

To the First Vice President
of the National Bank of Georgia
Mrs. Natela Turnava

Statement

of “SRG Real Estate”, LLC

(I/D 404535240)

With this statement we confirm that the individual and consolidated half-year statements for 2023 submitted by “SRG Real Estate”, LLC (ID: 404535240), in particular interim individual and consolidated financial statements and interim individual and consolidated management report, are prepared according to the applicable legislation, including the “Law of Georgia on securities market” and is complete, correct, and fair.

With deep respect,

Giorgi Ramishvili
Chairman of the Supervisory Board

Mamuka Shurghaia
Director

“SRG Real Estate”, LLC and Subsidiaries

**Interim Consolidated Financial Statements
for the 6-months period ended 30 June 2023**

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“SRG Real Estate” LLC
Consolidated Statement of Financial Position as at 30 June 2023

'000 GEL	Note	June 30 2023	31 December 2022
Assets			
Property, plant, and equipment	5	332,783	331,151
Investment property	6	238,775	238,930
Intangible assets		3,929	6,700
Prepayments for non-current assets	7	15,181	1,592
Loans receivable	9	25,415	222,123
Non-current assets		616,083	800,496
Inventories		6,713	6,483
Loans receivable	9	1,831	1,886
Trade and other receivables		13,465	11,523
Prepayments and other assets		5,933	9,062
Cash and cash equivalents	8	93,109	53,912
Current assets		121,051	82,866
Total assets		737,134	883,362
Equity			
Charter capital		464,296	671,140
Accumulated losses		(123,099)	(122,875)
Equity attributable to owners of the Company		341,197	548,265
Non-controlling interests		15,715	12,091
Total equity		356,912	560,356
Liabilities			
Loans and borrowings	12	329,433	230,374
Put option liability	11	-	42,138
Non-current liabilities		329,433	272,512
Loans and borrowings	12	33,981	33,287
Trade and other payables		16,808	17,207
Current liabilities		50,789	50,494
Total liabilities		380,222	323,006
Total equity and liabilities		737,134	883,362

Director
Mamuka Shurghaia

'000 GEL	Note	6 months 2023	6 months 2022
Revenue	3 (a)	115,077	112,560
Other income	3 (b)	7,014	7,054
Operating costs	4	(45,566)	(39,675)
Wages and other employee benefits		(47,506)	(43,299)
Depreciation and amortization		(14,818)	(14,110)
Impairment reversal of loans receivable		2,469	-
Other expenses		(774)	(970)
Results from operating activities		15,896	21,560
Interest income		6,645	8,946
Foreign exchange (loss)/ gain		(3,788)	(299)
Interest expense		(15,353)	(17,371)
Net finance costs		(12,496)	(8,724)
Profit before income tax		3,399	12,836
Income tax		-	-
Profit and total comprehensive income for the 6-months		3,399	12,836
Profit and total comprehensive income attributable to:			
Owners of the company		(225)	10,892
Non-controlling interests		3,624	1,944

These interim consolidated financial statements were approved by management on 11 August 2023 and are signed on its behalf by:

Director
Mamuka Shurghaia

“SRG Real Estate” LLC
Interim Consolidated Statement of Changes in Equity for 2023

'000 GEL	Note	Charter capital	Accumulated losses	Total	Non-controlling interests	Total equity
Balance as at 1 January 2022		671,140	(137,860)	533,280	7,529	540,809
Total comprehensive income						
Profit and total comprehensive income for the 6-months		-	10,892	10,892	1,944	12,836
Balance as at 30 June 2022		671,140	(126,968)	544,172	9,473	553,645
Balance as at 1 January 2023		671,140	(122,875)	548,265	12,091	560,356
Total comprehensive income						
Profit and total comprehensive income for the 6-months		-	(225)	(225)	3,624	3,399
Total transactions with owners, recorded directly in equity						
Equity reduction	10	(206,844)	-	(206,844)	-	(206,844)
Balance as at 30 June 2023		464,296	(122,099)	341,197	15,715	356,912

Director
Mamuka Shurghaia

“SRG Real Estate” LLC
Interim Consolidated Statement of Cash Flows for 2023

'000 GEL	Note	6 months 2023	6 months 2022
Cash flows from operating activities			
Profit before income tax		3,457	12,836
Adjustments for:			
Depreciation and amortization		14,818	15,635
Impairment reversal of loans receivable	9	(2,469)	-
Net finance costs		12,496	8,724
Changes in:		(328)	(577)
Inventories		(2,138)	367
Trade and other receivables		3,043	2,875
Prepayments and other assets		(645)	2,837
Trade and other payables			
Cash flows from operations before income taxes and interest paid		28,235	42,696
Interest paid		(14,803)	(10,960)
Net cash from operating activities		13,432	31,736
Cash flows from investing activities			
Issuance of related party loans		(587)	(2,574)
Repayments of issued related party loans		130	2,328
Interest received		350	119
Acquisition of property and equipment, intangible assets, and investment property		(24,397)	(7,615)
(Net cash used in investing activities)/net cash from investing activities		(24,504)	(7,743)
Cash flows from financing activities			
Proceeds from borrowings		83,167	14,657
Repayment of borrowings		(39,874)	(23,862)
Proceeds from bond issuance		49,697	-
Redemption of non-controlling interest	13	(43,129)	-
Net cash (used in)/ from financing activities		49,862	(9,205)
Net increase in cash and cash equivalents		38,790	14,789
Cash and cash equivalents at 1 January	8	53,912	34,413
Effect of movements in exchange rates on cash and cash equivalents		407	13
Cash and cash equivalents at 31 December	8	93,109	49,215

Director
Mamuka Shurghaia

1. Reporting entity

(a) Organisation and operations

These consolidated financial statements include the financial statements of “SRG Real Estate” LLC (the “Company”) and its subsidiaries (together referred to as the “Group” and individually as the “Group entities”) as detailed in note 13.

The Company is a limited liability company as defined under the Law of Georgia on Entrepreneurs and was registered as a legal entity on 7 April 2017. The subsidiaries of the Company represent limited liability and joint stock companies as defined under the Law of Georgia on Entrepreneurs.

The Company’s registered office is Republic square, Mtatsminda district, Tbilisi, Georgia, and the Company’s identification number is 404535240.

The principal activity of SRG Real Estate LLC is to act as a holding company to the Group entities. The principal activities of the Group entities are:

- Ownership and operation of the Radisson Blu Hotels located in Tbilisi and Batumi, Georgia and Radisson Collection Hotel located in Tsinandali, Georgia (together referred to as “Hotels”)
- Ownership and operation of the Park Hotel in Tsinandali, Georgia;
- Operation of the land-based casinos in Tbilisi and Batumi (together referred to as the “casinos”). Casinos in Tbilisi and Batumi are located in the Radisson Blu Hotels;
- Ownership and operation of Complex Republic;
- Development and management of real estate properties located in different regions of Georgia;

During 2022, based on preliminary feasibility studies and pre-designing work/assessments, the Group made decision to proceed with renovation and reconstruction of former Telegraph Building in Tbilisi into 5 star 241-room hotel, that will be managed by Silk Road Group Hospitality under the Radisson Collection brand. For these purposes, the Group concluded international license agreement with Radisson Collection hotel brand and started construction activities. Construction budget was approved during 2022 and the Group signed agreements with TBC Bank JSC and Bank of Georgia JSC to finance the construction.

On 13 April 2023, the Group issued a USD 20 million bond with a coupon of 9.00% p.a. (gross) with maturity until 13 April 2026 (3 years). From 25 May 2023, the bond of the Group was listed as A category listing and trading systems of the Georgian Stock Exchange.

The owners of the Company are as follows:

Name	30 June 2023	31 December 2022
Silk Road Group Holding LLC	95%	95%
Amphidon Holding (Malta) Limited	5%	5%
Total	100%	100%

In 2020 the Company’s intermediate parent reorganized, as a result of which the Group has a new beneficial owner, Yerkin Tatishev, with indirect minority holding (36.51%) in the Group.

The Group’s ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili.

2. Basis of accounting

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

These Interim Consolidated Financial Statements are in compliance with the standards and accounting policies used in the last issued annual financial statements. Interim Consolidated Financial Statements are prepared according to IAS-34 standard.

Functional and presentation currency

The national currency of Georgia is the Georgian Lari (“GEL”), which is the Company’s and Group entities’ functional currency and the currency in which these interim consolidated financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousand.

3. Revenue and other income

(a) Revenue

'000 GEL	<u>6 months 2023</u>	<u>6 months 2022</u>
Revenue from casino operations	70,022	74,576
Revenue from casino live games	40,480	50,915
Revenue from slot machines	29,542	23,661
Revenue from hotels’ and Complex Republic operations	39,462	34,459
Food and beverage revenue	20,977	17,519
Room revenue	14,194	13,404
Other hotel revenue	4,291	3,536
Other revenue	5,593	3,525
	<u>115,077</u>	<u>112,560</u>

The Group generates revenue primarily from hotel and casino operations. Hotel revenue stream is mainly attributable to sale of hotel rooms and food and beverages in the hotel restaurant facilities. Revenue from Casino operations, is reported net-off customer promotions and bonuses.

Due to the nature of the hotel business, which is mainly cash-based, the Group does not have any material contract assets and/or contract liabilities. Other revenue comprises income from many different activities, such as operation of clubs, restaurants, event halls, museums and lease out of investment properties. Approximately 39% of total revenue during the 6-months period of 2023 (6-months of 2022: 34%) is attributable to contracts with customers. Casino revenue stream is mainly attributable to casino games, such as Poker, Baccarat, Blackjack, American Roulette, Slot Machines. The payout for stakes placed on these gaming activities is typically known at the time when the stake is placed. This stake is termed “fixed-odds stake”. Such contracts fulfil the definition of a financial instrument under IFRS 9 Financial instruments and are therefore exempt from IFRS 15.

(b) Other revenue

'000 GEL	<u>6 months 2023</u>	<u>6 months 2022</u>
Income from casino tips	5,002	5,797
Other	2,012	1,257
	<u>7,014</u>	<u>7,054</u>

4. Operating costs

'000 GEL	<u>6 months 2023</u>	<u>6 months 2022</u>
Customer related costs*	12,451	10,934
Quarterly permission fee expenses**	5,720	4,322
Consumption of inventories	5,526	5,027
Utility expenses	3,632	2,994
Marketing expenses	2,919	3,314

'000 GEL	6 months 2023	6 months 2022
Lease expenses	1,918	1,736
Hotel supplies	1,720	1,588
Bank and other commissions	1,644	1,286
Taxes other than on income tax	1,436	2,761
Repair and maintenance	1,229	854
Royalty fees ***	980	887
Contractor service fees	770	762
Security expenses	556	384
Consulting and professional fees****	524	212
Other Operating costs	4,541	2,614
	45,566	39,675

* Customer related cost represents the free of charge services and goods delivered to casino customers, such as: snacks, drinks, cigarettes, food, hotel rooms at Radisson Blue Tbilisi and Batumi, flight tickets, etc.

** Quarterly permission fee expenses represent the specific fixed quarterly tax accruals to the local authorities on the gambling business and in particular for running slot machines in Georgia.

*** Royalty fees represent fees paid under “International License Agreements” (ILAs). Until 2020, the Hotels were managed by Radisson Hotels under different International Management Agreements (“IMA”). On 20 March 2020, Tsinandali Estates LLC has formed International License Agreement (“ILA”) with Radisson Hotel Aps Danmark and received a license to operate a hotel with a brand name of “Radisson Collection Hotel”. The license agreement matures on 31 December 2035. In 2021, IMAs on management of Tbilisi and Batumi Hotels were also terminated and ILA’s were formed with Radisson Hotel Aps Danmark. After concluding the ILA, the International Management Agreement on the operation of the hotels was terminated and Tsinandali, Tbilisi and Batumi Hotels are operated by the Group’s management under “Radisson Collection” brand.

**** Professional fee above includes fees paid to the audit firms for the provision of audit and other professional services.

5. Property, plant and equipment

'000 GEL	Gaming tables and slot			Construction in progress*	Other	Total
	Lands and buildings	machines	Furniture and fixture			
Cost						
Balance as at 1 January 2022	324,057	12,186	38,383	793	21,446	396,865
Additions	454	1,578	1,874	406	3,024	7,336
Transfer from Investment Property	-	-	-	77,703	-	77,703
Disposals and write offs	-	-	(78)	-	(242)	(320)
Transfers	406	-	-	(406)	-	-
Balance as at 31 December 2022	324,511	13,764	40,179	78,902	24,228	481,584
Balance as at 1 January 2023	324,511	13,764	40,179	78,902	24,228	481,584
Additions	506	1,302	618	6,949	2,731	12,106
Disposals and write offs	-	-	(92)	-	-	(92)
Balance as at 30 June 2023	325,017	15,066	40,705	85,851	26,959	493,598
Depreciation						
Balance as at 1 January 2022	(84,794)	(6,727)	(24,044)	-	(14,107)	(129,672)
Depreciation for the year	(13,122)	(1,718)	(5,640)	-	(389)	(20,869)
Disposals and write offs	-	-	78	-	30	108
Balance as at 31 December 2022	(97,916)	(8,445)	(29,606)	-	(14,466)	(150,433)
Balance as at 1 January 2023	(97,916)	(8,445)	(29,606)	-	(14,466)	(150,433)
Depreciation for the year	(6,378)	(832)	(2,574)	-	(685)	(10,469)
Disposals and write offs	-	-	87	-	-	87
Balance as at 30 June 2023	(104,294)	(9,277)	(32,093)	-	(15,151)	(160,815)
<i>Carrying amounts</i>						
<i>as at 1 January 2022</i>	239,263	5,459	14,339	793	7,339	267,193
<i>as at 31 December 2022</i>	226,595	5,319	10,573	78,902	9,762	331,151
<i>As at 30 June 2023</i>	220,723	5,789	8,612	85,851	11,808	332,783

Major part of buildings are properties used in the Hotels', Casinos, and Complex Republic operations. Historical cost was determined at the cost of constructing and purchase of the property and equipment and all the related expenditures directly attributable to bringing the assets to a working condition for its intended use. Lands mainly represent lands attached to the above buildings.

* As of 30 June 2023, major part of the construction in progress represents the carrying amount of the former “Telegraph” building and the respective land plot, which is expected to be completed by the end of 2024.

(a) **Security**

As at 30 June 2023 and 31 December 2022 major part of the Group’s property and equipment (approximately 90%) is pledged as a security to the bank loans.

(b) **Impairment of property and equipment**

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group’s assets has declined below the carrying value. The management determined that the Group’s property and equipment is related to the five larger cash-generating units:

- Hotel and Casino in Tbilisi, Georgia;
- Hotel and Casino in Batumi, Georgia;
- Hotels in Tsinandali, Georgia;
- Telegraph Hotel in Tbilisi, Georgia;
- Complex Republic.

As at 30 June 2023, the management analyzed impairment indicators (external and internal) according to IAS 36 and concluded that there is no indication of impairment for any cash generating unit.

6. Investment property

'000 GEL	Lands	Buildings	Construction in progress*	Total
Cost/deemed cost				
Balance as at 1 January 2021	176,813	128,887	19,494	325,194
Additions	100	5,492	3,033	8,625
Disposals and write offs	-	(32)	-	(32)
Transfer to property and equipment	-	(83,059)	-	(83,060)
Transfers	-	5,833	(5,833)	-
Balance as at 31 December 2022	176,913	57,121	16,694	250,727
Additions	-	958	705	1,663
Disposals and write offs	-	(267)	-	(267)
Transfer to property and equipment	-	49	(49)	-
Transfers	-	-	-	-
Balance as at 30 June 2023	176,913	57,861	17,350	252,124
Depreciation				
Balance as at 1 January 2022	-	(15,423)	-	(15,423)
Charge for the year	-	(1,731)	-	(1,731)
Transfer to property and equipment	-	5,357	-	5,357
Balance as at 31 December 2022	-	(11,797)	-	(11,797)
Charge for the year	-	(1,561)	-	(1,561)
Disposals depreciation	-	8	-	8
Balance as at 30 June 2023	-	(13,350)	-	(13,350)
Carrying amounts				
1 January 2022	176,813	113,464	19,494	309,771
31 December 2022	176,913	45,323	16,694	238,930
30 June 2023	176,913	44,511	17,350	238,775

* Construction in progress mainly includes the capital expenditures incurred during 2022 for the development of Batumi Riviera residential complex in Adjara region.

(a) **Description of investment property**

The Group’s investment property comprises of the following immoveable properties:

- Land plots and improvements of Tsinandali Villas, located in Tsinandali, Georgia;
- Land Plots owned by "New Office" LLC, which are located on Rustaveli Avenue in Tbilisi, Georgia;
- Land parcel in village Misaktsieli, located in Misaktsieli, Georgia;
- Land plot on the Sanapiro Street, located in Tbilisi, Georgia, owned by Centre Plaza LLC ;
- Building on 37 Rustaveli Avenue, Tbilisi, Georgia, owned by Centre Plaza LLC;
- Underground facilities near Rose Revolution square, located in Tbilisi, Georgia, owned by Centre Plaza LLC and “New office”, LLC;
- Land plots of Batumi Riviera, located in Batumi, Georgia;
- Land plots located in Kobuleti, Georgia;
- Land plots located in Batumi, Georgia;
- Land plots located in Khelvachauri, Georgia;
- Land plots located in Tbilisi, Georgia;
- Land plots located in Poti, Georgia;
- Land plots located in Abastumani, Georgia.

Management has classified the properties as investment properties as the properties are either held to earn rental income, or for the capital appreciation, or for undetermined future use (properties held for undetermined future use will be reclassified to property and equipment if and when the Group starts developing the property for the own use). The ancillary services to be provided to tenants will be a relatively insignificant component of the arrangement as a whole for the properties held for earning the rent income. Insignificant parts of certain properties are held by the Group for own use, but is classified as investment property as represents insignificant components of the total investment properties.

As at 30 June 2023 and 31 December 2022, major part of the investment property is held for capital appreciation or for undetermined future use and as a result, the Group did not have material rental income either in 2023 or 2022.

(b) Security

As at 30 June 2023 and 31 December 2022 part of the Group’s investment property (approximately 59%) is pledged under the Group’s secured bank loans.

7. Prepayments for non-current assets

'000 GEL	30 June 2023	31 December 2022
Prepayments	15,181	1,592
	15,181	1,592

In 2023, the group started the reconstruction works of the Telegraph Hotel, which led to an increase in Prepayments on property, plant and equipment for the period of June 30, 2023.

8. Cash and cash equivalents

'000 GEL	30 June 2023	31 December 2022
Cash on hand	8,423	11,951
Bank balances	84,686	41,961
	93,109	53,912

Bank balances include current accounts and call deposits with original maturities of three months or less.

9. Loans receivable

Loans are issued to related parties. None of the loans are secured.

	30 June 2023	31 December 2022
Non-current assets		
Related party loans	25,415	224,563
Current assets		
Related party loans	1,831	1,949
Total	27,246	226,512
Less: allowance for impairment loss	-	(2,503)
	27,246	224,009

Terms and payment schedule:

	Currency	Nominal interest rate	Year of maturity	30 June 2023		31 December 2022	
				Face value	Carrying amount	Face value	Carrying amount
'000 GEL							
Related party loan	GEL	10%	2024/2022	15,710	15,683	9,722	9,687
Related party loan	GEL	13%	2025	4,580	4,580	3,551	3,551
Related party loan	USD	7%	2025	4,019	4,019	5,778	5,778
Related party loan	USD	9%	2025	1,276	1,276	1,188	1,188
Related party loan	GEL	13%	2025	811	811	896	896
Related party loan	GEL	14%	2025	629	629	522	522
Related party loan	USD	10%	2025	248	248	19,836	18,646
Related party loan*	USD	11%	2025	-	-	104,672	104,137
Related party loan*	USD	12%	2024	-	-	60,029	59,628
Related party loan*	USD	10%	2025	-	-	18,711	18,711
Related party loan*	USD	14%	2022	-	-	1,053	990
Related party loan*	USD	14%	2025	-	-	278	275
Total interest-bearing assets				27,273	27,246	226,236	224,009

* On 30 June 2023, agreement was formed between the Group and the related party entity on the forgiveness of the outstanding loan amount. The transaction was considered as a transaction with shareholders, acting in the capacity of shareholders, and respectively the amount was recognized directly in equity.

For additional information on the reduction of loans receivable of the related party, see Note 10 (a).

10. Capital and reserves

(a) Charter capital

The Group had loans receivable from the owner company, which was netted off in June 2023 through charter capital reduction by GEL 206,844 thousand.

Charter capital represents the nominal amount of capital in the founding documentation of the Company.

(b) Dividends

Under the Georgian legislation, limited liability companies shall maintain distributable reserves to the extent to cover their total assets and issued capital, as recorded in the financial statements prepared in accordance with IFRSs.

No dividend was issued for the period ended 30 June 2023, and 30 June 2022.

(c) Capital management

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group’s operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group’s revenues and profit, and long-term investment plans mainly financed by the Group’s operating cash flows. With these measures the Group aims for steady profits growth.

(d) Security

As at 31 December 2022, capital of Tsinandali Savane LLC was pledged in respect of Partners’ Agreement. The given lien was removed for the period ending June 30, 2023.

As of 30 June 2023 and 31 December 2022, capitals of Georgian Hotel Management LLC, Medea Operating company LLC, Limoni 2009 LLC, Limoni Real Estate LLC and New Hotel JSC are pledged in respect of secured bank loans.

As of 30 June 2023 and 31 December 2022 capital of Batumi Riviera LLC is pledged in respect of secured third party loans.

As of 30 June 2023 and 31 December 2022 capital of Tsinandali Resorts LLC is pledged in respect of secured bank loans.

Other liabilities

As of 30 June 2023, the Group had an investment property construction liability of USD 22.5 million to the Government of Georgia. Out of this investment liability, USD 15 million is related to the Bobokvati project, which, as of the date of signing these interim consolidated financial statements, is expected to be completed in 2029.

11. Non-controlling interests and Put option liability

Put option liability

Under the Partnership Agreement (“PA”), formed on 2 September 2016 between Tsinandali Savane LLC (see note 13) and Partnership Fund JSC, the owner of the non-controlling interest in Tsinandali Estates LLC, the Group had a call option to acquire the non-controlling interest in Tsinandali Estates LLC during the first 6 years and 9 months after the PA date, and, on the other hand, Partnership Fund JSC had a put option to sell its interest in Tsinandali Estate’s capital for 5 years after the end of the call option period. The exercise price for both, call and put option, is determined as the Partnership Fund’s investment in the capital of Tsinandali Estates LLC plus accumulated interest, agreed by the parties in the PA. On 5 October 2021, amendment to the PA was formed, according to which the put option of Partnership Fund JSC had deferred by two years and starts from 31 July 2025.

The Group believed that from an economic perspective, the option would be exercised in substantially all cases and the sensitivity of the exercise price to the variations in the fair value of the ownership interest was sufficiently low that substantially all of that variation accrued to the parent. Consequently,

management believed that the non-controlling shareholder did not have access to the returns associated with the underlying ownership interest in Tsinandali Estates LLC and as such applied anticipated-acquisition method to the investment. Furthermore, the Group recognized a put option liability of GEL 42,138 thousand and GEL 42,436 thousand as at 31 December 2022 and 31 December 2021, respectively, with reference to the present value of the exercise price of the option, discounted by the discount rate of approximately 12-13% for each year.

In 2022, the Group made a decision to issue bonds on the Georgian stock exchange on April 13, 2023, in the amount of USD 20 million, in order to refinance the existing liabilities and purchased the remaining shares of Tsinandali Estates LLC from the non-controlling shareholder.

In May 2023, the Put option liability was fully repaid.

12. Loans and borrowings

This note provides information about the contractual terms of the Group’s interest-bearing loans and borrowings, which are measured at amortised cost.

'000 GEL	<u>30 June 2023</u>	<u>31 December 2022</u>
Non-current liabilities		
Bank loans	160,564	170,977
Loans from related parties	111,733	51,352
Bonds	51,520	-
Loans from third parties	5,616	7,702
	<u>329,433</u>	<u>230,374</u>
Current liabilities		
Current portion of bank loans	13,949	20,358
Current portion of third party loans	18,988	13,022
Current portion of bonds	1,044	-
Current portion of related party loans	-	250
	<u>33,981</u>	<u>33,287</u>

(a) **Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

'000 GEL	Currency	Nominal interest rate	Year of maturity	30 June 2023		31 December 2022	
				Face Value	Carrying amount	Face Value	Carrying amount
Bonds	USD	9%	2026	53,361	52,564	-	-
Parent loan	EUR	9%	2026	43,700	43,700	-	-
Parent loan*	USD	4%	2030	33,500	33,822	34,911	25,050
Secured bank loan	EUR	7,5% + Euribor 6 months	2033	26,756	26,756	32,756	32,756
Secured bank loan	USD	7.85% + Libor 6 months	2033	21,951	21,951	12,696	12,696
Secured bank loan	GEL	5.25% + NBG ref. Rate	2033	33,243	33,243	21,554	21,554
Secured bank loan	GEL	5.75% + NBG ref. Rate	2033	8,853	8,853	15,033	15,033
Secured bank loan	USD	9% + Libor 6 months	2033	18,772	18,772	25,856	25,856
Parent loan	EUR	6.6%	2026	15,819	15,819	-	-
Secured bank loan	GEL	5.25% + NBG ref. Rate	2027	14,970	14,970	18,278	18,278
Secured third party loan	USD	9%	2025	12,561	12,561	11,946	11,946
Secured bank loan	GEL	6% + NBG ref. Rate	2027	10,695	10,695	13,035	13,035
Unsecured related party loan	USD	0.75% + 12M Libor	2030	9,807	9,807	7,433	7,433
Secured bank loan	GEL	3% + Ref. rate	2027	7,561	7,561	8,048	8,048
Secured bank loan	EUR	7,5% + Euribor 6 months	2033	7,434	7,434	-	-
Secured bank loan	USD	6.5% + 6M Libor	2028	6,715	6,715	5,884	5,884
Secured bank loan	EUR	7,5% + Euribor 6 months	2027	6,279	6,279	6,018	6,018
Parent loan	EUR	0.75% + 12M Libor	2025	5,209	5,209	5,251	5,251
Secured bank loan	EUR	7.5% + Libor 6 months	2033	4,962	4,962	5,148	5,148
Secured bank loan	GEL	5.56% + NBG ref. Rate	2027	3,869	3,869	-	-
Unsecured related party loan	USD	0%	2025	3,364	3,364	3,308	3,308
Unsecured related party loan	USD	4%	2030	3,081	3,081	1,708	1,708
Secured related party loan	GEL	12%	2035	1,861	1,861	1,935	1,935
Unsecured related party loan	USD	9%	2035	1,756	1,756	1,852	1,852
Parent loan	USD	6.6%	2030	1,457	1,457	-	-
Unsecured third party loan	GEL	14%	On demand	1,396	1,396	920	920
Secured bank loan	EUR	7.75% + Euribor 6 months	2024	1,364	1,364	2,612	2,612
Secured bank loan	USD	8.5% + 6M Libor	2027	1,089	1,089	1,200	1,200
Secured related party loan	USD	12%	2035	840	840	881	881
Unsecured third party loan	USD	15%	2030	472	472	474	347
Unsecured third party loan	GEL	16%	2025	404	404	175	175
Unsecured related party loan	USD	0.75% + 12M Libor	2030	375	375	359	359
Secured related party loan	USD	7.5% + 6M Libor	2029	374	374	408	408
Parent loan	USD	10%	2025	39	39	41	41
Secured bank loan	USD	7.85% + Libor 6 months	2033	-	-	11,284	11,284
Unsecured third party loan	GEL	14%	2025	-	-	7,622	7,622

'000 GEL	Currency	Nominal interest rate	Year of maturity	30 June 2023		31 December 2022	
				Face Value	Carrying amount	Face Value	Carrying amount
Secured bank loan	GEL	16%	2027	-	-	4,557	4,557
Secured bank loan	USD	7.85% + 6M Libor	2033	-	-	3,801	3,801
Unsecured related party loan	USD	4%	2025	-	-	3,089	3,089
Secured bank loan	USD	9.45% + Libor 6 months	2033	-	-	2,582	2,582
Secured bank loan	USD	7.7% + Libor 6 months	2033	-	-	994	994
Total interest-bearing liabilities				363,889	363,414	273,649	263,661

The Group’s property and equipment, investments in subsidiaries, intangible assets and investment property is pledged in respect of secured bank loans and secured loans.

From 30 June 2023, as planned, USD Libor interest rates will no longer be published - it will cease to exist. Due to the changes, the Libor interest rate will be replaced by SOFR interest rate in company loans. All other terms remain unchanged. The change did not have material effect on the carrying amount of the Group’s loans. No other changes have been made to the interest rates in the loan portfolio.

Bonds

On 13 March 2023, the Group issued bonds in the amount of USD 20 million on behalf of “SRG Real Estate”, LLC, with 9% coupon rate and maturity date - 13 April 2026. As a result, from 25 May 2023, the Group’s bond was listed in A category listing and trading system of Georgian Stock Exchange.

13. Subsidiaries

Entity	Principal Activity	Date of Incorporation	Group’s ownership percentage as at 30 June 2023	Group’s ownership percentage as at 31 December 2022	Ownership type
Georgian Hotel Management LLC	Operation of Tbilisi Radisson Blu Iveria Hotel	9 August 2010	96%	96%	Direct
Argo Management LLC	Operation of Batumi Radisson Blu Hotel	30 November 2010	96%	96%	Indirect, through Georgian Hotel Management LLC
Riviera Beach LLC	Club operation	18 May 2012	100%	100%	Direct
Silk Road Service LLC	Pooling of purchases for the group companies	31 December 2015	100%	100%	Direct
Development Solution LLC	Real Estate development service	10 July 2006	100%	100%	Direct
Development solutions Medea LLC	Dormant entity	7 September 2009	100%	100%	Indirect, through Development Solution LLC
Tsinandali Savane LLC	Holding entity	17 February 2016	100%	100%	Direct
Tsinandali Estate LLC	Operation of Tsinandali Radisson Collection Hotel	27 June 2008	100%	67%	Indirect, through Tsinandali Savane LLC
Tsinandali LLC	Museum operation	3 October 2005	100%	100%	Direct
Georgian Wine Institute LLC	Wine tasting and training service	26 December 2011	100%	100%	Indirect, through Tsinandali LLC
SRG Investments LLC	Corporate service provider to the Group	27 May 2011	100%	100%	Direct
Limoni 2009 LLC	Operation of casinos	11 August 2009	88%	88%	Direct
Medea Operating company LLC	Ownership of Batumi Radisson Blu Hotel and related casino	5 November 2010	100%	100%	Direct
F Telecom LLC	Real estate development	2 October 2006	100%	100%	Direct
Riviera LLC	Holding entity	12 July 2012	100%	100%	Direct
Batumi Riviera LLC	Real estate development	30 May 2018	100%	100%	Indirect, through Riviera LLC
Center Plaza LLC	Real estate development	14 July 2005	100%	100%	Direct
Club Savane LLC	Night club operation	11 April 2018	100%	51%	Indirect, through Centre Plaza LLC
Tsinandali Villas LLC	Real estate development	19 February 2016	100%	100%	Direct
New Hotel JSC	Ownership of Tbilisi Radisson Blu Hotel	30 September 2005	100%	100%	Direct
Silk Road Business Centre LLC	Real estate development	27 August 1997	100%	100%	Direct
Misaktsieli LLC	Real estate development	7 August 2008	100%	100%	Direct from 2022
New Office LLC	Real estate development	7 August 2008	100%	100%	Direct from 2022
Iveria Center LLC	Real estate development	6 August 2013	100%	50%	Indirect, through New Office LLC
Restaurant Tsinandali LLC	Hospitality sector	2 April 2018	100%	50%	Indirect, through Iveria Centre LLC
Hotel Medea + JSC	Real estate development	17 April 2007	100%	100%	Direct
Adjara Investment LLC	Holding entity	30 August 2017	100%	100%	Direct

Entity	Principal Activity	Date of Incorporation	Group's ownership percentage as at 30 June 2023	Group's ownership percentage as at 31 December 2022	Ownership type
Adjara Resort JSC	Real estate development	3 January 2006	100%	100%	Indirect, through Adjara Investments LLC
Adjara Real Estate LLC	Real estate development	23 August 2006	100%	100%	Indirect, through Adjara Investments LLC
Bobokvati LLC	Real estate development	23 March 2007	100%	100%	Indirect, through Adjara Real Estate LLC and Adjara Resorts JSC
Kobuleti Resort LLC	Real estate development	17 April 2007	100%	100%	Indirect, through Adjara Resorts JSC
Silk Road Group Travel LLC	Hospitality sector	4 September 2009	51%	51%	Direct
Telegraph Hotel JSC	Hospitality sector	5 February 2020	100%	100%	Indirect, through Silk Road Business Centre LLC
Limoni Real Estate LLC	Real estate development	21 April 2017	100%	100%	Direct
Green-cape Botanico LLC	Real estate development	18 August 2020	51%	51%	Joint venture
Silk Hospitality LLC*	Hotel management service provider to the Group	26 March 2021	100%	100%	Direct
Tsinandali Resorts LLC (a)	Operation of Park Hotel Tsinandali	1 March 2018	51%	51%	Direct

(a) **Acquisition of subsidiary**

On May 15, 2023, the non-controlling share of Tsinandali Estates LLC was fully redeemed from JSC "Partnership Fund" for GEL 42,383 thousand, and the Group became the owner of 100% of shares of Tsinandali Estates LLC.

14. Related parties

(a) Parent and ultimate controlling party

As at 30 June 2023 and as at the date these interim consolidated financial statements were authorised for issue, the Company’s immediate parent company is Silk Road Group Holding LLC. The annual consolidated financial statements of Silk Road Group Holding LLC are publicly available through the website of Service for Accounting, Reporting and Auditing Supervision.

The Company’s ultimate parent company is Silk Road Group Holding (Malta) Limited. In 2020 the Company’s intermediate parent reorganized, as a result of which the Company has a new beneficial shareholder, Yerkin Tatishev, with indirect minority holding (38.2%) in the Company. The Company’s ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili. No publicly available financial statements are produced by the Company’s ultimate parent company or any other intermediate parent company.

(b) Key management remuneration

Key management received the following remuneration during the year, which is included in wages and other employee benefits.

'000 GEL	<u>6 months 2023</u>	<u>6 months 2022</u>
Salaries and other benefits	3,559	3,686

(c) Related party transactions

The Group’s related party transactions are disclosed below.

'000 GEL	<u>Transaction value for the</u>		<u>Outstanding balance as at</u>	
	<u>2023</u>	<u>2022</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
Other revenue and income*:				
Entities under common control	1,764	2,323	523	2,111
Operating costs				
Entities under common control	(33)	(349)	-	(1,418)
Loans issued:				
Entities under common control	1,390	3,571	27,246	224,009
Parent company		-		-
Loans received:				
Entities under common control	(770)	(693)	(21,930)	(19,180)
Parent company	(1,255)	(923)	(100,048)	(32,073)

Transaction values for loans and sales transactions represent original cash proceeds and do not consider settlement of the transactions. All outstanding balances with related parties, except for the loans receivable and loans and borrowings, are to be settled in cash within one year of the reporting date. None of the related party balances are secured.

During 6 months of the year 2023, interest income of GEL 1,390 thousand (6 months of 2022: GEL 3,571 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 9. During 6 months of the year 2023, interest expense of GEL 2,025 thousand (6 months of 2022: GEL 1,616 thousand) was accrued on loans and borrowings from related parties. The interest rates and maturities of loans from related parties are disclosed in note 12.

* In 2023 other revenue with entities under common control mainly includes consulting services of GEL 1,736 thousand (6 months of 2022: GEL 1,568 thousand) provided to Silknet JSC in relation to strategy development, funding, investment decisions and certain regulatory matters.

15. Operating segments

The Group has five reportable segments, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the board of directors and shareholders, review internal management reports on at least a quarterly basis.

The Group classifies its Group entities into five operating segments under IFRS 8; and further classifies all its Group entities as “Greenbox” and “Yellowbox” operations. All operating segments are presented separately and are included in “Greenbox” category.

Under “Greenbox” category fall all operating segments and Group entities, which a) are major cash-generating units in the Group, or b) are in the active development stage of the major cash-generating unit in the Group, or c) generate mainstream revenues from their core activities including management or consulting services to third parties or to the Group entities. Group entities with a core activity of holding investments in “Greenbox” entities are also attributable to “Greenbox” category. All reportable segments are attributable to “Greenbox” category. Entities or operating segments where the non-controlling interest is significant, are excluded from the “Greenbox” category.

Under “Yellowbox” category fall Group entities, which a) hold assets for further development; and b) does not generate revenues from their core activities (although may generate some incidental income from non-core activities); and c) any other entity or operating segment that is not a “Greenbox”.

The following summary describes the operations in each of the Group’s reportable segments:

- Radisson Blu Iveria Hotel, Tbilisi;
- Radisson Blue Hotel, Batumi;
- Tsinandali Estate, A Radisson Collection Hotel;
- Casino Tbilisi;
- Casino Batumi.

Further details on the operations of the segments are described in note 1.

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment Net Operating Profit (NOP), calculated as segment operating profit adjusted for overhead costs and depreciation and amortization), as included in the internal management reports that are reviewed by the board of directors and shareholders. Segment NOP is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management also uses Adjusted EBITDA as an alternative performance measure for each segment. All activities of the group are located in Georgia. No customer in any segment represents more than 10% of revenue.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 6-months of 2023	Tsinandali Estate, A					Hotels after					Casinos after
	adisson Blu Iveriz Hotel, Tbilisi;	Radisson Blue Hotel, Batumi;	Radisson Collection Hotel;	Hotels	Eliminations	eliminations	Casino Tbilisi;	Casino Batumi	Casinos	Eliminations	eliminations
Revenue	22,644	8,310	8,090	39,044	(4,889)	34,154	49,303	32,880	82,182	-	82,182
Other operating income	-	-	-	-	-	-	501	393	894	-	894
Depreciation and amortization	(3,194)	(1,068)	(3,358)	(7,620)	-	(7,620)	(1,106)	(680)	(1,786)	-	(1,786)
Direct costs and expenses	(13,727)	(5,686)	(6,785)	(26,197)	4,061	(22,137)	(31,358)	(30,093)	(61,451)	4,752	(56,699)
Overhead costs*	(1,389)	(761)	(1,146)	(3,296)	-	(3,296)	(97)	(87)	(184)	-	(184)
Segment operating profit	4,334	796	(3,200)	1,930	(828)	1,102	17,242	2,413	19,655	4,752	24,407
Interest income	971	-	-	971	(45)	925	4,327	-	4,327	(4,327)	-
Interest expense	(17)	-	(1,638)	(1,655)	107	(1,548)	-	-	-	-	-
Net FOREX	147	1	938	1,087	-	1,087	(774)	(186)	(960)	-	(960)
Segment profit/loss before tax	5,435	797	(3,900)	2,332	(767)	1,565	20,796	2,227	23,023	425	23,447
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	5,435	797	(3,900)	2,332	(767)	1,565	20,796	2,227	23,023	425	23,447
Net operating profit	8,917	2,624	1,305	12,846	(828)	12,018	18,446	3,180	21,626	4,752	26,377
Segment adjusted EBITDA	7,528	1,863	159	9,550	(828)	8,721	18,348	3,093	21,441	4,752	26,193

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 6-months of 2023	Other unallocated		Total “Greenbox”		Other unallocated		Other unallocated		Total
	“Greenbox” entities	Eliminations	“Greenbox” entities after eliminations	entities after eliminations	“Yellowbox” entities	Eliminations	“Yellowbox” entities after eliminations	Eliminations	
Revenue	13,457	(5,197)	8,260	124,597	2,741	-	2,741	(100)	127,238
Other operating income	-	-	-	894	4,516	(2)	4,514	(3,397)	2,011
Depreciation and amortization	(541)	-	(541)	(9,947)	(2,097)	-	(2,097)	-	(12,043)
Direct costs and expenses	(11,754)	1,271	(10,483)	(89,319)	(2,455)	2	(2,453)	3,397	(88,375)
Overhead costs*	(10,370)	-	(10,370)	(13,851)	(1,654)	-	(1,654)	100	(15,405)
Segment operating profit	(9,208)	(3,926)	(13,134)	12,375	1,051	-	1,051	-	13,426
Interest income	11,536	(5,464)	6,071	6,997	1,906	(33)	1,873	(2,225)	6,645
Interest expense	(23,274)	9,730	(13,544)	(15,092)	(2,518)	33	(2,486)	2,225	(15,353)
Net FOREX	(4,671)	-	(4,671)	(4,544)	756	-	756	-	(3,788)
Impairment of financial assets	2,469	-	2,469	2,469	-	-	-	-	2,469
Segment profit/loss before tax	(23,149)	340	(22,809)	2,204	1,195	-	1,195	-	3,399
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	(23,149)	340	(22,809)	2,204	1,195	-	1,195	-	3,399
Net operating profit	1,703	(3,926)	(2,223)	36,172	4,802	-	4,802	(100)	40,875
Segment adjusted EBITDA	(8,668)	(3,926)	(12,593)	22,321	3,148	-	3,148	-	25,469

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 6-months of 2022	adisson Blu Iveriz		Tsinandali Estate, A Radisson Collection		Hotels after eliminations		Casinos after eliminations		Casinos after eliminations		
	Hotel, Tbilisi;	Hotel, Batumi;	Hotel;	Hotels	Eliminations	Casino Tbilisi;	Casino Batumi	Casinos	Eliminations	eliminations	
Revenue	17,965	7,728	7,557	33,249	(3,921)	29,329	56,975	33,367	90,343	-	90,343
Other operating income	-	-	-	-	-	-	398	405	803	-	803
Depreciation and amortization	(3,120)	(1,001)	(3,463)	(7,585)	-	(7,585)	(151)	(154)	(306)	-	(306)
Direct costs and expenses	(11,100)	(5,108)	(6,923)	(23,132)	3,025	(20,106)	(29,091)	(30,933)	(60,024)	4,089	(55,935)
Overhead costs*	(1,501)	(397)	(576)	(2,474)	-	(2,474)	(112)	(91)	(203)	-	(203)
Segment operating profit	2,243	1,221	(3,406)	58	(895)	(837)	28,018	2,594	30,613	4,089	34,702
Interest income	1,140	-	-	1,140	(45)	1,095	1,518	-	1,518	(1,518)	-
Interest expense	(134)	-	(1,600)	(1,734)	145	(1,589)	-	-	-	-	-
Net FOREX	(543)	(39)	(33)	(615)	-	(615)	79	(15)	64	-	64
Impairment of financial assets	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss before tax	2,706	1,182	(5,039)	(1,151)	(795)	(1,946)	29,616	2,580	32,195	2,571	34,766
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	2,706	1,182	(5,039)	(1,151)	(795)	(1,946)	29,616	2,580	32,195	2,571	34,766
Net operating profit	6,865	2,619	634	10,118	(895)	9,222	28,282	2,840	31,121	4,089	35,210
Segment adjusted EBITDA	5,364	2,222	58	7,643	(895)	6,748	28,170	2,749	30,918	4,089	35,007

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 6-months of 2022	Other unallocated "Greenbox" entities	Eliminations	Other unallocated "Greenbox" entities after eliminations	Total "Greenbox" entities after eliminations	Other unallocated "Yellowbox" entities	Eliminations	Other unallocated "Yellowbox" entities after eliminations	Eliminations	Total
Revenue	13,062	(5,159)	7,903	127,575	1,419		1,419	(883)	128,111
Other operating income	-	-	-	803	3,052	(5)	3,047	(2,378)	1,472
Depreciation and amortization	(1,721)	-	(1,721)	(9,611)	(2,973)	-	(2,973)	-	(12,585)
Direct costs and expenses	(10,385)	1,965	(8,419)	(84,461)	(1,229)	-	(1,229)	2,378	(83,311)
Overhead costs*	(8,041)	-	(8,041)	(10,718)	(2,297)	5	(2,292)	883	(12,127)
Segment operating profit	(7,084)	(3,194)	(10,277)	23,587	(2,028)	0	(2,028)	-	21,560
Interest income	12,848	(4,661)	8,187	9,281	2,330	(255)	2,075	(2,410)	8,946
Interest expense	(22,047)	6,079	(15,968)	(17,557)	(2,479)	255	(2,224)	2,410	(17,371)
Net FOREX	(363)	-	(363)	(914)	614	-	614	-	(300)
Impairment of financial assets	-	-	-	-	-	-	-	-	-
Segment profit/loss before tax	(16,647)	(1,775)	(18,422)	14,398	(1,563)	-	(1,563)	-	12,835
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	(16,647)	(1,775)	(18,422)	14,398	(1,563)	-	(1,563)	-	12,835
Net operating profit	2,678	(3,194)	(516)	43,917	3,242	(5)	3,238	(883)	46,271
Segment adjusted EBITDA	(5,363)	(3,194)	(8,556)	33,199	945	-	945	-	34,144

*Overhead costs represent fixed costs that cannot be avoided or are not directly affected by the scale of operations, which mainly comprises of property tax, key management remuneration mainly for unallocated “Greenbox” entities, insurance costs and audit and other consulting fees.

Reconciliation of reportable segment revenues:

'000 GEL	6 months 2023	6 months 2022
Total revenue for reportable segments	127,238	128,111
Income from casino tips (Note 3(b))	(5,002)	(5,580)
Customer promotions and bonuses for Casinos	(7,158)	(9,969)
Consolidated revenue	115,077	112,561

Revenues of GEL 4,291 thousand (6 months of 2022: GEL 3,536 thousand) included under “Revenue from hotel and Complex Republic operations” in note 3, are mainly related to the operations of Complex Republic and are allocated to revenues from Other unallocated "greenbox" entities for segment reporting purposes.

Revenue from Casino operations, as presented in note 3, is reported net-off customer promotions and bonuses. Income from Casino tips is recognized under other income (see Note 3(b)).

Customer promotions and bonuses are netted off between revenue and operating costs in the IFRS consolidated financial statements.

The CODM does not use statement of financial position for reviewing the performance of the operating segments; instead, management analyzes the performance of its segments based on the balance sheets presented for the “Greenbox” and “Yellowbox” entities. The respective voluntary disclosures are presented below.

'000 GEL	30 June 2023			
	"Greenbox" entities	"Yellowbox" entities	Eliminations	Consolidated
Assets				
Property, plant, and equipment	301,671	31,112	-	332,784
Investment property	4,639	234,135	-	238,774
Intangible assets	3,822	107	-	3,929
Prepayments for non-current assets	15,181	-	-	15,181
Investments	233,670	-	(233,670)	-
Loans receivable	62,607	78,813	(116,005)	25,415
Total non-current assets	621,590	344,167	(349,675)	616,083
Inventories	6,446	267	-	6,713
Loans receivable	2,173	-	(342)	1,831
Trade and other receivables	8,070	19,070	(13,668)	13,472
Cash and cash equivalents	89,732	3,377	-	93,109
Prepayments and other assets	5,018	914	-	5,932
Total Current assets	111,439	23,628	(14,010)	121,056
Total assets	733,028	367,795	(363,685)	737,139
Loans and borrowings	374,975	71,030	(116,570)	329,434
Total non-current liabilities	374,975	71,030	(116,570)	329,434
Loans and borrowings	19,269	14,566	147	33,982
Trade and other payables	31,906	1,780	(16,874)	16,812
Total Current liabilities	51,175	16,345	(16,727)	50,794
Total liabilities	426,150	87,375	(133,297)	380,228
Charter capital	464,296	357,737	(357,737)	464,296
Accumulated losses	(173,133)	(77,317)	127,350	(123,100)
Non-controlling interests	15,715	-	-	15,715
Total equity	306,878	280,420	(230,387)	356,912
Total equity and liabilities	733,028	367,795	(363,684)	737,140

'000 GEL	31 December 2022			
	"Greenbox" entities	"Yellowbox" entities	Eliminations	Consolidated
Assets				
Property, plant, and equipment:	302,277	28,874	-	331,151
Investment property	5,364	233,566	-	238,930
Intangible assets	6,585	115	-	6,700
Prepayments for non-current assets	1,592	-	-	1,592
Investments	232,783	-	(232,783)	-
Loans receivable	251,332	80,566	(109,775)	222,123
Total non-current assets	799,933	343,121	(342,558)	800,496
Inventories	6,374	109	-	6,483
Loans receivable	2,318	-	(432)	1,886
Trade and other receivables	8,461	13,258	(10,196)	11,523
Cash and cash equivalents	51,974	1,938	-	53,912
Prepayments and other assets	7,457	1,605	-	9,062
Total Current assets	76,584	16,910	(10,628)	82,866
Total assets	876,517	360,031	(353,186)	883,362
Loans and borrowings	267,354	72,795	(109,775)	230,374
Put option liability	42,138	-	-	42,138
Total non-current liabilities	309,492	72,795	(109,775)	272,512
Loans and borrowings	20,015	13,704	(432)	33,287
Trade and other payables	26,409	3,061	(12,263)	17,207
Total Current liabilities	46,424	16,765	(12,695)	50,494
Total liabilities	355,916	89,560	(122,470)	323,006
Charter capital	675,257	349,939	(354,056)	671,140
Accumulated losses	(166,747)	(79,468)	123,340	(122,875)
Non-controlling interests	12,091	-	-	12,091
Total equity	520,601	270,471	(230,716)	560,356
Total equity and liabilities	876,517	360,031	(353,186)	883,362

16. Alternative performance measures

(a) Adjusted EBITDA

The Group believes that the presentation of Adjusted EBITDA and Adjusted EBITDA margin enhances a reader’s understanding of the Group’s financial performance. The management uses Adjusted EBITDA and Adjusted EBITDA margin to assess and evaluate the operating performance of the Group and its major segments (see note 15). In addition, Adjusted EBITDA and Adjusted EBITDA margin are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that operate in the telecommunications sector. Adjusted EBITDA and Adjusted EBITDA margin are not presentations made in accordance with IFRS and the Group’s use of the terms Adjusted EBITDA and Adjusted EBITDA margin may vary from other entities to differences in accounting policies or differences in the calculation methodology.

The Group calculates Adjusted EBITDA by adjusting profit from continuing operations to exclude following items:

- finance costs and finance income
- corporate income tax and any other taxes related to the distribution of dividends
- depreciation, amortization, excluding amortization of casino permit, revaluation, impairment (losses / reversals) of non-current assets
- net foreign exchange gain/(loss), including gain/(loss) on hedging instruments, currency forward contracts and any other gain/(loss) attributable to changes in foreign currency exchange rates
- specific items as explained below:

Specific items are identified by virtue of their size, nature, or incidence. Specific items represent:

- non-recurring, non-underlying or non-operating income or costs that are either material by nature or size (such as bargaining gain on business acquisition, business acquisition related costs, costs related to fundraising and the listing of the Group’s securities, write off/impairment of issued loans and receivables, etc.).

Reconciliation of adjusted EBITDA to profit from continuing operations

'000 GEL	<u>6 months 2023</u>	<u>6 months 2022</u>
Profit for the year	3,399	12,836
Depreciation and amortization	14,818	14,110
Amortization of casino permit	(2,775)	(1,525)
Net foreign exchange loss/ (gain)	3,788	300
Interest income	(6,645)	(8,946)
Interest expense	15,353	17,371
Specific items*	(2,469)	-
Adjusted EBITDA	<u>25,470</u>	<u>34,145</u>

* Specific items mainly include the reversal of the impairment of the issued loans.

'000 GEL	<u>6 months 2023</u>	<u>6 months 2022</u>
Consolidated Adjusted EBITDA	25,470	34,145
Consolidated revenue	129,249	129,583
Consolidated Adjusted EBITDA margin %	<u>20%</u>	<u>26%</u>

17. Subsequent events

On 4 July 2023, the Group repaid in advance the loan in the amount of GEL 22,165 thousand received from a related party.

On 17 July 2023, the Group received a loan in the amount of GEL 12,547 thousand from the parent company, “Silk Road Group Holding”, LLC.

On 25 July 2023, the Group made a capital investment in the amount of GEL 7,656 thousand within the framework of the construction of the “Telegraph Hotel”.

“SRG Real Estate” LLC

Consolidated Management Report - Business review

June 30, 2023

1. The business of the Group, results, and position

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

The Company is a limited liability company as defined under the Law of Georgia on Entrepreneurs and was registered as a legal entity on April 7, 2017. The subsidiaries of the Company represent limited liability and joint stock companies as defined under the Law of Georgia on Entrepreneurs.

The Company's registered office is Republic square, Mtatsminda district, Tbilisi, Georgia, and the Company's identification number is 404535240.

The principal activity of “SRG Real Estate”, LLC is to act as a holding company to the Group entities. The principal activities of the Group entities are:

- Ownership and operation of the Radisson Blu Hotels located in Tbilisi and Batumi, Georgia and Radisson Collection Hotel located in Tsinandali, Georgia.
- Ownership and operation of the Park Hotel in Tsinandali, Georgia.
- Operation of the land-based casinos in Tbilisi and Batumi. Casinos in Tbilisi and Batumi are located in the Radisson Blu Hotels;
- Ownership and operation of Complex Republic;
- Development and management of real estate properties located in different regions of Georgia;

During the 6 months of the year 2023 the income of the Group amounted to GEL 115,077 thousand, while during the 6 months of 2022 - GEL 112,560 thousand. Approximately 61% of the total income is gaming business income, 34% hotel income, and 5% other income. Financial profit for the 6 months of the year 2023 was GEL 3,399 thousand, while the gain for the 6 months of 2022 was GEL 12,836 thousand.

2. Future plans of the Group

In 2023, the main focus of the Group shall be the diversification of its income by entering residential and holiday home sectors. For this purpose, two projects are being considered in Adjara: “Silk Towers” in Batumi and “Green Cape Botanico”. The construction of Silk Towers is planned to start in 2024. As for the “Green Cape Botanico” complex, its construction has already been completed in 2023. At the same time, the group plans to strengthen its existing positions in Tbilisi and Kakheti.

In terms of new investments, in 2023, the Group started the renovation works of the “Telegraph” hotel on Rustaveli avenue. After the completion of the project, the Group's Tbilisi assets cluster around the republic square will be further strengthened.

Also, an important plan of the Group is to optimize the operating costs of the existing hotels, casinos and restaurants and improve the profit indicator.

3. The research and trial works carried out by the Group

The group has not performed research and trial works during the 6 months of 2023.

4. Information on branches of the Group

The Group does not have branches.

5. Main Financial and non-financial indicators

Main financial indicators analysis:

<i>GEL 000'</i>	<u>6 months 2023</u>	<u>6 months 2022</u>
1. Income	129,249	129,583
2. Income from operating activities before interest, taxes, depreciation, and amortization	25,470	34,145
3. Operating profit %	20%	26%

(i) Relationship with employees. 1,600-1,800 people are employed by the Group. The Group has a strict recruitment policy and only hires candidates with relevant qualifications, experience, and skills.

(ii) Relationship with suppliers and clients. The group has a strong professional relationship with clients and is characterized by caring, loyal and high-quality customer service.

(iii) Relationship with tax authorities. Tax accounting system of the group is well-managed. The group's accounting department is staffed by employees experienced in tax legislation, who, regularly attend the tax trainings conducted by leading audit companies operating in Georgia, in order to familiarize themselves with the tax legislation applicable to the Group.

6. Detailed information on the purchase of own shares

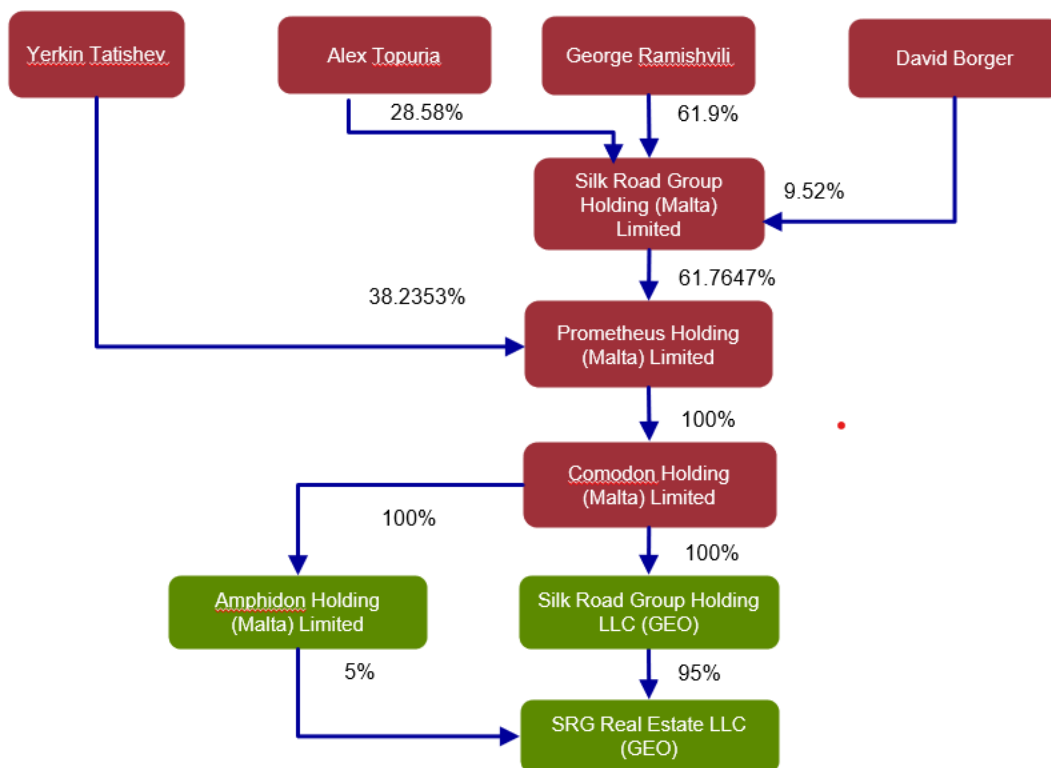
In 2023, the Group has not purchased its own shares.

7. Corporate management

Our corporate structure

In August 2020, after the acquisition of 38.2% shares in “Prometheus Holding Limited” (owner of the Group), Yerkin Tatishev became the beneficial shareholder of the Group with indirect ownership of 36.51% of share capital. Yerkin Tatishev is the chairmen and founder of the Kusto Group supervisory board. “Kusto Group” (www.kustogroup.com) is a Singapore-based industrial holding company with an annual turnover of over 1.5 billion USD. Yerkin Tatishev has been investing in various projects in Georgia together with the group for a long time. Yerkin Tatishev considers his own share of capital in the group as a long-term financial investment. The mentioned shareholder change shall not affect the group's strategy and no changes are expected at the level of the Supervisory Board or the executive management.

Ultimate Beneficial Shareholders



Important facts about the Group.

- Silk Road Group is one of the leading private investment groups of Georgia, which operates in the Caucasus and Central Asia regions. Since 2005, Silk Road Group has invested approximately USD 1 billion in Georgia.
- In addition to “SRG Real Estate”, “Silk Road Group” includes: Silknet (has issued a 300 million euro bonds); Bakhvi hydroelectric power plant.
- Hospitality assets are managed by an experienced team of over 2,000 employees
- Group is focused on the development of human resources and the success of local talents
- Also, the team has the ability to manage third party assets, which shall become an additional source of income
- Group’s real estate assets are located in the best locations in Tbilisi and the regions
- Favorable location is an important factor for the success of the hospitality projects
- Development projects are located in areas with high demand for residential homes

- The group has experience in managing four hotels, two casinos, several restaurants, clubs, and residential projects
- All stages of the project are managed by a strong team
- Projects are executed by leading construction companies and are backed by a performance guarantee

Reliable corporate management is one of the main drivers of our business model and strategy. We have grown and developed significantly in recent years, and in addition, our approach to corporate management has improved.

We constantly strive to improve the efficiency of our governance and management systems, in line with the best practices.

Our charter and the Law of Georgia considers certain issues related to the composition and responsibilities of the supervisory board. Our governance guidelines aim to complement the requirements of the Charter and the Law of Georgia, so that the corporate governance of the Group is more in line with the international best practices.

8. An overview of the Group's credit, market, liquidity and cash flow risks and their management mechanisms

Credit risk. most of the sales of the Group are settled in cash, prior to providing the services to the customer. Respectively, the Group does not have the issue of collecting the receivables. Credit risk management in relation to issued loans is given in the financial statements.

Liquidity risk. liquidity risk arises from the management of the working capital and loans from banks. This is the risk that the Group will encounter difficulty in meeting its financial liabilities when due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For more detailed explanations, please see the definition of liquidity risk in the financial statements.

Due to the nature of the business, the collection of receivables is proceeding without delays.

9. Key risks and uncertainties, enterprise objectives and financial risks management policy

The key risks and uncertainties are related to the following:

Currency risk. Currency risk is the risk of changes in value of the financial instruments due to the exchange rate fluctuations.

The Group's financial position and cash flows are exposed to the risk of fluctuations in exchange rates. In relation to the currency risk, the management has set limits on potential losses by currency and total amount. The positions are reviewed monthly.

Political risks. An unstable political environment can adversely affect product demand, revenue, and profitability. The management monitors closely the dynamics of the political environment, to forecast the potential development of events and respond to potential threats.

Market Risk. The group is exposed to market risks from open positions in a) foreign currencies, b) interest-bearing assets and liabilities and c) equity investments, all of which are affected by general and specific market fluctuations. The management has established a limit of the acceptable level of risk, which is monitored daily. However, using this approach, does not completely eliminate the loss beyond these limits, during strong market fluctuations.

Interest rate risk. The interest rate risk affecting the group arises because of the market interest rate level fluctuations impact on the financial position and cash flows.

Mamuka Shurghaia
Director

August 11, 2023