FINANCIAL PERFORMANCE HIGHLIGHTS IN GEL '000 (IFRS)[1]

2020 numbers are unaudited	Dec-20	Sep-20	Change	Dec-19	Change
Georgia Capital NAV overview					
NAV per share, GEL	48.12	37.84	27.2%	46.84	2.7%
Net Asset Value (NAV)	2,212,292	1,732,166	27.7%	1,753,868	26.1%
Total portfolio value	2,907,688	2,411,271	20.6%	2,253,083	29.1%
Liquid assets and loans issued	284,272	267,106	6.4%	363,773	-21.9%
Net debt	(697,999)	(677,865)	3.0%	(493,565)	41.4%

Georgia Capital Performance	4Q20	4Q19	Change	FY20	FY19	Change
Total portfolio value creation	510,129	(74,932)	NMF	479,485	134,371	NMF
of which, listed businesses	*171,458*	*(105,463)*	*NMF*	*(261,524)*	*(33,937)*	*NMF*
of which, private businesses	*338,671*	*30,531*	*NMF*	*741,009*	*168,308*	*NMF*
large portfolio companies	*327,170*	*21,478*	*NMF*	*859,545*	*121,385*	*NMF*
investment stage portfolio companies	*20,481*	*-*	*NMF*	*98,730*	*-*	*NMF*
other portfolio companies	*(8,980)*	*9,053*	*NMF*	*(217,266)*	*46,923*	*NMF*
Investments	378	180,912	-99.8%	194,665[2]	357,557	-45.6%
Dividend income	14,972	35,943	-58.3%	29,870	122,219	-75.6%
Net income	475,322	(70,033)	NMF	308,512	71,551	NMF

Private portfolio companies' performance[1]	4Q20	4Q19	Change	FY20	FY19	Change
Large portfolio companies						
Revenue	354,483	329,732	7.5%	1,235,045	1,219,343	1.3%
EBITDA	60,303	72,957	-17.3%	218,965	258,624	-15.3%
Net operating cash flow	57,761	91,776	-37.1%	253,025	239,719	5.6%
Investment stage portfolio companies						
Revenue	16,380	12,346	32.7%	68,385	27,300	NMF
EBITDA	8,847	5,598	58.0%	40,568	16,920	NMF
Net operating cash flow	11,006	2,210	NMF	48,191	4,700	NMF
Total portfolio[3]						
Revenue	463,992	441,499	5.1%	1,624,776	1,527,254	6.4%
EBITDA	82,195	81,382	1.0%	291,586	280,152	4.1%
Net operating cash flow	85,011	89,472	-5.0%	375,742	230,486	63.0%

KEY POINTS

- 27.2% growth in 4Q20 NAV per share (GEL) on the back of strong value creation across our resilient and defensive private portfolio and a 36.6% increase in BoG share price during the quarter
- 2.7% growth in FY20 NAV per share (GEL), primarily driven by the first time valuation of investment stage businesses and GHG, as a wholly owned private company, following its minority buy-out in 3Q20 (+*30.4% impact*, in aggregate)
    - FY20 NAV per share was negatively impacted by reduced valuation of "other" private portfolio companies due to the COVID-19 outbreak *(-12.4% impact)* and FX loss on GCAP net debt *(-5.2% impact)*
- Controllable (private) NAV per share adjusted for GHG transfer was up 25.9% to GEL 33.15 in 4Q20 (up 30.2% in FY20)
- Strong 2020 results across our private portfolio, despite the negative headwinds from the pandemic
    - Aggregated revenues and EBITDA up 5.1% and 1.0% y-o-y, respectively, in 4Q20 (up 6.4% and 4.1% in FY20)
    - Outstanding growth in aggregated net operating cash flow generation, up 63.0% y-o-y in FY20 to GEL 375.7m
    - Aggregated cash balances of portfolio companies more than doubled in FY20 to GEL 392m at 31-Dec-20 (GEL 361m at 30-Sep-20 and GEL 183m at 31-Dec-19)
- GEL 15m dividends collected from private businesses in 4Q20 (GEL 30m in FY20)
- GCAP liquidity remained solid at GEL 284m, up 6.4% in 4Q20; down y-o-y (mainly cash investments and coupon payment)

Conference call: An investor/analyst conference call will be held on 24 February 2021 at 13:00 UK / 14:00 CET / 8:00 U.S Eastern Time. Please click the link to join the webinar: https://gcap-ge.zoom.us/j/94455130942?pwd=Mk1qREVCUTNLL0xaSk0rVWsyeGdVUT09, webinar ID: 944 5513 0942, passcode: 904420. Further details about the webinar are available on the Group's webpage: https://georgiacapital.ge/ir/news.

[1] See "Basis of Presentation" for more background on pages 29-30. Private portfolio companies' performance includes aggregated stand-alone IFRS results for our portfolio companies, which can be viewed as APMs for Georgia Capital, since Georgia Capital does not consolidate its subsidiaries. instead measures them at fair value under IFRS.
[2] Issuance of 7.7 million CGEO shares in exchange for GHG shares, valued at GEL 138 million, for the buy-out of 29.4% holding in GHG.
[3] The results of our five smaller businesses included in other portfolio companies (described on page 20) are not broken out separately. Performance totals, however, include the other portfolio companies results (and are therefore not the sum of large and investment stage portfolio results).

CHAIRMAN AND CEO'S STATEMENT

2020 was a challenging year managing the significant impact of the COVID-19 pandemic. Despite a number of important measures taken by the Government of Georgia, an unprecedented fiscal stimulus around the globe and strong international support, the pandemic quickly affected many businesses in Georgia and the country's GDP has declined precipitously. Notwithstanding the pandemic driven headwinds, with the majority of our capital allocated to defensive industries and sectors, Georgia Capital has demonstrated great resilience and delivered a strong performance in 4Q20 and FY20.

- **We continued to deliver on our strategic priorities.** 2020 was an eventful year for the Group. **1)** The buyout of the GHG minority in 3Q20 through a share exchange offer strengthened our private portfolio by adding GHG's existing three market-leading, high cash flow generating businesses. **2)** GGU, the holding company of our water utility business and operational renewable assets, successfully issued US$ 250 million 7.75% 5-year green bonds, demonstrating our superior access to capital even during the challenging COVID-19 times. **3)** In line with our expectations, the regulator increased the tariffs for our water utility business, translating into a 38% growth in allowed water revenues for the upcoming three-year regulatory period effective from 1-Jan-21. **4)** We completed the 34.4% minority shareholder buyout in the high-margin renewable energy business, increasing our share in its growing dollar linked cash flows. **5)** GHG divested the low-return HTMC hospital at an attractive valuation, resulting in a 90bps improvement in GHG's ROIC, on a proforma basis. **6)** Lastly, as we continued to deliver on our strategic priorities, NAV per share allocated to our private portfolio, which we track as "controllable" NAV per share, increased by 54.4% in FY20 to GEL 39.32 (controllable NAV per share adjusted for GHG transfer was up 30.2% in FY20 to GEL 33.15).
- **NAV per share (GEL) was up 27.2% in 4Q20 to GEL 48.12 (up 2.7% in FY20).** Solid underlying operating performances across our private portfolio, supported by the overall recovery in market sentiment, created a 19.6% growth in NAV per share in 4Q20. This was further supported by a 36.6% increase in the BoG share price in 4Q20 (9.9% growth in NAV per share), slightly offset by an FX loss on GCAP net debt in 4Q20. Overall, NAV per share was up 2.7% in FY20, returning to the pre-pandemic levels, primarily driven by the first-time valuation of a) GHG, as a wholly-owned private company, following the minority buy-out and b) investment stage portfolio companies. These strong positives were partly offset by losses in our hospitality and real estate businesses (now part of our "other" portfolio) and the FX loss. I am also pleased to note that all of our large private portfolio businesses are now valued independently, with the result that external sources are now the basis of the valuation of 82% of our total portfolio at 31-Dec-20.
- **Underlying operating performances across our private portfolio remained solid.** Despite COVID-19, aggregated 4Q20 revenues and EBITDA of our private portfolio were up 5.1% to GEL 464.0 million and 1.0% to GEL 82.2 million y-o-y, respectively (up 6.4% to GEL 1,624.8 million and 4.1% to GEL 291.6 million in FY20). Our companies successfully adapted to the rapidly changing environment and demonstrated solid recovery in profitability following the first and most severe lockdown during April-May. Reflecting strong business growth as well as our cash preservation and accumulation strategy, the increase in aggregated net operating cash flows was outstanding, up 63.0% y-o-y in FY20 to GEL 375.7 million.
- **Continued healthy liquidity profile.** The aggregated cash balances of our portfolio companies more than doubled in FY20 to GEL 392 million at 31-Dec-20 (GEL 183m at 31-Dec-19). While GCAP's liquidity was down 22% in FY20, it increased more than 6% in 4Q20 to a still solid GEL 284 million. During 2020, our material investment was the buy-out of minority shareholders in GHG, in exchange for newly issued GCAP shares valued at GEL 138 million. In the light of the cash accumulation and preservation strategy, we collected only GEL 30 million dividends from our private businesses in 2020, however, the expected 2021 dividend income outlook from our private portfolio looks very strong, reflecting organic growth in dividend flows and the addition of a wholly-owned GHG.

From a macroeconomic perspective, the internal balance was aided by a significant fiscal stimulus and accommodative monetary conditions, while the external balance was maintained by securing external financing, record-high remittance inflows, and reducing the merchandise trade deficit. According to preliminary estimates, the fiscal deficit was over 9% of GDP in 2020, while remittance inflows grew by 8.8% y-o-y (including a 20.2% growth in 2H20), and the external trade deficit was reduced by $1.05 billion (with imports declining by 15.9% and exports by 12%, y-o-y). Georgia was one of the first countries to utilise the Extended Fund Facility with the International Monetary Fund (IMF), unlocking $200 million immediately and swiftly gaining access to a total of $3 billion of external funding, split equally for the public and private sectors. According to early estimates, the economy fell by 6.1% y-o-y in 2020, higher than initial forecast, due to the second-wave partial lockdown imposed in November, however, the restrictions are gradually being lifted since the beginning of February 2021. IMF estimates that economic growth will be 4.3% in 2021, while the medium-run growth forecast stands at 5.25%, representing one of the highest growth expectations in the region. The Georgian Lari performed relatively well compared to other regional currencies, stabilizing after initial volatility, aided by FX interventions of $953 million since March, as official reserve assets reached a record high of $3.9 billion in December 2020 (up 11.5% y-o-y).

Overall, I am very impressed by the management teams of our portfolio companies and how successfully they have handled this challenging year. Entering 2021, we see positive factors as vaccines are being rolled out to manage the pandemic impact, while markets and businesses have adapted to the new environment. The range of possible economic outcomes, however, still remains wide. We have a high-quality and defensive portfolio with significantly reduced dependence on tourism inflows, a clear and proven governance model, an extensive network of top-quality talent and strong financial flexibility. These are the foundation for consistent future NAV per share growth. We will continue to focus on two clear strategic priorities over the next few years: realising the value of one large private portfolio investment, and the divestment of our sub-scale "other" portfolio companies.

Irakli Gilauri, Chairman and CEO

DISCUSSION OF GROUP RESULTS

The discussion below analyses the Group's unaudited net asset value at 31-Dec-20 and its income for the fourth quarter and full year period then ended on an IFRS basis (see "Basis of Presentation" on pages 29-30 below).

Net Asset Value (NAV) Statement

NAV statement summarises the Group's IFRS equity value (which we refer to as Net Asset Value or NAV in the NAV Statement below) at the opening and closing dates (30-Sep-20 and 31-Dec-20). The NAV Statement below, as included in the notes to the IFRS financial statements, breaks down NAV into its components and provides a roll forward of the related changes between the reporting periods. For the NAV Statement for the full year of 2020 and revised NAV format overview since 3Q20, see page 29.

NAV STATEMENT 4Q20 (UNAUDITED)

GEL '000, unless otherwise noted	Sep-20	1. Value creation[4]	2a. Investment	2b. Buyback	2c. Dividend	3.Operating expenses	4. Liquidity/ FX/Other	Dec-20	Change %
Listed Portfolio Companies									
Bank of Georgia (BoG)	360,100	171,458	-	-	-	-	-	531,558	47.6%
Total Listed Portfolio Value	**360,100**	**171,458**	**-**	-	-	**-**	**-**	**531,558**	**47.6%**
Listed Portfolio value change %		***47.6%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***47.6%***	
Private Portfolio Companies									
Large Companies	**1,545,818**	**327,170**	-	-	**(14,972)**	-	**221**	**1,858,237**	**20.2%**
Healthcare Services	*473,500*	*98,156*	-	-	-	-	-	*571,656*	*20.7%*
Retail (Pharmacy)	*475,000*	*77,745*	-	-	-	-	-	*552,745*	*16.4%*
Water Utility	*412,313*	*68,614*	-	-	*(10,000)*	-	*221*	*471,148*	*14.3%*
Insurance (P&C and Medical)	*185,005*	*82,655*	-	-	*(4,972)*	-	-	*262,688*	*42.0%*
Of which, P&C Insurance	*140,505*	*62,273*	-	-	*(4,972)*	-	-	*197,806*	*40.8%*
Of which, Medical Insurance	*44,500*	*20,382*	-	-	-	-	-	*64,882*	*45.8%*
Investment Stage Companies	**282,175**	**20,481**	**88**	-	-	-	**220**	**302,964**	**7.4%**
Renewable Energy	*201,497*	*8,185*	-	-	-	-	*220*	*209,902*	*4.2%*
Education	*80,678*	*12,296*	*88*	-	-	-	**-**	*93,062*	*15.3%*
Other Companies	**223,178**	**(8,980)**	**290**	-	-	-	**441**	**214,929**	**-3.7%**
Total Private Portfolio Value	**2,051,171**	**338,671**	**378**	-	**(14,972)**	-	**882**	**2,376,130**	**15.8%**
Private Portfolio value change %		***16.5%***	***0.0%***	***0.0%***	***-0.7%***	***0.0%***	***0.0%***	***15.8%***	
Total Portfolio Value (1)	**2,411,271**	**510,129**	**378**	**-**	**(14,972)**	**-**	**882**	**2,907,688**	**20.6%**
Total Portfolio value change %		***21.2%***	***0.0%***	***0.0%***	***-0.6%***	***0.0%***	***0.0%***	***20.6%***	
Net Debt (2)	**(677,865)**	**-**	**(378)**	**-**	**14,972**	**(5,902)**	**(28,826)**	**(697,999)**	**3.0%**
of which, Cash and liquid funds	*163,733*	-	*(378)*	-	*14,972*	*(5,902)*	*2,864*	*175,289*	*7.1%*
of which, Loans issued	*103,373*	-	-	-	-	-	*5,610*	*108,983*	*5.4%*
of which, Gross Debt	*(944,971)*	-	-	-	-	-	*(37,300)*	*(982,271)*	*3.9%*
Net other assets/ (liabilities) (3)	(1,240)	-	-	-	-	(3,207)	7,050	2,603	NMF
of which, share-based comp.	-	-	-	-	-	*(3,207)*	*3,207*	-	*0.0%*
Net Asset Value (1)+(2)+(3)	**1,732,166**	**510,129**	**-**	**-**	**-**	**(9,109)**	**(20,894)**	**2,212,292**	**27.7%**
NAV change %		***29.5%***	***0.0%***	***0.0%***	***0.0%***	***-0.5%***	***-1.2%***	***27.7%***	
Shares outstanding[4]	45,772,547	-	-	-	-	-	204,700	45,977,247	0.4%
Net Asset Value per share, GEL	**37.84**	**11.15**	**-**	**-**	**-**	**(0.20)**	**(0.68)**	**48.12**	**27.2%**
NAV per share, GEL change %		***29.5%***	***0.0%***	***0.0%***	***0.0%***	***-0.5%***	***-1.8%***	***27.2%***	

[4] Please see definition in glossary on page 31.

NAV per share (GEL) increased by 27.2% in 4Q20, reflecting both value creation across our private portfolio companies (19.6% growth) and the increased valuation of BoG (9.9% growth) following improvements in operating performances coupled with improved stock market sentiment. The NAV per share growth was slightly offset by: a) GEL's depreciation against USD by 2.2%, resulting in a foreign exchange loss of GEL 14.4 million on GCAP net debt (-0.8% impact); b) management platform related costs (-0.5% impact); and c) net interest expense and fair value gains on liquid assets (-0.6% impact in aggregate).

Portfolio overview

Our portfolio value increased by 20.6% to GEL 2.9 billion in 4Q20, reflecting a 47.6% and 15.8% growth in the value of listed and private businesses, respectively. At 31-Dec-20, the listed portfolio value was GEL 531.6 million (18% of total portfolio value) and the private portfolio value was GEL 2.4 billion (82% of total). The private portfolio value growth by GEL 325 million reflects a) GEL 339 million value creation and b) decrease of GEL 15 million due to dividends paid to the Group. In order to provide additional transparency to our private portfolio valuation, we hired a third-party independent valuation firm Duff & Phelps, to perform valuation assessments of the large private portfolio companies, as described below for each business and in line with International Private Equity Valuation ("IPEV") guidelines. The valuation assessments performed by Duff & Phelps, which were relied upon as an input in Georgia Capital's estimate of the fair value, relate to 64% of the total portfolio. Accordingly, external sources are now the basis of 82% of the total portfolio, (large portfolio companies (64%) and BoG (18%)).

1) Value creation

The 36.6% BoG share price recovery during 4Q20 strongly supported NAV per share growth with GEL 171.5 million value creation. The value creation of GEL 339 million on the private portfolio mainly reflects: a) the GEL 243.4 million operating performance-related increase in the value of our resilient private assets, delivering growing aggregated revenues (up 5.1% in 4Q20 and 6.4% in FY20, y-o-y), EBITDA (up 1.0% in 4Q20 and 4.1% in FY20, y-o-y) and operating cash flows (down 5.0% in 4Q20 and up 63.0% in FY20, y-o-y) despite the COVID-19 impact; and b) GEL 94.7 million net impact from movements in valuation multiples and foreign currency exchange rates.

The table below summarises value creation drivers in our businesses in 4Q20 (numbers are unaudited):

Portfolio Businesses	Operating Performance[5]	Greenfields / buy-outs[6]	Multiple Change and FX[7]	Value Creation
Unaudited, in GEL '000	***(1)***	***(2)***	***(3)***	***(1)+(2)+(3)***
Listed				**171,458**
BoG				171,458
Private	**243,424**	**584**	**94,663**	**338,671**
Large Portfolio Companies	**234,485**	**-**	**92,685**	**327,170**
Healthcare Services	40,279	-	57,877	98,156
Retail (pharmacy)	53,276	-	24,469	77,745
Water Utility	126,107	-	(57,493)	68,614
Insurance (P&C and Medical)	14,823	-	67,832	82,655
Of which, P&C Insurance	*6,410*	-	*55,863*	*62,273*
Of which, Medical Insurance	*8,413*	-	*11,969*	*20,382*
Investment Stage Portfolio Companies	**24,688**	**-**	**(4,207)**	**20,481**
Renewable Energy	11,713	-	(3,528)	8,185
Education	12,975	-	(679)	12,296
Other	**(15,749)**	**584**	**6,185**	**(8,980)**
Total portfolio	**243,424**	**584**	**94,663**	**510,129**

Listed businesses (18.3% of total portfolio value)

BOG (18.3% of total portfolio value) – Despite the COVID-19 outbreak, BoG managed to deliver an annualised ROAE of 26% and 20.2% loan book growth y-o-y in 3Q20. In 4Q20, BOG's share price demonstrated a resilient recovery, increasing by 36.6% to GBP 12.20 at 31-Dec-20 and, as a result, the market value of our equity stake in BOG increased by GEL 171.5 million to GEL 531.6 million. Following its publication on 25 February 2021, BoG's public announcement on 4Q20 and FY20 results will be available at: https://www.bankofgeorgiagroup.com/results/earnings.

Private large portfolio companies (63.9% of total portfolio value)[8]

The fair values of the four large private portfolio companies at year-end were assessed by an independent valuation company. The valuations of Water Utility and the P&C portion of our Insurance business were first-time valuations. The valuations of the GHG businesses (Healthcare Services, Retail ((pharmacy) and Medical Insurance were updates of the first-time valuations performed at 3Q20. All the valuations were performed by applying a combination of an income approach (DCF) and a market approach (listed peer multiples and in some cases precedent transactions). The updates of the valuations of the GHG

[5] Change in the fair value attributable to the change in actual or expected earnings of the business, as well as the change in net debt.
[6] The difference between fair value and acquisition price in the first reporting period in which the business/greenfield project is no longer valued at acquisition price/cost.
[7] Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.
[8] Please read more about valuation methodology on pages 29-30 in "Basis of presentation").

businesses were made on a basis consistent with the initial valuation. Going forward, we intend to provide independent valuations of these businesses semi-annually.

Healthcare Services (19.7% of total portfolio value) – Healthcare Services Enterprise Value (EV) remained largely flat at GEL 837 million in 4Q20 (down 1.3%). Strong operating performance in 4Q20 -- 13.3% y-o-y growth in revenues -- was fully offset by the impact from divestment of High Technology Medical Centre University Clinic (HTMC). The initial valuation included the operating performance of HTMC, one of the lowest ROIC generating assets, which was sold in 3Q20. However, the impact of HTMC divestment on EV level was fully offset by the cash proceeds from the transaction, contributing to the net debt (incl. financial lease liabilities) reduction by 25.9% to GEL 230 million at 31-Dec-20. The improved net debt profile and solid operating performance in 4Q20 led to GEL 98.2 million value creation in aggregate. As a result, the equity value increased by 20.7% to GEL 572 million, translating into the implied LTM EV/EBITDA multiple (incl. IFRS 16) of 13.2x at 31-Dec-20 (12.2x at 30-Jun-20).

Retail (pharmacy) (19.0% of total portfolio value) – The business demonstrated outstanding results in 4Q20, with continued y-o-y growth in revenues (up 16.4%) and EBITDA (up 6.0% excl. IFRS 16) despite the COVID-19 outbreak impact. As a result, EV increased by 8.7% to GEL 836 million in 4Q20. Strong liquidity management was reflected in an improved leverage profile, with net debt (incl. financial lease liabilities) being down 14.1% since initial valuation to GEL 130.2 million as of 31-Dec-20. The result was GEL 77.7 million value creation and the equity value of GCAP's 67% holding increased by 16.4% to GEL 553 million in 4Q20. Consequently, implied LTM EV/EBITDA valuation multiple increased to 9.1x incl. the impact of IFRS 16 (up from 8.7x as of 30-Jun-20).

Water Utility (16.2% of total portfolio value) – Water Utility's FY20 performance reflects decreased consumption of water due to lower economic activity during the COVID-19 outbreak, leading to a 13.0% y-o-y decline in FY20 water supply revenues to GEL 124.7 million. However, according to the tariff setting methodology, volume risk does not stay with the company and unearned revenues in the current regulatory period (2018-2020) will be reimbursed, using time value of money, through new tariffs set for the next regulatory period (2021-2023), approved by the regulator in Dec-20 and further discussed on pages 14-15 of this report. Consequently, Water Utility's multiple-based and DCF valuation at 31-Dec-20, implies a 9.4x multiple on LTM Adjusted EBITDA of GEL 98.7 million, where the Adjusted EBITDA was calculated based on the retrospective impact of new tariffs on 2020 performance. This led to a 16.7% increase in the LTM EBITDA from 30-Sep-20. As a result, in light of the increased tariffs and allowed revenue prospects in the three-year regulatory period, value creation was GEL 68.6 million in 4Q20. In addition, the business paid GEL 10.0 million dividends in 4Q20. The equity value of the business was assessed at GEL 471.1 million at 31-Dec-20, up by 14.3% in 4Q20 (down by 2.6% in FY20).

Insurance (P&C and Medical) (9.0% of total portfolio value) – The insurance business combines: a) P&C Insurance valued at GEL 197.8 million and b) Medical Insurance acquired as part of the GHG buy-out in 3Q20, valued at GEL 64.9 million.

<u>P&C Insurance</u> The implied LTM P/E valuation multiple at 31-Dec-20 was 11.6x (up from 8.3x at 30-Sep-20, applied in the internal valuation), reflecting historically high ROAE (on average c. 30% in 2014-2020), solid growth in profitability (c. 16% CAGR in net profit over 2014-2020) and high dividend payout ratio within a 50%-70% range. LTM net income remained largely flat at GEL 17.1 million in 4Q20, as the negative impact of COVID-19 on the business was well-contained. In 2020, despite the pandemic, the business paid GEL 10 million dividend within the historical payout range (of which, GEL 5 million was paid in 4Q20). As a result, value creation was GEL 62.3 million in 4Q20 and the equity value was assessed at GEL 197.8 million at 31-Dec-20 (up 40.8% in 4Q20 and up 19.9% in FY20).

<u>Medical Insurance</u> The implied LTM P/E valuation multiple as of 31-Dec-20 was 10.1x (up from 8.0x as of 30-Jun-20). The equity value was assessed at GEL 64.9 million at 31-Dec-20 (up 45.8% in 4Q20), resulting in GEL 20.4 million value creation.

<u>*Private investment stage businesses (10.4% of total portfolio value)*</u>

Renewable Energy (7.2% of total portfolio value) – Renewable Energy is valued internally, based on a sum of the parts (EV/EBITDA and acquisition price). The value creation was GEL 8.2 million in 4Q20, mainly reflecting operating performance-related growth with increasing LTM EBITDA earnings across Hydrolea HPPs and Qartli wind farm. Investments in our pipeline renewable energy projects and Mestiachala HPPs continued to be measured at an equity investment cost of GEL 111 million in aggregate. As a result, the equity value of the business was up 4.2% to GEL 209.9 million in 4Q20. At 31-Dec-20, total enterprise value (EV) and net debt were GEL 489 million and GEL 279 million in the renewable energy business, respectively.

Education (3.2% of total portfolio value) – Education is valued internally, based on LTM EV/EBITDA. In 4Q20, LTM EBITDA of the education business increased by 19% to GEL 9.5 million[9], reflecting a 5.6% y-o-y increase in average tuition fees per learner and strong intake levels across the board despite the COVID-19 impact. The valuation multiple remained unchanged at 12.5x in 4Q20. As a result, GEL 12.3 million value was created in 4Q20, driving the 15.3% increase in the equity value of the education business to GEL 93.1 million in 4Q20.

<u>*Other businesses (7.4% of total portfolio value*</u> The "other" private portfolio (Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services) are valued internally, based on LTM EV/EBITDA in most cases other

[9] LTM EBITDA used for valuation purposes (at 30-Sep-20 and at 31-Dec-20) includes functional currency adjustment in premium schools.

than our real estate and hospitality businesses. They had a combined value of GEL 214.9 million at 31-Dec-20, down by 3.7% in 4Q20. The wine business has posted GEL 6.3 million value creation on the back of outstanding 4Q20 performance with all-time highest GEL 8.2 million quarterly EBITDA (up 60.3% y-o-y). In addition, GEL 2.7 million value was created in the auto services business from the first-time valuation of Amboli since acquisition. However, the positive impacts from the valuation of the wine and auto services businesses, were offset by the negative impact of COVID-19 on our real estate businesses and FX movements on EUR-denominated debt. The overall impact was negative GEL 9 million value creation in 4Q20 in the "other" portfolio.

2) Investments[10]

There were no material investments in 4Q20, in line with our cash accumulation and preservation strategy during the pandemic.

3) Dividends[10]

In 4Q20, Georgia Capital collected GEL 15 million dividends in aggregate from Water Utility and P&C Insurance, GEL 10 million and GEL 5 million, respectively.

Valuations of our holdings in portfolio companies reflecting value creation and capital allocation activities discussed above are summarised in the following table:

Unaudited numbers, in GEL '000	Valuation source	31-Dec-20	30-Sep-20	Change	Change %	% share in total portfolio
Listed portfolio *(1)*		**531,558**	**360,100**	**171,458**	**47.6%**	**18.3%**
BoG	Public markets	531,558	360,100	171,458	47.6%	18.3%
Private portfolio *(2)=(a)+(b)+(c)*		**2,376,130**	**2,051,171**	**324,959**	**15.8%**	**81.7%**
Large portfolio companies *(a)*		**1,858,237**	**1,545,818**	**312,419**	**20.2%**	**63.9%**
Healthcare Services	Independent external	571,656	473,500	98,156	20.7%	19.7%
Retail (pharmacy)	Independent external	552,745	475,000	77,745	16.4%	19.0%
Water Utility	Independent external	471,148	412,313	58,835	14.3%	16.2%
Insurance (P&C and Medical)		262,688	185,005	77,683	42.0%	9.0%
Of which, P&C Insurance	Independent external	197,806	140,505	57,301	40.8%	6.8%
Of which, Medical Insurance	Independent external	64,882	44,500	20,382	45.8%	2.2%
Investment stage portfolio companies *(b)*		**302,964**	**282,175**	**20,789**	**7.4%**	**10.4%**
Renewable Energy	Internal	209,902	201,497	8,405	4.2%	7.2%
Education	Internal	93,062	80,678	12,384	15.3%	3.2%
Other *(c)*	Internal	**214,929**	**223,178**	**(8,249)**	**-3.7%**	**7.4%**
Total portfolio value *(3)=(1)+(2)*		**2,907,688**	**2,411,271**	**496,417**	**20.6%**	**100%**

Net debt overview

Below we describe the components of net debt as of 31 December 2020 and as of 30 September 2020:

Unaudited numbers, in GEL '000	31-Dec-20	30-Sep-20	Change
Cash at banks	160,536	138,941	15.5%
Internationally listed debt securities	14,098	24,138	-41.6%
Locally listed debt securities	655	654	0.2%
Loans issued	108,983	103,373	5.4%
Total Cash and liquid funds (a)	**284,272**	**267,106**	**6.4%**
Gross Debt (b)	**(982,271)**	**(944,971)**	**3.9%**
Net debt (a)+(b)	**(697,999)**	**(677,865)**	**3.0%**

Cash and liquid funds. At 31 December 2020, cash and liquid funds were allocated mostly in cash, internationally listed debt securities and loans issued. Internationally listed debt securities mostly include Eurobonds issued by Georgian corporates. The issued loan balance primarily refers to loans issued to our private portfolio companies, which are on-lent at market terms.

In 4Q20, GCAP increased its cash balance by 15.5% to GEL 160.5 million (US$ 49 million) on the back of dividend inflows from private portfolio companies and proceeds from sale of internationally listed debt securities. GCAP's liquidity, inclusive of issued loans, remained high at GEL 284 million (US$ 87 million).

Gross debt. At 31-Dec-20 the outstanding balance of US$ 300 million six-year Eurobonds due in March 2024 was GEL 982 million, reflecting foreign exchange loss of GEL 20.8 million from GEL depreciation against USD during 4Q20[11]. Gross debt balance also increased by a GEL 16.5 million due to coupon accrual[11] in 4Q20.

Net debt. Net debt increased by 3.0% to GEL 698 million in 4Q20, with the increase being driven primarily by a foreign exchange loss of GEL 14.4 million. GCAP cash operating expenses of GEL 5.9 million, net interest expense and fair value gains on liquid funds, in aggregate, of GEL 11.1 million also contributed to the increase in net debt, partially offset by GEL 15 million dividends received from portfolio companies.

[10] Investments are made and dividends are received at JSC Georgia Capital level, the Georgian holding company.
[11] FX, coupon payment and coupon accrual are included in Liquidity Management /FX/Other column in NAV statement.

FY20 NAV STATEMENT HIGHLIGHTS[12] (2020 NUMBERS ARE UNAUDITED)

GEL '000, unless otherwise noted	Dec-19	1. Value creation[13]	2a. Investment	2b. Buyback	2c. Dividend	2d. GHG de-listing[14]	3.Operating expenses	4. Liquidity/ FX/Other	Dec-20	Change %
Total Listed Portfolio Value	**1,027,814**	**(261,524)**	**138,265**	-	-	**(372,997)**	-	-	**531,558**	**-48.3%**
Listed Portfolio value change %		*-25.4%*	*13.5%*	*0.0%*	*0.0%*	*-36.3%*	*0.0%*	*0.0%*	*-48.3%*	
Total Private Portfolio Value	**1,225,269**	**741,009**	**56,400**	-	**(29,870)**	**372,997**	-	**10,325**	**2,376,130**	**93.9%**
Of which, Large Companies	648,893	859,545	-	-	(24,943)	372,997	-	1,745	1,858,237	NMF
Of which, Investment Stage Companies	163,150	98,730	44,501	-	(4,927)	-	-	1,510	302,964	85.7%
Of which, Other Companies	413,226	(217,266)	11,899	-	-	-	-	7,070	214,929	-48.0%
Private Portfolio value change %		*60.5%*	*4.6%*	*0.0%*	*-2.4%*	*30.4%*	*0.0%*	*0.8%*	*93.9%*	
Total Portfolio Value (1)	**2,253,083**	**479,485**	**194,665**	-	**(29,870)**	-	-	**10,325**	**2,907,688**	**29.1%**
Total Portfolio value change %		*21.3%*	*8.6%*	*0.0%*	*-1.3%*	*0.0%*	*0.0%*	*0.5%*	*29.1%*	
Net Debt (2)	**(493,565)**	-	**(57,684)**	**(6,033)**	**29,870**	-	**(19,455)**	**(151,132)**	**(697,999)**	**41.4%**
Net Asset Value (1)+(2)+(3)	**1,753,868**	**479,485**	**138,265**	**(6,033)**	-	-	**(32,136)**	**(121,157)**	**2,212,292**	**26.1%**
NAV change %		*27.3%*	*7.9%*	*-0.3%*	*0.0%*	*0.0%*	*-1.8%*	*-6.9%*	*26.1%*	
Shares outstanding[13]	37,441,971	-	7,734,010	(173,076)	-	-	-	974,342	45,977,247	22.8%
Net Asset Value per share, GEL	**46.84**	**12.81**	**(4.96)**	**0.06**	**0.00**	**0.00**	**(0.86)**	**(5.78)**	**48.12**	**2.7%**
NAV per share, GEL change %		*27.3%*	*-10.6%*	*0.1%*	*0.0%*	*0.0%*	*-1.8%*	*-12.3%*	*2.7%*	

Importantly in this pandemic year, NAV per share (GEL) increased by 2.7% in FY20, with the two biggest impacts being (i) the minority shareholder buy-out and subsequent revaluation of GHG (resulting in GHG becoming a private company in 3Q20 and being valued together with the rest of our private portfolio) and (ii) the mainly COVID-related valuation declines of our "other" private portfolio businesses. The main positive and negative contributors to the overall increase were:

- The valuation and buy-out of GHG had an aggregate 24.8% impact on the NAV per share in FY20
- The first time valuation and subsequent revaluations of our investment stage portfolio companies had in aggregate 5.6% impact on NAV per share in FY20
- Valuations declined across our "other" private portfolio companies (-12.4% impact on the NAV per share), primarily reflecting the negative impact of COVID-19 on Hospitality and Commercial Real Estate business. In addition, reduced valuation of BoG had a negative 3.8% impact on the NAV per share
- NAV per share was further impacted by: a) GEL depreciation against USD by 14.3%, resulting in a foreign exchange loss of GEL 90.9 million on GCAP net debt (-5.2% impact); b) management platform related costs (-1.8% impact); c) net interest expense and fair value losses on liquid assets (-2.5% impact); and d) other individually immaterial items (in aggregate -2.0% impact).

Portfolio overview

Our portfolio value increased by 29.1% to GEL 2.9 billion in FY20, reflecting a 48.3% decline and 93.9% growth in the value of listed and private businesses, respectively. The value of our investment in the listed assets decreased by GEL 496 million during FY20 mainly reflecting the de-listing and transfer of GHG to the private portfolio. The market value of our 100% holding in GHG was GEL 373 million on the de-listing date of 5-Aug-20 ("cost of GHG investment" or "cost"). The value of our private portfolio companies increased by GEL 1.2 billion in FY20 reflecting the transfer of GHG at GEL 373 million cost, the addition of GEL 741.1 million due to value creation across the total private portfolio, the increase of GEL 56.4 million due to investments and the decrease of GEL 29.9 million due to dividends received from private portfolio companies.

1) Value creation

The negative value creation on listed assets was GEL 261.5 million, of which GEL 195.3 million was driven by negative value creation on our holding in GHG before de-listing and GEL 66.2 million by a 24.9% decrease in the BoG share price in FY20 to GBP 12.20. The value creation of GEL 741.1 million on the private portfolio reflects: a) GEL 676.1 million from greenfields / buy-outs, driven by the first time valuation of GHG following buy-out in 3Q20 (GEL 620.0 million) and the first time valuation of investment stage portfolio companies in 1H20 (GEL 57.1 million); b) GEL 62.1 million operating performance-related net decrease in the value of our private assets in aggregate, primarily reflecting the negative impact of COVID-19 on LTM earnings; and c) GEL 127.1 million net increase from movements in valuation multiples and foreign currency exchange rates. *The table below summarises value creation drivers in our businesses in FY20.*

[12] The detailed FY20 NAV statement is included in appendix on page 29.
[13] Please see definition in glossary on page 31.
[14] GHG's de-listing value of GEL 373 million (based on closing LSE price) was allocated proportionally across Healthcare Services, Retail (pharmacy) and Medial Insurance based on the respective share in the total estimated fair value of GHG businesses by independent valuation company as of 30-Jun-20.

Portfolio Businesses	Operating Performance[15]	Greenfields / buy-outs[16]	Multiple Change and FX[17]	Value Creation
Unaudited numbers, in GEL '000	*(1)*	*(2)*	*(3)*	*(1)+(2)+(3)*
Listed				**(261,524)**
GHG				(195,347)
BoG				(66,177)
Private	**(62,130)**	**676,069**	**127,070**	**741,009**
Large Portfolio Companies	**89,997**	**620,003**	**149,545**	**859,545**
Healthcare Services	40,279	295,641	57,877	393,797
Retail (pharmacy)	53,276	296,577	24,469	374,322
Water Utility	(7,153)	-	7,586	433
Insurance (P&C and Medical)	3,595	27,785	59,613	90,993
Of which, P&C Insurance	*(4,818)*	-	*47,644*	*42,826*
Of which, Medical Insurance	*8,413*	*27,785*	*11,969*	*48,167*
Investment Stage Portfolio Companies	**35,292**	**57,067**	**6,371**	**98,730**
Renewable Energy	22,399	32,720	7,050	62,169
Education	12,893	24,347	(679)	36,561
Other	**(187,419)**	**(1,001)**	**(28,846)**	**(217,266)**
Total portfolio	**(62,130)**	**676,069**	**127,070**	**479,485**

2) Investments[18]

During the pandemic we implemented a cash accumulation and preservation strategy and put our capital allocations on hold and made only limited investments. The following capital allocations were made in FY20:

- GEL 138 million equity capital allocation was related to the buy-out of the minority shareholders in GHG. This was paid for by the exchange of newly issued 7.7 million CGEO shares into GHG shares valued at GEL 138 million.
- GEL 44.4 million was allocated to Renewable Energy, of which, GEL 38.7 million was for the buyout of the minority shareholder in February 2020 and GEL 5.6 million for the development of pipeline HPPs.
- GEL 5.0 million was allocated to Beverages to finance working capital needs of the beer business.
- GEL 4.2 million was allocated to Auto Service, for the working capital financing and the buyout of an additional 10% equity stake in Amboli, increasing GCAP's total ownership to 90%.

3) Dividends[18]

In FY20, Georgia Capital collected GEL 30 million dividends, of which: GEL 5 million was received from Renewable Energy; GEL 10 million - from P&C Insurance and GEL 15 million - from Water Utility.

Net debt overview

Net debt increased by 41.4% to GEL 698 million in FY20, with the increase being driven primarily by a foreign exchange loss of GEL 90.9 million. The net debt was further impacted by: a) GEL 57.7 million cash outflows for investments; b) net interest expense and fair value gains on liquid funds, driving net GEL 44.5 million increase in net debt; c) GCAP cash operating expenses of GEL 19.5 million; d) GEL 29.9 million dividend inflows from portfolio companies. In addition, in 2020 Georgia Capital collected net cash from the repayment of the following loans: US$ 13 million issued to Renewable Energy, refinanced by the proceeds raised from the Green Bond issuance in Jul-20 and US$ 12 million issued to BoG's holding company as part of the demerger. As a result, the issued loan balance decreased by 28.2% in 2020. *The table below summarises components of net debt as of 31 December 2020 and as of 31 December 2019:*

Unaudited numbers, in GEL '000	**31-Dec-20**	**31-Dec-19**	**Change**
Cash at banks	160,536	118,458	35.5%
Internationally listed debt securities	14,098	69,712	-79.8%
Locally listed debt securities	655	23,719	-97.2%
Loans issued	108,983	151,884	-28.2%
Total Cash and liquid funds (a)	**284,272**	**363,773**	**-21.9%**
Gross Debt (b)	**(982,271)**	**(857,338)**	**14.6%**
Net debt (a)+(b)	**(697,999)**	**(493,565)**	**41.4%**

[15] Change in the fair value attributable to the change in actual or expected earnings of the business, as well as the change in net debt.
[16] The difference between fair value and acquisition price in the first reporting period in which the business/greenfield project is no longer valued at acquisition price/cost.
[17] Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.
[18] Investments are made and dividends are received at JSC Georgia Capital level, the Georgian holding company.

INCOME STATEMENT (ADJUSTED IFRS / APM)

Net income under IFRS was GEL 480 million in 4Q20 (GEL 330 million in FY20). The IFRS income statement is prepared on the Georgia Capital PLC level and the results of all operations of the Georgian holding company JSC Georgia Capital are presented as one line item. As we conduct most of our operations through JSC Georgia Capital, through which we hold our portfolio companies, the IFRS results provide little transparency on the underlying trends.

Accordingly, to enable a more granular analysis of those trends, the following adjusted income statement presents the Group's results of operations for the period ending December 31 as an aggregation of (i) the results of GCAP (the two holding companies Georgia Capital PLC and JSC Georgia Capital, taken together) and (ii) the fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 90 in Georgia Capital PLC 2019 Annual report. *A full reconciliation of the adjusted income statement to the IFRS income statement is provided on page 21.*

INCOME STATEMENT (Adjusted IFRS/APM, unaudited)

GEL '000, unless otherwise noted	4Q20	4Q19	Change	FY20	FY19	Change
Dividend income	14,972	35,943	-58.3%	29,870	122,219	-75.6%
Interest income	4,307	7,647	-43.7%	20,957	39,044	-46.3%
Realised / unrealised (loss)/ gain on liquid funds	1,119	3,596	-68.9%	(2,984)	9,547	NMF
Interest expense	(16,537)	(14,610)	13.2%	(62,478)	(55,071)	13.4%
Gross operating (loss)/income	**3,861**	**32,576**	**-88.1%**	**(14,635)**	**115,739**	**NMF**
Operating expenses	(9,109)	(9,032)	0.9%	(32,136)	(34,391)	-6.6%
GCAP net operating (loss)/income	**(5,248)**	**23,544**	**NMF**	**(46,771)**	**81,348**	**NMF**
Fair value changes of portfolio companies						
Listed portfolio companies	**171,458**	**(105,463)**	**NMF**	**(261,524)**	**(62,869)**	**NMF**
Of which, Georgia Healthcare Group PLC	*-*	*(228,422)*	*NMF*	*(195,347)*	*(203,109)*	*-3.8%*
Of which, Bank of Georgia Group PLC	*171,458*	*122,959*	*39.4%*	*(66,177)*	*140,240*	*NMF*
Private portfolio companies	**323,699**	**(5,412)**	**NMF**	**711,139**	**75,021**	**NMF**
Large Portfolio Companies	**312,198**	**(4,555)**	**NMF**	**834,602**	**87,352**	**NMF**
Of which, Healthcare Services	*98,156*	*-*	*NMF*	*393,797*	*-*	*NMF*
Of which, Retail (pharmacy)	*77,745*	*-*	*NMF*	*374,322*	*-*	*NMF*
Of which, Water Utility	*58,614*	*(9,649)*	*NMF*	*(14,567)*	*52,953*	*NMF*
Of which, Insurance (P&C and Medical)	*77,683*	*5,094*	*NMF*	*81,050*	*34,399*	*NMF*
Investment Stage Portfolio Companies	**20,481**	**-**	**NMF**	**93,803**	**-**	**NMF**
Of which, Renewable energy	*8,185*	*-*	*NMF*	*57,242*	*-*	*NMF*
Of which, Education	*12,296*	*-*	*NMF*	*36,561*	*-*	*NMF*
Other businesses	**(8,980)**	**(857)**	**NMF**	**(217,266)**	**(12,331)**	**NMF**
Total investment return	**495,157**	**(110,875)**	**NMF**	**449,615**	**12,152**	**NMF**
(Loss)/Income before foreign exchange movements and non-recurring expenses	**489,909**	**(87,331)**	**NMF**	**402,844**	**93,500**	**NMF**
Net foreign currency loss	(14,421)	18,280	NMF	(90,943)	(20,967)	NMF
Non-recurring expenses	(166)	(982)	-83.1%	(3,389)	(982)	NMF
Net Income/(loss) (adjusted IFRS)	**475,322**	**(70,033)**	**NMF**	**308,512**	**71,551**	**NMF**

An 88.1% y-o-y decrease in *4Q20 gross operating income* to GEL 3.9 million and FY*20 gross operating loss* of GEL 14.6 million mainly reflect decreased dividend inflows due to COVID-19 related uncertainties. The dividend income by businesses is presented in the table below:

GEL '000, unless otherwise noted	4Q20	4Q19	Change	FY20	FY19	Change
Water Utility	10,000	22,000	-54.5%	15,000	22,000	-31.8%
P&C Insurance	4,972	4,033	23.3%	9,943	12,033	-17.4%
Renewable Energy	-	-	NMF	4,927	-	NMF
BoG	-	-	NMF	-	24,951	NMF
GHG	-	-	NMF	-	3,981	NMF
Housing Development	-	9,910	NMF	-	59,254[19]	NMF
Total dividend income	**14,972**	**35,943**	**-58.3%**	**29,870**	**122,219**	**-75.6%**

Further, interest income was down 43.7% to GEL 4.3 million in 4Q20 and down 46.3% in FY20 to GEL 21.0 million, in line with decrease in the average balance of liquid funds. GCAP earned an average yield of 6.7% on the average balance of liquid assets and issued loans of GEL 277.3 million in FY20 (7.6% on GEL 451.5 million in FY19). The coupon on the 6-year US$ 300 million bond, issued in Mar-18, is 6.125%. As a result, *net interest expense* was GEL 12.2 million and GEL 41.5 million in 4Q20 and FY20 at GCAP level, respectively (GEL 6.9 million in 4Q19 and GEL 16.0 million in FY19).

[19] GEL 49 million was non-cash dividend: commercial space (ground floors in completed residential projects).

GCAP management fee expenses have a self-targeted cap of 2% of Georgia Capital's market capitalisation. The LTM management fee expense ratio was 1.8% at 31-Dec-20 (1.8%[20] as of 31-Dec-19). The total LTM operating expense ratio (which includes fund type expenses) was 2.8% at 31-Dec-20 (2.4%[20] at 31-Dec-19). The expense ratio reflects the negative impact of COVID-19 on Georgia Capital's share price. The components of GCAP's operating expenses are presented in the table below:

GEL '000, unless otherwise noted	**4Q20**	**4Q19**	**Change**	**FY20**	**FY19**	**Change**
Administrative expenses[21]	(2,933)	(3,388)	-13.4%	(10,477)	(11,542)	-9.2%
Management expenses - cash-based[22]	(2,969)	(2,076)	43.0%	(8,978)	(8,327)	7.8%
Management expenses - share-based[23]	(3,207)	(3,568)	-10.1%	(12,681)	(14,522)	-12.7%
Total operating expenses	**(9,109)**	**(9,032)**	**0.9%**	**(32,136)**	**(34,391)**	**-6.6%**
Of which, fund type expense[24]	(3,093)	(2,592)	19.3%	(11,030)	(9,163)	20.4%
Of which, management fee[25]	(6,016)	(6,440)	-6.6%	(21,106)	(25,228)	-16.3%

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 495.2 million in 4Q20 and GEL 449.6 million in FY20, reflecting growth in the value of listed and private businesses, as described earlier in this report. We discuss valuation drivers for our businesses on pages 4-8. The performance of each of our private large and investment stage portfolio companies is discussed on pages 11-20. In 4Q20, total investment return of GEL 495.2 million and dividend income of GEL 15.0 million together led to GEL 510.1 million value creation as presented in the 4Q20 NAV statement on page 3. In FY20, total investment return of GEL 449.6 million and dividend income of GEL 29.9 million together led to GEL 479.5 million value creation as presented in the FY20 NAV highlights on page 7.

The Group's *net income* (adjusted IFRS) is then driven by net foreign currency loss, reflecting the impact of GEL devaluation against the US dollar on GCAP's net foreign currency liability balance amounting to c. US$ 219 million (GEL 718 million) at 31-Dec-20. Net foreign currency loss was GEL 14.4 million and GEL 90.9 million, respectively, in 4Q20 and FY20. As a result of the movements described above, GCAP's adjusted IFRS *net income* was GEL 475.3 million in 4Q20 and GEL 308.5 million in FY20. See page 21 for a reconciliation to the IFRS figures presented above.

[20] The management fee expense ratio in FY19 was calculated based on average market capitalization during the year. FY20 ratio is calculated based on period-end market capitalization due to significant price fluctuations during the year in light of COVID-19.
[21] Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[22] Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[23] Share-based management expenses are share salary and share bonus expenses of management and staff.
[24] Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
[25] Management fee is the sum of cash-based and share-based operating expenses (excluding fund-type costs).

DISCUSSION OF PORTFOLIO COMPANIES' RESULTS (STAND-ALONE IFRS)

The following sections present the IFRS results and business development derived from the individual portfolio company's IFRS accounts for large and investment stage entities, where 2020 portfolio company's accounts and respective IFRS numbers are unaudited. We present key IFRS financial highlights, operating metrics and ratios along with the commentary explaining the developments behind the numbers. For the majority of our portfolio companies the fair value of our equity investment is determined by the application of a market approach (listed peer multiples and precedent transactions) and an income approach (DCF). Under the market approach, listed peer group earnings multiples are applied to the trailing twelve months (LTM) stand-alone IFRS earnings of the relevant business. 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. As such, the stand-alone IFRS results and developments driving the IFRS earnings of our portfolio companies are key drivers of their valuations within GCAP's financial statements. See "Basis of Presentation" for more background on pages 29-30.

LARGE PORTFOLIO COMPANIES

Discussion of Healthcare Services Business Results

Healthcare Services business, owned through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 31-Dec-20. Healthcare services business comprises three segments: 1) Hospitals (17 referral hospitals with a total of 2,596 beds) providing secondary and tertiary level healthcare services; 2) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services) and 15 polyclinics (providing outpatient diagnostic and treatment services); 3) Diagnostics, operating the largest laboratory in the entire Caucasus region - "Mega Lab". Following GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, the healthcare services business is 100% owned by Georgia Capital.

4Q20 & FY20 performance (GEL '000), Healthcare Services[26,27]

2020 numbers are unaudited

INCOME STATEMENT HIGHLIGHTS	4Q20	4Q19	Change	FY20	FY19	Change
Revenue, net[28]	**84,497**	**74,596**	**13.3%**	**283,447**	**290,758**	**-2.5%**
Gross Profit	**31,245**	**32,258**	**-3.1%**	**111,919**	**125,751**	**-11.0%**
Gross profit margin	*36.8%*	*43.1%*	*-6.3ppts*	*39.2%*	*42.9%*	*-3.7ppts*
Operating expenses (ex. IFRS 16)	(10,565)	(11,232)	-5.9%	(50,093)	(51,040)	-1.9%
EBITDA (ex. IFRS 16)	**20,680**	**21,026**	**-1.6%**	**61,826**	**74,711**	**-17.2%**
EBITDA margin (ex. IFRS 16)	*24.3%*	*28.1%*	*-3.7ppts*	*21.6%*	*25.5%*	*-3.9ppts*
Adjusted[29] net profit ex. IFRS 16	**7,870**	**6,128**	**28.4%**	**4,877**	**17,627**	**-72.3%**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (ex. IFRS 16)	**7,933**	**30,891**	**-74.3%**	**80,956**	**59,645**	**35.7%**
EBITDA to cash conversion (ex. IFRS 16)	38.4%	146.9%	-108.5ppts	130.9%	79.8%	51.1ppts
Cash flow from/used in investing activities[30]	**(972)**	**(619)**	**57.1%**	**16,755**	**(14,062)**	**NMF**
Free cash flow (ex. IFRS 16)[31]	**(29)**	**23,991**	**NMF**	**83,528**	**23,295**	**258.6%**
Cash flow from financing activities (ex. IFRS 16)	**(12,143)**	**(25,631)**	**-52.6%**	**(15,169)**	**(54,095)**	**-72.0%**

BALANCE SHEET HIGHLIGHTS	31-Dec-20	30-Sep-20	Change	31-Dec-19	Change
Total assets	**899,391**	**885,943**	**1.5%**	**953,874**	**-5.7%**
Of which, cash balance and bank deposits	93,721	98,905	-5.2%	7,648	NMF
Of which, securities and loans issued	7,133	4,573	56.0%	-	NMF
Total liabilities	**510,079**	**491,708**	**3.7%**	**472,675**	**7.9%**
Of which, borrowings	312,036	313,853	-0.6%	291,239	7.1%
Total equity	**389,312**	**394,235**	**-1.2%**	**481,199**	**-19.1%**

KEY POINTS / VALUATION DRIVERS

- Revenue demonstrating strong growth trajectory in 4Q20, up 13.3% y-o-y (down slightly in FY20 by 2.5% y-o-y)
- 4Q20 EBITDA remained largely flat y-o-y at GEL 20.7 million (GEL 61.8 million in FY20, down 17.2% y-o-y)
- Free cash flow (excl. IFRS 16) at GEL 83.5 million in FY20, up 258.6% y-o-y
- Net debt[32] down 25.5% y-o-y to GEL 211.2 million as of 31-Dec-20 (up 0.4% q-o-q reflecting FX impact)

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[26] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[27] All numbers in income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020, discussed below in more detail.
[28] Net revenue – Gross revenue excluding corrections and rebates. Margins are calculated from Gross revenue.
[29] Adjusted for non-recurring items, FX loss and loss from discontinued operations due to HTMC hospital disposal.
[30] Of which capex of GEL 8.3 million in 4Q20 (GEL 6.9 million in 4Q19) and GEL 24.6 million in FY20 (GEL 30.2 million in FY19). Cash flow from investing activities also includes intersegment dividends and loans issued/received across GHG businesses: Healthcare Services, Retail (pharmacy) and Medical Insurance.
[31] Operating cash flows less capex and payment of holdback on acquisition of subsidiaries, but inclusive of GEL 32.8m net inflow from disposal of 40% equity stake in HTMC and also proceeds from sale of property and equipment.
[32] Net debt is calculated from cash balance and bank deposits, securities and loans issued minus gross debt.

INCOME STATEMENT HIGHLIGHTS

Following the lifting of COVID-19 related lockdown restrictions in June, which affected hospitals and clinics segments, the healthcare business revenue started to rebound and the trend continued throughout the second half of 2020. Since September 2020, due to the increased spread of the COVID-19 virus, the business has mobilised ten healthcare facilities, four clinics and six hospitals to receive COVID patients only, and ten healthcare facilities as hybrid ones, focused on both COVID and non-COVID patients, with total aggregate number of c. 1,300 beds across the country. The Government of Georgia fully reimburses costs associated with COVID-19 treatments, and also pays a fixed fee amount per each occupied bed for COVID patient.

- The number of admissions was up by 9.3% at clinics in 4Q20 y-o-y, translating into 4Q20 net revenue of GEL 13.5 million, up 14.0% y-o-y.
- Similarly, the occupancy rate was up by 3.6 ppts in 4Q20 y-o-y in hospitals. Despite the fact that since the October Ministry of Health and Social Affairs temporarily suspended the issuance of guarantee letters for elective care treatments, the increased occupancy rate translated into a 4.6% y-o-y net revenue growth to GEL 65.7 million in 4Q20.
- The diagnostics segment, which apart from regular diagnostics services is also engaged in COVID-19 testing, more than quadrupled its quarterly revenue in 4Q20 y-o-y to GEL 7.8 million.

The developments described above translated into 13.3% y-o-y growth in 4Q20 net revenue from healthcare services. FY20 healthcare services net revenue was slightly down (2.5% y-o-y), reflecting a reduction in patient footfall at healthcare facilities mainly during the COVID-19 lockdown in 2Q20.

The cost of services in the business are captured in the materials and direct salary rates. In 4Q20 and FY20, direct salary rate remained well-controlled at hospitals (down 2.8 ppts and 0.6 ppts y-o-y) and clinics (down 4.8 ppts and 3.0 ppts y-o-y). The direct salary rate partially benefited from 6-months state income tax subsidy for low salary range employees (salary up to GEL 750), declared in May. The materials rate increased in 2020 (up 8.4 ppts and 4.1 ppts at hospitals and up 2.9 ppts and 1.1 ppts at clinics in 4Q20 and FY20, respectively), reflecting local currency exchange rate depreciation as well as increased consumption of medical disposables and personal protective equipment at healthcare facilities due to COVID-19. As a result, the healthcare services gross margin was subdued by 6.3 ppts for 4Q20 and 3.7 ppts for FY20, y-o-y. Due to the cost optimization measures, the business posted positive 2.8 ppts operating leverage in 4Q20, translating into a GEL 20.7 million EBITDA earnings excluding IFRS 16 (down 1.6% y-o-y). In 4Q20, EBITDA margin (excl. IFRS 16) was 24.8% at hospitals and 22.5% at clinics, both subdued mainly due to the increased direct cost of materials explained above. Overall, in FY20, the business posted GEL 61.8 million EBITDA (excl. IFRS 16), down 17.2% y-o-y.

Strong liquidity management measures resulted in a 25.5% y-o-y decline in the net debt position to GEL 211.2 million as of 31-Dec-20, which reduced interest expense (excl. IFRS 16) y-o-y by 34.4% in 4Q20 to GEL 5.1 million and by 8.5% for FY20 to GEL 27.4 million. The GEL depreciation during 2020 led to a foreign currency loss (GEL 2.0 million in 4Q20 and GEL 5.1 million in FY20 excl. IFRS 16) on the relatively small portion of the business's borrowings denominated in foreign currency. The business had non-recurring expenses of GEL 11.0 million in FY20, mainly related to one-off costs associated with de-listing of GHG from London Stock Exchange, of which, GEL 4.6 million relates to acceleration of share-based expenses for employees and GEL 4.1 million to legal and other fees. The business posted net profit from continuing operations of GEL 3.7 million in 4Q20 and net loss of GEL 11.2 million in FY20 excluding IFRS 16, which adjusted for FX loss and non-recurring expenses resulted in net profit of GEL 7.9 million for 4Q20 (up 28.4% y-o-y) and GEL 4.9 million for FY20 (down 72.3% y-o-y). In FY20, a loss from discontinued operations of GEL 26.1 million was recorded, resulting from the disposal of a 40% equity stake in HTMC.

CASH FLOW HIGHLIGHTS

In line with management's expectations, 4Q20 was a weak quarter in terms of operating cash flow generation. It was both the collection quarter for the lower revenues generated during the 2Q20 lockdown period, as well as the payment quarter for GEL 5.0 million of 6-months of accumulated income tax deferred pursuant to a state initiative declared in May. Overall, cash collection from the Government and strong liquidity management practices led to an increase in cash flow generation in 2020, with 130.9% cash conversion ratio, up 51.1 ppts y-o-y, excluding IFRS 16. Strong operating cash flow excl. IFRS 16 (up 35.7% y-o-y to GEL 81.0 million in FY20), reduced capex investments (down 18.6% y-o-y from GEL 30.2 million in FY19) and GEL 32.8 million net proceeds received from selling the HTMC hospital, resulted in GEL 93.7 million ending cash and cash equivalent balance as of 31 December 2020 (up from GEL 7.6 million at 31-Dec-19). At the same time, free cash flow, excluding IFRS 16, increased significantly to GEL 83.5 million in FY20 (up from GEL 23.3 million y-o-y).

Discussion of Retail (pharmacy) Business Results

Retail (pharmacy) business, owned through GHG, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a c.33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain has a total of 313 pharmacies, of which, 309 are in Georgia and 4 are in Armenia. Following GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 67% in the retail (pharmacy) business.

4Q20 & FY20 performance (GEL '000), Retail (pharmacy)[33]

2020 numbers are unaudited

INCOME STATEMENT HIGHLIGHTS	4Q20	4Q19	Change	FY20	FY19	Change
Revenue, net	**201,004**	**172,682**	**16.4%**	**679,437**	**614,675**	**10.5%**
Gross Profit	**48,741**	**44,921**	**8.5%**	**172,312**	**156,855**	**9.9%**
Gross profit margin	*24.2%*	*26.0%*	*-1.8ppts*	*25.4%*	*25.5%*	*-0.1ppts*
Operating expenses (ex. IFRS 16)	(28,414)	(25,736)	10.4%	(101,925)	(91,552)	11.3%
EBITDA (ex. IFRS 16)	**20,327**	**19,185**	**6.0%**	**70,387**	**65,303**	**7.8%**
EBITDA margin, (ex. IFRS 16)	*10.1%*	*11.1%*	*-1.0ppts*	*10.4%*	*10.6%*	*-0.2ppts*
Net profit (ex. IFRS 16)	**12,082**	**16,185**	**-25.4%**	**32,531**	**46,590**	**-30.2%**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (*ex. IFRS 16*)	**17,635**	**33,413**	**-47.2%**	**66,075**	**53,129**	**24.4%**
EBITDA to cash conversion	86.8%	174.2%	-87.4ppts	93.9%	81.4%	+12.5ppts
Cash flow used in investing activities	**(938)**	**(12,806)**	**-92.7%**	**(1,963)**	**(13,718)**	**-85.7%**
Free cash flow, (ex. IFRS 16)[34]	**16,150**	**29,682**	**-45.6%**	**60,760**	**47,565**	**27.7%**
Cash flow from financing activities (*ex. IFRS 16*)	**(15,569)**	**(18,384)**	**-15.3%**	**(37,091)**	**(48,711)**	**-23.9%**

BALANCE SHEET HIGHLIGHTS	31-Dec-20	30-Sep-20	Change	31-Dec-19	Change
Total assets	**464,644**	**435,178**	**6.8%**	**396,078**	**17.3%**
Of which, cash and bank deposits	36,856	35,918	2.6%	7,774	NMF
Of which, securities and loans issued	12,471	12,398	0.6%	12,167	2.5%
Total liabilities	**361,048**	**346,204**	**4.3%**	**303,240**	**19.1%**
Of which, borrowings	88,608	94,612	-6.3%	84,712	4.6%
Of which, lease liabilities	85,919	89,065	-3.5%	77,700	10.6%
Total equity	**103,596**	**88,974**	**16.4%**	**92,838**	**11.6%**

KEY POINTS / VALUATION DRIVERS

- Continued solid y-o-y growth in 4Q20 and FY20 revenues and EBITDA despite COVID-19 outbreak
- Achieved 10.1% EBITDA margin in 4Q20 and 10.4% in FY20, substantially exceeding the targeted 9%
- FY20 free cash flow at GEL 60.8 million, up 27.7% y-o-y
- Net debt[35] down 39.4% y-o-y to GEL 39.3 million as of 31-Dec-20 (down 15.2% q-o-q)
- Added 16 pharmacies over the last 12 months, expanding from 293 to 309 stores nationwide

INCOME STATEMENT HIGHLIGHTS

The pharmacy business continued to deliver revenue growth in 2020, reflecting both expansion and organic sales growth, with 9.2% and 6.1%, same-store revenue growth rates in 4Q20 and FY20, respectively. From April sales started to slow down after strong 1Q20 results, reflecting pandemic related behavioural change, as customers started to stock up on pharmaceuticals in March ahead of the lockdown. However, revenue rebounded in June and the trend continued in the fourth quarter. As a result, the business posted a 16.4% increase in net revenues in 4Q20 and overall, a 10.5% increase in FY20, y-o-y. The business issued 7.2 million bills in 4Q20 and 27.6 million in FY20, with average customer interactions of 2.3 million per month. The average bill size substantially increased to GEL 18.6 in 4Q20 (up 23.2% y-o-y) and GEL 16.8 in FY20 (up 17.9% y-o-y), reflecting para-pharmacy (personal care, beauty and other non-medication high margin products) sales promotions.

In 4Q20, the retail revenue share in total revenue was 70.8% (71.2% in 4Q19) and revenue from para-pharmacy as a percentage of retail revenue from pharma was up 4.4 ppts y-o-y (from 30.2% in 4Q19 to 34.6% in 4Q20). Revenues from para-pharmacy sales were up 45.8% y-o-y to GEL 58.0 million in 4Q20. The increase mainly reflects increased sale of personal protective items such as disinfectants, masks etc. and promotions on para-pharmacy products that slightly subdued the margins, translating into a 1.8 ppts y-o-y decrease in business gross margin to 24.2% in 4Q20. Overall, in FY20, the retail revenue share in total revenue was 72.8% (71.2% in FY19) and revenue from para-pharmacy as a percentage of retail revenue from pharma was 34.7% (31.0% in FY19). In FY20, revenues from para-pharmacy sales were up 29.7% y-o-y to GEL 186.3 million (GEL 143.6 million in FY19) and the business posted 25.4% gross margin (25.5% in FY19).

The negative operating leverage (1.9% in 4Q20 and 1.4% in FY20) mainly reflects the increased rent expense of pharmacies due to GEL devaluation throughout the year (about 85% of rental contracts are denominated in US$ dollars). The result was a 6.0% and 7.8% y-o-y growth in 4Q20 and FY20 EBITDA excluding IFRS 16, with a 10.1% and 10.4% EBITDA margins, respectively.

[33] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[34] Calculated by deducting capex from operating cash flows and by adding proceeds from sale of PPE.
[35] Net debt is calculated from Cash balance and bank deposits, securities and loans issued minus gross debt.

Interest expense, excluding IFRS 16, was down 15.8% y-o-y in 4Q20 to GEL 2.4 million and down 9.9% y-o-y in FY20 to GEL 10.6 million. As the inventory purchases are denominated in foreign currency (c. 40% in EUR and c. 30% in USD), devaluation of the local currency in 4Q20 and FY20 resulted in FX loss of GEL 3.5 and GEL 13.2 million, respectively, excluding IFRS 16. The business posted GEL 8.4 million net non-recurring expense in FY20, primarily related to one-off cost associated with GHG de-listing, of which, GEL 4.9 million relates to acceleration of share-based expenses for employees and GEL 2.0 million to legal and other fees. In addition, net non-recurring expenses include GEL 1.2 million charity costs to help Georgian doctors, who are engaged in fighting against COVID-19.

As a result, the business posted a GEL 12.1 million profit in 4Q20, excluding IFRS 16, which adjusted for FX loss and non-recurring expenses resulted in a 10.2% y-o-y increase in net profit to GEL 16.8 million. In FY20, the business posted GEL 32.5 million net profit excluding IFRS 16, which, if adjusted for FX loss and non-recurring expenses, resulted in an 8.9% y-o-y increase in net profit to GEL 54.1 million.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

4Q20 operating cash was affected by lump-sum payment of accumulated 6-months deferred income tax of GEL 4.5 million, similar to the healthcare services business. The strong operating cash flow with EBITDA to cash conversion ratio of 86.8% in 4Q20 and 93.9% in FY20, coupled with decreased capex investments, resulted in an ending balance of cash and cash equivalents of GEL 36.9 million as of 31-Dec-20 (up from GEL 7.8 million at 31-Dec-19). Free cash flow also increased significantly in FY20 to GEL 60.8 million, up 27.7%. Strong liquidity management was reflected in an improved leverage profile, with net debt being down 39.4% y-o-y as of 31-Dec-20.

Discussion of Water Utility Business Results

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. 37,000 legal entities. Water Utility also operates hydro power plants with a total installed capacity of 149 MW. GCAP owns 100% in Water Utility.

4Q20 & FY20 performance (GEL '000), Water Utility[36]

2020 numbers are unaudited						
INCOME STATEMENT HIGHLIGHTS	**4Q20**	**4Q19**	**Change**	**FY20**	**FY19**	**Change**
Revenue	**31,794**	**44,265**	**-28.2%**	**130,548**	**163,454**	**-20.1%**
Water supply	30,585	38,671	-20.9%	124,651	143,237	-13.0%
Energy	1,209	5,594	-78.4%	5,897	20,217	-70.8%
Operating expenses	**(18,089)**	**(15,771)**	**14.7%**	**(61,733)**	**(61,053)**	**1.1%**
EBITDA	**12,137**	**27,256**	**-55.5%**	**62,546**	**95,076**	**-34.2%**
EBITDA margin	*38.2%*	*61.6%*	*-23.4 ppts*	*47.9%*	*58.2%*	*-10.3 ppts*
Net (loss)/profit	**(15,784)**	**14,306**	**NMF**	**(61,082)**	**33,221**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities	**21,764**	**20,278**	**7.3%**	**55,822**	**76,394**	**-26.9%**
Cash flow used in investing activities	**(16,635)**	**(14,793)**	**12.5%**	**(51,702)**	**(59,561)**	**-13.2%**
Free cash flow	**5,129**	**5,485**	**-6.5%**	**4,120**	**15,937**	**-74.1%**
Cash flow from financing activities	**(11,992)**	**(16,580)**	**-27.7%**	**21,861**	**(3,315)**	**NMF**
BALANCE SHEET HIGHLIGHTS	**31-Dec-20**	**30-Sep-20**	**Change**	**31-Dec-19**	**Change**	
Total assets	**653,201**	**653,180**	**NMF**	**591,036**	**10.5%**	
Of which, cash balance	55,577	61,795	-10.1%	26,581	109.1%	
Total liabilities	**574,179**	**549,170**	**4.6%**	**432,741**	**32.7%**	
Of which, long-term borrowings	498,555	490,476	1.6%	353,021	41.2%	
Total equity	**79,022**	**104,010**	**-24.0%**	**158,295**	**-50.1%**	

KEY POINTS / VALUATION DRIVERS

- FY20 EBITDA down 34.2% y-o-y, reflecting COVID-19 related decrease in water consumption levels in corporate clients and low water inflows at Zhinvali reservoir
- Cash balance up 109.1% in 2020 to GEL 55.6 million, reflecting US$ 250 million green bond issuance in Jul-20
- New water tariffs set at the end of 2020, translating into a 38% increase in allowed revenues from water sales for the 2021-2023 regulatory period compared to the previous regulatory period of 2018-2020
- Cash flow from operating activities up 7.3% y-o-y in 4Q20

INCOME STATEMENT HIGHLIGHTS

The 28.2 % y-o-y decrease in 4Q20 revenues (down 20.1% y-o-y in FY20) was primarily driven by a 78.4% decrease in energy revenues (down 70.8% y-o-y in FY20) and a 20.9% decrease in water sales revenues (down 13.0% y-o-y in FY20). Extraordinarily

[36] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

low precipitation related water inflows to Zhinvali HPP led to a 42.9% y-o-y decrease in electricity generation in 4Q20 (down 35.0% in FY20), while self-produced electricity consumption only decreased by 1.1% y-o-y (up 0.7% in FY20). As a result, 4Q20 electricity sales volume decreased by 80.6% y-o-y (down 69.9% in FY20). Revenue from water supply to legal entities was down 27.5% y-o-y to GEL 17.5 million in 4Q20 (down 18.0% y-o-y to GEL 76.7 million in FY20) reflecting the effects of COVID-19 and related decrease in business activities. Revenues from water supply to individuals remained broadly stable at GEL 9.5 million in 4Q20 (down 3.2% y-o-y) and GEL 38.8 million in FY20 (down 2.5% y-o-y).

According to the water tariff setting methodology, sales volume risk does not stay with the company and unearned revenues in 2018-2020 regulatory period were fully reimbursed through the new tariffs for the 2021-2023 regulatory period. In December 2020, the regulator approved water supply and sanitation ("WSS") tariffs (set per m^3 of WSS services supplied) in Tbilisi, which have increased compared to the previous regulatory period of 2018-2020: i) from GEL 0.3 to GEL 0.5 for metered residential customers and ii) from GEL 4.4 to GEL 6.5 for legal entities. The tariff increase translates into a 38% growth in allowed water revenues in the regulatory period effective from 1 January 2021. The regulatory return on investment (WACC), based on the publicly available market data and inputs, was set at 14.98% for the new regulatory period (down from 15.99%).

4Q20 operating expenses were up 14.7% y-o-y to GEL 18.1 million (up 1.1% y-o-y in FY20) primarily reflecting higher electricity and transmission costs associated with the increased electricity purchases in 4Q20. As a result, EBITDA amounted to GEL 12.1 million in 4Q20 and GEL 62.5 million in FY20, down y-o-y by 55.5% in 4Q20 and by 34.2% in FY20. Net interest expense was up 9.5% y-o-y to GEL 9.4 million in 4Q20 and up 39.8% y-o-y to GEL 33.8 million in FY20. The increase partially reflects local currency depreciation. Further, in 2020, Water Utility optimised its leverage on the back of funds attracted from IFIs and local banks to finance capital expenditures, fully refinanced by the proceeds from US$ 250 million green bond issuance in Jul-20. The 7.75% 5-year green notes were issued by JSC Georgia Global Utilities, the holding company of GCAP's water utility business and operational renewable energy assets, and were listed on the Irish Stock Exchange. The refinancing activities resulted in GEL 10.8 million non-recurring expenses in FY20, comprising primarily fees associated with the liability management exercise. Foreign exchange losses amounted to GEL 9.0 million in 4Q20 and GEL 43.4 million in FY20, as GEL depreciated against USD and EUR by 14.3% and 25.4%, respectively, during the year. As a result, net loss was GEL 15.8 million in 4Q20 (GEL 14.3 million net profit in 4Q19) and GEL 61.1 million in FY20 (GEL 33.2 million net profit in FY19).

CASH FLOW HIGHLIGHTS

FY20 operating cash flow was down by 26.9% y-o-y to GEL 55.8 million in line with the decreased revenue. However, cash collection rates for both legal entities and households remained strong at 95%+ for FY20, further supported by Government's subsidy plan for the utility bills during the pandemic for residential customers. 4Q20 operating cash flow was up by 7.3% y-o-y and EBITDA to cash conversion rate[37] was 227%, mainly reflecting: a) the advance tariff subsidy payment by the Government for January 2021 and b) collection period of September water supply revenues to legal entities, when the lockdown and other COVID-19 restrictions were minimal. FY20 development capex was down by 24.4% to GEL 57.6 million, reflecting prudent planning of capital investments and prioritizing cash preservation during the pandemic-related uncertainty. FY20 free cash flow was GEL 4.1 million, down from GEL 15.9 million in FY19. During 2020, the water utility business distributed GEL 15 million dividend to Georgia Capital, of which, GEL 10 million was paid in 4Q20. The green bond issuance led to an increase in cash flow from financing activities, contributing to 109.1% y-o-y growth in Water Utility's cash balance to GEL 55.6 million as of 31-Dec-20.

Discussion of Insurance (P&C and Medical) Business Results

Insurance business comprises a) Property and Casualty (P&C) insurance business, owned through Aldagi and b) medical insurance business, owned through GHG. P&C insurance business is a leading player in the local insurance market with a 28% market share in property and casualty insurance based on gross premiums as of 30-Sep-20. P&C also offers a variety of non-property and casualty products such as life insurance. GHG is the one the country's largest private medical insurers, with a 25.5% market share based on 3Q20 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. Following the GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 100% in the insurance business.

4Q20 & FY20 performance (GEL '000), Insurance (P&C and Medical)[38]

2020 numbers are unaudited

INCOME STATEMENT HIGHLIGHTS	4Q20	4Q19	Change	FY20	FY19	Change
Earned premiums, net	**37,189**	**38,190**	**-2.6%**	**141,614**	**150,698**	**-6.0%**
Of which, P&C Insurance	19,168	18,633	2.9%	72,128	75,340	-4.3%
Of which, Medical Insurance	18,021	19,557	-7.9%	69,486	75,358	-7.8%

[37] The ratio is calculated based on operating cash flow before maintenance capex.
[38] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

Net underwriting profit	**13,516**	**9,877**	**36.8%**	**47,368**	**43,065**	**10.0%**
Of which, P&C Insurance	8,980	7,546	19.0%	31,242	31,817	-1.8%
Of which, Medical Insurance	4,536	2,331	94.6%	16,126	11,248	43.4%
Net profit	**7,279**	**5,461**	**33.3%**	**23,426**	**22,729**	**3.1%**
Of which, P&C Insurance	4,970	4,845	2.6%	17,002	18,326	-7.2%
Of which, Medical Insurance	2,309	616	NMF	6,424	4,403	45.9%
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	**5,901**	**1,595**	**NMF**	**30,959**	**29,868**	**3.7%**
Of which, P&C Insurance	965	(3,137)	NMF	17,912	19,524	-8.3%
Of which, Medical Insurance	4,936	4,732	4.3%	13,047	10,344	26.1%
Free cash flow	**5,309**	**1,244**	**NMF**	**31,617**	**27,783**	**13.8%**
Of which, P&C Insurance	571	(3,410)	NMF	15,963	17,553	-9.1%
Of which, Medical Insurance	4,738	4,654	1.8%	15,654	10,230	53.0%

BALANCE SHEET HIGHLIGHTS	**31-Dec-20**	**30-Sep-20**	**Change**	**31-Dec-19**	**Change**
Total assets	**257,887**	**302,885**	**-14.9%**	**279,848**	**-7.8%**
Of which, P&C Insurance	176,479	215,283	-18.0%	200,273	-11.9%
Of which, Medical Insurance	81,408	87,602	-7.1%	79,575	2.3%
Total equity	**101,507**	**100,143**	**1.4%**	**89,491**	**13.4%**
Of which, P&C Insurance	69,443	69,413	NMF	62,611	10.9%
Of which, Medical Insurance	32,064	30,730	4.3%	26,880	19.3%

TOTAL INSURANCE BUSINESS HIGHLIGHTS

P&C and medical insurance have a broadly equal share in total revenues, while P&C had a 68% share in total net profit in 4Q20 (73% in FY20). The loss ratio decreased significantly in 2020 translating into an improved combined ratio (down 9.7 ppts in 4Q20 to 84.1% and down 3.1 ppts in FY20 to 86.0%). Net profit was up 33.3% y-o-y to GEL 7.3 million in 4Q20 and by 3.1% to GEL 23.4 million in FY20, y-o-y. As a result, ROAE was 28.3% in 4Q20 (24.2% in 4Q19) and 23.8% in FY20 (26.6% in FY19).

Discussion of results, P&C Insurance

KEY POINTS / VALUATION DRIVERS

- 4Q20 combined ratio down 7.8 ppts to 79.9% (down 0.6 ppts to 81.5% in FY20)
- Net profit up by 2.6% y-o-y in 4Q20 (down 7.2% y-o-y in FY20)
- GEL 10.0 million dividend paid in FY20 on the back of strong cash flow generation
- The business successfully continued to diversify its revenue streams in FY20

INCOME STATEMENT HIGHLIGHTS

FY20 revenues decreased by 4.3% y-o-y to GEL 72.1 million (up 2.9% y-o-y to GEL 19.2 million in 4Q20), mainly reflecting COVID-19 impact on compulsory border third-party liability insurance line (MTPL). Due to restrictions imposed on traveling, net premiums earned from MTPL was down significantly by GEL 4.2 million y-o-y in FY20 (down by GEL 1.1 million y-o-y in 4Q20). The negative impact was partially offset by the increase in other business lines (e.g. commercial property and motor insurance). Overall, despite COVID-19 and changes in customer spending habits, net premiums written across a portfolio through direct sales channels is up by 1.3% y-o-y in FY20 and by 16.9% in 4Q20. Conversely, net premiums written from partnership agreements with local financial institutions were down by 5.8% y-o-y in FY20 (reflecting the decrease in the first three quarters of 2020 by 14.6%, 18.9% and 4.4%, respectively). The trend has reversed in 4Q20, rebounding to 18.9% y-o-y growth. At 31-Dec-20, the distribution mix in gross premiums written is as follows: various direct sales channels and brokers have majority share of 74% (66% in FY19), followed by partnership agreements with financial institutions of 24% (27% in FY19) and MTPL channels of 2% (7% in FY19).

P&C Insurance's key performance ratios for FY20 and 4Q20 are as noted below:

Key Ratios, *unaudited*	**4Q20**	**4Q19**	**Change**	**FY20**	**FY19**	**Change**
Combined ratio	79.9%	87.7%	*-7.8 ppts*	81.5%	82.1%	*-0.6 ppts*
Expense ratio	38.5%	42.3%	*-3.8 ppts*	37.6%	40.6%	*-3.0 ppts*
Loss ratio	41.5%	45.5%	*-4.0 ppts*	44.0%	41.6%	*2.4 ppts*
ROAE	27.9%	30.5%	*-2.6 ppts*	24.8%	30.4%	*-5.6 ppts*

The 2.4 ppts y-o-y increase in the FY20 loss ratio reflects increased domestic tourism and thus, higher mobility in the second half of the year, as well as the increased number of claims in credit life insurance (10% of life claims incurred during FY20 is COVID-19 related). This was partially offset by the decreased claims in property, liability and other insurance business lines, driving 4.0 ppts y-o-y decrease in 4Q20 loss ratio. The 3.0 ppts y-o-y decrease in FY20 and 3.8 ppts y-o-y decrease in 4Q20 expense ratio reflect lower operating expenses due to cost-saving initiatives as well as a decline in the average commission rate. As a result, Aldagi's net profit was down by 7.2% to GEL 17.0 million in FY20 (up by 9.4%, when normalized for the absence of GEL 2.8 million investment income recorded in 2019) and up by 2.6% y-o-y to GEL 5.0 million in 4Q20 (up by 80.1%, when normalised for the absence of GEL 2.1 million investment income recorded in 4Q19). The ROAE was 24.8% in FY20 and 27.9% in 4Q20.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

P&C Insurance's solvency ratio was 141% as of 31 December 2020, comfortably above the required minimum of 100%. Operating cash flow was down by 8.3% y-o-y to GEL 17.9 million mainly due to larger amount of claims paid in life and motor insurance in FY20. In 4Q20, operating cash flow was up y-o-y by GEL 4.1 million from negative GEL 3.1 million due to the time gap between reimbursement of a large property claim by the reinsurer during 9M19 and settlement of the underlying claim in 4Q19. The business paid GEL 10 million dividend in FY20.

Discussion of results, Medical Insurance

KEY POINTS / KEY DRIVERS FOR VALUATION

- Loss ratio down 14.1 ppts y-o-y to 70.5% in 4Q20, down 8.4 ppts y-o-y to 73.0% in FY20
- Insurance renewal rate at 76.5% in 4Q20 (77.7% in 4Q19) and 73.4% in FY20 (77.5% in FY19)
- Net profit up 3.7 times y-o-y in 4Q20 to GEL 2.3 million, up 45.9% to GEL 6.4 million

INCOME STATEMENT HIGHLIGHTS

An 8% y-o-y decline in 4Q20 and FY20 revenues reflects the decrease in the number of insured clients to c.174,000 as of 31-Dec-20 from c. 236,000 as of 31-Dec-19, mainly due to the expiry of the Ministry of Defence contract from February 2020. The reduced revenue has an immaterial impact on earnings, as the client's loss ratio was far above the business' average.

Various incentives such as the direct settlement of claims with the provider mean that, on top of its own positive contribution to GHG's profitability, the medical insurance business plays a feeder role in originating and directing patients to GHG's healthcare facilities, mainly to polyclinics and to pharmacies. The direct settlement improves claims retention rates within GHG.

Claims retention rates, unaudited

	4Q20	4Q19	Change	FY20	FY19	Change
Total claims retained within the GHG	35.5%	37.1%	-1.6ppts	37.3%	37.4%	-0.1ppts
Total claims retained in outpatient	41.7%	39.3%	2.4ppts	41.7%	40.2%	1.5ppts

The decrease in total claims retained within the Group is mainly due to expiry of Ministry of Defence contract, having higher retention rate at hospitals than average, while retention rates were improved at polyclinics, as shown in the table above.

In FY20, the net claims expenses were GEL 50.7 million (down 17.2% y-o-y), of which GEL 22.1 million (43.5% of the total) was inpatient, GEL 17.9 million (35.3% of total) was outpatient and GEL 10.7 million (21.2% of total) was related to drugs. The loss ratio improved by 14.1 ppts in 4Q20 y-o-y (from 84.6% to 70.5%) and by 8.4 ppts in FY20 (from 81.4% to 73.0%), reflecting the decreased traffic at hospitals and clinics due to the pandemic as well as the expiry of Ministry of Defence contract.

Salary and other employee benefits decreased by 11.8% in 4Q20, while they increased by 7.4% y-o-y to GEL 5.5 million in FY20 due to the accrual of performance based annual bonuses. The increase in impairment expense to GEL 0.5 million in 4Q20 (GEL 0.1 million in 4Q19) and GEL 2.0 million in FY20 (GEL 0.5 million in FY19) reflects a decline in receivables collection rate, mostly from travel agencies, as small businesses began to face difficulties due to the current circumstances caused by the pandemic.

As a result of the above developments, the combined ratio improved by 11.0 ppts to 88.6% for the quarter and by 5.5 ppts for the year to 90.6%. The business posted net profit of GEL 2.3 million for the quarter (up 3.7 times y-o-y) and GEL 6.4 million for the full year (up 45.9%). Net profit, adjusted for FX loss and non-recurring expenses, was GEL 2.2 million in 4Q20 (up 3.7 times y-o-y) and GEL 7.0 million in FY20 (up 58.8% y-o-y). Non-recurring expenses of GEL 0.8 million were recorded in FY20, related to GHG de-listing, of which, GEL 0.4 million relates to acceleration of share-based expenses for employees.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

Cash and cash equivalents balance was up 51.4% since 31-Dec-19 to GEL 25.1 million. Operating cash flow was up 4.3% y-o-y to GEL 4.9 million in 4Q20 and 26.1% y-o-y to GEL 13.0 million in FY20 on the back of decreased claims.

INVESTMENT STAGE PORTFOLIO COMPANIES

Discussion of Renewable Energy Business Results

The Renewable energy business operates three wholly-owned commissioned renewable assets: 50MW Mestiachala HPPs[39], 20MW Hydrolea HPPs and 21MW Qartli wind farm. In addition, a pipeline of up to 172MW renewable energy projects is under advanced stage of development. Following the buy-out of the 34.4% minority shareholder on 25-Feb-20, the renewable energy business is 100% owned by Georgia Capital.

4Q20 & FY20 performance (GEL '000), Renewable Energy[40]

2020 numbers are unaudited

INCOME STATEMENT HIGHLIGHTS	4Q20	4Q19	Change	FY20	FY19	Change
Revenue	**7,697**	**4,095**	**88.0%**	**42,592**	**16,171**	**NMF**
Operating expenses	(3,173)	(1,326)	NMF	(10,565)	(3,196)	NMF
EBITDA	**4,524**	**2,769**	**63.4%**	**32,027**	**12,975**	**NMF**
EBITDA margin	*58.8%*	*67.6%*	*-8.8 ppts*	*75.2%*	*80.2%*	*-5.0 ppts*
Net (loss)/ profit	**(6,098)**	**(2,594)**	**NMF**	**(16,320)**	**649**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities	**11,143**	**1,046**	**NMF**	**40,176**	**2,784**	**NMF**
Cash flow from/used in investing activities	**27,991**	**(94,334)**	**NMF**	**15,866**	**(117,528)**	**NMF**
Cash flow used in/from financing activities	**(630)**	**108,483**	**NMF**	**(29,185)**	**140,204**	**NMF**

BALANCE SHEET HIGHLIGHTS	31-Dec-20	30-Sep-20	Change	31-Dec-19	Change
Total assets	**482,986**	**468,156**	**3.2%**	**439,455**	**9.9%**
Of which, cash balance	66,820	28,221	NMF	35,253	89.5%
Total liabilities	**326,252**	**310,634**	**5.0%**	**291,845**	**11.8%**
Of which, borrowings	318,269	305,384	4.2%	274,367	16.0%
Total equity	**156,734**	**157,522**	**-0.5%**	**147,610**	**6.2%**
Total equity attributable to GCAP	**157,454**	**158,242**	**-0.5%**	**111,113**	**41.7%**

KEY POINTS / VALUATION DRIVERS

- Resilient 2020 results despite the COVID-19 outbreak, primarily reflecting strong momentum from acquisitions completed at the end of 2019 and energy price increases:
  - Qartli wind farm and Hydrolea contributed GEL 4.2 million to 4Q20 EBITDA (GEL 19.5 million in FY20)
  - Electricity sales price (USD) increase led to a 12.5% y-o-y like-for-like growth[41] in FY20 revenues
- Operating cash flow at GEL 11.1 million in 4Q20 (GEL 1.0 million in 4Q19) and GEL 40.2 million in FY20 (GEL 2.8 million in FY19)
- GEL 4.9 million dividend paid and GEL 40.7 million shareholder loan repaid in FY20

INCOME STATEMENT HIGHLIGHTS

The renewable energy business remained fully resilient from the COVID-19 outbreak, as up to 65% of electricity sales during 2020 were covered by long-term power purchase agreements (PPAs) with Electricity System Commercial Operator, a Government-backed entity, while the rest of generated electricity was sold to large industrial customers through direct contracts. In 2020, the average market sales price was up 34.5% y-o-y on like-for-like basis during non-PPA months (May-Aug) for Hydrolea and Mestiachala HPPs on the back of electricity market deregulation. PPAs with fixed purchase prices run throughout the whole year for the wind power plant and for eight months (from September through April) for HPPs.

4Q20 revenue was up 88.0% y-o-y to GEL 7.7 million (up by GEL 26.4 million to GEL 42.6 million in FY20), reflecting the acquisitions of Qartli wind farm and Hydrolea HPPs at the end of 4Q19:

- The 21MW Qartli wind farm contributed GEL 4.5 million to 4Q20 revenues on the back of 21.0 GWh electricity generation (GEL 18.5 million to FY20 with 90.8 GWh generation and an outstanding capacity factor of 50%);
- The 20MW Hydrolea HPPs added GEL 1.6 million to 4Q20 revenues (the fourth quarter is seasonally slow for HPPs). FY20 revenue was GEL 7.1 million, having been negatively affected by almost 7 months' shutdown of the 9MW Akhmeta HPP in 2020 for planned rehabilitation works until mid-July;
- 4Q20 revenue from the Mestiachala HPPs was GEL 1.6 million. FY20 revenues at GEL 16.8 million derive from GEL 12.6 million electricity sales from the 30MW Mestiachala HPP and GEL 4.2 million business interruption insurance reimbursement for the 20MW Mestiachala HPP, where the restoration process is still ongoing.

The increase in operating expenses in 4Q20 and FY20 reflects the addition of expenses as a result of acquisitions of Qartli wind farm and Hydrolea HPPs. 4Q20 EBITDA was up 63.4% y-o-y to GEL 4.5 million (up almost 3x to GEL 32.0 million in FY20). EBITDA margin was 58.8% in 4Q20 and 75.2% in FY20. The fourth quarter is generally characterised by lower EBITDA margins, as HPPs' generation levels peak seasonally during the second and third quarters of the year.

Borrowings increased by 16.0% in FY20, of which 14.3% increase was due to GEL depreciation. However, electricity sales are fully in US dollars, creating a natural cash flow hedge against GEL depreciation. Electricity sales price (USD) increase led to a

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[39] 20MW Mestiachala HPP was flooded and taken offline in late July 2019. The restoration process is on-going.
[40] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[41] Like-for-like y-o-y growth numbers, including the revenues generated by Hydrolea HPPs and Qartli wind farm prior to their acquisitions (acquired in 4Q19).

12.5% y-o-y like-for-like growth[42] in FY20 revenues, like-for-like growth was 23.4% based on increase in electricity sales price (GEL). The business recorded GEL 6.5 million net interest expense in 4Q20 (GEL 23.4 million in FY20). In addition, GEL 10.6 million non-recurring expenses were incurred in 2020 for the liability management exercise in connection with US$ 250 million green bond issuance in Jul-20, as described on page 15 of this report. As a result, the net loss amounted to GEL 6.1 million in 4Q20 and GEL 16.3 million in FY20.

CASH FLOW HIGHLIGHTS

The acquisitions and increased electricity sales prices led to improved operating cash flow generation, up from GEL 1.0 million y-o-y in 4Q20 to GEL 11.1 million (up from GEL 2.8 million y-o-y to GEL 40.2 million in FY20). FY20 operating cash flow includes a GEL 11.3 million insurance reimbursement for business interruption, fully compensating the foregone 2019 revenues of the 50MW Mestiachala HPPs and 2020 Jan-July revenues of 20MW Mestiachala HPP. Additionally, the insurance company reimbursed GEL 40.9 million for property damage of the 50MW Mestiachala HPPs in FY20, of which GEL 30.4 million was received in 4Q20. As a result, cash inflow from investing activities was GEL 15.9 million in FY20 and the cash balance increased by GEL 38.6 million q-o-q in 4Q20 (up by GEL 31.6 million in FY20). In 2020, the renewable energy business distributed GEL 4.9 million in dividends to Georgia Capital and repaid the shareholder loans in the amount of GEL 40.7 million.

Discussion of Education Business Results

Our education business currently combines majority stakes in four leading private schools, acquired in 2H19: British-Georgian Academy and British International School of Tbilisi (70% stake), the leading schools in the premium segment; Buckswood International School (80% stake), well-positioned in the mid-level segment and Green School (80%-90% ownership[43]), a leading player in the affordable education segment.

4Q20 & FY20 performance (GEL '000), Education[44]

2020 numbers are unaudited						
INCOME STATEMENT HIGHLIGHTS	**4Q20**	**4Q19**	**Change**	**FY20**	**FY19**	**Change**
Revenue	**8,683**	**8,246**	**5.3%**	**25,794**	**24,575**	**5.0%**
Operating expenses	(4,566)	(5,418)	-15.7%	(17,446)	(17,310)	0.8%
EBITDA	**4,117**	**2,828**	**45.6%**	**8,348**	**7,265**	**14.9%**
EBITDA Margin	*47.4%*	*34.3%*	*+13.1ppts*	*32.4%*	*29.6%*	*+2.8ppts*
Net profit	**4,186**	**2,104**	**99.0%**	**3,148**	**2,312**	**36.2%**
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	(208)	973	NMF	7,877	9,591	-17.9%
Net cash flows from investing activities	(2,077)	(1,629)	27.5%	(7,129)	(8,925)	-20.1%
Net cash flows from financing activities	(641)	(263)	NMF	78	1,882	-95.9%
BALANCE SHEET HIGHLIGHTS	**31-Dec-20**	**30-Sep-20**	**Change**	**31-Dec-19**	**Change**	
Total assets	**110,541**	**112,742**	**-2.0%**	**105,158**	**5.1%**	
Of which, cash	6,399	9,158	-30.1%	5,133	24.7%	
Total liabilities	**53,396**	**57,432**	**-7.0%**	**48,394**	**10.3%**	
Of which, borrowings	24,947	24,268	2.8%	19,809	25.9%	
Total equity	**57,145**	**55,310**	**3.3%**	**56,764**	**0.7%**	
Total equity attributable to GCAP	**53,553**	**52,747**	**1.5%**	**55,494**	**-3.5%**	

KEY POINTS / VALUATION DRIVERS

- Solid y-o-y growth in 4Q20 and FY20 revenues and EBITDA, despite COVID-19 implications
- Strong intakes with c. 86% utilisation rate for 1st graders in 2020-2021 academic year, total capacity utilisation at 89.5%
- Significant cost optimisation initiatives and distance learning translating into an outstanding improvement in EBITDA margin, up by 13.1 ppts y-o-y to 47.4% in 4Q20 and up by 2.8 ppts y-o-y to 32.4% in FY20
- Cash collection rates largely at 2019 levels, translating into operating cash flow of GEL 7.9mln in FY20

INCOME STATEMENT HIGHLIGHTS

In light of the COVID-19, the schools were providing distance learning from March 1st for the most part of 2020. During the distance learning period schools offered 15-25% discounts for tuition fees and roll-over of fees for transportation/catering services. Due to the pandemic, summer schools were largely cancelled and FY20 revenues from additional services (like catering and transportation) decreased by 24.8% y-o-y to GEL 0.8 million. Given the improved epidemiological developments in Georgia, the schools in Tbilisi were reopened from 15 February 2021.

However, despite COVID-19 implications, the education business continued to deliver growing revenues in 2020 (up 5.3% in 4Q20 and 5.0% in FY20 y-o-y), reflecting both 5.6% y-o-y increase in FY20 average tuition fee per learner and strong intakes. Tuition fees usually increase via contract renewals in line with grade level progression for existing learners, while announced intake fees for new enrolments are also subject to upward revisions usually every 1-3 years depending on the segment. The

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[42] Like-for-like y-o-y growth numbers, including the revenues generated by Hydrolea HPPs and Qartli wind farm prior to their acquisitions (acquired in 4Q19).

[43] 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under Green School brand.

[44] 2019 comparative numbers include performance of schools before acquisition (acquired in 2H19). The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

intakes remained strong for all grades other than Preschool and Kindergarten, with c. 86% utilisation rate for 1st graders in 2020-2021 academic year. The COVID-19 lockdown and distance learning does not allow schools to provide most of the services offered to Kindergarten and Preschool learners, however, generally these learners pay the lowest fee. Overall total number of learners were down 2.6% y-o-y to 2,516 learners at 31-Dec-20, while the total number of learners adjusted to exclude Preschool and Kindergarten learners was up 1.9% y-o-y to 2,433 learners at 31-Dec-20. The combined school capacity utilization also remained largely at last year's level with minor decrease of 2.4 ppts y-o-y to 89.5%, as follows: down to 92.6% and 741 learners in BGA & BIST (95.3% and 762 learners as of 31-Dec-19); flat at 90.0% and 684 learners in Buckswood; down to 87.3% and 1,091 learners in Green School (90.9% and 1,136 learners as of 31-Dec-19).

The growing revenues coupled with significant cost optimisation initiatives in light of COVID-19 and distance learning, resulted in increased EBITDA, up 45.6% to GEL 4.1 million in 4Q20 and up 14.9% to GEL 8.3 million in FY20, y-o-y. Similarly, EBITDA margin improved y-o-y by 13.1 ppts to 47.4% in 4Q20 and by 2.8 ppts to 32.4% in FY20. Net income was GEL 4.2 million in 4Q20 and GEL 3.1 million in FY20, reflecting foreign currency exchange losses due to local currency depreciation.

CASH FLOW HIGHLIGHTS

Cash collection was negatively affected by reduced revenues from summer schools and discounts & roll-overs offered for certain services, resulting in a 17.9% y-o-y decrease in operating cash flow to GEL 7.9 million in FY20. Overall, the combined cash collection rate for 2020-2021 tuition fees stood at 74.0% (83.8% at 31-Dec-19), which was in line with the schools' cash collection policies.

Discussion of Other Portfolio Results

The five businesses in our "other" private portfolio are Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services. They had a combined value of GEL 214.9 million at 31-Dec-20, which represented only 7.4% of our total portfolio.

4Q20 & 2020 aggregated performance highlights (GEL '000), Other Portfolio

2020 numbers are unaudited	4Q20	4Q19	Change	2020	2019	Change
Revenue	93,129	99,421	-6.3%	321,346	280,611	14.5%
EBITDA	13,045	2,827	NMF	32,053	4,608	NMF
Net cash flows from operating activities	16,245	(4,514)	NMF	74,525	(13,932)	NMF

Aggregated EBITDA and operating cash flow generation improved significantly in both 4Q20 and FY20, mainly reflecting the outstanding performance of the wine and auto services businesses. The growth was further supported by increased earnings in Housing Development, supported by the increased number of on-going projects in 2020 and improved performance in the beer business benefiting from the full scale launch of new brands since 2H19.

The wine business demonstrated an outstanding performance in 4Q20, increasing the number of bottles sold by 45.1% y-o-y. As a result, the business posted an all-time high quarterly EBITDA of GEL 8.2 million in 4Q20 (up 60.3% y-o-y) and FY20 EBITDA of GEL 11.0 million (up 26.5% y-o-y). Net cash flow from operating activities was up from negative GEL 0.5 million in 4Q19 to GEL 5.2 million in 4Q20 in the wine business (up more than four times y-o-y in FY20 to GEL 11.5 million).

Similarly, the performance was robust in the auto services business, with 4Q20 EBITDA increasing almost three times y-o-y to GEL 1.9 million (more than doubled to GEL 5.0 million in FY20). Net cash flow from operating activities tripled y-o-y to GEL 1.5 million in 4Q20 in the auto services business (up from negative GEL 0.1 million in FY19 to GEL 1.7 million in FY20).

RECONCILIATION OF ADJUSTED INCOME STATEMENT TO IFRS INCOME STATEMENT

The table below reconciles the adjusted income statement to the IFRS income statement. Adjustments to reconcile adjusted income statement with IFRS income statement mainly relate to eliminations of income, expense and certain equity movement items recognised at JSC Georgia Capital, which are subsumed within gross investment loss in IFRS income statement of Georgia Capital PLC.

	4Q20, *unaudited*			FY20, *unaudited*		
GEL '000, unless otherwise noted	**Adjusted IFRS income statement**	**Adjustment**	**IFRS income statement**	**Adjusted IFRS income statement**	**Adjustment**	**IFRS income statement**
Dividend income	14,972	(14,972)	-	29,870	(29,870)	-
Interest income	4,307	(4,307)	-	20,957	(20,957)	-
Realized / unrealized (loss)/ gain on liquid funds	1,119	(1,119)	-	(2,984)	2,984	-
Interest expense	(16,537)	16,537	-	(62,478)	62,478	-
Gross operating (loss)/income	**3,861**	**(3,861)**	**-**	**(14,635)**	**14,635**	**-**
Operating expenses	(9,109)	6,944	(2,165)	(32,136)	24,187	(7,949)
GCAP net operating (loss)/income	**(5,248)**	**3,083**	**(2,165)**	**(46,771)**	**38,822**	**(7,949)**
Total investment return / gross investment loss	**495,157**	**(13,372)**	**481,785**	**449,615**	**(110,441)**	**339,174**
(Loss)/Income before foreign exchange movements and non-recurring expenses	**489,909**	**(10,289)**	**479,620**	**402,844**	**(71,619)**	**331,225**
Net foreign currency loss	(14,421)	14,702	281	(90,943)	90,052	(891)
Non-recurring expenses	(166)	166	-	(3,389)	3,389	-
Net (loss)/Income	**475,322**	**4,579**	**479,901**	**308,512**	**21,822**	**330,334**

DETAILED FINANCIAL INFORMATION

IFRS CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME OF GEORGIA CAPITAL PLC (2020)[45]

GEL '000, unless otherwise noted	**2020, unaudited**
Gains on investments at fair value	339,174
Gross investment profit	**339,174**
Administrative expenses	(5,430)
Salaries and other employee benefits	(2,519)
Profit before foreign exchange	**331,225**
Net foreign currency loss	(891)
Profit before income taxes	**330,334**
Income tax	-
Profit for the year	**330,334**
Other comprehensive income	-
Total comprehensive income for the year	**330,334**
Earnings per share:	
– basic	8.2302
– diluted	8.1966

[45] On 31 December 2019, the Group met the definition of "investment entity" as defined in IFRS 10. According to IFRS 10, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss. The Group's results of operations for the year ended 31 December 2020, therefore, reflect changes in the value of the Group's subsidiaries directly on the income statement under the line item "profit/(losses) on investments at fair value". By contrast, the Group's results of operations for the years ended 31 December 2019 and 2018 reflect the consolidated results of operations of the Group's subsidiaries. Due to the change in investment entity status, the income statement information for the year ended 31 December 2020, on the one hand, and for the years ended 31 December 2019, on the other hand, is not comparable.

IFRS CONSOLIDATED INCOME STATEMENT (2019)

GEL '000, unless otherwise noted	**2019 Audited**
Revenue	1,473,437
Cost of sales	(883,024)
Gross profit	**590,413**
Salaries and other employee benefits	(177,000)
Administrative expenses	(116,911)
Other operating expenses	(11,464)
Expected credit loss on financial assets	(11,474)
Impairment charge on insurance premium receivables, other assets and provisions	(1,078)
	(317,927)
EBITDA	**272,486**
Share in profit of associates	357
Dividend income	24,953
Depreciation and amortisation	(110,075)
Net foreign currency loss	(41,663)
Net gains from investment securities measured at FVPL	1,654
Net realised gains from investment securities measured at FVOCI	1,187
Interest income	30,672
Interest expense	(150,370)
Net operating income before non-recurring items	**29,201**
Net non-recurring items	(9,130)
Gain from change in investment entity status	588,828
Income before income tax expense	**608,899**
Income tax expense	(4,633)
Profit for the year	**604,266**
Total profit attributable to:	
– shareholders of Georgia Capital PLC	569,262
– non-controlling interests	35,004
	604,266
Earnings per share:	
– basic	16.4478
– diluted	16.0932

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (2019)

GEL '000, unless otherwise noted	**2019 Audited**
Profit for the year	**604,266**
Other comprehensive income	
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:	
Income from currency translation differences	9,964
Changes in the fair value of debt instruments at FVOCI	2,694
Realised gain on financial assets measured at FVOCI reclassified to the consolidated income statement	(1,187)
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI	(172)
Reclassification of other reserves to PL due to Change in investment entity status	(26,866)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(15,567)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	
Revaluation of property and equipment	3,474
Changes in fair value of equity instruments designated at FVOCI	140,441
Reclassification of other reserves to retained earnings due to Change in investment entity status	108,265
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**252,180**
Other comprehensive income for the year, net of tax	**236,613**
Total comprehensive income for the year	**840,879**
Total comprehensive income attributable to:	
– shareholders of Georgia Capital PLC	804,036
– non-controlling interests	36,843
	840,879

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF GEORGIA CAPITAL PLC[46]

GEL '000, unless otherwise noted	31 December 2020 *Unaudited*	31 December 2019 *Audited*
Assets		
Cash and cash equivalents	855	1,243
Prepayments	426	234
Equity investments at fair value	2,213,290	1,758,197
Total assets	**2,214,571**	**1,759,674**
Liabilities		
Other liabilities	2,279	7,653
Total liabilities	**2,279**	**7,653**
Equity		
Share capital	1,574	1,320
Additional paid-in capital and merger reserve	238,311	108,863
Retained earnings	1,972,407	1,641,838
Total equity	**2,212,292**	**1,752,021**
Total liabilities and equity	**2,214,571**	**1,759,674**

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS OF GEORGIA CAPITAL PLC

GEL '000, unless otherwise noted	2020* Unaudited	2019* Audited
Cash flows from operating activities		
Revenue received	-	1,386,928
Cost of goods sold paid	-	(896,818)
Interest income received	-	23,363
Salaries and other employee benefits paid	(2,109)	(150,122)
General, administrative and operating expenses paid	(4,966)	(111,162)
Net other income received	-	7,207
Net change in operating assets and liabilities	-	977
Net cash flows (used in) / from operating activities before income tax	**(7,075)**	**260,373**
Income tax paid	-	(4,082)
Net Cash flow (used in) / from operating activities	**(7,075)**	**256,291**
Cash flows used in investing activities		
Capital redemption from subsidiary	21,180	-
Net placement of amounts due from credit institutions	-	(16,240)
Loans repaid	-	114,654
Acquisition of subsidiaries, net of cash acquired	-	(160,348)
Repayment of remaining holdback amounts from previous year acquisitions	-	(5,876)
Purchase of marketable securities	-	(81,970)
Proceeds from sale and redemption of marketable securities	-	125,534
Purchase of investments in associates	-	(10,822)
Proceeds from sale of investment properties	-	860
Purchase and construction of investment properties	-	(13,430)
Proceeds from sale of property and equipment and intangible assets	-	11,162
Purchase of property and equipment	-	(283,402)
Purchase of intangible assets	-	(28,740)
Dividends received	-	24,953
Change in investment entity status	-	(248,735)
Cash flows from / (used in) investing activities	**21,180**	**(572,400)**
Cash flows from financing activities		
Proceeds from borrowings	-	660,400
Repayment of borrowings	-	(416,682)
Proceeds from debt securities issued	-	247,053
Redemption and buyback of debt securities issued	-	(106,713)
Other purchases of treasury shares	-	(75,428)
Dividends paid	-	(11,405)
Interest paid	-	(148,790)
Contributions under share-based payment plan	(317)	(60,461)
Increase in share capital of subsidiaries	-	6,215
Purchase of additional interest in existing subsidiaries	-	(1,615)
Transaction costs incurred in relation to share issuance	(14,215)	(1,106)
Cash payments for principal portion of lease liability	-	(21,087)
Cash payments for interest portion of the lease liability	-	(6,665)
Net cash (used in) / from financing activities	**(14,532)**	**63,716**
Effect of exchange rates changes on cash and cash equivalents	39	(3,294)
Effect of change in expected credit losses for cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	**(388)**	**(255,687)**
Cash and cash equivalents, beginning of the year	**1,243**	**256,930**
Cash and cash equivalents, end of the year	**855**	**1,243**

** Figures for the year ended 31 December 2019 are consolidated, while figures for the year ended 31 December 2020 include Georgia Capital standalone figures.*

[46] Equity value under IFRS fully reconciles with NAV. See "basis of presentation" on page 29-30 for more details.

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF GEORGIA CAPITAL PLC

Unaudited, GEL '000, unless otherwise noted	*Share capital*	*Additional paid-in capital and merger reserve*	*Retained earnings*	*Total*
31 December 2019	**1,320**	**108,863**	**1,641,838**	**1,752,021**
Profit for the year	-	-	330,334	330,334
Total comprehensive profit for the year	**-**	**-**	**330,334**	**330,334**
Increase in equity arising from share-based payments	-	-	552	552
Issue of share capital	254	138,011	-	138,265
Transaction costs recognized directly in equity	-	(8,563)	-	(8,563)
Purchase of treasury shares	-	-	(317)	(317)
31 December 2020	**1,574**	**238,311**	**1,972,407**	**2,212,292**

SELECTED EXPLANATORY NOTES TO THE IFRS FINANCIAL STATEMENTS OF GEORGIA CAPITAL PLC (UNAUDITED)

GOING CONCERN

The Board of Directors of Georgia Capital has made an assessment of the Group's and Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the financial statements, i.e. the period ending 31 March 2022. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and Company's ability to continue as a going concern for the foreseeable future. Therefore, the separate and consolidated financial statements continue to be prepared on a going concern basis.

The Directors have made an assessment of the appropriateness of the going concern basis of preparation and reviewed Georgia Capital liquidity outlook for the period ending 31 March 2022, taking into account the impact of the COVID-19 pandemic and considered any potential concerns with respect to the liquidity and recoverability of the Group's assets as set out in the financial statements. As a response to the COVID-19 uncertainties, Georgia Capital continues to remain focused on limiting capital allocations, optimizing operating expenses and cash accumulation and preservation.

The main source of cash inflow for GCAP PLC is capital redemption from JSC GCAP, which itself has enough assets to support the liquidity needs of the parent company as well. As at 31 December 2020, JSC GCAP holds cash in the amount of GEL 117,026, amounts due from credit institutions in the amount of GEL 42,655 and marketable debt securities in the amount of GEL 13,416, which are considered to be highly liquid, as all of them represent listed debt instruments on international and local markets. Liquidity needs of the holding companies (which includes JSC GCAP as well) during the Going Concern review period mainly comprises of coupon payments on JSC GCAP Eurobonds and operating costs of running the holding companies. The liquidity outlook also assumes dividend income from the defensive businesses of the group (healthcare, pharmacy, renewable business, water utility and insurance) and small capital allocations in Investment stage companies (Renewable Energy and Education). Management have performed a further assessment which demonstrates that, even in a stressed scenario which assumes no dividend inflows and postponement of the loan repayments from the portfolio businesses that have been most significantly negatively affected by the COVID-19 whilst retaining forecast capital allocations, the existing cash and highly liquid debt and equity investment securities will be sufficient to cover the expected cash outflows of the holding companies for the Going Concern review period. Further, Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with the exception of an 18 million euro financial guarantee issued to a portfolio company owned by JSC GCAP, where the management has assessed the probability of guarantee exercise as remote and has included it in the overall assessment accordingly. Finally, Georgia Capital does not have a primary mandate to deploy funds or divest assets within a specific time frame.

Georgia has, so far, managed to effectively deal with the COVID-19 pandemic. The Georgian Government has taken significant actions at the early stage of COVID-19 outbreak. A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: the water utility and healthcare and pharmacy distribution businesses. Georgia Capital has adequate liquidity position as at 31 December 2020. On 30 July 2020, GGU (the holding company of water utility and renewable energy businesses) issued USD 250 million 7.75% 5-year green notes, improving the financial flexibility of GGU, allowing this business to repay its loans to JSC Georgia Capital and significantly enhancing liquidity profile of the group.

The management is also satisfied that Georgia Capital's liquidity forecast is comprehensive considering the novel coronavirus risk. Due to COVID-19 related uncertainties, which may affect portfolio businesses ability to distribute cash to Georgia Capital (either in the form of dividend distribution or repayment of loans from JSC GCAP), management of Georgia Capital is focused on minimizing capital allocations, applying operating expense optimization plans and preserving cash, all of which are incorporated into the forecasts, which represents the basis for going concern conclusion.

FAIR VALUE MEASUREMENTS

Valuation techniques

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Investment in subsidiaries

Equity investments at fair value include investment in subsidiary at fair value through profit or loss representing 100% interest of JSC Georgia Capital. Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments, both meet the definition of investment entity and Georgia Capital PLC measures its investment in JSC Georgia Capital at fair value through profit or loss. Investments in investment entity subsidiaries and loans issued are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9. Debt securities owned are measured at fair value through other comprehensive income. We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. JSC Georgia Capital's net asset value as of 31 December 2020 and 31 December 2019 is determined as follows:

	31 December 2020	***31 December 2019***
	Unaudited	***Audited***
Assets		
Cash and cash equivalents	117,026	117,215
Amounts due from credit institutions	42,655	-
Marketable securities	13,416	62,493
Equity investments at fair value	2,907,688	2,251,465
Of which listed investments	***531,558***	***1,027,814***
*GHG**	-	*430,079*
*BOG***	*531,558*	*597,735*
Of which private investments:	***2,376,130***	***1,223,651***
Large portfolio companies	***1,858,237***	***648,893***
Healthcare services	*571,656*	-
Retail (Pharmacy)	*552,745*	-
Water utility	*471,148*	*483,970*
P&C insurance	*197,806*	*164,923*
Medical insurance	*64,882*	-
Investment stage portfolio companies	***302,964***	***163,116***
Renewable energy	*209,902*	*106,800*
Education	*93,062*	56,316
Other portfolio companies	***214,969***	***411,642***
Loans issued	108,983	151,884
Other assets	7,276	8,782
Total assets	**3,197,044**	**2,591,839**
Liabilities		
Debt securities issued	980,932	825,952
Other liabilities	2,822	7,690
Total liabilities	**983,754**	**833,642**
Net Asset Value	**2,213,290**	**1,758,197**

**Delisted and transferred to private portfolio in August 2020*

*** In 2019 the group recognized dividend income in the amount of GEL 24,953 from investment in Bank of Georgia Group PLC.*

In measuring fair values of JSC Georgia Capital's investments, following valuation methodology is applied:

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. The instruments are included within Level 1 of the hierarchy in JSC GCAP financial statements.

Equity Investments in Private Portfolio Companies

Large portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of large private portfolio companies at the reporting date starting from 2020 (fair value assessment was performed internally as at 31 December 2019). The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods that are weighted to derive fair value range, with income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

Investment stage and other portfolio companies – fair value assessment is performed internally as described below.

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

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

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

Listed Peer Group Multiples

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

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

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

a. Valuation based on enterprise value

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

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

Equity Investments in Private Portfolio Companies (continued)

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

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

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

b. Equity fair value valuation

Fair value of equity investment in companies can determined as using price to earnings (P/E) multiple of similar listed companies. The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is allocated between Georgia Capital and other shareholders of the portfolio company, if any. Fair valuation of equity using peer multiples can be used for businesses within financial sector (e.g. insurance companies). Under the discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and an internally-developed discounting rate of return.

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.

Net Asset Value

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

Price of recent investment

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

Validation

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

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

Description of significant unobservable inputs to level 3 valuations[47]

The approach to valuations as of 31 December 2020 was consistent with the Group's valuation process and policy. Key focus of the valuations at 31 December 2020 was an assessment of the impact of the COVID-19 pandemic on each portfolio company. Management continues to monitor the impact that the COVID-19 pandemic has on the valuation of portfolio companies.

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

31 December 2020 (unaudited)

Description	***Valuation technique***	***Unobservable input***	***Range [selected input]***	***Fair value***
Loans Issued	DCF	Discount rate	9%-16%	*108,983*
Equity investments at fair value				
Large portfolio				*1,858,237*
Healthcare services	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.4x-65.8x [13.2x]	*571,656*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.2x-18.4x [9.1x]	*552,745*
Water utility	*DCF, EV/EBITDA*	EV/EBITDA multiple	8.8x-12.4x [9.4x]	*471,148*

[47] IFRS establishes a fair value hierarchy that categorises the inputs to valuation techniques into three levels. Level 3 inputs are unobservable inputs and are used to measure fair value of unquoted assets.

P&C insurance	*DCF, P/E*	P/E multiple	7.1x-18.1x [11.6x]	*197,806*
Medical insurance	*DCF, P/E*	P/E multiple	9.6x-15.6x [10.1x]	*64,882*
Investment stage				*302,964*
Renewable energy	Sum of the parts	EV/EBITDA multiple	11.3x-21.3x [9.0x-10.5x]	*209,902*
Education	EV/EBITDA	EV/EBITDA multiple	7.2x-21.8x [12.5x]	*93,062*
Other	Sum of the parts	EV/EBITDA multiples	5.1x-19.9x [5.0x-10.0]	*214,929*
		EV/Sales multiple	1.2x-4.7x [2.4x]	
		Cashflow probability	[90%-100%]	
		NAV multiple	[0.9x]	

Georgia Capital hired third-party valuation professionals to assess fair value of the large private portfolio companies as at 31 December 2020, including Water Utility, P&C insurance and the three businesses (Healthcare Services, Retail (Pharmacy) and Medical Insurance) that constituted GHG PLC and were transferred to the private portfolio and are valued as private companies after Georgia Healthcare Group PLC's delisting from London Stock Exchange in August 2020. Valuation is performed by applying several valuation methods that are weighted to derive fair value range, with income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

The Education and Renewable businesses were valued at recent transaction price as at 31 December 2019. Changes in the valuation methodology relating to the Education business and certain components of the Renewable business have been applied in this reporting period. These changes reflect IPEV valuation guidelines, the passage of time since the transaction and the impact of changes made post investment. Consequently, as of 31 December 2020, the Education business is valued using an EV/EBITDA multiple, whilst the Renewables business is valued on the basis of sum of the parts (recent transaction price and EV/EBITDA multiple).

Fair value of investment property held by Hospitality and Commercial business (presented within "other" in equity investments) is estimated by independent third party valuers. Due to COVID-19 impact on real estate markets, investment property valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

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

If the interest rate for each individual loan issued to subsidiaries as at 31 December 2020 decreased by 20% (2019: 20%), the amount of loans issued would have decreased by GEL 1,494 or 1.4% (2019: GEL 609 or 0,5%). If the interest rates increased by 20% then loans issued would have increased by GEL 1,502 or 1.4% (2019: GEL 617 or 0.5%).

If the listed peer multiples used in the market approach to value unquoted investments as at 31 December 2020 decreased by 10% (2019: 5%), value of equity investments at fair value would decrease by GEL 117 million or 4% (2019: GEL 62 million or 8%). If the multiple increased by 10% (2019: 5%) then the equity investments at fair value would increase by GEL 117 million or 4% (2019: GEL 62 million or 8%).

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (2019: 59 basis points), the value of equity investments at fair value would increase by GEL 91 million or 3% (2019: GEL 2 million or 4%). If the discount rates increased by 50 basis points (2019: 59 basis points) then the equity investments at fair value would decrease by GEL 87 million or 3% (GEL 2 million or 4%). If the discount rate decreased by 100 basis points, the value of equity investments at fair value would increase by GEL 192 million or 7%. If the discount rate increased by 100 basis points then the equity investments at fair value would decrease by GEL 166 million or 6%.

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis (except for Hospitality and Commercial business) as at 31 December 2020 decreased by 10% (2019: 5%), value of equity investments at fair value would decrease by GEL 12 million or 0.4% (2019: GEL 21 million or 5%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 12 million or 0.4% (2019: GEL 21 million or 5%).

ADDITIONAL FINANCIAL INFORMATION[48]

Revised NAV format overview since 3Q20 reporting period

The valuation methodology of the investments together with the methodology underlying the preparation of the NAV Statement is unchanged from 31 December 2019 as included in 2019 Annual Report, except that valuation assessment of our large businesses was performed by an independent valuation company, further described under the "Basis of presentation". With the completion of a recommended share exchange offer for GHG shareholders in 3Q20 and its de-listing in August, Georgia Capital acquired the 29.4% remaining equity stake in previously separately listed GHG (the "GHG Buy-out"), adding three private businesses to its private portfolio (healthcare services, retail (pharmacy) and medical insurance).

Following the GHG Buy-out, as discussed on Georgia Capital Investor Day on 12-Nov-20, we have adapted the structure of our management and internal reporting for our private portfolio businesses, and going forward for reporting purposes we are dividing those businesses into three categories: large, investment stage and other portfolio companies. Previously, until 3Q20 reporting period, the private portfolio was presented across the late stage (Water Utility, Housing Development, P&C Insurance), early stage (Renewable Energy, Hospitality and Commercial Real Estate, Education, Beverages) and pipeline (Auto Service, Digital Services) businesses. The NAV statement below reflects the revised portfolio breakdown, in which the Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses are now included in the "other" category.

The FY20 NAV Statement shows the development of NAV since 31-Dec-19 (2020 numbers are unaudited):

GEL '000, unless otherwise noted	Dec-19	1. Value creation[49]	2a. Investment	2b. Buyback	2c. Dividend	2d. GHG de-listing[50]	3.Operating expenses	4. Liquidity/ FX/Other	Dec-20	Change %
Listed Portfolio Companies										
Georgia Healthcare Group (GHG)	*430,079*	*(195,347)*	*138,265*	-	-	*(372,997)*	-	-	-	*-100.0%*
Bank of Georgia (BoG)	*597,735*	*(66,177)*	-	-	-	-	-	-	*531,558*	*-11.1%*
Total Listed Portfolio Value	**1,027,814**	**(261,524)**	**138,265**	-	-	**(372,997)**	**-**	**-**	**531,558**	**-48.3%**
Listed Portfolio value change %		***-25.4%***	***13.5%***	***0.0%***	***0.0%***	***-36.3%***	***0.0%***	***0.0%***	***-48.3%***	
Private Portfolio Companies										
Large Companies	**648,893**	**859,545**	-	**-**	**(24,943)**	**372,997**	**-**	**1,745**	**1,858,237**	**NMF**
Healthcare Services	-	*393,797*	-	-	-	*177,859*	**-**	-	*571,656*	*NMF*
Retail (Pharmacy)	-	*374,322*	-	-	-	*178,423*	**-**	-	*552,745*	*NMF*
Water Utility	*483,970*	*433*	-	-	*(15,000)*	-	**-**	*1,745*	*471,148*	*-2.6%*
Insurance (P&C and Medical)	*164,923*	*90,993*	-	-	*(9,943)*	*16,715*	**-**	-	*262,688*	*59.3%*
Of which, P&C Insurance	*164,923*	*42,826*	-	-	*(9,943)*	-	**-**	-	*197,806*	*19.9%*
Of which, Medical Insurance	-	*48,167*	-	-	-	*16,715*	**-**	-	*64,882*	*NMF*
Investment Stage Companies	**163,150**	**98,730**	**44,501**	**-**	**(4,927)**	**-**	**-**	**1,510**	**302,964**	**85.7%**
Renewable Energy	*106,800*	*62,169*	*44,350*	-	*(4,927)*	**-**	**-**	*1,510*	*209,902*	*96.5%*
Education	*56,350*	*36,561*	*151*	-	**-**	**-**	**-**	-	*93,062*	*65.1%*
Other Companies	**413,226**	**(217,266)**	**11,899**	**-**	**-**	**-**	**-**	**7,070**	**214,929**	**-48.0%**
Total Private Portfolio Value	**1,225,269**	**741,009**	**56,400**	-	**(29,870)**	**372,997**	**-**	**10,325**	**2,376,130**	**93.9%**
Private Portfolio value change %		***60.5%***	***4.6%***	***0.0%***	***-2.4%***	***30.4%***	***0.0%***	***0.8%***	***93.9%***	
Total Portfolio Value (1)	**2,253,083**	**479,485**	**194,665**	**-**	**(29,870)**	**-**	**-**	**10,325**	**2,907,688**	**29.1%**
Total Portfolio value change %		***21.3%***	***8.6%***	***0.0%***	***-1.3%***	***0.0%***	***0.0%***	***0.5%***	***29.1%***	
Net Debt (2)	**(493,565)**	**-**	**(57,684)**	**(6,033)**	**29,870**	**-**	**(19,455)**	**(151,132)**	**(697,999)**	**41.4%**
of which, Cash and liquid funds	*211,889*	-	*(57,684)*	*(6,033)*	*29,870*	**-**	*(19,455)*	*16,702*	*175,289*	*-17.3%*
of which, Loans issued	*151,884*	-	-	-	-	**-**	-	*(42,901)*	*108,983*	*-28.2%*
of which, Gross Debt	*(857,338)*	-	-	-	-	**-**	-	*(124,933)*	*(982,271)*	*14.6%*
Net other assets/ (liabilities) **(3)**	(5,650)	-	1,284	-	-	-	(12,681)	19,650	2,603	-146.1%
of which, share-based comp.	-	-	-	-	-	**-**	*(12,681)*	*12,681*	-	*0.0%*
Net Asset Value (1)+(2)+(3)	**1,753,868**	**479,485**	**138,265**	**(6,033)**	**-**	**-**	**(32,136)**	**(121,157)**	**2,212,292**	**26.1%**
NAV change %		***27.3%***	***7.9%***	***-0.3%***	***0.0%***	***0.0%***	***-1.8%***	***-6.9%***	***26.1%***	
Shares outstanding[49]	37,441,971	-	7,734,010	(173,076)	-	-	-	974,342	45,977,247	22.8%
Net Asset Value per share, GEL	**46.84**	**12.81**	**(4.96)**	**0.06**	**0.00**	**0.00**	**(0.86)**	**(5.78)**	**48.12**	**2.7%**
NAV per share, GEL change %		***27.3%***	***-10.6%***	***0.1%***	***0.0%***	***0.0%***	***-1.8%***	***-12.3%***	***2.7%***	

Basis of presentation

This announcement contains unaudited financial results presented in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in conformity with the requirements of the Companies Act 2006 and International Financial

[48] The detailed IFRS financial statements of Portfolio companies are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

[49] Please see definition in glossary on page 31.

[50] GHG's de-listing value of GEL 373 million (based on closing LSE price) was allocated proportionally across Healthcare Services, Retail (pharmacy) and Medial Insurance based on the respective share in the total estimated fair value of GHG businesses by independent valuation company as of 30-Jun-20.

Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2020 reporting. The financial results are unaudited and derived from management accounts.

The information in this Announcement in respect of full year 2020 preliminary results, which was approved by the Board of Directors on 23 February 2021, 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 2019 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 2020 will be included in the Annual Report and Accounts to be published in March 2021 and filed with the Registrar of Companies in due course.

Under IFRS 10, Georgia Capital PLC meets the "investment entity" definition and does not consolidate its portfolio companies, instead the investments are measured at fair value. Our Group level discussion is therefore based on the IFRS 10 investment entity accounts.

Net Asset Value statement, as included in notes to IFRS financial statements (page 25 in this document), summarises the Group's equity value and drivers of related changes between the reporting periods. Georgia Capital PLC holds a single investment -- in JSC Georgia Capital (an investment entity on its own) - which in turn owns a portfolio of investments, each measured at fair value. Georgia Capital PLC measures its investment in JSC Georgia Capital at fair value through profit and loss under IFRS, estimated with reference to JSC Georgia Capital's own investment portfolio value as offset against its net debt. NAV is calculated at stand-alone GCAP level, which represents the aggregation of the stand-alone assets and liabilities of Georgia Capital PLC and JSC Georgia Capital.

The income statement presents the Group's results of operations for the reporting period. As we conduct most of our operations through JSC Georgia Capital, through which we hold our portfolio companies, the IFRS results provide little transparency on the underlying trends. To enable a comprehensive view of the combined operations of Georgia Capital PLC and JSC Georgia Capital (together referred to herein as "GCAP") as if it were one holding company, we adjust the accounts ("adjusted IFRS 10 Income Statement"). For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 90 in Georgia Capital PLC 2019 Annual report. A full reconciliation of the adjusted income statement, to the IFRS income statement is provided on page 21. Our adjusted IFRS 10 income statement may be viewed as alternative performance measure (APM).

Additionally, for the majority of our portfolio companies the fair value of our equity investment is determined by the application of a market approach (listed peer multiples and precedent transactions) and an income approach (DCF). Under the market approach, listed peer group earnings multiples are applied to the trailing twelve month (LTM) stand-alone IFRS earnings of the relevant business. 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. As such, the stand-alone IFRS results and developments behind IFRS earnings of our portfolio companies are key drivers in their valuations. Following the Group discussion, we therefore also present IFRS financial statements for material companies and a related brief results discussion.

<u>Summary of valuation methodology for our investment portfolio</u>

The fair values of the four large private portfolio companies at year-end 2020 were assessed by an independent valuation company, while the valuations were performed internally at year-end 2019 (excluding GHG). The combination of income approach (DCF) and market approach (listed peer multiples and in some cases precedent transactions) was applied consistently under both, internal and external valuation approaches. However, the independent valuation company's approach is more highly weighted towards DCF, representing a change from the previous internal valuation methodologies. More details on the methodology underlying the independent valuation is provided on pages 25-28 in fair value measurement note to IFRS financial statements and also will be provided in the Annual Reports and Accounts. Going forward, we intend to provide independent valuations of the large portfolio companies semi-annually.

GLOSSARY

1. **APM** – Alternative Performance Measure.
2. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts.
3. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole.
4. **NMF** – Not meaningful.
5. **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.
6. **LTM** – last twelve months.
7. **NTM** – next twelve months.
8. **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation; 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.
9. **ROIC** – return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.
10. **Loss ratio** equals net insurance claims expense divided by net earned premiums.
11. **Expense ratio** in P&C Insurance equals sum of acquisition costs and operating expenses divided by net earned premiums.
12. **Combined ratio** equals sum of the loss ratio and the expense ratio in the insurance business.
13. **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.
14. **Net investment** - gross investments less capital returns (dividends and sell-downs).
15. **EV** – enterprise value.
16. **Liquid assets & loans issued** include cash, marketable debt securities and issued short-term loans at GCAP level.
17. **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 realised 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.
18. **WPP** – Wind power plant.
19. **HPP** – Hydro power plant.
20. **PPA** – Power purchase agreement.
21. **Number of shares outstanding** – Number of shares in issue less total unawarded shares in JSC GCAP's management trust.

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 institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. 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 over a 5-10 year period from initial investment.

Georgia Capital currently has six private businesses: **(i) a healthcare services business; (ii) a water utility business; (iii) a retail (pharmacy) business, (iv) an insurance business (P&C and medical insurance); (v) a renewable energy business and (vi) an education business;** We also hold other small private businesses across different industries in Georgia and a 19.9% equity stake in LSE premium-listed **Bank of Georgia Group PLC ("BoG"),** a leading universal bank in Georgia.

COMPANY INFORMATION

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Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
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Share price information
Shareholders can access both the latest and historical prices via the website
www.georgiacapital.ge