Georgia Capital PLC

Half-year 2018 results

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

www.georgiacapital.ge

About Georgia Capital PLC

Georgia Capital PLC ("**Georgia Capital**" or **"the Group"** – LSE: **CGEO LN**) is a UK listed investment company following completion of its demerger from BGEO Group PLC on 29 May 2018. **Georgia Capital** is the holding company of a diversified group of companies focused on investing in businesses in Georgia with holdings in industries that are expected to benefit from the continued strong growth and diversification of the Georgian economy. **The Group** seeks to create value by driving the development of high growth potential businesses in Georgia, aiming to consolidate fragmented or underdeveloped markets. We either acquire our businesses during their early development stage or establish them on a greenfield basis.

Georgia Capital currently holds six private investments: (i) **a water utility business**, owned through **GGU**, (ii) **a renewable energy business**, owned through **GGU**; (iii) **a housing development business**, owned through **m2** (iv) **a hospitality and commercial real estate business**, owned through **m2**; (v) **a property and casualty insurance business**, owned through **Aldagi** and (vi) **a beverages business**, owned through **Georgia Beverages**, and two public investments (London Stock Exchange premium-listed Georgian companies): (i) **Georgia Healthcare Group PLC ("GHG")**, (57% equity stake), a UK incorporated holding company of the largest healthcare services provider in Georgia, which is also the largest pharmaceuticals retailer and wholesaler in the country; and (ii) **Bank of Georgia Group PLC ("BoG")**, (19.9% equity stake), a leading universal bank in Georgia.

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

10x = 10y

Shaori Lake, Racha, Georgia

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

Content

Georgia Capital PLC announces the Group's first half 2018 financial results. Unless otherwise noted, numbers are for 1H18 and comparisons are with 1H17. Throughout this document, "Georgia Capital" and the "Group" refer to Georgia Capital PLC and its portfolio companies as a whole, while "GCAP" refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts[2].

This announcement contains financial results presented on two different bases. The Group's interim condensed IFRS consolidated financial statements together with the independent review report begin on page 50. The Group operates as an investment company and its strategy is to acquire and develop and then exit portfolio companies - it is not in the business of managing or owning portfolio companies indefinitely. As such, and in order to provide transparency in our results in the most relevant and useful way for our investors, we have elected to also provide a set of management accounts that adjust the IFRS results to present the Group on an investment company basis ("investment company basis management accounts", or "management accounts"). Our discussion, therefore, focuses on the investment company basis management accounts[3].

FINANCIAL HIGHLIGHTS

Strong portfolio performance driven by GEL 71 million net income & ROI of 26.7%

GEORGIA CAPITAL HIGHLIGHTS (MANAGEMENT ACCOUNTS)

GEL thousands, except per share information

Georgia Capital performance	**1H18**	**1H17**	**Change**
GCAP net operating income	21,721	6,642	NMF
Total attributable income of portfolio companies	82,537	53,146	55.3%
of which, income from listed investments	54,762	11,822	NMF
of which, income from private investments	27,775	41,324	-32.8%
Net income	70,803	42,288	67.4%

Georgia Capital NAV overview	**Jun-18**	**Dec-17**	**Change**
Net Asset Value (NAV)	1,687,170	1,511,076	11.7%
Listed investments (at market value)	1,202,571	933,481	28.8%
Private investments (at book value)	623,209	588,015	6.0%
Cash and liquid funds	352,002	264,546	33.1%
Net debt	(128,771)	(7,733)	NMF
NAV per share, GEL	45.71	38.37	19.1%
NAV per share, GBP	14.06	10.96	28.3%

INVESTMENT PORTFOLIO COMPANY PERFORMANCE HIGHLIGHTS (IFRS)

GEL thousands, unless otherwise noted

Private portfolio investment performance	**1H18**	**1H17**	**Change**
EBITDA, Water Utility	37,231	31,099	19.7%
EBITDA, Renewable Energy	(403)	(1,004)	NMF
EBITDA, Housing Development	5,163	20,762	NMF
EBITDA, Hospitality & Commercial Real Estate	1,851	1,333	38.9%
EBITDA, Beverages	(6,088)	(905)	NMF
Adjusted net income, P&C[4]	8,305	7,590	9.4%
Listed portfolio investment performance			
EBITDA, GHG	62,630	51,154	22.4%
Adjusted net income, BoG[4]	216,947	172,762	25.6%

[2] Georgia Capital PLC is our UK holding company whose principal subsidiary is JSC Georgia Capital, which is our Georgian holding company for our operating businesses and investments.

[3] A reconciliation of our investment company basis management accounts to the IFRS statements is provided on pages 30-31. The management accounts are an alternative performance measure ("APM"); the basis for their preparation is described on pages 9-16; they have not been audited or reviewed.

[4] IFRS net incomes for P&C business and BoG are adjusted to exclude the impact of non-recurring items and non-recurring deferred tax remeasurement charges.

INVESTMENT RETURN ON INVESTMENTS AT A GLANCE

We use the Management Account figures to calculate different returns on our investments. Internal Rate of Return (IRR) and Return on Investment (ROI) are metrics that help us evaluate the historical track record of each listed and private investment, respectively.

IRR for listed investments is calculated based on a) historical contributions to the listed investment less b) dividends received and c) market value of the investment at 30 June 2018.

ROI for private investments is an annualised return on net investment (gross investments less capital returns) calculated at each investment level. Inputs into the ROI calculation are as follows: (i) the numerator is the annualised attributable income of the private portfolio company less allocated GCAP interest expense, and (ii) the denominator, is the net investment less allocated gross debt of GCAP.

Listed Portfolio Companies

Internal Rate of Return	Holding period (years)	30 June 2018
Listed investments		**43.8%**
GHG	5.6	49.7%
BoG	9.6	26.8%

Listed and Private Portfolio Companies

Return on Investment	Holding period (years)	1H18
Listed investments		**111.9%**
GHG	5.6	27.6%
BoG	9.6	358.6%
Private investments, late stage		**59.0%**
Water Utility	2.3	38.7%
Housing Development	7.2	66.6%
P&C Insurance[5]	8.6	425.4%
Private investments, early stage		**-18.4%**
Renewable Energy	1.2	-9.5%
Hospitality & Commercial Real Estate	2.0	-2.4%
Beverages	1.9	-38.0%
Private investments, pipeline		**-8.0%**
Education		-8.0%
Total ROI		**26.7%**

In addition to the above return on invesments calculations, as part of our capital allocation and profitability measurement processes we also analyze both (i) return on allocated capital (ROAC) and (ii) either return on invested capital (ROIC) for our non-financial businesses or ROE for our P&C Insurance business. See page 18 and the discussions of the individual business units.

[5] Net investment amount is negative GEL 14 million, as the investment amount was fully recovered through dividends received from P&C insurance business over the investment holding period.

CHAIRMAN AND CEO'S STATEMENT

The first half of 2018 marked a significant milestone for the Group as an independent publicly listed investment company following the completion of the demerger from BGEO Group PLC. As a result, Georgia Capital was admitted to the premium listing segment of the London Stock Exchange on 29 May 2018, under the ticker 'CGEO'. The demerger allows Georgia Capital to capture investment opportunities in the young and fast evolving Georgian economy, both more proactively and in a more disciplined and focused manner. Georgia Capital aims to take advantage of being the only institutional investor in the country, where access to capital in a small frontier economy is limited, and many corporate sectors are still forming. Georgia Capital's fundamental strength is its ability to institutionalise portfolio companies as it improves their underlying operational results. Its ability to access capital and attract and develop high quality talent is the foundation that enables it to execute on its strategy. The Georgia Capital management team, under the BGEO Group, has a track record of executing more than 40 acquisitions in banking, insurance, healthcare, utilities, retail, FMCG and other sectors. It has successfully integrated businesses in many sectors, while delivering growth and extracting targeted synergies. Considering the above, we aim to deliver ten times total shareholder returns over the next ten years.

Performance

In my first statement as Chairman and CEO of Georgia Capital PLC, I want to introduce the key performance metrics we would like to be measured by. We believe the number one metric for us to follow is the return we generate on allocated capital. It is important to generate solid profitability, not only at the level of our portfolio investment companies, but also at the stand-alone GCAP level as well. We have, therefore, introduced management Profit & Loss (P&L) and Net Asset Value (NAV) statements, which I believe provide the key financial information that will enable our shareholders to track our performance. The management P&L is an aggregation of the bottom lines of the attributable stand-alone IFRS P&L's of our listed and private portfolio companies as well as GCAP. We believe this format allows our investors to see the cash flow generation capabilities for each individual company, including GCAP, which is a key metric for our capital allocation discipline. Our management NAV represents the aggregation of the IFRS book values of private portfolio companies based on the methodology described on page 12; the market values of listed companies, and the net debt of GCAP. These two statements form the basis from which we will assess the returns that we are generating on allocated capital. We also measure our performance by assessing return on investment (ROI), which indicates profit generated by our portfolio companies in relation to our net investment. I believe that presenting Georgia Capital's management accounts, in addition to the IFRS consolidated results, will enable shareholders to assess the value of our investment platform. Both management and IFRS accounts will be published on a semi-annual basis, while trading updates will be shared on a quarterly basis.

Let me say a couple of words on the performance of the Group in the context of our management accounts. Net income of the Group in 1H18 was GEL 71 million, largely driven by the attributable income of the listed portfolio companies and reflecting the impact of the 19.9% BoG stake addition. Attributable income from our private investments was affected by the absence of commercial property revaluation gains from the housing development business and by a poor performance in the beverages business. The one-offs aside, the portfolio companies performed strongly in the first half of 2018. Our NAV per share increased by 19% in the first half of 2018 to GEL 46 at 30 June 2018, as total NAV reached GEL 1.7 billion. While a significant part of the growth resulted from the addition of our 19.9% Bank of Georgia Group stake, 5% growth in the private investment value also contributed to the NAV growth. ROI stood at respectable 26.7%.

The Group's listed portfolio companies**, Georgia Healthcare Group** and **Bank of Georgia,** with an aggregate market value of GEL 1.2 billion at 30 June 2018, delivered a solid attributable income of GEL 55 million during the first six months of 2018, supported by strategic growth in each of their business lines in addition to strong trading growth and performance.

Georgia Healthcare Group posted six month EBITDA of GEL 62.6 million, an increase of 22.4%, reflecting a combination of organic growth and the completion and the recent launch of its two major new hospitals. Our attributable share of GHG's EBITDA is 57%. We are particularly pleased with GHG's adjusted ROIC, which exceeded its WACC and reached 13.7% in 1H18. Two new referral hospitals in the healthcare services business had a good start, which should accelerate revenue growth in the coming periods. Excluding the roll-out impact, the EBITDA margin for referral hospitals and community clinics stood at 28.4% in 1H18. The pharmacy business continued to produce stellar results, posting 65% bottom line growth driven by 14% growth in top-line revenues and 180 bps improvement to the EBITDA margin to 9.7%.

Bank of Georgia's 1H 2018 adjusted net income was a record high at GEL 217 million, resulting in an all-time high adjusted ROAE of 25.5%. We like this magnitude of return combined with strong liquidity, high NPL coverage and improving cost to income ratios. At the same time, the bank is running a solid capital base. All of the above should serve as a strong foundation for continued stable dividend flows.

Within our late stage private investments, the **Water Utility** business recorded a 19.7% y-o-y growth in EBITDA driven by 15.3% growth in revenues and continued efficiency gains, which limited growth in operating expenses to only 4.3% during the first half of 2018. The strong execution skills of our **Housing Development** business resulted in gross real estate profit, excluding revaluation gains, increasing threefold to GEL 7.6 million year-on-year and the business is on track to complete three out of its four ongoing residential projects by the end of 2018. During the first half of 2018, m^2 sold 81 apartments with a total sales value of US$ 11.3 million. The sales momentum was negatively affected by low inventory levels, which are expected to increase by approximately 3,300 apartments, when Housing Development kicks off its largest ever in-house affordable housing project on Digomi land, subject to Tbilisi City Hall's final approval. The **Property & Casualty Insurance** business, which remains the undisputed market leader with a recurring adjusted 30% ROAE, also saw improvements in its net underwriting profit, which increased by 5.5% to GEL 15.1 million during the first half of 2018. This was supported by the introduction of compulsory border third-party liability insurance and 59% growth in insured retail customers.

Within our early stage private investments, the **Renewable Energy** business continued its construction and development works on the Mestiachala and Zoti hydro power plant projects, totaling almost 100MW of planned additional capacity, with pre-construction pipeline of 74MWs of hydro, 200MWs of wind and 30MWs of solar, out of a targeted 500MWs over the medium term. The Mestiachala HPP construction works are on track to be completed by the end of 2018 within its original budget. Similarly, the **Hospitality & Commercial Real Estate** business continued to grow its portfolio of yielding assets, while also increasing its pipeline of hotel developments. Following the opening of its first Ramada Encore hotel in March 2018, the hospitality business now has 152 operational rooms and 790 rooms in pipeline, firmly on track to deliver its 1,000 hotel room strategy over the next three years. Finally, the **Beverages** business delivered year-over-year growth in topline revenues of 73% supported by increased wine sales in export markets and the second year of our beer business operations. EBITDA was negative at GEL 6.1 million as a result of the ongoing marketing costs associated with the beer business, delays in launching Heineken brands and upfront expenses related to our entry into a number of new export markets for the wine business.

Capital allocation

During the first half of 2018 we invested GEL 33 million across the Beverages and Renewable Energy businesses in bolt-on acquisitions to increase scale and make progress towards the established business goals, respectively. Service industries, with their lower capital requirements, are particularly attractive to us when considering new investments and we made a significant step during June 2018 in this regard, when we officially entered the Education business by investing GEL 6 million in land outside Tbilisi for a high school development. We see attractive opportunities in what is currently a very fragmented, private high school education market and expect to introduce a chain of affordable high schools to capitalise on our scale advantage opportunity. We plan to invest GEL 140 million in Education and aim to reach 30,000 pupils by the end of 2025. In July 2018, we launched another greenfield project when the Group entered the periodic vehicle inspection business, a regulated service industry, which is expected to become a GEL 50-55 million market from 2019. The business ramp up, expected to cost up to GEL 40 million and fully financed by debt, will be completed by the end of 2018 and we target to reach 35%+ market share once fully operational, while supporting environmental sustainability and road safety across the country. The compound annual growth rate for registered vehicles in Georgia during the years 2012-2016 was 8.6%, which makes vehicle inspection an attractive emerging service business. We will continue investing in service industries where we see long-term growth potential and alignment with Georgia Capital's strategic priorities.

Capital management is one of the most important aspects of Georgia Capital's business model. On 14 June 2018 we announced the commencement of a share buyback programme of up to US$45 million. At 30 June 2018, management believes that the market price significantly undervalued the Group's economic value as it trades with almost a full discount of the private investments value. Since the launch of the buyback programme, we have bought back 962,629 shares.

Through buybacks, we are able to buy our portfolio companies cheaply. At the same time, we need to remain adequately funded for further business opportunities, and aim to manage our capital needs such that we do not depend on potentially premature liquidation of our listed investments. Based on our capital allocation outlook through the end of 2020, as described on page 16, we currently plan to invest approximately GEL 128 million, net of expected dividends. This investment need will be comfortably funded through the existing liquidity of Georgia Capital, which currently stands at GEL 352 million. If we consider the short-term loans, which are issued by Georgia Capital mostly to its portfolio companies, then this number increases to GEL 604 million.

Liquidity

In March, Georgia Capital issued its inaugural international US$ 300 million 6.125% corporate bonds due 2024, which was the first international bond offering by a non-banking, non-state-backed company from Georgia. The bond proceeds allow us to maintain material liquid funds for deployment in new opportunities as described above. Our approach is simple - we want to remain disciplined in our capital allocations, thereby maintaining reasonably high liquidity to capture opportunities.

Macroeconomic environment

The Georgian economy continues to perform strongly, as real GDP growth reached an estimated 5.7% in the first half of 2018 on the back of improved consumer confidence and strong external demand driven by double-digit growth in exports, remittances and tourism revenues. Exceptional external earnings and strong economic growth also strengthened the nominal effective exchange rate by 12% and supported the Georgian Lari's appreciation by 5.4% against the US dollar during the first half of 2018. The higher than expected appreciation reduced inflation pressure - inflation averaged 2.8% during the first half of 2018 - and upward risks to forecasted inflation declined. This allowed the National Bank of Georgia to start a gradual exit from its moderately tightened monetary policy and decrease its refinancing rate by 25 basis points to 7% on 25 July 2018. Georgia's official reserve assets increased by 2% over the last 12 months and stood at US$ 3.01 billion on 30 June 2018. De-dollarization mechanisms and strengthened macro-prudential regulation supports the financial system to increase resilience to currency fluctuations and to reduce cyclical and FX-induced credit risks. Legislated fiscal rules keep government debt, the fiscal balance and government expenditure at well-managed levels.

Outlook

Despite the recent regional turbulence in Turkey and Russia, we expect the Georgian economy to remain resilient as both the Georgian government and the National Bank of Georgia will continue their prudent fiscal and monetary policies. However, we want to stay disciplined when it comes to capital allocation and deployment to better understand the magnitude and length of this turbulence. At the same time, we will remain vigilant to any investment opportunities which may be created by any ongoing regional economic pressures.

Irakli Gilauri,

Chairman and CEO

19 August 2018

DISCUSSION OF RESULTS

Investment Company Basis Management Accounts

Management monitors the Group's performance on a regular basis based on developments in a management account income statement and statement of Net Asset Value (NAV) prepared under the adjusted IFRS methodologies described in the relevant section below. A reconciliation of our investment company basis management accounts to the IFRS statements is provided on pages 30-31. The management accounts are an alternative performance measure ("APM"); they have not been audited or reviewed.

Investment Company Basis Income Statement

Management views Georgia Capital's income statement as a two-fold document that reflects performance of the stand-alone GCAP as well as the performance of each portfolio company. The following methodology underlies the preparation of management account income statement.

- *The top part of the income statement* (GCAP Operating Income) *represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on estimated annual dividend proceeds from portfolio companies to be collected during the year, b) interest income on liquid funds, mezzanine facilities issued and senior loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued) and d) expenses incurred at GCAP level. These amounts are derived from IFRS consolidated financial statements, note 6 on segment reporting under segment name of Corporate Center.*
- *Portfolio company attributable income represents attributable recurring IFRS net profits or losses of each portfolio investment, i.e. stand-alone net profits adjusted to exclude minority interests and impact of non-recurring items. We view portfolio company attributable income as a metric to measure the earning power of Georgia Capital's investments.*
- *Within the bottom part of the income statement, we reverse double counting impact of dividend accrual and recognize provisions for interest income items, where immediate collectability is uncertain on instruments such as mezzanine loans. Following these adjustments, we arrive at management net income for the period.*
- *Below net income line, to arrive at total comprehensive income, we present i) GCAP's gains or losses from foreign exchange movements, ii) non-recurring items of both GCAP and related attributable shares of portfolio companies and iii) realized gains or losses from sales of equity interests in portfolio companies.*

INVESTMENT COMPANY BASIS INCOME STATEMENT

GEL thousands unless otherwise noted	1H18	1H17	Change y-o-y	% change
Dividend income	31,340	17,500	13,840	79.1%
Interest income	14,742	271	14,471	NMF
Interest expense	(19,079)	(9,210)	(9,869)	NMF
GCAP gross operating income	**27,003**	**8,561**	**18,442**	**NMF**
Operating expenses	(5,282)	(1,919)	(3,363)	NMF
GCAP net operating income (1)	**21,721**	**6,642**	**15,079**	**NMF**
Attributable income of listed portfolio companies	**54,762**	**11,822**	**42,940**	**NMF**
of which, GHG	*11,589*	*11,822*	*(233)*	*-2.0%*
of which, BoG	*43,172*	*-*	*43,172*	*NMF*
Attributable income of private portfolio companies	**27,775**	**41,324**	**(13,548)**	**-32.8%**
of which, Water Utility	*22,284*	*15,702*	*6,583*	*41.9%*
of which, Renewable Energy	*(490)*	*(2,057)*	*1,567*	*76.2%*
of which, Housing Development	*4,375*	*20,802*	*(16,427)*	*-79.0%*
of which, Hospitality and Commercial Real Estate	*763*	*1,304*	*(541)*	*-41.5%*
of which, Beverages	*(7,462)*	*(2,017)*	*(5,446)*	*NMF*
of which, P&C Insurance	*8,305*	*7,590*	*715*	*9.4%*
Total portfolio company attributable income (2)	**82,537**	**53,146**	**29,391**	**55.3%**
Income before income taxes, provisions and adjustments (1)+(2)	**104,258**	**59,788**	**44,471**	**74.4%**
Adjustment for dividend income accrual	(31,340)	(17,500)	(13,840)	79.1%
Provision	(2,115)	-	(2,115)	NMF
Income tax	-	-	-	NMF
Net income	**70,803**	**42,288**	**28,515**	**67.4%**
Net foreign currency (loss) gain	(5,104)	423	(5,527)	NMF
Non-recurring expense	(49,970)	(2,225)	(47,746)	NMF
Realized gain from sale of portfolio company shares	-	90,275	(90,275)	NMF
Total comprehensive income	**15,729**	**130,761**	**(115,032)**	**-88.0%**

The GEL 18 million increase in 1H18 in *Gross operating income* to GEL 27.0 million reflects a y-o-y 79% increase in dividend income to GEL 31.3 million due to the addition of 19.9% BoG equity stake to the listed investment portfolio. Excluding BoG dividends, 1H18 dividend income was up by 11% y-o-y. Dividend income is accrued on an annual basis based on paid, declared or expected dividend stream from portfolio companies during the fiscal year. The following table summarises the dividend income breakdown:

	1H18	1H17	Change
P&C Insurance	5,000	3,500	42.9%
BoG	11,940	-	NMF
Water Utility	14,400	14,000	2.9%
Total dividend income	**31,340**	**17,500**	**79.1%**

The significant increase in both *Interest income* and *Interest expense* in 1H18 (to GEL 14.7 million and GEL 19.1 million, respectively) was driven by the issuance of the inaugural US$ 300 million bonds and investment of related proceeds into investment securities and loans issued.

The components of GCAP's *Operating expenses*, which increased significantly in 1H18, are shown in the following table. Following the demerger from the BGEO Group, administrative and management expenses are now fully borne by the Group, while prior to the demerger (before 29 May 2018) only a portion of the expenses were allocated to the Group. As a result, operating expenses are not directly comparable y-o-y:

	1H18	1H17	Change
Administrative expenses[6]	(864)	(195)	NMF
Management expenses - cash-based[7]	(1,777)	(41)	NMF
Management expenses - share-based[8]	(2,641)	(1,683)	56.9%
Total operating expenses	**(5,282)**	**(1,919)**	**NMF**

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

Total portfolio company attributable income increased from GEL 53.1 million in 1H17 to GEL 82.5 million in 1H18, however, the two periods are not directly comparable since BoG's attributable income is not reflected in 1H17, while it added GEL 43.2 million in 1H18. Absent BoG, portfolio company attributable income was down mainly due to the absence of GEL 21 million commercial property revaluation gains from housing development business, as discussed below, and underperformance of beer business. Excluding these movements, overall the portfolio companies performed strongly in the first half of 2018.

GHG's attributable income is down slightly primarily due to the sell down of a 7% equity stake by Georgia Capital in May 2017, which reduced the portion of attributable net income on y-o-y basis. Had we not reduced our stake in GHG, related attributable income would have increased by 8.4%. *GHG continued to deliver on its strategic priorities leading to 22% y-o-y growth in EBITDA to GEL 63 million during the first half of 2018*. GHG has started to capture benefits from major investments in 2016 and 2017 as (i) healthcare services EBITDA margin was 24.7% in 1H18, compared to 26.4% in 1H17 reflecting the planned significant investment in new hospitals and polyclinics during 2017, (ii) the pharmacy and distribution business (acquired in two steps in 2016 and 2017) continued to generate a high EBITDA margin of 9.7% in 1H18, compared to 7.9% in 1H17 and (iii) the medical insurance business delivered a positive EBITDA. GHG's strong performance also resulted in 26% growth in Last Twelve Month (LTM) EBITDA growing from GEL 95.2 million at 30 June 2017 to GEL 120 million at 30 June 2018. The performance of GHG, in which we continue to hold a 57% stake, is discussed in more details on page 29.

Attributable income of *BoG* was GEL 43.2 million during the first six months of 2018 driven by its strong performance across corporate and retail businesses business momentum continues to accelerate in Georgia (had we owned our stake in BoG in 2017, the comparable 1H17 amount would have been GEL 34.4 million). BoG successfully delivered on its strategy, with adjusted ROAE reaching 25.5% in 1H18, well above the targeted through-the-cycle ROAE of 20%+. On 9 July 2018, BoG declared a dividend in respect of 2017 year of GEL 2.44 per ordinary share (c.30% payout ratio), which was paid to its ordinary shareholders on 31 July 2018. The Group received a GBP 7.4 million (GEL 23.9 million) dividend payment from BoG. Given BoG's continued strong performance, we expect that BoG will maintain a dividend payout ratio within targeted 25-40% range. Our holding in BoG is 19.9% and the Bank of Georgia 1H18 earnings release for further details is available at http://bankofgeorgiagroup.com/.

Attributable income from private portfolio companies decreased to GEL 28 million mainly due to the absence of GEL 21 million commercial property revaluation gains from housing development business, which were recognised in 1H17. All late stage private portfolio companies demonstrated positive performance in their recurring businesses, while early stage businesses continued development to the next levels of their greenfield lifecycle. 1H18 attributable income from private portfolio companies was driven by strong profit generation of Water Utility, which demonstrated 41.9% y-o-y increase as a result of increase in residential water consumption tariffs and efficiency gains in own electricity consumption. Water Utility's strong performance was partially offset by the beverages business, which recorded GEL (7.5) million loss in 1H18 due to the elevated marketing expenses and delays in introduction of beers from the Heineken portfolio. The performance of each private portfolio company is discussed on pages 19 to 29.

As discussed above, *Net income* of GEL 70.8 million in 1H18 (GEL 42.3 million in 1H17) reflects the elimination of the dividend accrual from the GCAP attributable income of portfolio companies to avoid double counting and, in 1H18 the creation of a provision on our mezzanine loans to portfolio companies.

The Group's total comprehensive income is then driven by Net foreign currency loss, Non-recurring expense and Realized gain from the sale of portfolio company shares. Other comprehensive income decreased from GEL 88.5 million in 1H17 to GEL 55.1 million loss in 1H18. The following table summarises the breakdown of other comprehensive income components:

	1H18	1H17	Change
Net foreign currency (loss) gain	(5,104)	423	NMF
Non-recurring expense	(49,970)	(2,225)	NMF
Realized gain from sale portfolio company shares	-	90,275	NMF
Other comprehensive income	**(55,074)**	**88,473**	**NMF**

GCAP incurred a *Net foreign currency loss* of GEL 5.1 million from USD/GEL exchange rate volatility during 1H18 on the back of GEL's appreciation during January and February when it held liquid funds in US Dollar against the borrowings from its former parent, which were denominated in GEL. At 30 June 2018, GCAP has an accounting short foreign currency position in US Dollars amounting to c. US$ 70 million (GEL 171 million).

Non-recurring expenses in 1H18 of GEL 49.8 million are not comparable to the GEL 2.2 million figure in 1H17. 1H18 Non-recurring expenses largely relate to the demerger from BGEO Group, which triggered recognition of fees for services received in connection with the demerger and acceleration of share-based compensation expenses for accounting purposes. GCAP's GEL 23.6 million non-recurring expense was entirely related to the demerger. Amongst the portfolio companies, BoG contributed the most to the non-recurring expenses with attributable 19.9% portion of GEL 13.8 million. The following table summarises the breakdown of non-recurring expenses:

	1H18	1H17	Change
GCAP	(23,568)	-	NMF
Listed investments	(14,759)	(2,111)	NMF
Private investments	(11,643)	(114)	NMF
Total non-recurring expenses	**(49,970)**	**(2,225)**	**NMF**

The realised gain from sale of portfolio company shares of GEL 90 million in 1H17 resulted from the sale of 9.5 million shares of GHG (7.2%) by Georgia Capital in May 2017 for US$ 40 million cash proceeds, which decreased its stake in GHG to 57%. Georgia Capital did not sell any shares of its portfolio companies during 1H18.

Investment Company Basis Statement of Net Asset Value (NAV)

Our Management Accounts include a Net Asset Value (NAV) statement which breaks down NAV into its components and follows the changes therein, providing management with a snapshot of the Group's financial position at any given time. Georgia Capital management closely monitors NAV in connection with capital allocation decisions. The following methodology underlies the presentation of the NAV for period end dates:

- *NAV is calculated at stand-alone GCAP level, which represents the aggregation of the stand-alone assets and liabilities of Georgia Capital PLC and JSC Georgia Capital*
- *Investments in listed and private portfolio companies are valued for the purposes of NAV according to the following methodology:*
  - *Listed investments are carried at the period-end market values based on closing share prices on reputable stock exchanges*
  - *Private investments are carried at their book values, which represents the sum of a) their respective IFRS stand-alone total shareholders' equities attributable to Georgia Capital, unless the Group has an arm's length sale transaction with portfolio company's equity securities to an unrelated third-party, in which case the private investment will be revalued to a market value derived from such transaction; b) attributable IFRS goodwill and c) the carrying value of shareholder advances that represent preferred stock or mezzanine loan type investments in portfolio companies*
- *NAV per share represents NAV divided by the number of outstanding shares at the end of the period under IFRS, i.e. issued shares less treasury shares.*

Listed investments enjoy strong fundamentals, while remaining under pressure from emerging and frontier market conditions.

Private investments demonstrate continued shareholder value creation from growth and productivity improvements.

Net Asset Value breakdown	Ownership %	Management Adjusted Value		Change	Change %
GEL thousands, unless otherwise noted		30-Jun-18	31-Dec-17		
Listed Equity Investments		**1,202,571**	**933,481**	**269,090**	**NMF**
GHG (75,118,503 shares at market)	57.0%	608,502	933,481	(324,979)	-34.8%
BoG (9,784,716 shares at market)	19.9%	594,069	-	594,069	NMF
Private Investments		**623,209**	**588,015**	**35,194**	**6.0%**
Water Utility (at book)	100.0%	282,319	267,923	14,396	5.4%
Renewable Energy (at book) [9]	65.0%	53,572	51,511	2,061	4.0%
Housing Development (at book)	100.0%	68,530	75,609	(7,079)	-9.4%
Hospitality & Commercial (at book)	100.0%	78,700	78,142	558	0.7%
Beverages (at book)[9]	80.0%	84,960	63,637	21,323	33.5%
P&C Insurance (at book)	100.0%	48,869	51,193	(2,324)	-4.5%
Education (at book)	100.0%	6,177	-	6,177	NMF
Other (at cost)	100.0%	82	-	82	NMF
Total Portfolio Value		**1,825,780**	**1,521,496**	**304,285**	**20.0%**
Net Debt		**(128,771)**	**(7,733)**	**(121,038)**	**NMF**
of which, cash and liquid funds		352,002	264,546	87,456	33.1%
of which, loans issued		252,488	-	252,488	NMF
of which, gross debt		(733,261)	(272,279)	(460,982)	NMF
Net other assets / (liabilities)		**(9,839)**	**(2,687)**	**(7,153)**	**NMF**
Net Asset Value		**1,687,170**	**1,511,076**	**176,094**	**11.7%**
Shares outstanding		36,912,664	39,384,712	(2,472,048)	-6.3%
Net Asset Value per share (GEL)		**45.71**	**38.37**	**7.34**	**19.1%**
Net Asset Value per share (GBP)		**14.06**	**10.96**	**3.10**	**28.3%**

The management adjusted value of *Investments in listed portfolio companies* increased with the contribution of the BoG equity stake into the Group's equity as part of the demerger, with GEL 594 million market value at 30 June 2018, but was offset by the decline in the market value of GHG.

The *market value of GHG* decreased by GEL 325 million during 1H18, despite delivering a very strong 1H18 trading performance. During the first six months of 2018, GHG's share price retreated from GBP 3.55 at 1 January 2018 to GBP 2.51 at 30 June 2018 resulting in a GEL 325 million reduction in the market value of the Group's investment. The highest and the lowest closing share prices during this period were GBP 3.6 and GBP 2.35, respectively. Between 30 June 2018 and 10 August 2018, GHG shares traded between GBP 2.5 and GBP 2.8 range. Analysts covering GHG stock, estimate an average target price of GBP 3.91. We did not sell any GHG shares during the first six months of 2018 as we believe that the stock price was highly undervalued.

Following the demerger completion, the *BoG share price* closed at GBP 18.64 on 29 May 2018, its first trading day. The highest and the lowest closing share prices from 29 May 2018 to 30 June 2018 were GBP 21.09 and GBP 18.33, respectively, while the share price closed at GBP 18.85 on 30 June 2018 leading to a GEL 112 million decrease in the market value of the Group's investment (GEL 706 million estimated market value at

[9] Management adjusted value of renewable energy business and beverage business at 30 June 2018 includes mezzanine loans issued of GEL 33.9 million (31 December 2017: GEL 34.2 million) and GEL 13 million (31 December 2017: zero) respectively.

the time of the capital increase in early 2018). Between 30 June 2018 and 10 August 2018 BoG shares traded between GBP 17.1 and GBP 19.0 range. Analysts covering BoG stock estimate that the value of a BoG share falls within GBP 21.80 – 24.80 target price range.

Investments in private portfolio companies continued to perform well and book value increased by GEL 35 million during the first six months of 2018, of which, GEL 28 million was generated through recurring earnings. The water utility business was the main contributor to the growth by delivering outstanding results in 1H18. Further, Georgia Capital invested GEL 6.2 million in land for school development to build the grounds for the Group's intended expansion into the education industry.

As described above in the NAV methodology, private investments include the Group's investments in preferred shares and mezzanine loans issued by portfolio companies. At 30 June 2018, a GEL 34 million mezzanine loan was issued to the renewable energy business and a GEL 13 million mezzanine loan was issued to the beverages business. Interest income from mezzanine loans, fully provisioned within the management income statement, was GEL 1.8 million in 1H18.

Cash and liquid funds. GCAP's cash and liquid funds totalled GEL 352 million at the end of June 2018, primarily driven by the proceeds from the milestone US$300 million 6 year bond issuance. In line with its risk management practices, the Group actively monitors the allocation of its liquid resources and its commitment to maintain at least US$ 50 million liquid funds. At 30 June 2018, cash and liquid funds were allocated as follows:

	30 June 2018	31 December 2017	Change
Cash at bank	164,444	219,399	-25.0%
Internationally listed debt securities	147,633	24,136	NMF
Locally listed debt securities	39,925	21,011	90.0%
Total Cash and liquid funds	**352,002**	**264,546**	**33.1%**

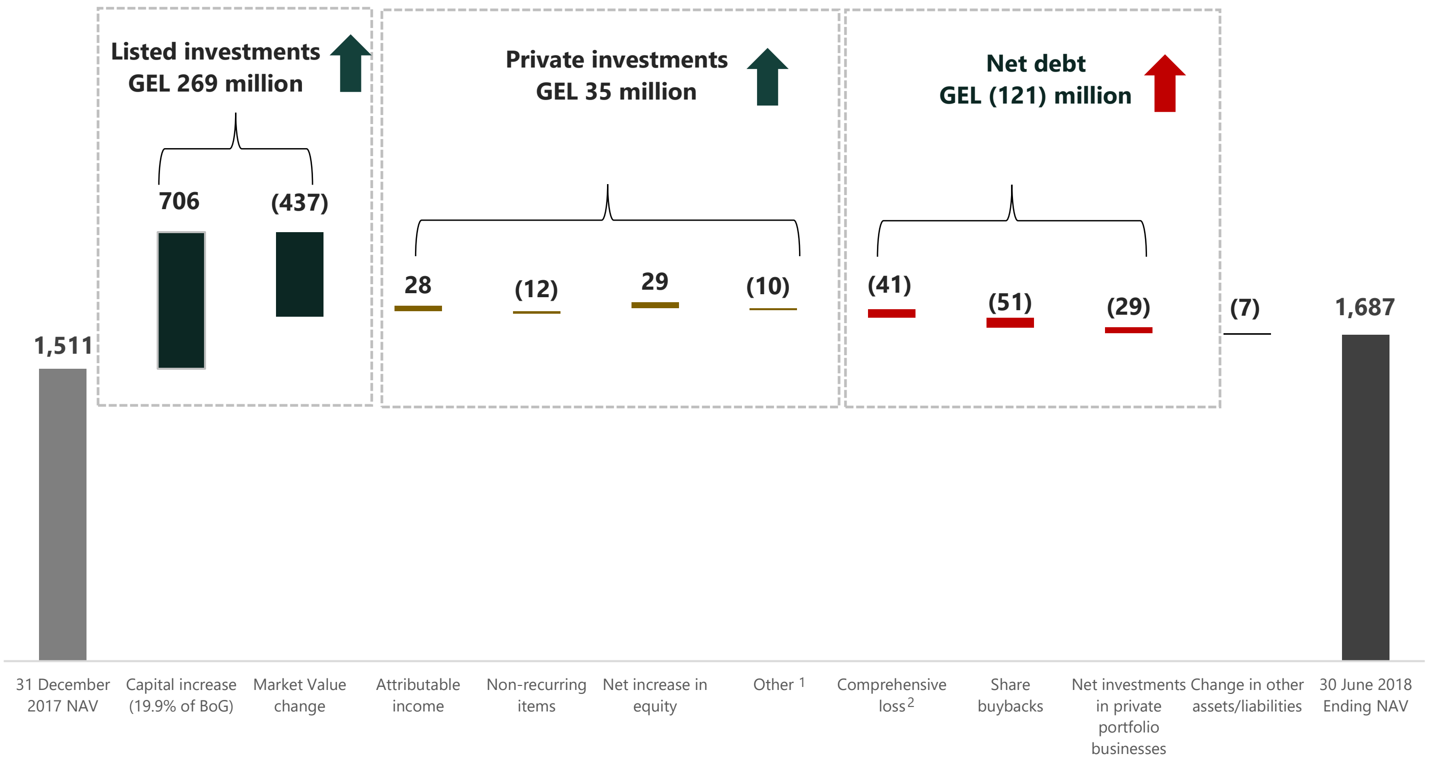
Internationally listed debt securities include Eurobonds issued by Georgian corporates (GEL 98 million), sovereign Georgian Eurobonds (GEL 25 million) and US Treasury bills (GEL 24 million). Locally listed debt securities are local bonds issued by Georgian corporates, which are listed and traded on the Georgian Stock Exchange. Interest income from cash and liquid funds amounted to GEL 6.9 million in 1H18, up from GEL 0.2 million in 1H17.

Loans issued. At 30 June 2018, loans issued relate to two facilities: (i) a GEL 129.9 million (US$ 53 million) loan to the hospitality & commercial real estate business for on-going development, construction and growth of the hotel pipeline and (ii) a GEL 122.6 million (US$ 50 million) loan issued to the BoG holding company as part of the demerger, maturing in March 2020. Interest income from loans issued amounted to GEL 6 million in 1H18 up from GEL 0.1 million in 1H17.

Gross Debt (debt securities issued and borrowings). Georgia Capital issued US$ 300 million 6.125% six year Eurobonds due 2024 in March 2018 and raised US$ 291 million (GEL 716 million) net proceeds, of which GEL 270 million was used to repay borrowing from the Group's previous parent company, BGEO Group. The outstanding balance of debt securities issued at 30 June 2018 was GEL 733 million.

Other liabilities. The increase in other liabilities relates to GEL 8 million remaining payables to external advisors for services provided in connection with the Group's demerger from BGEO Group.

Analysis of NAV movements, GEL millions *(for the six months ended 30 June 2018)*



(1) Transactions recorded directly through equity under IFRS
(2) Representing total comprehensive loss excluding total IFRS attributable income and non-recurring expenses of portfolio companies, i.e. total comprehensive income of GEL 15.7 million less total attributable income of portfolio companies of GEL 82.5 million and non-recurring expenses attributable of GEL 27 million (of which private: GEL 12 million and listed: GEL 15 million, as disclosed on page 12)

NAV increased to GEL 1.7 billion at 30 June 2018 due to the following factors:

I. **Listed investments** - the contribution of BoG's 19.9% equity stake, valued at GEL 706 million at the date of the contribution, into Georgia Capital's equity by its former parent company as part of the demerger. This increase was offset by GEL 437 million decrease in market value of listed investments as BoG and GHG market values decreased by GEL 112 million and GEL 325 million, respectively, during the first half of 2018;
II. Increase in the **private investments'** value, driven by GEL 28 million IFRS attributable income partially offset by GEL 12 million non-recurring expenses associated with the demerger and equity injection by GCAP;
III. Increase in **net debt** resulted from comprehensive loss of GEL 41 million and GEL 51 million share buybacks resulting from share repurchases for management trust (GEL 27 million) and for buyback programme commenced on 14 June 2018 (GEL 24 million). Net debt was further impacted by GEL 29 million investments into private portfolio companies, including beverages and education businesses;
IV. The remaining movements in NAV were immaterial during the first half of 2018.

CAPITAL ALLOCATION HIGHLIGHTS

Georgia Capital regularly reviews capital needs of its portfolio companies to make informed capital allocation decisions for the Group. During 1H18, the following capital allocations were made: GEL 29 million was allocated to Beverages (of which, GEL 19 million and GEL 8 million were used for the acquisitions of Kindzmarauli and Black Lion, respectively), GEL 6 million was allocated to Education, GEL 4 million was allocated to renewables and GEL 10 million capital, in the form of dividends, was returned by P&C Insurance. As a result, net capital allocation to private investments in 1H18 was GEL 29 million.

As part of the capital allocation exercise, we look at two components, cash inflows from dividend streams over the 5-year period and planned equity capital injection needs over the same period. The table below summarizes capital allocation outlook for the existing businesses and confirmed pipeline opportunities (i.e. Education) as of 30 June 2018.

Capital Allocation Outlook (GEL, millions)		2H18	2019	2020	2021	2022	Total
Listed	BoG	(24)	(26)	(27)	(29)	(31)	**(137)**
	GHG	-	-	-	-	-	**-**
Late stage	Water Utility	(28)	(30)	(32)	(34)	(35)	**(159)**
	Housing Development	-	(10)	(15)	(20)	(25)	**(70)**
	P&C insurance	-	(12)	(15)	(18)	(22)	**(67)**
Early stage	Renewable Energy	4	101	20	78	(19)	**184**
	Hospitality & Commercial	33	30	9	-	-	**72**
	Beverages	20	18	-	-	-	**38**
Pipeline	Education	28	42	42	28	-	**140**
Total		**33**	**113**	**(18)**	**5**	**(132)**	**1**

Listed Investments

BoG *is a stable dividend payer with outstanding track record and significant growth momentum and strong profitability*. We expect that BoG will maintain its dividend payout ratio within targeted 25-40% range. Over the last seven years, BoG has consistently paid out dividends at Compound Annual Growth Rate (CAGR) of 39% over the same period. Therefore, we conservatively estimate that dividend receipts from BoG will increase approximately by 7% annually and will deliver approximately GEL 137 million dividends in total to Georgia Capital through the end of 2022. Included in this amount are the GEL 24 million dividends that were received by Georgia Capital on 31 July 2018.

GHG *is exiting its capex heavy period, while also targeting capex-light strategy in the future, which will likely result in an adoption of a capital return policy. GHG*, as the largest integrated player in healthcare ecosystem is well-placed to benefit from continued growth in healthcare spending per capita from the current low level. As GHG continues to mature, we expect it to increase its free cash flow generation power and adopt a capital return policy. Since GHG has not yet adopted a dividend policy, we conservatively estimate no dividend income from GHG through the end of 2022.

Private Investments: Late Stage Portfolio Companies

Water Utility *is a stable dividend paying business with no additional equity capital or material debt capital needs*. The water utility business paid GEL 28 million dividend in 2017 and we expect them to pay similar amount of dividend in 2H18. We forecast approximately 5% CAGR in water utility business dividend growth through the end of 2022 driven by higher energy efficiency, a key driver of future dividend growth potential, and overall growth in water consumption as the economy continues to grow. We estimate GEL 159 million dividend cash flow from water utility businesses through the end of 2022.

As **Housing Development** *continues to mature and transition into an asset manager, it will start returning money through dividends*. Given the strong platform and brand name, Housing Development is well-placed to benefit from the continued growth in demand for private housing as the country's wealth grows. The housing development business does not have any additional equity capital needs through the end of 2022 as it has developed a leading real estate developer platform in Georgia. Debt capital needs are specific to individual projects and could appear for short-term periods only. Given the housing development's strong project pipeline and outstanding project execution skills, we expect the business will pay initial dividend of GEL 10 million in 2019, followed by an annual payout increase of GEL 5 million going forward, or GEL 70 million through the end of 2022. This is a conservative estimate given housing development's aim to fully liquidate vast majority of its GEL 69 million NAV (at 30 June 2018), which ignores the future fee income and profitability of current and pipeline projects.

Property & Casualty Insurance *is yet another business with strong dividend payout track record and potential for growth as the insurance market remains highly underpenetrated in Georgia.* Aldagi paid GEL 7 million dividend in 2017, which grew by 43% to GEL 10 million in 1H18 on the back of a strong growth in bottom line. Given the business' strong track record and high growth potential we have estimated GEL 12 million dividend payout in 2019, which is expected to grow to GEL 22 million in 2022. Property & Casualty insurance does not have needs for any additional equity capital or debt capital other than up to GEL 40 million debt capital needed to finance the capex of the new vehicle inspection services business, which is on track to launch operations in January 2019.

Private Investments: Early Stage Portfolio Companies

Renewable Energy *(65% ownership) has a medium-term target for 500MW operating power generation capacity, including the existing 149MW HPP of water utility business.* Energy consumption is forecasted to increase at least by 5% CAGR over the next fifteen years, driven by economic growth. The business currently has a 400MW pipeline in place, where it estimates GEL 184 million equity capital needs from Georgia Capital (i.e. 65% of the total equity capital needs) and GEL 1,043 million debt capital needs through 2022 based on the targeted average 70%:30% debt to equity leverage ratio.

Hospitality & Commercial Real Estate *capital needs are estimated based on the 1,000 hotel room target on the back of projected double-digit growth in tourist inflows over the coming years.* The business currently has 152 operational hotel rooms and 790 hotel rooms in its pipeline. In order to reach 1,000 fully operational hotel rooms within three years, hospitality business needs a GEL 72 million equity capital injection and GEL 185 million in debt capital. We target 60%:40% debt to equity leverage ratio at hotels.

Beverages. The wine business is targeting 1,000 hectares of vineyards from the current 430 hectares to support the growing demand from export markets for Georgian wine. The beer business has launched the beer factory and is in process of launching additional beer brands to increase the product offering to tap the expected growth in low beer consumption levels of 22 liters per capital. As a result, the beverages business has determined that it requires approximately GEL 38 million equity capital and GEL 25 million debt capital to finance its planned growth through 2020.

Private Investments: Pipeline Stage Portfolio Companies

Education. We have identified education as an attractive fragmented service industry with high growth potential driven by increased demand for quality education and low government spending. We expect to deploy GEL 140 million equity capital, while the business will raise GEL 120 million debt capital. Capital deployment will happen gradually over the next four to five years and by 2025 we expect the business to reach 30,000 pupils and to become the largest chain of affordable schools in Georgia.

Overall, based on the estimated dividend inflows, which do not include any dividend inflows from GHG, *we expect to collect sufficient cash inflows through the end of 2022 to accommodate the equity capital needs of early stage and pipeline stage portfolio companies during the same period.* 2H18 and 2019 are net equity capital investment years for Georgia Capital, followed by relatively neutral 2020 and 2021, while in 2022 we expect net equity capital returns from portfolio companies. Based on this outlook, and together with the available GEL 604 million liquid funds and loans, with expected maturities of up to 2 years, at 30 June 2018, we are well-positioned to support the value creation across our private portfolio businesses and take advantage of new opportunities meeting our stringent criteria as and when they arise.

We use the Management Account figures to calculate Return on Allocated Capital (ROAC), a metric that provides us with a visibility into returns on current management values for each portfolio company.

ROAC is an annualised return on allocated capital as of 30 June 2018 and calculated at each private investment level. Inputs into the ROAC calculation are as follows: (i) the numerator is the annualised attributable income of the private portfolio company, less allocated GCAP interest expense, and (ii) the denominator is the management adjusted value, as included in the NAV statement, less allocated gross debt of GCAP.

Listed Portfolio Companies

Internal Rate of Return	Holding period (years)	30 June 2018
Listed investments		**43.8%**
GHG	5.6	49.7%
BoG	9.6	26.8%

Listed and Private Portfolio Companies

Return on Allocated Capital	Holding period (years)	1H18
Private investments, late stage		**20.5%**
Water utility	2.3	18.7%
Housing development	7.2	13.5%
P&C insurance	8.6	40.4%
Private investments, early stage		**-11.2%**
Renewable energy	1.2	-4.4%
Hospitality & Commercial real estate	2.0	0.5%
Beverages	1.9	-28.4%
Private investments, pipeline		**-2.3%**
Education		-2.3%

Investment portfolio Results

Private investments | Listed investments

1. Water Utility
(100% ownership)

Business description

Our Water Utility is a natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and 30,000 legal entities. Water utility also operates hydro power plants with total installed capacity of 149.3 MW and has a 2.5MW hydro power plant in the pipeline.

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

GEL millions, unless otherwise noted

Key Highlights	1H18	1H17	change
LTM revenue	144.3	131.0	10.1%
LTM EBITDA	78.7	72.6	8.4%
LTM development capex	154.9	50.5	NMF
LTM maintenance capex	21.4	27.6	-22.5%
LTM FCF	43.7	26.1	67.4%
LTM Cash from operations	65.6	46.6	40.8%
Net debt	234.9	100	NMF

Underlying investment

Net investment	186.2
2017 dividend	28.0
ROIC[1]	9.8%

[1] please see definition on page 43

Capital Outlook through 2022

Capital needs	**37.9**
of which, equity	-
of which, debt	37.9

Investment rationale

- Natural monopoly in Tbilisi and surrounding district
- Utilities sector represents ~3% of total Georgian economic output and is consistently growing at a sustainable rate (CAGR 8.2% in 2006 – 2017)
- Stable cash collection rates

Value creation potential

- EU harmonization reforms in progress in utilities sector in accordance with Georgia's undertaking under the Association Agreement with the EU
- On the back of high GDP growth combined with rapid tourism growth, we expect disproportionally high demand levels from legal entities, in particular, by hotels and restaurants
- Upside opportunity from pursuing cost efficiencies by targeting decrease in consumption of own electricity in order to free up energy for third party electricity sales
- Growing dividend payment capacity

Value realisation outlook

IPO together with the renewable energy business

1H18 performance

GEL thousands, unless otherwise noted	1H18	1H17	Change
INCOME STATEMENT HIGHLIGHTS			
Revenue	**69,833**	**60,582**	**15.3%**
Water supply	61,753	54,981	12.3%
Energy	4,722	3,094	52.6%
Other	3,359	2,507	34.0%
Operating expenses	**(29,581)**	**(28,358)**	**4.3%**
Provision for doubtful trade receivables	(3,022)	(1,125)	NMF
EBITDA	**37,231**	**31,099**	**19.7%**
EBITDA margin	53.3%	51.3%	
Depreciation and amortization	(12,084)	(9,820)	23.1%
Net interest expense	(7,253)	(5,125)	41.5%
Net non-recurring expenses	(5,484)	(251)	NMF
Net profit	**16,800**	**15,450**	**8.7%**
BALANCE SHEET HIGHLIGHTS	Jun-18	Dec-17	Change
Total assets	**609,770**	**567,936**	**7.4%**
Property, plant and equipment	525,339	441,556	19.0%
Trades and other receivables	17,684	23,738	-25.5%
Cash balance	30,475	61,963	-50.8%
Total liabilities	**327,451**	**300,150**	**9.1%**
Total equity	**282,319**	**267,786**	**5.4%**
CASH FLOW HIGHLIGHTS	1H18	1H17	Change
Cash flow from operating activities before maintenance capex	**38,784**	**32,999**	**17.5%**
Maintenance capex	(12,444)	(14,201)	**-12.4%**
Cash flow from operating activities	**26,340**	**18,798**	**40.1%**
Cash flow used in investing activities	**(72,102)**	**(34,434)**	**NMF**
Development capex	(77,070)	(35,795)	NMF
Cash flow from financing activities	**16,729**	**18,686**	**-10.5%**
Proceeds from borrowings	27,522	32,946	-16.5%
Repayment of borrowings	(297)	(8,994)	-96.7%
Cash ending balance	**30,475**	**30,180**	**1.0%**

INCOME STATEMENT HIGHLIGHTS

The Water Utility business recorded utility revenue of GEL 61.8 million (up 12.3% y-o-y) and energy revenue of GEL 4.7 million (up 52.6% y-o-y) in 1H18, resulting in total revenues of GEL 69.8 million (up 15.3% y-o-y)

Revenue from water supply to legal entities and individuals reached GEL 61.8 million in 1H18 (up 12.3% y-o-y) representing 88.4% of total revenues in 1H18 (90.8% in 1H17). The y-o-y increase in revenue from water supply to legal entities reflects strong business activity across various industries and enhanced measurement based on GGU's metering programme (which entails the installation of improved metering technology). The y-o-y increase in revenue from water supply to individuals is mostly attributable to the increased residential tariff effective from 1 January 2018.

Revenues from electricity power sales were up by 52.6% to GEL 4.7 million in 1H18 as a result of higher water inflows to Zhinvali reservoir/HPP and significant savings in GGU's own electricity consumption, which decreased by 16% from 142,947 thousand kwh in 1H17 to 120,343 thousand kwh in 1H18. Other income increased by 34% in 1H18 due to higher number of fines on illegal connections (as a result of efficient monitoring program) amounting GEL 1.3 million in 1H18.

Operating expenses increased by 4.3% y-o-y to GEL 29.6 million in 1H18 driven by an increase in electricity transmission fees. While consumption of own electricity was significantly reduced during 1H18, transmission costs were up 5.4% y-o-y as an increased high voltage line transmission fee became effective from 1 January 2018. Overall, GGU was able to maintain efficient cost management during 1H18 and operating leverage was positive at 11 percentage points.

The increase in the provision for doubtful trade receivables to GEL 3.0 million in 1H18 was primarily driven by the adoption of IFRS 9. IFRS 9 introduced a forward-looking expected credit loss (ECL) approach effective from 1 January 2018, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach, compared with the previous incurred-loss impairment approach for financial instruments under IAS 39.

The strong 19.7% increase in EBITDA to GEL 37.2 million in 1H18 was thus the result of the efficient management of operating expenses coupled with the strong increase in revenues.

Net interest expense was up 41.5% y-o-y in 1H18 due to increased leverage obtained through international financial institutions in order to finance capital expenditures and refinance more expensive funding from local financial institutions. Net non-recurring expenses increased due to the acceleration of share-based payment expense recognition following Georgia Capital's demerger from BGEO Group. Foreign exchange gains in 1H18 reflect the Georgian Lari's appreciation against the Euro as part of GGU's outstanding borrowings are denominated in Euros and GGU recorded gains in 1H18 on its unhedged short position of GEL 84 million in Euros at 30 June 2018.

Based on the key performance drivers described above, Water Utility profit was GEL 16.8 million in 1H18, up 8.7% y-o-y.

BALANCE SHEET HIGHLIGHTS

The increase in property, plant and equipment is primarily due to development works on Water Utility infrastructure carried out during 1H18 in order to upgrade the network. Additionally, GEL 29.7 million of the increase is driven by rehabilitation works at the Gardabani wastewater treatment plant, which went through a major rehabilitation after c. 40 years of operation, and currently services the whole population in Tbilisi and surrounding area. Total capex for Gardabani wastewater treatment plant rehabilitation is GEL 60 million, of which GEL 36.1 million is already incurred. Of the remaining GEL 23.9 million about GEL 21 million will be spent by the end of 2018.

2017 and 2018 are capital-intensive years for the water utility business. Efficiency programs, such as upgrade of water and wastewater network, purchase of heavy machinery and metering of residential and commercial customers, will have a dual effect of reducing own electricity consumption and increasing third party electricity sales. Additionally, regulated CAPEX is included in Regulated Asset Base, used by the regulator to calculate fair return on investment. For the regulatory period 2018-2020, such return on investment (referred to as WACC in the tariff-setting methodology) is set at 15.99% (up from 13.54% in 2017). Capital expenditure level is anticipated to step down after 2018, reaching long-term run-rate Capex of c. GEL 50 million by 2021, as most of the value-enhancing energy efficient projects will already be undertaken. Below table summarizes capex forecast through 2022:

GEL millions	**2018E**	**2019F**	**2020F**	**2021F**	**2022F**
Maintenance capex, including VAT	24	23	23	23	22
Development capex, including VAT	150	58	43	27	23
Total	**174**	**81**	**66**	**50**	**45**

The increase in **total liabilities** is due to increased borrowings obtained from international financial institutions and local banks at the end of 2017 to support capital expenditures for development of water supply network. During 2017, GGU secured long-term financing of EUR 81.5 million from international financial institutions (IFIs) for efficiency-related capital expenditure purposes, namely from European Investment Bank (EIB), The Netherlands Development Finance Company (FMO) and German Investment Corporation (DEG) at the GWP level (GGU's principal utility subsidiary). The borrowings were largely utilized in 2017 year, while the remaining proceeds of EUR 8.6 was drawn down during 1H18 from the IFI financing.

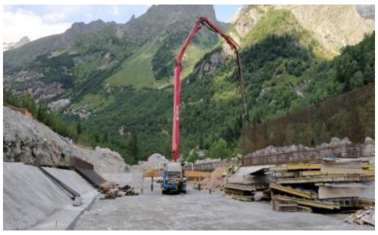
CASH FLOW HIGHLIGHTS

GGU has an outstanding water supply receivable collection rate within the 95-99% range. During 1H18, the collection rates for legal entities and households were 99% and 95%, respectively. Although the Georgian water utility sector historically had low receivables collection rates, as a result of GGU's arrangement with electricity suppliers since 2011, GGU's collection rates remain very strong at approximately 96%. In return, electricity suppliers receive flat monetary compensation from GGU.

2H18 OUTLOOK

The Water Utility business outlook for 2H18 is positive as management expects further growth in revenues from water supply with limited increase in operating expenses on y-o-y basis, while continuing to reduce own electricity consumption and increasing third party electricity sales. The business will continue investing in its capital expenditure program to further improve infrastructure and capture additional efficiencies.

2. Renewable Energy
(65% ownership)



Business description

Our Renewable Energy business is a platform for development of hydro power plants, wind power plants and solar power plants across Georgia.

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

GEL millions, unless otherwise noted

Key highlights	**1H18**	**1H17**	**change**
LTM revenue	n/a	n/a	n/a
LTM EBITDA	-1.1	-1	10.0%
LTM Development Capex	87	14	NMF
LTM Maintenance Capex	n/a	n/a	n/a
LTM FCF	n/a	n/a	n/a
LTM Cash from operations	n/a	n/a	n/a
Net debt	71	11	NMF

Underlying investment

Net investment	55.6
2017 dividend	-
ROIC[1]	-1.3%

[1] please see definition on page 43

Capital Outlook through 2022

Capital needs	**1,326**
of which, our equity (65% stake)	184
of which, equity from minority	99
of which, debt	1,043

Investment rationale

- Underdeveloped energy market with potential for significant growth - Low per capita power usage
- Cheap to develop – up to US$1.5 million for 1MW hydro and up to US$1.4 million for wind development

Value creation potential

- Opportunity to establish a renewable energy platform with 500MW operating capacity over the medium-term (500MW target includes existing energy assets of water utility business)
- Energy consumption has grown at c. 6% CAGR in last 10 years. We expect energy consumption to grow at CAGR 5%, translating into doubling of the consumption over the next 10 years
- Stable dividend payment capacity

Value realisation outlook

IPO together with the water utility business

1H18 performance

Mestiachala HPPs construction works continued during 1H18 with GEL 20.6 million capital expenditures spent on development. The annual net generation capacity is projected at approximately 171GWh, with peak generation in August, when the market prices are higher compared to May-June period, when most of the HPPs in Georgia have peak generation:

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	**1H18**	**1H17**	**Change**
Revenue	**-**	**-**	**NMF**
Operating expenses	**(403)**	**(1,004)**	**-59.8%**
EBITDA	**(403)**	**(1,004)**	**-59.8%**
Net loss	**(416)**	**(1,693)**	**-75.4%**
Attributable to:			
– shareholders of the Group	(270)	(1,327)	-79.6%
– non-controlling interests	(146)	(366)	-60.2%
BALANCE SHEET HIGHLIGHTS	**Jun-18**	**Dec-17**	**Change**
Total assets	**117,313**	**96,552**	**21.5%**
PPE	71,333	47,953	48.8%
Cash balance	11,351	8,298	36.8%
Total equity	**30,223**	**26,631**	**13.5%**
Total equity attributable to the shareholders of the group	**19,645**	**16,505**	**19.0%**
Total liabilities	**87,090**	**69,920**	**24.6%**
Total debt[1]	82,780	64,848	27.7%
CASH FLOW HIGHLIGHTS	**1H18**	**1H17**	**Change**
Cash flow from operating activities	**593**	**(2,480)**	**NMF**
Development Capex	(20,564)	(10,653)	93.0%
Cash used in investing activities	**(20,564)**	**(22,902)**	**-10.2%**
Cash flow from financing activities	**23,717**	**45,138**	**-47.5%**
Net Proceeds from borrowings	18,277	35,304	-48.2%
Cash ending balance	**11,351**	**24,029**	**-52.8%**

[1] Mezzanine loan from GCAP is classified as borrowing in stand-alone IFRS financial statements of renewable energy business

Renewable Energy financials reflect Mestiachala HPP being in its construction stage and other renewable energy projects being under development. The increase in property, plant and equipment compared to 31 December 2017 is primarily attributable to the construction of Mestiachala HPPs. The increase in total equity is primarily attributable to capital injections from the shareholders for development and construction of renewable projects. Overall the energy business is financing the projects with up to 30% equity contribution.

Renewable Energy continues to build ground for its 500MW operating capacity target and seeks acquisition opportunities among existing projects, which are either commissioned or under feasibility stage. One of such projects is Bakhvi 2, for which preliminary SPA has been signed in August 2018 and the management is working on prolongation of MoU formed with the Government. Subject to successful MoU prolongation, the project construction works are anticipated to start in the second half of 2018 with the planned commissioning in the first half of 2022. Based on the current feasibility study results, installed capacity of Bakhvi 2 HPP is anticipated to be 36 MWs, with annual net generation of c. 127 GWhs. Total cost per MW is projected to be around US$ 1.3m.

We also continue to search for opportunities to develop new hydro projects, and in 2Q 2018 the company has applied for an MoU for a 38 MW Racha project. Cost per MW is anticipated to be at c. US$ 1.5m with the capacity factor estimated to be as high as c. 49%. Below table summarizes the current pipeline of upcoming energy projects:

Renewable energy projects pipeline

Project	Target MWs	Construction commencement date	Commissioning date	Target ROIC[10]	Net annual generation capacity (GWh)
Mestiachala HPPs	50	1H17	1H19	13.20%	171
Zoti HPPs	46	2H19	1H21	12.90%	164
Bakhvi 2 HPP	36	2H19	1H22	13.50%	127
Racha HPPs	38	1H21	1H23	14.70%	165
Wind Tbilisi	48	1H19	1H20	13.30%	146
Wind Kaspi	54	1H19	1H20	14.10%	215
Wind (Kutaisi, Plevi, Tkibuli)	98	1H21	1H22	12.50%	306
Solar	30	1H20	1H21	10.10%	64
Total	**400**				**1,358**

2H18 OUTLOOK

Renewable Energy is on track to complete the construction works on Mestiachala HPP by the end of 2018 with the full commissioning expected in 1H19. In addition, we also have 46MW of hydro projects under development and additionally c. 74 MW of HPPs targeted in the medium term. A further 200MW wind projects are at the feasibility stage together with 30MW of solar projects and upon completion of the feasibility works, we expect to commence construction works according to the preliminary schedule as presented above.

[10] Target return on invested capital is calculated based on average stabilized EBITDA divided by total invested capital.

3. Housing Development

(100% ownership)

Business description

Our Housing Development business is a leading real estate developer on US$ 1.1 billion Georgian real estate market with three business lines: (a) a residential development arm targeting mass market customers by offering affordable, high quality and comfortable housing; (b) a construction arm, engaging in construction contracts for other businesses as well as third-parties; and (c) franchise platform for development of third-party land plots with fee sharing arrangements.

Housing Development is **100% owned** through m^2.

GEL millions, unless otherwise noted

Key highlights	1H18	1H17	change
LTM revenue	121.1	122.3	-1.0%
LTM EBITDA	6.4	27.8	-77.0%
LTM Development Capex	9.7	8.2	18.3%
LTM Maintenance Capex	-	-	NMF
LTM FCF	2.2	1.7	29.4%
LTM Cash from operations	(7.6)	(6.5)	16.9%
Net debt	102.8	64	60.6%

Underlying investment

Net investment	20.8
2017 dividend	-
ROIC[1]	5.2%

[1] please see definition on page 43

Capital Outlook through 2022

Capital needs	**31.3**
of which, equity	-
of which, debt	31.3

Investment rationale

- Shortage of housing from Soviet era combined with Georgian tradition of multi generations living under one roof, average household size is significantly higher at 3.3 compared to Eastern or Western Europe
- Most of the housing stock dates back to Soviet era and is amortised
- In line with the economic growth, urbanization level is expected to increase from current low level

Value creation potential

Asset light strategy

- Unlock land value by developing housing projects
- Development of third-party land – franchise m^2 brand name. Undisputed market leading platform of 3,600 apartments to be delivered in 4-5 years
- Earn Construction management fees from third-party projects and bring construction works in-house

Value realisation outlook

Cash out by transformation into real estate asset manager

1H18 performance

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	1H18	1H17	Change
Gross profit from apartment sales	6,405	2,140	NMF
Gross profit from construction management	1,080	-	NMF
Revaluation of commercial property	2,311	21,785	-89.4%
Gross Real Estate Profit	**9,905**	**23,983**	**-58.7%**
Operating expenses	**(4,742)**	**(3,221)**	**47.2%**
EBITDA	**5,163**	**20,762**	**-75.1%**
Profit	**37**	**20,933**	**NMF**
BALANCE SHEET HIGHLIGHTS	**Jun-18**	**Dec-17**	**Change**
Total assets	**234,553**	**245,652**	**-4.5%**
Land bank	57,024	58,373	-2.3%
Inventory	51,441	59,199	-13.1%
Total liabilities	**165,125**	**168,977**	**-2.3%**
Total equity	**69,428**	**76,675**	**-9.5%**

Gross profit from apartment sales of GEL 6.4 million tripled y-o-y, driven by strong project execution in 1H18 supported by the strong market conditions. Housing Development reached total sales progress of 89.6% in ongoing projects and managed to sell down large part of its inventory at higher per ticket prices due to the sales closer to full completion stage. During 1H18, the business sold a total of 81 apartments with a total sales value of US$ 11.3 million, compared to 233 apartments sold with a total sales value of US$ 17.7 million during 1H17. While in the process of receiving the new permits, Housing Development has not started new projects in 1H 2018, which negatively affected the sales momentum. All the ongoing residential developments are in near completion stage, where 90% of apartments are sold out.

During 1H18, housing gain from revaluation of commercial property in the amount of GEL 2.3 million was recorded on the apartments reclassified from inventory to investment property, as compared to GEL 21.8 million in 1H17. In 1H17 revaluation was performed for commercial spaces under development in our three major projects after reaching a construction progress threshold.

During 1H18 construction arm started generating fees from two third-party construction agreements in addition to in-house development projects: (i) the shell and core construction of a new shopping mall and business centre located in Tbilisi's Saburtalo district and (ii) fit-out works for Radisson Tsinandali in Kakheti region. Gross profit from construction services was GEL 1.1 million in 1H18, which was 93% driven by third-party projects.

Housing Development recorded GEL 4.5 million profit before net non-recurring items in 1H18. Non-recurring expenses increased due to acceleration of share-based expense recognition as a result of the Group's demerger from BGEO Group.

Housing Development currently has a land bank with a value of GEL 57.0 million, which is expected to decrease over the coming five years, in line with its asset light strategy. Housing Development plans to utilise its existing land plots within three to four years and in parallel develop third-party land plots under franchise agreements. Total equity decreased by 9.5% as a result of Lari's appreciation against US Dollar as Housing Development's operations are accounted in US Dollars.

2H18 OUTLOOK

During 2H18, Housing Development expects to complete the construction of three ongoing residential projects and as a result expects gross profit from apartment sales to increase on y-o-y basis. Subject to city hall permits finalization, it plans to kick off development of its largest in-house affordable housing project on Digomi land with 129,536 square meters, expected to add 3,300 apartments and two office buildings to the portfolio.

4. Hospitality & Commercial Real Estate

(100% ownership)

Business description

Our Hospitality & Commercial Real Estate business is comprised of: (a) rent-earning commercial assets with targeted 10% yield and (b) hotel development business across Georgia with targeted 1,000 rooms.

The hotel development business has confirmed 942 rooms, of which, 152 are operational and 790 are in pipeline.

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

GEL millions, unless otherwise noted

Key highlights	1H18	1H17	change
LTM revenue	6.6	3.4	NMF
LTM EBITDA	3.9	2.7	44.2%
LTM Development Capex	81.2	5.4	NMF
LTM Maintenance Capex	-	-	NMF
LTM FCF	82.2	8.0	NMF
LTM Cash from operations	1.0	2.6	-61.5%
Net debt	91	(0.3)	NMF

Underlying investment:

Net investment	81.8
2017 Dividend	-
ROIC[1]	3.4%

[1] please see definition on page 43

Capital Outlook through 2022

Capital needs	**258.0**
of which, our equity	72.5
of which, debt	185.5

Investment rationale

- Record number of tourists visiting Georgia every year: 1.9 million visitors in 1H18, up 23% y-o-y; Tourism inflows up 24% y-o-y

Value creation potential

- Grow portfolio of rent-earning assets through real estate developments and opportunistic acquisitions
- Reach 1,000 hotel rooms over the next 3 years. Currently approximately 942 rooms of which 152 are operational and c. 790 are in the pipeline

Value realisation outlook

We aim to spin-off yielding properties as a listed REIT managed by m^2

1H18 performance

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	1H18	1H17	Change
Gross profit from operating leases	**1,900**	**1,500**	**26.7%**
Gross profit from hospitality services	**457**	**-**	**NMF**
Gross Real Estate Profit	**2,408**	**1,500**	**60.5%**
Operating expenses	**(557)**	**(167)**	**NMF**
EBITDA	**1,851**	**1,333**	**38.9%**
Profit (loss)	**(410)**	**1,250**	**NMF**

BALANCE SHEET HIGHLIGHTS	Jun-18	Dec -17	Change
Cash and cash equivalents	9,209	14,806	-37.8%
Investment property	150,578	56,770	NMF
Land bank	18,534	14,529	27.6%
Commercial real estate	132,044	42,241	NMF
Total assets	**189,249**	**130,022**	**45.6%**
Borrowings	89,895	14,749	NMF
Total equity	**88,530**	**87,955**	**0.7%**

INCOME STATEMENT HIGHLIGHTS

Gross profit from operating leases increased by 26.7% y-o-y due to the expansion of the commercial real estate portfolio. The portfolio available for lease continues to be successfully leased with occupancy rate and average yield of 89.5% and 10.2% respectively, as of 30 June 2018 compared to 87.4% and 9.0% as of 30 June 2017. The commercial real estate business obtains commercial space (ground floor) at residential developments from the housing development business and also acquires opportunistically the commercial space from third parties.

Our first hotel, Ramada Encore on Kazbegi ave. has completed its third full month of operations in June, generating around GEL 0.5 million of gross profit with US$ 82.7 ADR and 33% occupancy rate since its launch in March 2018. Occupancy rate in June was 55%. The hotel has a capacity of 152 rooms and is catering the needs of the rapidly growing market for budget travellers in Georgia.

BALANCE SHEET HIGHLIGHTS

At 30 June 2018, total assets of Hospitality & Commercial Real Estate were GEL 189.2 million, up 45.6% from 31 December 2017, and largely concentrated in investment property. Commercial real estate increased by 212.6% compared to 31 December 2017 due to the commencement of construction of Ramada Melikishvili hotel, acquisition of under construction Gudauri and Gergeti hotels, completion of Ramada Encore Kazbegi Hotel and commercial portfolio expansion. Borrowings increased due to the funding of the on-going hotel developments and acquisition of a single commercial real estate asset. Increase in borrowings was fully financed by Georgia Capital.

The hospitality business continued to build ground for its targeted 1,000 hotel rooms portfolio, by investing GEL 19 million in an under construction hotel in Gudauri and a land plot in Telavi for hotel development. The business has 4 hotels in a design stage: (a) a hotel in Telavi with expected 130 room count, (b) a hotel in Kutaisi with expected 121 rooms (c) a hotel in Akhasheni village, Kakheti, in eastern part of Georgia well-known to tourists for wine destination with expected 60 rooms and (d) a business style 4 star hotel in old Tbilisi with expected 120 rooms. Additionally, there are currently three hotel projects under construction – an upscale hotel on Gergeti street in Tbilisi with an expected 100 rooms, Melikishvili Avenue hotel in Tbilisi with expected 125 rooms and hotel in the leading ski resort of the Caucasus region, Gudauri with an expected 134 rooms. The total capital needs to complete the construction and development of the hotels in the current pipeline is estimated at GEL 251.7 million, summarized in the table below:

Hotel development pipeline

Hotel	Rooms	Current Stage	Opening date	Target ROIC[11]
Ramada Encore Kazbegi	152	Operational	Q1-2018	18.0%
Gudauri	134	Construction	Q1-2019	12.8%
Ramada Melikishvili	125	Construction	Q3-2019	15.7%
Gergeti Hotel	100	Construction	Q1-2020	13.7%
Ramada Encore Kutaisi	121	Design	Q3-2020	17.5%
Telavi	130	Design	Q1-2021	13.4%
Javakhishvili, Tbilisi	120	Design	Q2-2021	13.8%
Kakheti Wine & Spa	60	Design	Q3-2021	17.3%
Total	**942**			

2H18 OUTLOOK

The hospitality business plans to commence the construction of Ramada Encore Kutaisi, which is currently in the design stage and to complete the design stage of Telavi and Kakheti, Wine & Spa hotels in 2H18. Further, Commercial Real Estate aims to launch a publicly listed REIT for its commercial asset portfolio in the next 12 months.

[11] Target return on invested capital per each hotel equals stabilized adjusted net operating income divided by total investment.

5. Property & Casualty insurance

(100% ownership)

Business description

Our Property and Casualty Insurance (P&C Insurance) business is a leading player in the local P&C insurance market with a 33% market share based on gross premiums. P&C insurance offers a wide range of insurance products to Georgian corporates and retail through five business lines: motor, property, credit life, liability and other insurance services.

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

GEL millions, unless otherwise noted

Key highlights	1H18	1H17	change
LTM earned premiums, net	64.7	56.7	14.1%
*LTM Net income**	17.0	15.3	11.3%
LTM Development Capex	-	-	N/A
LTM Maintenance Capex	-	-	N/A
LTM FCF	9.1	13.8	-34.3%
LTM Cash from operations	12.9	14.8	-12.8%
Net debt	-	-	NMF

*LTM net income is stated before non-recurring items

Underlying investment:

Net investment	(13.8)
2017 Dividend	10.0
ROAE[1]	33%

(1) Adjusted for non-recurrings

Capital Outlook through 2022

Capital needs	**40**
of which, equity	-
of which, debt	40

Investment rationale

- Significantly underpenetrated insurance market in Georgia
- Market leader with a powerful distribution network of point of sale and sales agents

Value creation potential

- Compulsory border TPL effective from 1 March 2018
- Local TPL expected to kick in from 2020 and provide potential to access untapped retail casco insurance market with only 4% existing penetration
- First mover advantage in underpenetrated SME segment
- Growing dividend payout capacity

Value realisation outlook

Trade sale or IPO

1H18 performance

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	1H18	1H17	Change
Earned premiums, net	31,451	29,485	6.7%
Insurance claims expenses, net	(12,503)	(11,543)	8.3%
Acquisition costs, net	(3,807)	(3,594)	5.9%
Net underwriting profit	**15,141**	**14,348**	**5.5%**
Net investment profit	2,014	1,576	27.8%
Operating profit	**10,000**	**9,511**	**5.1%**
Net non-recurring items	(628)	-	NMF
Pre-tax profit	**9,025**	**8,940**	**1.0%**
Income tax expense	(1,349)	(1,350)	-0.1%
Net profit	**7,676**	**7,590**	**1.1%**

BALANCE SHEET HIGHLIGHTS	Jun-18	Dec-17	Change
Cash and liquid funds	32,585	34,334	-5.1%
Insurance premiums receivable, net	27,779	28,491	-2.5%
Pension fund assets	19,327	18,536	4.3%
Total assets	**134,018**	**135,157**	**-0.8%**
Gross technical provision	49,513	50,272	-1.5%
Pension benefit obligations	19,326	18,536	4.3%
Total liabilities	**87,489**	**86,410**	**1.2%**
Total equity	**46,529**	**48,747**	**-4.6%**

P&C Insurance recorded solid underwriting profit in 1H18, up 5.5% y-o-y.

Net earned premiums. Net premiums earned was up 6.7% y-o-y to GEL 31.5 million in 1H18 driven by multiple factors: (a) the termination of relationships with loss-making clients to improve the loss ratio and overall bottom line; (b) the introduction of insurance supervision fees from 1 January 2018 and (c) restrictions applied by government to our Agro Insurance project (effective from 1 April 2018), limiting client eligibility and (d) net premiums earned from the new compulsory border MTPL insurance of GEL 1.6 million. Additionally, as part of the risk management exercise, Aldagi revisited its reinsurance policies and terminated a reinsurance treaty for credit life insurance products as of 1 January 2018 leading to net premiums earned from credit life insurance growing by 27.7% y-o-y.

Net insurance claims. Net insurance claims increased in 1H18 by 8.3% y-o-y to GEL 12.5 million, primarily driven by an increase in the corporate motor insurance loss ratio driven by pressure on insurance tariffs from competition in corporate segment. Overall, the loss ratio in motor business line increased by 9 percentage points, reaching 64%.

Net acquisition costs were GEL 3.8 million in 1H18 (up 5.9% y-o-y). Excluding the one-off impact of a GEL 0.4 million deferred commission write down on terminated reinsurance treaties, the average portfolio commission rate increased only by 1 percentage point y-o-y in line with business expansion.

P&C Insurance's key performance ratios remained healthy during 1H18 as noted below:

Key Ratios	1H18	1H17
Combined ratio	74.6%	73.1%
Expense ratio	34.9%	33.9%
Loss ratio	39.7%	39.2%

Net investment profit increased to GEL 2.0 million in 1H18 (up 27.8% y-o-y). Investment yield remained high at 9.6% in 1H18 compared to 9.9% in 1H17. Excluding dividend payout impact, average liquid assets portfolio increased by 24% y-o-y.

P&C Insurance's operating profit and net income reached GEL 10 million (up 5.1% y-o-y) and GEL 7.7 million (up 1.1% y-o-y), respectively, in 1H18.

Balance sheet remains solid and well-capitalised

At 30 June 2018, total assets stood at GEL 134.0 million down 0.8% from 31 December 2017 driven by 5.0% y-o-y decrease in cash and liquid funds as a result of a GEL 10 million dividend payment, up 43% y-o-y. Insurance receivables decreased due to the termination of relationships with loss-making clients and a reduction in the Agro insurance portfolio. The increase in pension assets and pension liabilities was fully organic, resulting from business growth. P&C Insurance's strong position is also evidenced by solvency ratio, which stood at 145% at 30 June 2018, well above than the required minimum of 100%.

2H18 OUTLOOK

P&C Insurance expects insurance activity to pick up during 2H18 across retail and SME segments, while Agro insurance will remain under pressure from suspended government subsidy impact. The business will keep its focus on maintaining the combined ratio below 75% and continue to benefit from border TPL growth.

6. Beverages

(80% ownership)

Business description

Our Beverages business combines three business lines: a wine business, a beer business and a distribution business. We produce and sell wine locally and export to 15 countries, while in our beer we have a 10 year exclusive license to produce Heineken brands in Georgia and sell them in the South Caucasus.

Georgia Capital **owns 80%** of Beverages.

GEL millions, unless otherwise noted

Key highlights	1H18	1H17	change
LTM revenue	68.4	35.4	92.9%
LTM EBITDA	(4.3)	1.5	NMF
LTM Dev. Capex	20.4	92.6	-78.0%
LTM Maint. Capex	0.9	0.3	NMF
LTM FCF	(26.2)	(80.0)	-67.3%
LTM Cash from operations	(8.0)	(13.8)	-42.0%
Net debt	81.8	39.3	108.4%

Underlying investment:

Net investment	108.0
2017 dividend	-
ROIC[1]	-15.4%

[1] Please see definition on page 43

Capital Outlook through 2022

Capital needs	**62.5**
of which, equity	37.5
of which, debt	25.0

Investment rationale

- High growth sector, which has doubled during the last 5 years to GEL 1.9 billion market
- Beer consumption per capital at one of the lowest levels in the wider region at [27] liters per capita
- Georgia's favorable trade regimes (free trade agreements with EU and China) provide potential for export growth

Value creation potential

- Best-in-class distribution network platform
- 10-year exclusivity from Heineken to produce and sell beer in Georgia, Armenia and Azerbaijan
- Grow vineyard base to 1,000 hectares, from current 436 hectares, over the next three years

Value realisation outlook

Trade sale either of the whole business or parts

1H18 performance

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS	1H18	1H17	Change
Consolidated			
Revenue	30,467	17,578	73.3%
Gross profit	11,257	6,693	68.2%
EBITDA	**(6,088)**	**(905)**	**NMF**
Net loss	(9,967)	(3,029)	NMF
Wine business			
Revenue	10,758	8,644	24.5%
Gross profit	**5,398**	**4,483**	**20.4%**
Gross profit Margin	50.2%	51.9%	
Operating expenses	(3,773)	(2,683)	40.6%
EBITDA	**1,625**	**1,800**	**-9.7%**
Net profit	**42**	**1,664**	**-97.5%**
Beer business			
Revenue	13,251	2,501	**NMF**
Gross profit	**4,448**	**707**	**NMF**
Gross profit Margin	33.6%	28.3%	
Operating expenses	(11,950)	(3,516)	NMF
of which, sales and marketing expenses	(3,540)	(1,355)	NMF
EBITDA	**(7,502)**	**(2,809)**	**NMF**
Net loss	**(9,354)**	**(4,291)**	**NMF**
Distribution business			
Revenue	6,458	6,433	0.4%
Gross profit	**1,412**	**1,503**	**-6.1%**
Gross profit Margin	21.9%	23.4%	
Operating expenses	(1,623)	(1,399)	16.0%
EBITDA	**(211)**	**104**	**NMF**
Net loss	**(654)**	**(402)**	**62.9%**

During 1H18 Georgia Capital continued to invest in our beverages business, successfully acquiring a 100% equity stake in the leading Georgian craft beer producer, Black Lion LLC for the total consideration of US$ 3.2 million in February 2018 and a 60.5% indirect controlling interest in Kindzmarauli in April 2018 for a total consideration of US$7.25 million. Kindzmarauli's acquisition added 350 hectares of vineyards, bringing total vineyard base to 436 hectares.

Beverages revenue was up 73.3% y-o-y to GEL 30.5 million in 1H18, driven by revenues generated from the beer & lemonade business line and by organic growth in the wine business. Beverages achieved a well-diversified revenue mix in 1H18: wine (35.3%); distribution (21.2%) and beer & lemonade (43.5 %).

The wine business maintained a solid gross profit margin of 50.2% in 1H18, compared to 51.9% in 1H17, despite discontinuation of the Government subsidy on grapes, which adversely affected grape purchase prices for the business and therefore, on the cost of goods sold. Wine bottle sales increased significantly by 17% from 2.1 million bottles in 1H17 to 2.4 million in 1H18 largely driven by export markets. Wine EBITDA was down 9.7% on y-o-y basis, driven by increased operating expenses due to the business expansion and investments in export markets growth.

Beer EBITDA was negative GEL 7.5 million in 1H18, compared to negative GEL 2.8 million in 1H17. During 2017, Beverages actively invested in beer facilities to accommodate the launch of its beer & lemonade businesses, however, the launch of key Heineken brands was delayed, thereby negatively impacting the 1H18 performance. Based on the updated timeline, production of Krusovice was launched in August 2018, while Heineken and Amstel production are expected to commence over the next six to nine months. Additionally, sales and marketing expenses more than doubled y-o-y in 1H18 due to active marketing campaigns. Interest expense was also up, as following the launch of beer business, interest is no longer capitalised.

2H18 OUTLOOK

Beverages has recently strengthened its beer business by new CEO and COO. It expects to launch additional Heineken brands in 1H19, while also aiming to significantly reduce its negative EBITDA contribution during the 2H18. The wine business will be targeting to identify additional export markets.

Private investments | Listed investments

GHG
(57% ownership)

GEORGIA HEALTHCARE GROUP

Business description

GHG is the largest integrated player in the fast-growing healthcare ecosystem in Georgia, which has an aggregated value of GEL 3.5 billion. GHG is comprised of three different business lines: healthcare services business (consisting of a hospital business and polyclinics (ambulatory clinics)), pharmacy distribution business and medical insurance business. GHG's shares are listed on the London Stock Exchange. GHG's results are available at ghg.com.ge

Georgia Capital owns 57.0% of GHG at 30 June 2018 (30 June 2017: 57.0%).

GEL millions, unless otherwise noted

Key highlights	1H18	1H17	change
LTM revenue	796.3	623.2	27.8%
LTM EBITDA	119.5	95.2	25.5%
LTM Development Capex	76.8	96.3	-20.2%
LTM Maintenance Capex	8.8	10.1	-12.9%
LTM FCF	22.3	48.0	-53.5%
LTM Cash from operations	73.7	50.2	46.8%
Net debt	336.7	243.4	38.3%

Underlying investment:	
Residual investment	128,9
2017 dividend	-
ROIC[1]	10.4%
ROIC adjusted[2]	13.7%

[1] Please see definition on page 43
[2] Return on invested capital is adjusted to exclude newly launched Regional Hospital and Tbilisi Referral Hospitals

Investment rationale

- Very low base: healthcare services spending per capita only US$ 325
- Growing market: healthcare spending growth estimated at 8% CAGR 2017-2021

Value creation potential

- High-growth potential driven by opportunity to develop medical tourism and Polyclinics (outpatient clinics)
- Only integrated player in the region with significant cost advantage in scale and synergies
- Well positioned to take advantage of the expected long term macroeconomic and structural growth drivers

Value realisation outlook

Monetisation of the existing stake through sales

1H18 performance highlights

GEL million, unless otherwise noted	1H18	1H17	Change
Consolidated			
Revenue	419.5	371.0	13.1%
EBITDA	62.6	51.2	22.4%
Net Profit	28.4	24.2	17.1%
Healthcare services business			
Revenue	151.0	132.9	13.6%
EBITDA	37.4	35.1	6.4%
EBITDA margin *(%)*	24.7%	26.4%	-1.7 ppts
Net Profit	8.9	15.1	-41.3%
Pharmacy and distribution business			
Revenue	254.2	222.3	14.3%
EBITDA	24.6	17.6	39.5%
EBITDA margin *(%)*	9.7%	7.9%	+1.8 ppts
Net Profit	19.3	11.7	64.7%
Medical insurance business			
Net insurance premiums earned	27.0	27.4	-1.4%
EBITDA	0.7	(1.2)	NMF
Net Profit/ (Loss)	0.2	(2.6)	NMF

GHG launched the 306-bed flagship Regional Hospital (formerly "Deka") in Tbilisi in March, which added GEL 6.5 million to 1H18 revenues. Deka has a strong historic reputation and occupies a prime location in north-east Tbilisi. Following the completion of the renovation, the 306-bed Regional Hospital serves as a flagship hospital, being the hospital of choice for high-quality elective medical care countrywide. **Following the partial opening of Tbilisi Referral Hospital in April 2017, GHG launched the remaining part of the hospital in December 2017,** with an additional 112 renovated beds. The Referral Hospital contributed GEL 7.8 million to 1H18 revenues.

During 1H18, GHG continued to focus on extracting operating efficiencies and synergies across the business lines. The gross margin in the pharmacy and distribution business continued to improve 80 bps y-o-y in 1H18, mainly as a result of realising previously announced procurement synergies as the largest purchaser of pharmaceuticals in Georgia. The healthcare services business gross margin remained strong at around 42% in 1H18, despite the flagship hospitals roll-out phase and the impact of the Government's changes to Universal Healthcare Programme (UHC) effective from May 2017. As a result of new initiatives that the medical insurance business implemented following the UHC changes, its loss ratio improved 340 bps y-o-y in 1H18.

GHG reported EBITDA of GEL 62.6 million in 1H18 (up 22.4% y-o-y). The healthcare services business was the main contributor to the Group's 1H18 EBITDA, contributing 60% in total, with a 24.7% EBITDA margin. The next largest contributor was the pharmacy and distribution business with 39% contribution, while posting a 9.7% EBITDA margin. Medical insurance business also posted positive EBITDA of GEL 0.7 million, compared to the negative GEL 1.2 million EBITDA posted in 1H17, as a result of the improved risk management.

GHG has largely completed its major investment programme by creating high-quality care facilities with the necessary capacity to serve patients. The only remaining material project is the construction of Mega Laboratory, the largest laboratory in Georgia and the Caucasus region, which is expected to be launched by the end of 2018. Going forward GHG's will focus on the successful roll-out of newly launched hospitals and services, improving return on invested capital through efficiency measures and driving additional synergies across the businesses.

Reconciliation of adjusted IFRS measures to consolidated IFRS figures

GEL thousands, unless otherwise noted	***Income statement reconciliation for six months ended 30 June 2018***										
	GHG	***BOG***	***Commercial and Hospitality***	***Housing development***	***Renewable energy***	***Water Utility***	***P&C insurance***	***Beverages***	***Corporate Center***	***Inter-Business Eliminations/ Consolidations***	***Group Total***
Income before income taxes, provisions and adjustments	11,589	43,172	763	4,375	(490)	22,284	8,305	(7,462)	21,721	-	104,257
Adjustment for dividend income accrual	-	-	-	-	-	-	-	-	(31,340)	-	(31,340)
Provision	-	-	-	-	-	-	-	-	(2,115)	-	(2,115)
Net Income (Management accounts)	**11,589**	**43,172**	**763**	**4,375**	**(490)**	**22,284**	**8,305**	**(7,462)**	**(11,734)**	**-**	**70,803**
Non-recurring expense	(969)	(13,790)	(1,187)	(4,443)	220	(5,484)	(628)	(122)	(23,568)	-	(49,971)
Net foreign currency loss	-	-	-	-	-	-	-	-	(5,104)	-	(5,104)
Reversal of BoG attributable earning	-	(29,382)	-	-	-	-	-	-	-	-	(29,382)
Reversal of Depreciation and Amortization of GHG	-	-	-	-	-	-	-	-	-	8,503	8,503
Profit attributable to non-controlling interests	17,769	-	(4)	-	(146)	-	-	(2,126)	-	8,074	23,567
Other	-	-	-	-	-	-	-	-	-	503	503
Profit for the period (IFRS Consolidated)[12]	**28,389**	**-**	**(428)**	**(68)**	**(416)**	**16,800**	**7,677**	**(9,710)**	**(40,406)**	**17,080**	**18,918**

GEL thousands, unless otherwise noted	***Income statement reconciliation for six months ended 30 June 2017***										
	GHG	***BOG***	***Commercial and Hospitality***	***Housing development***	***Renewable energy***	***Water Utility***	***P&C insurance***	***Beverages***	***Corporate Center***	***Inter-Business Eliminations/ Consolidations***	***Group Total***
Income before income taxes, provisions and adjustments	11,822	-	1,304	20,802	(2,057)	15,702	7,590	(2,017)	6,642	-	59,788
Adjustment for dividend income accrual	-	-	-	-	-	-	-	-	(17,500)	-	(17,500)
Net Income (Management accounts)	**11,822**	**-**	**1,304**	**20,802**	**(2,057)**	**15,702**	**7,590**	**(2,017)**	**(10,858)**	**-**	**42,288**
Non-recurring expense	(2,111)	-	6	112	-	(251)	-	20	-	-	(2,224)
Net foreign currency (loss) gain	-	-	-	-	-	-	-	-	423	-	423
Realized gain from sale portfolio company shares	-	-	-	-	-	-	-	-	90,275	(90,275)	-
Profit attributable to non-controlling interests	14,592	-	-	-	(715)	-	-	(536)	-	(3)	13,338
Profit for the period (IFRS Consolidated)[12]	**24,303**	**-**	**1,310**	**20,914**	**(2,772)**	**15,450**	**7,590**	**(2,532)**	**79,840**	**(90,278)**	**53,825**

[12] Note 6 in Georgia Capital PLC's unaudited interim consolidated financial statements

GEL thousands, unless otherwise noted	GHG	BOG	Commercial and Hospitality	Housing development	Renewable energy	Water Utility	P&C insurance	Beverages	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
	Balance sheet reconciliation, 30 June 2018										
Net asset value attributable to shareholders of Georgia Capital (Management accounts)	**608,502**	**594,069**	**78,700**	**68,530**	**19,623**	**282,319**	**46,528**	**60,514**	**(85,446)**	**13,831**	**1,687,170**
Substitution of GHG's market value by book value attributable to shareholders of GCAP	(322,559)	-	-	-	-	-	-	-	608,502	(608,502)	(322,559)
Buyback program related irrevocable instruction	-	-	-	-	-	-	-	-	(12,277)	-	(12,277)
Provision of interest accrued on preferred stock	-	-	-	-	-	-	-	-	-	3,841	3,841
Reversal of Depreciation and Amortisation of GHG	-	-	-	-	-	-	-	-	-	8,503	8,503
GHG Hospitals and clinics accounted at cost for GCAP consolidation purposes	-	-	-	-	-	-	-	-	-	(9,251)	(9,251)
m² long-term share-based compensation adjustment for consolidation purposes	-	-	-	-	-	-	-	-	-	(3,771)	(3,771)
Transfer of Market value of 19.9% in BOG to Corporate Center	-	(594,069)	-	-	-	-	-	-	594,069	-	-
Other	-	-	-	-	-	-	-	-	-	(265)	(265)
Total equity attributable to shareholders of Georgia Capital (IFRS)[13]	**285,943**	**-**	**78,700**	**68,530**	**19,623**	**282,319**	**46,528**	**60,514**	**1,104,849**	**(595,614)**	**1,351,392**

GEL thousands, unless otherwise noted	GHG	BOG	Commercial and Hospitality	Housing development	Renewable energy	Water Utility	P&C insurance	Beverages	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
	Balance sheet reconciliation, 31 December 2017										
Net asset value attributable to shareholders of Georgia Capital (Management Accounts)	**933,481**	**-**	**78,142**	**75,609**	**17,290**	**267,923**	**48,852**	**57,509**	**23,801**	**8,469**	**1,511,076**
Substitution of GHG's market value by Book value attributable to shareholders of GCAP	(650,976)	-	-	-	-	-	-	-	933,481	(933,481)	(650,976)
Provision of interest accrued on preferred stock	-	-	-	-	-	-	-	-	-	2,039	2,039
Deduction of shares held by portfolio companies from equity	-	-	-	-	-	-	-	-	-	(2,751)	(2,751)
GHG Hospitals and clinics accounted at cost for GCAP consolidation purposes	-	-	-	-	-	-	-	-	-	(9,283)	(9,283)
m² long-term share-based compensation adjustment for consolidation purposes	-	-	-	-	-	-	-	-	-	(2,317)	(2,317)
Other	-	-	-	-	-	-	-	-	-	(3,125)	(3,125)
Total equity attributable to shareholders of Georgia Capital (IFRS)[13]	**282,505**	**-**	**78,142**	**75,609**	**17,290**	**267,923**	**48,852**	**57,509**	**957,282**	**(940,449)**	**844,663**

[13] Note 6 in Georgia Capital PLC's unaudited interim consolidated financial statements

Detailed financial information

CONSOLIDATED IFRS INCOME STATEMENT			
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change**
Revenue	192,922	163,592	17.9%
Cost of sales	(103,124)	(73,305)	40.7%
Gross profit	**89,798**	**90,287**	**-0.5%**
Operating expenses	**(50,025)**	**(33,848)**	**47.8%**
EBITDA	**39,773**	**56,439**	**-29.5%**
Depreciation and amortization	(18,357)	(11,905)	54.2%
Net foreign currency gain (loss)	2,276	(408)	NMF
Interest income	10,134	2,593	NMF
Interest expense	(25,169)	(15,651)	60.8%
Net operating income before non-recurring items	**8,657**	**31,068**	**-72.1%**
Net non-recurring items	(35,167)	(99)	NMF
Loss before income tax expense from continuing operations	**(26,510)**	**30,969**	**NMF**
Income tax expense	(1,349)	(1,835)	-26.5%
Loss for the period from continuing operations	**(27,859)**	**29,134**	**NMF**
Profit from discontinued operations	46,777	24,691	89.4%
Profit for the period	**18,918**	**53,825**	**-64.9%**
Loss from continuing operations Attributable to:			
Shareholders of Georgia Capital PLC	(25,583)	30,389	NMF
Non-controlling Interests	(2,276)	(1,255)	81.4%
Profit from discontinuing operations Attributable to:			
Shareholders of Georgia Capital PLC	20,934	10,100	NMF
Non-controlling Interests	25,843	14,591	77.1%

CONSOLIDATED IFRS STATEMENT OF CASH FLOWS			
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change**
Net cash flows from operating activities from continuing operations	**(8,480)**	**20,630**	**NMF**
Net cash flows from operating activities from discontinued operations	25,226	(1,554)	NMF
Net Cash flow from operating activities	**16,746**	**19,076**	**-12.2%**
Net cash flows used in investing activities from continuing operations	**(452,059)**	**(113,684)**	**NMF**
Net cash flows used in investing activities from discontinued operations	(55,992)	(73,267)	-23.6%
Net cash flows used in investing activities	**(508,051)**	**(186,951)**	**NMF**
Net cash from financing activities from continuing operations	**310,307**	**194,438**	**59.6%**
Net cash from financing activities from discontinued operations	(770)	69,749	NMF
Net cash from financing activities	**309,537**	**264,187**	**17.2%**
		-	
Effect of exchange rates changes on cash and cash equivalents	(8,563)	(22,121)	-61.3%
Effect of exchange rates changes on cash and cash equivalents of disposal group held for sale	(776)	794	NMF
Effect of change in allowance for cash and cash equivalents	(1)	-	NMF
Net (decrease) increase in cash and cash equivalents	**(191,107)**	**74,985**	**NMF**
Cash and cash equivalents, beginning of the year	**346,241**	**158,868**	**NMF**
Cash and cash equivalents of disposal group held for sale, beginning of the year	**48,840**	**-**	**NMF**
Cash and cash equivalents of disposal group held for sale, end of the year	**16,528**	**-**	**NMF**
Cash and cash equivalents, end of the year	**187,446**	**233,853**	**-19.8%**

CONSOLIDATED IFRS BALANCE SHEET

GEL thousands, unless otherwise noted	**Jun-18**	**Dec-17**	**change**
Cash and cash equivalents	187,446	346,241	-45.9%
Amounts due from credit institutions	83,217	38,141	NMF
Debt securities owned	94,424	31,907	NMF
Equity investments at fair value	595,222	1,153	NMF
Accounts receivable	36,011	35,337	1.9%
Insurance premiums receivable	29,857	30,855	-3.2%
Inventories	79,461	80,110	-0.8%
Investment properties	181,015	159,989	13.1%
Prepayments	105,394	87,760	20.1%
Income tax assets	1,060	1,374	-22.9%
Property and equipment	823,545	657,635	25.2%
Goodwill	27,297	21,935	24.4%
Intangible assets	5,238	5,457	-4.0%
Other assets	201,470	69,870	NMF
Assets of disposal group held for sale	1,178,786	1,148,584	2.6%
Total assets	**3,629,443**	**2,716,348**	**33.6%**
Accounts payable	57,524	42,987	33.8%
Income tax liabilities	841	860	-2.2%
Deferred income	52,776	73,066	-27.8%
Debt securities issued	744,017	77,835	NMF
Insurance contracts liabilities	49,210	46,403	6.0%
Borrowings	363,219	650,734	-44.2%
Other liabilities	100,535	63,206	59.1%
Liabilities of disposal group held for sale	602,774	619,029	-2.6%
Total liabilities	**1,970,896**	**1,574,120**	**25.2%**
Total equity attributable to shareholders of Georgia Capital PLC	**1,351,392**	**844,663**	**60.0%**
Non-controlling interests	307,155	297,565	3.2%
Total equity	**1,658,547**	**1,142,228**	**45.2%**
Total liabilities and equity	**3,629,443**	**2,716,348**	**33.6%**

Net Asset Value Overview

Georgia Capital	Number of Shares	Ownership %	Management Adjusted Value		Change in Adjusted Values	Change in Adjusted Values (%)	IFRS Reported Values		Change in Reported Values	Change in Reported Values (%)
GEL thousands unless otherwise noted			**30-Jun-18**	**31-Dec-17**			**30-Jun-18**	**31-Dec-17**		
Listed Equity Investments										
Georgia Healthcare Group PLC	75,118,503	57.0%	608,502	933,481	(324,979)	-34.8%	285,943	282,505	3,438	1.2%
Bank of Georgia Group PLC	9,784,716	19.9%	594,069	-	594,069	NMF	594,069	-	594,069	NMF
Private Investments										
Water Utility (at book)		100.0%	282,319	267,923	14,396	5.4%	282,319	267,923	14,396	5.4%
Renewable energy (at book)		65.0%	53,572	51,511	2,061	4.0%	53,572	51,511	2,061	4.0%
Housing Development (at book)		100.0%	68,530	75,609	(7,079)	-9.4%	68,530	75,609	(7,079)	-9.4%
Hospitality and commercial		100.0%	78,700	78,142	558	0.7%	78,700	78,142	558	0.7%
Beverages (at book)		80.0%	84,960	63,637	21,323	33.5%	84,960	63,637	21,323	33.5%
P&C Insurance (at book)		100.0%	48,869	51,193	(2,324)	-4.5%	48,869	51,193	(2,324)	-4.5%
Other (at book)		100.0%	6,259	-	6,259	NMF	6,259	-	6,259	NMF
Total Portfolio Value			**1,825,780**	**1,521,496**	**304,285**	**20.0**	**1,503,221**	**870,520**	**632,701**	**72.7%**
Cash and liquid funds			352,002	264,546	87,456	33.1%	352,002	264,546	87,456	33.1%
Loans issued			252,488	-	252,488	NMF	252,488	-	252,488	NMF
Gross Debt			(733,261)	(272,279)	(460,982)	NMF	(733,261)	(272,279)	(460,982)	NMF
Net Debt			**(128,771)**	**(7,733)**	**(121,038)**	**NMF**	**(128,771)**	**(7,733)**	**(121,038)**	**NMF**
Net other assets/ (liabilities)			**(9,839)**	**(2,687)**	**(7,153)**	**NMF**	**(9,839)**	**(2,687)**	**(7,153)**	**NMF**
Net Asset Value			**1,687,170**	**1,511,076**	**176,094**	**11.7%**	**1,364,611**	**860,100**	**504,511**	**58.7%**
Shares outstanding			36,912,664	39,384,712	(2,472,048)	-6.3%	36,912,664	39,384,712	(2,472,048)	-6.3%
Net Asset Value per share (GEL)			**45.71**	**38.37**	**7.34**	**19.1%**	**36.97**	**21.84**	**15.13**	**69.3%**
Net Asset Value per share (GBP)			**14.06**	**10.96**	**3.10**	**28.3%**	**11.37**	**6.24**	**5.13**	**82.2%**

Balance Sheet Highlights

Georgia Capital			
GEL thousands unless otherwise noted	30-Jun-18	31-Dec-17	Change %
Cash and liquid funds	352,002	264,546	33.1%
Loans issued	252,488	-	NMF
Preferred stock	43,064	32,182	33.8%
Investment portfolio value	1,765,044	1,478,806	19.4%
of which: Listed Investments	1,202,571	933,481	28.8%
Georgia Healthcare Group PLC (LSE closing price)	608,502	933,481	-34.8%
Bank of Georgia Group PLC (LSE closing price)	594,069	-	NMF
of which: Private Investments	562,473	545,325	3.1%
Water Utility (at book)	282,319	267,923	5.4%
Renewable energy (at book)[14]	19,623	17,290	13.5%
Housing Development (at book)	68,530	75,609	-9.4%
Commercial and Hospitality	78,700	78,142	0.7%
Beverages (at book)[14]	60,514	57,509	5.2%
P&C Insurance (at book)	46,528	48,852	-4.8%
Other	6,259	-	NMF
Goodwill	13,831	8,469	63.3%
Other Assets	6,208	579	NMF
Total assets	**2,432,637**	**1,784,582**	**36.3%**
Debt securities issued	733,261	-	NMF
Borrowings	-	272,279	NMF
Other Liabilities	12,206	1,227	NMF
Total liabilities	**745,466**	**273,506**	**NMF**
NAV	**1,687,170**	**1,511,076**	**11.7%**

Outstanding shares	30-Jun-18
$45million Buyback Program	661,179
Management trust Buyback, unawarded unvested	986,915
Management trust Buyback, awarded unvested	823,954
Total	**2,472,048**
Number of shares issued	**39,384,712**
Number of shares outstanding	**36,912,664**

Portfolio valuation	Management Adjusted Value	Average of Analyst Valuations
	30-Jun-18	30-Jun-18
Listed Equity Investments		
Georgia Healthcare Group PLC	608,502	930,760
Bank of Georgia Group PLC	594,069	711,197
Private Investments		
Water Utility (at book)	282,319	552,414
Renewable energy (at book)	53,572	
Housing Development (at NAV)	68,530	170,760
Commercial and Hospitality	78,700	
Beverages (at book)	84,960	87,114
P&C Insurance (at book)	48,869	178,690
Other (at cost)	6,259	
Total Portfolio value	**1,825,780**	**2,630,935**
Net debt[15]	**(128,771)**	**(128,771)**
Net other assets/liabilities[15]	**(9,839)**	**(9,839)**
Net asset value[15]	**1,687,170**	**2,492,325**
Shares outstanding[15]	36,912,664	36,912,664
Net asset value per share (GEL) [15]	**45.71**	**67.52**
Net Asset value per share (GBP)[15]	**14.06**	**20.77**

Statement of changes in NAV		
31-Dec-17	**1,511,076**	**1,340,119**
Total comprehensive income	6,420	130,761
Share buybacks (Mgmt Trust and Buyback Programme)	(51,147)	-
Increase in share capital (19.9% stake in BoG)	706,002	24,194
Market Value movement of Investments:	(467,885)	(154,428)
of which: GHG (57%)	(335,598)	(154,428)
of which: BoG (19.9%)	(132,005)	-
of which: Debt investment securities	(282)	-
Change in book values of private investments	(9,462)	(33,259)
Other changes in NAV	(7,832)	1,968
Total change in NAV	**176,094**	**(30,765)**
30-Jun-18	**1,687,170**	**1,309,355**

[14] Book value does not include non-controlling interest.
[15] Figures are stated as at 30 June 2018.

Management P&L

Georgia Capital	1H18	1H17	Change
GEL thousands unless otherwise noted			
Dividend income	31,340	17,500	79.1%
Interest income	14,742	271	NMF
Interest expense	(19,079)	(9,210)	NMF
GCAP gross operating income	**27,003**	**8,561**	**NMF**
Operating expenses	(5,282)	(1,919)	NMF
GCAP net operating Income	**21,721**	**6,642**	**NMF**
Net attributable adjusted earnings of portfolio companies			
of which: Listed Investments	54,762	11,822	NMF
of which, GHG	11,589	11,822	-2.0%
of which, BoG	43,172	-	NMF
of which: Private Investments	27,775	41,324	-32.8%
of which, Water utility	22,284	15,702	41.9%
of which, Renewable energy	(490)	(2,057)	-76.2%
of which, Housing development	4,375	20,802	-79.0%
of which, Hospitality and Commercial	763	1,304	-41.5%
of which, Beverages	(7,462)	(2,017)	NMF
of which, P&C insurance	*8,305*	*7,590*	*9.4%*
Total portfolio company attributable income	**82,537**	**53,146**	**55.3%**
Income before income taxes, provisions and adjustments	**104,258**	**59,788**	**74.4%**
Adjustment for dividend accrual	(31,340)	(17,500)	79.1%
Provision	(2,115)	-	NMF
Income tax	-	-	NMF
Net Income	**70,803**	**42,288**	**67.4%**
Net foreign currency (loss) gain	(5,104)	423	NMF
Non-recurring expense	(49,970)	(2,225)	NMF
Realized gain from sale portfolio company shares	-	90,275	NMF
Other comprehensive (loss) Income	**(55,074)**	**88,473**	**NMF**
Total comprehensive income	**15,729**	**130,761**	**-88.0%**

Cash flow highlights

Georgia Capital	1H18	1H17	Change
GEL thousands unless otherwise noted			
Dividends received	10,000	-	NMF
Interest received	10,426	189	NMF
Interest paid	(21,785)	-	NMF
Cash outflow from operations before operating expenses	**(1,359)**	**189**	**NMF**
GCAP operating expenses	(2,787)	(244)	NMF
Cash outflow from operations	**(4,147)**	**(55)**	**NMF**
Investments in portfolio companies	(19,700)	(11,458)	71.9%
Loans Issued	(249,635)	(7,000)	NMF
Preferred stock	(19,029)	-	NMF
Proceeds from sale of shares in portfolio companies	-	108,780	NMF
Cash outflow on investing activities	**(288,364)**	**90,322**	**NMF**
Share buybacks	(49,580)	-	NMF
Cash outflow on buybacks	**(49,580)**	**-**	**NMF**
Increase in capital	-	2,249	NMF
Proceeds from debt securities issued	715,729	-	NMF
Repayment of borrowings from former parent company	(248,295)	(7,981)	NMF
Proceeds from borrowings	-	6,301	NMF
Cash inflow from financing activities	**467,434**	**569**	**NMF**
Demerger related outflows	(24,245)	-	NMF
Net cash flow	**101,097**	**90,835**	**11.3%**
Beginning cash and liquid funds	264,546	3,240	NMF
Ending cash and liquid funds	352,002	93,496	NMF
Fx Effect	*(13,168)*	*(579)*	*NMF*
Fair valuation	*(474)*	-	*NMF*

Private investment portfolio – IFRS Accounts

STATEMENT OF CASH FLOW	Water utility business		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change**
Cash received from customers	77,223	66,220	16.6%
Cash paid to suppliers	(22,139)	(20,276)	9.2%
Cash paid to employees	(9,246)	(8,147)	13.5%
Interest received	235	565	-58.4%
Taxes paid	(7,289)	(5,363)	35.9%
Cash flow from operating activities before maintenance capex	**38,784**	**32,999**	**17.5%**
Maintenance capex	(12,444)	(14,201)	-12.4%
Operating cash flow	**26,340**	**18,798**	**40.1%**
Purchase of PPE and intangible assets	(77,070)	(35,795)	NMF
Proceeds from PPE and investment property sale	1,458	-	NMF
Restricted cash in Bank	3,509	1,362	NMF
Total cash used in investing activities	**(72,102)**	**(34,434)**	**101.4%**
Proceeds from borrowings	27,522	32,946	-16.5%
Repayment of borrowings	(297)	(8,994)	-96.7%
Interest paid	(9,718)	(5,266)	84.5%
Contributions under share-based payment plan	(779)	-	NMF
Total cash flow from financing activities	**16,728**	**18,686**	**-10.5%**
Effect of exchange rates changes on cash	(2,454)	(382)	NMF
Total cash (outflow)/inflow	**(31,488)**	**2,668**	**NMF**
Cash, beginning balance	61,963	27,512	125.2%
Cash, ending balance	**30,475**	**30,180**	**1.0%**

BALANCE SHEET	Water utility business				
GEL thousands, unless otherwise noted	**Jun-18**	**Jun-17**	**change**	**Dec-17**	**change**
Inventories	3,410	3,299	3.3%	3,787	-10.0%
Trade and other receivables	17,684	21,846	-19.1%	23,738	-25.5%
Prepaid taxes other than income tax	7,612	1,066	NMF	2,243	NMF
Prepayments	2,414	5,353	-54.9%	1,764	36.9%
Other current assets	3,635	4,411	-17.6%	8,168	-55.5%
Cash and cash equivalents	30,475	30,179	1.0%	61,963	-50.8%
Total current assets	**65,229**	**66,153**	**-1.4%**	**101,663**	**-35.8%**
Property, plant and equipment	525,339	363,552	44.5%	441,556	19.0%
Investment Property	9,596	18,371	-47.8%	11,286	-15.0%
Intangible assets	1,583	1,117	41.7%	2,026	-21.9%
Other non-current assets	8,023	1,040	NMF	11,404	-29.6%
Total non-current assets	**544,541**	**384,080**	**41.8%**	**466,273**	**16.8%**
Total assets	**609,770**	**450,233**	**35.4%**	**567,936**	**7.4%**
Current borrowings	1,578	54,300	-97.1%	1,341	17.6%
Trade and other payables	40,493	21,159	91.4%	32,778	23.5%
Other non-current liabilities	1,300	3,135	-58.6%	541	NMF
Total current liabilities	**43,370**	**78,595**	**-44.8%**	**34,660**	**25.1%**
Long term borrowings	263,795	75,892	247.6%	246,015	7.2%
Deferred income	20,286	17,833	13.8%	19,474	4.2%
Total non-current liabilities	**284,081**	**93,725**	**203.1%**	**265,490**	**7.0%**
Total liabilities	**327,451**	**172,320**	**90.0%**	**300,150**	**9.1%**
Total equity	**282,319**	**277,913**	**1.6%**	**267,786**	**5.4%**
Total liabilities and equity	**609,770**	**450,233**	**35.4%**	**567,936**	**7.4%**

INCOME STATEMENT	Water Utility business		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change**
Revenue from water supply to legal entities	42,151	38,928	8.3%
Revenue from water supply to individuals	19,602	16,053	22.1%
Revenue from electric power sales	4,722	3,094	52.6%
Revenue from technical support	1,303	1,412	-7.7%
Other income	2,055	1,095	87.7%
Revenue	**69,833**	**60,582**	**15.3%**
Salaries and benefits	(9,478)	(9,298)	1.9%
Electricity and transmission costs	(9,361)	(8,885)	5.4%
Other operating expenses	(10,742)	(10,175)	5.6%
Operating expenses	**(29,581)**	**(28,358)**	**4.3%**
Provisions for doubtful trade receivables	(3,022)	(1,125)	168.6%
EBITDA	**37,231**	**31,099**	**19.7%**
EBITDA Margin	*53%*	*51%*	
Depreciation and amortization	(12,084)	(9,820)	23.1%
EBIT	**25,146**	**21,279**	**18.2%**
EBIT Margin	*36%*	*35%*	
Net interest expense	(7,253)	(5,125)	41.5%
Net non-recurring expenses	(5,484)	(251)	NMF
Foreign exchange (loss) gain	4,391	(63)	NMF
EBT	**16,800**	**15,840**	**6.1%**
Profit	**16,800**	**15,450**	**8.7%**

Private investment portfolio – IFRS Accounts (cont'd)

BALANCE SHEET		**Renewable energy business**			
GEL thousands, unless otherwise noted	**Jun-18**	**Jun-17**	**Change**	**Dec-17**	**Change**
Total current assets	**15,045**	**36,072**	**-58.3%**	**15,554**	**-3.3%**
Property, plant and equipment	71,333	7,094	NMF	47,953	48.8%
Other non-current assets	30,936	9,997	NMF	33,043	-6.4%
Total non-current assets	**102,269**	**17,091**	**NMF**	**80,996**	**26.3%**
Total assets	**117,314**	**53,163**	**120.7%**	**96,550**	**21.5%**
Total current liabilities	**4,572**	**1,142**	**NMF**	**6,284**	**-27.2%**
Long term borrowings	81,316	35,399	NMF	62,357	30.4%
Other non-current liabilities	1,203	-	NMF	1,279	-5.9%
Total non-current liabilities	**82,519**	**35,399**	**NMF**	**63,636**	**29.7%**
Total liabilities	**87,091**	**36,541**	**NMF**	**69,920**	**24.6%**
Total equity attributable to shareholders of the Group	**19,645**	**11,155**	**76.1%**	**16,504**	**19.0%**
Non-controlling interest	10,578	5,467	93.5%	10,126	4.5%
Total equity	**30,223**	**16,622**	**81.8%**	**26,630**	**13.5%**
Total liabilities and equity	**117,314**	**53,163**	**NMF**	**96,550**	**21.5%**

STATEMENT OF CASH FLOW	**Renewable energy business**		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**change**
Cash paid to suppliers	(172)	(1,505)	-88.5%
Cash paid to employees	(244)	(759)	-67.9%
Interest received	46	5	NMF
Taxes paid	963	(221)	NMF
Cash flow from operating activities	**593**	**(2,480)**	**NMF**
Purchase of PPE and intangible assets	(20,564)	(10,653)	93.0%
Restricted cash in Bank	-	(12,249)	NMF
Total cash flow used in investing activities	**(20,564)**	**(22,902)**	**-10.2%**
Proceeds from borrowings	21,666	35,304	-38.6%
Repayment of borrowings	(3,389)	-	NMF
Capital increase	5,441	9,834	-44.7%
Total cash flow used in financing activities	**23,717**	**45,138**	**-47.5%**
Exchange (losses)/gains on cash equivalents	(693)	(594)	16.6%
Total cash inflow/(outflow)	**3,053**	**19,162**	**-84.1%**
Cash balance			
Cash, beginning balance	8,298	4,867	70.5%
Cash, ending balance	**11,351**	**24,029**	-52.8%

INCOME STATEMENT	**Renewable energy business**		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**change**
Total Revenue	**-**	**-**	**NMF**
Salaries and benefits	(134)	(560)	-76.1%
Other operating expenses	(269)	(444)	-39.3%
Total Operating Expenses	**(403)**	**(1,004)**	**-59.8%**
EBITDA	**(403)**	**(1,004)**	**-59.8%**
EBIT	**(564)**	**(1,076)**	**-47.6%**
Net interest expense	46	(211)	NMF
Non-recurring expenses	338	-	NMF
Foreign exchange (losses) gains	(236)	(406)	-41.9%
Profit before income tax	**(416)**	**(1,693)**	**-75.4%**
Net Profit	**(416)**	**(1,693)**	**-75.4%**
Attributable to:			
– shareholders of the Group	(270)	(1,327)	NMF
– non-controlling interests	(146)	(366)	NMF

Private investment portfolio – IFRS Accounts (cont'd)

INCOME STATEMENT *GEL thousands, unless otherwise noted*	Housing development business 1H18	 1H17	 Change
Gross profit from apartments sale	6,405	2,140	NMF
Gross profit from construction management	1,080	-	NMF
Other income	109	58	NMF
Revaluation of commercial property	2,311	21,785	-89.4%
Gross Real Estate Profit	**9,905**	**23,983**	**-58.7%**
Operating expenses	**(4,742)**	**(3,221)**	**47.2%**
EBITDA	**5,163**	**20,762**	**-75.1%**
Net operating income before non-recurring items	**4,480**	**20,822**	**-78.5%**
Net non-recurring items	(4,443)	111	NMF
Profit	**37**	**20,933**	**NMF**

STATEMENT OF CASH FLOW *GEL thousands, unless otherwise noted*	Housing Development Business 1H18	 1H17	 change
Proceeds from sales of apartments	37,138	45,620	-18.6%
Outflows for development	*(45,293)*	*(36,607)*	23.7%
Net proceeds from construction services	(2,619)	-	NMF
Personnel Costs	(4,740)	(2,974)	59.4%
Other	(2,609)	(1,935)	34.8%
Interest paid	(4,554)	(5,512)	-17.4%
Income tax paid	-	(3,854)	NMF
Net cash flows from operating activities	**(22,677)**	**(5,262)**	**NMF**
Capital expenditure on investment property and PPE	(7,161)	(5,126)	39.7%
Net cash flows used in investing activities	**(7,161)**	**(5,126)**	**39.7%**
Net Intersegment loans received/(issued)	28,925	41,153	-29.7%
Repayment of debt securities issued	-	(34,099)	NMF
Contributions under share-based payment plan	(1,281)	-	NMF
Proceeds from borrowings	41,614	19,421	NMF
Repayment of borrowings	(42,464)	(1,107)	NMF
Net cash flows from financing activities	**26,794**	**25,368**	**5.6%**
Exchange (losses)/gains on cash equivalents	(3,171)	(6,537)	-51.5%
Total cash inflow/(outflow)	**(6,215)**	**8,443**	**NMF**
Cash, beginning balance	**20,059**	**42,280**	**-52.6%**
Cash, ending balance	**13,844**	**50,723**	**-72.7%**

BALANCE SHEET *GEL thousands, unless otherwise noted*	Housing development business Jun-18	 Jun-17	 change	 Dec-17	 change
Cash and cash equivalents	13,521	50,337	-73.1%	19,945	-32.2%
Amounts due from credit institutions	324	386	-16.1%	114	184.2%
Investment securities	1,623	2,868	-43.4%	3,205	-49.4%
Accounts receivable and other loans	3,154	5,755	-45.2%	333	NMF
Prepayments	52,771	42,157	25.2%	36,226	45.7%
Inventories	51,441	66,450	-22.6%	59,199	-13.1%
Investment property	92,967	83,778	11.0%	93,373	-0.4%
Land bank	57,024	55,200	3.3%	58,373	-2.3%
Commercial real estate	35,943	28,578	25.8%	35,000	2.7%
Property and equipment	5,941	3,701	60.5%	4,214	41.0%
Other assets	12,811	5,214	NMF	29,042	-55.9%
Total assets	**234,553**	**260,646**	**-10.0%**	**245,652**	**-4.5%**
Amounts due to credit institutions	42,055	54,501	-22.8%	44,243	-4.9%
Debt securities issued	61,779	60,268	2.5%	65,122	-5.1%
Deferred income	22,459	59,631	-62.4%	46,660	-51.9%
Other liabilities	38,832	12,129	NMF	12,952	NMF
Total liabilities	**165,125**	**186,529**	**-11.5%**	**168,977**	**-2.3%**
Total equity	69,428	74,117	-6.3%	76,675	-9.5%
Total liabilities and equity	**234,553**	**260,646**	**-10.0%**	**245,652**	**-4.5%**

Private investment portfolio – IFRS Accounts (cont'd)

BALANCE SHEET		**Hospitality & commercial real estate**			
GEL thousands, unless otherwise noted	**Jun-18**	**Jun-17**	**change**	**Dec-17**	**change**
Cash and cash equivalents	9,209	2,480	NMF	14,806	-37.8%
Prepayments	5,157	3,220	60.2%	3,436	50.1%
Investment property	150,578	52,816	NMF	56,770	NMF
Land bank	18,534	13,422	38.1%	14,529	27.6%
Commercial real estate	132,044	39,394	NMF	42,241	NMF
Property and equipment	201	10,785	NMF	45,427	NMF
Other assets	24,104	6,749	NMF	9,584	NMF
Total assets	**189,249**	**76,049**	**NMF**	**130,022**	**45.5%**
Borrowings	89,895	2,222	NMF	14,749	NMF
Other liabilities	10,824	988	NMF	27,318	-60.3%
Total liabilities	**100,719**	**3,210**	**NMF**	**42,067**	**NMF**
Total equity	**78,681**	**72,839**	**8.0%**	**77,537**	**1.5%**
Non-controlling interest	9,849	-	NMF	10,418	-5.5%
Total equity	**88,530**	**72,839**	**21.5%**	**87,955**	**0.7%**
Total liabilities and equity	**189,249**	**76,049**	**NMF**	**130,022**	**45.6%**

INCOME STATEMENT	**Hospitality & commercial real estate**		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change**
Gross profit from operating leases	**1,900**	**1,500**	**26.7%**
Gross profit from hospitality services	**457**	**-**	**NMF**
Other income	51	-	NMF
Gross Real Estate Profit	**2,408**	**1,500**	**60.5%**
Operating expenses	**(557)**	**(167)**	**NMF**
EBITDA	**1,851**	**1,333**	38.9%
Net operating income before non-recurring items	**777**	**1,244**	**-37.5%**
Net non-recurring items	(1,187)	6	NMF
Profit before income tax	**(410)**	**1,250**	**NMF**
Profit	**(410)**	**1,250**	**NMF**

STATEMENT OF CASH FLOW	**Hospitality & Commercial real estate**		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**change**
Net proceeds from rent generating assets	2,124	1,500	41.6%
Net proceeds from hospitality services	539	-	NMF
Other operating expenses paid	(1,056)	(148)	NMF
Interest paid	(1,625)	(95)	NMF
Net cash flows from operating activities	**(18)**	**1,257**	**NMF**
Acquisition of investment property	(36,760)	(1,401)	NMF
Capital expenditure on investment property	(8,605)	(266)	NMF
Capital expenditure on investment property under construction	(5,583)	(6,573)	-15.1%
Operating expenses paid	(724)	(3)	NMF
Net cash flows used in investing activities	**(51,672)**	**(8,243)**	**NMF**
Contributions under share-based payment plan	(81)	-	NMF
Net Intergroup loans received/(issued)	(27,465)	(41,153)	-33.3%
Proceeds from borrowings	91,031	-	NMF
Repayment of borrowings	(17,191)	(114)	NMF
Net cash flows from financing activities	**46,294**	**(41,267)**	**NMF**
Effect of exchange rate changes on cash and cash equivalents	(200)	(197)	1.5%
Total cash inflow/(outflow)	**(5,596)**	**(48,450)**	**-88.4%**
Cash, beginning balance	**14,806**	**50,930**	**-70.9%**
Cash, ending balance	**9,210**	**2,480**	**NMF**

Private investment portfolio – IFRS Accounts (cont'd)

BALANCE SHEET		**P&C insurance business**			
GEL thousands, unless otherwise noted	**Jun-18**	**Jun-17**	**Change**	**Dec-17**	**Change**
Cash and cash equivalents	2,740	3,900	-29.7%	4,186	-34.5%
Amounts due from credit institutions	25,404	24,247	4.8%	25,968	-2.2%
Investment securities	4,442	4,551	-2.4%	4,180	6.3%
Insurance premiums receivable, net	27,779	31,533	-11.9%	28,491	-2.5%
Ceded share of technical provisions	19,530	23,509	-16.9%	20,671	-5.5%
PPE and intangible assets, net	8,440	10,023	-15.8%	11,899	-29.1%
Goodwill	13,113	13,051	0.5%	13,051	0.5%
Deferred acquisition costs	3,197	1,692	88.9%	3,047	4.9%
Pension fund assets	19,327	17,198	12.4%	18,536	4.3%
Other assets	10,046	5,466	83.8%	5,130	95.9%
Total assets	**134,018**	**135,169**	**-0.9%**	**135,159**	**-0.8%**
Gross technical provisions	49,513	55,016	-10.0%	50,272	-1.5%
Other insurance liabilities	12,577	18,171	-30.8%	11,147	12.8%
Current income tax liabilities	736	636	15.7%	30	NMF
Pension benefit obligations	19,326	17,198	12.4%	18,536	4.3%
Other Liabilities	5,337	4,111	29.8%	6,426	-16.9%
Total liabilities	**87,489**	**95,132**	**-8.0%**	**86,411**	**1.2%**
Total equity	**46,529**	**40,037**	**16.2%**	**48,748**	**-4.6%**
Total liabilities and equity	**134,018**	**135,169**	**-0.9%**	**135,159**	**-0.8%**

INCOME STATEMENT	**P&C insurance business**		
GEL thousands, unless otherwise noted	**1H18**	**1H17**	**Change**
Gross premiums written	45,885	49,190	-6.7%
Earned premiums, gross	42,551	39,420	7.9%
Earned premiums, net	**31,451**	**29,485**	**6.7%**
Insurance claims expenses, gross	(13,982)	(19,112)	-26.8%
Insurance claims expenses, net	**(12,503)**	**(11,543)**	**8.3%**
Acquisition costs, net	(3,807)	(3,594)	5.9%
Net underwriting profit	**15,141**	**14,348**	**5.5%**
Investment income	1,724	1,364	26.4%
Net fee and commission income	290	212	36.8%
Net investment profit	**2,014**	**1,576**	**27.8%**
Salaries and employee benefits	(4,618)	(4,138)	11.6%
Selling, general and administrative expenses	(1,836)	(1,557)	17.9%
Depreciation & Amortisation	(475)	(475)	0.0%
Impairment charges	(658)	(432)	52.3%
Net other operating income	432	189	128.1%
Operating profit	**10,000**	**9,511**	**5.1%**
Foreign exchange loss	(346)	(571)	-39.4%
Non-recurring costs	(629)	-	NMF
Pre-tax profit	**9,025**	**8,940**	**1.0%**
Income tax expense	(1,349)	(1,350)	-0.1%
Net profit	**7,676**	**7,590**	**1.1%**

Private investment portfolio – IFRS Accounts (cont'd)

INCOME STATEMENT	**Beverages business**		
GEL thousands; unless otherwise noted	**1H18**	**1H17**	**Change**
Wine Business	10,758	8,644	24.5%
Beer Business	13,251	2,501	NMF
Distribution Business	6,458	6,433	0.4%
Revenue	**30,467**	**17,578**	**73.3%**
Wine Business	(5,360)	(4,161)	28.8%
Beer Business	(8,803)	(1,794)	NMF
Distribution Business	(5,046)	(4,930)	2.4%
COGS	**(19,209)**	**(10,885)**	**76.5%**
Gross Profit	**11,257**	**6,693**	**68.2%**
Gross Profit Margin	*36.9%*	*38.1%*	
Salaries and other employee benefits	(6,352)	(2,788)	NMF
Sales and marketing expenses	(3,794)	(1,944)	95.2%
General and administrative expenses	(3,557)	(1,806)	97.0%
Distribution expenses	(2,012)	(877)	NMF
Other operating expenses	(1,630)	(183)	NMF
EBITDA	**(6,088)**	**(905)**	**NNF**
Of which, wine EBITDA	*1,625*	*1,800*	*-9.7%*
Of which, beer EBITDA	*(7,502)*	*(2,809)*	*NMF*
Of which, distribution EBITDA	*(211)*	*104*	*NMF*
Net foreign currency gain (loss)	4,501	232	NMF
Depreciation and amortization	(5,245)	(1,600)	NMF
Net interest income/expense	(2,938)	(783)	NMF
Net non-recurring items	(196)	27	NMF
(Loss) profit before income tax	**(9,967)**	**(3,029)**	**NMF**
(Loss) Profit	**(9,967)**	**(3,029)**	**NMF**

BALANCE SHEET	**Beverages business**				
GEL thousands, unless otherwise noted	**Jun-18**	**Jun-17**	**change**	**Dec-17**	**change**
Cash and cash equivalents	6,774	13,508	-49.9%	17,455	-61.2%
Amounts due from financial institutions	2,612	4,842	-46.1%	4,381	-40.4%
Accounts Receivable	12,913	8,808	46.6%	12,179	6.0%
Prepayments & Other Assets	5,769	6,460	-10.7%	4,472	29.0%
Inventory	24,747	15,115	63.7%	17,454	41.8%
Intangible Assets, Net	2,101	1,680	25.1%	1,799	16.8%
Goodwill	5,062	2,836	78.5%	2,836	78.5%
Property and Equipment, Net	135,154	98,409	37.3%	102,872	31.4%
Total Assets	**195,132**	**151,658**	**28.7%**	**163,448**	**19.4%**
Accounts Payable	21,181	17,548	20.7%	14,335	47.8%
Borrowings	**91,208**	**57,621**	**58.3%**	**71,430**	**27.7%**
Short-Term Loans	20,273	8,025	152.6%	9,948	103.8%
Long-Term Loans	70,935	49,596	43.0%	61,482	15.4%
Other Current Liabilities	4,553	1,631	179.1%	1,776	156.4%
Total Liabilities	**116,942**	**76,800**	**52.3%**	**87,541**	**33.6%**
Total Equity Attributable to Shareholders	**78,189**	**74,858**	**4.4%**	**75,907**	**3.0%**
Total equity	**78,189**	**74,859**	**4.4%**	**75,907**	**3.0%**
TOTAL LIABILITIES AND EQUITY	**195,131**	**151,659**	**28.7%**	**163,448**	**19.4%**

Annex:

Glossary

1. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
2. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole
3. **NMF** – Not meaningful
4. **NAV** – Net Asset Value
5. **LTM** – last twelve month
6. **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortization; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group's operational performance and the profitability of its operations. The Company considers EBITDA to be an important indicator of its representative recurring operations.
7. **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds
8. **Loss ratio** equals net insurance claims expense divided by net earned premiums
9. **Expense ratio** equals sum of acquisition costs and operating expenses divided by net earned premiums
10. **Combined ratio** equals sum of the loss ratio and the expense ratio
11. **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders of P&C insurance business divided by monthly average equity attributable to shareholders of P&C business for the same period for BoGG and P&C insurance;
12. **Net investment** - gross investments less capital returns

Principal risks and uncertainties

Understanding our risks
The table below describes the principal risks and uncertainties faced by the Group and their potential impact, as well as the trends and outlook associated with these risks and the mitigating actions we take to address these risks. If any of the following risks were to occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

REGIONAL INSTABILITY	
PRINCIPAL RISK / UNCERTAINTY	The Georgian economy and our business may be adversely affected by regional tensions. Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories, Abkhazia and the Tskhinvali Region/South Ossetia. Countries within the region, including Azerbaijan, Armenia, Russia and Turkey are key trading partners of Georgia. There has been ongoing geopolitical tension, political instability, economic instability and military conflict in the region, which may have an adverse effect on our business and financial position. The ongoing, prolongation or escalation of political instability, geopolitical conflict, economic decline of Georgia's trading partners and any future deterioration of Georgia's relationship with Russia, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia, which in turn may have an adverse effect on our business including putting adverse pressure on our business model, our revenues and our financial position.
KEY DRIVERS / TRENDS	Russia imposed economic sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed Georgian borders and recognized the independence of Abkhazia and the Tskhinvali Region/South Ossetia regions. Russian troops continue to occupy the regions and tensions between Russia and Georgia persist. The introduction of a preferential trade regime between Georgia and the EU in July 2016 and the European Parliament's approval of a proposal on visa liberalisation for Georgia in February 2017 may intensify tensions between the countries. The Government has taken certain steps towards improving relations with Russia, but, as of the date of this Announcement, these have not resulted in any formal or legal changes in the relationship between the two countries. Ongoing conflict between Russia and Ukraine, and Turkey's worsening relation to United States increase uncertainties in the region. In April 2017, amendments to the Turkish constitution were approved by voters by referendum. The amendments which grant the president wider powers are expected to transform Turkey's system of government away from a parliamentary system. In June 2018 President Recep Tayyip Erdogan won a new five-year term. His policy to influence interest rates questions Turkey's Central Bank's credibility and increases risks of capital outflow, which will negatively effect on our region. Conflict remains unabated between Azerbaijan and Armenia.

MITIGATION	The Group actively monitors significant developments in the region and risks related to political instability and develops responsive strategies and actions plans. One of the most significant changes in the Georgian export market was a shift away from the Russian market after Russia's 2006 embargo. Despite tensions in the breakaway territories, Russia has continued to open its export market to Georgian exports since 2013. While lower global commodity prices and macroeconomic factors have affected Georgia's regional trading partners, leading to lower exports within the region, Georgia has benefited from increased exports earnings from non-traditional markets such as China, Iran, Spain, Malta, Netherlands, Romania, Lithuania, South Korea and Singapore. In April 2017, the IMF approved a new three year US$285 million economic programme, aimed at preserving macroeconomic and financial stability and addressing structural weaknesses in the Georgian economy to support higher and inclusive growth. Foreign direct investment was solid (12.3% of GDP) and overfinanced CA deficit (8.6% of GDP) in 2017. In 1H2018, Georgia delivered real GDP growth of 5.6%, whilst inflation was close to target at 2.2% in June 2018. Tourist arrivals, exports and remittances increased by double digits. The Georgian Government's fiscal position continues to be strong.
REGULATORY RISK	
PRINCIPAL RISK / UNCERTAINTY	The Group operates across a wide range of industries healthcare services, pharmacy and distribution, property and casualty insurance, real estate, water utility and electric power generation, hydro power, wine and beverages. Many of these industries are highly regulated. The regulatory environment continues to evolve. We, however, cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on our operations.
KEY DRIVERS / TRENDS	Each of our businesses is subject to different regulators and regulation. Legislation in certain industries, such as healthcare, energy and utilities are continuously evolving. Different changes, including but not limited to governmental funding, licensing and accreditation requirements and tariff structures may adversely affect our businesses.
MITIGATION	Continued investment in our people and processes is enabling us to meet our current regulatory requirements and means that we are well placed to respond to any future changes in regulation. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. Our compliance framework, at all levels, is subject to regular review by internal audit and external assurance providers.
INVESTMENT STRATEGY	
PRINCIPAL RISK / UNCERTAINTY	Market conditions may adversely impact our strategy and all our businesses have their own risks specific to their industry.

	Our businesses have growth and expansion strategies and we face execution risk in implementing these strategies. Our aim is to achieve an internal rate of return of at least 25% from investments. The Group will normally seek to monetise its investments, including through initial public offering, strategic sale or other appropriate exit, typically within five to ten years of acquisition. Macroeconomic conditions and the financial and economic environment, and other market conditions in international capital markets may limit the Group's ability to achieve a partial or full exit from its existing or future businesses. It may not be possible or desirable to divest, including whether suitable buyers can be found at the appropriate times or cases where there may be difficulties in obtaining favourable terms or prices
KEY DRIVERS / TRENDS	Each of our private portfolio investments (water utility; renewable energy; housing development; hospitality & commercial real estate; property and casualty insurance; beverages; and wine) and our public portfolio investments (Georgia Healthcare Group and Bank of Georgia) faces their own risks. These include risks inherent to their industry, or to their industry particularly in Georgia, and each face significant competition. They also face the principal risks and uncertainties referred to in this table.,
MITIGATION	The Group has a strong track record of growth and has accessed the capital markets on multiple occasions as an investment business of BGEO Group PLC prior to demerger on 29 May 2018. Our acquisition history has also been successful and we have been able to integrate businesses due to strong management with integration experience. For each business, we focus on building a strong management team and have successfully been able to do so thus far. Management succession planning is regularly on the agenda for the Nomination Committee which reports to the Board on this matter. The Board closely monitors the implementation of strategy, financial and operational performance, risk management and internal control framework and corporate governance structure of our businesses. We hold management accountable for meeting targets. For each industry in which we operate, we closely monitor industry trends, market conditions and the regulatory environment. We have also sought and continue to seek advice from professionals with global experience in relevant industries.
INVESTMENT RISK	
PRINCIPAL RISK / UNCERTAINTY	The Group may be adversely affected by risks in respects of specific investment decisions.
KEY DRIVERS / TRENDS	An inappropriate investment decision might lead to a poor performance. Investment risks include the appropriate research and due diligence of new investments and the timely execution of both the acquisition and divesture of investments in order to optimize shareholder value.
MITIGATION	The Group manages investment risk with established procedures for thorough evaluation of target acquisitions. Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Target entry and exit event prices are monitored and updated regularly, in relation to market conditions and strategic aims. The Group performs due diligence on each target

	acquisition including financial and legal matters. Subject to an evaluation of the due diligence results an acceptable price and funding structure is determined and, pricing, funding, future integration plan is presented to the Investment Committee (or directly to the full Board) for approval. The Committee (or the full Board) reviews and approve or reject proposals for development, acquisition and sale of investments and makes recommendations to the Board on all major new business initiatives, especially those requiring a significant capital allocation.
LIQUIDITY	
PRINCIPAL RISK / UNCERTAINTY	Risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of a market or from not holding cash or being able to raise debt.
KEY DRIVERS / TRENDS	The Group predominantly invests in private portfolio businesses, potentially making the investments difficult to realise at any one point in time. There is a risk that the Group will not be able to meet its financial obligations and liabilities on time due to lack of cash or liquid assets. The risk involves the inability to generate sufficient cash and cash equivalents to meet all payment obligations; this may be caused by numerous factors, such as inability to refinance its long-term liabilities, or excessive investments in long-term assets and respective mismatch in maturity of funding, liabilities and assets.
MITIGATION	Liquidity management process is an integral part of the Group's activities. Detailed cash forecasting for six months ahead is updated and reviewed weekly, including the expected drawdown for capital commitments. Loan facilities are maintained to provide appropriate liquidity headroom. JSC Georgia Capital successfully issued holding company US$ 300 million bonds in March 2018. The debt is actively managed so that Georgia Capital maintains a maximum LTV (loan to value) ratio of 30%. The Group depends on its ability to realize its listed securities on the public markets, which are highly liquid. To limit this risk, the Group has adopted a policy to maintain a cash buffer of at least US$ 50 million in highly liquid assets in order to always have sufficient capacity for potential downside scenarios as well as for potential acquisition opportunities. Additionally, the Group will maintain at least $50 million in marketable securities which can be converted into cash within 3-4 weeks.
CURRENCY AND MACROECONOMIC ENVIRONMENT	
PRINCIPAL RISK / UNCERTAINTY	Macroeconomic factors relating to Georgia, including depreciation of the Lari against the US Dollar, may have a material impact on the Group performance
KEY DRIVERS / TRENDS	The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. Factors such as gross domestic product (''GDP''), inflation, interest and currency exchange rates, as well as unemployment, personal income, tourist numbers and the financial situation of companies, can have a material impact on customer demand for its products and services. In 1H18, the Lari appreciated against the US Dollar by 5.4%. The volatility of the Lari against the US Dollar has affected and may continue to adversely affect the Group results. There is a risk that the Group incurs material losses or loses material amounts of revenue and, respectively, deteriorate its operating solvency in a

	specific currency or group of currencies due to the fluctuation of exchange rates and unexpected depreciation or depreciation of currencies; the risk is mostly caused by significant open currency positions in foreign currencies.
MITIGATION	The Group continually monitors market conditions, reviews market changes and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements. Currency risk management process is an integral part of the Group's activities; currency risk is managed through regular and frequent monitoring of the Group's currency positions and through timely and efficient elaboration of responsive actions and measures; it starts at the Management Board level, which reviews overall currency positions of the Group several times during the year and elaborates respective overall currency strategies; the Finance Department monitors 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 over currency gap, currency positions, running currency sensitivity tests and elaborating response actions / steps based on the results of the tests.

Statement of Directors' Responsibilities

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

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

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

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

By order of the Board

Irakli Gilauri
Chairman & Chief Executive Officer

19 August 2018

Georgia Capital PLC And Subsidiaries Unaudited Interim Condensed Consolidated Financial Statements

CONTENTS

INTERIM REVIEW REPORT

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2018, which comprises the Interim Condensed Consolidated Statement of Financial Position, the Interim Condensed Consolidated Income Statement, the Interim Condensed Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Statement of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flows and related notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
19 August 2018

Notes:

1. The maintenance and integrity of the Georgia Capital PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(Thousands of Georgian Lari)

	Notes	As at 30 June 2018 (unaudited)	As at 31 December 2017
Assets			
Cash and cash equivalents	7	187,446	346,241
Amounts due from credit institutions	8	83,217	38,141
Debt securities owned	9	94,424	31,907
Equity investments at fair value	9	595,222	1,153
Accounts receivable		36,011	35,337
Insurance premiums receivable		29,857	30,855
Inventories		79,461	80,110
Investment properties	10	181,015	159,989
Prepayments		105,394	87,760
Income tax assets		1,060	1,374
Property and equipment	11	823,545	657,635
Goodwill		27,297	21,935
Intangible assets		5,238	5,457
Other assets		201,470	69,870
Assets of disposal group held for sale	5	1,178,786	1,148,584
Total assets		**3,629,443**	**2,716,348**
Liabilities			
Accounts payable		57,524	42,987
Insurance contracts liabilities		49,210	46,403
Income tax liabilities		841	860
Deferred income		52,776	73,066
Borrowings	12	363,219	650,734
Debt securities issued	13	744,017	77,835
Other liabilities		100,535	63,206
Liabilities of disposal group held for sale	5	602,774	619,029
Total liabilities		**1,970,896**	**1,574,120**
Equity	15		
Share capital		1,293	10,000
Additional paid-in capital		-	466,187
Treasury shares		(81)	-
Other reserves		559,924	171,254
Retained earnings		790,256	197,222
Total equity attributable to shareholders of Georgia Capital PLC		**1,351,392**	**844,663**
Non-controlling interests		307,155	297,565
Total equity		**1,658,547**	**1,142,228**
Total liabilities and equity		**3,629,443**	**2,716,348**

The financial statements on page 50 to 91 were approved by the Board of Directors on 19 August 2018 and signed on its behalf by:

Irakli Gilauri Chief Executive Officer

19 August 2018

Georgia Capital PLC
Registered No. 10852406

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended	
		30 June 2018 (unaudited)	***30 June 2017 (unaudited)***
Revenue		192,922	163,592
Cost of sales		(103,124)	(73,305)
Gross profit	16	**89,798**	**90,287**
Salaries and other employee benefits		(22,032)	(14,222)
Administrative expenses		(21,764)	(16,867)
Other operating expenses		(954)	(1,028)
Expected credit loss / impairment charge on financial assets and credit-related commitments	17	(4,536)	(1,224)
Impairment charge on insurance premium receivables, other assets and provisions	17	(739)	(507)
		(50,025)	**(33,848)**
EBITDA		**39,773**	**56,439**
Depreciation and amortisation		(18,357)	(11,905)
Net foreign currency gain / (loss)		2,276	(408)
Interest income		10,134	2,593
Interest expense		(25,169)	(15,651)
Net operating income before non-recurring items		**8,657**	**31,068**
Net non-recurring items	18	(35,167)	(99)
(Loss) / Profit before income tax expense from continuing operations		**(26,510)**	**30,969**
Income tax expense		(1,349)	(1,835)
(Loss) / profit for the period from continuing operations		**(27,859)**	**29,134**
Profit from discontinued operations	5	46,777	24,691
Profit for the period		**18,918**	**53,825**

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	30 June 2017 (unaudited)
Total (loss) / profit attributable to:			
– shareholders of Georgia Capital PLC		(4,649)	40,489
– non-controlling interests		23,567	13,336
		18,918	**53,825**
(Loss) / Profit from continuing operations attributable to:			
– shareholders of Georgia Capital PLC		(25,583)	30,389
– non-controlling interests		(2,276)	(1,255)
		(27,859)	**29,134**
Profit from discontinued operations attributable to:			
– shareholders of Georgia Capital PLC		20,934	10,100
– non-controlling interests		25,843	14,591
		46,777	**24,691**
Basic and diluted (loss) / earnings per share:	15	**(0.1229)**	**1.3945**
– (loss)/ earnings per share from continuing operations		(0.6763)	1.0466
– earnings per share from discontinued operations		0.5534	0.3479

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Profit for the period		**18,918**	**53,825**
Other comprehensive (loss) / income from continuing operations			
Other comprehensive (loss) / income from continuing operations to be reclassified to profit or loss in subsequent periods:			
Loss from currency translation differences		(11,691)	(10,851)
Changes in the fair value of debt instruments at FVOCI		(698)	-
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI		224	-
Net other comprehensive loss from continuing operations to be reclassified to profit or loss in subsequent periods		**(12,165)**	**(10,851)**
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity instruments designated at FVOCI (Note 15)		(111,931)	-
Net other comprehensive (loss) from continuing operations not to be reclassified to profit or loss in subsequent periods		**(111,931)**	**-**
Other comprehensive loss for the period, net of tax		**(124,096)**	**(10,851)**
Total comprehensive (loss) / income for the period from continuing operations		(151,955)	18,283
Total comprehensive income for the period from discontinued operations		46,777	24,691
Total comprehensive (loss) / income for the period		**(105,178)**	**42,974**
Total comprehensive (loss) / income attributable to:			
– shareholders of Georgia Capital PLC		(127,692)	30,142
– non-controlling interests		22,514	12,832
		(105,178)	**42,974**
Total comprehensive (loss) / income from continuing operations attributable to:			
– shareholders of the Georgia Capital PLC		(148,626)	20,042
– non-controlling interests		(3,329)	(1,759)
		(151,955)	**18,283**
Total comprehensive income from discontinued operations attributable to:			
– shareholders of the Georgia Capital PLC		20,934	10,100
– non-controlling interests		25,843	14,591
		46,777	**24,691**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(Thousands of Georgian Lari)

	Attributable to shareholders of Georgia Capital						
	Share capital	***Additional paid-in capital***	***Other reserves***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total Equity***
31 December 2016	**8,482**	**368,166**	**118,869**	**151,536**	**647,053**	**228,814**	**875,867**
Effect of early adoption of IFRS 15	-	-	-	(17,622)	(17,622)	(601)	(18,223)
1 January 2017	**8,482**	**368,166**	**118,869**	**133,914**	**629,431**	**228,213**	**857,644**
Profit for the six months ended 30 June 2017 (unaudited)	-	-	-	40,489	40,489	13,336	53,825
Other comprehensive loss for the six months ended 30 June 2017 (unaudited)	-	-	(11,689)	1,342	(10,347)	(504)	(10,851)
Total comprehensive income for the six months ended 30 June 2017 (unaudited)	**-**	**-**	**(11,689)**	**41,831**	**30,142**	**12,832**	**42,974**
Issue of share capital (Note 15)	31	24,160	-	-	24,191	-	24,191
Increase in equity arising from share-based payments	-	4,433	-	-	4,433	1,057	5,490
Dividends paid by subsidiaries	-	-	-	(7,000)	(7,000)	-	(7,000)
Sale of interests in existing subsidiaries*	-	-	71,980	-	71,980	36,315	108,295
Dilution of interests in subsidiaries	-	-	(129)	-	(129)	1,178	1,049
Increase in share capital of subsidiaries	-	-	-	-	-	11,812	11,812
Acquisition of non-controlling interests in existing subsidiaries	-	-	(19,512)	-	(19,512)	(38,747)	(58,259)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	24,743	24,743
Contributions under share-based payment plan	-	(1,046)	-	-	(1,046)	-	(1,046)
30 June 2017 (unaudited)	**8,513**	**395,713**	**159,519**	**168,745**	**732,490**	**277,403**	**1,009,893**

** The Group sold approximately 7% equity interest in Georgia Healthcare Group PLC. Following the sale, the Group held 57% equity interests in GHG in 2017.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Attributable to shareholders of Georgia Capital							
	Share capital	***Additional paid-in capital***	***Treasury Shares***	***Other reserves***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total Equity***
31 December 2017	**10,000**	**466,187**	**-**	**171,254**	**197,222**	**844,663**	**297,565**	**1,142,228**
Effect of adoption of IFRS 9 (Note 3)	-	-	-	192	(10,808)	(10,616)	(3,216)	(13,832)
1 January 2018	**10,000**	**466,187**	**-**	**171,446**	**186,414**	**834,047**	**294,349**	**1,128,396**
(Loss) Profit for the six months ended 30 June 2018 (unaudited)	-	-	-	-	(4,649)	(4,649)	23,567	18,918
Other comprehensive (loss) income for the six months ended 30 June 2018 (unaudited)	-	-	-	(123,090)	47	(123,043)	(1,053)	(124,096)
Total comprehensive (loss)/income for the six months ended 30 June 2018 (unaudited)	**-**	**-**	**-**	**(123,090)**	**(4,602)**	**(127,692)**	**22,514**	**(105,178)**
Issue of share capital (Note 15)	1,526	127,844	-	577,913	-	707,283	-	707,283
Increase in equity arising from share-based payments	-	23,443	-	-	-	23,443	2,860	26,303
Dilution of interests in subsidiaries	-	-	-	2,760	-	2,760	(2,758)	2
Increase in share capital of subsidiaries	-	-	-	-	-	-	1,871	1,871
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	(3,778)	-	(3,778)	(11,209)	(14,987)
Non-controlling interests arising on acquisition of subsidiary (Note 4)	-	-	-	-	-	-	(472)	(472)
Formation of new parent company (Note 15)	1,644,011	-	-	(1,644,011)	-	-	-	-
Capital Reduction and demerger transactions (Note 15)	(1,654,244)	(598,416)	-	1,644,011	608,444	(205)	-	(205)
Purchase of treasury shares	-	(19,058)	(81)	(65,327)	-	(84,466)	-	(84,466)
30 June 2018 (unaudited)	**1,293**	**-**	**(81)**	**559,924**	**790,256**	**1,351,392**	**307,155**	**1,658,547**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	30 June 2017 (unaudited)
Cash flows from operating activities			
Insurance premiums received		29,613	29,721
Insurance claims paid		(9,928)	(8,771)
Utility and energy revenue received		62,321	59,369
Cost of utility and energy revenue paid		(22,450)	(24,461)
Beverage revenue received		31,458	17,276
Cost of beverage revenue paid		(28,058)	(20,964)
Real estate revenue received		37,917	32,438
Cost of real estate paid		(45,917)	(28,192)
Net realised loss from foreign currencies		-	(202)
Net other income received		399	733
Salaries and other employee benefits paid		(12,492)	(9,030)
General, administrative and operating expenses paid		(25,299)	(16,490)
Interest received		9,462	2,570
Interest paid		(35,232)	(11,731)
Net change in operating assets and liabilities		779	1,895
Net cash flows (used in) from operating activities from continuing operations before income tax		**(7,426)**	**24,161**
Income tax paid		(1,053)	(3,531)
Net cash flows (used in) from operating activities from continuing operations		**(8,480)**	**20,630**
Net cash flows from (used in) operating activities from discontinued operations		25,226	(1,554)
Net Cash flow from operating activities		**16,746**	**19,076**
Cash flows used in investing activities			
Net (placement) withdrawals of amounts due from credit institutions		(45,054)	974
Loans issued		(129,414)	(7,180)
Acquisition of subsidiaries, net of cash acquired	4	(24,310)	(7,282)
Purchase of debt securities		(81,857)	(2,620)
Proceeds from sale of investment properties	10	2,456	565
Purchase of investment properties	10	(18,935)	(9,660)
Proceeds from sale of property and equipment and intangible assets		755	2,319
Purchase of property and equipment and intangible assets		(155,700)	(90,800)
Net cash flows used in investing activities from continuing operations		**(452,059)**	**(113,684)**
Net cash flows used in investing activities from discontinued operations		(55,992)	(73,267)
Net cash flows used in investing activities		**(508,051)**	**(186,951)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

(Thousands of Georgian Lari)

	Notes	For the six months ended 30 June 2018 (unaudited)	30 June 2017 (unaudited)
Cash flows from financing activities			
Proceeds from borrowings		44,341	137,854
Repayment of borrowings		(322,106)	(42,894)
Proceeds from debt securities issued		717,560	-
Redemption of debt securities issued		(62,251)	(34,126)
Proceeds from issue of share capital		-	24,191
Purchase of treasury shares		(23,101)	-
Dividends paid		-	(7,000)
Contributions under share-based payment plan		(46,007)	(963)
Increase in share capital of subsidiaries		1,871	9,081
Net proceeds from dilution of interest in existing subsidiary		-	108,295
Net cash from financing activities from continuing operations		**310,307**	**194,438**
Net cash (used in) from financing activities from discontinued operations		(770)	69,749
Net cash from financing activities		**309,537**	**264,187**
Effect of exchange rates changes on cash and cash equivalents		(8,563)	(22,121)
Effect of exchange rates changes on cash and cash equivalents of disposal group held for sale		(776)	794
Effect of change in expected credit losses for cash and cash equivalents		(1)	-
Net (decrease) increase in cash and cash equivalents		**(191,107)**	**74,985**
Cash and cash equivalents, beginning of the period	7	**346,241**	**158,868**
Cash and cash equivalents of disposal group held for sale, beginning of the period	5	**48,840**	**-**
Cash and cash equivalents of disposal group held for sale, end of the period		**16,528**	**-**
Cash and cash equivalents, end of the period		**187,446**	**233,853**

(Thousands of Georgian Lari)

1. Principal Activities

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

JSC Georgia Capital was established on 6 August 2015 as a joint stock company (JSC) under the laws of Georgia. As of 31 December 2017, the Group's ultimate 100% owner was BGEO Group PLC ("BGEO" currently BGEO Group Limited), a company incorporated in England and listed on the London Stock Exchange.

On 3 July 2017 BGEO Group PLC ("BGEO") announced its intention to demerge the business activities of BGEO Group PLC into a London-listed banking business (the "Banking Business"), Bank of Georgia Group PLC, and a London-listed investment business (the "Investment Business"), Georgia Capital PLC, by the end of the first half of 2018. On May 29, 2018 Demerger of Investment business and Banking business of BGEO Group PLC became effective. As a result, Georgia Capital PLC became ultimate parent of Investment business i.e. the Group. Following the demerger, on 29 May 2018, ordinary shares of Georgia Capital PLC were admitted to the premium listing segment of the Official List on the London Stock Exchange's main market for listed securities, under the ticker CGEO.

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

As at 31 December 2017, the Group's 100% owner was JSC BGEO Group, a 100% subsidiary of BGEO Group PLC, a company incorporated in England and listed on the London Stock Exchange.

As at 30 June 2018, the following shareholders owned more than 4% of the total outstanding shares* of Georgia Capital. Other shareholders individually owned less than 4% of the outstanding shares.

	As at
Shareholder	***30 June 2018 (unaudited)***
Schroder Investment Management	5%
M&G Investment Management Ltd	4%
Others	91%
	100%

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

2. Basis of Preparation

General

The interim condensed consolidated financial statements of Georgia Capital PLC represent continuation of consolidated financial statements of JSC Georgia Capital prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).The financial information set out in these interim condensed consolidated financial statements does not constitute the Group's statutory financial statements within the meaning of section 434 of the Companies Act 2006.

These interim condensed consolidated financial statements for the six months ended 30 June 2018 were prepared in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting", as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct authority.

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

Assumptions and significant estimates in these interim condensed consolidated financial statements are consistent with those applied in the preparation of JSC Georgia Capital's annual consolidated financial statements for the year ended 31 December 2017. The Group did not previously present interim financial information for 6 months ended 30 June 2017.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2017, signed and authorized for release on 14 August 2018.

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

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

Going concern

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

3. Summary of significant accounting policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018 and a voluntary change in segment reporting. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have

an impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

3. Summary of Selected Significant Accounting Policies (continued)

Accounting policies (continued)

IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted the new standard from the effective date by recognizing the estimated impact from adoption in opening retained earnings on 1 January 2018 and as allowed by IFRS 9 did not restate comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's accounts receivables, cash and cash equivalents, amounts due from credit institutions and loans disbursed. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted and some quoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's investment in equity instruments were classified as AFS financial assets. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(Thousands of Georgian Lari)

3. Summary of Selected Significant Accounting Policies (continued)

Accounting policies (continued)

- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Net gains and losses, including any interest or dividend income from financial assets at FVPL, are recognised in profit or loss Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table below summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at 1 January 2018 and shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**ECL**	**New carrying amount under IFRS 9**
Assets					
Cash and cash equivalents	Loan and receivables	Amortised cost	346,241	(2)	346,239
Amounts due from credit institutions	Loan and receivables	Amortised cost	38,141	-	38,141
Debt securities owned			31,907	-	31,907
Debt securities	Available for sale	FVOCI - debt	*31,907*	-	*31,907*
Equity investments at fair value			1,153	-	1,153
Corporate shares	Available for sale	FVOCI - Designated	*1,153*	-	*1,153*
Accounts receivable	Loan and receivables	Amortised cost	35,337	(6,803)	28,534
Assets held for sale/distribution			123,388	(7,027)	116,361
Accounts receivable	Loan and receivables	Amortised cost	*123,388*	*(7,027)*	*116,361*
Total assets			**576,167**	**(13,832)**	**562,335**
Total liabilities			**1,574,120**	**-**	**1,574,120**

(Thousands of Georgian Lari)

3. Summary of Selected Significant Accounting Policies (continued)

Accounting policies (continued)

In addition to the application of new measurement categories under IFRS 9, the Group changed the presentation of debt and equity investment securities, which are presented separately as "debt securities owned" and "equity investments at fair value" in the statement of financial position. Prior to the change, debt and equity investment securities were presented together as "investment securities".

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans disbursed and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and accounts receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., amounts due from credit institutions and loans at amortised cost and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI: Line items that were not affected by the changes have not been included. As a result, total equity cannot be recalculated from the numbers provided.

	Retained earnings	Other reserves	Non controlling interest	Total equity
Closing balance under IAS 39 (31 December 2017)	**197,222**	**171,254**	**297,565**	**666,041**
Recognition of expected credit loss under IFRS 9 for assets at amortised cost	(10,616)	-	(3,216)	(13,832)
Recognition of expected credit loss under IFRS 9 for assets at FVOCI	(192)	192	-	-
Opening balance under IFRS 9 (1 January 2018)	**186,414**	**171,446**	**294,349**	**652,209**

(Thousands of Georgian Lari)

3. Summary of Selected Significant Accounting Policies (continued)

Accounting policies (continued)

The following table demonstrates the impact on opening balance of loss allowance:

	Loss allowance under IAS 39/IAS 37 at 31 December 2017	ECL	Loss allowance under IFRS 9 at 1 January 2018
Loans and receivables (IAS 39)/Financial assets at amortized cost (IFRS 9)			
Cash and cash equivalents	-	(2)	(2)
Accounts receivable	(4,003)	(6,803)	(10,806)
Assets held for sale/distribution (Accounts Receivable)	(14,692)	(7,027)	(21,719)
Total impact of adopting IFRS 9 at 1 January 2018	**(18,695)**	**(13,832)**	**(32,527)**

(c) Hedge accounting

The Group continues to apply the hedge accounting requirements of IAS 39.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as assets held for sale and liabilities associated with them and exchange differences on translation of foreign operations were adjusted as necessary.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

3. Summary of Selected Significant Accounting Policies (continued)

Accounting policies (continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for share-based transactions with net settlement features for withholding tax obligations is consistent with the approach clarified in the amendments. In addition, the Group has no cash-settled share-based payment transactions and had not made modifications to the terms and conditions of its share-based payment transaction where modification changed classification from cash settled to equity settled. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments did not have impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

(Thousands of Georgian Lari)

4. Business Combinations

Acquisitions during the six months ended 30 June 2018

Acquisition of Genuine Brewing Company

On 7 February 2018 the Group acquired 100% equity stake in a Georgian craft beer producer, Genuine Brewing Company LLC.

Provisionally estimated unaudited net assets of Genuine Brewing Company LLC at acquisition date comprised GEL 5,609 Consideration comprised of GEL 7,835 .

The fair values of aggregate identifiable assets and liabilities of Genuine Brewing Company LLC as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	129
Accounts receivable[1]	214
Inventories	442
Property and equipment	5,297
Intangible assets	74
Other assets	1
	6,157
Accounts payable	195
Other liabilities	353
	548
Total identifiable net assets	**5,609**
Goodwill arising on business combination	2,226
Purchase consideration	**7,835**

The net cash outflow on acquisition was as follows:

	30 June 2018
Cash paid	(7,835)
Cash acquired with the subsidiary	129
Net cash outflow	**(7,706)**

The Group decided to increase its presence in the beverage market by acquiring Genuine Brewing Company LLC. Management considers that the purchase will have a positive impact on the value of the Group's beverage business.

Since the acquisition, Genuine Brewing Company LLC has recorded GEL 850 and GEL 906 of revenue and loss, respectively. The acquisition would not have material effect on Group's profit if the combination had taken place at the beginning of the period.

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

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

[1] The fair value of the receivables amounted to GEL 214. The gross amount of receivables is GEL 214.

(Thousands of Georgian Lari)

4. Business Combinations (continued)

Kindzmarauli Marani LLC

On 26 April 2018 Georgia Capital acquired 60.5% of Kindzmarauli Marani LLC ("Kindzmarauli"), a producer of high quality Georgian wines and spirits, which owns 350 hectares of vineyards in Georgia's Kakheti region, from individual investors. The acquisition was carried out through locally established special purpose vehicle ("SPV"). The control over Kindzmarauli is obtained without having direct equity interest, through loan and management agreements signed with SPV, which provide Georgia Capital with the power, exposure to variability of returns and the ability to use the power to affect the returns of Kindzmarauli.

The fair values of aggregate identifiable assets and liabilities of Kindzmarauli as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	1,209
Accounts receivable[1]	1,899
Inventories	2,817
Property and equipment	26,299
Intangible assets	28
Prepayments	19
	32,272
Borrowings	14,560
Accounts payable	2,586
Deferred income	836
Other liabilities	82
	18,064
Total identifiable net assets	**14,208**
Non-controlling interests	(472)
Goodwill arising on business combination	3,133
Purchase consideration[2]	**17,813**

For the purposes of NCI calculation, net assets of Kindzmarauli are derived after deducting liability outstanding to Georgia Capital at acquisition date fair value.

The net cash outflow on acquisition was as follows:

	30 June 2018
Cash paid	(17,813)
Cash acquired with the subsidiary	1,209
Net cash outflow	**(16,604)**

The Group decided to obtain ownership over 350 hectares of vineyards and wine production facilities in Georgia's Kakheti region as a step towards Georgia Capital's goal of owning 1,000 hectares of vineyards through the acquisition of Kindzmarauli. Management considers that the acquisition will have a positive impact on the value of the Group.

4. Business Combinations (continued)

Since the acquisition, Kindzmarauli has recorded GEL 813 and GEL 355 of revenue and loss, respectively.
The acquisition would not have material effect on Group's profit if the combination had taken place at the beginning of the period.

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

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

[1] The fair value of the receivables amounted to GEL 1,899. The gross amount of receivables is GEL 1,899.
[2] Purchase consideration comprises of GEL 6,143 cash payment for acquisition of equity stake in the company and GEL 11,670 paid to acquire a loan to the acquiree from its previous controlling shareholder.

(Thousands of Georgian Lari)

5. Discontinued Operations and Assets and Liabilities of Disposal Group Held for Sale

At 31 December 2017, given the expectation, in line with Georgia Capital's strategy, that it is highly probable the Group will own less than a 50% stake in Georgia Healthcare Group ("GHG"), at the end 2018, the Group classified GHG as "disposal group held for sale" and its results of operations are reported under "discontinued operations" line as a single amount in the consolidated income statement. The Group determined that GHG continues to meet the criteria to be classified as held for sale as at 30 June 2018.

Below are presented income statement line items of the Group attributable to discontinued operations for the six months ended 30 June 2018 and 30 June 2017:

	For the six months ended	
	30 June 2018 (unaudited)	***30 June 2017 (unaudited)***
Revenue	424,646	208,180
Cost of sales	(288,848)	(94,875)
Gross profit	**135,798**	**113,305**
Salaries and other employee benefits	(41,232)	(36,546)
Administrative expenses	(26,185)	(25,856)
Other operating expenses	(3,332)	(4,246)
Expected credit loss / impairment charge on financial assets and credit-related commitments	(2,418)	(2,123)
	(73,167)	**(68,771)**
EBITDA	**62,631**	**44,534**
Profit from associates	-	211
Depreciation and amortisation	(16,563)	(6,033)
Net foreign currency gain	2,120	1,665
Interest income	592	1,224
Interest expense	(18,612)	(13,920)
Net operating income before non-recurring items	**30,168**	**27,681**
Net non-recurring items	(1,662)	(3,271)
Profit before income tax expense	**28,506**	**24,410**
Income tax expense	(117)	(107)
Profit for the period*	**28,389**	**24,303**

** The difference with profit from discontinued operations in consolidated income statements is attributable to intra-group eliminations in the net gain amount of GEL 1,825 for the 6 months ended 30 June 2018 (2017: 338) and cessation of depreciation and amortisation expense of disposal group according to IFRS 5 of GEL 16,563 (2017: Nil).*

(Thousands of Georgian Lari)

5. Discontinued Operations and Assets and Liabilities of Disposal Group Held for Sale (continued)

Assets and liabilities of disposal group held for sale as at 30 June 2018 and 31 December 2017 are presented below:

	30 June 2018 (unaudited)	***31 December 2017***
Cash and cash equivalents	16,528	48,840
Amounts due from credit institutions	10,168	14,768
Investment securities	1,232	1,263
Accounts receivable	126,451	123,388
Insurance premiums receivable	31,272	21,257
Inventories	114,182	118,811
Prepayments	21,841	30,354
Income tax assets	2,132	2,026
Property and equipment	665,067	626,476
Goodwill	114,798	114,798
Intangible assets	32,736	28,466
Other assets	26,560	19,313
Total assets**	**1,162,967**	**1,149,760**
Accounts payable	83,507	97,321
Insurance contracts liabilities	31,228	20,953
Income tax liabilities	62	72
Deferred income	4,571	-
Borrowings	269,823	267,010
Debt securities issued	93,487	93,493
Other liabilities	140,187	140,552
Total liabilities**	**622,865**	**619,401**

*** The differences with assets and liabilities of disposal group held for sale presented in consolidated statement of financial position are attributable to intra-group eliminations in amount of GEL 744 and GEL 20,091 respectively (2017: GEL 1,176 and GEL 372) and cessation of depreciation and amortisation expense of disposal group according to IFRS 5 of GEL 16,563.*

6. Segment Information

At 30 June 2018 the Group changed the composition, measurement and presentation of its reportable segments. In line with IFRS 8 requirements, the change was applied retrospectively for comparable periods. The change primarily related to the presentation of segments based on the industries instead of legal entities and measurement based on segments' standalone performance prior to adjusting for intragroup transactions and balances instead of measurement after intragroup adjustments.

The table below summarizes the change in segment reporting:

Previously presented segment	New segment
m²	• *Housing Development* • *Commercial and Hospitality*
Aldagi	• *P&C Insurance*
GGU	• *Water Utility* • *Renewable Energy*
Teliani	• *Beverage*
	• *Corporate Center*

The Group believes that the revised composition and presentation of its reportable segments provides more relevant information to the financial statement users as it better aligns financial reporting with management's views of operations within the Group and decision-making about resource allocations.

For management purposes, the Group is organised into the following operating segments based on the industries as follows:

GHG (Discontinued)	- Georgia Healthcare Group - principally providing wide-scale healthcare, health insurance and pharmaceutical services to clients and insured individuals;
Housing Development	- Principally developing, constructing and selling residential apartments and providing land development services to third parties.
Commercial and Hospitality	- Developing and leasing rent-earning commercial assets and developing hotels across Georgia
Water Utility	- Principally supplying water and providing a wastewater service;
Renewable Energy	- Principally developing renewable energy power plants and supplying electricity
P&C Insurance	- Principally providing wide-scale property and casualty insurance services to corporate and individual clients.
Beverage	- Principally producing and distributing wine, beer and soft beverages.
Corporate Centre	-Comprising of Georgia Capital PLC and JSC Georgia Capital

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

Transactions between segments are accounted for at actual transaction prices.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 6 months period ended 30 June 2018 and 2017.

(Thousands of Georgian Lari)

6. Segment Information (continued)

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

	GHG (Discontinued)	*Commercial and Hospitality*	*Housing development*	*Renewable energy*	*Water Utility*	*P&C insurance*	*Beverage*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	-	3,965	62,450	-	69,833	28,425	30,765	-	(2,516)	192,922
Cost of sales	-	(1,434)	(52,545)	-	(18,246)	(12,503)	(19,321)	-	925	(103,124)
Gross profit	**-**	**2,531**	**9,905**	**-**	**51,587**	**15,922**	**11,444**	**-**	**(1,591)**	**89,798**
Operating expenses and impairment	-	(694)	(4,741)	(403)	(14,642)	(7,172)	(17,298)	(7,398)	2,323	(50,025)
EBITDA	**-**	**1,837**	**5,164**	**(403)**	**36,945**	**8,750**	**(5,854)**	**(7,398)**	**732**	**39,773**
Depreciation and amortisation	-	(105)	(332)	(161)	(12,084)	(475)	(5,200)	-	-	(18,357)
Net foreign currency (loss) / gain	-	(24)	(524)	(245)	4,391	(346)	4,518	(5,104)	(390)	2,276
Interest income	-	44	255	55	222	1,725	63	14,742	(6,972)	10,134
Interest expense	-	(993)	(188)	-	(7,190)	-	(3,041)	(19,079)	5,322	(25,169)
Net operating income / (loss) before non-recurring items	**-**	**759**	**4,375**	**(754)**	**22,284**	**9,654**	**(9,514)**	**(16,839)**	**(1,308)**	**8,657**
Net non-recurring (expense/loss) income/gain	-	(1,187)	(4,443)	338	(5,484)	(628)	(196)	(23,567)	-	(35,167)
Profit / (loss) before income tax from continuing operations	**-**	**(428)**	**(68)**	**(416)**	**16,800**	**9,026**	**(9,710)**	**(40,406)**	**(1,308)**	**(26,510)**
Income tax expense	-	-	-	-	-	(1,349)	-	-	-	(1,349)
Profit / (loss) for the period from continuing operations	**-**	**(428)**	**(68)**	**(416)**	**16,800**	**7,677**	**(9,710)**	**(40,406)**	**(1,308)**	**(27,859)**
Profit from discontinued operations	28,389	-	-	-	-	-	-	-	18,388	46,777
Profit / (loss) for the period	**28,389**	**(428)**	**(68)**	**(416)**	**16,800**	**7,677**	**(9,710)**	**(40,406)**	**17,080**	**18,918**
Total profit / (loss) attributable to:										
Shareholders of Georgia Capital PLC	**10,620**	**(424)**	**(68)**	**(270)**	**16,800**	**7,677**	**(7,584)**	**(40,406)**	**9,006**	**(4,649)**
Revenue from continued operations	**-**	**3,965**	**62,450**	**-**	**69,833**	**28,425**	**30,766**	**-**	**(2,517)**	**192,922**
Revenue from discontinued operations	**424,646**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**424,646**
Assets and liabilities										
Cash and cash equivalents	**-**	9,220	13,521	11,351	30,475	2,740	6,774	113,365	-	187,446
Amounts due from credit institutions	**-**	-	324	-	3,799	25,404	2,612	51,078	-	83,217
Debt investment securities	**-**	-	-	-	-	4,442	-	187,559	(97,577)	94,424
Equity investments at fair value		107	1,624	-	-	-	-	1,202,571	(609,080)	595,222
Total assets	**1,179,570**	**189,263**	**233,928**	**117,314**	**614,890**	**134,018**	**196,176**	**1,862,592**	**(898,308)**	**3,629,443**
Borrowings	**-**	100,231	54,866	82,780	235,313	-	91,208	-	(201,179)	363,219
Debt securities issued	-	-	62,335	-	30,060	-	-	733,261	(81,639)	744,017
Total liabilities	**622,863**	**100,714**	**165,398**	**87,091**	**332,572**	**87,489**	**120,859**	**757,743**	**(303,833)**	**1,970,896**
Total equity attributable to shareholders of the Group	**285,943**	**78,700**	**68,530**	**19,623**	**282,319**	**46,528**	**60,514**	**1,104,849**	**(595,614)**	**1,351,392**
Other segment information										
Property and equipment	-	30,041	2,627	25,521	95,736	757	6,054	324	-	161,060
Intangible assets			24		22	196	339			581
Capital expenditure	**-**	**30,041**	**2,651**	**25,521**	**95,758**	**953**	**6,393**	**324**	**-**	**161,641**
Depreciation & amortisation	-	(105)	(332)	(161)	(12,084)	(475)	(5,200)	-	-	(18,357)

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the 6 months ended 30 June 2017:

	GHG (Discontinued)	*Commercial and Hospitality*	*Housing development*	*Renewable energy*	*Water Utility*	*P&C insurance*	*Beverage*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	-	1,953	56,379	(30)	60,582	26,398	19,297	(24)	(963)	163,592
Cost of sales	-	(280)	(32,488)	-	(18,110)	(11,543)	(10,884)	-	-	(73,305)
Gross profit	**-**	**1,673**	**23,891**	**(30)**	**42,472**	**14,855**	**8,413**	**(24)**	**(963)**	**90,287**
Operating expenses and impairment	-	(273)	(2,965)	(1,854)	(11,757)	(6,235)	(9,456)	(1,895)	587	(33,848)
EBITDA	**-**	**1,400**	**20,926**	**(1,884)**	**30,715**	**8,620**	**(1,043)**	**(1,919)**	**(376)**	**56,439**
Net gains from disposal of investment businesses*	-	-	-	-	-	-	-	90,275	(90,275)	-
Depreciation and amortisation	-	(6)	(121)	(72)	(9,820)	(475)	(1,411)	-	-	(11,905)
Net foreign currency gain / (loss)	-	(21)	(270)	(406)	(63)	(570)	499	423	-	(408)
Interest income	-	24	455	-	499	1,365	86	271	(107)	2,593
Interest expense	-	(93)	(187)	(410)	(5,240)	-	(603)	(9,210)	92	(15,651)
Net operating income / (loss) before non-recurring items	**-**	**1,304**	**20,803**	**(2,772)**	**16,091**	**8,940**	**(2,472)**	**79,840**	**(90,666)**	**31,068**
Net non-recurring (expense/loss) income/gain	-	6	111	-	(251)	-	35	-	-	(99)
Profit (loss) before income tax from continuing operations	**-**	**1,310**	**20,914**	**(2,772)**	**15,840**	**8,940**	**(2,437)**	**79,840**	**(90,666)**	**30,969**
Income tax expense	-	-	-	-	(390)	(1,350)	(95)	-	-	(1,835)
Profit / (loss) for the period from continuing operations	**-**	**1,310**	**20,914**	**(2,772)**	**15,450**	**7,590**	**(2,532)**	**79,840**	**(90,666)**	**29,134**
Profit from discontinued operations	24,303	-	-	-	-	-	-	-	388	24,691
Profit / (loss) for the period	**24,303**	**1,310**	**20,914**	**(2,772)**	**15,450**	**7,590**	**(2,532)**	**79,840**	**(90,278)**	**53,825**
Total profit / (loss) attributable to:										
Shareholders of Georgia Capital PLC	**9,711**	**1,310**	**20,914**	**(2,057)**	**15,450**	**7,590**	**(1,996)**	**79,840**	**(90,273)**	**40,489**
Revenue from continued operations	**-**	**1,953**	**56,379**	**(30)**	**60,582**	**26,398**	**19,297**	**(27)**	**(960)**	**163,592**
Revenue from discontinued operations	**208,180**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**208,180**
Assets and liabilities										
Cash and cash equivalents	**-**	14,998	19,945	8,298	61,961	4,186	17,454	219,399	-	346,241
Amounts due from credit institutions	**-**	-	114	-	7,658	25,968	4,401	-	-	38,141
Debt investment securities	**-**	-	-	-	-	4,180	-	45,147	(17,420)	31,907
Equity investments at fair value		124	3,204	-	-	-	-	933,481	(935,656)	1,153
Total assets	**1,166,357**	**130,440**	**244,600**	**96,552**	**569,474**	**135,325**	**167,974**	**1,230,794**	**(1,025,168)**	**2,716,348**
Borrowings	**-**	39,000	44,244	64,848	217,405	-	71,430	272,279	(58,472)	650,734
Debt securities issued	-	-	65,925	-	30,009	-	-	-	(18,099)	77,835
Total liabilities	**619,398**	**41,880**	**168,991**	**69,920**	**301,551**	**86,473**	**92,813**	**273,506**	**(80,412)**	**1,574,120**
Total equity attributable to shareholders of the Group	**282,505**	**78,142**	**75,609**	**17,290**	**267,923**	**48,852**	**57,509**	**957,282**	**(940,449)**	**844,663**
Other segment information										
Property and equipment	37,024	9,491	64	4,089	45,582	359	29,797	-	-	126,406
Intangible assets	5,618	-	94	68	109	68	80	-	-	6,037
Capital expenditure	**42,642**	**9,491**	**158**	**4,157**	**45,691**	**427**	**29,877**	**-**	**-**	**132,443**
Depreciation & amortisation	-	(6)	(121)	(72)	(9,820)	(475)	(1,411)	-	-	(11,905)

**Net gains from disposal of investment business of corporate center comprises of gain from sale of GHG as accounted in JSC Georgia Capital's separate income statement, related increase in consolidated equity is presented as sale of interests in existing subsidiaries in consolidated statement of changes in equity.*

(Thousands of Georgian Lari)

7. Cash and Cash Equivalents

	30 June 2018 (unaudited)	*31 December 2017*
Cash on hand	291	627
Current accounts with financial institutions	166,263	345,614
Time deposits with financial institutions with maturities of up to 90 days	20,893	-
Cash and cash equivalents, Gross	**187,447**	**346,241**
Allowance	(1)	-
Cash and cash equivalents, Net	**187,446**	**346,241**

8. Amounts Due from Credit Institutions

	30 June 2018 (unaudited)	*31 December 2017*
Time deposits with maturities of more than 90 days	83,306	30,485
Deposits pledged as security for open commitments	-	7,656
Amounts due from credit institutions, Gross	**83,306**	**38,141**
Allowance	(89)	-
Amounts due from credit institutions, Net	**83,217**	**38,141**

9. Debt Securities Owned and Equity Investments at Fair Value

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Treasury bills	24,475	-
Internationally listed debt securities	62,286	-
Locally listed debt securities	7,663	31,907
Debt securities owned	**94,424**	**31,907**

	As at	
	30 June 2018 (unaudited)	*31 December 2017*
Bank of Georgia Group PLC	594,069	-
Other	1,153	1,153
Equity investments at fair value	**595,222**	**1,153**

(Thousands of Georgian Lari)

10. Investment Properties

	As at	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
At 1 January	**159,989**	**134,990**
Additions	18,935	9,660
Disposals	(2,456)	(565)
Net gains from revaluation of investment property	2,311	21,785
Transfers from / (to) property and equipment and other assets*	10,102	(239)
Currency translation differences	(7,866)	(13,071)
At 30 June (unaudited)	**181,015**	**152,560**

**** Comprised of GEL 2,119 transfer from property and equipment (2017: transfers to property and equipment GEL 937), GEL 7,983 transfer from other assets - inventories (2017: transfer from other assets – inventories GEL 698).***

Investment properties are stated at fair value. Fair value represents the price that would be received in exchange for an asset in an arm's length transaction between market participants at the measurement date. The date of latest revaluation is 31 December 2017 and was carried out by professional valuators. In June 2018 the Group engaged professional valuators to revalue its investment property transferred from inventory, previously stated at cost. The Group concluded that otherwise no significant change in fair values of its investment properties occurred during 6 months ended 30 June 2018.

11. Property and Equipment

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

	Office buildings	*Hotels*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost or revalued amount								
31 December 2017	**136,784**	**-**	**142,801**	**275,669**	**91,023**	**13,949**	**41,614**	**701,840**
Additions	400	4,670	140,460	5,427	5,160	1,087	3,856	161,060
Business combinations, Note 4	6,639	-	-	-	7,892	5,632	11,433	31,596
Disposals	(53)	-	-	(55)	(31)	(1)	(891)	(1,031)
Transfers	(130)	23,194	(54,783)	30,007	-	1,163	549	-
Transfers (to) / from investment properties	(2,487)	-	-	-	-	-	8	(2,479)
Currency translation differences	(491)	(261)	(4,994)	-	-	(64)	(267)	(6,077)
At 30 June 2018 (unaudited)	**140,662**	**27,603**	**223,484**	**311,048**	**104,044**	**21,766**	**56,302**	**884,909**
Accumulated impairment								
31 December 2017	**390**	**-**	**-**	**-**	**-**	**23**	**1**	**414**
Reversal	(16)	-	-	-	-	-	-	(16)
Transfers to investment properties	(270)	-	-	-	-	-	-	(270)
At 30 June 2018 (unaudited)	**104**	**-**	**-**	**-**	**-**	**23**	**1**	**128**
Accumulated depreciation								
31 December 2017	**5,249**	**-**	**-**	**23,084**	**3,887**	**6,314**	**5,257**	**43,791**
Depreciation charge	491	89	-	9,706	3,583	1,192	1,601	17,662
Currency translation differences	(181)	-	-	-	-	247	(157)	(91)
Transfers	(59)	-	-	-	-	540	(481)	-
Transfers to investment properties	(90)	-	-	-	-	-	-	(90)
Disposals	-	-	-	(11)	(1)	(4)	(20)	(36)
At 30 June 2018 (unaudited)	**5,410**	**89**	**-**	**32,779**	**7,469**	**8,289**	**7,200**	**61,236**
Net book value:								
31 December 2017	**131,145**	**-**	**142,801**	**252,585**	**87,136**	**7,612**	**36,356**	**657,635**
At 30 June 2018 (unaudited)	135,148	27,514	223,484	278,269	96,575	13,454	49,101	823,545

(Thousands of Georgian Lari)

11. Property and Equipment (continued)

The movements in property and equipment during the 6 months ended 30 June 2017 were as follows:

	Office buildings	*Hospitals & Clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost or revalued amount								
31 December 2016	**137,313**	**388,803**	**86,905**	**199,304**	**-**	**160,086**	**43,670**	**1,016,081**
Additions	3,011	5,386	31,328	22,135	23,581	27,394	13,571	126,406
Business combinations	6,460	-	-	-	-	2,454	5,413	14,327
Disposals	(331)	-	(1)	(1,043)	-	(64)	(345)	(1,784)
Transfers	5	3	(59,434)	367	59,055	-	4	-
Transfers from / (to) investment properties	2,067	-	(1,130)	-	-	-	-	937
Transfers to other assets	-	-	(9)	-	-	-	-	(9)
Currency translation differences	(28)	277	(2,905)	-	-	(73)	(388)	(3,117)
30 June 2017	**148,497**	**394,469**	**54,754**	**220,763**	**82,636**	**189,797**	**61,925**	**1,152,841**
Accumulated impairment								
31 December 2016	**417**	**-**	**-**	**-**	**-**	**-**	**1**	**418**
Currency translation differences	(34)	-	-	-	-	(1)	-	(35)
30 June 2017	**383**	**-**	**-**	**-**	**-**	**(1)**	**1**	**383**
Accumulated depreciation								
31 December 2016	**3,858**	**8,554**	**-**	**5,738**	**-**	**19,157**	**5,631**	**42,938**
Depreciation charge	653	1,702	-	8,066	-	9,127	3,173	22,721
Currency translation differences	(13)	-	-	-	-	(78)	(23)	(114)
Transfers (to) other assets	(6)	-	-	(3)	-	-	9	-
Disposals	(20)	-	-	823	-	(36)	(235)	532
30 June 2017	**4,472**	**10,256**	**-**	**14,624**	**-**	**28,170**	**8,555**	**66,077**
Net book value:								
31 December 2016	**133,038**	**380,249**	**86,905**	**193,566**	**-**	**140,929**	**38,038**	**972,725**
30 June 2017	**143,642**	**384,213**	**54,754**	**206,139**	**82,636**	**161,628**	**53,369**	**1,086,381**

12. Borrowings

Borrowings comprise:

	30 June 2018 (unaudited)	***31 December 2017***
Borrowings from local financial institutions	75,058	42,512
Borrowings from international financial institutions	288,161	335,943
Other borrowings*	-	272,279
Borrowings	**363,219**	**650,734**

** Other borrowings comprised of borrowing from JSC BGEO Group.*

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants"). At 30 June 2018 and 31 December 2017 the Group complied with all the Lender Covenants of the borrowings from international credit institutions.

(Thousands of Georgian Lari)

13. Debt Securities Issued

Debt securities issued comprise:

	As at	
	30 June 2018 (unaudited)	***31 December 2017***
USD denominated Eurobonds issued by Georgia Capital	669,752	-
USD denominated local bonds issued by m2	60,822	64,445
GEL denominated local bonds issued by GGU	13,443	13,390
Debt securities issued	**744,017**	**77,835**

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

14. Commitments and Contingencies

Legal

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

Commitments and contingencies

As at 30 June 2018 and 31 December 2017 the Group's commitments and contingencies comprised the following:

	As at	
	30 June 2018 (unaudited)	***31 December 2017***
Operating lease commitments		
Not later than 1 year	3,229	3,836
Later than 1 year but not later than 5 years	5,850	5,882
Later than 5 years	42	1,691
	9,121	**11,409**
Capital expenditure commitments	**6,700**	**-**
Total Commitments	**15,821**	**11,409**

As at 30 June 2018, capital expenditure commitment was for purchase of licence to operate technical inspection facilities (2017: nil). The Group's property and casualty insurance portfolio company, Aldagi has won the state tender, through its wholly-owned subsidiary, to launch and operate 51 periodic technical inspection lines across Georgia. As part of the Georgia-EU Association Agreement, Georgia will implement a mandatory vehicle inspection program in several phases starting from January 2019.

(Thousands of Georgian Lari)

15. Equity

Share capital

As at 30 June 2018 issued share capital comprised 39,384,712 authorised common shares (31 December 2017: 10,000,000), of which were fully paid (2017: 10,000,000). Each share has a nominal value of one British penny (2017: one Georgian lari). Shares issued and outstanding as at 30 June 2018 are described below:

	Number of shares Ordinary	*Amount*
31 December 2016	**8,481,719**	**8,482**
Issue of share capital	1,518,281	1,518
31 December 2017	**10,000,000**	**10,000**
Issue of share capital	1,526,000	1,526
Transfer of JSC Georgia Capital shares to new parent company	(11,526,000)	(11,526)
Incorporation of New Parent Company (Georgia Capital PLC)	39,384,712	1,644,011
Capital Reduction (change in Nominal Value)	-	(1,642,718)
30 June 2018	**39,384,712**	**1,293**

Incorporation of New Parent company

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

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

Capital Reduction

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

Buyback Programme

On 14 June 2018 the Group announced commencement of a share buyback programme of up to USD 45 million (GEL 110.3 million) (the "Programme"). The Company has entered into an agreement with its brokers Numis Securities Limited ("Numis") and Investec Bank PLC ("Investec") to enable Numis and Investec to use the maximum consideration of USD 45 million (GEL 110.3 million) to purchase the Group's shares ("Shares") in accordance with the terms of the general authority to make market purchases of up to 3,938,471 of its Shares. All repurchased shares will be held in the Group's treasury.

(Thousands of Georgian Lari)

15. Equity (continued)

Treasury Shares

The number of treasury shares held by the Company as at 30 June 2018 was 2,472,916 (31 December 2017: nil). From which 661,179 shares were bought back within the Buyback Program announced on 14 June 2018. The rest of the shares are kept by the Company for the purposes of its future employee share-based compensations.

Dividends

Shareholders are entitled to dividends in Georgian Lari.

In April 2017, JSC Insurance Company Aldagi declared interim dividends. Payment of the total GEL 7,000 interim dividend was received by shareholders of the Group on 4 April 2017. Dividend distribution by JSC Insurance Company Aldagi was treated as a distribution of the Group.

Nature and purpose of Other Reserves

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

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

Movements in other reserves during the 6 months ended 30 June 2018 and 30 June 2017 are presented in the statements of other comprehensive income.

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

Upon initial recognition, management irrevocably designated 19.9% equity interest in Banking Business and Bank of Georgia Group PLC at fair value through other comprehensive income (FVOCI). As a result, the difference between initially recorded fair value of GEL 706,000 and fair value of 19.9% stake at 30 June 2018 (GEL 594,068) in the amount of GEL 111,931 has been recognized in other comprehensive income. Subsequently, all changes in fair value of 19.9% equity stake will be recorded through other comprehensive income (OCI) and never reclassified to PL, not even upon disposal of the stake.

Non-controlling interest

	2018	***2017***
Total assets	1,179,570	1,166,357
Total Liabilities	622,863	619,398
Profit for the period	34,451	24,303
Net decrease in cash and cash equivalents	(32,312)	(5,866)
Profit attributable to non-controlling interest	25,843	14,591

Georgia Healthcare Group PLC ("GHG") is the only significant subsidiary of the Group that has a material non-controlling interest of 43% as of 30 June 2018 (31 December 2017 43%). The following table summarises key information before intragroup eliminations relevant to Georgia Healthcare Group PLC.

(Thousands of Georgian Lari)

15. Equity (continued)

Earnings per share

	For the six months ended	
	30 June 2018	*30 June 2017*
Basic and diluted earnings per share		
(Loss)/profit for the period attributable to ordinary shareholders of the parent	(4,649)	40,489
(Loss)/profit for the period from continuing operations attributable to ordinary shareholders of the parent	(25,583)	30,389
(Loss)/profit for the period from discontinued operations attributable to ordinary shareholders of the parent	20,934	10,100
Weighted average number of ordinary shares outstanding during the period*	37,830,420	29,035,376
(Loss) / earnings per share	(0.1229)	1.3945
(Loss) / earnings per share from continuing operations	(0.6763)	1.0466
Earnings per share from discontinued operations	0.5534	0.3479

** Weighted average number of shares includes subsequent incorporation of Georgia Capital PLC and use of its number of shares with a retrospective approach. Refer to Note 1.*

16. Gross Profit

	For the six months ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Utility and energy revenue	65,769	57,668
Real estate revenue	65,520	58,184
Net insurance premiums earned	26,658	25,440
Beverage revenue	30,809	19,415
Other income	4,166	2,885
Revenue	**192,922**	**163,592**
Cost of utility and energy	(17,967)	(18,109)
Cost of real estate	(53,332)	(32,768)
Net insurance premiums incurred	(12,503)	(11,543)
Cost of beverage	(19,322)	(10,885)
Cost of sales	**(103,124)**	**(73,305)**
Gross profit	**89,798**	**90,287**

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

	For the six months ended	
	30 June 2018 (unaudited)	*30 June 2017 (unaudited)*
Real estate revenue:		
Revaluation of m2 investment property	2,311	21,785
Income from operating leases	2,190	1,805
	4,501	**23,590**
Net insurance premiums earned	26,658	25,440
Other income	2,863	2,885
	34,022	**51,915**

(Thousands of Georgian Lari)

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

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

	Insurance premiums receivable	*Other assets*	*Provisions*	*Total*
	2018	*2018*	*2018*	*2018*
At 1 January	**4,243**	**22**	**3,103**	**7,368**
Charge	659	-	80	739
Reversal	-	-	(1,045)	(1,045)
Recoveries	-	-	(1,070)	(1,070)
Write-offs	(45)	-	(141)	(186)
Currency translation differences	(129)	(22)	-	(151)
At 30 June (unaudited)	**4,728**	**-**	**927**	**5,655**

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

	Cash and cash equivalents	*Amounts due from credit institutions*	*Debt securities owned*	*Accounts receivable*	*Total*
	2018	*2018*	*2018*	*2018*	*2018*
At 31 December	**-**	**-**	**-**	**4,003**	**4,003**
IFRS 9 Effect	2	-	192	6,803	6,997
At 1 January	**2**	**-**	**192**	**10,806**	**11,000**
(Reversal) Charge	(1)	89	224	4,224	4,536
Write-offs	-	-	-	(2,275)	(2,275)
Currency translation difference	-	-	-	(160)	(160)
At 30 June (unaudited)	**1**	**89**	**416**	**12,595**	**13,101**

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

The movements in the allowance for insurance premiums receivables and accounts receivables other receivables for the 6 months period 30 June 2017 are as follows:

	Insurance premiums receivable	*Accounts receivable*	*Provisions*	*Total*
	2017	*2017*	*2017*	*2017*
At 1 January	**8,762**	**2,292**	**706**	**11,760**
Charge	662	3,117	75	3,854
Write-offs	(3,778)	(433)	-	(4,211)
Currency translation differences	(744)	95	-	(649)
At 30 June (unaudited)	**4,902**	**5,071**	**781**	**10,754**

(Thousands of Georgian Lari)

18. Net Non-recurring Items

	For the six months ended	
	30 June 2018 (unaudited)	***30 June 2017 (unaudited)***
Demerger related fees	(13,077)	-
Share based payment acceleration effect	(20,303)	-
Loan prepayment fee	(1,325)	-
Other	(462)	(99)
Net non-recurring items	**(35,167)**	**(99)**

Portion of the demerger transaction expenses, GEL 15,376, was allocated to Georgia Capital. Majority of such fees are recognized by Georgia Capital as non-recurring expenses, while 15% of fees is recorded as reduction to equity since they are directly attributable to contribution of 19.9% Bank of Georgia Group PLC equity stake in Georgia Capital.

For executive managers who continued employment in Georgia Capital, service contracts with Band of Georgia or BGEO were terminated and new contracts were entered into with Georgia Capital after demerger. All outstanding unvested share awards under old service agreements were converted into 1 Georgia Capital PLC share vesting according to original schedule and 1 BOG PLC share vesting immediately per each BGEO share. The related share-based payment expense that has not been recognized in income statement as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed.

19. Fair Value Measurements

Fair value hierarchy

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

30 June 2018 (unaudited)	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	181,015	181,015
Land	-	-	*84,096*	*84,096*
Residential properties	-	-	*16,422*	*16,422*
Non-residential properties	-	-	*80,497*	*80,497*
Debt securities owned	49,555	44,869	-	94,424
Equity investments at fair value	594,069	-	1,153	595,222
Assets for which fair values are disclosed				
Cash and cash equivalents	-	187,446	-	187,446
Amounts due from credit institutions	-	83,217	-	83,217
Liabilities for which fair values are disclosed				
Debt securities issued	-	641,916	74,265	716,181
Borrowings	-	-	363,219	363,219

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

31 December 2017	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Total investment properties	-	-	159,989	159,989
Land	-	-	*84,016*	*84,016*
Residential properties	-	-	*2,168*	*2,168*
Non-residential properties	-	-	*73,805*	*73,805*
Debt securities owned	-	31,907	-	31,907
Equity investments at fair value	-	-	1,153	1,153
Assets for which fair values are disclosed				
Cash and cash equivalents	-	346,241	-	346,241
Amounts due from credit institutions	-	38,141	-	38,141
Liabilities for which fair values are disclosed				
Borrowings	-	77,972	572,762	650,734
Debt securities issued	-	-	81,312	81,312

Fair value hierarchy (continued)

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

Derivative financial instruments

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

Investment securities

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

Movements in level 3 financial instruments measured at fair value

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

	1 January 2017	*Purchase of AFS securities*	*At 31 December 2017*	*Purchase of AFS securities*	*At 30 June 2018*
Level 3 financial assets					
Equity investment securities available-for-sale	1,145	8	1,153	-	1,153

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

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

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

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

	Carrying Amount	*Effect of reasonably possible alternative assumptions*	*Carrying Amount*	*Effect of reasonably possible alternative assumptions*
	30 June 2018		*30 June 2017*	
Level 3 financial assets				
Equity investment securities available-for-sale	1,153	+/- 213	1,153	+/- 213

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

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

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

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated historical financial information. 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 2018	*Fair value 2018*	*Unrecognised gain (loss) 2018*	*Carrying value 2017*	*Fair value 2017*	*Unrecognised gain (loss) 2017*
Financial assets						
Cash and cash equivalents	187,446	187,446	-	346,241	346,241	-
Amounts due from credit institutions	83,217	83,217	-	38,141	38,141	-
Financial liabilities						
Borrowings	363,219	363,219	-	650,734	650,734	-
Debt securities issued	744,017	716,181	27,836	77,835	81,312	(3,477)
Total unrecognised change in unrealised fair value			**27,836**			**(3,477)**

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

Assets for which fair value approximates carrying value

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

(Thousands of Georgian Lari)

19. Fair Value Measurements (continued)

Fixed rate financial instruments

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

20. Maturity Analysis

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

	30 June 2018		
	Less than 1 Year	*More than 1 Year*	*Total*
Cash and cash equivalents	187,446	-	187,446
Amounts due from credit institutions	82,557	660	83,217
Debt securities owned*	91,224	3,200	94,424
Equity investments at fair value*	594,069	1,153	595,222
Accounts receivable	34,587	1,424	36,011
Insurance premiums receivable	29,565	292	29,857
Inventories	73,079	6,382	79,461
Investment properties	-	181,015	181,015
Prepayments	60,707	44,687	105,394
Income tax assets	-	1,060	1,060
Property and equipment	-	823,545	823,545
Goodwill	-	27,297	27,297
Intangible assets	-	5,238	5,238
Other assets	56,623	144,847	201,470
Assets of disposal group held for sale	1,178,786	-	1,178,786
Total assets	**2,388,643**	**1,240,800**	**3,629,443**
Accounts Payable	57,453	71	57,524
Insurance contracts liabilities	46,497	2,713	49,210
Income tax liabilities	841	-	841
Deferred income	31,876	20,900	52,776
Borrowings	30,324	332,895	363,219
Debt securities issued	15,124	728,893	744,017
Other liabilities	61,742	38,793	100,535
Liabilities of disposal group held for sale	602,774	-	602,774
Total liabilities	**846,631**	**1,124,265**	**1,970,896**
Net	**1,542,012**	**116,535**	**1,658,547**

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

(Thousands of Georgian Lari)

20. Maturity Analysis (continued)

	31 December 2017		
	Less than 1 Year	*More than 1 Year*	*Total*
Cash and cash equivalents	346,241	-	346,241
Amounts due from credit institutions	36,382	1,759	38,141
Debt securities owned	1,619	30,288	31,907
Equity investments at fair value	-	1,153	1,153
Accounts receivable	35,203	134	35,337
Insurance premiums receivable	30,818	37	30,855
Inventories	72,074	8,036	80,110
Investment properties	-	159,989	159,989
Prepayments	79,246	8,514	87,760
Income tax assets	186	1,188	1,374
Property and equipment	-	657,635	657,635
Goodwill	-	21,935	21,935
Intangible assets	-	5,457	5,457
Other assets	44,716	25,154	69,870
Assets of disposal group held for sale	1,148,584	-	1,148,584
Total assets	**1,795,069**	**921,279**	**2,716,348**
Accounts Payable	32,231	10,756	42,987
Insurance contracts liabilities	39,443	6,960	46,403
Income tax liabilities	860	-	860
Deferred income	49,863	23,203	73,066
Borrowings	299,762	350,972	650,734
Debt securities issued	1,350	76,485	77,835
Other liabilities	44,065	19,141	63,206
Liabilities of disposal group held for sale	619,029	-	619,029
Total liabilities	**1,086,603**	**487,517**	**1,574,120**
Net	**708,466**	**433,762**	**1,142,228**

(Thousands of Georgian Lari)

21. Related Party Disclosures

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

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

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

	*30 June 2018 (unaudited)***		*31 December 2017***	
	Management ******	*Entities under common control****	*Management* ******	*Entities under common control****
Assets				
Cash and cash equivalents	-	-	-	308,645
Amounts due from credit institutions	-	-	-	18,450
Debt securities owned	-	-	-	31,721
Insurance premiums receivable	-	-	-	281
Prepayments	-	-	-	32
Loans issued*	-	-	-	-
Other assets	-	-	-	12,435
	-	**-**	**-**	**371,564**
Liabilities				
Derivative financial liabilities	-	-	-	1,091
Borrowings	-	-	-	50,970
Debt securities issued	1,753	-	389	53,209
Deferred income	-	-	1,740	-
Other liabilities	-	-	-	74
	1,753	**-**	**2,129**	**105,344**

	*30 June 2018 (unaudited)***		*30 June 2017 (unaudited)***	
	Management ******	*Entities under common control****	*Management* ******	*Entities under common control****
Income and expenses				
Net insurance premiums earned	-	1,484	-	1,154
Gross real estate profit	3,990	377	3,837	491
Gross other profit	-	137	-	180
Fee and commission expense	-	(301)	-	(53)
Salaries and other employee benefits	(648)	(428)	-	(485)
Administrative expenses	-	(226)	-	(209)
Interest income from amounts due from credit institutions	-	2,938	-	1,909
Interest income from investment securities	-	1,470	-	84
Interest expense from borrowings	-	(2,914)	-	(3,993)
Interest expense from debt securities issued	-	(2,124)	-	(158)
Net foreign currency loss	-	(675)	-	-
	3,342	**(261)**	**3,837**	**(1,079)**

(Thousands of Georgian Lari)

21. Related Party Disclosures (continued)

**During the six months period ended 30 June 2018 and prior to demerger, JSC Georgia Capital issued a loan to the former parent JSC BGEO Group in the amount of GEL 122,680, presented in other assets in the interim condensed consolidated statement of financial position. Since as at 30 June 2018 (post demerger) JSC BGEO Group does not represent a related party, this loan is not disclosed in the above table.*

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

22. Events after the Reporting Period

Dividend receipt

On 9 July 2018, Bank of Georgia PLC declared an interim dividend of GEL 2.44 per ordinary share, which was paid to its ordinary shareholders on 31 July 2018. The Group received GBP 7,422 (GEL 23,875) dividend payment from Bank of Georgia PLC.

Vehicle inspection services

In July 2018, the Group's property and casualty insurance portfolio company, Aldagi has won the state tender, through its wholly-owned subsidiary, to launch and operate 51 periodic technical inspection lines across Georgia. As part of the Georgia-EU Association Agreement, Georgia will implement a mandatory vehicle inspection program in several phases. Aldagi paid GEL 6,700 for the two year technical inspection license.

Development of Commercial and Hospitality Business

On 8 August 2018, Group's Hospitality and commercial real estate business, owned through m2 Real Estate, acquired remaining 89% share of 4,946 sq.m. land plot in old Tbilisi neighborhood with a total cash consideration of USD 5,34 million (GEL 13,1 million).

Georgia Capital PLC 1H18 Results Conference Call Details

Georgia Capital PLC ("the Group") has published its financial results for the first half of 2018 on Monday, 20 August 2018 at 7:00 London time. The results announcement is available on the Group's website at Georgia Capital. An investor/analyst conference call, organised by the Group, will be held on 20 August 2018, at 15:00 UK / 16:00 CET / 10:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

Dial-in numbers:
Pass code for replays/Conference ID: **2698577**
International Dial In: +44 (0) 2071 928338
UK Freephone Dial In: 08002796619
UK Local Dial In: 08444819752
US: 18778709135
Austria: 0800005971
Belgium: 080048471
Canada: 18669250818
Czech Republic: 800720095
Denmark: 80711246
Finland: 0800773144
France: 0805101465
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UK Local Dial In: 08445718951
International Dial In: +44 (0) 3333009785
US: 1 (866) 331-1332

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COMPANY INFORMATION

Georgia Capital PLC

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

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

Contact Information
Georgia Capital PLC Investor Relations
Telephone: +44(0)203 178 4052; +995 322 005045
E-mail: ir@gcap.ge

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

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

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