JSC Georgia Capital Unaudited Interim Condensed Consolidated Financial Statements

30 June 2023

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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 2023 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".

PricewaterhouseCoopers Georgia LLC

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

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

14 August 2023
Tbilisi, Georgia

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Thousands of Georgian Lari)

	Note	*30 June 2023 (unaudited)*	*31 December 2022*
Assets			
Cash and cash equivalents	5	157,694	199,771
Amounts due from credit institutions	6	-	16,278
Marketable securities	7	3,940	25,445
Investment in redeemable securities	7	12,789	12,631
Accounts receivable	9	52,594	109
Prepayments		1,827	610
Loans issued	8	17,461	26,830
Property and equipment		370	391
Intangible assets		88	109
Other assets		1,079	1,132
Equity investments at fair value	9	3,360,564	3,198,627
Total assets		**3,608,406**	**3,481,933**
Liabilities			
Accounts payable		1,811	917
Debt securities issued	10	574,974	681,067
Other liabilities		1,894	4,889
Total liabilities		**578,679**	**686,873**
Equity			
Share capital	11	12,877	12,877
Additional paid-in capital		507,346	523,760
Treasury shares	11	(981)	(960)
Other reserves		(219)	(439)
Retained earnings		2,510,704	2,259,822
Total equity		**3,029,727**	**2,795,060**
Total liabilities and equity		**3,608,406**	**3,481,933**

Signed and authorised for release by:

David Morrison — Chairperson of Supervisory Board

Irakli Gilauri — Chief Executive Officer

Giorgi Alpaidze — Chief Financial Officer

14 August 2023

The accompanying notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

(Thousands of Georgian Lari)

	Note	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Gains/(losses) on investments at fair value	9	195,958	(509,137)
Listed and Observable Investments		*117,954*	*(221,309)*
Of which:			
Sale consideration from disposal of listed shares		*61,571*	-
Disposal of listed shares		*(57,278)*	-
Private Investments		*78,004*	*(287,828)*
Dividend income	9	86,503	34,421
Interest income at effective interest rate method		2,341	12,844
Other interest income		1,878	6,734
Gain on derecognition of liability		524	-
Net gains/(losses) from investment securities measured at FVPL		505	(9,724)
Net realised losses from investment securities measured at FVOCI		(164)	(502)
Other income		-	22
Gross investment profit/(loss)		**287,545**	**(465,342)**
Salaries and other employee benefits		(12,521)	(12,265)
Depreciation and amortisation		(300)	(312)
Other administrative expenses		(3,290)	(3,361)
Interest expense	10	(20,405)	(33,744)
Profit/(loss) before provisions, foreign exchange and non-recurring items		**251,029**	**(515,024)**
Expected credit loss		(41)	(712)
Net foreign currency gain		8,708	29,732
Gain/(loss) on derivative financial assets		4,507	(6,551)
Non-recurring expense		(1,321)	(67)
Profit/(loss) before income taxes		**262,882**	**(492,622)**
Income tax		-	-
Profit/(loss) for the period		**262,882**	**(492,622)**

The accompanying notes on pages 6 to 27 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 2023

(Thousands of Georgian Lari)

	Note	***30 June 2023 (unaudited)***	***30 June 2022 (unaudited)***
Profit for the period		**262,882**	**(492,622)**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in the fair value of debt instruments at FVOCI		384	(1,709)
Realised (gain)/loss on financial assets measured at FVOCI reclassified to the consolidated income statement		(164)	502
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**220**	**(1,207)**
Other comprehensive income/(loss) for the period, net of tax		**220**	**(1,207)**
Total comprehensive income/(loss) for the period		**263,102**	**(493,829)**

The accompanying notes on pages 6 to 27 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 2023

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*
1 January 2023	**12,877**	**523,760**	**(960)**	**(439)**	**2,259,822**	**2,795,060**
Profit for the period	-	-	-	-	262,882	262,882
Other comprehensive income for the period	-	-	-	220	-	220
Total comprehensive profit for the period	**-**	**-**	**-**	**220**	**262,882**	**263,102**
Increase in equity arising from share-based payments	-	15,215	-	-	-	15,215
Capital reduction (Note 11)**	-	-	-	-	-	-
Dividend paid to the shareholder (Note 11)*	-	-	-	-	(12,000)	(12,000)
Acquisition of treasury shares under share-based payment plan (Note 11)	-	(31,629)	(21)	-	-	(31,650)
30 June 2023 (unaudited)	**12,877**	**507,346**	**(981)**	**(219)**	**2,510,704**	**3,029,727**

	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*
1 January 2022	**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)
Acquisition of treasury shares 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**

** During six months ended 30 June 2023 JSC Georgia Capital paid dividend of GEL 12,000 to its 100% shareholder, GCAP PLC (GEL 0.9966 per share).*
*** During six months ended 30 June 2023 the parent company, GCAP PLC, received GEL nil (30 June 2022: GEL 77,095) in the form of capital redemption from JSC GCAP.*

The accompanying notes on pages 6 to 27 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 2023

(Thousands of Georgian Lari)

	Note	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Cash flows from operating activities			
Dividends received	9	33,666	11,623
Salaries and other employee benefits paid		(2,954)	(5,328)
Other administrative expenses paid		(3,282)	(2,863)
Interest income received		5,304	6,360
Net change in operating assets and liabilities		(339)	(44)
Net cash flows from operating activities before income tax		**32,395**	**9,748**
Income tax paid		-	-
Net Cash flow from operating activities		**32,395**	**9,748**
Cash flows from investing activities			
Net withdrawal/(placement) of amounts due from credit institutions		14,753	(139,974)
Loans issued		(51,360)	(15,523)
Loans repaid		59,800	1,201
Proceeds from sale of shares in portfolio companies	9	61,571	548,118
Transaction costs incurred in relation to sale of share in existing equity investment		-	(18,531)
Increase of equity investments	9	(20,423)	(1,572)
Purchase of marketable securities		(777)	(91,069)
Proceeds from sale and redemption of marketable securities		21,184	15,988
Investment in redeemable securities		-	-
Purchase of property and equipment		(68)	(52)
Other investing activities		(765)	(821)
Net cash flows from investing activities		**83,915**	**297,765**
Cash flows from financing activities			
Dividend paid to the shareholder	11	(12,000)	-
Proceeds from debt securities issued	10	-	-
Redemption and buyback of debt securities issued	10	(85,596)	(120,321)
Share capital redemption	11	-	(77,095)
Interest paid		(18,230)	(33,751)
Acquisition of treasury shares under share-based payment plan	11	(31,650)	(17,220)
Cash payments for principal portion of lease liability	10	(156)	(191)
Cash payments for interest portion of the lease liability	10	(10)	(24)
Net cash used in financing activities		**(147,642)**	**(248,602)**
Effect of exchange rates changes on cash and cash equivalents		(10,743)	2,065
Effect of change in expected credit losses for cash and cash equivalents		(2)	(2)
Net (decrease)/increase in cash and cash equivalents		**(42,077)**	**60,974**
Cash and cash equivalents, beginning of the period	5	**199,771**	**89,714**
Cash and cash equivalents, end of the period	5	**157,694**	**150,688**

The accompanying notes on pages 6 to 27 are an integral part of these interim condensed consolidated financial statements.

1. Principal Activities

JSC Georgia Capital ("Georgia Capital", "JSC GCAP", "GCAP", "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 19.8% (31 December 2022: 20.6%) 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 Petre Melikishvili Avenue N8a / Erekle Tatishvili Street N1, 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 2023 and 31 December 2022, 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 2023 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 2022.

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 2022, signed and authorized for release on 23 March 2023.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts or 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 Supervisory Board 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.

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 2022. 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 2023 is nil (31 December 2022: nil).

The following amendments became effective from 1 January 2023 and had no material impact on the Group's condensed interim consolidated financial statements:

IFRS 17 Insurance contracts
Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies
Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12 Income Taxes – Deferred Tax Assets and Liabilities related to Pillar Two Income Taxes

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

Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
Amendments to IAS 1 Presentation of Financial Statements – Classification of debt with covenants
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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. GCAP does not hold voting rights in BOG.
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

Large portfolio companies segment:

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

Retail (Pharmacy) business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies.
Hospitals business 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 and medical insurance businesses. Principally providing wide-scale property and casualty and medical insurance services to corporate and retail clients.

Investment stage portfolio companies segment:

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

Clinics & Diagnostics business 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:

The other portfolio companies segment includes Housing Development, Hospitality, Beverages and Auto Service 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.

(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 2023 and the roll-forward from 31 December 2022:

	31 December 2022	*1.Value Creation*	*2a. Investments and Divestments**	*2b. Buybacks*	*2c. Dividends*	*3.Operating Expenses*	*4. Liquidity Management/ FX / Other*	*30 June 2023 (unaudited)*
Listed and Observable Portfolio Companies	**985,463**	**170,791**	**-**	**-**	**(114,408)**	**-**	**-**	**1,041,846**
BoG	830,463	166,791	-	-	(114,408)*	-	-	882,846
Water Utility	155,000	4,000	-	-	-	-	-	159,000
Private Portfolio Companies	**2,213,164**	**111,670**	**20,423**	**-**	**(33,666)**	**-**	**7,127**	**2,318,718**
Large Portfolio Companies	***1,437,610***	***85,888***	***-***	***-***	***(28,479)***	***-***	***1,243***	***1,496,262***
Retail (Pharmacy)	724,517	18,776	-	-	(20,061)	-	273	723,505
Hospitals	433,193	(7,406)	-	-	-	-	273	426,060
Insurance (P&C and Medical)	279,900	74,518	-	-	(8,418)	-	697	346,697
Of which, P&C Insurance	228,045	*56,636*	-	-	*(8,418)*	-	*697*	*276,960*
Of which, Health Insurance	51,855	*17,882*	-	-	-	-	-	*69,737*
Investment Stage Portfolio Companies	***501,407***	***21,982***	***16,223***	***-***	***(5,187)***	***-***	***1,937***	***536,362***
Clinics and diagnostics	112,178	(7,706)	-	-	-	-	61	104,533
Renewable energy	224,987	20,517	5,718	-	(5,187)	-	1,647	247,682
Education	164,242	9,171	10,505	-	-	-	229	184,147
Other Portfolio Companies	***274,147***	***3,800***	***4,200***	***-***	***-***	***-***	***3,947***	***286,094***
Total Portfolio Value	**3,198,627**	**282,461**	**20,423**	**-**	**(148,074)**	**-**	**7,127**	**3,360,564**
Net Debt	**(403,567)**	**-**	**(20,423)**	**(28,166)**	**148,074**	**(16,111)**	**(10,644)**	**(330,837)**
Net Asset Value	**2,795,060**	**282,461**	**-**	**(28,166)**	**-**	**(16,111)**	**(3,517)**	**3,029,727**

* In segment information, dividend income includes consideration received as a result of participation in BoG buyback programme in the amount of GEL 61,571. The amount is disclosed under Investment and Divestments in Note 9.

In 2021 Bank of Georgia PLC incorporated capital distribution policy which combines ordinary cash dividend and share repurchases. It is the Bank of Georgia PLC's overall capital distribution policy to target a dividend/share buyback payout ratio in the range of 30-50% of annual profits. Starting from 2022 Bank of Georgia announced Share Buybacks and cancellation program in line with its Capital Distribution Policy mentioned above. As a result, GCAP has sold GEL 61,571 worth shares through participating in the share buyback program announced by BOG. Participating in BOG share buyback program enable shareholders maintain effective ownership interest in the business while increasing shareholders' return. The sales consideration received through the program along with ordinary dividend distribution, is regarded as dividend income by the GCAP's management, as it reflects capital distribution by listed portfolio company, and does not result in a change in effective ownership interest.

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents the NAV statement of the Group's operating segments at 30 June 2022 and the roll forward from 31 December 2021:

	31 December 2021	*1.Value Creation*	*2a. Investments and Divestments*	*2b. Buybacks*	*2c. Dividends*	*3.Operating Expenses*	*4. Liquidity Management/ FX / Other*	*30 June 2022 (unaudited)*
Listed and Observable Portfolio Companies	**681,186**	**(189,061)**	**139,392**	**-**	**(22,798)**	**-**	**-**	**608,719**
BoG	681,186	(202,669)	-	-	(22,798)	-	-	455,719
Water Utility	-	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***
Retail (Pharmacy)	710,385	(39,358)	-	-	-	-	-	671,027
Hospitals	573,815	(95,769)	-	-	-	-	-	478,046
Water Utility	696,960	-	(696,960)	-	-	-	-	-
Insurance (P&C and Medical)	268,100	(21,427)	-	-	(7,374)	-	821	240,120
Of which, P&C Insurance	*211,505*	*(5,142)*	-	-	*(7,374)*	-	*821*	*199,810*
Of which, Health Insurance	*56,595*	*(16,285)*	-	-	-	-	-	*40,310*
Investment Stage Portfolio Companies	***461,140***	***(14,970)***	***1,559***	**-**	***(4,249)***	**-**	***487***	***443,967***
Clinics and diagnostics	158,004	(37,958)	-	-	-	-	-	120,046
Renewable energy	173,288	2,247	395	-	(4,249)	-	487	172,168
Education	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**

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 2023 (unaudited)			30 June 2022 (unaudited)		
	JSC Georgia Capital	***Reclassifications****	***NAV Statement***	***JSC Georgia Capital***	***Reclassifications****	***NAV Statement***
Cash and cash equivalents	157,694	(157,694)	-	150,688	(150,688)	-
Amounts due from credit institutions	-	-	-	182,881	(182,881)	-
Marketable securities	3,940	(3,940)	-	137,186	(137,186)	-
Investment in redeemable securities	12,789	(12,789)	-	13,523	(13,523)	-
Accounts receivable	52,594	(52,594)	-	22,909	(22,909)	-
Prepayments	1,827	(1,827)	-	1,516	(1,516)	-
Loans issued	17,461	(17,461)	-	25,374	(25,374)	-
Property and equipment	370	(370)	-	368	(368)	-
Intangible assets	88	(88)	-	73	(73)	-
Other assets, net	1,079	(1,079)	-	761	(761)	-
Equity investments at fair value	3,360,564	-	3,360,564	2,705,413	-	2,705,413
Total assets	**3,608,406**	**(247,842)**	**3,360,564**	**3,240,692**	**(535,279)**	**2,705,413**
Accounts payable	1,811	(1,811)	-	5,362	(5,362)	-
Debt securities issued	574,974	(574,974)	-	924,057	(924,057)	-
Other liabilities	1,894	(1,894)	-	8,244	(8,244)	-
Total liabilities	**578,679**	**(578,679)**	**-**	**937,663**	**(937,663)**	**-**
Net Debt	-	(330,837)	(330,837)	-	(402,384)	(402,384)
Total equity/NAV	**3,029,727**	**-**	**3,029,727**	**2,303,029**	**-**	**2,303,029**

** 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 2023 (unaudited):

		Private Portfolio Companies				
	Listed and Observable Portfolio Companies	***Large***	***Investment Stage***	***Other***	***Corporate Center***	***Total***
Gains on investments at fair value	56,383	57,409	16,795	3,800	-	134,387
Listed and Observable Investments	56,383	-	-	-	-	56,383
Private Investments	-	*57,409*	16,795	3,800	-	*78,004*
Dividend income	*114,408*	28,479	5,187	-	-	148,074
Interest income	-	-	-	-	4,219	4,219
Gain on derecognition of liability	-	-	-	-	524	524
Net gains from investment securities measured at FVPL	-	-	-	-	505	505
Net realised losses from investment securities measured at FVOCI	-	-	-	-	(164)	(164)
Other income	-	-	-	-	-	-
Gross investment profit	**170,791**	**85,888**	**21,982**	**3,800**	**5,084**	**287,545**
Administrative expenses	-	-	-	-	(3,290)	(3,290)
Salaries and other employee benefits	-	-	-	-	(12,521)	(12,521)
Depreciation and amortisation	-	-	-	-	(300)	(300)
Interest expense	-	-	-	-	(20,405)	(20,405)
Gain before provisions, foreign exchange and non-recurring items	**170,791**	**85,888**	**21,982**	**3,800**	**(31,432)**	**251,029**
Expected credit loss	-	-	-	-	(41)	(41)
Net foreign currency gain	-	-	-	-	8,708	8,708
Gain on derivative financial assets	-	-	-	-	4,507	4,507
Non-recurring expense	-	-	-	-	(1,321)	(1,321)
Gain before income taxes	**170,791**	**85,888**	**21,982**	**3,800**	**(19,579)**	**262,882**
Income tax	-	-	-	-	-	-
Gain for the period	**170,791**	**85,888**	**21,982**	**3,800**	**(19,579)**	**262,882**

(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):

		Private Portfolio Companies				
	Listed and Observable Portfolio Companies	***Large***	***Investment Stage***	***Other***	***Corporate Center***	***Total***
Gains/(losses) on investments at fair value	(211,859)	(163,928)	(19,219)	(104,681)	-	(499,687)
Listed and Observable Investments	*(211,859)*	-	-	-	-	*(211,859)*
Private Investments	-	*(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)

5. Cash and Cash Equivalents

	30 June 2023 (unaudited)	*31 December 2022*
Current accounts with financial institutions	157,695	33,541
Time deposits with financial institutions with maturities of up to 90 days	-	166,232
Cash and cash equivalents	**157,695**	**199,773**
Allowance	(1)	(2)
Cash and cash equivalents, Net	**157,694**	**199,771**

The carrying value of cash and cash equivalents approximates fair value of the asset.

6. Amounts Due from Credit Institutions

	30 June 2023 (unaudited)	*31 December 2022*
Time deposits with maturities of more than 90 days	-	16,299
Amounts due from credit institutions, Gross	**-**	**16,299**
Allowance	-	(21)
Amounts due from credit institutions, Net	**-**	**16,278**

7. Marketable Securities and Investment in Redeemable Shares

	30 June 2023 (unaudited)	*31 December 2022*
Internationally listed marketable securities (FVPL)	355	21,068
Internationally listed marketable securities (FVOCI)	724	1,183
Locally listed marketable securities (FVOCI)	2,861	3,194
Marketable securities	**3,940**	**25,445**

* During six months ended 2023 GCAP recorded foreign exchange loss of GEL 112 (30 June 2022: GEL 10,072) on marketable securities presented through FVOCI.

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 2023 the fair value of the investment was GEL 12,789 (31 December 2022: GEL 12,631) presented as investment in redeemable shares in the condensed consolidated statement of financial position. Investment in redeemable shares are accounted at fair value through profit or loss at net asset value of underlying fund shares.

(Thousands of Georgian Lari)

8. Loans Issued

	30 June 2023 (unaudited)	*31 December 2022*
Loans to subsidiaries (FVPL)	17,461	26,830
Loans issued, Net	**17,461**	**26,830**

As at 30 June 2023, loans to equity investments are denominated in GEL and EUR (31 December 2022: GEL, USD and EUR), carry interest rates from 5.5% to 16.5% (31 December 2022: 5.5% to 16.5%), with average remaining terms of maturity of 0.8 years (31 December 2022: 1 year).

9. Equity Investments at Fair Value

	31 December 2022	*Value Change*	*Dividends*	*Total gains / (Losses) on investments at fair value*	*Investments and Divestments* ****	*Other *******	*30 June 2023 (unaudited)*
Listed and Observable Portfolio Companies	**985,463**	**170,791**	**(52,837)**	**117,954**	**(61,571)**	**-**	**1,041,846**
BoG	*830,463*	*166,791*	*(52,837)**	*113,954*	*(61,571)*	*-*	*882,846*
Water utility	*155,000*	*4,000*	*-*	*4,000*	*-*	*-*	*159,000*
Private Portfolio Companies	**2,213,164**	**111,670**	**(33,666)**	**78,004**	**20,423**	**7,127**	**2,318,718**
Large Portfolio Companies	**1,437,610**	**85,888**	**(28,479)**	**57,409**	**-**	**1,243**	**1,496,262**
Retail (Pharmacy)	*724,517*	*18,776*	*(20,061)*	*(1,285)*	*-*	*273*	*723,505*
Hospitals	*433,193*	*(7,406)*	*-*	*(7,406)*	*-*	*273*	*426,060*
Insurance (P&C and Medical)	*279,900*	*74,518*	*(8,418)*	*66,100*	*-*	*697*	*346,697*
Of which, P&C Insurance	*228,045*	*56,636*	*(8,418)*	*48,218*	*-*	*697*	*276,960*
Of which, Health Insurance	*51,855*	*17,882*	*-*	*17,882*	*-*	*-*	*69,737*
Investment Stage Portfolio Companies	**501,407**	**21,982**	**(5,187)**	**16,795**	**16,223**	**1,937**	**536,362**
Clinics and diagnostics	*112,178*	*(7,706)*	*-*	*(7,706)*	*-*	*61*	*104,533*
Renewable Energy	*224,987*	*20,517*	*(5,187)*	*15,330*	*5,718*	*1,647*	*247,682*
Education	*164,242*	*9,171*	*-*	*9,171*	*10,505*	*229*	*184,147*
Other Portfolio Companies	**274,147**	**3,800**	**-**	**3,800**	**4,200**	**3,947**	**286,094**
Equity investments at fair value	3,198,627	282,461	(86,503)	195,958	(41,148)	7,127	3,360,564

(Thousands of Georgian Lari)

9. Equity Investments at Fair Value (continued)

	31 December 2021	*Portfolio decomposition and Transfer between stages***	*Value Change*	*Dividends*	*Total gains / (Losses) on investments at fair value*	*Investments and Divestments ****	*Other *****	*30 June 2022 (unaudited)*
Listed and Observable Portfolio Companies	**681,186**	**-**	**(189,061)**	**(22,798)**	**(211,859)**	**139,392**	**-**	**608,719**
BoG	*681,186*	*-*	*(202,669)*	*(22,798)**	*(225,467)*	*-*	*-*	*455,719*
Water utility	*-*	*-*	*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**
Large Portfolio Companies	**2,407,264**	**(158,004)**	**(166,004)**	**(7,374)**	**(331,382)**	**(687,510)**	**821**	**1,389,193**
Retail (Pharmacy)	*710,385*	*-*	*(39,358)*	*-*	*(39,358)*	*-*	*-*	*671,027*
Hospitals	*731,819*	*(158,004)*	*(95,769)*	*-*	*(253,773)*	*-*	*-*	*478,046*
Water utility	*696,960*	*-*	*(9,450)*	*-*	*(9,450)*	*(687,510)*	*-*	*-*
Insurance (P&C and Medical)	*268,100*	*-*	*(21,427)*	*(7,374)*	*(28,801)*	*-*	*821*	*240,120*
Of which, P&C Insurance	*211,505*	*-*	*(5,142)*	*(7,374)*	*(12,516)*	*-*	*821*	*199,810*
Of which, Health Insurance	*56,595*	*-*	*(16,285)*	*-*	*(16,285)*	*-*	*-*	*40,310*
Investment Stage Portfolio Companies	**303,136**	**158,004**	**(14,970)**	**(4,249)**	**138,785**	**1,559**	**487**	**443,967**
Clinics and diagnostics	*-*	*158,004*	*(37,958)*	*-*	*120,046*	*-*	*-*	*120,046*
Renewable Energy	*173,288*	*-*	*2,247*	*(4,249)*	*(2,002)*	*395*	*487*	*172,168*
Education	*129,848*	*-*	*20,741*	*-*	*20,741*	*1,164*	*-*	*151,753*
Other Portfolio Companies	**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 2023. Dividends receivable were collected on 14 July 2023 (30 June 2022: 14 July 2022);

** Stages refer to Large, Investment and Other portfolio companies (note 4).

*** Capital injections in portfolio companies made by JSC Georgia Capital (cash contribution of GEL 20,423 for the period of six months ended 30 June 2023, GEL 1,572 for the period of six months ended 30 June 2022). During six months ended 30 June 2023, divestments represent sale of shares in BOG. Refer to the Note 4 for a presentation of BoG share sales in the segment information. During six months ended 30 June 2022, 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:

	30 June 2023 (unaudited)	*31 December 2022*
USD denominated Eurobonds	574,974	681,067
Debt securities issued	**574,974**	**681,067**

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 2023, Georgia Capital repurchased own Eurobonds Issued for total consideration of GEL 85,596 (30 June 2022: GEL 120,321).

(Thousands of Georgian Lari)

11. Equity

Share capital

As at 30 June 2023, issued share capital comprised 12,876,582 authorised common shares (31 December 2022: 12,876,582), of which 12,876,582 were fully paid (31 December 2022: 12,876,582). Each share has a nominal value of one Georgian Lari. Shares issued and outstanding as at 30 June 2023 and 30 June 2022 are described below:

	Number of shares Ordinary	*Amount*
1 January 2023	**12,876,582**	**12,877**
30 June 2023 (unaudited)	**12,876,582**	**12,877**

	Number of shares Ordinary	*Amount*
31 December 2021	**13,285,616**	**13,286**
Capital Reduction	(353,984)	(354)
30 June 2022 (unaudited)	**12,931,632**	**12,932**

Capital reduction

During the six months ended 30 June 2022, JSC GCAP bought back 353,984 own shares from its parent (of which cash consideration amounted to GEL 77,095). All of the repurchased ordinary shares were cancelled. GEL 76,741 difference between GEL 354 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 2022: GEL 837) Georgia Capital shares and GEL 144 (31 December 2022: 123) 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 2023, the Group acquired treasury shares in connection to its share-based compensation plans for total consideration of GEL 31,650 (30 June 2022: GEL 17,220).

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 2023	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Marketable securities	240	3,700	-	3,940
Investment in redeemable securities	-	-	12,789	12,789
Equity investments at fair value	882,846	159,000	2,318,718	3,360,564
Listed portfolio companies	*882,846*	-	-	*882,846*
Observable portfolio companies	-	*159,000*	-	*159,000*
Private portfolio companies	-	-	*2,318,718*	*2,318,718*
Loans issued	-	-	17,461	17,461
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	-	-	-
Accounts receivable	-	-	52,594	52,594
Liabilities for which fair values are disclosed				
Debt securities issued	-	568,549	-	568,549

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Fair value hierarchy (continued)

31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Marketable securities	1,183	24,262	-	25,445
Investment in redeemable securities	-	-	12,631	12,631
Equity investments at fair value	830,463	155,000	2,213,164	3,198,627
Listed portfolio companies	*830,463*	-	-	*830,463*
Observable portfolio companies	-	*155,000*	-	*155,000*
Private portfolio companies	-	-	*2,213,164*	*2,213,164*
Loans issued	-	-	26,830	26,830
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	16,278	-	16,278
Accounts receivable	-	-	109	109
Liabilities for which fair values are disclosed				
Debt securities issued	-	650,308	-	650,308

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. 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.

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.

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

<u>Listed Peer Group Multiples</u>

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 a 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 determined as using price to earnings (P/E) multiple of similar listed companies.

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 an 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 the ;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 2023 and 31 December 2022. 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 2023 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 2023 was consistent with the Group's valuation process and policy.

Management analyses the impact of climate change on the valuations, such as by incorporation of known effects of climate risks to the future cash flow forecasts or through adjusting peer multiples the known differences in the climate risk exposure as compared to the investment being fair valued. As at 30 June 2023, the management concluded that the effects of the climate risks are reflected in the peer multiples and discount rates used in the valuations and that no specific adjustments are required in relation of the Group's investment portfolio measurement and respective fair value sensitivity disclosures.

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

30 June 2023 (unaudited)

Description	***Valuation technique***	***Unobservable input***	***Range* [implied multiple**]***	***Fair value***
Loans Issued	DCF	Discount rate	5.5%-16.5%	*17,461*
Equity investments at fair value				
Large portfolio				*1,496,262*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	5.6x-24.0x [9.2x]	*723,505*
Hospitals	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.1x-15.9x [12.9x]	*426,060*
P&C insurance	*DCF, P/E*	P/E multiple	4.7x-26.1x [10.1x]	*276,960*
Medical insurance	*DCF, P/E*	P/E multiple	5.9x-10.3x [10.4x]	*69,737*
Investment stage				*536,362*
Clinics and diagnostics	*DCF, EV/EBITDA*	EV/EBITDA multiple	9.5x-15.9x [18.8x]	*104,533*
Renewable energy	DCF, EV/EBITDA	EV/EBITDA multiple	2.3x-17.7x [9.5x]	*247,682*
Education	DCF, EV/EBITDA	EV/EBITDA multiple	7.0x-54.0x [16.3x]	*184,147*
Other	Sum of the parts	EV/EBITDA multiples Cashflow probability NAV multiple	1.9x-14.5x [6.5x-8.0x] [90%-100%] [1.0x]	*286,094*

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

Description of significant unobservable inputs to Level 3 valuations (continued)

31 December 2022

Description	*Valuation technique*	*Unobservable input*	*Range* [implied multiple**]*	*Fair value*
Loans Issued	DCF	Discount rate	5.5%-16.5%	*26,830*
Equity investments at fair value				
Large portfolio				*1,437,610*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	6.1x-20.9x [9.1x]	*724,517*
Hospitals	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.5x-14.2x [12.2x]	*433,193*
P&C insurance	*DCF, P/E*	P/E multiple	7.0x-37.0x [10.7x]	*228,045*
Medical insurance	*DCF, P/E*	P/E multiple	10.3x-11.8x [10.6x]	*51,855*
Investment stage				*501,407*
Clinics and diagnostics	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.9x-14.2x [16.5x]	*112,178*
Renewable energy	DCF, EV/EBITDA	EV/EBITDA multiple	8.1x-20.9x [11.4x]	*224,987*
Education	DCF, EV/EBITDA	EV/EBITDA multiple	7.6x-39.3x [16.9x]	*164,242*
Other	Sum of the parts	EV/EBITDA multiples Cashflow probability NAV multiple	2.0x-16.8x [6.3x-10.0x] [90%-100%] [0.9x]	*274,147*

**For equity investments at fair value the range refers to LTM multiples of listed peer group companies, prior to any adjustments.*
***Implied multiples are derived by dividing selected value of the company by respective LTM earnings measure.*

Georgia Capital hired third-party valuation professionals to assess fair value of the large and investment stage private portfolio companies as at 30 June 2023 and 31 December 2022 including Retail (Pharmacy), Hospitals, P&C insurance, Medical Insurance, Clinics and Diagnostics. Starting from 30 June 2022, fair value assessment for Renewable Energy and Education businesses are performed by third-party valuation professionals as well. 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, which was previously included within the large private portfolio companies As at 30 June 2023 the remaining 20% interest in Water Utility business was valued using the pre-agreed put option multiple in reference to the signed contract with the buyer as GCAP has a clear exit path from the business through a put and call structure at pre-agreed EBITDA multiples.

During 2022, 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 during 2022 and reduced listed peer multiples and were reflected accordingly in the private portfolio companies' valuations, where applicable. As for 2023, no further major movements were observed on the markets in terms of peer multiples or discount rates. Management continues the impact assessment and will update the valuation inputs respectively going forward.

As at 30 June 2023, 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

12. Fair Value Measurement (continued)

Description of significant unobservable inputs to Level 3 valuations (continued)

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 plus an annual 5% interest charge as lost income (c. USD 21 million in total) should be paid. The new decision of the First Instance Court was appealed and the case is at the stage of consideration at the Appellate Court. Defendants are confident that they will prevail and there have not been 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.

Defendants have appealed the decision and 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.

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. All sensitivities disclosed below (except for loans issued) refer to sensitivity of private portfolio company valuations as neither listed, nor observe portfolio valuations are within level 3.

If the interest rate for each individual loan issued to equity investments as at 30 June 2023 decreased by 1.1-3.3 percentage points (31 December 2022: 1.1-3.3 percentage points), the amount of loans issued would have decreased by GEL 156 or 0.9% (31 December 2022: GEL 150 or 0.6%). If the interest rates increased by 1.1-3.3 percentage points (31 December 2022: 1.1-3.3 percentage points) then loans issued would have increased by GEL 155 or 0.9% (31 December 2022: decreased by GEL 148 or 0.6%).

If the listed peer multiples used in the market approach to value unquoted investments as at 30 June 2023 decreased by 10% (31 December 2022: 10%), value of equity investments at fair value would decrease by GEL 75 million or 2% (31 December 2022: GEL 71 million or 2%). If the multiple increased by 10% (31 December 2022: 10%) then the equity investments at fair value would increase by GEL 75 million or 2% (31 December 2021: GEL 71 million or 2%).

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (31 December 2022: 50 basis points), the value of equity investments at fair value would increase by GEL 81 million or 2% (31 December 2022: GEL 75 million or 2%). If the discount rates increased by 50 basis points (31 December 2022: 50 basis points) then the equity investments at fair value would decrease by GEL 84 million or 3% (GEL 71 million or 2%). If the discount rate decreased by 100 basis points, the value of equity investments at fair value would increase by GEL 171 million or 5% (31 December 2022: GEL 155 million or 5%). If the discount rate increased by 100 basis points then the equity investments at fair value would decrease by GEL 158 million or 5% (31 December 2022: GEL 138 million or 4%).

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis as at 30 June 2023 decreased by 10% (31 December 2022: 10%), value of equity investments at fair value would decrease by GEL 10 million or 0.3% (31 December 2022: GEL 11 million or 0.3%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 10 million or 0.3% (31 December 2022: GEL 11 million or 0.3%).

As set out in the description of significant unobservable inputs to level 3 valuations the valuations have been prepared on the basis that climate change risks are reflected in the peer multiples and discount rates. Therefore, the sensitivities noted above in respect of peer multiples and discount rates include the risk arising from climate change.

(Thousands of Georgian Lari)

12. Fair Value Measurement (continued)

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:

	At 31 December 2022	*PL movement** realized*	*unrealized*	*Investments and Divestments*	*Other changes***	*Loans issued*	*Loans repaid*	*At 30 June 2023 (unaudited)*
Level 3 financial assets								
Loans issued	26,830	857	(1,786)	-	-	51,360	(59,800)	17,461
Equity investments at fair value	2,213,164	33,666	78,004	20,423	(26,539)	-	-	2,318,718

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

Movements in Level 3 financial instruments measured at fair value (continued)

	At 31 December 2021	*PL movement** realized*	*unrealized*	*Investments and Divestments*	*Other changes***	*Loans issued*	*Loans repaid*	*At 30 June 2022 (unaudited)*
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

**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 8).*

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 2023(unaudited)	*Fair value 30 June 2023 (unaudited)*	*Unrecognised gain/(loss) 30 June 2023 (unaudited)*	*Carrying value 31 December 2022*	*Fair value 31 December 2022*	*Unrecognised gain/(loss) 31 December 2022*
Financial assets						
Cash and cash equivalents	157,694	157,694	-	199,771	199,771	-
Amounts due from credit institutions	-	-	-	16,278	16,278	-
Financial liabilities						
Debt securities issued	574,974	568,549	6,425	681,067	650,308	30,759
Total unrecognised change in unrealised fair value			**6,425**			**30,759**

(Thousands of Georgian Lari)

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:

	30 June 2023 (unaudited)			*31 December 2022*		
	Less than 1 Year	***More than 1 Year***	***Total***	***Less than 1 Year***	***More than 1 Year***	***Total***
Cash and cash equivalents	157,694	-	157,694	199,771	-	199,771
Amounts due from credit institutions	-	-	-	16,278	-	16,278
Marketable securities*	3,940	-	3,940	25,445	-	25,445
Investment in redeemable securities	12,789	-	12,789	12,631	-	12,631
Accounts receivable	52,594	-	52,594	109	-	109
Prepayments	1,827	-	1,827	610	-	610
Loans issued	-	17,461	17,461	5,730	21,100	26,830
Property and equipment	-	370	370	-	391	391
Intangible assets	-	88	88	-	109	109
Other assets	581	498	1,079	348	784	1,132
Equity investments at fair value	-	3,360,564	3,360,564	-	3,198,627	3,198,627
Total assets	**229,425**	**3,378,981**	**3,608,406**	**260,922**	**3,221,011**	**3,481,933**
Accounts payable	1,811	-	1,811	917	-	917
Debt securities issued **	574,974	-	574,974	10,911	670,156	681,067
Other liabilities	1,894	-	1,894	4,539	350	4,889
Total liabilities	**578,679**	**-**	**578,679**	**16,367**	**670,506**	**686,873**
Net	**(349,254)**	**3,378,981**	**3,029,727**	**244,555**	**2,550,505**	**2,795,060**

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

***On 3 August 2023 Group issued local sustainability-linked bonds in the amount of USD 150 million with 5-year bullet 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 2023 (unaudited)		*31 December 2022*	
	Management*	***Equity Investments*****	***Management****	***Equity Investments*****
Assets				
Marketable securities	-	2,862	-	3,194
Investment in redeemable securities	-	12,789	-	12,631
Prepayments	-	848	-	484
Loans issued	-	17,461	-	26,830
Other assets	-	498	-	369
	-	**34,458**	**-**	**43,508**
Liabilities				
Accounts Payable	-	925	-	-
Debt securities issued	9,955	-	4,053	
Financial guarantees provided (notional value)	-	4,289	-	18,460
Other liabilities	-	-	-	350
	9,955	**5,214**	**4,053**	**18,810**

	30 June 2023 (unaudited)		*30 June 2022 (unaudited)*	
	Management*	***Equity Investments*****	***Management****	***Equity Investments*****
Income and expenses				
Dividend income	-	33,666	-	11,623
Administrative expenses	-	(561)	-	(690)
Interest income at EIR method	-	1,438	-	6,605
Other interest income	-	129	-	530
Interest expense	(305)	-	(159)	(24)
	(305)	**34,672**	**(159)**	**18,044**

** Management of JSC Georgia Capital during six months ended 30 June 2023 consist of 5 executives and 6 members of supervisory board (2022: 6 executives and 7 members of supervisory board) and as of 30 June 2023 consist of 5 executives and 4 members of supervisory board (2022: 4 executives and 5 members of supervisory board).*
*** Equity Investments comprise of investees of JSC Georgia Capital.*

Compensation of key management personnel comprised the following:

	30 June 2023 (unaudited)	**30 June 2022 (unaudited)**
Salaries and other benefits	(1,240)	(1,228)
Share-based payments compensation	(13,183)	(5,444)
Total key management compensation	**(14,423)**	**(6,672)**

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 for the six months ended 30 June 2023 was 11 (2022: 13).

Key management personnel compensation for the six months ended 30 June 2023 includes the impact of modification of share-based payment award for one executive. Modification removed the service condition required for vesting of previously awarded shares, thus resulting in accelerated expense recognition for such awards.

14. Related Party Disclosure (continued)

There were no related party transactions as of 30 June 2023, other than dividend payment of GEL 12,000 (30 June 2022: capital redemption of GEL 77,095 and dividend payment of GEL nil) with GCAP PLC.

15. Events after the Reporting Period

Issuance of Eurobonds

On 3 August 2023 JSC Georgia Capital has successfully issued a USD 150 million sustainability-linked bond (the "Notes") on the Georgian market. The Notes are USD-denominated with 5-year bullet maturity (callable after two years), carry an 8.50% fixed coupon and were issued at par. The proceeds from the Notes, together with the existing liquid funds of GCAP, will be used to fully redeem the existing USD 300 million Eurobond. As a result, GCAP's gross debt balance will decrease from the current USD 300 million to USD 150 million.

Tender Offer to purchase USD 300 million Notes

On 12 July 2023 JSC Georgia Capital launched an invitation to holders (the "Noteholders") of its outstanding USD 300 million 6.125% notes due 2024 (the "Notes"), to tender their Notes for purchase by the Issuer for cash (the "Tender Offer"). As a result of the Tender Offer, in aggregate USD 176.5 million principal amount of Notes were accepted.

On 10 August JSC Georgia Capital canceled USD 176.5 million principal amount of the Notes purchased as a result of Tender offer and USD 106.9 million principal amount of Notes owned by the GCAP in treasury (of which USD 23.5 million principal amount of Notes were purchased subsequent to reporting date). Following settlement of the Tender Offer and the cancellation of USD 283.4 million in aggregate principal amount of the Notes, USD 16.6 million Notes will remain outstanding which is expected to be redeemed according to the optional redemption at make whole.

Dividend receipt

On 20 July 2023 JSC Georgia Capital received a dividend in the amount of GEL 20.2 million from Retail Pharmacy business.

JSC Georgia Capital

The Group's Interim Management Report

30 June 2023

The Group's Interim Management Report

Introduction

This document incorporates the essential components related to JSC Georgia Capital ("Georgia Capital", "GCAP") such as the review of the activities, achievements based on factual indicators, development outlooks, vision and future plans. It also describes the established standards of corporate ethics and the business risks that might impact the Group's performance.

Business Overview

About Us

JSC Georgia Capital ("Georgia Capital", "GCAP") makes up a group of companies (the "Group") whose primary business is to develop or buy businesses, help them develop their management and institutionalise their businesses that can further develop mainly on their own, either with continued oversight or independently. The Group's focus is typically on larger scale investment opportunities in Georgia, which have the potential to reach at least GEL 300 million equity value over 3-5 years from the initial investment and to monetise them through exits, as investments mature. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

JSC Georgia Capital was established on 6 August 2015 as a joint stock company ("JSC") under the laws of Georgia. Company ID – 404540690, registration authority – LEPL National Agency of Public Registry. Georgia Capital's registered legal address is Petre Melikishvili Avenue N8a / Erekle Tatishvili Street N1, Tbilisi Georgia. The Group does not have any branches.

Portfolio and segments

The Group currently has the following portfolio businesses (i) a retail (pharmacy) business; (ii) 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 19.8% (31 December 2022: 20.6%) equity stake in LSE premium-listed Bank of Georgia Group PLC ("BoG"), a leading universal bank in Georgia.

Listed and Observable Portfolio

Bank of Georgia

Georgia Capital owns 19.8% (31 December 2021: 20.6%) of Bank of Georgia Group PLC, a UK incorporated holding company, comprising: a) retail banking and payment services; b) corporate banking and investment banking operations in Georgia. The Group expects to benefit from superior growth of the Georgian economy through both its retail banking and corporate and investment banking services and aims to deliver on its strategy and key medium-term objectives - at least 20% Return on Average Equity (ROAE), and c.10% growth of its loan book. BoG targets to maintain a 30%-50% dividend/share buyback payout ratio through regular and progressive semi-annual capital distributions.

Water Utility

The Group's Water Utility business, 20% (31 December 2022: 20%) owned through Georgia Global Utilities (GGU), is a regulated natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to c.1.4 million residents representing more than one-third of Georgia's population and c.39,900 legal entities. The water utility business also operates hydro power plants (HPPs) with total installed capacity of 149MW. In 2022, Georgia Capital completed the sale of an 80% equity interest in the business to FCC Aqualia ("Aqualia") for a cash consideration of US$ 180 million (GEL 548 million).

Business Overview (continued)

Portfolio and segments (continued)

Private Large Portfolio Companies

Retail (Pharmacy)

The Group's Retail (Pharmacy) business, owned by 97.6% (31 December 2022: 77%), is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The business operates a total of 383 pharmacies (of which 371 are in Georgia and 12 are in Armenia) and 11 franchise stores (of which, four are in Armenia and Azerbaijan).

Hospitals

The Group's Hospitals business, owned by 100%, is the largest healthcare market participant in Georgia. The business comprises 16 referral hospitals with a total of 2,524 beds, providing secondary and tertiary level healthcare services across Georgia.

Insurance

The insurance business comprises a) Property and Casualty (P&C) insurance business and b) medical insurance business. The Group owns 100% of the insurance business.

The P&C insurance business is a leading player in the local insurance market with a 27.4% market share in property and casualty insurance based on gross premiums as of 31 December 2022. The P&C insurance business also offers a variety of non-property and casualty products such as life insurance.

GCAP's medical insurance business is one of the country's largest private medical insurers, with a 19.0% market share based on 1Q23 net insurance premiums. The business offers a variety of health insurance products primarily to Georgian corporate and retail clients and (selectively) to state entities.

Private Investment Stage Portfolio Companies

Renewable Energy

The Group's Renewable Energy business is owned by 100%. The business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 20MW Hydrolea HPPs and 21MW Qartli wind farm. In addition, the business has a pipeline of renewable energy projects in varying stages of development.

Education

The education business currently combines majority stakes in four private school brands operating across six campuses, acquired in 2019-2023: British-Georgian Academy and British International School of Tbilisi (70% stake), the leading schools in the premium and international segments, Buckswood International School (80% stake), well positioned in the midscale segment and Green School (80%-90% ownership) well-positioned in the affordable segment.

Clinics and Diagnostics

The Group's Clinics and Diagnostics business is 100% owned. The clinics business is the second largest healthcare market participant in Georgia after The Group's hospitals business. The clinics and diagnostics business comprise two segments: 1) Clinics: 18 community clinics with 353 beds (providing outpatient and basic inpatient services) and 17 polyclinics (providing outpatient diagnostic and treatment services), and 14 lab retail points at GPC pharmacies; and 2) Diagnostics, operating the largest laboratory in the entire Caucasus region – "Mega Lab".

Business Overview (continued)

Portfolio and segments (continued)

Private Other Portfolio Companies

Other portfolio companies include the following businesses: Housing Development (100% owned through Georgia Real Estate), Hospitality (100% owned through Georgia Real Estate), Beverages (owned by 92%) and Auto Service (owned by 90-100%).

Short Financial Overview

The Group is 100% owned by Georgia Capital PLC, which is listed on the London Stock Exchange. Consequently, according to the founder's demand, the accounting policy of the Group has been compliant with the IFRS since its establishment.

On 31 December 2019 Georgia Capital concluded that it met the definition of investment entity as defined in IFRS 10 *Consolidated Financial Statements*. According to IFRS 10 an investment entity is an entity that:

a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's audit and review services were provided by PricewaterhouseCoopers LLP. The published report includes the financial standing for the last year and for the six months ended 30 June 2023. The interim condensed consolidated financial information of the Group is given below.

Interim condensed consolidated statement of Financial Position

	30 June 2023 (unaudited)	***31 December 2022***
Total Assets	**3,608,406**	**3,481,933**
Total Liabilities	**578,679**	**686,873**
Total Equity	**3,029,727**	**2,795,060**

Business Overview (continued)

Short Financial Overview (continued)

Interim Condensed Statement of Comprehensive Income, For the six months ended 30 June 2023

	30 June 2023 (unaudited)	***30 June 2022 (unaudited)***
Gains/(losses) on investments at fair value	195,958	(509,137)
Listed and Observable Investments	*117,954*	*(221,309)*
Of which:		
Sale consideration from disposal of listed shares	*61,571*	-
Disposal of listed shares	*(57,278)*	-
Private Investments	*78,004*	*(287,828)*
Dividend income	86,503	34,421
Interest income at effective interest rate method	2,341	12,844
Other interest income	1,878	6,734
Gain on derecognition of liability	524	-
Net gains (losses) from investment securities measured at FVPL	505	(9,724)
Net realised losses from investment securities measured at FVOCI	(164)	(502)
Other income	-	22
Gross investment profit/(loss)	**287,545**	**(465,342)**
Salaries and other employee benefits	(12,521)	(12,265)
Depreciation and amortisation	(300)	(312)
Other administrative expenses	(3,290)	(3,361)
Interest expense	(20,405)	(33,744)
Profit/(loss) before provisions, foreign exchange and non-recurring items	**251,029**	**(515,024)**
Expected credit loss	(41)	(712)
Net foreign currency gain	8,708	29,732
Gain/(loss) on derivative financial assets	4,507	(6,551)
Non-recurring expense	(1,321)	(67)
Profit/(loss) before income taxes	**262,882**	**(492,622)**
Income tax	-	-
Profit/(loss) for the year	**262,882**	**(492,622)**
Other comprehensive income/(loss) for the year, net of tax	220	(1,207)
Total comprehensive income/(loss) for the year	**263,102**	**(493,829)**

As mentioned above, following the change in investment entity status on 31 December 2019, the Group de-consolidated its subsidiaries and recognised them as investments in subsidiaries at their fair value as at 31 December 2019. For the six months ended 30 June 2023 the Group recorded a gain on investments at fair of value of GEL 195,958 (30 June 2022: loss of GEL 509,137). The following table sets forth a breakdown of portfolio development during the six months ended 30 June 2023 including gains (losses) on investments at fair value:

Business Overview (continued)

Short Financial Overview (continued)

	31 December 2022	*Value Change*	*Dividends*	*Total gains / (Losses) on investments at fair value*	*Investments and Divestments*	*Other*	*30 June 2023 (unaudited)*
Listed and Observable Portfolio Companies	**985,463**	**170,791**	**(52,837)**	**117,954**	**(61,571)**	**-**	**1,041,846**
BoG	*830,463*	*166,791*	*(52,837)*	*113,954*	*(61,571)*	*-*	*882,846*
Water utility	*155,000*	*4,000*	*-*	*4,000*	*-*	*-*	*159,000*
Private Portfolio Companies	**2,213,164**	**111,670**	**(33,666)**	**78,004**	**20,423**	**7,127**	**2,318,718**
Large Portfolio Companies	**1,437,610**	**85,888**	**(28,479)**	**57,409**	**-**	**1,243**	**1,496,262**
Retail (Pharmacy)	*724,517*	*18,776*	*(20,061)*	*(1,285)*	*-*	*273*	*723,505*
Hospitals	*433,193*	*(7,406)*	*-*	*(7,406)*	*-*	*273*	*426,060*
Insurance (P&C and Medical)	*279,900*	*74,518*	*(8,418)*	*66,100*	*-*	*697*	*346,697*
Of which, P&C Insurance	*228,045*	*56,636*	*(8,418)*	*48,218*	*-*	*697*	*276,960*
Of which, Health Insurance	*51,855*	*17,882*	*-*	*17,882*	*-*	*-*	*69,737*
Investment Stage Portfolio Companies	**501,407**	**21,982**	**(5,187)**	**16,795**	**16,223**	**1,937**	**536,362**
Clinics and diagnostics	*112,178*	*(7,706)*	*-*	*(7,706)*	*-*	*61*	*104,533*
Renewable Energy	*224,987*	*20,517*	*(5,187)*	*15,330*	*5,718*	*1,647*	*247,682*
Education	*164,242*	*9,171*	*-*	*9,171*	*10,505*	*229*	*184,147*
Other Portfolio Companies	**274,147**	**3,800**	**-**	**3,800**	**4,200**	**3,947**	**286,094**
Equity investments at fair value	**3,198,627**	**282,461**	**(86,503)**	**195,958**	**(41,148)**	**7,127**	**3,360,564**

	31 December 2021	*Portfolio decomposition and Transfer between stages*	*Value Change*	*Dividends*	*Total gains / (Losses) on investments at fair value*	*Investments and Divestments*	*Other*	*30 June 2022 (unaudited)*
Listed and Observable Portfolio Companies	**681,186**	**-**	**(189,061)**	**(22,798)**	**(211,859)**	**139,392**	**-**	**608,719**
BoG	*681,186*	*-*	*(202,669)*	*(22,798)*	*(225,467)*	*-*	*-*	*455,719*
Water utility	*-*	*-*	*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**
Large Portfolio Companies	**2,407,264**	**(158,004)**	**(166,004)**	**(7,374)**	**(331,382)**	**(687,510)**	**821**	**1,389,193**
Retail (Pharmacy)	*710,385*	*-*	*(39,358)*	*-*	*(39,358)*	*-*	*-*	*671,027*
Hospitals	*731,819*	*(158,004)*	*(95,769)*	*-*	*(253,773)*	*-*	*-*	*478,046*
Water utility	*696,960*	*-*	*(9,450)*	*-*	*(9,450)*	*(687,510)*	*-*	*-*
Insurance (P&C and Medical)	*268,100*	*-*	*(21,427)*	*(7,374)*	*(28,801)*	*-*	*821*	*240,120*
Of which, P&C Insurance	*211,505*	*-*	*(5,142)*	*(7,374)*	*(12,516)*	*-*	*821*	*199,810*
Of which, Health Insurance	*56,595*	*-*	*(16,285)*	*-*	*(16,285)*	*-*	*-*	*40,310*
Investment Stage Portfolio Companies	**303,136**	**158,004**	**(14,970)**	**(4,249)**	**138,785**	**1,559**	**487**	**443,967**
Clinics and diagnostics	*-*	*158,004*	*(37,958)*	*-*	*120,046*	*-*	*-*	*120,046*
Renewable Energy	*173,288*	*-*	*2,247*	*(4,249)*	*(2,002)*	*395*	*487*	*172,168*
Education	*129,848*	*-*	*20,741*	*-*	*20,741*	*1,164*	*-*	*151,753*
Other Portfolio Companies	**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**

The Group recorded a gain on listed and observable investments of GEL 117,954 in the six months ended 30 June 2023. Reflecting a 12.3% increase in BoG's share price to GBP 29.25, which was supported by GEL's 1.7% depreciation against GBP in 1H23 and the application of the put option valuation to GCAP's remaining 20% holding in the water utility business. In addition, GEL 52,837 dividend income was accrued from BoG in 1H23.

The Group recorded a gain on private investments of GEL 78,004 in the six months ended 30 June 2023. Valuation assessments of the Group's large and investment stage portfolio companies at half-year were performed by a third-party independent valuation firm. Further detail regarding the loss on private investments is disclosed below:

- *Retail (Pharmacy):* The Group recorded a loss on private investments in relation to its retail pharmacy business in the amount of GEL 1,285. The business showed an increase in total revenues, which was mainly driven

Short Financial Overview (continued)

by the continued expansion of the pharmacy chain and the overall growth in the Georgian economy. The increase in revenues was partially subdued by a significant decrease in product prices and the implementation of the External Reference Pricing model. LTM EBITDA (incl. IFRS 16) was up by 1.3% to GEL 106.9 million in 1H23. The business paid GEL 20,061 dividend in 1H23.

- *Hospitals:* The Group recorded a loss on private investments in relation to its hospitals business in the amount of GEL 7,406. Reflecting the suspension of COVID contracts by the Government in 1Q22, the temporary closure of Iashvili Paediatric Tertiary Referral Hospital due to mandatory renovation works and the absence of revenues from the Traumatology Hospital, which was divested in April 2022. LTM EBITDA (incl. IFRS 16) decreased by 1.3% to GEL 52.9 million in 1H23.
- *Insurance (Property & Casualty and Medical Insurance):* The Group recorded a gain on private investments in relation to its medical insurance business in the amount of GEL 17,882. Medical Insurance LTM net income (adjusted for non-recurring items) was up by 94% to GEL 6.7 million in 1H23. On private investment in P&C insurance business the group recorded gain of GEL 48,218. Mainly reflecting the growth in the Motor, credit life, agricultural and border MTPL insurance lines. LTM net income (adjusted for non-recurring items) was up by 29.4% to GEL 27.5 million in 1H23. The business paid GEL 8,418 dividend in 1H23. The 1H23 valuation assessments take into account the adoption of the Estonian Taxation Model, which will be enforced starting from January 2024.
- *Clinics and diagnostics:* The Group recorded a loss on private investment in relation to clinics and diagnostics business in the amount of GEL 7,706. LTM EBITDA (incl. IFRS 16) of the business was down by 10.8% to GEL 9.7 million in 1H23. Net debt was up by 17.1% to GEL 74.7 million in 1H23, mainly reflecting the investments made for the expansion of the business.
- *Renewable energy:* The Group recorded a gain on private investments in relation to its renewable energy business in the amount of GEL 15,330, incorporating the impact of expected upward dynamics in electricity selling prices on revenue and EBITDA of the business. The business paid GEL 5,187 dividend in 1H23.
- *Education:* The Group recorded a gain on private investments in relation to its education business in the amount of GEL 9,171. Reflecting strong intakes and ramp-up of utilization in line with both the organic growth and expansion of the business. LTM EBITDA was up by 6.6% to GEL 13.8 million in 1H23.
- *Other portfolio companies:* The Group recorded a gain on other private investments in the amount of GEL 3,800.

The Group recorded interest income of GEL 4,219 in the six months ended 30 June 2023 on an average balance of liquid assets and issued loans. Interest income represents the sum of other interest income and interest income using the EIR method.

The Group recorded gain on derecognition of liability in the amount of GEL 524.

The Group recorded a net gain from investment securities measured at FVPL in the amount of GEL 505 and net realised loss from investments securities measured at FVOCI in the amount of GEL 164 in the six months ended 30 June 2023 , which related to its marketable securities.

The Group recorded other administrative expenses in the amount of GEL 3,290 in the six months ended 30 June 2023, incurred at GCAP level.

The Group recorded expenses for salaries and other employee benefits in the amount of GEL 12,521 in the six months ended 30 June 2023, incurred at GCAP level.

The Group recorded interest expense in the amount of GEL 20,405 in the six months ended 30 June 2023, which represented interest accrued in respect of the bonds issued by JSC Georgia Capital.

The Group recorded a net foreign currency gain in the amount of GEL 8,708 in the six months ended 30 June 2023, which is related to the impact of currency fluctuations on the foreign currency denominated financial assets and liabilities of GCAP.

The Group recorded gain on derivative financial assets in the amount of GEL 4,507 in the six months ended 30 June 2023.

Business Overview (continued)

Short Financial Overview (continued)

There were no R&D activities during 2023.

Future Plans

Georgia Capital's key principle is to buy assets at affordable prices and to remain very disciplined in this regard. To evaluate new acquisition opportunities Georgia Capital has developed a 360-degree analysis framework. The Group performs a 360-degree analysis each time it makes a capital allocation decision and compares: a) the investment opportunity versus buyback opportunity; and b) the sale opportunity versus buyback opportunity. The Group intends to buy assets/companies at a higher discount to their listed peers than GCAP's fair value discount. Another core principle of the Group's investment philosophy is to be mindful about the size of the potential investments in new industries. Georgia Capital typically starts with a small ticket size and tests and develops a management track record before stepping up the investment.

In 2022 the Group introduced an NCC (Net Capital Commitment) Ratio Navigation Tool, which is an integral part of the GCAP's existing 360-degree framework and drives the Group's share buyback and investment decisions. NCC represents an aggregated view of all confirmed, agreed and expected capital outflows at the GCAP holding company level. NCC ratio (NCC as a percentage of the total portfolio value) between 15%-40% will lead to tactical share buybacks/investments, an NCC ratio below 15% is expected to generate more meaningful share buybacks/investments whilst the ratio above 40% will lead to the implementation of the cash preservation strategy.

Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. It focuses on shareholder returns and on opportunities that meet its investment return and growth criteria. In line with its capital allocation strategy, the Group emphasizes larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 300 million equity value over 3-5 years and to monetise investments through exits, as investments mature.

The Group aims to have two potential liquidity events for each of its assets: 1st exit - when entering a new industry Georgia Capital intends to develop and grow portfolio companies. The Group's key focus areas at the portfolio company level are the ability to grow operating cash and to make efficient capex investments. Once the business reaches its late stage of development, the Group expects to pursue its first exit route, which envisages dividend flows for GCAP; 2nd exit - as businesses mature, Georgia Capital normally seeks to monetise its investment through appropriate exit options, typically within five to ten years from initial investment.

The Group is also focused on cash generation at both GCAP and portfolio company level as well as management development – adding value for the Company's shareholders by developing top talent within the Group.

As the largest employer in the Georgian private sector, the Group is trusted with improving the future of its community by building the sustainable businesses of tomorrow. GCAP has a strong track record of investing and managing its portfolio responsibly, facilitated by operating according to its clear and proven governance model and an extensive network of top-quality talent. Georgia Capital's approach to environmental, social and governance (ESG) matters is reflected in the strategy and management principles of the Group's portfolio companies, all of which adhere to sound ESG standards, as well as local policies and regulations. In line with Groups sustainability strategy, on 3 August 2023 JSC Georgia Capital has successfully issued a USD 150 million sustainability-linked bond with 5-year bullet maturity. Through the issuance of sustainability linked bonds, GCAP targets to decrease the group's greenhouse gas emissions by 20% by 2027, measured against the 2022 baseline. GCAP has obtained second party opinion from Sustainalytics on its sustainability-linked bond framework, affirming the alignment with core components of the sustainability-linked bond principles.

Business Overview (continued)

Risk Factors

Regional Instability

The Georgian economy and the Group's 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. In addition to strong political and geographic influences, regional countries are highly linked to Georgian economy representing its significant historical trading partners.

Following a significant Russian military build-up near the Russia-Ukraine border and months of rising tensions, on February 24, 2022 Russian troops crossed the border and the situation escalated into a war.

During 2022, 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 during 2022 and reduced listed peer multiples and were reflected accordingly in the private portfolio companies' valuations, where applicable. As for 2023, no further major movements were observed on the markets in terms of peer multiples or discount rates. Management continues the impact assessment and will update the valuation inputs respectively going forward.

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.

Currency Risk and Macroeconomic Environment

Unfavourable dynamics of macroeconomic variables, including depreciation of the Lari against the US dollar may have a material impact on the Group's performance.

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.

Regulatory Risk

The Group owns businesses operating across a wide range of industries: banking, healthcare, retail (pharmacy) and distribution, property and casualty insurance, medical insurance, real estate, water utility and electric power generation, hydro and wind power, beverages, education and auto service. Many of these industries are highly regulated. The regulatory environment continues to evolve. The Group, however, cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on the Group's operations.

Georgia Capital and its businesses may be adversely affected by risks related to litigations arising from time to time in the ordinary course of business.

Georgia Capitals's continued investment in the people and processes is enabling the Group to meet current regulatory requirements, meaning that the Group is well placed to respond to any future changes in regulation. Further, investment portfolio of Georgia Capital is well diversified, limiting exposure to particular industry-specific regulatory risks.

Business Overview (continued)

Risk Factors (continued)

Regulatory Risk (continued)

Georgia Capital's integrated control framework also ensures the application and development of mechanisms for identifying legal risks in the Group's activities in a timely manner, the planning and implementation of all necessary actions for the elimination of identified legal risks.

Investment Risk

The Group may be adversely affected by risks in respect of specific investment decisions.

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. The Investment Committee focuses on both investment strategy and exit processes, while also actively managing exit strategies in light of the prevailing market conditions.

Liquidity Risk

Liquidity risk implies 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, from suspension of dividends from portfolio companies, from not holding cash or being able to raise debt.

The liquidity Management process is a regular process, where the framework is approved by the Board and is 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 monitors certain liquidity measures on a daily basis and actively analyses and manages liquidity weekly. Senior management is involved at least once a month and the Board on a quarterly basis. 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 USD300 million bonds in March 2018, which was followed by a USD 65 million tap issuance on 16 March 2021. Subsequently, on 3 August 2023 JSC Georgia Capital has successfully issued a USD 150 million sustainability-linked bond with 5-year bullet maturity. The proceeds from the bonds, together with the existing liquid funds of GCAP, will be used to fully redeem the existing Eurobond.

In May 2022, the Group adapted the capital management framework, with significant prominence being given to deleveraging. Deleveraging the Group's balance sheet, at a time of significant potential economic and regional instabilities, is a key priority to safeguard GCAP's portfolio, and enables the Group to take advantage of attractive investment opportunities that may arise as a result of those instabilities. The Group has introduced an NCC Ratio Navigation Tool, which will drive the Group's share buyback and investment policy; an NCC ratio between 15%-40% will lead to tactical share buybacks/investments, whilst an NCC ratio below 15% is expected to generate more meaningful share buybacks/investments. The Group targets the bringing down the NCC ratio below 15% by December 2025. The deleveraging strategy was also implemented across the Group's private portfolio companies, where individual leverage targets have been developed.

As mentioned above, proceeds from USD 150 million bond issuance, together with the existing liquid funds of GCAP will be used to fully redeem the existing Eurobond and decrease gross debt balance from USD 300 million to USD 150 million, which further supports GCAP's deleveraging strategy. On 12 July 2023 JSC Georgia Capital launched an invitation to holders of its outstanding USD 300 million 6.125% Eurobonds ('Notes") due 2024, to tender their Notes for purchase by the Issuer for cash (the "Tender Offer"). As a result of the Tender Offer, Group purchased in aggregate of USD 176.5 million principal amount of Notes, which together with USD 106.9 million principal amount of Notes owned by the GCAP and held in treasury, were cancelled On 10 August 2023.

Risk Factors (continued)

Portfolio Companies Strategic and Execution Risks

Market conditions may adversely impact the strategy of Georgia Capital and all Group's businesses have their own risks specific to their industry. The businesses have growth and expansion strategies and Georgia Capital face execution risk in implementing these strategies. The Group will normally seek to monetise its investments, primarily through strategic sale, typically within five to ten years of acquisition and the Group faces market and execution risk in connection with exists at reasonable prices.

For each business, Georgia Capital focuses on building a strong management team and has 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 the Group's businesses. Georgia Capital holds management accountable for meeting targets.

For each industry in which the Group operates, industry trends, market conditions and the regulatory environment are closely monitored. Georgia Capital has also sought and continues to seek advice from professionals with global experience in relevant industries. Georgia Capital measures its private portfolio companies at fair value. The valuations are audited, increasing the credibility of fair valuation and limiting the risk of mispricing the asset. In addition, the valuation of private large and investment portfolio companies (60.5% of total portfolio value) is performed by an independent valuation company on a semi-annual basis.

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. JSC Georgia Capital successfully priced a US$ 65 million tap issue under the Group's existing USD 300 million 6.125% senior unsecured notes due 2024, listed on the Global Exchange Market of the Irish Stock Exchange. The acquisition history of Georgia Capital has also been successful and the Group has been able to integrate businesses due to strong management with integration experience.

In 2022, GCAP successfully completed the water utility business disposal, which represents our most significant monetization event to date and marks the completion of the full investment cycle for one of the Group's large portfolio businesses.

Emerging Risks

The Group's risks are continually reassessed and reviewed through a horizon scanning process, with escalation and reporting to the Board. The horizon scanning process fully considers all relevant internal and external factors, and is designed to consider and capture the following risks: current risks which have not yet fully crystallised and which the Group does not have previous known experience of against which they can be assessed and risks which are expected to crystallise in future periods, typically beyond one year.

Since 2021, the Group has identified climate change as an emerging risk. Since the Group's businesses are very much dependent on such climate elements as precipitation, wind speed and air temperature, the Group's development will be affected by climate change. This is critical to protecting and enhancing the value of the Group's assets and therefore Georgia Capital monitors its governance and risk management framework to ensure that sustainability-related risks in GCAP's portfolio remain an important part of the Group's agenda and are treated as a priority by GCAP's portfolio company management teams.

Management analyses the impact of climate change on the valuations, such as by incorporation of known effects of climate risks to the future cash flow forecasts or through adjusting peer multiples the known differences in the climate risk exposure as compared to the investment being fair valued. As at 30 June 2023, the management concluded that the effects of the climate risks are reflected in the peer multiples and discount rates used in the valuations and that no specific adjustments are required in relation of the Group's investment portfolio measurement and respective fair value sensitivity disclosures.

The Group has also identified cyber security as an emerging risk. A cyber security incident can result in unauthorised access to, or misuse of, the Group's information systems, technology, or data. This could lead to leakage of sensitive information and reputational damage.

Employee Matters

Recruiting, developing and retaining talent within the Group is one of the most important priorities. Key factor for working towards that objective is communicating openly with the employees, providing training and opportunities for career advancement, rewarding employees fairly and encouraging them to give direct feedback to senior management. The Group recognises the importance of providing a supportive working environment and a healthy work/life balance for all the employees both in Georgia Capital and in the Group's portfolio companies.

A key factor in the Group's success is a cohesive and professional team, capable of accomplishing the Group's objectives. The Group is committed to attracting and identifying the best professionals, caring and planning for their needs, investing in their development and fostering their commitment.

The Group developed and implemented Human Resource (HR) policies and procedures which promote the key principles, areas, approaches and methods that are crucial for building Human Capital Management systems at each business level and at Georgia Capital level. GCAP maintains a Group-wide Code of Conduct and Ethics for its employees and other effective HR policies and procedures covering matters such as:

- Staff administration, compensation and benefits;
- Recruitment, development and training;
- Diversity and anti-nepotism;
- Succession planning, departure and dismissal;
- Grievances;

The Group is committed to employee engagement by providing them with a continuous flow of information, which includes information about corporate culture, the Group's strategy and performance, risks relating to its performance, such as financial and economic factors, and the Group's policies and procedures. The Group provides information to its employees in a number of ways, including via managers, presentations, email, intranet and regular off-site meetings. There are feedback systems, such as frequent employee satisfaction surveys, which ensure that the opinions of the Group's employees are taken into account when making decisions which are likely to affect their interests.

Georgia Capital is fully committed to provide equal opportunities as an employer and prohibits unlawful and unfair discrimination. The Group believes that there are great benefits to be gained from having a diverse and varied workforce. At 31 December 2022, Georgia Capital, as an investment holding company, had a total of 48 employees and 19,114 employees at Group level. There have been no material changes during 1H23.

Environmental Matters

The operations of Georgia Capital have relatively low energy consumption. However, it recognises the evolving significance of emissions disclosures in the investment universe and in line with the commitment to increasing transparency, the Group voluntarily discloses emissions for JSC Georgia Capital (holding company) and its portfolio investments.

To be more environmentally responsible, the Group's portfolio companies continue to implement energy saving solutions, such as LED lights and other energy-efficient equipment, for example boilers and heating ventilation and air conditioning systems. GCAP's housing development business pioneered the introduction of energy efficient construction materials and the Group's clinics business also joined in energy efficiency initiatives as one of the clinics switched to solar power system. To minimise emissions and further contribute to eco-friendly energy consumption, two clinics replaced a diesel-powered heating system with a gas heating system. In the Group's education business, one of the schools successfully introduced solar panels, and gradually other educational infrastructures will follow in due course. GCAP's beverages business reduced its energy consumption and carbon footprint by the CO_2 recovery plant, alongside with the wastewater treatment plant. In addition, the company also introduced the Green Fridge policy which will help the business in sustaining the environment by reducing the carbon footprint of cooling bottled and canned products.

Within the management team, the Chief Financial Officer (CFO) supported by the finance team, is responsible for identifying risks, including climate change risks, in relation to the investment portfolio and including these in the valuation process. The Director of Investments (DoI), supported by the Investment Officers is responsible for identifying specific risks and opportunities at the initial investment stage.

Business Overview (continued)

Environmental Matters (continued)

In support of the evaluation of climate-related risks and opportunities that may be present, a review of GCAP's direct operations and a macrolevel review of the portfolio companies' operations was completed in 2021. An early-stage scenario analysis was completed as part of the process towards understanding how the climate impacts identified in the qualitative assessment could present as financial risks to GCAP under different plausible future scenarios.

Environmental activities of the Group's portfolio companies

Bank of Georgia 26.3% share of the portfolio at 30 June 2023

Within the medium term, the rapid implementation of climate policy and regulation may result in sharply increasing direct regulatory expenses in relation to fixed assets such as the Bank's retail outlets.

In the short term, and in mitigation, the Bank is already in the advanced stages of implementing energy efficiency programmes within its real estate (retail, office and data centres). By anticipating compliance with regulations relating to fuel efficiency standards, emissions-reducing regulations and building efficiency compliance, the Bank will minimise costs in relation to regulations. In addition, it will lower the energy expenditure and generate a financial benefit, especially where renewable energy is utilised. Additionally, the Bank is adopting digital technology to enable all forms of digital banking, potentially further reducing the need for fixed assets.

Retail (pharmacy) 21.5% share of the portfolio at 30 June 2023

The principal risks arise from physical aspects of climate change and may impact the physical assets. Transition risks are considered to mainly relate to carbon pricing and the effect this will have on the supply chain, for example, the purchase of drugs and medicines. As the carbon price rapidly increases post-2030 (medium term) the prices of goods will increase. While this will be felt across the market and will not be unique to the portfolio, given the leading market share, this could result in reputational risk arising from consumer perception.

There is a regulation opportunity for the retail (pharmacy) business. Being an early adopter of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce overall running costs in the medium term. Good energy management and the use of renewable energy will not only lower the energy expenditure and generate a financial benefit but will also reduce the carbon footprint of the operations.

Healthcare Business – Hospitals and Clinics and Diagnostics 15.8% share of the portfolio at 30 June 2023

Carbon prices may rise quickly year on year after 2030, towards 2050. The implications of this will be financially more severe for carbon-intensive products, services and operations. This will result in increased costs of purchase relating to medical equipment and supplies particularly those originating out-of-country.

Commitment to a low carbon portfolio (e.g. low carbon hospitals) could have material benefits. A reduction in the portfolio's carbon intensity will mitigate future costs associated with increasing carbon prices.

Medical Insurance 2.1% share of the portfolio at 30 June 2023

An increase in medical insurance claims may arise from both acute short-term weather conditions (flooding and in some regions landslides, heatwaves) and long-term chronic changes in weather such as increased average temperatures, impacting health. Failure of infrastructure may cause longer-term ill health from waterborne diseases. There is also a risk that the Government introduces a policy for insurers to maintain policy cover for the "uninsurable", the costs of which may not be possible to pass on to the insured.

Encouraging customers to prepare to be resilient with respect of climate risks, for example through premium incentives to have healthy lifestyles, may contribute to the business reputation and customer base.

Business Overview (continued)

Environmental Matters (continued)

Environmental activities of the Group's portfolio companies (continued)

P&C Insurance 8.2% share of the portfolio at 30 June 2023

Carbon pricing is expected to rise sharply after 2030 (medium term). This will see a progressive rise in the cost of carbon-intensive products and services, logistics, distribution and any other operations within the supply chain associated with high carbon emissions. This will have implications for the cost of insurance, which may be passed on to the customer. Beginning with transition risks, some lines of business may see changes in claims patterns as government policy and regulation relating to carbon emissions evolve. This might result in fluctuating loss ratios and profitability.

Opportunities will likely arise from energy efficiency regulation which will force customers to upgrade their homes and vehicles and may require new product offerings. Commercial opportunities are also likely to arise by creating targeted products that address climate change and energy transition.

Water Utility 4.7% share of the portfolio at 30 June 2023

Acute physical risks may impact the utility assets. For example, in the short to medium term, extreme rain events may overwhelm infrastructure, causing damaged water treatment and sewage treatment plants. Pipelines are also at risk from such events, as the overall integrity is placed under pressure. These will require greater increased maintenance and repair costs. Landslides in more remote locations could cause further damage and may block access in some areas.

In the medium term, decarbonisation of operations will enable the Water Utility operations to limit the cost consequences of carbon pricing and provide an advantage over more carbon-intensive competition.

Renewable Energy 7.4% share of the portfolio at 30 June 2023

In the short to medium term, the infrastructure and transmission lines are clearly at risk from physical risks such as landslides, or extreme heat impacting the integrity of lines or pipes. However, for each of the HPPs and WPPs, the business has taken steps to improve the resilience of infrastructure to changes in climate.

The renewable energy business generates electricity using renewable sources, and there are a number of policy and Government incentives for solar wind and hydropower generation in Georgia as part of the Georgian 2030 CCSAP. Renewable energy sources are considered to be the future of energy and are valued higher than traditional electricity generation companies.

Education 5.5% share of the portfolio at 30 June 2023

The potentially material risks relate to transition type risks, in particular energy and air quality regulations, that may be introduced under this scenario at short notice in the medium term. Schools may be expected to retrofit heating and cooling measures/equipment to meet regulations. In addition, energy requirements may arise in response to air conditioner use during prolonged heatwaves for example.

Auto Service

Currently, vehicles on the market and in use in Georgia are mainly diesel and petrol-fuelled. Initially, in the short term, there will be a gradual switch to electric vehicles. After 2030, there will likely be a significant increase in the use of electric vehicles, abruptly reducing the need for emissions checks. Additionally, the anticipated rise of carbon pricing and adoption of border adjustment mechanisms after 2030 will affect Amboli's supply chain and trade of car consumables and parts. There will likely be an abrupt rise in distribution and retail costs as a result of increases in carbon pricing.

In the short to medium term, it may be that there will be stricter emissions requirements. This may mean that more vehicles will need to be emissions-checked more regularly or be modified, causing demand at PTI centres.

Business Overview (continued)

Environmental Matters (continued)

Environmental activities of the Group's portfolio companies (continued)

Beverages

In addition to physical risks (reduced rain, high-intensity events, prolonged heatwaves) affecting hops and grape production, the main identified risk relates to regulatory transition risk. In particular, carbon prices and border taxes such as the EU Carbon Border Adjustment Mechanism will adversely affect the prices of both incoming goods and exported products.

Housing Development and Hospitality

Physical risks to property will occur. These include deterioration of asset integrity due to flooding or extreme heat. In the medium term (post-2030) assets that are not energy efficient will be hit by energy efficiency regulation for retrofitting and increased energy costs due to carbon pricing.

Early adoption of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce longer-term costs relating to regulations including a reduction in potential declines.

As stated previously, GCAP's period of investing is between two to five years, which is within the short-term horizon of the scenarios. Management is taking climate change risk into consideration when determining its investment strategy. Georgia Capital expects further emphasis to be placed upon climate resilience as the Group's understanding of climate-related risks and opportunities matures. Management is also taking into consideration the resilience of its portfolio with respect to climate change risks as part of the portfolio strategy.

Sustainability-linked Bond Framework

In 2023 GCAP has developed a Framework that outlines the key principles to be followed when issuing Sustainability Linked Bonds. This Framework has been established in alignment with the International Capital Market Association's (ICMA) 2020 Sustainability-Linked Bond Principles (SLBP). The SLBPs are a set of voluntary guidelines that establish industry best practices for financial instruments to incorporate sustainability-related outcomes in the future. By defining the approach to issuing SLBs, these principles serve to facilitate the growth and development of the SLB market.

Enhanced integration of ESG issues into the Group's core operations became one of the three strategic priorities of GCAP's overall strategy in 2022. By identifying ESG risks and opportunities and integrating and managing ESG matters into the investment decision-making process, the Group is able to achieve a higher degree of investment optimization, while contributing to Georgia's advances towards sustainable development and improving the future of the community. By issuing Sustainability-Linked Bonds (SLBs) GCAP will deliver on its key ESG priority to support the transition towards a more sustainable and low carbon economy.

GCAP's Sustainability-Linked Bond Framework is designed in accordance with the five key components of the Sustainability-Linked Bond Principles (SLBP): 1) Selection of Key Performance Indicators (KPIs); 2) Calibration of Sustainability Performance Targets (SPTs) 3) Bond Characteristics 4) Reporting 5) Verification. GCAP's key performance indicator (KPI) is the total amount of greenhouse gas (GHG) emissions from Scope 1, 2, and 3 sources across its value chain, measured in tons of carbon dioxide equivalent (tCO2e). Scope 1 emissions are from sources owned or controlled by GCAP, Scope 2 emissions are from the consumption of purchased electricity, heat, steam, and cooling, and Scope 3 emissions represent Scope 1 and 2 emissions of GCAP's portfolio companies. This KPI is aligned with GCAP's commitment to sustainability and its long-term Net Zero goals. The KPI is material and relevant as it helps measure the company's and portfolio companies' GHG emissions, identify carbon-related risks and support decarbonization targets. GCAP aims to reduce Absolute Scope 1, 2 and 3 GHG emissions by 20% by 2027 compared to a 2022 baseline.

GCAP has commissioned Sustainalytics, an internationally recognized firm with environmental and social expertise, to conduct a Second Party Opinion (SPO) evaluating the sustainability benefits and alignment of its Sustainability-Linked Bond Framework with the SLBP 2020. Sustainalytics confirmed the framework's compliance with the SLBP 2020 and rated it as ambitious.

Business Overview (continued)

Buyback of own shares

During the six months ended 30 June 2022 Group has repurchased own shares from 100% shareholder. Number of shares repurchased were 353,984 with nominal amount of GEL 354 and total consideration of GEL 77,095. All of the repurchased ordinary shares were cancelled. There have been no share repurchases in 1H23.

Irakli Gilauri Chief Executive Officer