the GEL 72.7 million share buyback and cancellation programme, starting from 11 July 2022 and effective until 31 December 2022. As a result of subsequent buybacks the ownership of JSC GCAP in BoG increased to 20.0% (30 June 2022: 19.9%).