Georgia Capital PLC

2nd half and full year 2019 preliminary results

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

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About Georgia Capital PLC

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

Georgia Capital currently has nine private businesses: (i) a **water utility business** (GGU); (ii) a **renewable energy business** (hydro and wind assets held through GRPC, Hydrolea and Qartli wind farm); (iii) a **housing development business** (m^2, renamed as Georgia Real Estate); (iv) a **hospitality and commercial real estate business** (m^2, renamed as Georgia Real Estate); (v) a **property and casualty insurance business** (Aldagi); (vi) a **beverages business** (Georgia Beverages); (vii) an **education business** (three partners: BGA, Buckswood and Green school); (viii) an **auto service business** (Greenway and Amboli) and (ix) a **digital services business** (Redberry). We also have two public company holdings (London Stock Exchange premium-listed Georgian companies): (i) **Georgia Healthcare Group PLC ("GHG")**, (70.6% 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 aspires to deliver total shareholder returns of 10-times over 10-years[1]

10x = 10y

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

Content

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

The information in this Announcement in respect of full year 2019 preliminary results, which was approved by the Board of Directors on 26 February 2020, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The Group's financial statements for the year ended 31 December 2018 were filed with the Registrar of Companies, and the audit reports were unqualified and contained no statements in respect of Sections 498 (2) or (3) of the UK Companies Act 2006. The financial statements for the year ended 31 December 2019 will be included in the Annual Report and Accounts to be published in March 2020 and filed with the Registrar of Companies in due course.

An investor/analyst conference call, organised by the Group, will be held on 27 February 2020, at 13:00 UK / 14:00 CET / 8:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 20-minute update and a 40-minute Q&A session.

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: regional instability, regulatory risk across a wide range of industries, investment risk, portfolio company strategic and execution risks, currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's Annual Report and Accounts 2018 and in Georgia Capital PLC's 1H19 results announcement. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

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

[3] The Group operates as a holding company of a diversified group of companies focused on acquiring and developing businesses in Georgia, and its strategy is to exit portfolio companies over a five to ten year time horizon - it is not in the business of managing or owning portfolio companies indefinitely. As such, and in order to present our results in the most relevant and useful way for our investors, we have elected to also provide a set of management accounts that adjust the IFRS results to present Georgia Capital on a holding company basis ("management accounts"). Our Group level discussion therefore focuses more on the management accounts, whereas, at the portfolio company level we present IFRS financial statements for each company and our discussion focuses on IFRS results. Georgia Capital meets investment entity definition under IFRS from 31 December 2019 and as a result, the accounting basis was changed from consolidation to fair value measurement effective on that date. The application of this exception brings Georgia Capital's IFRS financial statements more into line with the management accounts. For details on the change in accounting basis please refer to page 8. To provide full transparency and appropriate balance between our management account and IFRS discussion, a full reconciliation of our holding company basis management accounts to the IFRS statements is provided on page 22. The management accounts are an alternative performance measure ("APM"); the basis for their preparation is described on pages 8-15.

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

Georgia Capital NAV overview[5]	Dec-19	Dec-18	Change
NAV per share, GEL[6]	46.84	44.32	5.7%
Net Asset Value (NAV)	1,753,868	1,688,221	3.9%
Total portfolio value	2,253,083	1,883,374	19.6%
Liquid assets & loans issued	363,773	605,130	-39.9%
Net debt	(493,565)	(196,915)	NMF

Georgia Capital performance[5]	FY19	FY18	Change
Total portfolio value creation	134,371	(683,209)	NMF
of which, listed businesses	*(33,937)*	(637,780)	*-94.7%*
of which, private businesses	*168,308*	(45,429)	*NMF*
Investments	357,557	84,785	NMF
Share buybacks	124,781	87,414	42.7%
Dividend income	122,219	72,504	68.6%
Management fee expense ratio[7]	1.8%	1.0%	0.8ppt
Net income (loss)	71,551	(766,131)	NMF

KEY POINTS

- NAV per share up 5.7% to GEL 46.84 on the back of 3.9% growth in NAV and 1.7% decrease in number of shares outstanding
  - The private businesses led to 10.1% growth in NAV per share, which was offset by 4.4% negative impact from listed businesses
  - GEL 165 million value creation from BoG, offset by GEL 199 million decrease in the value of our holding in GHG
  - GEL 168 million value creation in private portfolio (18.6% growth in private portfolio value), of which, value creation excluding multiple change was GEL 145 million
  - Increase of our shareholding in GHG by 13.6% to 70.6% in exchange for 3.4 million CGEO share issuance
  - 3.5 million CGEO shares worth GEL 125 million bought back in 2019, while 2.7 million shares were cancelled
- Disciplined investments amounting to GEL 358 million across our portfolio lay grounds for future value creation, of which:
  - GEL 113 million capital allocation for acquisition of 13.6% equity stake in GHG
  - GEL 40 million investment in securing high quality partnerships with three top schools with excellent management teams
  - GEL 46 million investment in acquisition of high-quality wind and hydro assets, increasing installed capacity by 42MW to 91MW
  - GEL 37 million invested in the development of pipeline hotels in line with the strategy to develop more than 1,000 rooms
  - Alaverdi acquisition for GEL 16 million tripled existing wine production capacity and added 244 hectares of vineyards
  - GEL 10 million allocation for acquisition of the second largest auto service industry player, Amboli, and successful launch of PTI
  - Kazbegi brand acquisition for GEL 10 million, which added the top Georgian beverages brand to our beer business portfolio
  - Entered the high growth digital services industry by acquiring the leading digital marketing agency, Redberry, for GEL 9 million
- GEL 122 million dividends were collected from our listed and private late stage assets (GEL 72.5 million in 2018)[8]
- Consolidated IFRS cash flow from operating activities[9], excluding IFRS 16 impact, up 39.8% y-o-y to GEL 229 million in 2019

PERFORMANCE HIGHLIGHTS - IFRS (GEL'000)

Group consolidated	2H19	2H18	Change	1H19	Change	FY19	FY18	change
Revenue[9]	801,065	666,596	20.2%	672,372	19.1%	1,473,437	1,282,995	14.8%
Gross profit[9]	333,328	263,391	26.6%	257,085	29.7%	590,413	493,111	19.7%
Cash flow from operating activities excluding IFRS 16[9]	131,707	91,915	43.3%	96,832	36.0%	228,539	163,502	39.8%
GHG								
Revenue	488,850	428,605	14.1%	471,708	3.6%	960,558	846,306	13.5%
EBITDA excl. IFRS 16	79,444	69,643	14.1%	74,776	6.2%	154,220	132,274	16.6%
Private, late stage								
Revenue, Water Utility	88,913	79,295	12.1%	74,541	19.3%	163,454	149,127	9.6%
EBITDA[10], Water Utility	54,709	46,111	18.6%	40,366	35.5%	95,075	83,376	14.0%
Gross real estate profit, Housing Development	11,048	10,190	8.4%	4,746	NMF	15,794	21,373	-26.1%
EBITDA[10], Housing Development	(1,365)	6,773	NMF	(2,101)	35.0%	(3,466)	15,994	NMF
Earned premiums, net, P&C Insurance	39,051	36,039	8.4%	36,288	7.6%	75,339	67,488	11.6%
Net income, P&C Insurance	10,017	9,406	6.5%	8,308	20.6%	18,325	17,082	7.3%
Private, early stage								
Revenue, Renewable Energy	13,776	-	NMF	2,395	NMF	16,171	-	NMF
Revenue, Hospitality & Commercial Real Estate	22,528	34,448	-34.6%	15,060	49.6%	37,588	38,467	-2.3%
Revenue, Beverages[11]	78,479	45,747	71.6%	46,226	69.8%	124,705	76,214	63.6%
Private, pipeline								
Revenue, Periodic Technical Inspection (PTI)[12]	7,613	-	NMF	5,304	43.5%	12,917	-	NMF

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[4] Please see the pages 8-14 where we describe the methodology for management accounts, where we define each highlight presented in the table above.
[5] Please see the NAV rollforward on page 8 in NAV Statement, where we present the drivers of change in NAV and portfolio value.
[6] We calculate NAV per share in both years as NAV divided by the number of issued shares at the end of the period less unawarded shares in management trust. This represents a change from adopted approach in FY18 earnings release, when bought back shares and unvested management shares were also deducted for calculation.
[7] LTM GCAP management fee expenses expressed as a percentage of average market capitalization during the last twelve months. Total LTM operating expenses including fund type expenses at 2.4% in FY19. FY18 expense ratio is not comparable due to incomplete year of operations for GCAP since its demerger on 29-May-18.
[8] Dividends received by Georgia Capital, referred throughout this document, were collected through JSC Georgia Capital, Georgian holding company of the Group.
[9] Consolidated IFRS numbers include GHG results. Please refer to GHG's public announcement on FY19 performance, available at http://ghg.com.ge/financial-results.
[10] EBITDA is an alternative performance measure (APM) and is defined on page 37 in the glossary.
[11] Includes revenue from distribution business.
[12] The PTI business is presented within Auto Service segments results.

CHAIRMAN AND CEO'S STATEMENT

2019 was a significant year of capital allocations and progress for Georgia Capital. We successfully converted active pipeline deals into 11 acquisitions, while our total portfolio value increased to GEL 2.3 billion. Our NAV per share (GEL) increased 5.7% in 2019 on the back of strong value creation across our private portfolio companies and disciplined share buybacks. NAV per share allocated to private businesses grew by 20.9%, translating into the weighted growth of 10.1% (48% share in total portfolio value). NAV per share allocated to listed businesses decreased by 8.4%, translating into the weighted decrease of 4.4% (52% share in total portfolio value).

In terms of what we track as value creation, our private portfolio businesses generated GEL 168 million value (18.6% growth in value during 2019), which was partially offset by a GEL 34 million decrease in the market value of our listed assets (-3.5% decrease in value during 2019) on the back of the lower GHG share price. We increased our stake in GHG from 57% to 70.6% on 18 December 2019 following the completion of a share exchange facility, whereby GCAP issued 3.4 million new shares in exchange for a 13.6% equity stake in GHG. The number of outstanding shares decreased by 1.7% in 2019, driven by our share buyback programme together with buybacks for the management trust and the subsequent cancellation of 2.7 million Georgia Capital PLC (CGEO) shares.

During 2019, dividend inflows from our portfolio businesses increased 69% y-o-y to GEL 122 million, which was supported by strong cash flow generation at late stage portfolio companies. Consolidated IFRS cash flow from operating activities, excluding IFRS 16 impact, was up 39.8% y-o-y in 2019. GCAP's stand-alone FY19 cash inflow of GEL 113 million was supported by GEL 40 million interest income, while management expenses were contained at below our targeted 2% level. Our resources available for deployment remained high at GEL 364 million at 31 December 2019.

Listed businesses

A significant increase in the BoG share price provided GEL 165 million value creation to Georgia Capital during 2019 on the back of more than 20% loan portfolio growth supported by a 26% return on equity and increased dividend payments. However, the GHG share price decreased by 40% during the year despite strong underlying business fundamentals. Following the completion of its 3-year investment programme in 2018, the continued double-digit growth in EBITDA and operating cash flow enabled GHG to generate significant amounts of free cash flow totaling GEL 77 million in 2019, up from GEL 14 million in 2018.

Private businesses

Our private businesses delivered a healthy GEL 168 million value creation in 2019 driven by continued growth in operating performance, the first-time valuation of greenfield projects and enhancement of valuation multiples. I am pleased to report that the value creation, excluding multiple changes, was GEL 145 million across our private portfolio companies.

Across our **late stage portfolio**, Water Utility led the value creation with a GEL 75 million contribution on the back of a 123% y-o-y increase in electricity sales revenues and continued efficiency improvements. I was delighted to see a 21% growth in operating cash flow, while following the fulfillment of all conditions under original privatization agreement, Water Utility's capex spending continued to decrease. We also saw significant value creation of GEL 46 million in our P&C insurance business, with stable operating performance together with multiple enhancement driving the result. Following the receipt of the construction permit for its largest ever residential project, Digomi, and together with the strong project pipeline, increased expected cash inflows in the housing development business led to GEL 36 million value creation. As a result, our late stage businesses generated GEL 157 million value for the Group.

2019 was busy within our **early stage portfolio**, with the businesses progressing well towards their established goals. Renewable Energy commissioned its first 50MW Mestiachala hydro power plants in June and successfully acquired 100% stakes in high quality wind and hydro assets during 4Q19, thereby reaching 91MW installed capacity. 50MW Mestiachala HPPs were damaged during a flooding event in July, however, the business successfully resumed operations of 30MW HPP at the originally planned generation level in December 2019. Based on the updated schedule, the 20MW HPP is expected to return online by the end of 1H21. The insurance company has already confirmed the amount of business interruption reimbursement for the year 2019 for both HPPs and is in process of remitting the funds to the business. The hospitality and commercial real estate business created GEL 10 million value for the Group on the back of revaluation of commercial assets and hotels. The business progressed in line with its strategy to develop more than 1,000 hotel rooms: our 121-room Gudauri Lodge Hotel, the first in-house branded hotel located in a leading ski resort in the Caucasus region, was opened in December 2019. The beer business reached a significant milestone and successfully launched five new brands, including locally brewed Amstel and Heineken. 2H19 beer EBITDA was at break-even level following a successful turnaround. The bolt-on acquisition of Alaverdi winery tripled the existing wine production capacity at our wine business and added 244 hectares of vineyards.

Within the **pipeline portfolio**, we launched the periodic vehicle inspection (PTI) business in March 2019, which led to GEL 17 million in value creation in 2019 supported by the business' stable operating performance. The PTI business generated GEL 2.9 million operating cash flow and GEL 3.3 million EBITDA during the year, capturing 36% of total market share.

Capital allocations

We invested GEL 358 million in existing and new portfolio businesses in 2019, of which GEL 113 million was for the non-cash acquisition of the 13.6% stake in GHG, GEL 68 million was used for bolt-on acquisitions, GEL 68 million was invested in pipeline businesses across Education, Auto Service and Digital Services, GEL 57 million was for development of pipeline hotels, renewable energy projects and the beer business, GEL 49 million for commercial real estate space valued at c. 10% yield (in US$ terms) was allocated to the commercial real estate business and GEL 2 million was allocated to the evaluation of new investment opportunities. Since 31 December 2019 we allocated a further GEL 38.7 million (US$ 13.8 million) capital for the buyout of the 34.4% minority shareholder in Renewable Energy. The buyout allows us to become a 100% owner of the existing and pipeline high quality wind and hydro assets with strong dollar-linked cash flows.

In line with our 360-degree investment analysis, we spent GEL 125 million on **share buybacks** in 2019. Following the completion of the US$ 45 million share buyback programme, we cancelled 2.7 million shares and transferred 0.7 million shares to the management trust. Additionally, the management trust also spent US$ 17 million on its share purchase programme during 2019.

We allocated GEL 10 million to the **auto service** business in 2019, where we acquired an 80% equity stake in the second largest auto service industry player, Amboli, for GEL 3.4 million. We target to be present throughout the full ecosystem of the auto services industry, a currently very fragmented GEL 2.8 billion market dominated by a single player.

We entered the high growth **digital services** business in 2019 by allocating GEL 9 million capital to acquire a 60% equity stake in Redberry, our platform for making small bets in digital businesses.

We allocated GEL 49 million to the high-margin, large and growing, but fragmented **private school education** market, where we secured three high quality partnerships with excellent management teams across premium, mid-level and affordable private schools. Through these carefully selected partnerships, we now have a clear pathway to approximately 11,000 learners and to more than 50% of our targeted GEL 70 million EBITDA by 2025.

Macroeconomic environment

The Georgian economy remained robust. Estimated GDP growth was 5.2% in 2019, up from 4.8% in 2018. As net exports continued to improve, the current account (CA) deficit shrank significantly to 2.7% of GDP in 9M19, a major improvement compared to 6.1% in 9M18. Based on National Bank's preliminary estimates the CA deficit is expected to be reported at a record low 4.4% in 2019, down from the 2016 highs of 12.5%. Tourism inflows showed resilience despite the air travel ban imposed by Russia, as we had 5.4% growth in 4Q19, while 2019 tourism revenues were up by 1.4% y-o-y. Average inflation was above the targeted level in 2019 leading the NBG to tighten its monetary policy by 250 bps to 9.0%. Georgia's strong progress was acknowledged by rating agencies as both Fitch and S&P upgraded ratings of Georgian sovereign bonds from BB- to BB with stable outlooks in 2019.

Outlook

The Georgian economy is expected to continue its strong growth in 2020 and beyond, supporting our business model and growth for the years to come. Our investments across early stage and pipeline portfolios are expected to start bearing fruit as we complete construction of pipeline hotels, hydro power plants and wind power plants, accelerate the accessing of international markets by our wine business, and scale up and expand our recently acquired top class private schools.

From management development perspective, I am delighted to announce that on 21 February 2020 we have promoted Ia Gabunia to a newly created role of Chief Exit Strategy Officer at Georgia Capital. Ia will become the member of the top management team and will oversee the establishment of institutionilised exit processes from our portfolio companies, as starting from 2020 we intend to engage in active price discovery of assets held.

Over the last few quarters we have laid strong foundations for significant value creation across all our private businesses, which together with continued strong cash flow generation across our late stage businesses, are expected to drive NAV per share growth.

Irakli Gilauri
Chairman and CEO
26 February 2020

DISCUSSION OF RESULTS

Management Accounts

Under an exception to the usual principles of IFRS 10 that require consolidation of subsidiaries, entities that meet the definition of an "investment entity" instead measure their investments in their subsidiaries at fair value. Georgia Capital meets investment entity definition under IFRS from 31 December 2019 and, as a result, the accounting basis was changed from consolidation to fair value measurement effective on that date. Georgia Capital recorded a gain from the change to investment entity status of GEL 589 million in the FY19 IFRS income statement, representing the difference between: a) the previous carrying amount of the subsidiaries, and b) the fair value of the subsidiaries disclosed in NAV statement below.

For some time and increasingly, Management has been viewing itself as an investment entity and has been providing alternative performance measures ("APM") based on its statement of net asset value ("NAV Statement") and a Management Income Statement. The final step which triggered the adoption of the investment entity exception was the creation of the valuation process enshrined in the terms of reference of the new Audit and Valuation Committee and the creation of that Committee on 31 December 2019.

The application of this "investment entity exception" brings Georgia Capital's IFRS financial statements more into line with the NAV Statement and Management Income Statement, described below. Net asset value disclosed under the NAV statement immaterially differs from IFRS equity value as at 31 December 2019. While the opening NAV was not audited, year-end 2018 NAV is reported in NAV statement under the same methodology as closing year-end 2019 NAV. The Management Income Statement is prepared under the adjusted IFRS methodology in 2019 and represents an APM, which has not been audited. A detailed reconciliation of Management Income Statement and NAV Statement to the IFRS accounts is provided on page 22. A narrative reconciliation of the Management Income Statement is provided on page 14.

Net Asset Value (NAV) Statement

Our NAV Statement breaks down NAV into its components and provides roll forward of the related changes between the reporting periods, including a snapshot of the Group's financial position at the opening and closing dates. For the detailed valuation methodology of the investments, please refer to pages 35-36. The methodology underlying the presentation of the NAV statement is included in Georgia Capital PLC's 2018 Annual Report and Accounts on pages 82-90.

NAV STATEMENT

GEL '000, unless otherwise noted	Dec-18	1. Value creation[13]	2a. Investments	2b. Buybacks	2c. Dividends	3.Operating expenses	4. Liquidity/ FX/Other	Dec-19	Change %
Listed Portfolio Companies									
GHG	520,332	(199,127)	112,856	-	(3,982)	-	-	430,079	-17.3%
BoG	457,495	165,190	-	-	(24,950)	-	-	597,735	30.7%
Total Listed Portfolio Value	**977,827**	**(33,937)**	**112,856**	**-**	**(28,932)**	**-**	**-**	**1,027,814**	**5.1%**
Listed Portfolio value change %		***-3.5%***	***11.5%***	***-***	***-3.0%***	***-***	***-***	***5.1%***	
Private Portfolio Companies									
Late Stage	**628,326**	**157,009**	**698**	**-**	**(93,287)**	**-**	**-**	**692,746**	**10.3%**
Water Utility	431,017	74,953	-	-	(22,000)	-	-	483,970	12.3%
Housing Development	66,785	35,624	698	-	(59,254)	-	-	43,853	-34.3%
P&C Insurance	130,524	46,432	-	-	(12,033)	-	-	164,923	26.4%
Early Stage	**271,288**	**(5,098)**	**173,287**	**-**	**-**	**-**	**-**	**439,477**	**62.0%**
Renewable Energy	61,182	-	45,618	-	-	-	-	106,800	74.6%
Hospitality & Commercial RE	149,079	9,918	86,561	-	-	-	-	245,558	64.7%
Beverages	61,027	(15,016)	41,108	-	-	-	-	87,119	42.8%
Of which, wine	56,771	(1,098)	16,369	-	-	-	-	72,042	26.9%
Of which, beer	4,256	(13,918)	24,739	-	-	-	-	15,077	NMF
Pipeline	**5,933**	**16,397**	**70,716**	**-**	**-**	**-**	**-**	**93,046**	**NMF**
Education	7,071	-	49,279	-	-	-	-	56,350	NMF
Auto Service	(1,326)	17,056	10,027	-	-	-	-	25,757	NMF
Digital Services	-	-	8,790	-	-	-	-	8,790	NMF
Other	188	(659)	2,620	-	-	-	-	2,149	NMF
Total Private Portfolio Value	**905,547**	**168,308**	**244,701**	**-**	**(93,287)**	**-**	**-**	**1,225,269**	**35.3%**
Private Portfolio value change %		***18.6%***	***27.0%***	***-***	***-10.3%***	***-***	***-***	***35.3%***	
Total Portfolio Value (1)	**1,883,374**	**134,371**	**357,557**	**-**	**(122,219)**	**-**	**-**	**2,253,083**	**19.6%**
Total Portfolio value change %		***7.1%***	***19.0%***	***-***	***-6.5%***	***-***	***-***	***19.6%***	
Net Debt (2)	**(196,915)**	**-**	**(193,482)**	**(124,781)**	**72,875**	**(19,869)**	**(31,393)**	**(493,565)**	**NMF**
of which, Cash and liquid funds	299,650	-	(188,842)	(124,781)	72,875	(19,869)	172,856	211,889	-29.3%
of which, Loans issued	305,480	-	(4,640)	-	-	-	(148,956)	151,884	-50.3%
of which, Gross Debt	(802,045)	-	-	-	-	-	(55,293)	(857,338)	6.9%
Net other assets/ (liabilities) **(3)**	1,762	-	(51,219)	-	49,344	(14,522)	8,985	(5,650)	NMF
of which, share-based comp.	-	-	-	-	-	*(14,522)*	*14,522*	-	*NMF*
Net Asset Value (1)+(2)+(3)	**1,688,221**	**134,371**	**112,856**	**(124,781)**	**-**	**(34,391)**	**(22,408)**	**1,753,868**	**3.9%**
NAV change %		***8.0%***	***6.7%***	***-7.4%***	***0.0%***	***-2.0%***	***-1.3%***	***3.9%***	
Shares outstanding	38,089,558	-	3,435,438	(4,083,025)	-	-	-	37,441,971	-1.7%
Net Asset Value per share[14]	**44.32**	**3.53**	**(0.95)**	**1.43**	**-**	**(0.90)**	**(0.59)**	**46.84**	**5.7%**
NAV per share change %		***8.0%***	***-2.1%***	***3.2%***	***0.0%***	***-2.0%***	***-1.3%***	***5.7%***	
NAV per share, Listed portfolio[15]	**23.01**							**21.07**	**-8.4%**
NAV per share, Private portfolio[15]	**21.31**							**25.77**	**20.9%**

[13] Please see definition in glossary.

[14] Please see note 6 on page 5.

[15] NAV per share allocation across listed and private assets is calculated based on respective share in total portfolio value. 3.4 million shares issued for GHG acquisition is fully allocated to listed portfolio.

NAV per share increased by 5.7% during 2019 on the back of value creation[13] across our portfolio companies and share buybacks. The value creation and buybacks contributed by 8.0% and 3.2% to the NAV per share growth, respectively, which was partially offset by: a) 3.4 million GCAP share issuance for the acquisition of 13.6% stake in GHG (-2.1% impact); b) management platform related costs (-2.0% impact); and c) net interest expense and FX movements (-1.3% impact).

Portfolio overview

Our portfolio value was up by 19.6% to GEL 2.3 billion in 2019, reflecting 5.1% and 35.3% growth in listed and private businesses, respectively. The value of our investment in listed assets increased by GEL 50 million during 2019 on the back of: a) GEL 140 million market value increase of our investment in BoG; b) GEL 113 million investment in GHG to increase equity stake from 57% to 70.6%; c) GEL 203 million market value decrease in our 70.6% holding in GHG and d) GEL 29 million dividends from BoG and GHG. The value of our private portfolio companies increased by GEL 320 million in 2019 reflecting GEL 168 million value creation and GEL 151 million net capital allocation from Georgia Capital.

1) Value creation

The private portfolio businesses generated GEL 168 million value for the Group in 2019 *(10% growth in NAV per share)*, as a result of the strong operating performances and uplifts in valuations from changes in the peer group multiples. However, this was partially offset by GEL 34 million negative value creation from listed assets *(-2.0% impact on NAV per share)*. BoG share price recovery during 2019 strongly supported NAV per share growth with GEL 165 million value creation *(9.8% growth in NAV per share)*. However, we had a GEL 199 million negative value creation on our investment in GHG *(-11.8% impact on NAV per share)*, as GHG share price decreased from 2.04 on 31 December 2018 to 1.23 on 31 December 2019. Our holdings of GHG equity shares increased from 57% to 70.6% on 18 December 2019 following the completion of a share exchange facility ("Share Exchange Facility"), whereby GCAP exchanged one share in GHG for 0.192 shares in GCAP. Further details of the transaction are available at the following link: https://georgiacapital.ge/ir/ghg-shares. Following the completion of the Share Exchange Facility, GCAP issued 3.4 million new shares valued at GEL 113 million for the acquisition of 13.6% equity stake in GHG.

The table below summarises value creation drivers in our businesses in 2019:

Portfolio Businesses	Operating Performance	Greenfields	Multiple Change and FX	Value Creation
GEL '000	*(1)*	*(2)*	*(3)*	*(1)+(2)+(3)*
Listed				**(33,937)**
GHG				(199,127)
BoG				165,190
Private	**109,745**	**34,961**	**23,602**	**168,308**
Late Stage	**136,926**	**-**	**20,083**	**157,009**
Water Utility	78,954	-	(4,001)	74,953
Housing Development	35,624	-	-	35,624
P&C Insurance	22,348	-	24,084	46,432
Early Stage	**(27,181)**	**18,564**	**3,519**	**(5,098)**
Renewable Energy	-	-	-	-
Hospitality & Commercial Real Estate	(8,646)	18,564	-	9,918
Beverages	(18,535)	-	3,519	(15,016)
of which, wine	*(4,617)*	-	*3,519*	*(1,098)*
of which, beer	*(13,918)*	-	-	*(13,918)*
Pipeline	**-**	**16,397**	**-**	**16,397**
Education	-	-	-	-
Auto Service	-	17,056	-	17,056
Digital Services	-	-	-	-
Other	-	(659)	-	(659)
Total portfolio	**109,745**	**34,961**	**23,602**	**134,371**

Listed businesses

GHG continued to deliver a strong operating performance in 2019 with EBITDA increasing 16.6%[16] y-o-y in 2019. GHG improved its adjusted return on invested capital, from 13.9% to 14.9%, and posted 25.7% y-o-y growth[15] in operating cash flow generation in 2019. A substantially reduced investment programme was reflected in a positive free cash flow generation of GEL 77 million in 2019 (up from GEL 14 million in 2018). Georgia Capital received a GEL 4.0 million dividend payment from GHG on 12 July 2019. The strong operating performance was not reflected in GHG's share price, which retreated from GBP 2.04 at 31 December 2018 to GBP 1.23 at 31 December 2019. As a result, we had a GEL 199 million negative value creation on our investment in GHG. GHG's public announcement on FY19 performance is available at http://ghg.com.ge/financial-results.

BOG's share price recovered during 2019 by 18.0% to GBP 16.25 at 31 December 2019 leading to GEL 140 million increase in the market value of the Group's equity stake in BOG. In June 2019, we received GEL 25.0 million dividend payment from BoG. As a result, aggregate value creation from BoG investment was GEL 165 million in 2019. BoG's public announcement on FY19 performance is available at https://bankofgeorgiagroup.com/results/earnings.

Private late stage businesses

The 14.0% increase in **Water Utility's** LTM EBITDA contributed to approximately GEL 99.3 million growth in Enterprise Value (EV), which was partially offset by GEL 46.3 million net debt widening. Strong cash flow generation and operating

[16] Excluding IFRS 16 impact.

performance enabled business to pay GEL 22.0 million dividend in 2019, which was reduced y-o-y. While the recent investment in infrastructure and water supply network modernization are expected to positively affect the tariff-setting process. The scheduled WSS[17] tariff revision for the upcoming 3-year regulatory period effective from 1 January 2021 dictated prudence in setting the dividend. The valuation was slightly affected by a negative GEL 4 million effect from the multiple decrease from 8.84 at 31 December 2018 to 8.80 at 31 December 2019. As a result, GEL 75.0 million equity value was created in 2019.

Housing Development is valued at GEL 43.9 million using discounted cash flow method. Following the receipt of construction permit for its largest residential project, Digomi, together with the strong project pipeline, expected cash inflows were increased, leading to GEL 35.6 million in value creation. Construction works commenced on 1 July 2019 and the business already reached 76.9% sales progress in the first stage of Digomi project. Completion of earlier projects and strong sales allowed the business to make a GEL 59.3 million dividend distribution in 2019, up from GEL 10 million last year.

The 7.3% increase in **P&C Insurance's** LTM net income resulted in GEL 12 million increase in fair value, while the multiple increase from 7.4 to 9.0 generated GEL 24.1 million in value. Multiples improved significantly across all peer group companies during 2019. P&C Insurance paid a dividend of GEL 12.0 million in 2019 on the back of strong cash flow generation and stable operating performance. As a result, GEL 46.4 million value was created in 2019.

Private early stage businesses

Renewable Energy has successfully commissioned its first hydro power plant in 1H19, which is still carried at cost in the NAV statement. The 50MW Mestiachala HPPs posted GEL 12.6 million EBITDA since the launch in April 2019, of which, GEL 10.0 million represents the expected insurance reimbursement for business interruption due to flood damage discussed on page 18. We expect that value creation from Mestiachala HPPs will be reflected in the NAV over the coming quarters, as the hydro demonstrates stabilised performance and cash flow generation following the full recovery from the flood damage.

Hospitality & Commercial Real Estate created GEL 9.9 million value during 2019. The business recorded GEL 18.6 million revaluation gain from the first-time revaluation of greenfield hotels and commercial assets, which was partly offset by GEL 8.6 million decrease in NAV due to the increased operating expenses for development of pipeline hotels. Our new hotel in the ski and mountain resort Gudauri was opened on 13 December 2019, and the business is working on two new Tbilisi hotels: we plan to open the Ramada Melikishvili in 1H20 and follow with the Kempinski hotel in 2H20. The December 31, 2019 NAV growth also reflects a GEL 49.3 million addition of commercial space (ground floors in completed residential projects) allocated to Hospitality and Commercial Real Estate from Housing Development. The properties were valued at c. 10% yield in US$ terms.

The **Wine** business continued to progress in line with its strategic priorities, delivering a 44% topline growth. However, the continued investment in export market diversification together with integration costs of the Kindzmarauli and Alaverdi acquisitions drove GEL 4.6 million negative impact from operating performance. The multiple increase from 9.1 to 10.0 added GEL 3.5 million value and as a result, value creation was negative GEL 1.1 million in 2019. The business expects to continue extracting synergies from Kindzmarauli and Alaverdi and to benefit from export market diversification in the coming quarters. The Alaverdi winery, which added 244 hectares of vineyards and tripled the business's production capacity, is carried at its acquisition price.

The **Beer** business performance was negatively affected by delays in launching Heineken brands, and had a negative GEL 13.9 million impact on value creation. The 67.9% increase in LTM normalized[18] revenue drove GEL 43.0 million increase in Enterprise Value, which was offset by GEL 22.3 million net debt widening and GEL 14.6 million capital allocation from Georgia Capital to finance working capital needs. Operating performance began to improve significantly in 2H19, while all Heineken brands have been launched from July, and the beer EBITDA was at break-even level in 2H19.

Pipeline businesses

Auto Service combines our vehicle technical inspection business valued at GEL 20.7 million and our Amboli auto service business valued at its acquisition price of GEL 5.0 million at 31 December 2019. Periodic technical inspection became mandatory in Georgia in 2H18 and the business successfully launched 26 PTI centers in March 2019, while managing to generate GEL 3.3 million EBITDA in 2019. At 31 December 2019, the periodic technical inspection business was valued using EBITDA earnings of GEL 6.7 million[19] and an EV/EBITDA multiple of 10.4, resulting in the GEL 20.7 million valuation. As the greenfield business has demonstrated stable performance, a GEL 17.1 million value was created from the revaluation in 2019 on top of the GEL 5.0 million capital allocated from Georgia Capital.

The **Education** business and the **Digital Services** business are carried at acquisition prices at 31 December 2019. We expect that value creation from recent acquisitions will be reflected in NAV Statement over the coming quarters.

We continued the research and evaluation of new investment opportunities, while GEL 0.7 million feasibility costs were expensed during 2019, representing a negative value creation on **Other** pipeline projects.

[17] Water supply and sanitation.
[18] Normalised for annualization of revenues from newly launched brands.
[19] Combination of the last six months and the next six months earnings.

2) Investments

During 2019, we invested GEL 358 million across our portfolio, of which, GEL 113 million was invested in listed businesses, GEL 173 million was invested in early stage portfolio companies and GEL 71 million in the pipeline businesses. The following capital allocation decisions were made during 2019:

- GEL 113 million capital was used for the acquisition of 13.6% holding in **GHG** as part of Share Exchange Facility.
- GEL 45.6 million was allocated to **Renewable Energy** in 2019 for the acquisition of Hydrolea HPPs (GEL 29.5 million) and Qartli WPPs (GEL 12.6 million), while GEL 3.5 million was allocated for the development of pipeline HPPs and WPPs.
- GEL 37.3 million cash capital was allocated to **Hospitality** for development of pipeline hotels, while we also allocated finished commercial properties of GEL 49.3 million valued at c. 10% yield in US$ terms.
- GEL 16.4 million was allocated to **Wine** for the acquisition of Alaverdi winery.
- GEL 10.1 million was invested in **Beer** for the acquisition of prominent beverages brand Kazbegi. We also allocated GEL 14.6 million to finance working capital needs.
- GEL 49.3 million was allocated to **Education** in 2019. GEL 39.7 million was invested in securing high quality partnerships with three top schools with excellent management teams. GEL 1.3 million was allocated for the existing land development, GEL 2.3 million was used to acquire new land for a premium school development and GEL 5.2 million was used to acquire new land for a mid-level school development.
- GEL 10 million was allocated to **Auto Service**, of which GEL 5 million was for the launch of PTI business. In addition, GEL 3.4 million was used to acquire an 80% equity stake in Amboli and GEL 1.6 million was an additional pro-rata equity capital injection into Amboli to fund the growth of the business.
- GEL 9 million was allocated to **Digital Services**, of which, GEL 1.2 million was for the acquisition of Redberry and GEL 7.6 million was an additional equity capital injection to fund the business growth.
- GEL 2 million capital was invested in the research and evaluation of new investment opportunities.

3) Dividends

Georgia Capital recorded GEL 122 million dividends in 2019, of which, GEL 29 million were from listed assets and GEL 93 from late stage businesses: BoG – GEL 25.0 million, GHG - GEL 4.0 million, P&C insurance - GEL 12 million, Water Utility - GEL 22.0 million and Housing Development - GEL 59.3 million.

Valuations of our holdings in portfolio companies reflecting value creation and capital allocation activities discussed above are summarized in the following table. The table also shows multiples applied at year-end 2019 and 2018:

Amounts in GEL '000	Valuation method	Fair value 31-Dec-19	Fair value 31-Dec-18	Change	Change %	Multiple[20] 31-Dec-19	Multiple[20] 31-Dec-18
Listed portfolio *(1)*		**1,027,814**	**977,827**	**49,987**	**5.1%**		
GHG	Public markets	430,079	520,332	(90,253)	-17.3%	-	-
BoG	Public markets	597,735	457,495	140,240	30.7%	-	-
Private portfolio *(2)=(a)+(b)+(c)*		**1,225,269**	**905,547**	**319,722**	**35.3%**		
Private late stage portfolio *(a)*		**692,746**	**628,326**	**64,420**	**10.3%**		
Water Utility	EV/EBITDA LTM[21]	483,970	431,017	52,953	12.3%	8.8	8.8
Housing Development	Discounted Cash Flows	43,853	66,785	(22,932)	-34.3%	n/a	n/a
P&C Insurance	P/E (LTM)	164,923	130,524	34,399	26.4%	9.0	7.4
Private early stage portfolio *(b)*		**439,477**	**271,288**	**168,189**	**62.0%**		
Renewable Energy	At acquisition price	106,800	61,182	45,618	74.6%	n/a	n/a
Hospitality & Commercial RE	NAV[22]	245,558	149,079	96,479	64.7%	n/a	n/a
Beverages – wine[23]	EV/EBITDA (LTM)	72,042	56,771	15,271	26.9%	10.0	9.1
Beverages – beer	EV/Sales (LTM)	15,077	4,256	10,821	NMF	2.2	2.2
Private pipeline *(c)*		**93,046**	**5,933**	**87,113**	**NMF**		
Education	At acquisition price	56,350	7,071	49,279	NMF	n/a	n/a
Auto Service	EV/EBITDA[24,25]	25,757	(1,326)	27,083	NMF	10.4	n/a
Digital Services	At acquisition price	8,790	-	8,790	NMF	n/a	n/a
Other	At cost	2,149	188	1,961	NMF	n/a	n/a
Total portfolio value *(3)=(1)+(2)*		**2,253,083**	**1,883,374**	**369,709**	**19.6%**		

Net debt overview

Net debt increased by GEL 297 million to GEL 494 million in 2019, where the increase was driven primarily by GEL 125 million share buybacks and by net GEL 121 million cash investments. GCAP cash operating expenses of GEL 20 million, foreign exchange loss of GEL 21 million and Share Exchange Facility transaction costs of GEL 6 million also contributed to the widening of Net Debt.

[20] Multiples are rounded to one decimal points.
[21] LTM refers to Last Twelve Months, NTM refers to Next Twelve Months.
[22] NAV for the hospitality & commercial real estate business refers to IFRS 13 FV measurement methodology.
[23] LTM EBITDA used for wine business valuation includes distribution business.
[24] Combination of the last six months and the next six months earnings.
[25] Amboli, recently acquired auto service industry player, is stated at acquisition price.

1) Investments and Dividends

During 2019, GEL 358 capital was invested across our portfolio companies, of which GEL 194 million was cash capital allocation, GEL 113 million was share capital allocation and GEL 49 million was commercial real estate spaces allocation to the commercial real estate business, as described earlier in this report. Further, GEL 73 million cash dividends were collected from our portfolio companies. As a result, net increase in net debt from net cash investments was GEL 121 million.

2) Buybacks

During 2019, 3.5 million shares were bought back for total cash consideration of GEL 125 million (US$ 43.8 million), of which, 2.1 million shares were bought under the share buyback programme and 1.4 million shares for the management trust. GCAP cancelled 2.7 million shares bought back under the completed US$ 45 million share buyback programme, transferred 0.7 million shares from treasury to the management trust and issued 0.7 million shares for share compensation awards in respect of FY18 services. The buyback and cancellation *(3.2% growth in NAV per share)* together with issuance of 3.4 million shares *(-2.1% impact on NAV per share)* drove a 1.7% decrease in the number of outstanding shares during 2019. Please see the detailed rollforward of changes in the number of outstanding shares on page 25.

Below we describe the components of net debt as at 31 December 2019 and at 31 December 2018:

	31-Dec-19	31-Dec-18	Change
Cash at banks	118,458	142,284	-16.7%
Internationally listed debt securities	69,712	129,295	-46.1%
Locally listed debt securities	23,719	28,071	-15.5%
Loans issued	151,884	305,480	-50.3%
Total Cash and liquid funds (a)	**363,773**	**605,130**	**-39.9%**
Gross Debt (b)	**(857,338)**	**(802,045)**	**6.9%**
Net debt (a)+(b)	**(493,565)**	**(196,915)**	**NMF**

Cash and liquid funds

In line with its risk management practices, the Group actively monitors the allocation of its liquid resources and its commitment to maintain at least US$ 50 million liquid funds. At 31 December 2019, cash and liquid funds were allocated in internationally and locally listed debt securities. Internationally listed debt securities include Eurobonds issued by Georgian corporates. Locally listed debt securities are local bonds issued by Georgian corporates, which are listed and traded on the Georgian Stock Exchange.

At 31 December 2019, loans issued primarily refer to the following facilities: (i) a GEL 49.7 million (US$ 17.3 million) to the housing development business; (ii) a GEL 28.8 million (US$ 10.0 million) loan to the hospitality & commercial real estate business; (iii) a GEL 35.7 million (US$ 12.4 million) loan to the renewable energy business and (iii) a GEL 34.4 million (US$ 12.0 million) loan issued to the BoG holding company as part of the demerger, maturing in March 2020. During 2019 we collected GEL 199 million net cash from the repayment of our high quality loans issued to portfolio companies, leading to a 50% decrease in issued loan balance.

Gross debt

At 31 December 2019 the outstanding balance of US$ 300 million six-year Eurobonds due in March 2024 was GEL 857 million, reflecting foreign exchange loss of GEL 57 million from GEL depreciation against USD during 2019[26]. Gross debt balance further increased by GEL 55 million coupon accrual[26], which was offset by GEL 57 million coupon payment[26] in 2019.

[26] FX, coupon payment and coupon accrual are included in Liquidity Management /FX/Other column in NAV statement.

INCOME STATEMENT (MANAGEMENT ACCOUNTS)

The management P&L is an aggregation of: a) GCAP's stand-alone P&L and b) fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of management account income statement, please refer to page 34 in this report. A narrative reconciliation of management income statement to the IFRS income statement is provided on page 14.

INCOME STATEMENT

GEL '000, unless otherwise noted	FY19	FY18[27]	Change
Dividend income	122,219	72,504	68.6%
Interest income	39,044	35,282	10.7%
Realised / unrealised (loss)/ gain on liquid funds	9,547	(5,984)	NMF
Interest expense	(55,071)	(44,711)	23.2%
Gross operating income	**115,739**	**57,091**	**NMF**
Operating expenses	(34,391)	(18,689)	84.0%
GCAP net operating income	**81,348**	**38,402**	**NMF**
Fair value changes of portfolio companies			
Listed portfolio companies	**(62,869)**	**(661,655)**	**-90.5%**
Of which, Georgia Healthcare Group PLC	(203,109)	(413,148)	-50.8%
Of which, Bank of Georgia Group PLC	140,240	(248,507)	NMF
Private portfolio companies	**75,021**	**(94,058)**	**NMF**
Late Stage	**63,722**	**(86,944)**	**NMF**
Of which, Water Utility	52,953	(67,164)	NMF
Of which, Housing Development	(23,630)	(8,824)	NMF
Of which, P&C Insurance	34,399	(10,956)	NMF
Early Stage	**(5,098)**	**(6,682)**	**-23.7%**
Of which, Renewable energy	-	4,700	NMF
Of which, Hospitality & Commercial Real Estate	9,918	40,515	-75.5%
Of which, Beverages	(15,016)	(51,897)	-71.1%
Pipeline businesses	**16,397**	**(432)**	**NMF**
Of which, Auto Service	17,056	(1,326)	NMF
Of which, other	(659)	894	NMF
Total investment return	**12,152**	**(755,713)**	**NMF**
Income before foreign exchange movements and non-recurring expenses	**93,500**	**(717,311)**	**NMF**
Net foreign currency loss	(20,967)	(25,371)	-17.4%
Non-recurring expenses	(982)	(23,449)	NMF
Net Income	**71,551**	**(766,131)**	**NMF**

Georgia Capital generated *Gross operating income* of GEL 115.7 million in 2019 on the back of strong dividend inflows, as discussed above in this report. Georgia Capital earned an average yield of 7.6% on the liquid assets and issued loans in 2019, of which 9.6% was earned on the loans issued and 5.4% on the liquid funds. The coupon on the $300 million bond, issued in March 2018, is 6.125%. As a result, GEL 6.5 million of *net interest expense* was recorded during 2019 at GCAP level. The table below summarises net interest expense components for 2019 and 2018:

GEL '000, unless otherwise noted	FY19	FY18	Change
Interest income	39,044	35,282	10.7%
Of which, interest income on loans issued	23,611	20,300	16.3%
Of which, interest income on liquid funds	15,433	14,982	3.0%
Realised / Unrealised gains on liquid funds	9,547	(5,984)	NMF
Interest expense	(55,071)	(44,711)	23.2%
Net interest expense	**(6,480)**	**(15,413)**	**-58.0%**

GCAP management fee expenses have a targeted cap of 2% of Georgia Capital's market capitalisation. LTM management fee expense ratio was 1.8% at 31 December 2019. Total LTM operating expense ratio including fund type expenses[31] was 2.4% in 2019. FY18 expense ratio is not comparable due to incomplete year of operations for GCAP since its demerger on 29-May-18. The components of GCAP's operating expenses are presented in the table below:

GEL '000, unless otherwise noted	FY19	FY18	Change
Administrative expenses[28]	(11,542)	(5,717)	NMF
Management expenses - cash-based[29]	(8,327)	(5,331)	56.2%
Management expenses - share-based[30]	(14,522)	(7,641)	90.1%
Total operating expenses	**(34,391)**	**(18,689)**	**84.0%**
Of which, fund type expense[31]	(8,488)	(4,337)	95.7%
Of which, management fee	(25,903)	(14,352)	80.5%

[27] In line with the change to disclose private businesses at fair value instead of book value in the NAV statement from FY18 results announcement, Georgia Capital is presenting the performance of each portfolio company in its management income statement on fair value basis starting from 1H19 results announcement. y-o-y performance has not been discussed in details, as management believes that FY18 is not directly comparable and the y-o-y comparison is not useful for users.

[28] Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.

[29] Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.

[30] Share-based management expenses are share salary and share bonus expenses of management and staff.

[31] Fund type expenses include expenses such as audit fees, fees for legal advisors, Board compensation and corporate secretary costs.

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return of GEL 12 million and dividend income of GEL 122 million together led to GEL 134 million value creation in 2019 as presented in the NAV statement. Investment return in 2018 was negatively impacted by adverse global market conditions at year-end and amounted to negative GEL 756 million. The reconciliation of FY19 value creation with NAV Statement is provided on page 25. We discuss valuation drivers for each business on pages 9-10 and the performance of private businesses is discussed on pages 15-21.

The Group's *net income* is then driven by net foreign currency loss during 2019. GCAP incurred a net foreign currency loss of GEL 20.9 million in 2019 from GEL devaluation against US dollar due to its net foreign currency liability balance amounting to c. US$ 192 million (GEL 550 million) at 31 December 2019, i.e. difference between foreign currency denominated financial assets and financial liabilities. As a result of the movements described above, *net income* was GEL 71.6 million in 2019.

In line with the European Securities and Markets Authority ("ESMA") guidelines about the use of alternative performance measures (APMs) in the preliminary announcement, we discuss below the reconciliation of net income under management accounts with IFRS consolidated results.

Before the transition date of 31 December 2019 (please see more details on change in accounting basis on page 8), Georgia Capital consolidated the results of its investments in its IFRS income statement. As a result of reflecting the change in the status of the business to an investment entity, a cumulative transition gain of GEL 589 million was recognised on 31 December 2019. Therefore, the FY19 profit for the year within the IFRS consolidated income statement was GEL 604.3 million compared to the net income under management accounts of GEL 71.6 million. A gain from the change to investment entity status represents the difference between: a) the previous carrying amount of the subsidiaries, and b) the fair value of the subsidiaries disclosed in NAV statement on page 8. Starting from 2020, the IFRS income statement is expected to be closely aligned to the Management Income Statement.

The FY19 IFRS results of each portfolio business together with management commentary are discussed on pages 15 to 21. A detailed reconciliation of our Management Income Statement to the IFRS income statement is provided on page 22.

IFRS Results/Business Development - Individual Business Units/Segments

The following sections present the IFRS results and business development derived from our IFRS accounts for each of the late stage and early stage portfolio companies. For the pipeline companies we present information on the investments and where available business development. For a discussion of **investment rationale**, **value creation potential** and **value realization outlook**, please refer to 2H19 & FY19 results presentation.

1. Water Utility

(100% ownership)

Business description

Our Water Utility is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c. 36,000 legal entities. Water Utility also operates hydro power plants with total installed capacity of 149 MW.

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

GEL millions, unless otherwise noted

Key Highlights	FY19	FY18	change
Revenue	163.5	149.1	9.6%
EBITDA	95.1	83.4	14.0%
Development capex	67.9	133.7	-49.2%
Maintenance capex[2]	22.6	22.5	0.2%
FCF	16.8	(66.0)	NMF
Cash from operations	99.0	81.6	21.3%
Net debt	352.4	306.5	15.0%

Key performance metrics

Net investment	131.5
2019 dividend	22.0
ROIC[1]	12.5%
MOIC[1]	2.6
IRR[1]	30.7%

(1) Please see definitions on page 37.
(2) Capex figures are stated including VAT.
(3) Please refer to detailed IFRS financial statements of Water Utility on page 26.
(4) Prior period financial statements were restated due to transition to cost model.
(5) Free cash flow is calculated as follows: cash flow from operating activities less cash used in investing activities.

2H19 and FY19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[3,4]	2H19	2H18	Change	1H19	Change	FY19	FY18	Change
Revenue	**88,913**	**79,295**	**12.1%**	**74,541**	**19.3%**	**163,454**	**149,127**	**9.6%**
Water supply	70,440	70,062	0.5%	62,844	12.1%	133,284	131,814	1.1%
Energy	11,976	4,330	NMF	8,240	45.3%	20,216	9,052	NMF
Other	6,497	4,903	32.5%	3,457	87.9%	9,954	8,261	20.5%
Operating expenses	**(31,387)**	**(31,173)**	**0.7%**	**(29,667)**	**5.8%**	**(61,054)**	**(60,718)**	**0.6%**
Provision for doubtful trade receivables	(2,817)	(2,011)	40.1%	(4,508)	-37.5%	(7,325)	(5,033)	45.5%
EBITDA	**54,709**	**46,111**	**18.6%**	**40,366**	**35.5%**	**95,075**	**83,376**	**14.0%**
EBITDA margin	*61.5%*	*58.2%*	*3.4ppts*	*54.2%*	*7.4ppts*	*58.2%*	*55.9%*	*2.3ppts*
Depreciation and amortization	(14,252)	(12,316)	15.7%	(16,936)	-15.8%	(31,188)	(23,681)	31.7%
Net interest expense	(13,391)	(6,905)	93.9%	(10,793)	24.1%	(24,184)	(14,086)	71.7%
Net non-recurring expenses	3,493	(637)	NMF	(2,389)	NMF	1,104	(6,121)	NMF
Foreign exchange (loss) gain	1,911	(9,360)	NMF	(9,497)	NMF	(7,586)	(4,970)	52.6%
Net profit	**32,470**	**16,893**	**92.2%**	**751**	**NMF**	**33,221**	**34,518**	**-3.8%**
CASH FLOW HIGHLIGHTS[3,4]								
Cash flow from operating activities before maintenance capex	**54,251**	**50,998**	**6.4%**	**44,722**	**21.3%**	**98,973**	**81,586**	**21.3%**
Maintenance capex	(11,487)	(10,096)	13.8%	(11,093)	3.6%	(22,580)	(22,541)	0.2%
Cash flow from operating activities	**42,764**	**40,902**	**4.6%**	**33,629**	**27.2%**	**76,393**	**59,045**	**29.4%**
Cash flow used in investing activities	**(35,733)**	**(61,182)**	**-41.6%**	**(23,826)**	**50.0%**	**(59,559)**	**(125,091)**	**-52.4%**
Of which, development capex (net of VAT)	(43,680)	(64,776)	-32.6%	(24,230)	80.3%	(67,910)	(133,652)	-49.2%
Free cash flow[5]	**7,030**	**(20,280)**	**NMF**	**9,804**	**-28.3%**	**16,834**	**(66,044)**	**NMF**
Cash flow from financing activities	**(10,413)**	**2,572**	**NMF**	**7,099**	**NMF**	**(3,314)**	**19,303**	**NMF**
Net Proceeds from borrowings	27,998	43,663	-35.9%	20,661	35.5%	48,659	70,890	-31.4%
Dividends paid out	(22,000)	(28,840)	-23.7%	-	NMF	(22,000)	(28,840)	-23.7%
Cash ending balance	**26,581**	**13,713**	**93.8%**	**30,695**	**-13.4%**	**26,581**	**13,713**	**93.8%**
BALANCE SHEET HIGHLIGHTS[3,4]	**Dec-19**	**Dec-18**	**Change**					
Total assets	**591,036**	**514,418**	**14.9%**					
Property, plant and equipment	522,702	461,385	13.3%					
Trades and other receivables	22,357	19,657	13.7%					
Cash balance	26,581	13,713	93.8%					
Total liabilities	**432,741**	**368,781**	**17.3%**					
Long-term borrowings	353,021	300,076	17.6%					
Total equity	**158,295**	**145,637**	**8.7%**					

KEY POINTS

- 9.6% growth in FY19 revenues primarily driven by increased electricity sales
- FY19 energy revenue more than doubled y-o-y, reflecting 64.4% increase in the average electricity sales price
- Positive operating leverage of 9.0 ppts in 2019 drove 14.0% growth in EBITDA
- Outstanding collection rates and positive operating leverage drive FY19 operating cash flow up 21.3%
- Development capex down significantly by 49.2% and FCF was positive at GEL 16.8 million in 2019

INCOME STATEMENT HIGHLIGHTS

The 9.6% growth in FY19 water utility revenues was primarily driven by increased electricity sales, which more than doubled y-o-y and amounted to GEL 20.2 million. The solid growth in electricity sales reflects significant improvements in average electricity sales price (up from 6.9 Tetri/KWh to 11.3 Tetri/KWh) and continued savings in Water Utility's self-produced electricity consumption. Over the last four years the business reduced self-produced electricity consumption by 45.5% from 319 million kwh in 2015 to 174 million kwh in 2019 (down by 9.9% y-o-y in 2019). Electricity market deregulation, effective from May 2019, had an immediate impact on electricity sales prices and is anticipated to positively affect revenue streams from electricity sales going forward. Growth in top-line was also supported by increased water supply revenues (up 1.1% y-o-y) mainly on the back of strong business activity across various industries. Continued efficiency improvements were reflected in positive operating leverage of 9.0 ppts in 2019, leading to 14.0% y-o-y growth of FY19 EBITDA to GEL 95.1 million.

Net interest expense was up 71.7% y-o-y in 2019 in line with increased leverage during 2H18 to finance capital expenditures. The average balance of borrowings increased from GEL 284 million in 2018 to GEL 348 million in 2019. Foreign exchange losses of GEL 7.6 million in 2019 reflect the currency translation impact of GEL depreciation against the Euro. GGU recorded losses on its unhedged position of GEL 126.4 million in Euros at 31 December 2019. As a result, Water Utility profit was GEL 33.2 million in 2019 (down by 3.8% y-o-y).

BALANCE SHEET HIGHLIGHTS

The 13.3% increase in property, plant and equipment in 2019, was primarily due to development works on water utility infrastructure carried out during the year in order to upgrade the network. Such efficiency programmes have a dual effect of reducing own electricity consumption and increasing third party electricity sales. Additionally, regulated CAPEX is included in the Regulated Asset Base, used by the regulator to calculate fair return on investment. Development CAPEX substantially decreased during the year by 49.2%, following the completion of privatisation obligations in 1H19. The increase in total liabilities is due to increased borrowings obtained from financial institutions to support capital expenditures.

Water Utility switched from fair value measurement of its property plant and equipment to cost model based on international best practices, in order to better align IFRS treatment of PPE with regulatory accounting principles[4]. Comparative periods were also retrospectively restated.

CASH FLOW HIGHLIGHTS

FY19 operating cash flow was up by 21.3% to GEL 99.0 million on the back of stronger EBITDA and outstanding water supply receivable collection rates. During 2019, the collection rates for legal entities and households were 99% and 94%, respectively. On top of improved operating cash, the development CAPEX almost halved and free cash flow was positive GEL 16.8 million in 2019 (up from negative GEL 66.0 million in 2018). In 2019 Water Utility distributed dividends in amount of GEL 22.0 million.

2. Housing Development

(100% ownership)

Business description

Our housing development business is a leading real estate developer on the US$ 1.6 billion Georgian real estate market with three business lines: (a) a residential development arm targeting mainly mass market customers by offering affordable, high quality and comfortable housing; (b) a construction arm, engaging in construction contracts for our other businesses as well as third-parties; and (c) a franchise platform for development of third-party land plots with fee sharing arrangements. The business also started to develop distressed asset management arm in 2019.

Housing Development is **100% owned** through m², renamed as Georgia Real Estate.

GEL millions, unless otherwise noted

Key highlights	2019	2018[3]	Change
Revenue	117.7	132.4	-11.1%
Gross real estate profit	15.8	21.4	-26.1%
EBITDA	(3.5)	16.0	NMF
Development Capex	17.2	13.7	25.5%
Maintenance Capex	-	-	NMF
FCF	(21.4)	(23.8)	10.1%
Cash from operations	(8.9)	(10.2)	11.9%
Net debt	160.8	107.2	50.0%

Key performance metrics	
Net investment	(59.4)
2019 dividend	59.3
MOIC[1]	2.1
IRR[1]	16.3%

(1) Please see definition on page 37.
(2) Please refer to detailed IFRS financial statements of Housing Development on page 27.
(3) In line with new requirements under IFRS, starting from 2019 the Group ceased capitalization of borrowing costs to cost of inventory (represented by residential apartments) from the moment when such properties become available for sale. Comparative periods were respectively restated.
(4) Revenue from apartment sales is recognized over time based on the IFRS construction progress (proportion of costs incurred up to date to total expected project cost). Percentage of completion calculated based on total costs of the building is applied to the apartment selling price to recognize revenue from apartment sales.

2H19 and FY19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[2]	2H19	2H18[3]	Change	1H19	Change	FY19	FY18[3]	Change
Gross profit from apartments sale[4]	5,613	5,888	-4.7%	1,998	NMF	7,611	15,882	-52.1%
Gross profit from construction services	5,142	4,254	20.9%	2,459	NMF	7,601	5,334	42.5%
Gross Real Estate Profit	**11,048**	**10,190**	**8.4%**	**4,746**	**NMF**	**15,794**	**21,373**	**-26.1%**
Revaluation of commercial property	-	3,213	NMF	-	NMF	-	5,524	NMF
Operating expenses	**(12,413)**	**(6,630)**	**87.2%**	**(6,847)**	**81.3%**	**(19,260)**	**(10,903)**	**76.6%**
EBITDA	**(1,365)**	**6,773**	**NMF**	**(2,101)**	**35.0%**	**(3,466)**	**15,994**	**NMF**
Profit (loss)	**(8,948)**	**1,311**	**NMF**	**(7,848)**	**-14.0%**	**(16,796)**	**2,167**	**NMF**
CASH FLOW HIGHLIGHTS[2]								
Net cash flows from operating activities	7,755	7,969	-2.7%	(16,703)	NMF	(8,948)	(10,154)	11.9%
Net cash flows used in investing activities	(8,170)	(6,530)	25.1%	(4,269)	91.4%	(12,439)	(13,691)	-9.1%
Net cash flows from financing activities	12,208	(5,645)	NMF	14,989	-18.6%	27,197	16,595	63.9%
Net proceeds from borrowings & debt securities issued	57,647	-	NMF	-	NMF	57,647	(850)	NMF
Cash, ending balance	**15,602**	**10,467**	**49.1%**	**3,758**	**NMF**	**15,602**	**10,467**	**49.1%**

BALANCE SHEET HIGHLIGHTS[2]	Dec-19	Dec-18[3]	Change
Total assets	**223,735**	**248,609**	**-10.0%**
Land bank	1,552	8,722	-82.2%
Inventories	97,075	102,923	-5.7%
Total liabilities	**228,392**	**183,236**	**24.6%**
Deferred income	27,792	23,295	19.3%
Total equity	**(4,657)**	**65,373**	**NMF**

KEY POINTS

- The largest in-house residential project Digomi is gaining momentum
  - Construction permit received at the end of June 2019, driving significant growth in 2H19 gross profit
  - Sales progress on the first stage reached 77% of total saleable area
  - Apartment pre-sales for the second stage started in December 2019
- GEL 59.3 million dividend was distributed in 2019
- A masterplan brief was approved for the largest franchise deal - c. 2,500 apartments to be delivered in 5 years.

INCOME STATEMENT HIGHLIGHTS

The Housing Development gross profit from apartment sales fluctuates with the cycle of projects and strength of demand in the market for affordable housing.

Housing Development successfully completed one residential project in 2019, reaching in total 10 completed projects and 2,855 completed apartments with 100% sales progress. For most of 2019 and in the medium term, however, the largest driver of the cycle of our projects was and will be the Digomi project, which is currently our only ongoing housing project. Digomi is our largest ever in-house residential project, with an aggregate c. 132,000 sq.m. in residential space, and also includes 35,000 sq.m. in commercial space. The project is being developed in three stages. Stage I involves 22,089 sq.m. of residential space. Stage II will add 47,167 sq.m. in residential space to Housing Development's inventory. Stage III is the largest, with more than 63,014 sq.m. in residential space. A delay in receiving the construction permit from Tbilisi City Municipality delayed the project's launch by several months and slowed the planned momentum of our project cycle. Construction works for Stage I finally commenced in July 2019. The project is expected to be completed in 2023.

With the permit finally approved at the end of June 2019, continued healthy market conditions meant that the Digomi project contributed to the significant growth in 2H19 gross profit (more than doubled h-o-h and up by 8.4% y-o-y). The Digomi project's sales progress reached 77% of total sellable area in Stage I where 16,980 sq.m., with US$ 18 million value has been sold in 2019. However, the business recognized only US$ 5.0 million sales revenue, in line with the IFRS construction progress of the project[4]. In December 2019, Housing Development started apartment pre-sales for the second stage of Digomi which adds an estimated US$ 53 million sales value to the Housing Development's inventory. The pre-sales for Stage III (the largest), are expected to kick in from 4Q20.

FY19 gross real estate profit was strongly supported by the construction segment, which generated gross profit of GEL 7.6 million in 2019, up 42.5% y-o-y. Construction fees were mainly driven by six on-going hotel projects during the year in the hospitality business and by two third-party projects: i) the shell and core construction of a new shopping mall located in Tbilisi's Saburtalo district and (ii) fit-out works for Radisson Tsinandali in Kakheti region.

FY19 operating expenses increased by 76.6% y-o-y to GEL 19.3 million and resulted in negative FY19 EBITDA of GEL 3.5 million. The operating expenses include upfront costs for the new projects. The increase reflects continued growth of the company, while anticipating to launch the residential and construction projects in the pipeline.

BALANCE SHEET HIGHLIGHTS

Total assets decreased by 10.0% in 2019, mainly reflecting GEL 59.3 million dividend distribution to Georgia Capital.

CASH FLOW HIGHLIGHTS

Following commencement of construction the Digomi project, Housing Development generated GEL 7.8 million operating cash flow in 2H19. However, FY19 operating cash flow was negative GEL 8.9 million due to low levels of inventory in 1H19. In November 2019 Housing Development has successfully placed US$ 35 million of a 3-year bonds into the local market with an annual coupon rate of 7.5%. The proceeds from placement were used to refinance existing US$ 25 million local bonds issued in 2016. The remaining proceeds were earmarked to finance the development of Digomi project, where cash collection was lower than expected at 42%, negatively impacted by construction permit delay.

3. Property & Casualty Insurance

(100% ownership)

Business description

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

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

Gel millions, unless otherwise noted

Key highlights	2019	2018	Change
Earned premiums, net	75.3	67.5	11.6%
Net income	18.3	17.1	7.3%
Development Capex	-	-	NMF
Maintenance Capex	-	-	NMF
FCF	17.5	18.5	-5.4%
Cash from operations	19.5	20.9	-6.8%
Net debt	-	-	NMF

Key performance metrics	
Net investment	(25.9)
2019 Dividend	12.0
ROAE[1]	30.4%
MOIC[1]	19.7

(1) Please see definition on page 37.
(2) Please refer to detailed IFRS financial statements of P&C Insurance on page 28.

2H19 and FY19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[2]	2H19	2H18	Change	1H19	Change	FY19	FY18	Change
Earned premiums, net	39,051	36,039	8.4%	36,288	7.6%	75,339	67,488	11.6%
Insurance claims expenses, net	(16,199)	(13,245)	22.3%	(15,111)	7.2%	(31,310)	(25,748)	21.6%
Acquisition costs, net	(6,476)	(5,712)	13.4%	(5,736)	12.9%	(12,212)	(9,520)	28.3%
Net underwriting profit	**16,376**	**17,082**	**-4.1%**	**15,441**	**6.1%**	**31,817**	**32,220**	**-1.3%**
Net investment profit	5,430	1,973	NMF	2,339	NMF	7,769	3,988	94.8%
Operating profit	**11,724**	**10,587**	**10.7%**	**9,518**	**23.2%**	**21,242**	**20,586**	**3.2%**
Net non-recurring items	-	(23)	NMF	-	NMF	-	(652)	NMF
Pre-tax profit	**11,208**	**11,047**	**1.5%**	**9,787**	**14.5%**	**20,995**	**20,072**	**4.6%**
Income tax expense	(1,191)	(1,641)	-27.4%	(1,479)	-19.5%	(2,670)	(2,990)	-10.7%
Net profit	**10,017**	**9,406**	**6.5%**	**8,308**	**20.6%**	**18,325**	**17,082**	**7.3%**
CASH FLOW HIGHLIGHTS[2]								
Net cash flows from operating activities	4,854	11,434	-57.5%	14,667	-66.9%	19,521	20,940	-6.8%
Net cash flows used in investing activities	(1,212)	(3,077)	-60.6%	(11,507)	-89.5%	(12,719)	(3,907)	NMF
Net cash flows from financing activities	(4,549)	-	NMF	(9,881)	-54.0%	(14,430)	(10,000)	44.3%
Cash, ending balance	3,421	11,103	-69.2%	4,368	-21.7%	3,421	11,103	-69.2%

BALANCE SHEET HIGHLIGHTS[2]	Dec-19	Dec-18	Change
Cash and liquid funds	43,105	38,967	10.6%
Insurance premiums receivable, net	36,730	31,442	16.8%
Pension fund assets	4,868	18,931	-74.3%
Total assets	**200,274**	**145,710**	**37.4%**
Gross technical provision	100,886	45,664	NMF
Pension benefit obligations	4,868	18,932	-74.3%
Total liabilities	**137,663**	**89,572**	**53.7%**
Total equity	**62,611**	**56,138**	**11.5%**

KEY POINTS

- Border third-party liability insurance and organic business growth drive revenue up 11.6% y-o-y
- GEL 12 million dividend was paid out on the back of strong operating cash flow generation

INCOME STATEMENT HIGHLIGHTS

The FY19 P&C insurance business revenues increased by 11.6% y-o-y as a result of growth in earned premiums from: (i) compulsory border third-party liability insurance, introduced in March 2018 (up GEL 1.5 million y-o-y); (ii) organic growth in credit life insurance (up 23.0% y-o-y); (iii) credit unemployment and property insurance (up GEL 2.3 million y-o-y); (iv) agro insurance (up GEL 0.6 million y-o-y); (v) compulsory personal accident insurance, effective from 1 January 2019 (up GEL 0.5 million y-o-y on the back of 26,328 policies written in 2019). P&C Insurance's key performance ratios remained healthy during 2019 as noted below:

Key Ratios	2H19	2H18	Change	1H19	Change	FY19	FY18	Change
Combined ratio	83.9%	76.1%	*7.8ppts*	80.2%	*3.7ppts*	82.1%	75.5%	*6.6ppts*
Expense ratio	42.4%	39.3%	*3.1ppts*	38.6%	*3.8ppts*	40.6%	37.3%	*3.3ppts*
Loss ratio	41.5%	36.8%	*4.7ppts*	41.6%	*-0.1ppts*	41.6%	38.2%	*3.4ppts*

The 6.6 percentage point y-o-y increase in the FY19 combined ratio was mostly due to increased loss ratio and higher commission rates on credit life, property and compulsory insurance. The 3.4 percentage point y-o-y increase in the FY19 loss ratio was due to increased net claim expenses, predominantly in the credit life insurance portfolio. Additionally, unusually high claims were incurred on several large contracts in motor and property insurance, among them losses caused by natural disasters. As a result, Aldagi's net income was up 7.3% y-o-y, resulting in 30.4% ROAE in 2019 (34.4% in 2018). Over the next several years, the P&C business expects to build a healthier retail client portfolio in motor insurance, which is a largely untapped market with only 4% existing penetration providing significant room for growth.

BALANCE SHEET HIGHLIGHTS

At 31 December 2019, total assets stood at GEL 200.3 million, up 37.4% from 31 December 2018. The growth was driven by 10.6% increase in cash and liquid funds. The decrease in pension assets and pension liabilities resulted fully from new state pension regulation that came into effect from 1 January 2019. P&C Insurance's solvency ratio stood at 119% at 31 December 2019, above the required minimum of 100%.

CASH FLOW HIGHLIGHTS

Operating cash flow was down 6.8 % y-o-y in 2019, due to a settlement of large claim in 2H19, for which the reinsurers' share was received in prior periods. P&C insurance paid a GEL 12 million dividend in 2019, up 20% from GEL 10 million in 2018.

4. Renewable Energy

(100% ownership)

Business description

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

Following the buyout of the 34.4% minority shareholder in GRPC on 25 February 2020, Georgia Capital's renewable energy business consists of its wholly-owned subsidiary GRPC (with 50MW Mestiachala HPPs) and wholly-owned Hydrolea HPPs and Qartli wind farm (with 41MW installed capacity in aggregate). In addition, the business has a pipeline of 350MW renewable energy projects in the medium term.

GEL millions, unless otherwise noted

Key highlights	FY19	FY18	change
Revenue	16.2	-	NMF
EBITDA	13.1	(0.8)	NMF
Capex	117.4	62.3	88.4%
FCF	(114.7)	(63.0)	-82.1%
Cash from operations	2.8	(0.7)	NMF
Net debt	239.1	62.3	NMF

Key performance metrics	
Net investment	98.9
2019 dividend	-
ROIC[1]	4.3%
MOIC[1]	1.1
IRR[1]	5.2%

(1) Please see definition on page 37.
(2) Please refer to detailed IFRS financial statements of Renewable Energy on page 29.

2H19 and FY19 performance *(GEL '000, unless otherwise noted)*

INCOME STATEMENT HIGHLIGHTS[2]	2H19	2H18	Change	1H19	Change	FY19	FY18	Change
Revenue	**13,776**	**-**	**NMF**	**2,395**	**NMF**	**16,171**	**-**	**NMF**
Operating expenses	(2,171)	(367)	NMF	(910)	NMF	(3,081)	(769)	NMF
EBITDA	**11,605**	**(367)**	**NMF**	**1,485**	**NMF**	**13,090**	**(769)**	**NMF**
CASH FLOW HIGHLIGHTS[2]								
Cash flow from operating activities	**3,373**	**(327)**	**NMF**	**(589)**	**NMF**	**2,784**	**(696)**	**NMF**
Cash flow used in investing activities	**(98,405)**	**(42,693)**	**NMF**	**(19,121)**	**NMF**	**(117,526)**	**(62,295)**	**88.7%**
Of which, acquisition of subsidiaries	(88,015)	-	NMF	-	NMF	(88,015)	-	NMF
Cash flow from financing activities	**109,614**	**39,511**	**NMF**	**30,591**	**NMF**	**140,205**	**63,228**	**NMF**
Proceeds from borrowings	143,591	37,218	NMF	28,176	NMF	171,767	55,495	NMF
Cash ending balance	**35,254**	**8,388**	**NMF**	**20,892**	**68.7%**	**35,254**	**8,388**	**NMF**

BALANCE SHEET HIGHLIGHTS[2]	Dec-19	Dec-18	Change
Total assets	**441,484**	**169,304**	**NMF**
Property, plant and equipment	340,035	114,645	NMF
Cash balance	35,254	8,388	NMF
Total liabilities	**291,987**	**75,145**	**NMF**
Total debt	274,322	70,711	NMF
Total equity	**149,497**	**94,159**	**58.8%**
Total equity attributable to GCAP	**113,000**	**61,203**	**84.6%**

KEY POINTS

- A year of significant growth – increasing installed capacity to 91MW and progressing on the 350MW pipeline
  - The first hydro power plants ("HPP"), Mestiachala HPPs launched in 1H19 on time and within budget before suffering flood damage
  - Acquisition of Hydrolea HPPs with an aggregate 20.6MW installed capacity
  - Acquisition of 20.7MW Qartli wind farm, the only operational wind farm in Georgia
  - Construction works commenced on 46MW Zoti HPPs in 4Q19, expected to be operational in 2H21
  - The Government approved the concept of 108MW wind power plant ("WPP") projects, expected to be commissioned in 2H22
- FY19 EBITDA at GEL 13.1 million with 80.9% EBITDA margin

INCOME STATEMENT HIGHLIGHTS

The Renewable Energy's FY19 revenues of GEL 16.2 million includes revenue from electricity sales of GEL 6.1 million, of which GEL 4.7 million was contributed by Mestiachala HPPs with 54.1 GWh generation. The annual net generation capacity of Mestiachala HPPs is projected at approximately 171GWh on stabilized basis. Hydrolea HPPs added GEL 1.4 million to FY19 revenues on the back of 8.6 GWh generation since acquisition on 29 October 2019. The remaining GEL 10.0 million revenue represents expected business interruption ("BI") reimbursement by insurance company for foregone electricity sales revenues from Mestiachala HPPs during Aug-Dec. The insurance company has confirmed the amount of BI reimbursement for the year 2019 for both HPPs and is in process of remitting the funds to the business. The first phase (30MW) of Mestiachala HPPs was launched on 8 April 2019, followed by the second phase (20MW) on 4 June 2019. Total project cost was US$ 62.0 million, in line with budgeted US$ 1.2 million per MW. The HPPs were affected by flooding resulting from a rock avalanche and were taken offline in late July 2019. Operations successfully resumed at the first phase (30MW) within the expected timeline and at the originally planned generation level in December 2019. Based on the updated schedule the second phase (20MW HPP) is expected to return online in 1H21 following the comprehensive assessment of remaining restoration works. As a result, FY19 EBITDA amounted to GEL 13.1 million with 80.9% EBITDA margin.

BALANCE SHEET HIGHLIGHTS

In 2019 Georgia Capital continued to invest in the renewable energy business, successfully acquiring 100% equity stakes in high quality assets: Hydrolea HPPs (total consideration of GEL 66.5 million, of which GEL 29.5 million is GCAP equity) on 29 October 2019 and Qartli wind farm (total consideration of GEL 41.3 million, of which GEL 12.7 million is GCAP equity) on 15 November 2019. Hydrolea operates three HPPs with an aggregate 21MW installed capacity and has a greenfield 19MW HPP project, expected to be operational by the end of 2022. All of the acquired hydro and wind assets have high gross capacity factors (58% for hydro and 47% for wind on average) and benefit from guaranteed prices via Power Purchase Agreements ("PPA") with the Government of Georgia for the next 8-10 years. The wind PPA has USD 65/MWh tariff and hydro PPA prices range from 55.4 USc/MWh to 56.6 USc/MWh.

The 58.8% y-o-y increase in total equity is mainly driven by capital allocation from GCAP for recent acquisitions. Overall the energy business is financing the projects with up to c. 30% equity contribution. In addition to recent acquisitions, the increase in total assets also reflects finalization of construction works on Mestiachala HPPs.

Renewable Energy continues to develop its pipeline projects with targeted 350MW installed capacity in the medium-term. The concept approval of Tbilisi and Kaspi WPPs represents significant milestone in the process of obtaining PPAs, expected to be finalised in the near future.

The table below summarises the indicative pipeline of the upcoming energy projects, with targeted blended ROIC of 12%:

Project	MWs	Target cost per MW, US$ millions	Target Commissioning	Gross generation capacity (GWh)	Current stage
Zoti HPPs	46	1.3	2H21	173	Under construction
Bakhvi 2 HPP	36	1.3	1H22	130	Feasibility
Racha HPPs	38	1.5	1H23	168	Feasibility
Wind Tbilisi	54	1.2	2H22	172	Development
Darchi HPP	19	1.4	2H22	89	Feasibility
Wind Kaspi	54	1.4	2H22	211	Development
Wind (other)	99	1.4	TBD	340	Feasibility
Total	**346**			**1,283**	

5. 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 more than 1,000 targeted rooms.

The hotel development business has already confirmed 1,222 rooms, of which, 273 are operational and 949 are in pipeline. The targeted hotel portfolio comprises c. 630 internationally branded hotel rooms and c. 592 hotels rooms developed by the business under its own Amber Group brand.

Hospitality and Commercial Real Estate is **100% owned** through m^2, renamed as Georgia Real Estate.

GEL millions, unless otherwise noted

Key highlights	2019	2018	Change
Revenue	37.6	38.5	-2.3%
Of which, revaluation	21.7	27.6	-21.5%
NOI	24.7	30.9	-19.8%
Development Capex	100.7	72.4	39.1%
Maintenance Capex	-	-	NMF
FCF	(97.0)	(73.8)	-31.4%
Cash from operations	3.3	5.7	-42.6%
Net debt	177.2	91.7	93.2%

Key performance metrics	
Net investment	193.6
2019 Dividend	-
ROIC[1]	6.5%
MOIC[1]	1.3
IRR[1]	12.2%

(1) Please see definition on page 37.
(2) Please refer to detailed IFRS financial statements of Hospitality & Commercial real estate on page 30.

2H19 and FY19 performance

GEL thousands, unless otherwise noted

INCOME STATEMENT HIGHLIGHTS[2]	2H19	2H18	Change	1H19	Change	FY19	FY18	Change
Gross profit from operating leases	3,666	2,688	36.4%	2,792	31.3%	6,458	4,588	40.8%
Gross profit from hospitality services	1,130	1,488	-24.1%	697	62.1%	1,827	1,945	-6.1%
Gross Real Estate Profit	**4,796**	**4,353**	**10.2%**	**3,489**	**37.5%**	**8,285**	**6,761**	**22.5%**
Revaluation of commercial property[3]	13,784	27,621	-50.1%	7,892	74.7%	21,676	27,621	-21.5%
Operating expenses	**(3,356)**	**(2,495)**	**34.5%**	**(1,860)**	**80.4%**	**(5,216)**	**(3,520)**	**48.2%**
Net operating income (NOI)	**15,224**	**29,479**	**-48.4%**	**9,521**	**59.9%**	**24,745**	**30,862**	**-19.8%**
Profit	**9,943**	**26,595**	**-62.6%**	**5,880**	**69.1%**	**15,823**	**25,717**	**-38.5%**
CASH FLOW HIGHLIGHTS[2]								
Net cash flows from operating activities	2,932	4,063	-27.8%	324	NMF	3,256	5,670	-42.6%
Net cash flows used in investing activities	(47,227)	(27,772)	70.1%	(53,034)	-10.9%	(100,261)	(79,444)	26.2%
Net cash flows from financing activities	56,223	43,066	30.6%	31,567	78.1%	87,790	87,735	0.1%
Net Proceeds from borrowings & debt securities issued	*11,019*	*22,166*	-50.3%	*52,224*	-78.9%	*63,243*	*96,006*	-34.1%
Cash, ending balance	**19,245**	**28,616**	**-32.7%**	**7,347**	**NMF**	**19,245**	**28,616**	**-32.7%**
BALANCE SHEET HIGHLIGHTS[2]	**Dec-19**	**Dec-18**	**Change**					
Investment property	401,216	225,343	78.0%					
Land bank	69,693	37,459	86.1%					
Commercial real estate	331,523	187,884	76.5%					
Total assets	**462,284**	**294,833**	**56.8%**					
Borrowings & debt securities issued	196,408	124,166	58.2%					
Total equity	**248,497**	**159,839**	**55.5%**					

(3) Value created on commercial property and hotels.

KEY POINTS

- GEL 22 million revaluation gain recorded on hotels and commercial assets
- Progressing in line with the strategy to develop more than 1,000 hotel rooms across Georgia:
  - Gudauri Lodge Hotel was opened in December 2019 - the first in-house branded hotel, adding 121 rooms
  - Kutaisi hotel construction commenced in 1Q19
  - Acquired land in Zugdidi to develop a midscale internationally branded hotel with c. 130 rooms by 2022
  - Acquired land in Shovi to develop a 109-room hotel under Amber group brand by 2022
- Expansion of the commercial real estate portfolio drives gross profit from operating leases up 40.8%

INCOME STATEMENT HIGHLIGHTS

Gross profit from operating leases increased by 40.8% y-o-y in FY19 primarily due to the expansion of the commercial real estate portfolio, supported by high occupancy levels. Georgia Capital allocated GEL 49.3 million commercial space in the completed residential projects valued at c. 10% yield in US$ terms. The commercial portfolio increased by 76.5% to US$ 44.9 million in 2019 (US$ 25.3 million in 2018), while occupancy level and gross income yield stood at 87.1% (90.1% in 2018) and 9.5% (9.9% in 2018), respectively. New additions to the portfolio will reach stabilized occupancy and income yield in 2020. Nearly 80% of the total commercial assets portfolio represents office and retail areas and another 20% residential and industrial spaces.

Within the hospitality business, the hotel room utilization picked up from 44% in 2018 to 54% in 2019 in Ramada Encore hotel, our first hotel launched in March 2018. In December 2019, Amber Group opened the first in-house branded hotel "Gudauri Lodge Hotel", which added 121 operational rooms to the hospitality business portfolio. Amber Group's investment in the Hotel, including the land value, totals US$ 16.0 million.

In 2019 the business booked revaluation gain of GEL 22 million on hotels and commercial assets (valued at c. 10% yield), of which GEL 8 million represents revaluation gain on under construction Kempinski hotel, expected to open in 4Q20. Management hires an independent, internationally recognised valuation company to determine the fair values of hotels after a predetermined construction progress threshold is reached.

BALANCE SHEET HIGHLIGHTS

At 31 Dec 2019, total assets amounted to GEL 462.3 million (up 56.8% from 31 December 2018) and was largely concentrated in investment property. Commercial real estate increased by 76.5% in 2019 mainly due to the allocation of finished commercial properties from Georgia Capital and construction works performed for hotels under construction. The business continued to build ground for its 1,222 hotel rooms portfolio by acquiring: an 8,964 sq.m. land plot for a total cash consideration of GEL 7.3 million in Zugdidi, a historical region in western Georgia and 7,500 sq.m. land plot for a total cash consideration of US$ 0.9 million located in Shovi, Racha – a health resort in the greater Caucasus mountain region. The business is on track to commission two under construction hotels in 2020: Melikishvili Ramada Hotel in 2Q20 and Kempinski Hotel in 4Q20. In 2019, Hospitality & Commercial Real Estate issued a 3-year US$ 30 million bonds into the local market with a 7.5% annual coupon rate. The bonds are backed by rental income stream from commercial properties and the proceeds are used for on-going hotel developments.

CASH FLOW HIGHLIGHTS

The first operational Ramada Encore hotel added GEL 1.9 million to FY19 operating cash flow, while contribution from rent-generating assets was GEL 6.1 million. The y-o-y decrease in FY19 operating cashflow reflects increased operating expenses due to the expected roll-out of the under-construction hotels. In 2019 the business spent GEL 101 million on capital expenditures and acquisitions of land plots for further hotel development. Amber group targets 70%:30% debt to equity leverage ratio at hotels after hotel opening and 50%:50% during construction stage.

6. Beverages

(87% ownership)

Business description

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

Georgia Capital **owns 87%** of Beverages.

Wine business highlights

GEL millions, unless otherwise noted

	FY19	FY18	Change
Revenue	42.2	29.4	43.6%
EBITDA	8.7	7.2	22.1%
Development Capex	32.9	21.7	51.9%
Maintenance Capex	6.3	0.6	NMF
FCF	(36.4)	(18.3)	-98.9%
Cash from operations	2.8	0.1	NMF
Net debt	43.1	40.5	6.4%

Beer business highlights

GEL millions, unless otherwise noted

	FY19	FY18	Change
Revenue	43.6	29.3	48.9%
EBITDA	(6.5)	(13.8)	53.1%
Development Capex	18.6	10.0	86.0%
Maintenance Capex	-	-	NMF
FCF	(32.6)	(23.9)	-36.4%
Cash from operations	(14.0)	(13.8)	-1.0%
Net debt	86.4	66.8	29.3%

Key performance metrics

Net investment	157.2
2019 dividend	-
ROIC, wine business[1]	6.2%
ROIC, beer business[1]	-15.5%
MOIC, wine business[1]	1.2
MOIC, beer business[1]	0.2
IRR, wine business[1]	4.8%
IRR, beer business[1]	-

(1) Please see definition on page 37.
(2) Please refer to detailed IFRS financial statements of Beverages on pages 31-32.

2H19 and FY19 performance *(GEL '000, unless otherwise noted)*

Wine Business

INCOME STATEMENT HIGHLIGHTS[2]	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Revenue	24,896	19,495	27.7%	17,254	44.3%	42,150	29,352	43.6%
Gross profit	10,977	9,359	17.3%	7,818	40.4%	18,795	14,042	33.8%
Gross profit Margin	*44.1%*	*48.0%*	*-3.9ppt*	*45.3%*	*-1.2ppt*	*44.6%*	*47.8%*	*-3.2ppt*
Operating expenses	(5,292)	(3,835)	38.0%	(4,772)	10.9%	(10,064)	(6,891)	46.0%
EBITDA	**5,685**	**5,524**	**2.9%**	**3,046**	**86.6%**	**8,731**	**7,151**	**22.1%**
Net (loss)/profit	**3,009**	**(94)**	**NMF**	**(1,992)**	**NMF**	**1,017**	**(91)**	**NMF**
CASH FLOW HIGHLIGHTS[2]								
Net cash flows from operating activities	958	(1,466)	NMF	1,797	-46.7%	2,755	98	NMF
Net cash flows from investing activities	(35,352)	(3,520)	NMF	(3,844)	NMF	(39,196)	(18,350)	NMF
Of which, maintenance capex	(2,434)	(543)	NMF	(3,844)	-36.7%	(6,278)	(641)	NMF
Of which, acquisition of subsidiaries	(32,918)	(5,070)	NMF	-	NMF	(32,918)	(21,674)	51.9%
Net cash flows from financing activities	33,948	9,327	NMF	(871)	NMF	33,077	23,248	42.3%
Net proceeds from borrowings	*16,095*	*9,915*	*62.3%*	*430*	*NMF*	*16,525*	*24,286*	*-32.0%*
Cash, ending balance	**5,230**	**8,380**	**-37.6%**	**5,842**	**-10.5%**	**5,230**	**8,380**	**-37.6%**

Beer Business

INCOME STATEMENT HIGHLIGHTS[2]	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Revenue	25,387	16,057	58.1%	18,241	39.2%	43,628	29,308	48.9%
Gross profit	7,337	5,639	30.1%	4,867	50.7%	12,204	10,087	21.0%
Gross profit Margin	*28.9%*	*35.1%*	*-6.2ppt*	*26.7%*	*2.2ppt*	*28.0%*	*34.4%*	*-6.4ppt*
Operating expenses	(7,323)	(11,809)	-38.0%	(11,331)	-35.4%	(18,654)	(23,841)	-21.8%
EBITDA	**14**	**(6,170)**	**NMF**	**(6,464)**	**NMF**	**(6,450)**	**(13,754)**	**53.1%**
Net loss	**(34,618)**	**(19,011)**	**82.1%**	**(20,619)**	**67.9%**	**(55,237)**	**(28,475)**	**94.0%**
CASH FLOW HIGHLIGHTS[2]								
Net cash flows from operating activities	(5,206)	(6,525)	20.2%	(8,783)	40.7%	(13,989)	(13,846)	-1.0%
Net cash flows from investing activities	(2,804)	(6,193)	-54.7%	(15,810)	-82.3%	(18,614)	(10,043)	85.3%
Net cash flows from financing activities	7,603	11,320	-32.8%	26,682	-71.5%	34,285	12,826	NMF
Net proceeds from borrowings	*6,300*	*6,800*	*-7.4%*	*20,061*	*-68.6%*	*26,361*	*7,984*	*NMF*
Cash, ending balance	**2,543**	**1,244**	**NMF**	**3,055**	**-16.8%**	**2,543**	**1,244**	**NMF**

WINE BUSINESS

KEY POINTS

- Export sales outperforming the strong export market growth in 2019 and driving FY19 revenues up 43.6% y-o-y
- Outstanding topline growth led to 22.1% y-o-y growth in FY19 EBITDA
- Acquisition of Alaverdi winery added 244 hectares of vineyards and tripled annual production capacity to 28.4 million wine bottles per annum
- FY19 operating cash flow at GEL 2.8 million (GEL 0.1 million in FY18), benefiting from decreased reliance on grape purchases

The wine business demonstrated a robust performance in 2019, which was supported by growth in exports. Strong demand in the Georgia's export markets resulted in a 9% y-o-y increase in volume in 2019, with export bottles sold reaching a 14 year high of 93 million. With its well diversified export portfolio compared to local peer companies, our business increased its wine bottle sales by 46.5% from c. 3.1 million bottles in 2018 to c. 4.5 million in 2019 - well above the market growth rate. As a result, revenue increased by 43.6% y-o-y to GEL 42.2 million in 2019. FY19 revenues reflect a GEL 2.9 million revaluation gain on grapes, up 0.8% y-o-y. Revaluation gain is expected to increase next year during the harvest season in 2H20, as Alaverdi grapes were already reflected at fair value in the acquisition price in 2019.

The wine business maintained a solid gross profit margin of 44.6% in 2019 (47.8% in 2018) despite the increased purchase prices for grapes. Management expects to minimize reliance on third party wine materials and manage gross margin levels, as the business benefits from Kindzamaruli and Alaverdi acquisitions. The business continued to invest in developing new export markets during the year, which led to increased operating costs in 2019. As a result, FY19 EBITDA was up by 22.1%.

Operating cash flow increased from GEL 0.1 million in 2018 to GEL 2.8 million in 2019, reflecting decreased reliance on purchased grapes. The cash used in investing activities increased by 114% to GEL 39.2 million in 2019 mainly due to Alaverdi acquisition for the total cash consideration of GEL 32.9 million (GEL 16 million was a capital allocation from GCAP). In addition to 244 hectares of vineyards, Alaverdi also added sizable existing wine inventory materials available for immediate sale and 135 hectares of free land available for immediate vineyard development. Following Alaverdi acquisition on 19 August 2019, the business has three top class wineries across Kakheti's three wine-making regions with 704 hectares of vineyards.

Starting from 2H19 the business strengthened its management team with a new CEO. Management expects to continue to focus on its strategic priorities to enter untapped strategic export markets, diversify its product mix by portfolio premiumization and optimise costs through increased production capacity.

BEER BUSINESS

KEY POINTS

- Beer business launched four new brands in 1H19, followed by the launch of Heineken in July 2019
- Strong beer sales volumes in 3Q19, driving market share growth from 14% in 2018 to 20% in 2019
- Beer business EBITDA at break-even level in 2H19

During the first half of 2019 the beer business was mainly focused on launching new brands: in March the business acquired a prominent Georgian beverages brand – Kazbegi, followed by launch of Kazbegi beer and lemonade in April. Krusovice, Amstel and a local light beer, Kayaki, three upper-mainstream segment beer brands, were also fully launched during May. In July 2019 business achieved a significant milestone and launched locally brewed Heineken. Starting from 2H19 the beer business benefited from full scale launch of new brands. Improved product mix allowed the business to increase beer market share from 14% to 20% in 2019 and to achieve a 58.1% y-o-y growth in 2H19 revenues. The 48.9% growth in FY19 revenues and negative GEL 6.5 million FY19 EBITDA does not reflect full year potential due to mid-year launches. FY19 revenues normalized for new brand launches would have been GEL 47.2 million, up 67.9% y-o-y. 2H19 EBITDA was at break-even level, while 2H19 revenues were up by 39.2% h-o-h. Operating cash flow was negative GEL 14.0 million in 2019, negatively affected by delays in launching Heineken brands. As a result, the business booked impairment loss of GEL 25.3 million in non-recurring items under IFRS. Increase in cash used in investing activities by GEL 8.6 million was mainly driven by acquisition of Kazbegi brand. In 2019 the business obtained borrowings from local banks to support growth in the HoReCa market, where it achieved leading position. Additionally, Georgia Capital provided GEL 15 million capital to finance working capital needs.

Pipeline businesses

Attractive service business – Auto Service

Georgia Capital sees strong value creation opportunity in the auto services industry, which is currently a very fragmented market with approximately GEL 2.8 billion[32] annual revenues. The leading player controls c. 16% of the market, while the rest of the market is dominated by small, owner-operated lower-end service shops. The number of vehicles has grown at 7% CAGR over the last seven years, while the vast majority of vehicles in the country remains largely outdated. The attractive growth rates combined with the expected increase in customer spending due to the stricter regulatory environment make the auto service business an attractive strategic opportunity. Georgia Capital aims to build a diversified business model with a digital platform combining different auto-related services: car services and parts, secondary car trading, car insurance and periodic technical inspection (PTI).

The Group's PTI business became fully operational from March 2019 under the name of Greenway Georgia (GWG), as described in more detail below. Additionally, the Group acquired an 80% interest in Amboli, at the end of June 2019. Amboli, the second largest player on the market with approximately 1% market share, was valued at 0.7x EV/Sales. The Group paid GEL 3.4 million for the acquisition and also contributed GEL 1.6 million capital into equity (its pro rata share) to fund the business growth.

PTI business 2H19 and FY19 performance *(GEL '000, unless otherwise noted)*

Income statement highlights	2H19	1H19	Change	FY19
Revenue	7,613	5,304	43.5%	12,917
Gross profit	**5,502**	**3,023**	**82.0%**	**8,525**
Gross profit margin	*72.3%*	*57.0%*	*15.3ppts*	*66.0%*
Operating expenses	(2,853)	(2,410)	18.4%	(5,263)
EBITDA	**2,649**	**613**	**NMF**	**3,262**
EBITDA margin	*34.8%*	*11.6%*	*23.2ppts*	*25.3%*
Net loss	**(1,835)**	**(3,321)**	**-44.7%**	**(5,156)**
Cash flow highlights				
Net cash flows from operating activities	2,907	17	NMF	2,924
Net cash flows used in investing activities	(1,370)	(13,706)	-90.0%	(15,076)
Net cash flows from financing activities	(1,255)	13,649)	NMF	12,394
Balance sheet highlights	**Dec-19**	**Dec-18**	**Change**	
PPE, net & Intangible assets	50,682	37,840	33.9%	
Total assets	**53,849**	**41,395**	**30.1%**	
Total liabilities	**55,215**	**42,721**	**29.2%**	

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

GWG finalized construction of 26 centres (10 locations in the capital city and 16 locations in the regions) and became fully operational from March 2019. Gross profit margin was 66% and EBITDA margin stood at 25% in 2019, both expected to substantially increase on a stabilized basis in 2020. GWG serviced 342,275 cars (of which, 246,932 were primary checks) in 2019, capturing approximately 36% of current total market. The number of cars serviced in 2H19 was up 43.9% h-o-h in 2H19 to 201,937 cars. The PTI businesses generated GEL 3 million operating cash flow during the year. GWG invested GEL 48 million to commence its operations, of which, GEL 5 million was equity capital provided by Georgia Capital and the rest was financed by borrowings from a local financial institution.

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

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

In 2019 Georgia Capital acquired majority stakes in three leading schools: British-Georgian Academy (70% stake), the leading school in the premium segment of the market; Buckswood International School (80% stake), well-positioned in the mid-level segment and Green School (80%-90% ownership[33]), a leading player in the affordable education segment. BGA and Buckswood were acquired at a 6.4x EV/EBITDA 2020 and Green school acquisition multiple was 5.6x EV/EBITDA. We plan to increase maximum capacity of existing learners at all three schools by expanding the existing campuses and adding new ones in Tbilisi and surrounding areas.

The table below summarises the investments and expected growth pipeline in the education business:

School	Segment	Total existing & future capital allocation from GCAP	Debt/Equity	GCAP ownership	Current capacity of learners	Targeted capacity of learners	Targeted cost per learner
BGA	Premium	GEL 75 million	50%	70%	800	3,200	GEL 35,000 -40,000
Buckswood	Mid-level	GEL 24 million	50%	80%	760	2,980	GEL 13,000 -18,000
Green School	Affordable	GEL 21 million	50%	80% - 90%[33]	1,250	5,000	GEL 6,500 -8,500
Total		**GEL 120 million**			**2,810**	**11,180**	

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

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

[32] The auto service business started selling imported secondary cars, increasing total addressable market by GEL 1 billion from previously estimated GEL 1.8 billion.
[33] 80% equity stake in the current campus and 90% equity stake in three new schools that will be developed under Green School brand.

Reconciliation of management accounts to IFRS

Income statement reconciliation, FY19

GEL '000, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality and Commercial RE	Beverages	Auto Service	Digital Services	Other	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
Total investment return	(203,109)	140,240	52,953	(23,630)	34,399	-	9,918	(15,017)	17,056	-	(659)	81,349	-	93,500
Net foreign currency loss/non-recurring expenses	-	-	-	-	-	-	-	-	-	-	-	(21,949)	-	(21,949)
Net Income (Investment Basis)	**(203,109)**	**140,240**	**52,953**	**(23,630)**	**34,399**	**-**	**9,918**	**(15,017)**	**17,056**	**-**	**(659)**	**59,400**	**-**	**71,551**
Difference between Shareholder return and IFRS profit of portfolio companies	226,430	(140,240)	(17,483)	6,834	(16,119)	2,796	5,932	(10,884)	(23,625)	264	2,558	-	-	36,463
Profit attributable to non-controlling shareholders	38,229	-	-	-	-	833	(28)	(4,782)	(160)	125	787	-	-	35,004
Gain on change in Investment entity status	-	-	-	-	-	-	-	-	-	-	-	588,830	-	588,830
Reversal of intragroup dividend income	-	-	-	-	-	-	-	-	-	-	-	-	(97,268)	(97,268)
Reversal of Hotel revaluation gains for Group consolidation purposes	-	-	-	-	-	-	-	-			-	-	(16,517)	(16,517)
Reversal of Fair valuation of Debt securities measured at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-	(6,231)	(6,231)
Reversal of gains on intragroup sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	(3,425)	(3,425)
Other	-	-	-	-	-	-	-	-			-	-	(4,141)	(4,141)
Profit for the period (IFRS Consolidated)	**61,550**	**-**	**35,470**	**(16,796)**	**18,280**	**3,629**	**15,822**	**(30,683)**	**(6,729)**	**389**	**2,686**	**648,230**	**(127,582)**	**604,266**

Balance sheet reconciliation, 31 December 2019

GEL '000, unless otherwise noted	GHG	BOG	Water Utility	Housing Development	P&C Insurance	Renewable Energy	Hospitality and Commercial RE	Beverages	Auto Service	Digital Services	Other	Corporate Center	Inter-Business Eliminations/ Consolidations	Group Total
Fair Value FS	**430,079**	**597,735**	**483,970**	**43,853**	**164,923**	**106,800**	**245,558**	**87,119**	**25,757**	**8,790**	**58,499**	**(499,215)**	**-**	**1,753,868**
Transfer of Market value of 19.9% in BoG to Corporate Center	-	(597,735)	-	-	-	-	-	-			-	597,735	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	(1,847)	(1,847)
Total equity attributable to shareholders of Georgia Capital (IFRS)	**430,079**	**-**	**483,970**	**43,853**	**164,923**	**106,800**	**245,558**	**87,119**	**25,757**	**8,790**	**58,499**	**98,520**	**(1,847)**	**1,752,021**

Detailed financial information

Georgia Capital

CONSOLIDATED IFRS INCOME STATEMENT			
GEL '000, unless otherwise noted	**2019**	**2018**	**change**
Revenue	1,473,437	1,282,995	14.8%
Cost of sales	(883,024)	(789,884)	11.8%
Gross profit	**590,413**	**493,111**	**19.7%**
Operating expenses	(317,927)	(268,608)	18.4%
EBITDA	**272,486**	**224,503**	**21.4%**
Share in profit of associates	357	247	44.5%
Dividend income	24,953	23,875	4.5%
Depreciation and amortisation	(110,075)	(66,449)	65.7%
Net foreign currency (loss)/ gain	(41,663)	(37,546)	11.0%
Net realized gains from investment securities measured at FVPL	1,654	-	NMF
Net realized gains from investment securities measured at FVOCI	1,187	-	NMF
Interest income	30,672	23,275	31.8%
Interest expense	(150,370)	(96,895)	55.2%
Net operating income before non-recurring items	**29,201**	**71,010**	**-58.9%**
Net non-recurring items	(9,130)	(41,251)	-77.9%
Gain from change in investment entity status	588,828	-	NMF
Profit before income tax expense	**608,899**	**29,759**	**NMF**
Income tax expense	(4,633)	(3,606)	28.5%
Profit for the period	**604,266**	**26,153**	**NMF**
Total profit / (loss) attributable to:			
– shareholders of Georgia Capital PLC	569,262	(254)	NMF
– non-controlling interests	35,004	26,407	32.6%
– basic earnings per share	16.45	(0.01)	NMF
– diluted earnings per share	16.09	(0.01)	NMF

CONSOLIDATED IFRS CASH FLOW STATEMENT			
GEL '000, unless otherwise noted	**2019**	**2018**	**Change**
Net cash flow from operating activities	256,291	163,502	56.6%
Net cash flow from investing activities	(572,400)	(590,182)	-2.6%
Of which, change in investment entity status	*(248,735)*	-	*NMF*
Net cash flow from financing activities	63,716	296,946	-78.8%
Effect of exchange rates changes on cash and cash equivalents	(3,295)	(8,416)	NMF
Net (decrease) increase in cash and cash equivalents	(255,687)	(138,149)	85.1%
Cash and cash equivalents, beginning of the year	256,930	346,239	-25.8%
Cash and cash equivalents of disposal group held for sale beginning of the period	-	48,840	NMF
Cash and cash equivalents, end of the period	1,243	256,930	-99.5%

CONSOLIDATED BALANCE SHEET		
GEL '000, unless otherwise noted	**31-Dec-19**	**31-Dec-18**
Cash and cash equivalents	1,243	256,930
Amounts due from credit institutions	-	40,299
Marketable securities	-	71,824
Accounts receivable	-	170,228
Insurance premiums receivable	-	57,801
Inventories	-	276,230
Investment properties	-	151,232
Prepayments	234	117,909
Income tax assets	-	2,405
Property and equipment	-	1,573,624
Goodwill	-	142,095
Intangible assets	-	51,471
Other assets	-	251,462
Equity investments at fair value	1,758,197	457,495
Total assets	**1,759,674**	**3,621,005**
Accounts payable	-	143,114
Insurance contracts liabilities	-	68,207
Income tax liabilities	-	1,119
Deferred income	-	62,345
Borrowings	-	764,355
Debt securities issued	-	916,401
Other liabilities	7,653	235,771
Total liabilities	**7,653**	**2,191,312**
Total equity attributable to shareholders of Georgia Capital PLC	**1,752,021**	**1,100,688**
Non-controlling interests	**-**	**329,005**
Total equity	**1,752,021**	**1,429,693**
Total liabilities and equity	**1,759,674**	**3,621,005**

Georgia Capital cont'd

2H19 NAV Statement

GEL '000, unless otherwise noted	Jun-19	1. Value creation	2a. Investments	2b. Buybacks	2c. Dividends	3. Operating expenses	4b. Liquidity mgmt./FX /Other	Dec-19	Change %
Listed Portfolio Companies	**1,194,712**	**(279,754)**	**112,856**	**-**	**-**	**-**	**-**	**1,027,814**	**-14.0%**
GHG	661,413	(344,190)	112,856	-	-	-	-	430,079	-35.0%
BoG	533,299	64,436	-	-	-	-	-	597,735	12.1%
Private Portfolio Companies	**1,042,811**	**67,540**	**181,460**	**-**	**(66,542)**	**-**	**-**	**1,225,269**	**17.5%**
Late Stage	**681,973**	**77,315**	**-**	**-**	**(66,542)**	**-**	**-**	**692,746**	**1.6%**
Water Utility	459,706	46,264	-	-	(22,000)	-	-	483,970	5.3%
Housing Development	60,858	23,504	-	-	(40,509)	-	-	43,853	-27.9%
P&C Insurance	161,409	7,547	-	-	(4,033)	-	-	164,923	2.2%
Early Stage	**314,901**	**(10,510)**	**135,086**	**-**	**-**	**-**	**-**	**439,477**	**39.6%**
Renewable Energy	62,737	-	44,063	-	-	-	-	106,800	70.2%
Hospitality & Commercial RE	182,431	2,841	60,286	-	-	-	-	245,558	34.6%
Beverages	69,733	(13,351)	30,737	-	-	-	-	87,119	24.9%
Of which, wine	59,633	(3,689)	16,098	-	-	-	-	72,042	20.8%
Of which, beer	10,100	(9,662)	14,639	-	-	-	-	15,077	49.3%
Pipeline	**45,937**	**735**	**46,374**	**-**	**-**	**-**	**-**	**93,046**	**102.6%**
Education	11,209	-	45,141	-	-	-	-	56,350	402.7%
Auto Service	24,363	1,394	-	-	-	-	-	25,757	5.7%
Digital Services	8,790	-	-	-	-	-	-	8,790	0.0%
Other	1,575	(659)	1,233	-	-	-	-	2,149	36.4%
Total Portfolio Value (1)	**2,237,523**	**(212,214)**	**294,316**	**-**	**(66,542)**	**-**	**-**	**2,253,083**	**0.7%**
Net Debt **(2)**	**(304,519)**	**-**	**(150,318)**	**(66,046)**	**39,916**	**(10,301)**	**(2,297)**	**(493,565)**	**62.1%**
of which, Cash and liquid funds	323,959	-	(145,679)	(66,046)	39,916	(10,301)	70,040	211,889	-34.6%
of which, Loans issued	232,289	-	(4,639)	-	-	-	(75,766)	151,884	-34.6%
of which, Gross Debt	(860,767)	-	-	-	-	-	3,429	(857,338)	-0.4%
Net other assets/ (liabilities) **(3)**	5,361	-	(31,142)	1,200	26,626	(7,481)	(214)	(5,650)	NMF
Of which, share-based comp.	-	-	-	-	-	*(7,481)*	*7,481*	-	-
Net Asset Value (1)+(2)+(3)	**1,938,365**	**(212,214)**	**112,856**	**(64,846)**	**-**	**(17,782)**	**(2,511)**	**1,753,868**	**-9.5%**
NAV change %		***-10.9%***	***5.8%***	***-3.3%***	***-***	***-0.9%***	***-0.1%***	***-9.5%***	
Shares outstanding	35,961,403	-	3,435,438	(1,954,870)	-	-	-	37,441,971	4.1%
Net Asset Value per share	**53.90**	**(5.90)**	**(1.83)**	**1.23**	**-**	**(0.49)**	**(0.07)**	**46.84**	**-13.1%**
NAV per share change %		***-10.9%***	***-3.4%***	***2.3%***	***-***	***-0.9%***	***-0.1%***	***-13.1%***	

Cash flow, Georgia Capital stand-alone								
GEL thousands unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Dividends received	39,925	62,446	-36.1%	32,951	21.2%	72,876	72,446	0.6%
Interest received	20,743	17,484	18.6%	19,110	8.5%	39,853	27,909	42.8%
Interest paid	(27,229)	(24,053)	13.2%	(24,694)	10.3%	(51,923)	(45,838)	13.3%
Cash inflow from Operations before operating expenses	**33,439**	**55,877**	**-40.2%**	**27,367**	**22.2%**	**60,806**	**54,517**	**11.5%**
GCAP operating expenses	(9,460)	(7,726)	22.4%	(9,820)	-3.7%	(19,280)	(10,513)	83.4%
Cash inflow from operations	**23,979**	**48,151**	**-50.2%**	**17,547**	**36.7%**	**41,526**	**44,004**	**-5.6%**
Capital allocations	**(145,690)**	**(46,319)**	**NMF**	**(43,152)**	**NMF**	**(188,842)**	**(85,048)**	**NMF**
Loans (Issued)/Repaid	**73,619**	**(25,467)**	**NMF**	**90,788**	**-18.9%**	**164,407**	**(275,102)**	**NMF**
of which, Loans to portfolio companies	(38,418)	(25,467)	50.9%	90,788	NMF	52,370	(153,187)	NMF
of which, Loans to third parties	112,037	-	NMF	-	NMF	112,037	(121,915)	NMF
Cash outflow on buybacks	**(63,415)**	**(37,834)**	**67.6%**	**(61,322)**	**3.4%**	**(124,737)**	**(87,414)**	**42.7%**
of which, management trust	(45,829)	(16,150)	NMF	(856)	NMF	(46,685)	(42,628)	9.5%
of which, Staff ESOP	-	-	NMF	(2,588)	-100.0%	(2,588)	-	NMF
of which, Buyback programme	(17,586)	(21,684)	-18.9%	(57,878)	-69.6%	(75,464)	(44,786)	68.5%
(Purchase)/Sale of PPE	32	(924)	NMF	-	NMF	32	(924)	NMF
Fees paid	(5,750)	-	NMF	-	NMF	(5,750)	-	NMF
Cash outflow/inflow from financing activities	**-**	**-**	**NMF**	**-**	**NMF**	**-**	**467,434**	**NMF**
Proceeds from debt securities issued	-	-	NMF	-	NMF	-	715,729	NMF
Repayment of borrowings from former Parent company	-	-	NMF	-	NMF	-	(248,295)	NMF
Demerger related outflows	-	(8,352)	NMF	(587)	-100.0%	(587)	(32,597)	-98.2%
FX Effect & Fair valuation	5,155	18,393	-71.9%	21,035	-75.4%	26,190	4,751	NMF
Net cash flow	**(112,070)**	**(52,352)**	**NMF**	**24,309**	**NMF**	**(87,761)**	**35,104**	**NMF**
Beginning cash and liquid funds	323,959	352,002	-8.0%	299,650	8.1%	299,650	264,546	13.3%
Ending cash and liquid funds	211,889	299,650	-29.3%	323,959	-34.6%	211,889	299,650	-29.3%

Georgia Capital cont'd

Number of outstanding shares overview

Below we describe the change in the number of outstanding shares during 2019:

	# of shares issued (1)	Unawarded shares in trust (2)	# of outstanding shares (1) + (2)
Opening balance at 31 December 2018	**39,384,712**	**(1,295,154)**	**38,089,558**
Buybacks*	*(2,085,014)*	*(1,409,350)*	(3,494,364)
Cancellation of prior year buybacks (held in treasury)	(565,361)	-	(565,361)
Transfer of treasury shares to management trust	-	(686,468)	(686,468)
Share compensation awards	-	663,168	663,168
Issue of shares for the acquisition of a 13.6% equity stake in GHG	3,435,438	-	3,435,438
Closing balance at 31 December 2019	**40,169,775**	**(2,727,804)**	**37,441,971**

**2.1 million shares bought back under the programme, were cancelled in 2019. 1.4 million shares were repurchased on the market for management trust.*

Value creation – reconciliation of Management Income Statement with NAV Statement

The table below summarises the reconciliation of FY19 value creation per Management Income Statement (page 13) with NAV Statement (column 1. Value creation on page 8):

GEL '000, unless otherwise noted	Per Management Income Statement			Per NAV Statement
	Dividend income (1)	Investment return (2)	Total (1) + (2)	
Listed portfolio companies	**28,932**	**(62,869)**	**(33,937)**	**(33,937)**
Of which, Georgia Healthcare Group PLC	3,982	(203,109)	(199,127)	(199,127)
Of which, Bank of Georgia Group PLC	24,950	140,240	165,190	165,190
Private portfolio companies	**93,287**	**75,021**	**168,308**	**168,308**
Late Stage	**93,287**	**63,722**	**157,009**	**157,009**
Of which, Water Utility	22,000	52,953	74,953	74,953
Of which, Housing Development	59,254	(23,630)	35,624	35,624
Of which, P&C Insurance	12,033	34,399	46,432	46,432
Early Stage	-	**(5,098)**	**(5,098)**	**(5,098)**
Of which, Renewable energy	-	-	-	-
Of which, Hospitality & Commercial Real Estate	-	9,918	9,918	9,918
Of which, Beverages	-	(15,016)	(15,016)	(15,016)
Pipeline businesses	**-**	**16,396**	**16,396**	**16,396**
Of which, Auto Service	-	17,056	17,056	17,056
Of which, other	-	(659)	(659)	(659)
Total investment return / total value creation	**122,219**	**12,152**	**134,371**	**134,371**

Water Utility

INCOME STATEMENT								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Revenue from water supply to legal entities	50,219	50,078	0.3%	43,337	15.9%	93,556	92,229	1.4%
Revenue from water supply to individuals	20,221	19,984	1.2%	19,507	3.7%	39,728	39,585	0.4%
Revenue from electric power sales	11,976	4,330	NMF	8,240	45.3%	20,216	9,052	NMF
Revenue from technical support	1,955	1,438	36.0%	1,607	21.7%	3,562	2,741	30.0%
Other income	4,542	3,465	31.1%	1,850	NMF	6,392	5,520	15.8%
Revenue	**88,913**	**79,295**	**12.1%**	**74,541**	**19.3%**	**163,454**	**149,127**	**9.6%**
Salaries and benefits	(10,312)	(9,139)	12.8%	(9,937)	3.8%	(20,249)	(18,616)	8.8%
Electricity and transmission costs	(8,430)	(9,334)	-9.7%	(8,380)	0.6%	(16,810)	(18,695)	-10.1%
Other operating expenses	(12,645)	(12,700)	-0.4%	(11,350)	11.4%	(23,995)	(23,407)	2.5%
Operating expenses	**(31,387)**	**(31,173)**	**0.7%**	**(29,667)**	**5.8%**	**(61,054)**	**(60,718)**	**0.6%**
Provisions for doubtful trade receivables	(2,817)	(2,011)	40.1%	(4,508)	-37.5%	(7,325)	(5,033)	45.5%
EBITDA	**54,709**	**46,111**	**18.6%**	**40,366**	**35.5%**	**95,075**	**83,376**	**14.0%**
EBITDA Margin	*61.5%*	*58.2%*	*3.4ppts*	*54.2%*	*7.4ppts*	*58.2%*	*55.9%*	*2.3ppts*
Depreciation and amortization	(14,252)	(12,316)	15.7%	(16,936)	-15.8%	(31,188)	(23,681)	31.7%
EBIT	**40,457**	**33,795**	**19.7%**	**23,430**	**72.7%**	**63,887**	**59,695**	**7.0%**
EBIT Margin	*45.5%*	*42.6%*	*2.9ppts*	*31.4%*	*14.1ppts*	*39.1%*	*40.0%*	*-0.9ppts*
Net interest expense	(13,391)	(6,905)	93.9%	(10,793)	24.1%	(24,184)	(14,086)	71.7%
Net non-recurring income / (expense)	3,493	(637)	NMF	(2,389)	NMF	1,104	(6,121)	NMF
Foreign exchange (loss) gain	1,911	(9,360)	NMF	(9,497)	NMF	(7,586)	(4,970)	52.6%
EBT	**32,470**	**16,893**	**92.2%**	**751**	**NMF**	**33,221**	**34,518**	**-3.8%**
Profit	**32,470**	**16,893**	**92.2%**	**751**	**NMF**	**33,221**	**34,518**	**-3.8%**

STATEMENT OF CASH FLOW								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Cash received from customers	85,564	78,442	9.1%	74,034	15.6%	159,598	144,468	10.5%
Cash paid to suppliers	(20,707)	(20,810)	-0.5%	(16,745)	23.7%	(37,452)	(38,906)	-3.7%
Cash paid to employees	(9,591)	(8,381)	14.4%	(9,103)	5.4%	(18,694)	(17,627)	6.1%
Interest received	1,443	245	NMF	592	NMF	2,035	480	NMF
Taxes paid	(2,458)	1,502	NMF	(4,056)	-39.4%	(6,514)	(6,829)	-4.6%
Cash flow from operating activities before maint. capex	**54,251**	**50,998**	**6.4%**	**44,722**	**21.3%**	**98,973**	**81,586**	**21.3%**
Maintenance capex	(11,487)	(10,096)	13.8%	(11,093)	3.6%	(22,580)	(22,541)	0.2%
Operating cash flow	**42,764**	**40,902**	**4.6%**	**33,629**	**27.2%**	**76,393**	**59,045**	**29.4%**
Purchase of PPE and intangible assets	(48,351)	(71,383)	-32.3%	(27,883)	73.4%	(76,234)	(148,453)	-48.6%
Proceeds from PPE and investment property sale	7,379	570	NMF	75	NMF	7,454	2,028	NMF
CAPEX VAT	4,671	6,607	-29.3%	3,653	27.9%	8,324	14,801	-43.8%
Restricted cash in Bank	568	3,024	-81.2%	329	72.6%	897	6,533	-86.3%
Total cash used in investing activities	**(35,733)**	**(61,182)**	**-41.6%**	**(23,826)**	**50.0%**	**(59,559)**	**(125,091)**	**-52.4%**
Proceeds from borrowings	107,422	44,105	NMF	29,830	NMF	137,252	71,628	91.6%
Repayment of borrowings	(79,424)	(442)	NMF	(9,169)	NMF	(88,593)	(738)	NMF
Interest paid	(13,687)	(10,722)	27.7%	(11,785)	16.1%	(25,472)	(20,440)	24.6%
Dividend paid	(22,000)	(28,840)	-23.7%	-	NMF	(22,000)	(28,840)	-23.7%
Contributions under share-based payment plan	(2,724)	(1,529)	78.2%	(1,777)	53.3%	(4,501)	(2,307)	95.1%
Total cash flow from financing activities	**(10,413)**	**2,572**	**NMF**	**7,099**	**NMF**	**(3,314)**	**19,303**	**NMF**
Effect of exchange rates changes on cash	(732)	946	NMF	80	NMF	(652)	(1,507)	-56.7%
Total cash (outflow)/inflow	**(4,114)**	**(16,762)**	**-75.5%**	**16,982**	**NMF**	**12,868**	**(48,250)**	**NMF**
Cash, beginning balance	30,695	30,475	0.7%	13,713	NMF	13,713	61,963	-77.9%
Cash, ending balance	**26,581**	**13,713**	**93.8%**	**30,695**	**-13.4%**	**26,581**	**13,713**	**93.8%**

BALANCE SHEET			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**Change**
Inventories	3,799	3,913	-2.9%
Trade and other receivables	22,357	19,657	13.7%
Prepayments	3,703	1,647	NMF
Other current assets	57	1,901	-97.0%
Cash and cash equivalents	26,581	13,713	93.8%
Total current assets	**56,497**	**40,831**	**38.4%**
Property, plant and equipment	522,702	461,385	13.3%
Investment Property	8,641	9,865	-12.4%
Intangible assets	1,954	1,271	53.7%
Other non-current assets	1,242	1,066	16.5%
Total non-current assets	**534,539**	**473,587**	**12.9%**
Total assets	**591,036**	**514,418**	**14.9%**
Current borrowings	25,954	20,170	28.7%
Trade and other payables	20,868	24,287	-14.1%
Other current liabilities	3,463	1,356	NMF
Total current liabilities	**50,285**	**45,813**	**9.8%**
Long term borrowings	353,021	300,076	17.6%
Deferred income	29,333	22,869	28.3%
Other non-current liabilities	102	22	NMF
Total non-current liabilities	**382,456**	**322,968**	**18.4%**
Total liabilities	**432,741**	**368,781**	**17.3%**
Total equity	**158,295**	**145,637**	**8.7%**

Housing Development

INCOME STATEMENT								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Gross profit from apartments sale	5,613	5,888	-4.7%	1,998	NMF	7,611	15,882	-52.1%
Gross profit from construction management	5,142	4,254	20.9%	2,459	NMF	7,601	5,334	42.5%
Other income	293	48	NMF	289	1.4%	582	157	NMF
Gross Real Estate Profit	**11,048**	**10,190**	**8.4%**	**4,746**	**NMF**	**15,794**	**21,373**	**-26.1%**
Revaluation of commercial property	-	3,213	NMF	-	NMF	-	5,524	NMF
Operating expenses	**(12,413)**	**(6,630)**	**87.2%**	**(6,847)**	**81.3%**	**(19,260)**	**(10,903)**	**76.6%**
EBITDA	**(1,365)**	**6,773**	**NMF**	**(2,101)**	**35.0%**	**(3,466)**	**15,994**	**NMF**
Net operating income before non-recurring items	**(5,929)**	**3,092**	**NMF**	**(7,472)**	**20.7%**	**(13,401)**	**8,391**	**NMF**
Net non-recurring items	(3,019)	(1,781)	69.5%	-	NMF	(3,019)	(6,224)	-51.5%
Profit	**(8,948)**	**1,311**	**NMF**	**(7,848)**	**-14.0%**	**(16,796)**	**2,167**	**NMF**

STATEMENT OF CASH FLOW								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Proceeds from sales of apartments	36,665	43,555	-15.8%	14,901	NMF	51,566	80,692	-36.1%
Outflows for development	(18,432)	(31,273)	-41.1%	(15,213)	21.2%	(33,645)	(76,566)	-56.1%
Net proceeds from construction services	2,677	2,412	11.0%	4,074	-34.3%	6,751	(207)	NMF
Cash paid for operating expenses	(6,777)	(6,724)	0.8%	(13,385)	-49.4%	(20,162)	(14,073)	43.3%
Taxes paid	(6,378)	-	NMF	(7,080)	-9.9%	(13,458)	-	NMF
Net cash flows from operating activities	**7,755**	**7,970**	**-2.7%**	**(16,703)**	**NMF**	**(8,948)**	**(10,154)**	**11.9%**
Capital expenditure on investment property and PPE	1,857	(6,530)	NMF	(2,980)	NMF	(1,123)	(13,666)	-91.8%
Loans issued	796	-	NMF	(1,289)	NMF	(493)	(25)	NMF
Investments in associations	(10,823)	-	NMF	-	NMF	(10,823)	-	NMF
Net cash flows used in investing activities	**(8,170)**	**(6,530)**	**25.1%**	**(4,269)**	**91.4%**	**(12,439)**	**(13,691)**	**-9.1%**
Net Intersegment loans received/(issued)	(23,393)	8,835	NMF	19,526	NMF	(3,867)	37,760	NMF
Proceeds from debt securities issued	105,660	-	NMF	-	NMF	105,660	-	NMF
Repayment of debt securities issued	(74,143)	-	NMF	-	NMF	(74,143)	-	NMF
Contributions under share-based payment plan	(10)	-	NMF	(987)	-99.0%	(997)	(1,280)	-22.1%
Proceeds from borrowings	32,065	-	NMF	-	NMF	32,065	41,615	-22.9%
Repayment of borrowings	(5,935)	-	NMF	-	NMF	(5,935)	(42,465)	-86.0%
Interest paid	(10,300)	(4,481)	NMF	(3,550)	NMF	(13,850)	(9,035)	53.3%
Cash paid for lease liabilities	(1,736)	-	NMF	-	NMF	(1,736)	-	NMF
Dividend paid	(10,000)	(10,000)	NMF	-	NMF	(10,000)	(10,000)	NMF
Net cash flows from financing activities	**12,208**	**(5,646)**	**NMF**	**14,989**	**-18.6%**	**27,197**	**16,595**	**63.9%**
Exchange (losses)/gains on cash equivalents	51	829	-93.8%	(726)	NMF	(675)	(2,342)	-71.2%
Total cash inflow/(outflow)	**11,844**	**(3,377)**	**NMF**	**(6,709)**	**NMF**	**5,135**	**(9,592)**	**NMF**
Cash, beginning balance	**3,758**	**13,844**	**-72.9%**	**10,467**	**-64.1%**	**10,467**	**20,059**	**-47.8%**
Cash, ending balance*	**15,602**	**10,467**	**49.1%**	**3,758**	**NMF**	**15,602**	**10,467**	**49.1%**

Includes amounts due from credit institutions.

BALANCE SHEET			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**Change**
Cash and cash equivalents	13,695	8,833	55.0%
Amounts due from credit institutions	1,907	1,634	16.7%
Investment securities	909	512	77.5%
Accounts receivable and other loans	15,773	6,063	NMF
Prepayments	45,539	33,976	34.0%
Inventories	97,075	102,923	-5.7%
Investment property	1,640	52,603	-96.9%
Land bank	1,552	8,722	-82.2%
Commercial real estate	88	43,881	-99.8%
Property and equipment	20,669	8,232	NMF
Other assets	26,528	33,833	-21.6%
Total assets	**223,735**	**248,609**	**-10.0%**
Borrowings	75,368	46,069	63.6%
Debt securities issued	101,065	67,697	49.3%
Deferred income	27,792	23,295	19.3%
Other liabilities	24,167	46,175	-47.7%
Total liabilities	**228,392**	**183,236**	**24.6%**
Total equity	**(4,657)**	**65,373**	**NMF**
Total liabilities and equity	**223,735**	**248,609**	**-10.0%**

P&C Insurance

INCOME STATEMENT								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Gross premiums written	49,136	44,713	9.9%	52,739	-6.8%	101,875	90,598	12.4%
Earned premiums, gross	51,838	47,853	8.3%	46,512	11.5%	98,350	90,404	8.8%
Earned premiums, net	**39,051**	**36,039**	**8.4%**	**36,288**	**7.6%**	**75,339**	**67,488**	**11.6%**
Insurance claims expenses, gross	(67,279)	(14,534)	NMF	(21,353)	NMF	(88,632)	(28,517)	NMF
Insurance claims expenses, net	**(16,199)**	**(13,245)**	**22.3%**	**(15,111)**	**7.2%**	**(31,310)**	**(25,748)**	**21.6%**
Acquisition costs, net	**(6,476)**	**(5,712)**	**13.4%**	**(5,736)**	**12.9%**	**(12,212)**	**(9,520)**	**28.3%**
Net underwriting profit	**16,376**	**17,082**	**-4.1%**	**15,441**	**6.1%**	**31,817**	**32,220**	**-1.3%**
Investment income	5,358	1,814	NMF	2,282	NMF	7,640	3,539	NMF
Net fee and commission income	72	159	-54.7%	57	26.3%	129	449	-71.3%
Net investment profit	**5,430**	**1,973**	**NMF**	**2,339**	**NMF**	**7,769**	**3,988**	**94.8%**
Salaries and employee benefits	(5,994)	(5,249)	14.2%	(5,391)	11.2%	(11,385)	(9,867)	15.4%
Selling, general and administrative expenses	(3,274)	(2,208)	48.3%	(1,965)	66.6%	(5,239)	(4,044)	29.5%
Depreciation & Amortisation	(1,180)	(548)	NMF	(994)	18.7%	(2,174)	(1,023)	NMF
Impairment charges	(189)	(879)	-78.5%	(289)	-34.6%	(478)	(1,536)	-68.9%
Net other operating income	555	416	33.4%	377	47.2%	932	848	9.9%
Operating profit	**11,724**	**10,587**	**10.7%**	**9,518**	**23.2%**	**21,242**	**20,586**	**3.2%**
Foreign exchange (loss)/gain	(378)	483	NMF	339	NMF	(39)	138	NMF
Interest expense	(138)	-	NMF	(70)	97.1%	(208)	-	NMF
Non-recurring expenses	-	(23)	NMF	-	NMF	-	(652)	NMF
Pre-tax profit	**11,208**	**11,047**	**1.5%**	**9,787**	**14.5%**	**20,995**	**20,072**	**4.6%**
Income tax expense	(1,191)	(1,641)	-27.4%	(1,479)	-19.5%	(2,670)	(2,990)	-10.7%
Net profit	**10,017**	**9,406**	**6.5%**	**8,308**	**20.6%**	**18,325**	**17,082**	**7.3%**

STATEMENT OF CASH FLOW								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Insurance premium received	47,745	43,014	11.0%	39,224	21.7%	86,969	81,142	7.2%
Reinsurance premium paid	(8,757)	(7,748)	13.0%	(4,044)	NMF	(12,801)	(15,075)	-15.1%
Insurance benefits and claims paid	(21,915)	(14,902)	47.1%	(13,682)	60.2%	(35,597)	(32,181)	10.6%
Reinsurance claims received	976	967	0.9%	5,096	-80.8%	6,072	8,318	-27.0%
Acquisition costs paid	(4,510)	(4,135)	9.1%	(4,355)	3.6%	(8,865)	(7,224)	22.7%
Salaries and benefits paid	(4,420)	(4,166)	6.1%	(6,775)	-34.8%	(11,195)	(11,494)	-2.6%
Interest received	835	1,645	-49.2%	1,888	-55.8%	2,723	3,018	-9.8%
Net other operating expenses paid	(2,891)	(1,213)	NMF	(1,342)	NMF	(4,233)	(2,830)	49.6%
Income tax paid	(2,209)	(2,028)	8.9%	(1,343)	64.5%	(3,552)	(2,734)	29.9%
Net cash flows from operating activities	**4,854**	**11,434**	**-57.5%**	**14,667**	**-66.9%**	**19,521**	**20,940**	**-6.8%**
Purchase of property and equipment	280	(418)	NMF	(637)	NMF	(357)	(1,023)	-65.1%
Purchase of intangible assets	(777)	(581)	33.7%	(838)	-7.3%	(1,615)	(1,444)	11.8%
Loan Issued	(6,044)	(22,143)	-72.7%	(19,902)	-69.6%	(25,946)	(22,143)	17.2%
Proceeds from repayment of loan issued	40	18,147	-99.8%	21,166	-99.8%	21,206	18,150	16.8%
Proceeds from / (Placement of) bank deposits	2,406	1,792	34.3%	(9,512)	NMF	(7,106)	2,664	NMF
Purchase of available-for-sale assets/ Deposits	2,883	126	NMF	(1,784)	NMF	1,099	(111)	NMF
Net cash flows from used in investing activities	**(1,212)**	**(3,077)**	**-60.6%**	**(11,507)**	**-89.5%**	**(12,719)**	**(3,907)**	**NMF**
Dividend Paid	(4,034)	-	NMF	(8,000)	-49.6%	(12,034)	(10,000)	20.3%
Purchase of treasury shares	-	-	NMF	(927)	NMF	(927)	-	NMF
Cash paid for lease liabilities	(515)	-	NMF	(954)	-46.0%	(1,469)	-	NMF
Net cash flows from financing activities	**(4,549)**	**-**	**NMF**	**(9,881)**	**-54.0%**	**(14,430)**	**(10,000)**	**44.3%**
Effect of exchange rates changes on cash and cash equivalents	(40)	6	NMF	(14)	NMF	(54)	(115)	-53.0%
Total cash inflow/(outflow)	**(947)**	**8,363**	**NMF**	**(6,735)**	**-85.9%**	**(7,682)**	**6,918**	**NMF**
Cash and cash equivalents, beginning	**4,368**	**2,740**	**59.4%**	**11,103**	**-60.7%**	**11,103**	**4,185**	**NMF**
Cash and cash equivalents, ending	**3,421**	**11,103**	**-69.2%**	**4,368**	**-21.7%**	**3,421**	**11,103**	**-69.2%**

BALANCE SHEET			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**change**
Cash and cash equivalents	3,421	11,103	-69.2%
Amounts due from credit institutions	32,574	23,456	38.9%
Investment securities	7,109	4,408	61.3%
Insurance premiums receivable, net	36,730	31,442	16.8%
Ceded share of technical provisions	64,706	16,928	NMF
PPE and intangible assets, net	14,448	9,594	50.6%
Goodwill	13,062	13,062	NMF
Deferred acquisition costs	3,812	3,324	14.7%
Pension fund assets	4,868	18,931	-74.3%
Other assets	19,544	13,462	45.2%
Total assets	**200,274**	**145,710**	**37.4%**
Gross technical provisions	100,886	45,664	NMF
Other insurance liabilities	15,714	16,101	-2.4%
Current income tax liabilities	376	588	-36.1%
Pension benefit obligations	4,868	18,932	-74.3%
Other Liabilities	15,819	8,287	90.9%
Total liabilities	**137,663**	**89,572**	**53.7%**
Total equity	**62,611**	**56,138**	**11.5%**
Total liabilities and equity	**200,274**	**145,710**	**37.4%**

Renewable Energy

INCOME STATEMENT								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Revenue from electricity sales	3,729	-	NMF	2,395	55.7%	6,124	-	NMF
Other revenue	10,047	-	NMF	-	NMF	10,047	-	NMF
Total Revenue	**13,776**	**-**	**NMF**	**2,395**	**NMF**	**16,171**	**-**	**NMF**
Salaries and benefits	(363)	(170)	NMF	(219)	65.8%	(582)	(302)	92.7%
Electricity and transmission costs	(88)	-	NMF	(20)	NMF	(108)	-	NMF
Other operating expenses	(1,720)	(197)	NMF	(671)	NMF	(2,391)	(467)	NMF
Total Operating Expenses	**(2,171)**	**(367)**	**NMF**	**(910)**	**NMF**	**(3,081)**	**(769)**	**NMF**
EBITDA	**11,605**	**(367)**	**NMF**	**1,485**	**NMF**	**13,090**	**(769)**	**NMF**
EBIT	**9,139**	**(558)**	**NMF**	**587**	**NMF**	**9,726**	**(1,121)**	**NMF**
Net interest expense	(6,096)	84	NMF	(1,498)	NMF	(7,594)	129	NMF
Non-recurring expenses	(656)	239	NMF	(151)	NMF	(807)	577	NMF
Foreign exchange (losses) gains	2,289	(165)	NMF	16	NMF	2,305	(401)	NMF
Profit before income tax	**4,676**	**(400)**	**NMF**	**(1,046)**	**NMF**	**3,630**	**(816)**	**NMF**
Net Profit	**4,676**	**(400)**	**NMF**	**(1,046)**	**NMF**	**3,630**	**(816)**	**NMF**
Attributable to:								
– shareholders of the Group	3,495	(260)	NMF	(680)	NMF	2,815	(530)	NMF
– non-controlling interests	1,181	(140)	NMF	(366)	NMF	815	(286)	NMF

STATEMENT OF CASH FLOW								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Cash receipt from customers	5,839	-	NMF	639	NMF	6,478	-	NMF
Cash paid to suppliers	(2,035)	(459)	NMF	(349)	NMF	(2,384)	(630)	NMF
Cash paid to employees	(408)	35	NMF	(237)	72.2%	(645)	(209)	NMF
Interest received	133	97	37.1%	111	19.8%	244	143	70.6%
Taxes paid	(156)	-	NMF	(753)	-79.3%	(909)	-	NMF
Cash flow from operating activities	**3,373**	**(327)**	**NMF**	**(589)**	**NMF**	**2,784**	**(696)**	**NMF**
Purchase of PPE and intangible assets	(11,154)	(47,693)	-76.6%	(21,754)	-48.7%	(32,908)	(68,258)	-51.8%
VAT return	311	5,000	-93.8%	3,210	-90.3%	3,521	5,963	-41.0%
Loans issued	453	-	NMF	(577)	NMF	(124)	-	NMF
Acquisition of subsidiaries	(88,015)	-	NMF	-	NMF	(88,015)	-	NMF
Total cash flow used in investing activities	**(98,405)**	**(42,693)**	**NMF**	**(19,121)**	**NMF**	**(117,526)**	**(62,295)**	**88.7%**
Proceeds from borrowings	143,591	37,218	NMF	28,176	NMF	171,767	55,495	NMF
Repayment of borrowings	(74,382)	-	NMF	-	NMF	(74,382)	-	NMF
Interest paid	(3,646)	-	NMF	-	NMF	(3,646)	-	NMF
Capital increase	44,051	2,293	NMF	2,415	NMF	46,466	7,733	NMF
Total cash flow used in financing activities	**109,614**	**39,511**	**NMF**	**30,591**	**NMF**	**140,205**	**63,228**	**NMF**
Exchange (losses)/gains on cash equivalents	(220)	546	NMF	1,623	NMF	1,403	(147)	NMF
Total cash inflow/(outflow)	**14,362**	**(2,963)**	**NMF**	**12,504**	**14.9%**	**26,866**	**90**	**NMF**
Cash, beginning balance	20,892	11,351	84.1%	8,388	NMF	8,388	8,298	1.1%
Cash, ending balance	**35,254**	**8,388**	**NMF**	**20,892**	**68.7%**	**35,254**	**8,388**	**NMF**

BALANCE SHEET			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**Change**
Total current assets	**89,065**	**11,895**	**NMF**
Property, plant and equipment	340,035	114,645	NMF
Other non-current assets	12,384	42,764	-71.0%
Total non-current assets	**352,419**	**157,409**	**NMF**
Total assets	**441,484**	**169,304**	**NMF**
Total current liabilities	**31,562**	**6,658**	**NMF**
Long term borrowings	258,250	66,458	NMF
Other non-current liabilities	2,175	2,029	7.2%
Total non-current liabilities	**260,425**	**68,487**	**NMF**
Total liabilities	**291,987**	**75,145**	**NMF**
Total equity attributable to shareholders of the Group	**113,000**	**61,203**	**84.6%**
Non-controlling interest	36,497	32,956	10.7%
Total equity	**149,497**	**94,159**	**58.8%**
Total liabilities and equity	**441,484**	**169,304**	**NMF**

Hospitality & Commercial Real Estate

INCOME STATEMENT								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Revenue from operating lease	4,869	3,252	49.7%	4,034	20.7%	8,903	5,467	62.9%
Gross profit from operating leases	**3,666**	**2,688**	**36.4%**	**2,792**	**31.3%**	**6,458**	**4,588**	**40.8%**
Revenue from hospitality services	3,875	3,575	8.4%	3,134	23.6%	7,009	5,151	36.1%
Gross profit from hospitality services	**1,130**	**1,488**	**-24.1%**	**697**	**62.1%**	**1,827**	**1,945**	**-6.1%**
Other income	-	177	NMF	-	NMF	-	228	NMF
Gross Real Estate Profit	**4,796**	**4,353**	**10.2%**	**3,489**	**37.5%**	**8,285**	**6,761**	**22.5%**
Revaluation on commercial property	13,784	27,621	-50.1%	7,892	74.7%	21,676	27,621	-21.5%
Operating expenses	**(3,356)**	**(2,495)**	**34.5%**	**(1,860)**	**80.4%**	**(5,216)**	**(3,520)**	**48.2%**
EBITDA	**15,224**	**29,479**	**-48.4%**	**9,521**	**59.9%**	**24,745**	**30,862**	**-19.8%**
Net operating income before non-recurring items	**9,943**	**26,747**	**-62.8%**	**5,880**	**69.1%**	**15,823**	**27,056**	**-41.5%**
Net non-recurring items	-	(152)	NMF	-	NMF	-	(1,339)	NMF
Profit before income tax	**9,943**	**26,595**	**-62.6%**	**5,880**	**69.1%**	**15,823**	**25,717**	**-38.5%**
Profit	**9,943**	**26,595**	**-62.6%**	**5,880**	**69.1%**	**15,823**	**25,717**	**-38.5%**

STATEMENT OF CASH FLOW								
GEL thousands, unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Net proceeds from rent generating assets	4,162	3,290	26.5%	1,925	NMF	6,087	5,414	12.4%
Net proceeds from hospitality services	1,054	1,756	-40.0%	822	28.2%	1,876	2,295	-18.3%
Other operating expenses paid	(2,284)	(983)	NMF	(2,423)	-5.7%	(4,707)	(2,039)	NMF
Net cash flows from operating activities	**2,932**	**4,063**	**-27.8%**	**324**	**NMF**	**3,256**	**5,670**	**-42.6%**
Acquisition of investment property	(18,623)	(16,715)	11.4%	(10,574)	76.1%	(29,197)	(53,475)	-45.4%
Capital expenditure on investment property	(43,459)	(13,328)	NMF	(18,741)	NMF	(62,200)	(27,525)	NMF
VAT return	15,649	8,574	82.5%	(9,787)	NMF	5,862	8,574	-31.6%
Loans issued	501	(6,303)	NMF	(58)	NMF	443	(7,018)	NMF
Acquisition of subsidiaries	(1,295)	-	NMF	(13,874)	-90.7%	(15,169)	-	NMF
Net cash flows used in investing activities	**(47,227)**	**(27,772)**	**70.1%**	**(53,034)**	**-10.9%**	**(100,261)**	**(79,444)**	**26.2%**
Proceeds from preferred stock issued	29,601	32,914	-10.1%	6,833	NMF	36,434	32,914	10.7%
Proceeds from debt securities issued	-	19,609	NMF	59,964	NMF	59,964	19,609	NMF
Contributions under share-based payment plan	10	-	NMF	(172)	NMF	(162)	(82)	97.6%
Proceeds from borrowings	37,348	4,766	NMF	67,941	-45.0%	105,289	95,797	9.9%
Repayment of borrowings	(26,329)	(2,209)	NMF	(75,681)	-65.2%	(102,010)	(19,400)	NMF
Net intragroup loans (repaid) / received	23,393	(10,295)	NMF	(19,526)	NMF	3,867	(37,760)	NMF
Interest paid	(7,800)	(1,719)	NMF	(7,792)	0.1%	(15,592)	(3,343)	NMF
Net cash flows from financing activities	**56,223**	**43,066**	**30.6%**	**31,567**	**78.1%**	**87,790**	**87,735**	**0.1%**
Effect of exchange rate changes on cash and cash equivalents	(30)	49	NMF	(126)	-76.2%	(156)	(151)	3.3%
Total cash inflow/(outflow)	**11,898**	**19,406**	**-38.7%**	**(21,269)**	**NMF**	**(9,371)**	**13,810**	**NMF**
Cash, beginning balance	**7,347**	**9,210**	**-20.2%**	**28,616**	**-74.3%**	**28,616**	**14,806**	**93.3%**
Cash, ending balance	**19,245**	**28,616**	**-32.7%**	**7,347**	**NMF**	**19,245**	**28,616**	**-32.7%**

BALANCE SHEET			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**change**
Cash and cash equivalents	19,245	28,615	-32.7%
Prepayments	24,031	15,713	52.9%
Investment property	401,216	225,343	78.0%
Land bank	69,693	37,459	86.1%
Commercial real estate	331,523	187,884	76.5%
Property and equipment	5,919	172	NMF
Goodwill	1,787	-	NMF
Other assets	10,086	24,990	-59.6%
Total assets	**462,284**	**294,833**	**56.8%**
Borrowings	110,889	104,557	6.1%
Debt securities issued	85,519	19,609	NMF
Other liabilities	17,379	10,828	60.5%
Total liabilities	**213,787**	**134,994**	**58.4%**
Total equity attributable to shareholders of the Group	**247,817**	**149,078**	**66.2%**
Non-controlling interest	680	10,761	-93.7%
Total equity	**248,497**	**159,839**	**55.5%**
Total liabilities and equity	**462,284**	**294,833**	**56.8%**

Beverages

INCOME STATEMENT								
GEL thousands; unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Wine Business	27,148	20,346	33.4%	17,967	51.1%	45,115	31,104	45.0%
Beer Business	35,476	16,037	NMF	20,425	73.7%	55,901	29,288	90.9%
Distribution Business	15,855	9,364	69.3%	7,834	NMF	23,689	15,822	49.7%
Revenue	**78,479**	**45,747**	**71.6%**	**46,226**	**69.8%**	**124,705**	**76,214**	**63.6%**
Wine Business	(14,247)	(9,838)	44.8%	(9,306)	53.1%	(23,553)	(15,199)	55.0%
Beer Business	(24,048)	(10,387)	NMF	(14,223)	69.1%	(38,271)	(19,190)	99.4%
Distribution Business	(12,492)	(7,526)	66.0%	(6,033)	NMF	(18,525)	(12,571)	47.4%
COGS	**(50,787)**	**(27,751)**	**83.0%**	**(29,562)**	**71.8%**	**(80,349)**	**(46,960)**	**71.1%**
Gross Profit	**27,692**	**17,996**	**53.9%**	**16,664**	**66.2%**	**44,356**	**29,254**	**51.6%**
Gross Profit Margin	***35.3%***	***39.3%***	***-4.1ppts***	***36.0%***	***-0.8ppts***	***35.6%***	***38.4%***	***-2.8ppts***
Salaries and other employee benefits	(11,691)	(7,843)	49.1%	(9,907)	18.0%	(21,598)	(14,195)	52.2%
Sales and marketing expenses	(1,481)	(2,632)	-43.7%	(2,697)	-45.1%	(4,178)	(6,426)	-35.0%
General and administrative expenses	(4,063)	(4,356)	-6.7%	(4,205)	-3.4%	(8,268)	(7,913)	4.5%
Distribution expenses	(3,637)	(2,871)	26.7%	(3,112)	16.9%	(6,749)	(4,883)	38.2%
Other operating expenses	333	(648)	NMF	(1,474)	NMF	(1,141)	(2,278)	-49.9%
EBITDA	**7,153**	**(354)**	**NMF**	**(4,731)**	**NMF**	**2,422**	**(6,441)**	**NMF**
wine EBITDA	*5,685*	*5,524*	*2.9%*	*3,046*	*86.6%*	*8,731*	*7,151*	*22.1%*
beer EBITDA	*14*	*(6,170)*	*NMF*	*(6,464)*	*NMF*	*(6,450)*	*(13,754)*	*-53.1%*
distribution EBITDA	*1,320*	*349*	*NMF*	*(985)*	*NMF*	*335*	*625*	*-46.4%*
Net foreign currency gain (loss)	3,107	(6,380)	NMF	(6,525)	NMF	(3,418)	(1,879)	81.9%
Depreciation and amortization	(9,095)	(6,637)	37.0%	(7,232)	25.8%	(16,327)	(11,882)	37.4%
Net interest income/expense	(6,585)	(4,145)	58.9%	(6,271)	5.0%	(12,856)	(7,085)	81.5%
Net non-recurring items	(25,717)	(1,690)	NMF	-	NMF	(25,717)	(1,886)	NMF
(Loss) profit before income tax	**(31,137)**	**(19,206)**	**62.1%**	**(24,759)**	**25.8%**	**(55,896)**	**(29,173)**	**91.6%**
(Loss) Profit	**(31,137)**	**(19,206)**	**62.1%**	**(24,759)**	**25.8%**	**(55,896)**	**(29,173)**	**91.6%**

STATEMENT OF CASH FLOW, Wine								
GEL thousands; unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Cash received from customers	26,152	20,818	25.6%	19,921	31.3%	46,073	32,515	41.7%
Cash paid to suppliers	(12,546)	(13,710)	-8.5%	(8,505)	47.5%	(21,051)	(18,161)	15.9%
Cash paid to employees	(3,914)	(2,648)	47.8%	(2,608)	50.1%	(6,522)	(3,769)	73.0%
Cash paid for operating expenses	(6,663)	(4,424)	50.6%	(4,770)	39.7%	(11,433)	(7,495)	52.5%
Interest received	-	124	NMF	-	NMF	-	127	NMF
Taxes paid	(2,071)	(1,626)	27.4%	(2,241)	-7.6%	(4,312)	(3,119)	38.2%
Net cash flows from operating activities	**958**	**(1,466)**	**NMF**	**1,797**	**-46.7%**	**2,755**	**98**	**NMF**
Acquisition of subsidiaries	(32,918)	(5,070)	NMF	-	NMF	(32,918)	(21,674)	51.9%
Purchase of Property, Plant and Equipment	(2,434)	(543)	NMF	(3,844)	-36.7%	(6,278)	(641)	NMF
Loans Issued	-	(467)	NMF	-	NMF	-	(467)	NMF
Cash inflow from restricted cash account	-	2,560	NMF	-	NMF	-	4,432	NMF
Net cash flows from used in investing activities	**(35,352)**	**(3,520)**	**NMF**	**(3,844)**	**NMF**	**(39,196)**	**(18,350)**	**NMF**
Proceeds from borrowings	34,300	21,171	62.0%	18,545	85.0%	52,845	40,089	31.8%
Repayments of borrowings	(18,205)	(11,256)	61.7%	(18,115)	0.5%	(36,320)	(15,803)	NMF
Interest paid	(1,208)	(588)	NMF	(1,527)	-20.9%	(2,735)	(1,470)	86.1%
Capital increase	19,417	-	NMF	226	NMF	19,643	432	NMF
Cash paid for lease liabilities	(356)	-	NMF	-	NMF	(356)	-	NMF
Net cash flows from financing activities	**33,948**	**9,327**	**NMF**	**(871)**	**NMF**	**33,077**	**23,248**	**42.3%**
Effect of exchange rates changes on cash and cash equivalents	(166)	384	NMF	380	NMF	214	(101)	NMF
Total cash inflow/(outflow)	**(612)**	**4,725**	**NMF**	**(2,538)**	**-75.9%**	**(3,150)**	**4,895**	**NMF**
Cash and cash equivalents, beginning	**5,842**	**3,655**	**59.8%**	**8,380**	**-30.3%**	**8,380**	**3,485**	**NMF**
Cash and cash equivalents, ending	**5,230**	**8,380**	**-37.6%**	**5,842**	**-10.5%**	**5,230**	**8,380**	**-37.6%**

BALANCE SHEET, Wine			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**change**
Cash and cash equivalents	5,230	8,380	-37.6%
Amounts due from financial institutions	994	930	6.9%
Accounts Receivable	14,269	12,409	15.0%
Prepayments & Other Assets	2,748	985	NMF
Inventory	28,174	18,979	48.4%
Intangible Assets, Net	270	333	-18.9%
Goodwill	10,803	3,136	NMF
Property and Equipment, Net	57,138	32,233	77.3%
Total Assets	**119,626**	**77,385**	**54.6%**
Accounts Payable	4,342	5,894	-26.3%
Borrowings	49,373	49,857	-1.0%
Other Current Liabilities	4,188	3,658	14.5%
Total Liabilities	**57,903**	**59,409**	**-2.5%**
Total equity	**61,723**	**17,976**	**NMF**
TOTAL LIABILITIES AND EQUITY	**119,626**	**77,385**	**54.6%**

Beverages Cont'd

STATEMENT OF CASH FLOW, Beer								
GEL thousands; unless otherwise noted	**2H19**	**2H18**	**Change**	**1H19**	**Change**	**FY19**	**FY18**	**Change**
Proceeds from sales	38,201	26,518	44.1%	21,802	75.2%	60,003	44,710	34.2%
Cash outflows for inventory	(17,544)	(10,639)	64.9%	(11,775)	49.0%	(29,319)	(18,941)	54.8%
Transportation Cost	(2,247)	(965)	NMF	(982)	NMF	(3,229)	(1,772)	82.2%
Sales and Marketing Expenses	(2,654)	(3,814)	-30.4%	(4,432)	-40.1%	(7,086)	(7,371)	-3.9%
Operating Expenses	(20,962)	(17,625)	18.9%	(13,396)	56.5%	(34,358)	(30,472)	12.8%
Net cash flows from operating activities	**(5,206)**	**(6,525)**	**20.2%**	**(8,783)**	**40.7%**	**(13,989)**	**(13,846)**	**-1.0%**
Cash outflows for purchase of Property, plant and equipment	(2,804)	(6,193)	-54.7%	(15,810)	-82.3%	(18,614)	(10,043)	85.3%
Net cash flows used in investing activities	**(2,804)**	**(6,193)**	**-54.7%**	**(15,810)**	**-82.3%**	**(18,614)**	**(10,043)**	**85.3%**
Proceeds from borrowings	6,300	8,000	-21.3%	88,719	-92.9%	95,019	9,200	NMF
Repayment of borrowings	-	(1,200)	NMF	(68,658)	NMF	(68,658)	(1,216)	NMF
Interest paid	(3,211)	(1,047)	NMF	(3,522)	-8.8%	(6,733)	(2,082)	NMF
Issue of share capital	5,000	5,567	-10.2%	10,143	-50.7%	15,143	6,924	NMF
Cash paid for lease liabilities	(486)	-	NMF	-	NMF	(486)	-	NMF
Net cash flows from financing activities	**7,603**	**11,320**	**-32.8%**	**26,682**	**-71.5%**	**34,285**	**12,826**	**NMF**
Effect of exchange rate changes on cash and cash equivalents	(105)	189	NMF	(278)	-62.2%	(383)	(695)	-44.9%
Total cash inflow/(outflow)	**(512)**	**(1,209)**	**-57.7%**	**1,811**	**NMF**	**1,299**	**(11,758)**	**NMF**
Cash and cash equivalents at beginning of period	**3,055**	**2,453**	**24.5%**	**1,244**	**NMF**	**1,244**	**13,002**	**-90.4%**
Cash and cash equivalents at end of period	**2,543**	**1,244**	**NMF**	**3,055**	**-16.8%**	**2,543**	**1,244**	**NMF**

BALANCE SHEET, Beer			
GEL thousands, unless otherwise noted	**Dec-19**	**Dec-18**	**change**
Cash and cash equivalents	2,543	1,244	NMF
Amounts due from financial institutions	-	8	NMF
Accounts Receivable	7,912	2,161	NMF
Prepayments & Other Assets	4,489	4,998	-10.2%
Inventory	12,113	6,618	83.0%
Intangible Assets, Net	8,722	631	NMF
Goodwill	2,226	2,226	NMF
Property and Equipment, Net	70,249	98,267	-28.5%
Total Assets	**108,254**	**116,153**	**-6.8%**
Accounts Payable	10,491	9,530	10.1%
Borrowings	88,973	68,096	30.7%
Other Current Liabilities	2,933	2,310	27.0%
Total Liabilities	**102,397**	**79,936**	**28.1%**
Total equity	**5,857**	**36,217**	**-83.8%**
TOTAL LIABILITIES AND EQUITY	**108,254**	**116,153**	**-6.8%**

Periodic Technical Inspection

INCOME STATEMENT				
GEL thousands, unless otherwise noted	**2H19**	**1H19**	**Change**	**FY19**
Revenue	7,613	5,304	43.5%	12,917
Costs of services	(2,111)	(2,281)	-7.5%	(4,392)
Gross profit	**5,502**	**3,023**	**82.0%**	**8,525**
Salaries and other employee benefits	(1,513)	(955)	58.4%	(2,468)
Selling, general administrative expenses	(1,289)	(1,427)	-9.7%	(2,716)
Net other operating income / (expenses)	(51)	(28)	82.1%	(79)
Total operating expenses	**(2,853)**	**(2,410)**	**18.4%**	**(5,263)**
EBITDA	**2,649**	**613**	**NMF**	**3,262**
Depreciation expense	(882)	(644)	37.0%	(1,526)
Amortization expense	(466)	(356)	30.9%	(822)
Interest expense	(2,649)	(2,409)	10.0%	(5,058)
Foreign exchange gain / (loss)	(487)	(210)	NMF	(697)
Non-recurring income / (costs)	-	(315)	NMF	(315)
Net profit	**(1,835)**	**(3,321)**	**-44.7%**	**(5,156)**

STATEMENT OF CASH FLOW				
GEL thousands, unless otherwise noted	**2H19**	**1H19**	**Change**	**FY19**
Operating revenue received	7,785	5,237	48.7%	13,022
Salaries and benefits paid	(3,011)	(2,600)	15.8%	(5,611)
Operating expenses paid	(1,867)	(2,620)	-28.7%	(4,487)
Net cash flows from operating activities	**2,907**	**17**	**NMF**	**2,924**
Purchase of property and equipment	(1,347)	(12,509)	-89.2%	(13,856)
Purchase of intangible assets	(23)	(1,219)	-98.1%	(1,242)
Loan Issued	-	22	NMF	22
Net cash flows from used in investing activities	**(1,370)**	**(13,706)**	**-90.0%**	**(15,076)**
Proceeds from borrowings	6,045	39,238	-84.6%	45,283
Repayment of borrowings	(4,855)	(28,366)	-82.9%	(33,221)
Interest paid	(2,339)	(2,131)	9.8%	(4,470)
Issue of ordinary shares	-	5,000	NMF	5,000
Repayment of lease liabilities	(47)	(38)	23.7%	(85)
Interest paid on lease liabilities	(59)	(54)	9.3%	(113)
Net cash flows from financing activities	**(1,255)**	**13,649**	**NMF**	**12,394**
Effect of exchange rates changes on cash and cash equivalents	(361)	(15)	NMF	(376)
Net increase/(decrease) in cash and cash equivalents	**(79)**	**(55)**	**43.6%**	**(134)**
Cash and cash equivalents, beginning	174	229	-24.0%	229
Cash and cash equivalents, ending	**95**	**174**	**-45.4%**	**95**

BALANCE SHEET	
GEL thousands, unless otherwise noted	**Dec-19**
Cash and cash equivalents	95
Accounts receivable	446
Premises and equipment, net	42,480
Intangible assets, net	8,202
Prepayments	1,101
Other Assets	1,525
Total assets	**53,849**
Borrowings	50,895
Finance lease liability	2,280
Accounts payable	34
Other Liabilities	2,006
Total liabilities	**55,215**
Share capital - ordinary shares	4,999
Retained earnings	(1,326)
Net profit	(5,156)
Total equity	**(1,483)**
Non-controlling interest	117
Total liabilities and equity	**53,849**

Appendices

Management income statement preparation methodology

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

- The top part of the income statement **(GCAP Net Operating Income)** represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on paid or declared annual dividend proceeds from portfolio companies during the reporting period, b) interest income on liquid funds and loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued) and d) expenses incurred at GCAP level.
- Fair value change of portfolio companies **(Total Investment Return)** represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV statement. Holdings in listed and private portfolio companies are valued for the purposes of NAV as follows: i) listed portfolio companies are carried at the period-end market values based on closing share prices on respective reputable stock exchanges and ii) private businesses are carried at management's estimated fair values based on valuation technique believed to be most appropriate to the investment. A detailed valuation methodology is described on pages 35-36. We view fair value changes of portfolio companies as a metric to measure the total investment return of Georgia Capital's holdings, which itself reflects value creation for a shareholder.
- Following the aggregation of *GCAP Net Operating Income* and *Total Investment Return*, we arrive at management *income before foreign exchange movements* for the period.
- Below the *income before foreign exchange movements* line, to arrive at management net income, we present GCAP gains or losses from foreign exchange movements.

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

Valuation methodology

Equity investments in Georgia Capital's portfolio companies are measured at the managements' estimate of fair value at the reporting date in accordance with IFRS 13, Fair Value Measurement. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction at the reporting date.

Equity Investments in Listed Portfolio Companies

Equity instruments listed on an active market are valued at the price within the bid/ask spread, that is most representative of fair value at the reporting date, which usually represents the closing bid price.

Equity Investments in Private Portfolio Companies

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

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

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

Listed Peer Group Multiples

The preferred method for valuing equity investments in private portfolio companies is comparison with the multiples of comparable listed companies. This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses which are profitable and for which the company can determine a group of listed companies with similar characteristics.

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

Generally, last 12-month earnings will be used for the purposes of valuation. Earnings are adjusted where appropriate for exceptional or non-recurring items.

a. Valuation based on enterprise value

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

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

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

Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero if the debt is without recourse to Georgia Capital.

The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the Company being valued, if applicable.

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

Appendices (cont'd)

Valuation methodology (cont'd)

b. Equity fair value valuation

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

The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued.

Fair valuation of equity using peer multiples can be used for businesses within financial sector (e.g. insurance companies).

Discounted cash flow

Under the Discounted Cash Flow ("DCF") valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the business or market sector. DCF is mostly used to estimate fair value of project-based cash-flow driven businesses.

Net Asset Value

The net assets methodology (NAV) involves estimating fair value of equity investment in private portfolio company as its book value at reporting date. This method is appropriate for businesses whose value derives mainly from the underlying value of its assets and the assets are already carried at their fair value (usually fair valuation of assets is performed by professional third-party valuers) on the balance sheet.

Validation

Fair value of investment estimated using one of the valuation methods described above is triangulated using several other valuation methods as follows:

- *Listed peer group multiples* – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to respective metrics of the investment being valued. The company develops fair value range based on these techniques and analyses whether fair value estimated above falls within this range.
- *Discounted cash flow (DCF)* – Discounted cash flow valuation method is used to determine fair value of equity investment. Under discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and internally-developed discounting rate of return. Based on DCF, the company might make upward or downward adjustment to the value of valuation target as derived from primary valuation method. If fair value estimated using discounted cash flow analysis significantly differs from the fair value estimate derived using primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.

Appendices (cont'd)

Glossary

1. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
2. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole
3. **NMF** – Not meaningful
4. **NAV** – Net Asset Value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
5. **LTM** – last twelve months
6. **NTM** – next twelve months
7. **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortization; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group's operational performance and the profitability of its operations. The Group considers EBITDA to be an important indicator of its representative recurring operations.
8. **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds
9. **IRR** - for portfolio companies is calculated based on a) historical contributions to the portfolio company less b) dividends received and c) market / fair value of the portfolio company at 31 December 2019.
10. **MOIC** – Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date ii) the denominator is the gross investment amount.
11. **Realised MOIC** – Realised Multiple of Capital Invested is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs ii) the denominator is the gross investment amount.
12. **Loss ratio** equals net insurance claims expense divided by net earned premiums
13. **Expense ratio** in P&C Insurance equals sum of acquisition costs and operating expenses divided by net earned premiums
14. **Combined ratio** equals sum of the loss ratio and the expense ratio in the insurance business
15. **ROAE** – Return on average total equity (ROAE) equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders of the business for the same period for BoG and P&C Insurance;
16. **Net investment** - gross investments less capital returns (dividends and sell-downs)
17. **EV** – enterprise value
18. **NOI** – net operating income
19. **Liquid assets & loans issued** include cash, marketable debt securities and issued short-term loans
20. **RevPAR –** Revenue per available room
21. **Total return / value creation** - total return / value creation of each portfolio investment is calculated as follows: we aggregate a) change in beginning and ending fair values, b) gains from realized sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total value creation / investment return.
22. **WPP** – Wind power plant
23. **HPP** – Hydro power plant
24. **PPA** – Power purchase agreement

COMPANY INFORMATION

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Share price information
Shareholders can access both the latest and historical prices via the website
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