GEORGIA CAPITAL

ANNUAL REPORT 2020

SCALING UP INVESTMENT OPPORTUNITIES IN GEORGIA

Georgia Capital PLC

GEORGIA CAPITAL

PLATFORM FOR SCALING UP INVESTMENT OPPORTUNITIES IN GEORGIA AND MONETISING BUSINESSES

Georgia Capital PLC ("Georgia Capital" or "the Group" or "GCAP" or "the Company" – LSE: CGEO LN) is a platform for buying, building and developing businesses in Georgia and monetising investments, as they mature.

The Group's primary business is to develop or buy businesses, help them develop their management and institutionalise their businesses that can further develop mainly on their own, either with continued oversight or independently. The Group's focus is typically on larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over 3-5 years from the initial investment and to monetise them through exits, as investments mature. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. The Group does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

CHAIRMAN AND CEO STATEMENT

Read our **Chairman and CEO Statement** on pages 12 to 15

STRATEGY

Read about **Georgia Capital Strategy** on pages 16 to 19

PORTFOLIO

Read about our **Portfolio Companies** on pages 38 to 65

For more information on Georgia Capital visit:

georgiacapital.ge

STRATEGIC REVIEW

Overview

Our Business

Discussion of Results

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Strategic Review Overview

PERFORMANCE HIGHLIGHTS

GEORGIA CAPITAL NAV OVERVIEW

NAV per share (GEL)
48.12 +2.7%

NAV per share (GBP)
10.81 -13.2%

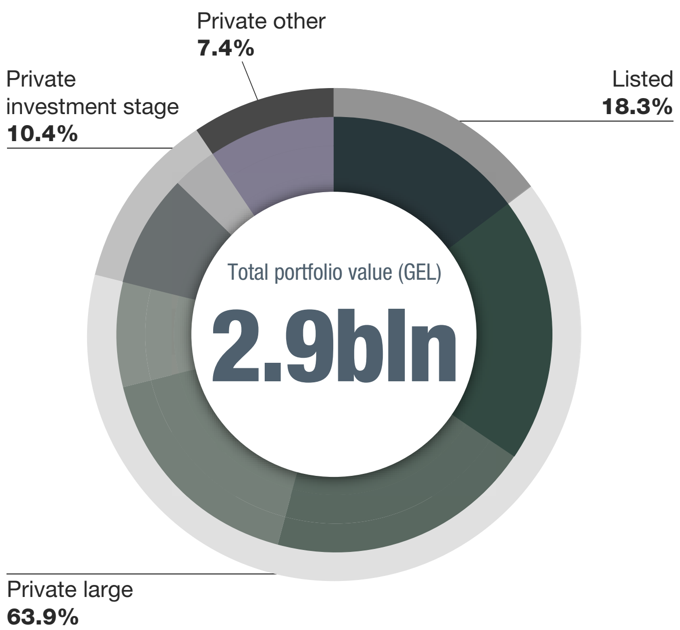
Net Asset Value (NAV) (GEL billions)
2.2 +26.1%

Total portfolio value (GEL billions)
2.9 +29.1%

Liquid assets and loans issued (GEL millions)
284.3 -21.9%

Net debt (GEL millions)
698.0 +41.4%

PORTFOLIO VALUE (GEL MILLIONS)



LISTED PORTFOLIO COMPANIES	**532**
Bank of Georgia Group	532
PRIVATE PORTFOLIO COMPANIES	**2,376**
Private large portfolio companies	**1,858**
Healthcare Services	572
Retail (pharmacy)	553
Water Utility	471
Insurance (P&C and Medical)	262
Private investment stage portfolio companies	**303**
Renewable Energy	210
Education	93
Private other portfolio companies	**215**

GEORGIA CAPITAL PERFORMANCE (MANAGEMENT ACCOUNTS)

Total portfolio value creation[1] (GEL millions)
479.5 NMF

Of which, listed business (GEL millions)
(261.5) NMF

Of which, private large portfolio companies (GEL millions)
859.5 NMF

Of which, private businesses (GEL millions)
741.1 NMF

Of which, private investment stage portfolio companies (GEL millions)
98.7 NMF

Of which, private other businesses (GEL millions)
(217.3) NMF

Investments (GEL millions)
194.7 -45.6%

Of which, equity capital for GHG transaction (GEL millions)
138.3 +22.5%

Dividend income (GEL millions)
29.9 -75.6%

Net income (GEL millions)
308.5 NMF

PRIVATE PORTFOLIO COMPANIES' PERFORMANCE HIGHLIGHTS (UNAUDITED)[2]

Total revenue (GEL millions)
1,624.8 +6.4%

Total EBITDA (GEL millions)
291.6 +4.1%

Total net operating cash flow (GEL millions)
375.7 +63.0%

Total cash balance at 31-Dec-2020 (GEL millions)
392 +114.3%

OUR STRATEGY
Read about our **Strategy** on page 16

1 The detailed value creation drivers for each business are described on pages 103-119 in the results section of this report.
2 The portfolio companies' performance highlights include aggregated stand-alone unaudited IFRS results for our portfolio companies, which can be viewed as alternative performance measures (APMs) for Georgia Capital, since Georgia Capital does not consolidate its subsidiaries,instead measures them at fair value under IFRS. In Strategic Review we present the IFRS results and business development derived from the individual portfolio company's IFRS accounts, where portfolio company's accounts and respective IFRS numbers are unaudited.

Certain financial measures presented in the Strategic Review are taken from unaudited management accounts. The figures from the management accounts are APMs and are described on page 97, and the differences from, and the reconciliation to, the IFRS audited accounts are presented on pages 98 to 100.

Strategic Review Overview

2020 IN BRIEF

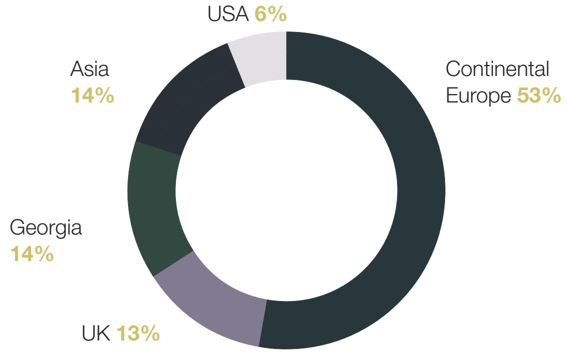
DEBUT US$ 250 MILLION GREEN BONDS FROM GEORGIA

A landmark transaction demonstrating our superior access to capital despite COVID-19 times.

JSC Georgia Global Utilities (GGU), the holding company of the Group's water utility business and the operational renewable energy assets, successfully issued an inaugural US$ 250 million green bond at par value in July 2020. The Regulation S/Rule 144A senior unsecured US$-denominated 7.75% green notes, with a 5-year non-call 2 year bullet maturity (5NC2), represents the first ever green notes issued in Georgia. Despite the global pandemic outbreak, the issuance was met with significant interest from IFIs and other institutional investors. The proceeds from the notes were used to refinance all existing loan arrangements of GGU and to finance capital expenditures in the water supply and sanitation business. The notes are rated B+ (stable) by Fitch and B (positive) by S&P and are listed on the Global Exchange Market of the Irish Stock Exchange. The issuance of the bonds significantly improves the financial flexibility of GGU and also enhances its liquidity profile, contributing to the healthy growth of the business.

GGU obtained a Second Party Opinion from Sustainalytics, a leading provider of environmental, social and governance (ESG) research and analysis, for its Green Bond Framework. The issuance of the green bonds was also a first for J.P. Morgan, who acted as sole bookrunner, green structuring agent and development finance structuring agent.

Investors by geography



Issuance overview

Notes	US$ 250 million, 5NC2, 7.75% green bonds
Uses of proceeds	Water Utility capital expenditures and refinancing of existing debt
Listing	Irish Stock Exchange
Notes rating	B+ (stable) by Fitch/ B (positive) by S&P
Sole bookrunner, green structuring agent, development finance structuring agent	J.P. Morgan
Co-manager	TBC Capital
Demand	Book was oversubscribed by 1.5x
Anchor investors	FMO, DEG, ADB and TBC Bank

RECOMMENDED FINAL SHARE EXCHANGE OFFER FOR GHG SHAREHOLDERS

- Creating a larger combined entity with enhanced share liquidity and better access to capital.
- Strengthening our portfolio with three strong free cash flow generative businesses.

In 2019, Georgia Capital increased its shareholding in GHG by 13.6% to 70.6% in exchange for 3.4 million GCAP shares as a result of GCAP's share exchange offer (Exchange Offer). The Exchange Offer was significantly oversubscribed and therefore take up had to be scaled back by 56.25% in order to avoid an adverse impact on GHG's public listing and index eligibility. Given the feedback and oversubscription from investors, a recommended share exchange offer was announced for GHG shareholders in 2020. The offer was completed on 17 July after receiving the required valid acceptances from GHG shareholders and on 28 August 2020, Georgia Capital acquired the remaining 29.4% in GHG in exchange for 7.7 million GCAP shares issuance (please see more details of the transaction at: **https://georgiacapital.ge/ir/offer-ghg**).

Following the buy-out of minority shareholders, the Group's holding in GHG increased to 100%, consequently achieving its previously announced strategic priority to reduce the share of listed assets in the Group's investment portfolio to 20%.

As of 31 December 2020 listed assets comprised 18% of the total investment portfolio value:
- After delisting, GHG was transferred to the private portfolio as three separate strong cash flow generating businesses: Healthcare Services (hospitals, clinics, diagnostics), Retail (pharmacy) and Medical Insurance.
- Following GHG becoming a private company, it is now valued together with the rest of our private portfolio.
- The valuation of all three businesses was performed by an independent valuation company.

GEORGIA CAPITAL

GEORGIA HEALTHCARE GROUP

CREATING A LARGER COMBINED ENTITY WITH ENHANCED LIQUIDITY

Transaction milestones

APRIL – MAY – JUNE – JULY – AUGUST

- **15 April** Non-binding offer announced
- **19 May** Binding offer announced
- **11 June** Circular, Prospectus and Offer Document posted
- **2 July** Day 21 – First closing date
- **3 July** GCAP General meeting approved the transaction and issue of 6.1mln GCAP shares
- **7 July** Admission of 6.1mln GCAP shares
- **16 July** Close of Offer; Squeeze out threshold reached
- **5 August** GHG delisting effective
- **28 August** GCAP holding in GHG increased to 100%

2020 IN BRIEF CONTINUED

OUR RESPONSE TO COVID-19

Following the COVID-19 outbreak in Georgia in March 2020, Georgia Capital implemented a cash accumulation and preservation strategy throughout the year 2020:

LIMITED CAPITAL ALLOCATIONS AT GCAP LEVEL: ONLY CRITICAL INVESTMENTS IN 2020

GEL 194.7 million

GEL 195 million capital allocations at GCAP level in 2020, of which GEL 138 million equity capital allocation was for the buy-out of minority shareholders in GHG

MINIMISING CAPITAL INVESTMENTS AT EACH PORTFOLIO COMPANY LEVEL

GEL 150.0 million

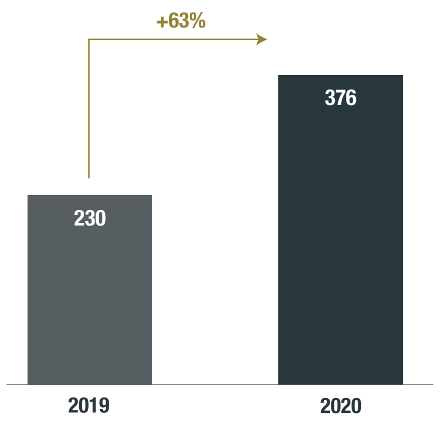
Aggregated development capital expenditures of portfolio companies down by 63.7% y-o-y in 2020

OPTIMISING OPEX EXPENDITURES BOTH AT GCAP AND AT PORTFOLIO COMPANIES' LEVEL

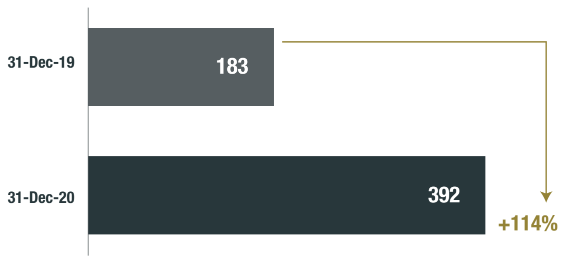
GEL 337.5 million

Aggregated operating expenses of portfolio companies up by 2.2% y-o-y in 2020

Total aggregated net operating cash flow of our private businesses up 63% y-o-y in 2020 to GEL 375.7 million



Total aggregated cash balance of private businesses more than doubled in FY20 to GEL 392 million at 31-Dec-20



GCAP liquidity (liquid funds and loans issued) remained solid at 31-Dec-20 (GEL millions)

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ENHANCEMENT OF OUR STRATEGY, ANNOUNCED ON OUR 2020 INVESTOR DAY

In 2020, following the buy-out of minority shareholders in GHG, the Group introduced an updated strategy. Georgia Capital will focus on larger scale investment opportunities in Georgia which have the potential to reach at least GEL 0.5 billion equity value in 3-5 years after the initial investment and monetise them through exits, as the investments mature.

- This larger size will provide improved liquidity and improved exit opportunities to support the Group's desire to reduce the current discount to reported NAV per share.
- Management time will be used more efficiently for large opportunities.

In line with the updated strategy, Georgia Capital has introduced two new strategic priorities:

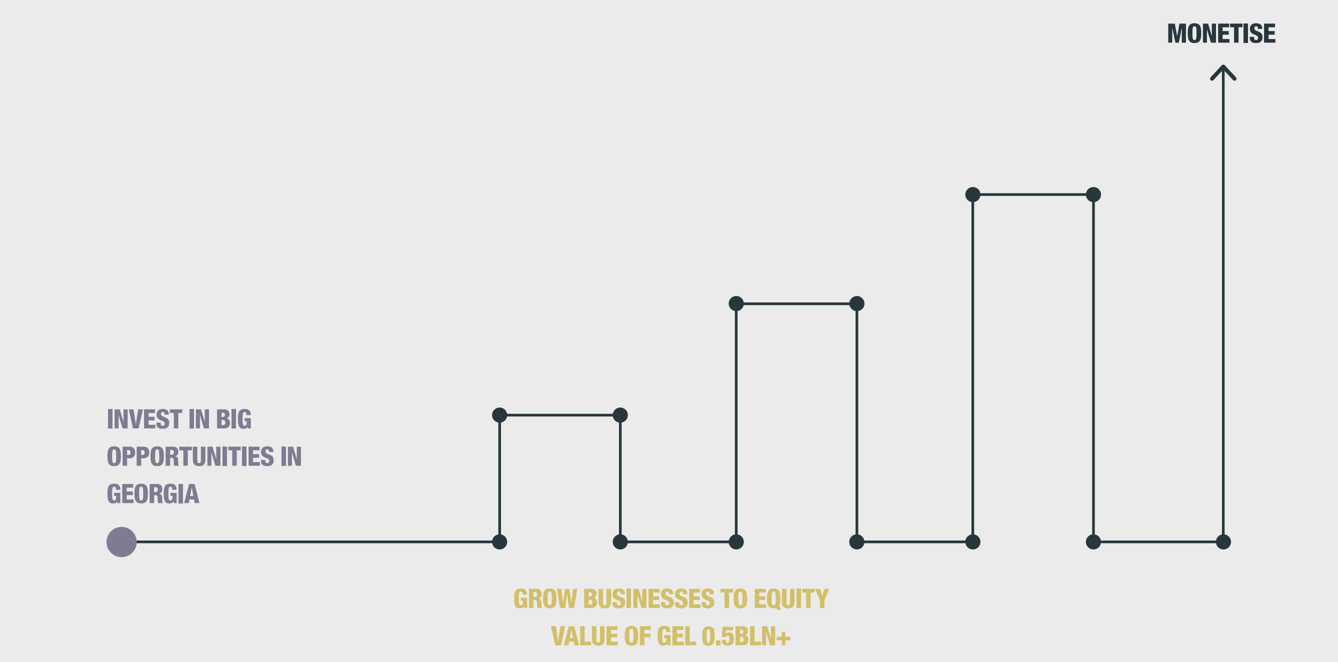
1. **realise the value of one of the large portfolio companies, through a trade sale, over the next 18-24 months;**
2. **divest the subscale portfolio companies over the next 2-3 years.**

LARGE COMPANIES

attractive for international buyers
Increased liquidity

SMALLER COMPANIES

attractive for local & regional buyers
Lower liquidity, as access to capital is limited in the region



GEORGIA CAPITAL AT A GLANCE

OUR PORTFOLIO OVERVIEW IN LINE WITH OUR UPDATED STRATEGY

Following the GHG transaction and in line with the updated strategy, the Group now reports based on a new breakdown of its private portfolio companies, ranking them as Large, Investment Stage, and Other portfolio companies.

- Large portfolio companies (63.9% of total portfolio value at 31 December 2020) are companies that are close to reaching a GEL 0.5 billion+ equity value. These are growing, market leading, cyclically resistant businesses: Healthcare Services, Retail (pharmacy), Insurance (P&C and Medical) and Water Utility.
- Investment Stage portfolio companies (10.4% of total portfolio value at 31 December 2020), being Renewable Energy and Education, have the potential to reach a GEL 0.5 billion+ equity value. The Group will be investing mainly in these two non-cyclical businesses over the medium term, to scale them up and drive value creation going forward.
- The remaining 7.4% is spread across five companies in the private portfolio, which the Group currently believes offer less scalable growth potential. Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses are included in the "Other" category.

Together with the only listed asset being Bank of Georgia, 82.2% of the Group's portfolio is comprised of listed and large private companies at 31 December 2020.

PORTFOLIO BREAKDOWN BEFORE GHG TRANSACTION & STRATEGY ENHANCEMENT

LISTED ASSETS

- BANK OF GEORGIA (BOG)
- GEORGIA HEALTHCARE GROUP (GHG)

PRIVATE ASSETS

Late stage

- WATER UTILITY
- HOUSING DEVELOPMENT
- P&C INSURANCE

Early stage

- RENEWABLE ENERGY
- HOSPITALITY AND COMMERCIAL REAL ESTATE
- BEVERAGES
- EDUCATION

Pipeline

- AUTO SERVICE
- DIGITAL SERVICES

REVISED PORTFOLIO BREAKDOWN

LISTED ASSETS

- BANK OF GEORGIA (BOG)

PRIVATE ASSETS

NON-CYCLICAL BUSINESSES

Large portfolio companies — CLOSE TO GEL 0.5BLN+ VALUE

- HEALTHCARE SERVICES (GHG)
- RETAIL (PHARMACY) (GHG)
- WATER UTILITY
- INSURANCE (P&C AND MEDICAL (GHG))

Investment stage portfolio companies — WITH POTENTIAL TO BECOME GEL 0.5BLN+ IN VALUE

- RENEWABLE ENERGY
- EDUCATION

SUBSCALE BUSINESSES

Other — LIMITED POTENTIAL TO BECOME GEL 0.5BLN+ IN VALUE

- HOUSING DEVELOPMENT
- HOSPITALITY AND COMMERCIAL REAL ESTATE
- BEVERAGES
- AUTO SERVICE
- DIGITAL SERVICES

Listed portfolio

Bank of Georgia

Bank of Georgia Group PLC ("Bank of Georgia Group" or "BoG" or "BoGG" – LSE: BGEO LN) is a UK incorporated holding company, comprising: a) retail banking and payment services; b) corporate and investment banking and wealth management operations; and c) banking operations in Belarus (BNB). The Group intends to benefit from superior growth of the Georgian economy through both its retail banking and corporate and investment banking services and aims to deliver on its strategy, which is based on at least 20% Return on Average Equity (ROAE) and c.15% growth of its loan book. BoG's Annual Report 2020 will be available at: **www.bankofgeorgiagroup.com**. As of 31 December 2020, Georgia Capital owns 19.9% non-voting equity stake in BoG (31 December 2019: 19.9%).

Private large portfolio companies

Healthcare Services

The 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 December 2020. The 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 healthcare services) and 15 polyclinics (providing outpatient diagnostic and treatment services); and 3) Diagnostics, operating the largest laboratory in the entire Caucasus region – "Mega Lab". As of 31 December 2020, the healthcare services business is 100% owned by Georgia Capital (31 December 2019: 70.6%).

Retail (pharmacy)

The 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 pharmacies. The pharmacy chain has a total of 313 pharmacies, of which, 309 are in Georgia and four are in Armenia. GCAP owns 67% in the retail (pharmacy) business as of 31 December 2020 (31 December 2019: 47.3%).

Water Utility

The water utility business is a regulated natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c.37,000 legal entities. Water Utility also operates hydro power plants with a total installed capacity of 149MW. GCAP owns 100% in Water Utility as of 31 December 2020 (31 December 2019: 100%).

Private large portfolio companies continued

Insurance

The insurance business comprises a) Property and Casualty (P&C) insurance business, owned through Aldagi and b) medical insurance business, owned through GHG. GCAP owns 100% of the insurance business as of 31 December 2020.

The 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 written as of 30 September 2020. P&C Insurance also offers a variety of non-property and casualty products such as life insurance.

GHG is one of 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.

PORTFOLIO COMPANIES

Read more about **our companies** on pages 38

Private investment stage portfolio companies

Renewable Energy

The renewable energy business operates three wholly-owned commissioned renewable assets: 50MW Mestiachala HPPs (of which, 20MW Mestiachala HPP is still under restoration, as it was flooded and taken offline in late July 2019), 20W Hydrolea HPPs and 21MW Qartli wind farm. In addition, a pipeline of up to 172MW projects are currently at an advanced stage of development. Following the buy-out of the 34.4% minority shareholder, the renewable energy business is 100% owned by Georgia Capital as of 31 December 2020.

Education

The education business currently combines majority stakes in four leading private schools, acquired in the second half of 2019: 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% equity stake in the current campus and 90% equity stake in new schools that will be developed under the Green School brand), a leading player in the affordable education segment.

OUR PRIVATE PORTFOLIO AT A GLANCE

DEFENSIVE, HIGH QUALITY ASSETS WITH STRONG AND GROWING CASH FLOW STREAMS

		CLOSE TO GEL 0.5BLN+ VALUE	EXPECTED TO BECOME GEL 0.5BLN+ IN VALUE	NON-CYCLICAL	STRONG CASH FLOW GENERATION	DOMINANT MARKET POSITION
LARGE PORTFOLIO COMPANIES	HEALTHCARE SERVICES	✓		✓	✓	✓
	RETAIL (PHARMACY)	✓		✓	✓	✓
	WATER UTILITY	✓		✓	✓	✓
	INSURANCE (P&C AND MEDICAL)		✓	✓	✓	✓
INVESTMENT STAGE PORTFOLIO COMPANIES	RENEWABLE ENERGY		✓	✓	✓	✓
	EDUCATION		✓	✓	✓	✓

Photo Reflections of Caucasus Range on Tobavarchkhili lake, Svaneti, Georgia.

CHAIRMAN AND CEO STATEMENT

Irakli Gilauri
Chairman and
Chief Executive Officer

NOTWITHSTANDING THE PANDEMIC-DRIVEN HEADWINDS, WITH THE MAJORITY OF OUR CAPITAL ALLOCATED TO DEFENSIVE INDUSTRIES AND SECTORS, GEORGIA CAPITAL DEMONSTRATED GREAT RESILIENCE AND DELIVERED A STRONG PERFORMANCE IN 2020.

Dear Fellow Shareholders,

I have written this, only my third letter to Georgia Capital shareholders, against the backdrop of what has been the most challenging year for the world in modern times. In every conceivable way, the global COVID-19 pandemic in 2020 created a uniquely difficult environment that tested countries, governments and business leaders in ways we had never previously imagined. However, difficult times also create opportunities. We therefore need to be vigilant, tapping into the opportunities while at the same time being mindful of the risks – balancing these two is the critical task for Georgia Capital in 2021 and beyond.

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 declined significantly, particularly as a result of the necessity to close international borders, with the consequent reduction in tourism-related income. Notwithstanding the pandemic-driven headwinds, with the majority of our capital allocated to defensive industries and sectors, Georgia Capital demonstrated great resilience and delivered a strong performance in 2020. This was delivered predominantly as a result of the work the Board and management team have put in over the last few years on our core business enablers – strong corporate governance; the development of highly talented management teams; and access to both domestic and international capital markets. Our strength in each of these areas was tested and our foundations proved rock solid.

Macroeconomic environment

From a macroeconomic perspective, Georgia was one of the first countries to utilise the Extended Fund Facility with the International Monetary Fund (IMF), unlocking US$ 200 million immediately and swiftly gaining access to a total of US$ 3 billion of external funding, split equally between the public and private sectors. The Georgian Lari has performed relatively well compared to other regional currencies, stabilising after some initial volatility, against the background of the economic slowdown. The National Bank of Georgia (NBG) continued to accumulate reserves which grew by nearly US$ 570 million from 2019 until the end of February 2021, reaching a record high of over US$ 4.1 billion in early 2021.

Real GDP growth in the economy fell by 6.2% during 2020, higher than initially forecast, reflecting the impact of the two significant economic lockdowns during the year. The restrictions under the second of these lockdowns are, however, currently in the process of being lifted. The IMF estimates that economic growth will be 4.3% in 2021, while their medium-term (2022-2025) growth forecast stands at 5.4%, representing one of the highest economic growth expectations in the region. With Georgia's expected return to economic growth in 2021, and Georgia Capital's available cash resources and balance sheet strength, we are open to seize any potential investment opportunities that may arise.

Delivering on our strategic priorities

This Annual Report will go into greater detail later, but first let me signpost how we continued to deliver on our strategic priorities in 2020.

- Against the backdrop of this difficult macroeconomic environment, the management of our private portfolio companies successfully executed the cash accumulation strategy introduced at the beginning of the pandemic. As a result, the aggregated cash balances of our private portfolio companies more than doubled to GEL 392 million in 2020.
- We delivered strong operating results across our private portfolio, despite the pandemic impact, with aggregate revenues up 6.4%, and EBITDA up 4.1% year-on-year.
- In August 2020, we bought out the GHG minority shareholders following a shareholder-approved share exchange offer. This substantially strengthened our private portfolio by adding GHG's existing three market-leading, high cash flow generating businesses. It also resulted in our achieving a previously announced strategic objective – reducing our listed assets to below 20% of our portfolio – way earlier than previously expected.
- In July 2020, Georgian Global Utilities, 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 challenging times.
- In line with our expectations, the Georgian regulator increased the tariffs for our water utility business, translating into an approximately 38% growth in allowed water revenues for the 2021-2023 three-year regulatory period.
- We completed a 34.4% minority shareholder buy-out in our high-margin renewable energy business, increasing our share in its growing US dollar linked cash flows.
- GHG divested the low-return HTMC hospital at an attractive valuation for US$ 12 million, resulting in a 90bps improvement in GHG's ROIC, on a pro forma basis.
- The Net Asset Value (NAV) per share allocated to our private portfolio, which we track as "controllable" NAV per share, increased by 54.4% during the year to GEL 39.32.
- Despite the significant impact of the pandemic on the value of our Hospitality and Commercial Real Estate business and our listed assets, particularly in the first half of the year, our overall NAV per share increased by 2.7% during the year, to GEL 48.12.

Enhancing our portfolio strategy

During 2020, we updated our portfolio strategy to ensure that we more clearly delineate, and therefore prioritise, our key investee businesses. Georgia Capital has always, with a clear focus on Georgia, invested to develop and grow our businesses and, as our investments mature, to realise proceeds via suitable business exits – but we have not previously focused on the respective size of individual businesses.

Our updated strategy, which we announced in November 2020, seeks to ensure that we invest only in sectors or corporate opportunities that have the potential to grow to an equity value of GEL 0.5 billion or more over a 3-5 year period. In our experience, these larger companies are more attractive to international strategic and financial buyers, which increase their liquidity. Management's time will also be more efficiently and effectively utilised by focusing on larger, more scalable businesses.

With this in mind, our prioritised private assets, with the capability of growing to an equity value of GEL 0.5 billion or greater, will be the large portfolio companies – *Healthcare Services; Retail (pharmacy); Water Utility; and our P&C and Medical Insurance businesses* – and our key investment stage portfolio companies – Renewable Energy and Education. We have highlighted the strengths of and opportunities for these businesses in significant detail throughout this Annual Report.

As we continue to manage through the impact of the pandemic and grow and develop every single one of our businesses, the implementation and evolution of our updated strategy over the next few years will focus on two key themes:

- Realising the value of one large portfolio investment, by way of a sale, before the end of next year. This is most likely to be a trade sale to an international strategic buyer. We believe that realising the value of one of our large portfolio companies will go a long way to demonstrating and validating the value of our portfolio, and thereby support our desire to reduce the discount to NAV of our share price. In essence, we are targeting to complete the full investment cycle with one of our businesses – ***invest, grow, monetise***.
- Secondly, at the right time and for the right price, we are considering the divestment of the smaller private companies within our portfolio. These are the companies that we believe have limited potential to achieve our desired GEL 0.5 billion equity value. We expect to complete this exercise over the next 2-3 years, with likely potential interest from both local and regional buyers.

Capital allocation and dividends

During the pandemic, we implemented a cash accumulation and preservation strategy and put many capital allocations on hold, making only limited investments. The following capital allocations were made during the year:

- 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 7.7 million newly issued GCAP shares for GHG shares.
- GEL 44.4 million was allocated to Renewable Energy, of which, GEL 38.7 million was for the buy-out 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 working capital financing and the buy-out of an additional 10% equity stake in Amboli, increasing GCAP's total ownership to 90%.

Strategic Review Overview

CHAIRMAN AND CEO STATEMENT CONTINUED

During 2020, 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. Looking forward to 2021, we currently expect approximately GEL 60-70 million in dividends during the year from our private portfolio companies.

At the end of 2020, the Group held GEL 284 million (US$ 87 million) in cash, liquid funds and loans – a robust position that has deliberately been maintained throughout the COVID-19 pandemic. Since the year-end, on 9 March 2021, the Group further enhanced this position via a raise of a further US$ 65 million on the Group's existing Eurobond, which positions the Group strongly for our planned investments in the renewable energy and education businesses – the two key sectors for our planned investments of approximately US$ 50 million over the next 3-5 years. In addition, as noted above, the aggregated cash balances of our portfolio companies more than doubled in 2020 to GEL 392 million.

Value creation

NAV per share, in GEL, increased 2.7% in 2020 to GEL 48.12, despite a significant reduction of 35.6% in NAV per share in the first quarter of the year, as global markets responded negatively to the evolving pandemic-related economic challenges. Robust underlying operating performances across our private portfolio companies, supported by some recovery in market sentiment, enabled us to finish the year in positive territory. This increase in 2020 was primarily driven by the first-time valuations of GHG, now a wholly-owned private company following the minority buy-out, and by our investment stage portfolio companies. These strong positives were partly offset by losses in our hospitality and real estate businesses, a 24.9% decrease in the BoG share price, and an FX loss reflecting the impact of the GEL devaluation in the year on our net debt.

I was particularly pleased with the resilience of the operating companies throughout the portfolio. Our **listed investment** – Bank of Georgia – delivered a 13% return on equity in 2020, a remarkable achievement compared to local and international banking peers, with a 20%+ return on equity in each of the last three quarters of the year. Throughout 2020, BoG's balance sheet remained strong, with better than expected levels of growth in both customer lending and deposits, loan loss reserves remained strong in the face of the economic impact of the pandemic, and its capital position remains robust. Perhaps BoG's most impressive achievement in 2020 was to grow its shareholder equity by 18.6% during the year, despite the significant pandemic-related challenges faced by BoG and its customers. Looking to 2021 and beyond, I see BoG as extremely well positioned to benefit from Georgia's expected return to economic growth.

Our **private portfolio companies** also delivered strong results, against the economic headwinds, with aggregated revenues and EBITDA both increasing during the year. In addition, the private portfolio companies increased their aggregate net operating cash flows by an outstanding 63% year-on-year, to GEL 375.7 million. The individual performances of these businesses are described in greater detail later in this report.

Who before what – the strength of our people

In every letter to our shareholders, I reiterate that our team of people continues to be the main asset of Georgia Capital. Our portfolio businesses are all managed by the best talent available in their respective sectors, but we do not rest on our laurels – we are always seeking to nurture, develop and acquire the very best talent. We do not invest in businesses unless we are certain they are run by the highest quality managers available in their respective sectors, and in many cases our managers are also shareholders. Importantly, throughout the pandemic crisis over the last 12 months we have avoided mass lay-offs and have retained and further enhanced the bench strength of our existing management team.

At the Georgia Capital level, and in each of the operating companies, managing through 2020 has been a considerable challenge for all of our management teams and colleagues – on both a personal and professional level. Across the Group, however, our people have stood up exceptionally well to all of the external challenges they have encountered and continued to deliver strong results. I want to thank all of our colleagues for such steadfast commitment.

Outlook

Overall, I continue to be extremely impressed by the leadership teams of our portfolio companies and how successfully they have handled this challenging year, with strong support from our Board members. Entering 2021, while the range of possible economic outcomes remains wide, we see positive factors; vaccines are being rolled out to manage the pandemic impact, markets and businesses are adapting to the new environment, and the recent gradual reopening of Georgia's international borders should spur a rapid return to economic growth.

We have created a high-quality and defensive portfolio of business investments 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 foundations for consistent future NAV per share growth. While continuing to support our portfolio companies in delivering on their strategies and remaining alert to compelling new investment opportunities, we will be placing particular focus on the *monetise* element of our cycle over the next few years so that we can realise the value of one large private portfolio investment and divest our sub-scale portfolio companies. Achieving this should, we believe, support a reduction in the current discount of the market value of your shares to our per share NAV.

This Strategic Report as set out on pages 2 to 119 was approved by the Board of Directors on 25 March 2021 and signed on behalf by Irakli Gilauri, Chairman and Chief Executive Officer.

Irakli Gilauri
Chairman and CEO
25 March 2021

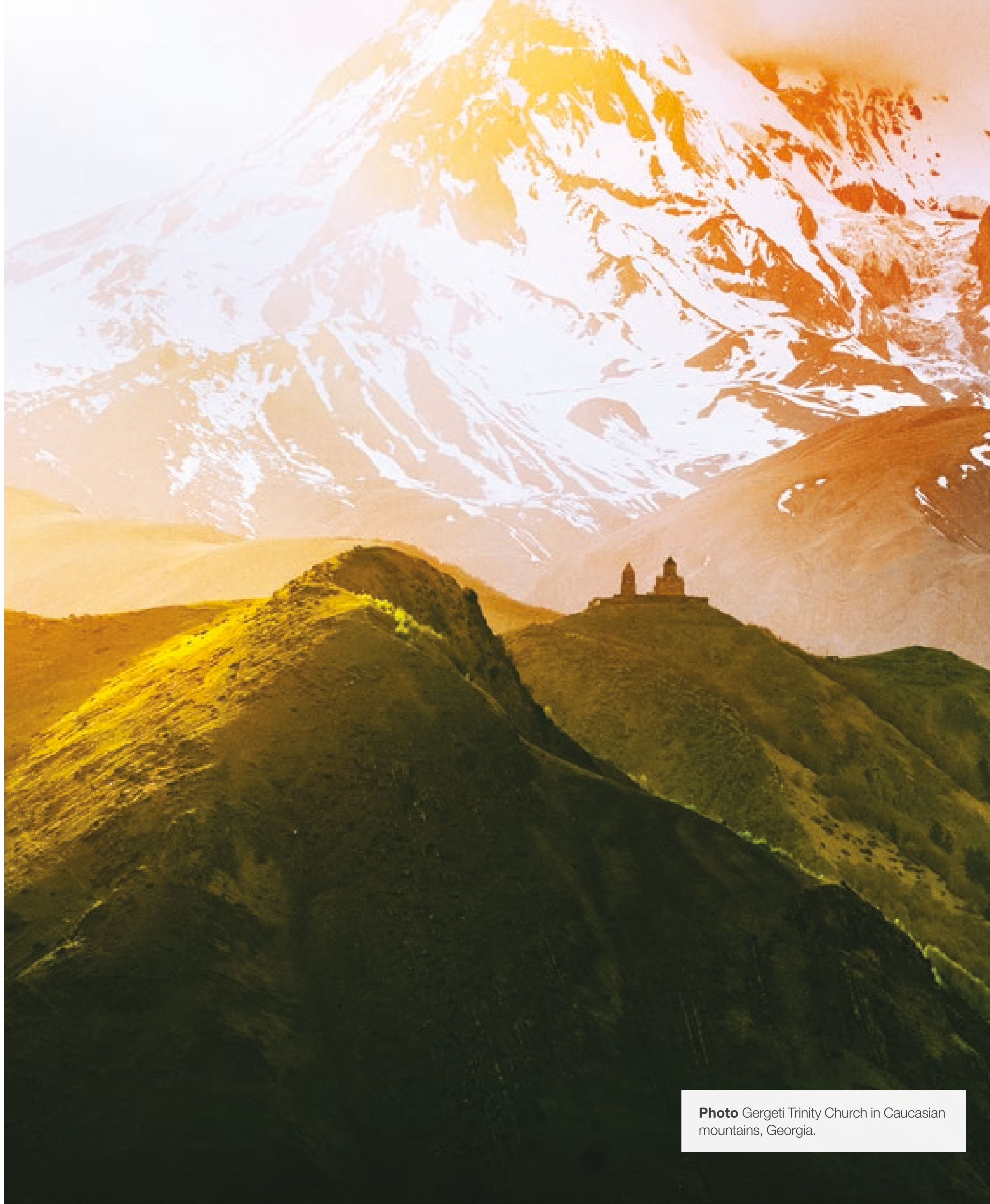


Photo Gergeti Trinity Church in Caucasian mountains, Georgia.

GEORGIA CAPITAL STRATEGY

GEORGIA CAPITAL – SCALING UP INVESTMENT OPPORTUNITIES IN GEORGIA

- **Developing and growing businesses to equity value of GEL 0.5bln+ to realise proceeds through exit, as investments mature.**
- **LSE premium listed, with more than 90% institutional shareholder base.**
- **Running efficient cost structure with no management or success fees.**

GEORGIA CAPITAL STRATEGY IS BASED ON THREE FUNDAMENTAL ENABLERS

#1

SUPERIOR ACCESS TO CAPITAL[1]

- Only Group of its size and scale focused on investing in and developing businesses in Georgia.
- Uniquely positioned given access to capital in a small frontier economy:
  - c.US$ 500 million raised in equity at LSE.
  - Issued six Eurobonds totalling US$ 1.8 billion (including the Eurobond tap offer of US$ 65 million in March 2021)
  - US$ 3 billion+ raised from IFIs (EBRD, IFC, etc.).

1 Figures and statements in this section include the track record of our predecessor company BGEO, prior to the 2018 demerger.

#2

ACCESS TO GOOD MANAGEMENT

- Highly experienced senior management team, which grew BGEO Group (predecessor company) by c.33 times in asset size between 2005 and 2017.
- Reputation among talented managers as the "best group to work for".
- Attracted talents have demonstrated a solid track record of successful delivery.
- Proven track record in turning around companies and growing them efficiently.
- A platform for entrepreneurs to build institutions (entrepreneurship culture):
  - If we do not have the right people, then we do not invest, no matter the attractiveness of the opportunity.

#3

COMMITMENT TO ACHIEVING THE HIGHEST LEVEL OF CORPORATE GOVERNANCE

- Strong Board comprised mainly of independent directors with extensive international experience.
- On page 121 you can find a full explanation as to why we believe that the combined Chairman and CEO structure better serves our Company and its stakeholders.
- Outstanding track record in institutionalising businesses and creating independently run/managed institutions.
- Approximately 40 employees at the holding company level.
- Highly experienced management team in each portfolio company with a strong measure of independence.
- Aligned shareholders' and management's interests by share compensation.
  - The Executive Director is solely remunerated by way of long-term deferred shares (up to 6-year vesting) and receives no cash compensation.
  - Salaries of the Company's senior managers are heavily weighted towards deferred share remuneration and bonuses for senior managers are paid in deferred shares rather than cash.
- High level of transparent reporting.
- Preparing for the upcoming Taskforce on Climate-related Financial Disclosures (TCFD) requirements.

Photo Gergeti, Georgia. Open road to peak of mountain Kazbegi.

GEORGIA CAPITAL STRATEGY CONTINUED

NEW PRIORITY #1: REALISING VALUE OF ONE LARGE INVESTMENT OVER THE NEXT 18-24 MONTHS

Georgia Capital management believes realising the value of one of its large investments will help to validate the value of GCAP's portfolio and to reduce its discount to NAV. Therefore, Georgia Capital is aiming to execute a trade sale of one of its large businesses over the next 18-24 months:

- The sale of a large portfolio company will complete the full cycle of Georgia Capital's strategy (invest, grow, monetise).

NEW PRIORITY #2: DIVESTMENT OF "OTHER" PORTFOLIO IN THE NEXT 2-3 YEARS

"Other" portfolio companies comprise 7.4% of the total portfolio value and include five subscale private businesses being Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses. While a number of these businesses have interesting potential, the Group currently believes that most will not offer the scalable growth potential we seek. Absent a change in that assessment, the Group is targeting to exit "Other" assets in the next 2-3 years.

Photo Koruldi Lake near Mestia, in upper Svaneti region, Georgia.

Strategic Review Our Business

MARKET AND INDUSTRY OVERVIEW

ATTRACTIVE PLACE FOR DOING BUSINESS

Georgia is emerging from a difficult year that challenged the resilience of the economy. The medium-term outlook remains strong despite significant uncertainty surrounding the speed and direction of economic recovery. A mix of fiscal and monetary policy support, a robust private sector and favourable external developments have mitigated the 2020 economic downturn, and will continue to be essential in fighting the virus' impact in 2021.

Highlights

IN 2020, WORLD BANK RANKED GEORGIA:

2nd
in "Starting a Business"

5th
in "Registering Property"

7th
in "Protecting Minority Investors"

7th
in "Ease of Doing Business, overall ranking"

Up from 15th to 9th in 2018 and then up from 9th to 7th in 2019, ahead of Norway, Sweden, Ireland and Germany.

Source: World Bank, Doing Business

28th
Business Bribery Risk in 2020

Source: Trace International

5th
Open Budget Index in 2019
Up from 16th in 2015

Source: International Budget Partnership

Georgia is favourably placed among Peers

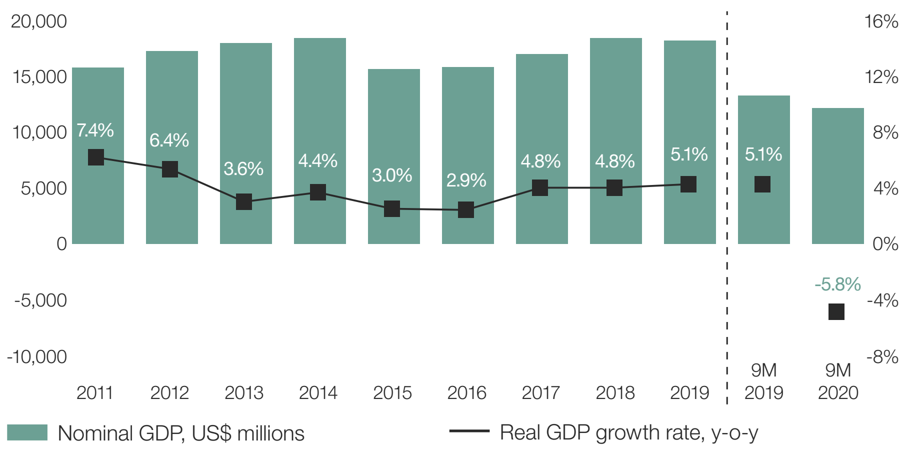
Country	Country rating	Fitch rating outlook
Armenia	B+	Stable
Azerbaijan	BB+	Negative
Belarus	B	Negative
Czech Republic	AA-	Stable
Georgia	BB	Negative
Kazakhstan	BBB	Stable
Turkey	BB-	Stable
Ukraine	B	Stable

Macroeconomic overview and outlook
Following one of the strongest years with respect to all-round economic performance in 2019, 2020 brought many challenges to the Georgian economy, with external and internal demand shrinking due to closed borders and lockdown measures intended to limit the pandemic acceleration. In 2020, the economy fell by 6.2%, with an 83.4% annual fall in tourism revenues weighing heavily on economic performance. The recession was higher than initially forecasted due to a second partial lockdown imposed in end-November in order to combat a surge of infections beginning from September. However, despite a larger than expected slowdown, the projected contraction was still lower compared to other tourism-dependent countries.

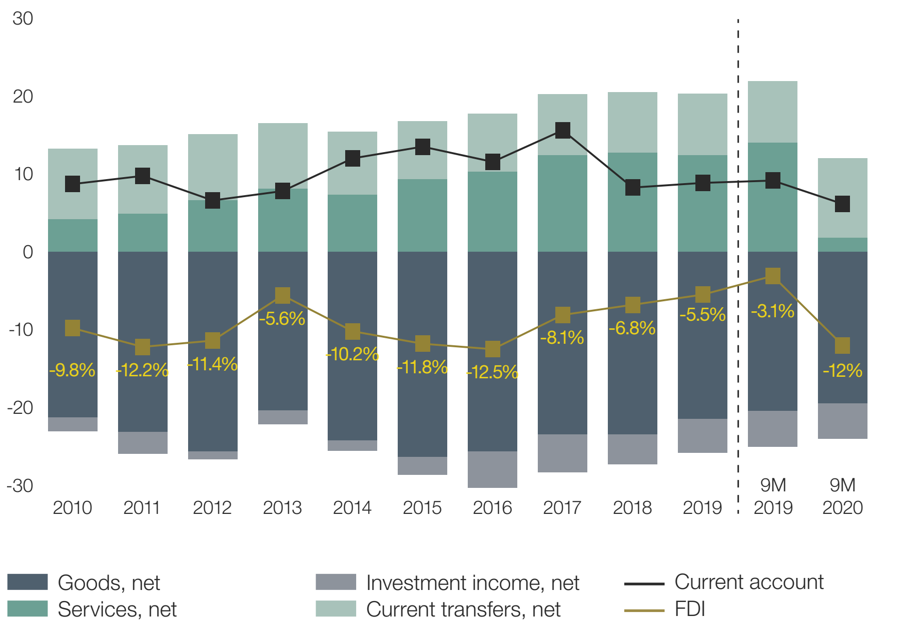
The unemployment rate, calculated with an updated methodology (changes in the classification of the self-employed), increased to 20.4% in 4Q20 due to the second lockdown, with average annual unemployment totaling 18.5% in 2020, up 0.9 percentage points. An external adjustment was aided by a reduction in the merchandise trade deficit, which improved by US$ 1.06 billion in 2020, 18.4% y-o-y. Merchandise exports fell by 12.0% y-o-y, while imports declined by 15.9%, as demand for consumer goods particularly was scaled back in parallel with falling disposable income. Evaporating service exports were partially compensated by the merchandise trade adjustment and record-high remittances at US$ 1.9 billion (+8.8% y-o-y, including +20.2% in 2H20), leading the current account balance (CAB) to reach -12% of gross domestic product (GDP) in 9M20, coming from a record low of -5.5% in 2019. The CAB is expected to resume improvement from 2021 as partial recovery begins. Foreign Direct Investment (FDI) inflows made up US$ 617 million in 2020, down 53% y-o-y. The fall was due to completing the pipeline project, and transfer of ownership from non-resident to resident entities (lowering FDI by $340.5 million), together with the COVID-19 shock.

The consolidated budget overall deficit was over GEL -4.5 billion in 2020, with the annual deficit (IMF modified) over 9% of GDP. The high deficit was due to a combination of, on the one hand, falling revenues due to low economic activity and tax reliefs adopted in response to the pandemic, and, on the other hand, rising primary expenditures, particularly social expenses, as well as a second consecutive year of record-high capital expenditures, standing at GEL 3.8 billion, to stimulate the economy. The general Government gross debt reached 59.9% of GDP as at the end of 2020. A strong pre-crisis fiscal position (debt at 41% of GDP by the end of 2019) ensured there was space to borrow, as access to US$ 3 billion of external funding for the public and private sectors was secured from multiple multilateral and bilateral donors in order to meet financing needs. The emergency escape clause has been activated in line with the Economic Liberty

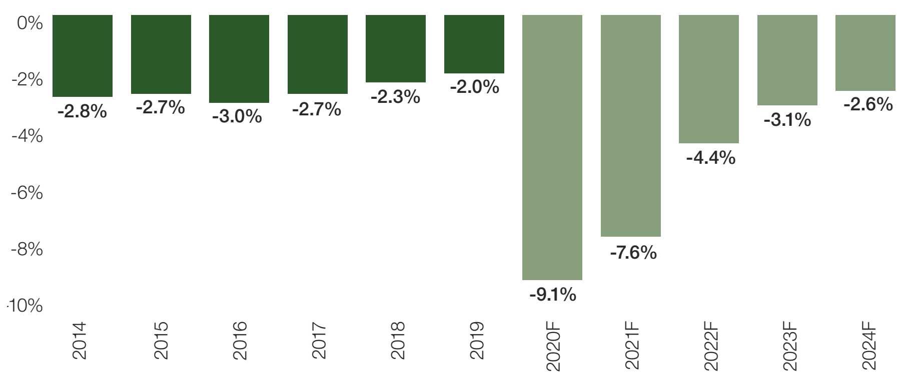
Real GDP growth



Current account balance (% of nominal GDP)



Overall balance, IMF modified



Act of Georgia, which sets the fiscal limits of 3% on the fiscal deficit and 60% on the debt, with the law requiring a return to the bounds within three years. The Government intends to begin consolidation from 2022, with the 2021 budget law laying out a path towards the deficit declining to 2.9% and debt standing at 57.8% of GDP by 2023.

As an established tourism destination, tourism has been an increasingly important sector of the Georgian economy and a major source of FX inflows during the past few years, significantly contributing to improving the current account (CA) deficit and driving rising service exports. With borders closed and international travel essentially halted, the tourism sector, like elsewhere around the world, came to a near complete standstill in Georgia. The number of international travellers to Georgia increased on average by 15% over 2012-2019 but fell by 81% in 2020. Outlook for tourism growth remains uncertain, with the vaccine availability and roll-out timeline to dictate future developments. Record growth of remittance inflows, swift foreign financing and cutting the merchandise trade deficit have allowed the country to adjust to a new external equilibrium, while the future recovery in the tourism sector will inject a reinvigorated stimulus into the economy.

Average inflation in 2020 was 5.2%, above the 3% target. Inflation decelerated towards the target by the end of the year, as the initial impact of the COVID-19 shock weakened and the demand side effects caught up. However, cost-push effects are expected to persist in 2021, contributing together with the exchange rate passthrough towards keeping the inflation rate higher than the target. National Bank of Georgia (NBG) cut the monetary policy rate by 100 basis points to 8% in April-August and has sold US$ 993 million since March 2020 up to February 2021 (US$ 873 million in 2020) in order to provide foreign currency to the markets. NBG declared and maintains an active participation policy to prevent liquidity shortages in both national and foreign currency markets. Reserve assets increased by 11.5% y-o-y and totalled US$ 3.9 billion by the end of 2020, subsequently reaching a record high of US$ 4.1 billion at the end of January 2021, due to external financing.

The nominal effective exchange rate (NEER) was down by 5.6% y-o-y and the real effective exchange rate (REER) was down 7.4% y-o-y by the end of 2020. GEL stabilised in the second half of the year following initial turbulence and has fared relatively well compared to regional currencies. However, both the nominal and real exchange rates remain overly depreciated, constraining monetary policy from a further accommodative stance. Wary of the currency

MARKET AND INDUSTRY OVERVIEW CONTINUED

undervaluation persisting and prices remaining high for an extended period of time, which could increase the risks of rising inflationary expectations, NBG partially reversed the cut and increased the policy rate by 50 basis points to 8.5% in March 2021. Ceteris paribus, another hike is not expected throughout the year. Despite maintaining a relatively tightened policy rate, NBG acted swiftly on the onset of the crisis to mitigate the shock impact, easing capital requirements and credit conditions, introducing a US$ 400 million currency swap facility and a new liquidity instrument to back SME credits, supporting a three-month grace period for loan repayments, suspending on-site inspections, and announcing a temporary moratorium on new supervisory requirements.

Following key sovereign rating upgrades in 2019 (both S&P and Fitch upgrading the Georgian credit rating to BB and Moody's reaffirming Ba2), Georgia has managed to maintain investor confidence despite the COVID-19 shock exacerbating external and fiscal vulnerabilities, emerging only with an outlook downgrade from Fitch and S&P, while Moody's reaffirmed a stable outlook. With international reserves providing ample cover, emergency funding secured and a clear path towards the twin deficit (fiscal and external) adjustment, Georgia hopes to bounce back promptly with limited long-term damage.

The US$ 285 million three-year IMF Extended Fund Facility (EFF) programme for Georgia, promoting increased efficiency and boosting productivity, was augmented by the IMF Executive Board on 1 May 2020 to provide an additional 130% of the quota, around US$ 375 million, in order to meet the urgent balance of payments and fiscal needs and preserve macroeconomic stability. Georgia was one of the first countries to reach an agreement with IMF on extending the EFF, allowing the country to acquire US$ 200 million immediately for budget support, and unlock access to US$3 billion in funding from international financial organisations for Georgia's public and private sectors, which is more than sufficient to fund the twin deficits, as well as provide an additional buffer.

IMF estimates Georgia's GDP growth to rebound by 4.3% in 2021 (December 2020 forecast), supported by fiscal policy remaining expansionary, with the fiscal deficit temporarily widening to 7.6% of GDP. As the economy recovers from the recession, much will depend on the vaccine availability and subsequent resumption of domestic and external economic activity. Despite a higher than usual uncertainty, medium-term growth (2022-2025) is expected by IMF to stand at 5.4%, one of the highest in the region.

Medium-term economic growth rate

5.4%

The Georgian economy is expected to remain robust in the medium term

COVID-19 response

The Government's effective steps resulted in the lowest number of confirmed cases and deaths per capita in the region during the first wave. However, the Autumn surge has placed Georgia at the frontier of the battle against COVID-19. As of 18 March 2021, Georgia was #18 according to total cases per million inhabitants, but only #106 by active cases, #40 by deaths per million people, and #44 by recovered population, suggesting that the pandemic has been relatively brought under control.

The Georgian Government took significant actions at the early stage of the COVID-19 outbreak. Border checks began on 27 February, schools switched to distance learning from 29 February, travel restrictions for neighbouring countries were imposed on 5 March, followed by mandatory self-isolation/quarantine since 9 March. All borders were closed on 18 March and a state of emergency in effect from 21 March to 22 May 2020 imposed strict containment measures, such as quarantining municipalities with local outbreaks, stricter restriction on movements for the individuals aged 70 or above and a mandatory curfew requiring the population to stay indoors from 9pm to 6am.

Business activity gradually recovered since 27 April 2020, as the six-stage lockdown exit plan was brought forward due to favourable epidemiological developments. Georgia lifted restrictions on domestic tourism from 15 June 2020 and opened borders to Germany, France, Latvia, Lithuania and Estonia from 8 July. Following a surge in cases since September 2020, a two-month partial lockdown was imposed spanning from end-November 2020 to February 2021, with winter resorts, restaurants, malls and fitness facilities closed, intracity municipal transport paused in major cities, curfew declared from 9pm to 5am, and a two-week full lockdown "winter holiday" during 3-15 January announced. Due to favourable epidemiological developments, from 1 February, regular flights have been permitted, municipal transport has been resumed during weekdays, shops and malls have been reopened, and in-person studies at schools have been restarted.

Economically, Georgia has been affected by concurrent demand and supply shocks since the outbreak of COVID-19. Uncertainty and social distancing have significantly constrained domestic demand, while isolation and fear of contagion have shut down external demand for goods and services, especially in hotels, restaurants, trade, transport, entertainment and other sectors. Lost jobs have reduced disposable income in Georgia, and uncertainty has caused households to increase savings, further amplifying the demand side shock. Additionally, quarantine and self-isolation have created problems for business continuity, and reduced investment appetite has led businesses to reduce production. To mitigate the social impact of the crisis and limit long-term damage to potential output, fiscal measures have been put in place to boost aggregate demand whilst private demand remains subdued.

The Georgian Government managed to attract approximately US$ 1.5 billion from donor organisations such as the IMF, World Bank, Asian Development Bank, EBRD, EIB, KfW and AFD to help Georgia withstand COVID-19-related shocks. In addition, approximately US$ 1.5 billion has been made available so that the banking sector can address COVID-19-related shocks and ensure a fast recovery, as well as support long-term sustainable growth. On 24 April 2020, the Georgian Government announced a GEL 3.5 billion package to address the crisis, which included social aid, economic support and healthcare boosting. The package included a suspension of property and income taxes for companies operating in the tourism industry, provision of interest subsidy to small and medium sized hotels, acceleration of VAT refunds, increased capital expenditure, payment of utility services for the low-income households, unemployment benefits, subsidisation of prices for nine food products (sugar, wheat, buckwheat, beans, rice, pasta, sunflower oil, pasta and milk powder) and construction materials, income tax exemptions for hired employees with a salary up to GEL 750, one-off transfers to the self-employed, additional aid for families that are under a social score threshold or with three or more children, as well as disabled people, pension indexation from January 2021, credit guarantee schemes, agriculture grants and relaxing upper limits on financing through the programme "Produce in Georgia". Moreover, special support packages have been unveiled in support of the tourism, agriculture and real estate sectors, comprising income tax deferrals and property tax suspension for the tourism sector, loan co-financing for the tourism and agriculture sectors, direct subsidies and grants for farmers, mortgage interest rate subsidies, guarantees and insurances for the real estate sector and sharp acceleration of Government demand for housing intended for refugees. The Government also announced plans to direct additional funds to address increased healthcare expenditure. Commercial banks proposed grace periods for retail borrowers.

In November 2020, in parallel with the announcement of a second lockdown, the Government announced new measures to help combat the effects of the pandemic. The support packages (utility bill subsidies, income tax exemptions, transfers to the self-employed and those who lost jobs, aid to socially vulnerable and disabled people) were extended for up to six months into 2021. The interest rate subsidies carried on for the tourism sector and restaurants for six months. The tourism sector also received waivers for the suspended 2020 income tax as well as complete exemption from property tax in 2021. The budget for these programmes is GEL 1.10 billion.

Reform-driven success and potential to become a regional hub

Georgia has carried out genuine economic and structural improvements over the past two decades. As a result, corruption has decreased, it has become the second easiest country in the world to start a business in, productivity has been enhanced and the economy has become more diversified, supporting resilience against exogenous shocks such as the global financial crisis and the COVID-19 pandemic.

Georgia is consistently ranked as a top performer in governance and doing business indicators. With a ranking of 7th in Ease of Doing Business in 2020 (World Bank, Doing Business), Georgia has implemented an array of reforms and is characterised as a top-performing economy in the region to start a business. Furthermore, Georgia is ranked 12th out of 180 countries by Index of Economic Freedom measured by Heritage Foundation in 2020 and 28th out of 194 countries in Trace International's 2020 Matrix of Business Bribery Risk, as well as 5th out of 117 countries in the International Budget Partnership's Open Budget Index. Georgia is on par with the European Union (EU) member states and top in the Eastern Europe and Central Asia Region in the 2020 Corruption Perception Index by Transparency International.

The Economic Liberty Act, effective since January 2014, ensures the continuation of a credible fiscal framework for Georgia by capping the fiscal deficit at 3% of GDP and public debt at 60% of GDP. However, the emergency escape clause allows the Government to surpass the thresholds temporarily in order to manage the pandemic, with the law requiring a return to the bounds within three years. The fiscal consolidation plan has already been adopted by the parliament as part of the new budget law. The Economic Liberty Act also requires electorates' approval through a nationwide referendum for imposing new taxes and raising existing tax rates, subject to certain exceptions. Furthermore, as of January 2017, corporate income tax for non-banking and non-insurance corporations is now applicable to only distributed profits; undistributed profits, which are reinvested or retained, are exempted. Georgia has one of the friendliest tax regimes according to World Bank's Doing Business 2020 report, having slashed the number of taxes from 21 in 2004 to just six currently. Commitment towards structural reforms ensures constant effort for improving the business environment, the latest examples being the VAT reform (adopted in July 2020) and the new insolvency framework (September 2020).

2nd

Georgia is ranked the second easiest country in the world to start a business in

Despite the challenges arising from the pandemic, structural reforms and large infrastructure projects to promote Georgia as a transit and tourism hub and enhance long-term growth are still underway. A new pension law was adopted in 2018, enhancing long-term fiscal sustainability, supporting capital market development, increasing the replacement rate, narrowing the CA deficit and boosting potential output. A new bill on investment funds was adopted in 2020, in line with international practice and harmonisation obligations with EU law, providing an up-to-date regulatory framework for investment activity. The Government focuses on addressing the shortcomings in employment benefit schemes, further cutting non-essential expenditures, consolidating public sector institutions, making social and healthcare spending more targeted, privatisation schemes and increasing capital expenditure efficiency. Within the responsible lending framework, the NBG took macroprudential measures to decrease household indebtedness and enhance financial stability and strengthen regulation, supporting the financial system resilience to currency fluctuations and FX-induced credit risks.

A business-friendly environment, renowned in the region for best-in-class governance, well-developed infrastructure, stable energy supply, flexible labour legislation, stable and profitable banking sector, strategic geography connecting European, landlocked Central Asian and Middle East countries, and preferential trading agreements, support Georgia to become a regional hub economy.

IN 2020, ECONOMIC FREEDOM INDEX RANKED GEORGIA:

12th

Up from 14th in 2019, ahead of the Netherlands, the US, Luxembourg and Germany

The Government's ongoing infrastructure investments and increased spending on roads, energy, tourism and municipal infrastructure will also reinforce the potential. To enhance Georgia's competitiveness, the Government continues to strengthen integration in existing international systems as well as new transit routes (e.g. Lapis Lazuli, Persian Gulf – Black Sea, Baltic Sea – Black Sea). Georgia is a regional energy corridor. In November 2019, the Georgian PM, alongside the Turkish and Azerbaijani presidents, opened the Trans-Anatolian Pipeline (TANAP), allowing natural gas from Azerbaijan to be exported to Europe through Georgia.

MARKET AND INDUSTRY OVERVIEW CONTINUED

Georgia's business-friendly environment, coupled with its sustainable growth prospects, attracted FDI on average 10% of GDP over the past decade. These capital flows boosted productivity and accelerated growth. Public infrastructure projects were also instrumental in driving growth, as well as better realising the country's potential in logistics, transport and tourism. Faced with low domestic savings, FDI is an important source of financing growth in Georgia, as well as a reliable source of current account deficit funding. In 2020, according to preliminary data, total FDI amounted to US$ 617 million, down 53% y-o-y. Major sectors attracting FDI were: finance (65% of the total), mining (16.5%) and real estate (11.5%). As a display of the COVID-19 impact, the hotels and restaurants sector recorded a negative US$ 222 million in 2020, compared to a US$ 120 million inflow in 2019. With equity falling due to ownership transfers to Georgian residents in 4Q20, the share of reinvestment by foreign companies in total FDI increased to 91% in 2020, compared to 48.4% in 2019. The reinvestment share was 57.2% in 9M20, even without the ownership transfer effect. Increasing share of reinvestment indicates investors' trust in Georgia's growth model and the success of the profit tax reform introduced in 2017. Planned investment and infrastructure programmes, a rising number of free trade agreements (FTAs) and a business-supportive environment will support further FDI inflows in the medium term, as the effect of the COVID-19 shock dissipates.

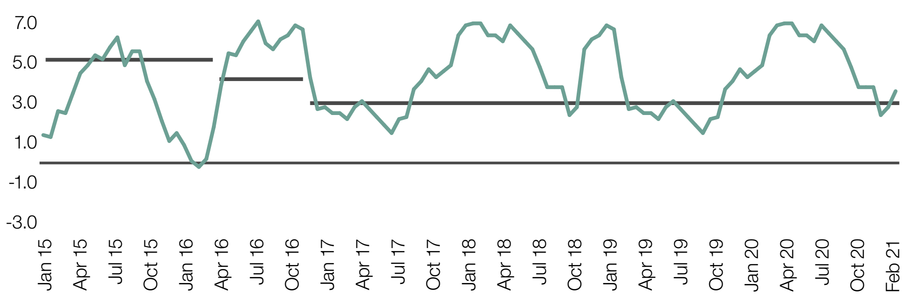
2.8bln

Access to a market with 2.8 billion population without customs duties

Free trade agreements

There have been significant changes in Georgia's export structure and destination markets in recent years; however, Georgia has not yet tapped into international markets. Georgia's exports performance has been contributed to by its commodity structure, dominated by car re-exports and resource-based metals and minerals, with employment-generating processed product exports secondary. One of the biggest changes in destination markets has been a reorientation from the Russian market after the 2005 embargo, as the embargo forced Georgian producers to redirect exports to other Commonwealth of Independent States (CIS) countries, the EU and the Middle East. Exports to Russia picked up again in 2013 as Russia reopened its borders to Georgian products. Since 2013, Georgia's developed logistics and transport infrastructure has helped to shore up opportunities for new re-export commodities, including copper and pharmaceuticals. Despite a high share of re-exports, domestic exports have proved resilient in the wake of the COVID-19 pandemic, as they grew by 3.5% y-o-y in 2020 and limited the effect of a significant fall in re-exports, with total exports shrinking by 12% y-o-y.

Inflation vs inflation target



Together with established destinations, improved access to new large markets, such as the EU, China and Hong Kong, could increase market penetration and there is also scope for diversifying agricultural exports. Georgia's existing free trade deals (with the EU, CIS, EFTA, Turkey, China and Hong Kong) and the prospective FTA with India, as well as an agreement with Israel, imminently offers significant upside potential for Georgia's exports.

The EU-Georgia Association Agreement, that came into force in July 2016, and the related Deep and Comprehensive Free Trade Agreement (DCFTA), effective since September 2014, have laid solid groundwork to improve governance, strengthen the rule of law and provide more economic opportunities by expanding the EU market to Georgian goods and services. Closer economic ties with the EU and trust in prudent policymaking are also expected to attract foreign investments to Georgia. Visa-free travel to the EU, granted to Georgian passport holders in March 2017, is another major success of the Georgian foreign policy.

A FTA with China effective from January 2018 and a FTA with Hong Kong effective from February 2019, increase opportunities to further accelerate exporting markets and to attract investors by offering a business-friendly environment, high governance and access to a market of 2.8 billion customers. In 2020, China was the largest consumer of Georgian exports, up from the 6th largest in 2019, with a 14.3% share compared to 5.9% in 2019, as exports to China more than doubled, reaching US$ 476 million. China was also the largest consumer of Georgian domestic exports, responsible for up to a fifth of the total. Georgia is participating in China's "One Belt One Road Initiative", that will have positive spillovers on the Georgian economy and the region overall.

While remaining committed to EU integration, Georgia has also managed to stabilise relations with Russia, as the latter lifted its embargo on Georgian products in 2013. However, Russia temporarily banned direct flights to Georgia from 8 July 2019 amid rising political tensions after a Russian MP chaired an assembly in the Parliament of Georgia.

Individual sector overview

Banking

The banking sector has been one of the most developed and fastest growing sectors of the Georgian economy. The banking sector's asset growth rate of 16.2% (ten-year CAGR) has far outstripped the nominal GDP growth rate for the same period. However, despite robust progress, there are plenty of opportunities to further tap into growth potential, as the financial market remains at an early stage of development. In 2020, in spite of challenges brought by the COVID-19 shock, the banking sector has remained resilient and hopes to bounce back together with economic activity.

NBG acted swiftly at the onset of the crisis, easing a number of regulatory requirements to support the banking sector's liquidity and provide space for combating the effects of the shock. The capital conservation buffer (2.5% of risk-weighted assets) and part of the Pillar 2 buffer (2/3 of the currency-induced credit risk buffer) were suspended, freeing GEL 1.6 billion for the banking sector to mitigate potential losses and/or support credit to the economy. NBG supported a three-month grace period for customers introduced by the banking sector, easing a number of regulatory requirements to support flexibility for rescheduling the payments. Moreover, the regulation on credit concentration and large risks, that was supposed to enter into force from June 2020, was postponed for a year, on-site inspections were suspended, a temporary moratorium was announced on new regulatory activity, fines were eliminated for violating certain economic limits (coefficients), and lending restrictions (LTV, PTI, etc.) were eased. In order to manage the foreign currency risks, NBG introduced a US$ 400 million currency swap facility, allowed banks to use foreign currency buffers for liquidity management, sold US$ 873 million on foreign exchange auctions, and launched a new currency trading mechanism, the Bloomberg Bmatch platform, with the goal of making the market more diversified, competitive and liquid.

Fitch Ratings downgraded the outlook on Georgian banks to negative, similar to the sovereign rating, in April 2020, citing the potential fallout from the COVID-19 shock.

However, in October, Fitch noted its belief that the pre-impairment bank profitability would improve in 2021, as the economy starts to recover.

The banking sector ended 2020 with net profits of GEL 99 million (with eight banks out of 15 registering losses), significantly smaller compared to 2019, when profits were GEL 953 million. This was mainly caused by the banks pre-emptively creating reserves worth GEL 1.2 billion for possible loan losses in March 2020, as per NBG instructions. Revenues reached GEL 4.9 billion in 2020, up 8.6% y-o-y, while total expenses reached GEL 4.8 billion, up 40% y-o-y (+5.4% excluding the pre-emptive loan loss reserves). Non-performing loans (IMF methodology) reached 2.3% of total loans by the end of 2020, compared to 1.9% at the end of 2019. Return on assets (ROA) was 0.2% (2.5% at the end of 2019) and return on equity (ROE) was 1.4% (20.3%), while average capital adequacy ratio was 17.6% (19.5%) and the liquid asset ratio was 21.1% (19.6%).

The loan portfolio proved resilient in 2020, as credit to the economy increased by 9.1% (excluding the exchange rate effect) by the end of 2020, including an 18.9% growth in GEL loans and a 1.1% growth in foreign currency loans. Mortgage loans, aided by the Government subsidy programme, increased by 11% by the end of the year, while business loans increased by 13.9%. As for deposits, with restrictions constraining spending activity and the Government accruing funds from external financing, commercial bank deposits increased by 20.8% by the end of 2020, including a 41.3% growth in GEL deposits and a 9.3% growth in foreign currency deposits. Without Government deposits, the growth rate was 23.1% in GEL and 9.3% in foreign currency deposits.

Deposit dollarisation was 61.4% at the end of 2020, down from 64.1% at the end of 2019 and 66.3% at the end of March 2020, at the peak of the crisis. Loan dollarisation followed a similar trend, reaching 55.7% by the end of 2020, slightly higher than 55.4% by the end of 2019 and lower than the peak of 58.8% by the end of March 2020.

Healthcare Services

The Georgian healthcare industry experienced important transformations during the last decade. The key components of the national healthcare reform were massive privatisation, infrastructure upgrade, sector liberalisation, introduction of the UHC and wider accessibility to healthcare services as the major outcome.

To address high private healthcare costs and basic healthcare coverage for the entire population, Universal Health Care (UHC) was introduced in 2013 and replaced previous state-funded medical insurance plans. New initiatives regarding the reimbursement and differentiating coverage of Universal Health Insurance were adopted in 2017. In November 2019, aiming to standardise hospital reimbursement and limit healthcare expenditures, the Georgian Government introduced further changes to the UHC reimbursement mechanism. The changes mainly cover the Tbilisi and Kutaisi regions, which had recently developed an oversupply of beds as a result of the addition of a number of small hospitals in recent years. The change may also drive more rapid market consolidation in Tbilisi and Kutaisi, improving service efficiency and quality in the country.

In terms of health expenditure as a percentage of GDP, Georgia achieved a level consistent with that of major developed economies, at approximately 8%, which is above most of its peer emerging economies. However, there still remains a vast potential for the further increase since Georgia has one of the lowest per capita expenditures on healthcare among the benchmark countries. Healthcare spending per capita[1] is currently at a very low base of only US$ 308, with annual outpatient encounters of 3.7 per capita, significantly lower than many comparable countries. On average, 65% of healthcare spending is funded by the private sector.

Notwithstanding a significant improvement in the bed occupancy rate, from 30% in 2003 to 49%[1] currently, there is still potential for even higher efficiency in order to align Georgia with best practices. The occupancy rate in Georgia is far below EU (77%) and CIS average (83.4%) indicators.

1 NCDC 2018.

MARKET AND INDUSTRY OVERVIEW CONTINUED

The Georgian healthcare market has shown solid growth in recent years. According to management's estimates based on the third-party data, the total healthcare market grew by CAGR 12% in 2011-2020 years and is expected to grow at 8% in 2021. Outlook for the healthcare sector is positive as increasing disposable income and supportive Government healthcare help domestic consumption to increase. Growth of overnight visitors, in line with significant improvement in healthcare service quality, support Georgia to become a medical tourism hub in the Caucasus region and to further boost growth of services exports.

Retail (pharmacy)

The pharmaceutical market in Georgia is highly concentrated, with three major players holding approximately 79% of the market share.
The Georgian pharmaceutical market is highly dependent on imports. The share of locally produced drugs on the market is 12% as opposed to only 5% in the early 2000s.
There are over 90 importers of pharmaceutical products in Georgia, but approximately 80% of all imports are performed by three companies: GEPHA (approximately 34-35%), PSP (approximately 27-28%) and Aversi (approximately 17-18%). Domestic production is represented by over 20 companies and is dominated by two players, with approximately 90% of the country's total production volume.

Pharmaceuticals market reforms have made it possible to create a competitive marketplace in Georgia. These have included the introduction of parallel imports and automatic registration of medicines recognised by international control bodies, such as the U.S. Food and Drug Administration (the FDA) and the European Medicines Agency (the EMA), as well as favourable regimes for setting up pharmacies (0% VAT on medicines, absence of customs duties and no price controls).

According to management's estimates based on the third-party data, generics account for 61% of the total market revenues, which is somewhat higher than the EU average (c.50%). However, the market opportunity for generics is still considerable – in the leading economies like Germany and the UK, generics hold a dominant share of more than 80% (in the reimbursed segment). The Over the Counter (OTC) segment in Georgia prevailed over the last decade until 2014, when a prescription requirement was introduced for over 6,000 medicines. Currently, there is a nearly equal split between OTC and prescription drugs.

Medicines and pharmaceutical products have significant contribution to trade turnover. Trade of medicines packaged in measured doses is a considerable source of income. Imports of medicines was the fourth largest commodity group, amounting to US$ 327 million (4.1% of total imports), while re-export of medicines was the seventh largest export commodity group, amounting to US$ 99 million (3% of total exports) in 2020.

Water Utility

Georgia is a country rich in hydro resources. However, only approximately 64% of the population is supplied with water by licensed companies, whereas the rest of the country's population still has no proper access to centralised water supply and sanitation (WSS) services. The Georgian Government is actively working to upgrade the infrastructure and ensuring proper functioning of the water supply system and its reliability through establishing transparent and fair price control policies, which coupled with economic growth create a favourable environment for investors and international lenders to enter the sector and capitalise on stable revenue streams.

Current water tariff calculation methodology, which was adopted by the regulatory body in 2017, is based on hybrid incentive-based and cost-plus principles and is aimed at allowing for a fair return on the investments. Investments in the sector are further incentivised by strong visibility of the revenue and cash flows, as the tariffs are set for three-year regulatory periods. Harmonisation with EU policies following the signing of the EU Association Agreement is contributing to the increasing reliability of WSS service provision and improvement of service standards for utility customers, as well as the stability of utility operations. Unlike other utility segments (electricity and gas), the water utility sector in Georgia is mainly state-owned and our Water Utility business represents the largest private player on the market (natural monopoly, servicing more than one-third of the population) with substantial room for growth.

Medical Insurance

Over the past decade, the private medical insurance market expanded significantly compared with the 2006 figure, when only 40,000 Georgian citizens (or c.1% of the total population) had a voluntary medical insurance package, mostly provided as part of a corporate benefits programme. There were 609,000 private health insurance (PHI) policies in force by the end of September 2020. The corporate segment accounts for the major portion of the PHI market – 94.1% of all policies are acquired by employers and the rest (35,900) are purchased by self-paying individuals. In Georgia, PHI is primarily intended to provide value-added services in the form of more extensive coverage or more convenience for the patient.

Property and Casualty (P&C) Insurance

From 2010 to 2019, the Georgian property and casualty insurance sector grew by 225%, with insurance revenue increasing to GEL 345 million. According to the Insurance State Supervision Service of Georgia (the ISSSG), the total value of gross written premiums increased from GEL 113 million in 2010 to GEL 382 million in 2019, an increase of 237%. The largest six insurance providers in Georgia account for approximately 80% of the market.

The number of property and casualty insurance policies increased from 140,000 in 2012 to 153,943 in 2020. The level of insurance market penetration in Georgia amounts to 1.3% (of which 0.8% is attributable to the property and casualty insurance market) as at 31 December 2019. This was lower than insurance penetration in more developed countries such as the United Kingdom, France, Switzerland and Belgium, which had penetration rates of 10.3%, 9.2%, 8.4%, and 6.0%, respectively, and was also lower than penetration in neighbouring countries such as Slovenia, Poland, Bulgaria, Turkey and Russia, which had penetration rates of 5.1%, 2.7%, 2.4%, 1.5% and 1.4%, respectively.

The Georgian retail insurance market offers ample room for growth, as most of its potential is yet to be unlocked. Motor insurance accounts for 51% of the total retail insurance market in Georgia, of which 13% represents border Mandatory Third Party Liability (MTPL) insurance, effective from March 2018.

Moreover, the motor insurance segment has great potential to increase, as only 7% of registered cars are insured on the local market. The new law requiring local MTPL for all vehicles registered in Georgia is expected to kick in and significantly boost retail market penetration.

Renewable Energy

In Georgia, electricity consumption has been growing significantly for the last decade, in line with GDP growth. CAGR for 2009-2019 stood at 5.3% (CAGR for 2009-2020 decreased to 4.3% reflecting the COVID-19 impact). The country was historically a net exporter of electricity; however, due to sustained consumption growth, the trend has changed and Georgia became a more import-dependent country with ten months of electricity deficit throughout the year. To support the consumption growth, which is forecasted at a minimum of 4% for the next decade, the Government is promoting development and construction of domestic renewable capacities through different support mechanisms, as well as implementing reforms in the Georgian energy market.

Back in 2008, the power generation market witnessed significant changes to facilitate market liberalisation. All hydro power plants (HPPs) constructed after August 2008 have been deregulated, which served as a first step towards the establishment of a free electricity market. In 2014, EU and Georgia signed an Association Agreement and Georgia became a full contracting party member of the Energy Community. Further, the Electricity Law was amended in June 2017, deregulating all HPPs below 40MW and gradually moving the large industrial consumers out of the regulated pricing scheme to the free market. In the next phase of deregulation, effective from May 2019, big industrial customers with monthly electricity consumption of at least 5GWh were required to register as direct customers, increasing the deregulated market share of total electricity demand from c.6% to c.20%. In the coming years, further steps of deregulation are expected to come into force.

Additionally, in December 2019 the Georgian Energy Exchange was founded with 50%-50% co-participation of Georgian State Electrosystem and Electricity System Commercial Operator. The establishment of the new energy exchange was a step forward towards the harmonisation of energy market structure with EU principles. Georgian Energy Exchange will be responsible for organising day-ahead, intraday and bilateral markets through the software services of the consulting company "Nord Pool Consulting", which runs the leading power market in Europe. The primary role of such organised markets is to increase market liquidity and transparency and establish the balance between the supply and demand based on an economic merit order.

Education

The private K-12 education industry in Georgia is growing at a rate twice that of the nominal GDP growth rate. The market grew at a compound annual growth rate of 16% from 2013 to 2019 to reach GEL 3.7 million, according to Galt & Taggart. We believe there is a consolidation trend which represents an opportunity in a fragmented market. The number of private schools in the Georgian market has decreased from 243 in 2013 to 224 in 2020 and at the same time the average private school size has increased from 212 learners per school to 276 learners per school. Based on our estimation, the market share of the ten largest players has increased from 16% to 19% over the same period. Private learners are consolidating in the four largest cities with a population of over 100,000, namely Tbilisi, Batumi, Kutaisi and Rustavi. Management believes that the key growth drivers will be the large gap in the quality of public schools as compared to private school as well as increasing household income and decreasing unemployment rates (prior to the onset of the COVID-19 pandemic).

Georgia has the potential to grow private education enrolment given the penetration levels achieved in sub-Saharan Africa, Latin America and South Asia, which were 16%, 20% and 43% in 2019, respectively, compared to 10% for Georgia, according to UNESCO. Lower average spending per learner also indicates further room for growth. Total private and public spending per learner currently stands at US$ 650, compared to the OECD average of US$ 9,000. Total spending as a percentage of GDP was 2.2% compared to the OECD average of 3.1%.

Data provided in this section was collated from the following sources unless stated otherwise:

- Geostat
- National Bank of Georgia
- Ministry of Finance of Georgia
- Georgian National Tourism Administration
- Insurance State Supervision Service of Georgia
- National Center for Disease Control and Public Health
- Worldometers
- World Bank
- International Monetary Fund

CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES

Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. It focuses on shareholder returns and on opportunities that meet its investment return and growth criteria. However, in line with its updated capital allocation strategy, the Group's emphasis will be on larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over 3-5 years and to monetise investments through exits, as investments mature. The Group believes larger sized investments will provide improved liquidity and superior exit opportunities, to support the Group's desire to reduce the current discount to reported NAV per share.

Businesses operating in a frontier economy such as Georgia have limited access to capital and management personnel. Consequently, those with access to these limited resources can make investments in companies in Georgia which then provide an attractive risk return profile. The Directors seek to generate value for its shareholders by: investing in opportunities that are currently not directly accessible to its shareholders; changing management and governance structures; institutionalising and scaling up company operations, often to benefit from consolidating fragmented and underdeveloped markets; and unlocking value by exiting these companies over time. The Group's approach to investing and managing companies entails the following principles:

Highly disciplined entry approach
The Georgian economy entered into a period of significant development and growth approximately 15 years ago and different sectors and businesses are therefore at an early stages of formation.

Access to capital and management personnel is limited and as a result, Georgia Capital can pursue attractive investment opportunities and acquire assets on relatively attractive terms with a view to consolidating fragmented and underdeveloped sectors of the economy, particularly targeting high-multiple service industries. The Group believes that in the long-run Georgia will become a service hub of the region. Since the Group is under no time pressure to invest, it takes a selective and opportunistic approach to new investments. The Group's key principle is to buy assets at affordable prices and to remain very disciplined in this regard. To evaluate new acquisition opportunities Georgia Capital has developed a 360-degree analysis framework.

360-degree analysis – a strong foundation for value creation. GCAP share price is at the core of decision-making when it comes to new investments. The Group performs a 360-degree analysis each time it makes a capital allocation decision and compares: a) the investment opportunity versus buyback opportunity; and b) the sale opportunity versus buyback opportunity. The Group intends to buy assets/companies at a higher discount to their listed peers than GCAP's fair value discount. Georgia Capital is targeting to invest in opportunities which produce greater returns than returns created by buying back GCAP shares. The US$ 45 million share buyback programme, which commenced in June 2018, was completed in August 2019. Under the programme we bought back 3,336,843 shares, of which 2,650,375 shares were cancelled and 686,468 shares were transferred to the management trust. In addition, in August 2019, Georgia Capital initiated a US$ 20 million share purchase programme for the management trust. The management trust programme has repurchased 1,550,084 shares. There was no buyback programme in 2020 in light of the cash preservation strategy due to COVID-19.

360-DEGREE ANALYSIS – A STRONG FOUNDATION FOR VALUE CREATION

We are targeting to invest in opportunities which produce greater returns than buying GCAP shares

GCAP'S SHARE PRICE IS AT THE CORE OF OUR DECISION-MAKING WHEN IT COMES TO INVESTMENTS

We perform 360-degree analysis each time we make a capital allocation decision and compare:

- Investment opportunity versus buyback opportunity
- Sale opportunity versus buyback opportunity

Entering a new industry with a small ticket size
Another core principle of the Group's investment philosophy is to be mindful about the size of potential investments in new industries. Georgia Capital typically starts with a small ticket size and tests and develops a management track record before stepping up the investment.

Liquidity is important
In order for the Group's strategy to succeed, the Group must be disciplined in unlocking the value of companies in which it invests and manages. In particular, it is crucial to set an exit strategy prior to making an investment. A low investment entry point becomes even more important in a small frontier economy, with limited exit opportunities. The Group aims to have two potential liquidity events for each of its assets:

- The first exit: when entering a new industry Georgia Capital intends to develop and grow portfolio companies. The Group's key focus areas at the portfolio company level are the ability to grow operating cash and to make efficient capital expenditure investments by targeting an appropriate level of return on invested capital (ROIC). Once the business reaches its late stage of development, the Group expects to pursue its first exit route, which envisages dividend flows for GCAP; and
- The second exit: as businesses mature, Georgia Capital normally seeks to monetise its investment through appropriate exit options, typically within five to ten years from initial investment.

In February 2020, Georgia Capital strengthened its management team and created a new role of Chief Strategy Officer. The Chief Strategy Officer is responsible for overseeing the establishment of structured exit processes for the portfolio companies, as Georgia Capital is now starting to engage in the active price discovery of portfolio assets held. Georgia Capital announced two new strategic priorities on its investor day on 12 November 2020 – to monetise one of its large businesses and to divest its "Other" portfolio.

Focus on cash generation
Cash generation at both Georgia Capital and portfolio company level is a key success factor for Georgia Capital.

Focus on management development
By developing top talent in Georgia Capital the Group can add value for the Company's shareholders. Investing time in growing and developing management continues to be critical for the success of the Group's strategy.

Good corporate governance
The Company believes that robust corporate governance is a source of value creation for its shareholders. The Company believes that alignment of the interests of shareholders and management by awarding long-term deferred share awards to the Group's senior executives enhances value creation.

Key metrics for decision-making
The internal rate of return (IRR), multiple of invested capital (MOIC) and ROIC are fundamental metrics used in the investment decision-making process:

- IRR and MOIC are determined at GCAP level and are the key drivers to invest in new opportunities.
- ROIC is at the core of decision-making when the portfolio companies are investing or divesting assets or businesses. ROIC should be more than weighted average cost of capital (WACC) for new investments. As part of ROIC enhancement initiatives across our portfolio, our businesses are targeting continued divestment of low ROIC and/or non-core assets and businesses (e.g. hospital (HTMC) sale transaction in 3Q20 and improving the healthcare services business ROIC by 90bps on a pro forma basis).

Strategic pivot in 2020
In line with our 360-degree analysis, our updated strategy to focus on businesses with the potential to reach scale in 3-5 years, and the ongoing COVID-19 pandemic, the Group took a number of decisive strategic actions in 2020. For example, the dramatic shift in outlook for the tourism sector resulted in an immediate freeze on investments in hotels that had been planned for the hospitality business. In our housing development business, we stopped the development pipeline and are currently working only on projects that are underway.

We shifted these and other smaller businesses to our "other" portfolio category and for some there have been significant negative NAV adjustments. We currently think that most of these businesses are unlikely to reach the scale we would wish them to achieve under our new strategy. For some, we are currently pursuing exit options as we continue to evaluate the prospects of and options for the others.

GCAP ROLE VIS-À-VIS PORTFOLIO COMPANIES

- Approval of all capital allocation decisions: equity, debt, profit reinvestment, divestment, etc.
- Strategy setting, business plan approval and monitoring
- Human capital (CEO and CFO) allocation and KPI setting

IRR and MOIC are the key drivers for GCAP to invest in new opportunities

KEY MONEY MULTIPLES AT GCAP LEVEL

IRR

MOIC

ROIC is at the core of decision-making when our portfolio companies are investing or divesting assets/businesses

KEY METRIC FOR REINVESTMENT DECISION-MAKING AT PORTFOLIO COMPANIES' LEVEL

ROIC

- ROIC should exceed WACC for new investments
- Portfolio companies to continue divestment of low ROIC and/or non-core assets and businesses to enhance ROIC (e.g. Recent hospital (HTMC) sale transaction, improving the healthcare services business ROIC by 90bps on a pro forma basis)

CAPITAL ALLOCATION OUTLOOK IN LINE WITH UPDATED STRATEGY

Georgia Capital expects to allocate US$ 50 million net equity capital in investment stage portfolio companies (Renewable Energy and Education) over the next 3-5 years, of which US$ 10 million is expected to be allocated in 2021. Other than the already identified greenfield projects in the renewable energy and education businesses, the Group now expects to focus on acquisitions. By driving the development of these two businesses, the Group expects to realise at least 2x MOIC at each investment level, 20%+ IRR in Renewable Energy and 25%+ IRR in Education.

Gradually moving to reinvestment phase, given the strong cash flow generation at our investment stage portfolio companies

Total net investment of c.US$ 50mln identified from GCAP over the next 3-5 years

Of which, c.US$ 10mln in 2021

Renewable Energy

Education

Limiting expansion through greenfield developments and focussing on buying cash generating assets at attractive multiples

INVESTING IN RENEWABLE ENERGY

The COVID-19 pandemic has caused various implications for different industries across the globe. However, the renewable energy industry has shown outstanding resilience to the crisis. With sustainable financing on their mind, investors are becoming more attracted by investing in renewable energy.

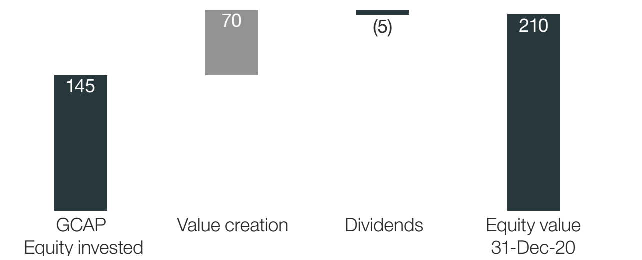
Being underutilised with high capacity factors, having low penetration of air conditioners and high cooling degree days (CDD), the Georgian renewable energy sector demonstrates high growth potential. 35% of the national demand is currently satisfied through imports and thermal power plant (TPPs).

By allocating capital to the renewable energy business, Georgia Capital strives to leverage high margins and US dollar linked cash flows.

Industry investment rationale

- High margins, US dollar linked cash flows
- Growing market, with 35% of demand satisfied through imports and TPPs
- High capacity factors
- Low penetration of air conditioners and high CDD

Current investment overview at 31-Dec-20[5]



Range for peer trading multiples[1]

11x-21x

LTM EV/EBITDA

Total net investment of c.US$ 36mln identified from GCAP over the next three years

- Over the next three years we will be launching pipeline projects: wind farms in Tbilisi and Kaspi, Zoti HPP and Darchi HPP.

Renewable Energy snapshot	31-Dec-20	In 3-5 years
MOIC	1.5x	2.0x+
IRR	20.5%	20%+
Installed capacity	91MW	263MW
Run-rate EBITDA	**GEL 45mln**	**GEL 122mln[2]**

Recent notable transaction from Georgia – TEPCO & Dariali Energy

In April 2020, the renewable energy business arm of Tokyo Electric Power Company Holdings, Japanese Electric Utilities company, acquired 31.4% of 108MW Dariali HPP.

REGIONAL[3] TRANSACTION HIGHLIGHTS IN THE SECTOR[4]

- **167 transactions over the last three years**
- **Of which, 32 transactions were less than US$ 100mln in size**

1 Our valuation peer group multiples as of 31-Dec-20.
2 Run-rate EBITDA assuming 3.2 GEL/USD exchange rate.
3 Region covers countries in central Europe and Asia.
4 Source: Capital IQ.
5 Value creation of GEL 70 million represents value created since initial investment.

CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES CONTINUED

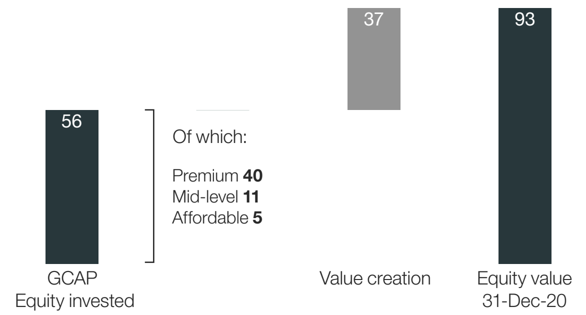
INVESTING IN EDUCATION

The Georgian K-12 private school market is highly fragmented. The Group sees education as an asset light industry and aims to leverage its high growth potential through organic growth and acquisitions. 80% of M&A capacity will be concentrated in the affordable education sector. The value will be unlocked by focusing on attractive margins and high quality revenue streams.

Industry investment rationale

- Asset light industry
- High quality revenue with high margins
- High trading multiples
- Highly fragmented K-12 private school market with strong growth potential

Current investment overview at 31-Dec-20[3]
GEL million



Range for peer trading multiples[1]

7x-22x

LTM EV/EBITDA

Total net investment of c.US$ 14mln identified from GCAP over the next five years by 2025

- Scaling up to a capacity of 21,000 learners through expansion plans in existing schools and M&As by 2025.
- Strong organic growth at existing schools is expected to drive solid growth in run-rate EBITDA, on top of expansion plans and M&As.
- By 2025, average investment and EBITDA per learner are expected to decrease, as 80% of M&A capacity will be concentrated in affordable sector.

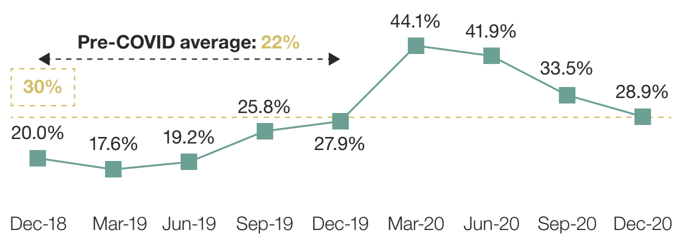
Education business snapshot	31-Dec-20	By 2025
MOIC	1.6x	2.0x+
IRR	42.7%	25%+
Existing capacity (# of learners)	2,810	21,000
of which, existing schools	*2,810*	*6,000*
of which, M&A	*–*	*15,000*
EBITDA	**GEL 10mln[2]**	**GEL 50mln+**

1 Our valuation peer group multiples as of 31-Dec-20.
2 EBITDA of GEL 10 million is an estimate for 2020-21 academic year.
3 Value creation of GEL 37 million represents value created since initial investment.

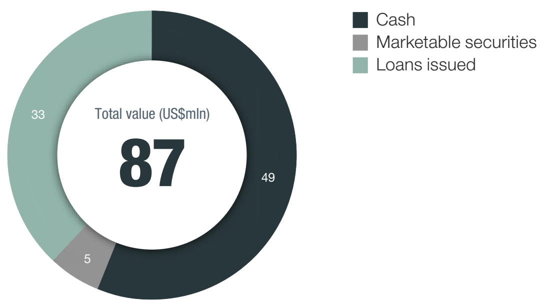
STRONG BALANCE SHEET AND CASH MANAGEMENT AT GEORGIA CAPITAL

- Liquid asset buffer: Georgia Capital holds liquid assets of at least US$ 50 million at all times.
- Managed leverage: Georgia Capital aims to maintain its loan to value (LTV) ratio at below 30%.

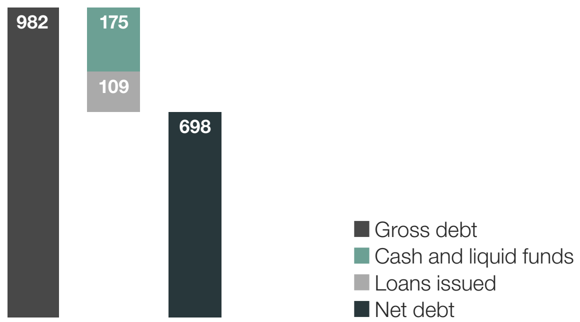
LTV ratio is on track to the targeted threshold of <30%



US$ 87 million liquid funds as of 31-Dec-20



Net debt overview (GEL millions)



EUROBOND TAP OF US$ 65 MILLION

On 9 March 2021, JSC Georgia Capital (the Georgian holding company) priced a US$ 65 million tap issue (the "New Notes") to be consolidated and form a single series with its existing US$ 300 million 6.125% senior notes due 2024 issued on 9 March 2018 (the "Original Notes"). The New Notes, listed on the Global Exchange Market of the Irish Stock Exchange, were priced at par and were settled on 16 March 2021. Georgia Capital intends to use approximately US$ 35 million of the proceeds to fund capital allocations to its portfolio companies and retain approximately US$ 30 million to be used for general corporate purposes.

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VALUE CREATION

AT 31-DEC-20	PORTFOLIO VALUE	VALUE CREATION IN 2020	MULTIPLE OF INVESTED CAPITAL (MOIC) UNREALISED	OWNERSHIP		VALUATION METHODOLOGY HIGHLIGHTS[1]
LISTED INVESTMENTS	GEL millions 532 -48.3%	GEL millions (262)	7.4x	Bank of Georgia (BoG)	19.9%	LSE
PRIVATE LARGE PORTFOLIO COMPANIES	GEL millions 1,858 NMF	GEL millions 860	3.5x	Healthcare Services	100%	Valued externally (combination of DCF and market approaches)
				Retail (pharmacy)	67%	Valued externally (combination of DCF and market approaches)
				Water Utility	100%	Valued externally (combination of DCF and market approaches)
				Insurance	100%	Valued externally (combination of DCF and market approaches)
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES	GEL millions 303 +85.7%	GEL millions 99	1.5x	Renewable Energy	100%	9.0-10.5 EV/EBITDA
				Education	70%-90%	12.5 EV/EBITDA
OTHER	GEL millions 215 -48.0%	GEL millions (217)				
TOTAL PORTFOLIO	GEL billions 2.9 +29.1%	GEL millions 480				

1 The detailed valuation methodology is described on pages 101-102 of this report.

Photo Lake Koruldi near Mt. Ushba. Location upper Svaneti, Georgia.

Strategic Review Our Business

OUR MANAGEMENT TEAM

Georgia Capital

Irakli Gilauri, Chairman and CEO

Irakli Gilauri formerly served as the CEO of BGEO Group from 2011 to May 2018. He joined as CFO of Bank of Georgia in 2004 and was appointed as Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Prior, he was an EBRD (European Bank for Reconstruction and Development) banker. Mr Gilauri has up to 20 years of experience in banking, investment and finance. Over the last decade, Irakli's leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and wine. Holds an MS in banking from Cass Business School.

Avto Namicheishvili, Deputy CEO

In addition to his deputy CEO role at JSC Georgia Capital, Avto also serves as a chairman of the Group's water utility, renewable energy, beverages, housing development and hospitality & commercial real estate businesses. Formerly he was BGEO Group General Counsel. He was General Counsel of the Bank of Georgia from 2007 to 2018 and has played a key role in all of the Group's equity and debt raises on the capital markets, and over 25 mergers and acquisitions. Prior, he was a Partner at a leading Georgian law firm. Holds LLM in an international business law from Central European University, Hungary.

Nikoloz Gamkrelidze, Deputy CEO

In addition to his deputy CEO role at JSC Georgia Capital, Nick also serves as CEO of GHG, the holding company of the Group's healthcare services, retail (pharmacy) and medical insurance businesses. Previously served as deputy CEO (Finance) of BGEO Group PLC. Our healthcare business story starts with Mr Gamkrelidze, who started it in 2006, and has successfully led it through outstanding growth. Nick also served as CEO of Insurance Company Aldagi, CEO of My Family Clinic and Head of the Personal Risks Insurance Department at BCI Insurance Company. He was a consultant at the Primary Healthcare Development Project (a World Bank Project) and worked on the development of pharmaceutical policy and regulation in Georgia. Holds an MA in International Healthcare Management from the Imperial College Business School.

Giorgi Alpaidze, Chief Financial Officer

Formerly BGEO Group CFO. Joined BGEO as Head of Group's Finance, Funding and Investor Relations in 2016. He has extensive international experience in banking, accounting and finance. Previously, he was a senior manager in Ernst & Young LLP's Greater New York City's assurance practice. Holds a BBA from the European School of Management in Georgia. US Certified Public Accountant.

Ia Gabunia, Chief Strategy Officer

Formerly Investment Director at Georgia Capital. Joined BGEO as an Investment Director in 2017. Ia has over ten years of experience in banking and investment management. Prior to joining BGEO Ia served as Head of Corporate Banking at Bank Republic, Société Générale Group. Previously, she held numerous executive positions in leading Georgian companies, among which are an Investment Executive at Liberty Capital (the holding company of Liberty Bank) and Head of Investor Relations at Galt & Taggart Asset Management. Ia holds a BSc degree from London School of Economics and Political Science, UK.

Giorgi Ketiladze, Director, Investments

Formerly Investment Officer at BGEO Group. Joined BGEO in 2017. Previously, worked at Deutsche Bank in Corporate Finance department and at KPMG consulting in Germany. Giorgi holds a master's degree from London Business School.

Nino Vakhvakhishvili, Chief Economist

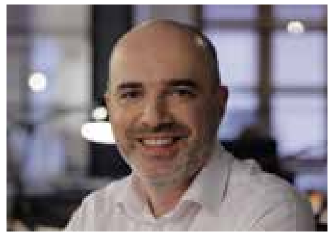
Joined Georgia Capital in 2018. Nino is an IMF's Short-term Expert and visiting lecturer at the University of Georgia. Before joining the company, she spent over five years at the National Bank of Georgia. Holds a master's degree in economics from ISET.

Georgia Capital

Levan Dadiani, General Counsel

Formerly Senior Group Lawyer at BGEO Group. Joined BGEO in 2012. Levan has an extensive experience in commercial law, equity investments, corporate and project financing and energy projects. Previously, he was a Partner at a leading Georgian law firm. Holds an LLM degree in International Business Law from University of Texas at Austin, USA.

Listed Portfolio



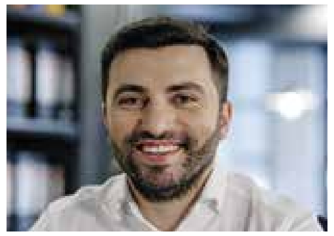
Archil Gachechiladze, CEO, Bank of Georgia

Previously CEO at GGU, the Group's water utility and renewable energy businesses. Prior to that, Archil was a Deputy CEO in charge of corporate banking at Bank of Georgia. He launched the Bank's industry and macro research, brokerage, and advisory businesses, as well as leading investments in GGU and launched Hydro Investments. Previously, he was an Associate at Lehman Brothers Private Equity in London, and worked at Salford Equity Partners, EBRD, KPMG, Barents, and the World Bank. Holds an MBA with distinction from Cornell University and is a CFA charterholder.

Private Portfolio

Nikoloz Gamkrelidze, CEO at Healthcare Services, Retail (pharmacy) and Medical Insurance Businesses

In addition to his deputy CEO role at JSC Georgia Capital, Nick also serves as CEO of GHG, the holding company of the Group's healthcare services, retail (pharmacy) and medical insurance businesses. Previously served as deputy CEO (Finance) of BGEO Group PLC. Our healthcare business story starts with Mr Gamkrelidze, who started it in 2006, and has successfully led it through outstanding growth. Nick also served as CEO of Insurance Company Aldagi, CEO of My Family Clinic and Head of the Personal Risks Insurance Department at BCI Insurance Company. He was a consultant at the Primary Healthcare Development Project (a World Bank Project) and worked on the development of pharmaceutical policy and regulation in Georgia. Holds an MA in International Healthcare Management from the Imperial College Business School.



Giorgi Vakhtangishvili, CEO at Water Utility and Renewable Energy Businesses

Formerly CFO at GGU (the holding company of the Group's water utility and renewable energy businesses). Previously held different managerial positions at BGEO Group's companies; before joining GGU, Giorgi served as CEO of m^2 Real Estate. Holds a BBA degree from European School of Management (ESM).

Giorgi Baratashvili, CEO at P&C Insurance Business

Joined as the Head of Corporate Clients Division of Aldagi, the holding company of the Group's P&C insurance business, in 2004. Before taking the leadership of our P&C insurance business in 2014, he served as Deputy CEO of Aldagi in charge of strategic management for corporate sales and corporate account management. Holds a Masters Diploma in International Law.

In 2020, two of our employees were promoted within Georgia Capital to the positions of Chief Strategy Officer and Investments Director. Ekaterina Shavgulidze, Chief Investment Officer at Georgia Capital, stepped down during the year.

Read more about changes in our management team in 2020 on pages 161-163 in the Nomination Committee report.

OUR PORTFOLIO OVERVIEW
PUBLIC PORTFOLIO

BANKING

Overview

Bank of Georgia Group is a Georgia-focused banking business with an impressive track record of delivering superior returns and maximising shareholder value. Diversified revenue sources, a growing loan book, robust asset quality, efficient cost performance and fee income growth are the main drivers of the exceptional results in terms of Bank of Georgia Group profitability. JSC Bank of Georgia, the systemically important and leading universal Georgian bank, is the core entity of Bank of Georgia Group. It offers: a) retail banking and payment services (Retail Banking), b) corporate and investment banking and wealth management operations (Corporate and Investment Banking) in Georgia; and c) banking operations in Belarus (BNB). BoG is well positioned to benefit from the superior growth of Georgian economy through both its Retail Banking and Corporate and Investment Banking services and aims to deliver on its growth strategy with strong capital and liquidity positions.

Bank of Georgia Group has two primary segments: Retail Banking and Corporate and Investment Banking. In Retail Banking, the prominent component of the banking business, BoG runs a client-centric digital multi-brand offering with the aim to reach the entire spectrum of retail customers through its mass retail and affluent segments. Bank of Georgia is a leader in the payments business and financial mobile app, with the strongest retail franchise in Georgia. With a continued focus on digitalisation and expanding technological and data analytics capabilities, BoG targets to anticipate customer needs and offer more personalised, seamless experiences. In addition, BoG serves micro, small and medium-sized enterprises (MSME) through two respectively dedicated segments under the Retail Banking business. In Corporate and Investment Banking, given the scale, a rich portfolio of banking products and services, and industry and product expertise that it possesses, BoG is a universal bank of choice and top-of-mind advisor for Georgian corporates. In the wealth management and brokerage business, under the Corporate and Investment Banking business, BoG is focused on strengthening and promoting its regional private banking franchise and focusing on profitable growth, through unlocking retail brokerage potential, fully digitalising brokerage services, and diversifying its wealth management offerings.

COVID-19 impact

Bank of Georgia has demonstrated resilience amid a tough operating environment in light of COVID-19 in 2020. BoG has focused its efforts on ensuring operational continuity, ample liquidity and strength of capital, while implementing extensive safety measures in branches, which remained open during lockdown, shifting back office employees to remote work, and supporting its customers and communities, including incentivising more of its customers to go digital and use its best-in-class mobile app, helping MSMEs with digital transformation and offering three-month payment holidays to Retail Banking customers during lockdown, among other initiatives. BoG temporarily stopped paying dividends from 2020. Having taken a significant up-front COVID-19-related expected credit loss provision for the full economic cycle in the first quarter of 2020, the quality of BoG's loan book has remained robust. NPLs to gross loans were 3.7% at 31 December 2020 (2.1% at 31 December 2019), which is in line with the upfront provisions recorded for the full economic cycle in 1Q20. Notwithstanding the pandemic, BoG's lending activity has remained strong and BoG delivered a return on average equity of 21.3% in the fourth quarter of 2020, and a return on average equity in excess of 20% in each of the last three quarters of the year, while maintaining strong liquidity and capital positions. The ROAE was 13% in 2020 (down 13.1ppts y-o-y).

Strategy

Bank of Georgia Group reiterated its medium-term strategic priorities on its investor day in 2020 despite the evolving pandemic:

- 20%+ ROAE.
- Loan book growth of c.15%.
- Robust capital management:
  - Capital Position: Aiming to maintain c.200bps buffer for CET1 and Tier 1 capital ratios over minimum regulatory requirement in the medium term;
  - Track record of GEL 648 million+ cash dividend paid during 2013-2019, within the targeted payout ratio range; and
  - Restoration of regular dividend payouts, aiming for 25-40% dividend payout ratio; Resuming dividend payout depends on new capital requirements schedule to be released by the NBG.

INVESTMENT RATIONALE

The first entity from Georgia to be listed on the premium segment of the Main Market of the London Stock Exchange (LSE: BGEO) since February 2012.

High standards of transparency and governance.

Leading market position[1] in Georgia by assets (35.6%), loans (34.9%), client deposits (38.9%) and equity (32.0%) as at 31 December 2020.

Growing market: The banking sector's assets growth rate at 24.7% (CAGR during 2003-2020 years).

Strong retail and corporate banking franchise.

Leader in payments and financial mobile app.

Sustainable growth combined with strong capital, liquidity and robust profitability.

Outstanding ROAE performance.

Dividend per share growing at 34.3% CAGR over 2010-2018.

OWNERSHIP

Georgia Capital owns 19.9% of Bank of Georgia Group PLC. As long as Georgia Capital's stake in BoG is greater than 9.9%, it will exercise its voting rights in Bank of Georgia Group in accordance with the votes cast by all other shareholders on all shareholder votes at any general meeting.

VALUE CREATION POTENTIAL

Loan book growth c.15%.

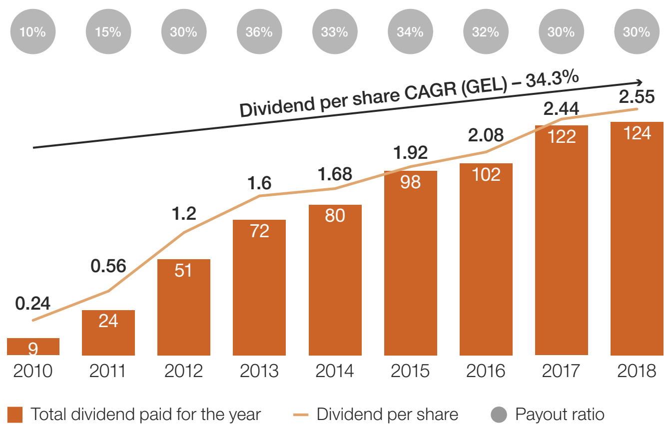
Restoration of dividend pay-out ratio within 25-40%.

20%+ ROAE.

1 Market data based on standalone JSC Bank of Georgia accounts as of 31 December 2020 published by the National Bank of Georgia (NBG) **www.nbg.gov.ge**.

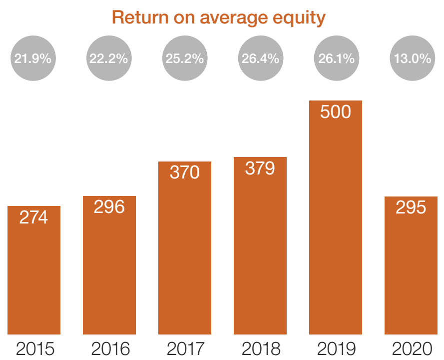
PERFORMANCE TRACK RECORD[3]

Dividend record[1]
GEL millions



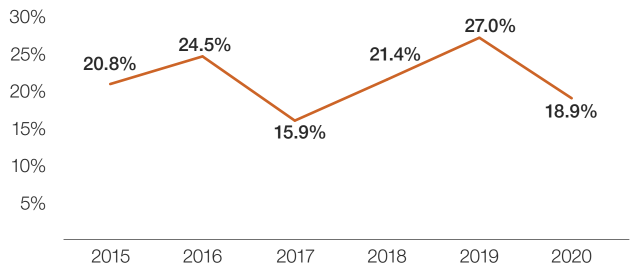
1 Actual dividend per share information for 2010-2016 years is adjusted for 19.9% BoG share issuance.

Profits & ROAE[2]
GEL millions



2 ROAE is adjusted for one-offs in 2018 and 2019 years.

Loan book growth



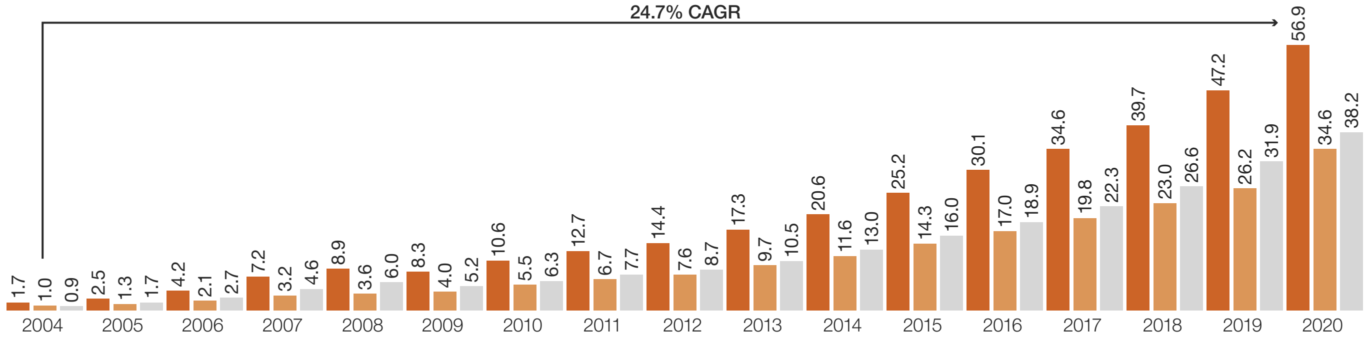
3 Numbers are derived from BoG's unaudited IFRS accounts.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PUBLIC PORTFOLIO CONTINUED

MARKET OPPORTUNITY

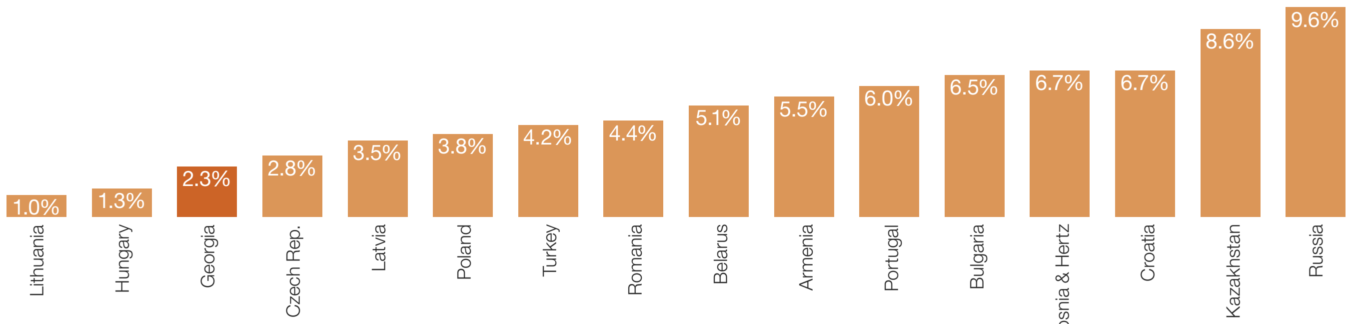
Banking sector assets, loans and deposits
GEL billions



Assets Deposits Loans

Source: NBG

One of the lowest levels of NPLS worldwide, 2020
(Non-performing loans to total gross loans)



Source: IMF, NBG

FINANCIAL METRICS[1]

Banking business loan book (GEL millions) **14,192** +18.9%	Deposit portfolio (GEL millions) **14,020** +39.1%	ROAE[2] **13.0%** -13.1ppts	NIM **4.6%** -1.0ppts
Cost/income[2] **39.7%** +1.9ppts	NPL coverage adjusted for collateral value **128.8%** -10.8ppts	Tier 1 capital adequacy ratio **12.4%** -1.2ppts	Liquidity coverage ratio **138.6%** +1.9ppts

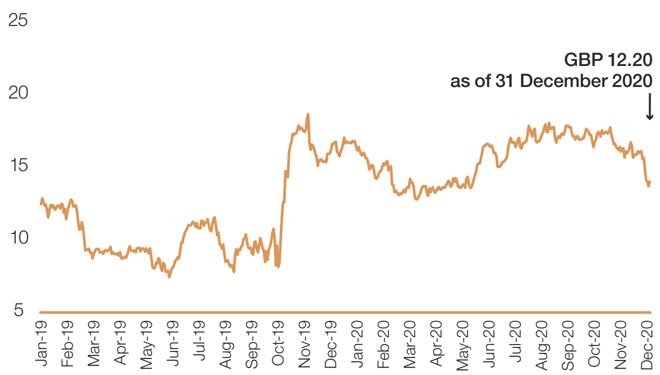
1 Numbers are derived from BoG's unaudited IFRS accounts.
2 2019 ROAE and cost/income ratios are adjusted for one-off employee costs related to termination costs of former CEO and executive management.

OPERATING METRICS

Number of retail clients **2,616** +3.0%	% of transactions through digital channel **95.3%** +2.1ppts	Number of mobile banking transactions (millions) **62.5** +74.0%	Market share % by number of transactions in POS terminals 2020 **49.0%** +2.0ppts

VALUATION HIGHLIGHTS

Stock price performance
GBP



Implied multiple highlights at 31-Dec-20

LTM P/E **9.06x** (+3.05x y-o-y)	P/B **1.05x** (-0.35x y-o-y)

Strategic Review Overview
Strategic Review Our Business
Strategic Review Discussion of Results
Governance
Financial Statements
Additional Information

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES

GEORGIA HEALTHCARE GROUP (GHG)

Overview
GHG is the holding company of our healthcare services, retail (pharmacy) and medical insurance businesses. GHG is the largest and the only fully-integrated healthcare provider in the fast-growing, predominantly privately-owned Georgian healthcare ecosystem with an aggregate annual market value of c.GEL 3.8 billion. GHG is the market leader in the country on each operating segment.

Our integrated healthcare pathway was further solidified with upgraded digital channels. In May 2020, GHG launched an innovative, independent and fully integrated digital healthcare platform EKIMO. EKIMO combines all components of primary healthcare: doctors, clinics, radiology units, retail pharmacies and medical insurance. The platform is open for any healthcare provider or health product seller in the country. The platform provides quick and easy access to the entire healthcare ecosystem including doctors' appointments, online payments, doctors' online consultations and pharma delivery.

Strategy
Despite the ever-changing pandemic, which may put some growth initiatives on hold as well as slow down anticipated organic growth of the businesses, each discussed separately in details below, GHG's growth summary and targets in the medium to long term remain unchanged.

Having completed its intensive three-year capital expenditure programme in 2018, GHG businesses continue to focus on improving the operational and financial performance, and delivering growth by developing new projects and benefiting from the organic growth of the businesses. Going beyond the core of current operations, and shaping new markets in the related services and products, such as beauty, aesthetics, lab retail and clinical trials, will enable businesses to deliver significant growth momentum over the next few years.

In response to the pandemic, accelerated launch of digital channels is further supporting business growth momentum. Our new EKIMO platform is already picking up and by 22 March 2021 has 150,000 downloads, with 126,000 active users and 9,000 monthly paying users who already transacted 8,900 doctors consultations and GEL 3.3 million online pharmacy sales.

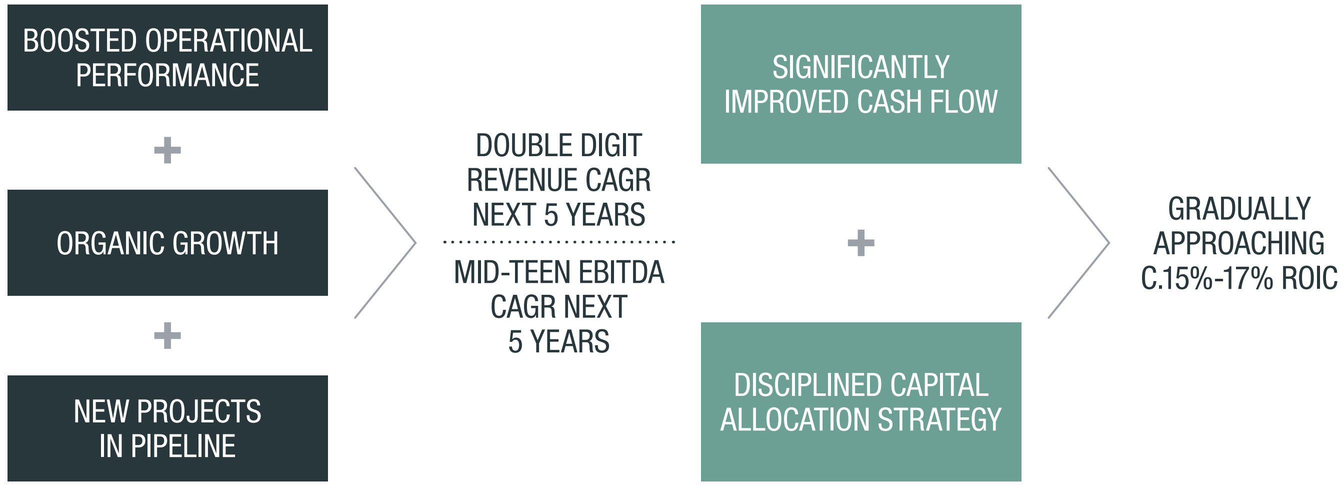
From the operational performance perspective, GHG is progressing well by: focusing on improving the capacity utilisation of its healthcare facilities; exercising various asset optimisation measures, such as disposal or transformation of unused and low ROIC-generating assets (e.g. sale of HTMC hospital in 2020); driving efficiency across GHG facilities through service process automatisation and the full roll-out of Healthcare Information System (HIS), the implementation of which was almost completed in 2020.

These, together with the improved cash flow generation and a disciplined capital allocation strategy, which mainly focuses on balance sheet deleveraging, exercising value accretive minority buy-outs and allocating resources to high ROIC-generating investments, will help GHG to achieve its goal to generate double-digit compound annual growth rate in revenues over the coming five years and mid-teens compound annual growth rate in EBITDA that is expected to support a 15%-17% ROIC in the medium to long term.

Georgia Healthcare Group – The only fully-integrated healthcare provider in the region now with solidified digital channels

- Comprises of three businesses: Healthcare Services, Retail (pharmacy) and Medical Insurance
- Market leader in each operating segment
- Advanced technology and IT infrastructure solidifies the Group's further growth opportunities on integrated level

GHG Group medium to long-term strategic targets



INVESTMENT RATIONALE

Very low base: healthcare services spending per capita only US$ 308 (EU average is US$ 3,211).

Growing market: healthcare spending growth estimated at 8% 2020-2021.

OWNERSHIP

Georgia Capital owns 100% in GHG at 31 December 2020. Our holdings of GHG equity shares increased from 70.6% at 31 December 2019 following the completion of a recommended share exchange offer. Further details of the transaction are available at the following link: **https://georgiacapital.ge/ir/offer-ghg**.

VALUE CREATION POTENTIAL

The single largest integrated company in the Georgian healthcare ecosystem, with a cost advantage due to the scale of operations.

High-growth potential driven by opportunity to develop medical tourism, pick-up in polyclinics – outpatient market, the provision of beauty, dental, aesthetics and laboratory diagnostics.

Well positioned to take advantage of the expected long-term macroeconomic and structural growth drivers.

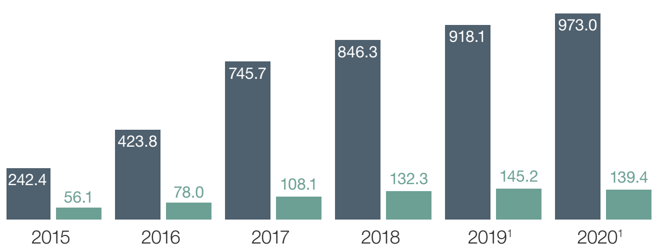
ROIC enhancement and substantially increased free cash flow generation following the completion of a significant three-year investment programme in 2018.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

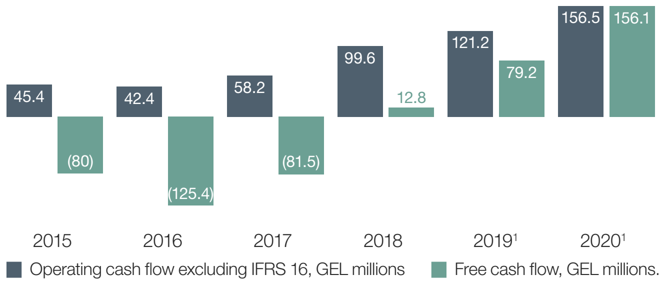
PERFORMANCE TRACK RECORD[2]

Growth



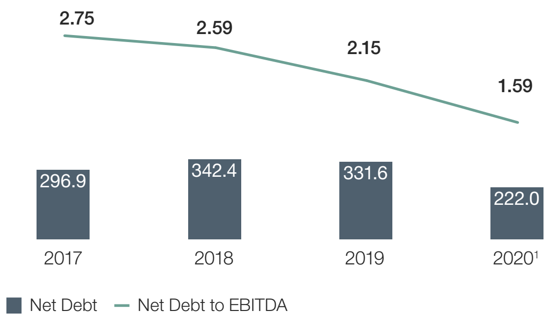
1 Excluding HTMC.

Strong cash flow generation and liquidity



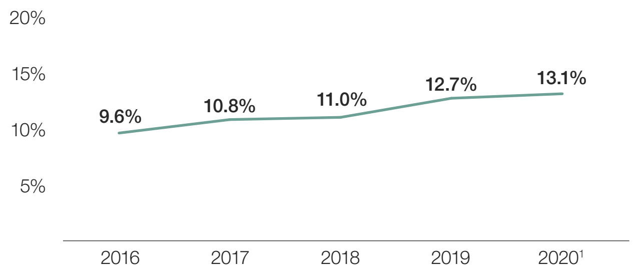
1 Excluding HTMC.

Deleveraging
GEL millions



1 Excluding HTMC.

ROIC improvement

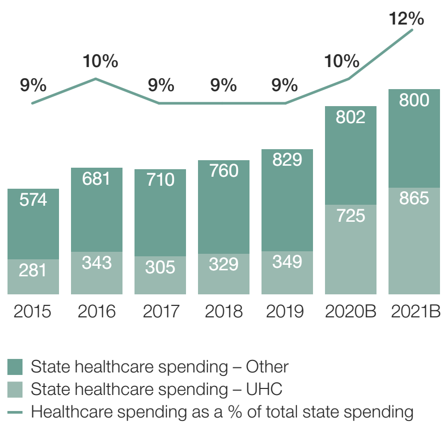


1 Excluding HTMC.

- The healthcare services business sold 40% equity interest in one of its lowest ROIC generating hospitals – High Technology Medical Center (HTMC), for US$ 12 million, in line with its strategy to divest low-return generating assets. The divestment improved the healthcare services business's ROIC (by 90bps in 2019).
- The healthcare services business also sold 35% shareholding in one of its lowest generating assets – 5th Clinical Hospital.

MARKET OPPORTUNITY

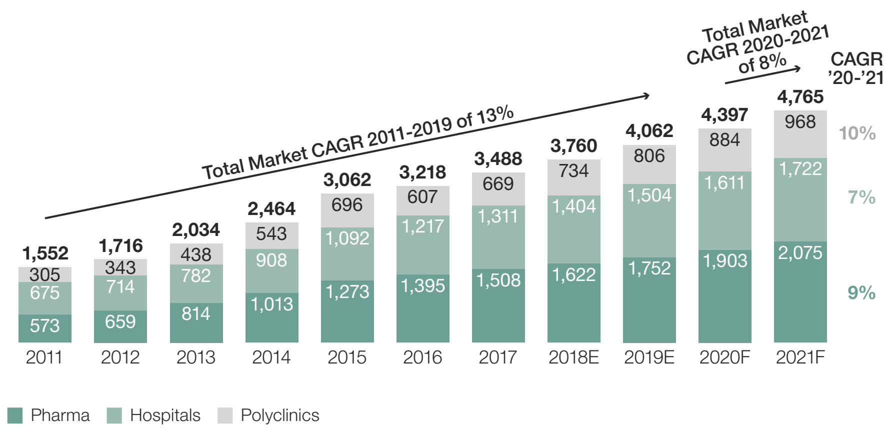
State healthcare budget is increasing in line with the country's nominal GDP growth
State healthcare spending dynamics
GEL millions



Source: Ministry of Finance of Georgia

- The country's expenditure on healthcare – c.8% of GDP;
- C.35% of the total healthcare expenditure is financed by the State;
- Government expenditure on healthcare as a % of GDP reached c.3% from 1.6% in 2013;
- Government spending on healthcare accounts for c.10% of the total budget;
- In 2020, increase in "State healthcare spending – Other" is due to the ever-changing COVID-19 pandemic.

Growth in healthcare service market expected to continue
Double digit growth expected on the back of favourable dynamics
GEL millions



Source: Frost & Sullivan analysis 2017

Hospitals market includes revenue of c.10% from speciality beds, which is a non-addressable market for GHG.
Polyclinics market excludes dental and aesthetic services.

2 Numbers are derived from GHG's unaudited IFRS accounts.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

HEALTHCARE SERVICES

Overview
The healthcare services business, managed by GHG, is the single largest market participant in the healthcare services industry, accounting for 20% of the country's total hospital bed capacity, as of 31 December 2020. Through its vertically integrated network of hospitals and clinics, the healthcare services business offers the most comprehensive range of inpatient and outpatient services, targeting the entire country's population and beyond. The healthcare services business comprises of three segments:

- **Hospitals** – Operates 17 referral hospitals, providing secondary or tertiary level healthcare services, located in Tbilisi and major regional cities;
- **Clinics** – 19 community clinics, providing outpatient and basic inpatient healthcare services, located in regional towns and municipalities; 15 polyclinics, providing outpatient diagnostic and treatment services, located in Tbilisi and major regional cities;
- **Diagnostics** – Largest diagnostics laboratory in the entire Caucasus region – Mega Laboratory ("Mega Lab"), opened in December 2018.

COVID-19 impact
The business has been supporting the Government of Georgia in its efforts to fight the spread of the virus in light of a spike in healthcare demand. Following the second wave of the virus in September 2020, GHG mobilised six of its hospitals and four clinics, more than c.1,300 beds, across the country to treat COVID-19 patients. A number of initiatives were put in place, including properly trained medical teams, isolated wards, and fully-equipped intensive and critical care units. Infection prevention and emergency programmes and guidelines were established across the Group hospitals and clinics. In April, our diagnostics business also started testing patients for COVID-19.

COVID-19-related lockdown and restrictions have a major impact on the healthcare services business, leading to a reduction in patient footfall at healthcare facilities for planned treatment in the first lockdown lasting through April-May 2020. Though, in 2H20, the trend started to rebound despite the second wave from September 2020, the utilisation levels were up at GHG's non-COVID hospitals by 11% and number of admissions at clinics also increased by 26% h-o-h. The diagnostics segment, which apart from regular diagnostics services, is also engaged in COVID-19 testing, has shown extremely strong results this year, tripling its revenues in 2020, up 186.4%, y-o-y.

Strategy
Despite the pandemic, the business is on track to deliver its targeted double-digit compound annual growth rate in EBITDA over the next five years on the back of expected organic growth combined with the higher utilisation of the hospitals and polyclinic network.

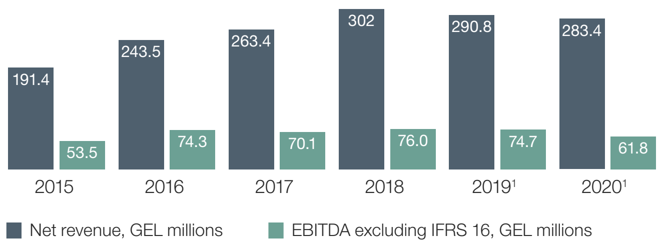
Major growth drivers in medium to long term

HOSPITALS	CLINICS	DIAGNOSTICS
• Organic growth of matured hospitals and increased utilisation • Supporting growth pillars (such as medical tourism and clinical trials) • Digitalisation	• Increasing the number of the registered patients • Adding new services (such as dental and aesthetic) • Digitalisation	• Develop a retail network • Develop digital channels

MID-TEEN EBITDA CAGR NEXT 5 YEARS

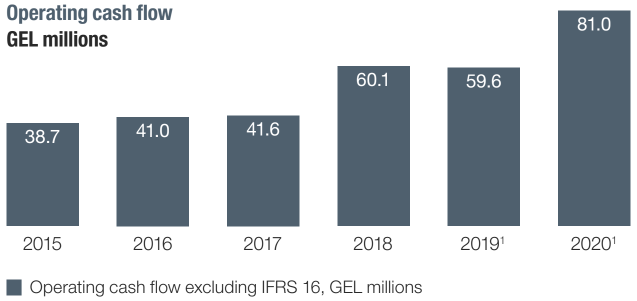
PERFORMANCE TRACK RECORD[2]

Net revenue and EBITDA
GEL millions



1 Excluding HTMC.
2 Numbers are derived from GHG's unaudited IFRS accounts.

Operating cash flow
GEL millions



1 Excluding HTMC.

FINANCIAL METRICS[1,3]

Net revenue (GEL millions) **283.4** -2.5% y-o-y	EBITDA excluding IFRS 16 (GEL millions) **61.8** -17.2% y-o-y	EBITDA margin excluding IFRS 16 (%) **21.6%** -3.9ppts y-o-y	Operating cash flow excluding IFRS 16 (GEL millions) **81.0** +35.7% y-o-y
EBITDA to cash conversion excluding IFRS 16 (%) **130.9%** +51.1ppts y-o-y	Free cash flow excluding IFRS 16 (GEL millions) **83.5** +258.6% y-o-y	Net debt (GEL millions) **211.2** -25.5% y-o-y	

OPERATING METRICS[1]

Revenue per bed in hospitals (GEL) **89.5** -6.5% y-o-y	Number of referral hospitals **17** -1 over 2019	Referral hospital bed occupancy rate (%) **53.1%** -3.3ppts y-o-y	Number of community clinics **19** NMF
Number of referral and community beds **2,949** -371 over 2019	Number of polyclinics **15** NMF	Number of registered patients at polyclinics **518,000** +13.2% y-o-y	

VALUATION HIGHLIGHTS[2]

Value development overview at 31-Dec-20
GEL millions

Implied multiple highlights (incl. IFRS 16) at 31-Dec-20

LTM EV/EBITDA[1]	LTM FCF/EV
13.2x	**10.2%**

Peer companies
- Med Life S.A. | Romania
- EMC Instytut Medyczny SA | Poland
- Netcare Limited | South Africa
- MD Medical Group Investments Plc | Cyprus
- Narayana Hrudayalaya Limited | India
- MLP Saglik Hizmetleri A.S. | Turkey
- Life Healthcare Group Holdings Limited | South Africa
- Mediclinic International plc | South Africa

1 Excluding HTMC.
2 The detailed valuation overview and related drivers are described on pages 103-119 of this report.
3 Numbers are derived from GHG's unaudited IFRS accounts.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

RETAIL (PHARMACY)

Overview
The retail (pharmacy) business, managed by GHG, is the largest pharmaceuticals retailer and wholesaler in the country, with a c.33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business which sells pharmaceuticals and medical supplies to hospitals and pharmacies. The pharmacy chain operates two brands, Pharmadepot and GPC, with a total of 313 pharmacies, 309 in Georgia and four in Armenia.

COVID-19 impact
The retail (pharmacy) business has been resilient throughout the pandemic, as the pharmacies remained open throughout Georgia during the lockdown.

Strategy
Going forward the business's strategy remains unchanged – to deliver its targeted double-digit compound annual growth rate in EBITDA over the next five years by focusing on: further expansion of its pharmacy chains, where in the last three years 58 new pharmacies were added; improvement of the product mix and enhancement of the position in the private label segment; and new supportive growth projects such as beauty and opticians. In line with this strategy the business has already entered the beauty retail market by signing a franchise agreement with The Body Shop, a leading British cosmetic, skin care and perfume company. The business already opened three standalone flagship stores in the capital city and developed the shop-in-shop model in 155 pharmacies.

Major growth drivers in medium to long term

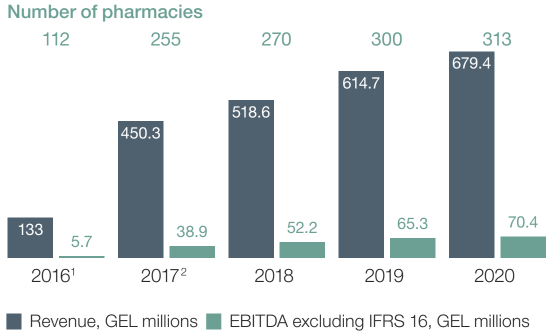
MAJOR GROWTH DRIVERS IN MEDIUM TO LONG TERM

Expanding retail footprint	Enhancing retail margin (private label products)	New retail categories (such as lab service and beauty)	Growing wholesale revenue (such as hospital supplies)	Digital channels

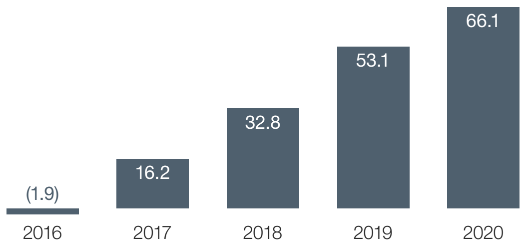
MID-TEEN EBITDA CAGR NEXT 5 YEARS

PERFORMANCE TRACK RECORD[3]

Revenue and EBITDA



Operating cash flow (excl. IFRS 16)
GEL millions



1 GPC was acquired in 2016, numbers for the 2016 year includes only May-Dec GPC's results.
2 Pharmadepot was acquired in 2017.
3 Numbers are derived from GHG's unaudited IFRS accounts.

FINANCIAL METRICS[1]

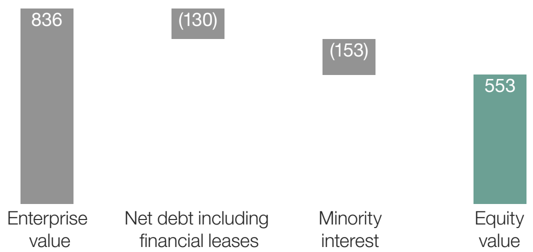
Revenue (GEL millions) **679.4** +10.5% y-o-y	Gross profit margin (%) **25.4%** -0.1ppts y-o-y	EBITDA excluding IFRS 16 (GEL millions) **70.4** +7.8% y-o-y	EBITDA margin excluding IFRS 16 (%) **10.4%** -0.2ppts y-o-y
Operating cash flow excluding IFRS 16 (GEL millions) **66.1** +24.4% y-o-y	EBITDA to cash conversion excluding IFRS 16 (%) **93.9** +12.5ppts y-o-y	Free cash flow excluding IFRS 16 (GEL millions) **60.8** +27.7% y-o-y	Net debt (GEL millions) **39.3** -39.4% y-o-y

OPERATING METRICS

Number of pharmacies **313** +13 over 2019	Number of bills issued (million) **27.6** -1.2 over 2019
Average bill size (GEL) **16.8** +2.5 over 2019	Same store revenue growth (%) **6.1%** NMF

VALUATION HIGHLIGHTS[2]

Value development overview at 31-Dec-20
GEL millions



Implied multiple highlights (incl. IFRS 16) at 31-Dec-20

LTM EV/EBITDA	LTM FCF/EV
9.1x	**9.9%**

Peer companies
- NEUCA S.A. | Poland
- Sopharma Trading AD | Bulgaria
- SALUS, Ljubljana, d. d. | Slovenia
- Great Tree Pharmacy Co., Ltd. | Taiwan
- Dis-Chem Pharmacies Limited | South Africa
- Clicks Group Limited | South Africa
- S.C Ropharma S.A | Romania

1 Numbers are derived from GHG's unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 103-119 of this report.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

INSURANCE

Insurance business comprises a) Medical Insurance business, owned through GHG and b) Property and Casualty (P&C) insurance business, owned through Aldagi.

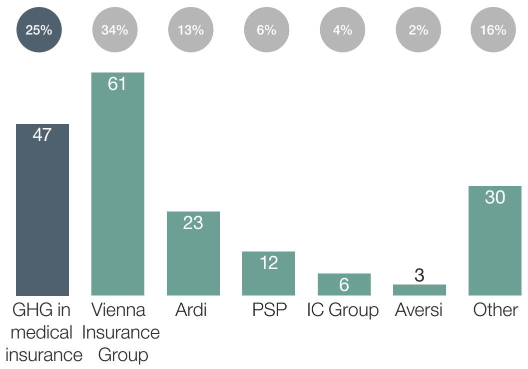
MEDICAL INSURANCE

Overview
GHG's medical insurance business is one of Georgia's largest providers of private medical insurance, with a 25.5% market share based on 3Q20 net insurance premiums. GHG has a wide distribution network and offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. GHG has c.174,000 persons insured as at 31 December 2020. The medical insurance business plays an important role in GHG's business model, as it is a significant feeder for its polyclinics, pharmacies and hospitals.

COVID-19 impact
The business effectively adjusted to the COVID-19 environment, which has further accelerated the pace of digitalisation across the company. Overall, the pandemic did not impact the business, other than a decline in receivables collection rate, mostly from travel agencies (1% of total receivables), as small businesses began to face some difficulties due to the current circumstances caused by the pandemic. At the same time, the business benefited from low mobility countrywide during the lockdown periods, resulting in decreased claims expenses.

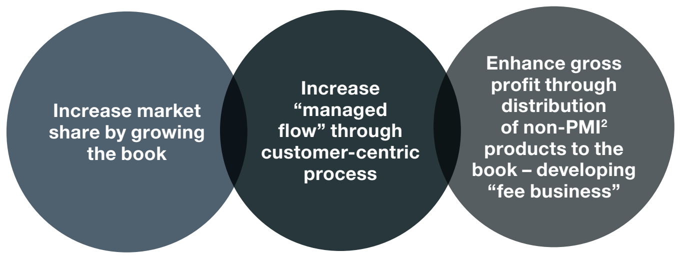
Strategy
Being the feeder for GHG's other businesses, the main focus for the medical insurance business is to further increase its number of insured customers and maintain the leading position in the medical insurance market, while delivering profitable growth.

Competitive landscape, market share by gross premium revenue[1]
GEL millions



1 ISSSG as of 30 September 2020.

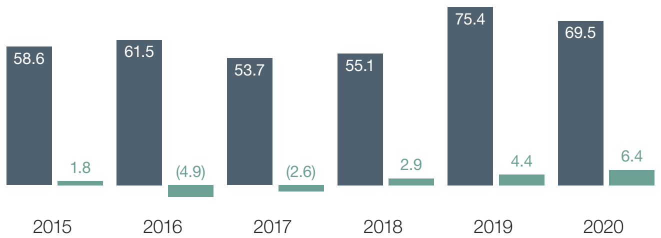
Strategic focus



2 PMI – private medical insurance.

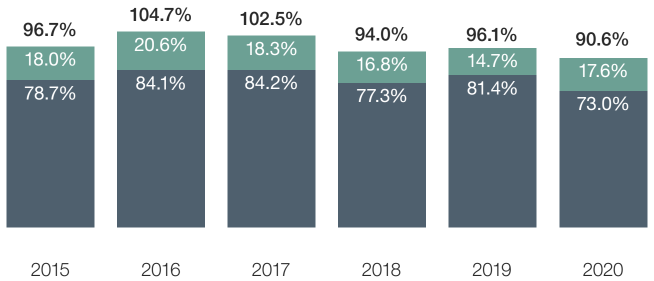
PERFORMANCE TRACK RECORD[3]

Revenue and net profit
GEL millions



3 Numbers are derived from GHG's unaudited IFRS accounts.

Combined ratio (%)



FINANCIAL METRICS[1]

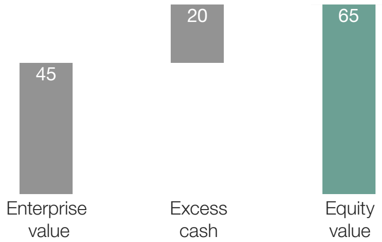
Net premiums earned (GEL millions)	Loss ratio (%)	Combined ratio (%)	Net profit (GEL millions)
69.5 -7.8% y-o-y	73.0% -8.4ppts y-o-y	90.6% -5.5ppts y-o-y	6.4 +45.9% y-o-y

OPERATING METRICS

Number of insured	Retention rate within GHG (%)	Renewal rate (%)
c.174,000 -26.3% y-o-y	37.3% -0.1ppts y-o-y	73.4% -4.1ppts y-o-y

VALUATION HIGHLIGHTS[2]

Value development overview at 31-Dec-20
GEL millions



Implied multiple highlights at 31-Dec-20

IMPLIED LTM P/E	LTM ROAE
10.1x	21.5%

Peer companies
- Powszechny Zaklad Ubezpieczen SA | Poland
- European Reliance General Insurance Company S.A. | Greece
- UNIQA Insurance Group AG | Austria
- Ageas SA/NV | Belgium

1 Numbers are derived from GHG's unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 103-119 of this report.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

P&C INSURANCE

Overview
Over nearly three decades in the Georgian property and casualty insurance market, Aldagi has achieved almost universal brand awareness, leading positions in retail insurance services, with the largest product portfolio and exceptional financial strength. The company has doubled its retail portfolio over the last three years, outperformed market growth, delivered an average annual ROAE of c.30% in 2014-2020 and consistently distributed dividends within a 50%-70% payout ratio each year since 2014. Based on the latest available market data as at 30 September 2020, Aldagi continues to be the most profitable insurance company in the local market with 31% share of the insurance industry profit and a market share of 28% based on gross premiums written[1].

The current low level of insurance market penetration in Georgia (1.3%, of which 0.8% relates to property and casualty insurance and 0.5% to medical insurance) provides enormous potential for growth and Aldagi is well-equipped to capture these opportunities. The company plans to increase the P&C insurance business profitability by strategically focusing on each of its three main business lines set out below:

- **Retail customers.** The Georgian retail insurance market offers ample room for growth, as most of its potential is yet to be unlocked. Motor insurance accounts for 51% of the total retail insurance market in Georgia, of which 13% represents border Mandatory Third Party Liability (MTPL) insurance, effective from March 2018. Moreover, the motor insurance segment has great potential to increase, as only 7% of registered cars are insured on the local market. The new law requiring local MTPL for all vehicles registered in Georgia is expected to kick in and significantly boost retail market penetration. Overall, Aldagi's market share in voluntary retail insurance stands at 29% and Aldagi expects to grow its retail segment concentration by developing simple products for mass retail as well as developing a unique customer experience through exclusive premium line services. Aldagi aims to further strengthen its market leadership position by continued development of its digital insurance platform.
- **SME segment.** Georgia's insurance market for small and medium-sized enterprises (SME) is currently in its infancy. Aldagi sees significant potential to grow this segment of the portfolio by developing tailor-made products and providing them through established multi-channel distribution networks and digital portals, created especially for SME clients. A separate SME sales division was established by the end of 2019 as a part of this strategy. As a result, Aldagi's MSME revenues have grown by 52% in 2020 (from GEL 0.9 million to GEL 1.4 million).
- **Large corporates.** Although the level of insurance penetration within the corporate segment is relatively high compared to retail and SME segments, once the macroeconomic situation stabilises and the Georgian economy returns to pre-pandemic level, a combination of favourable Georgian macroeconomic conditions, a good investment climate, stable economic growth and an increase in infrastructure projects will further increase customer demand for insurance products. Aldagi's retention rate has proved to be exceptionally high despite the pandemic, which in turn indicates that Aldagi has become a trusted, long-term partner for the corporate clients.

COVID-19 impact
The business effectively adjusted to the COVID-19 environment, which has further accelerated the pace of digitalisation across the company. Aldagi managed to turn the pandemic into an opportunity by digitalising its business operations and offering online policy purchase experience to its customers as well as remote claim reimbursement practices. Overall, the pandemic had a negative impact on new premiums in certain lines of business (e.g. border MTPL insurance), while other lines of business remained relatively stable. At the same time, the business benefited from low mobility countrywide during the lockdown periods, resulting in decreased claims expenses.

Strategy
Aldagi's medium-term strategic focus remains unchanged despite the pandemic. The business targets to gain a strategic edge by focusing on underwriting excellence and portfolio profitability backed by key five pillars: 1. Strengthening customer retention; 2. Introducing new digital insurance products; 3. Improving customer experience; 4. Advancing employee recognition; and 5. Getting ready for local MTPL insurance launch.
As part of the strategy, Aldagi has the following financial targets through 2021-2023:

- Market share of 25%-30%
- ROAE of 20%-25%
- Dividend payout of 50%-60%
- Combined ratio of 80%-85%
- Solvency ratio of 150%+
- Retail concentration of 60%+

INVESTMENT RATIONALE

Significantly underpenetrated insurance market in Georgia (0.8% penetration in property and casualty insurance market).

Market leader with a powerful distribution network of point of sale and sales agents.

OWNERSHIP

P&C Insurance is 100% owned by Georgia Capital through Aldagi.

VALUE CREATION POTENTIAL

Compulsory border MTPL effective from 1 March 2018.

Local MTPL expected to kick in and provide access to untapped retail CASCO insurance market with only 4% existing penetration.

Increasing footprint in untapped MSME sector, where Aldagi's revenues have grown by 52% in 2020 (from GEL 0.9 million to GEL 1.4 million).

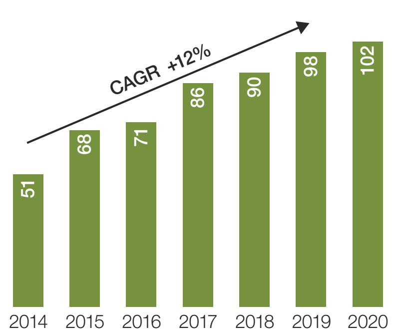
Digitalisation.

Undisputed leader in providing insurance solutions to corporate clients.

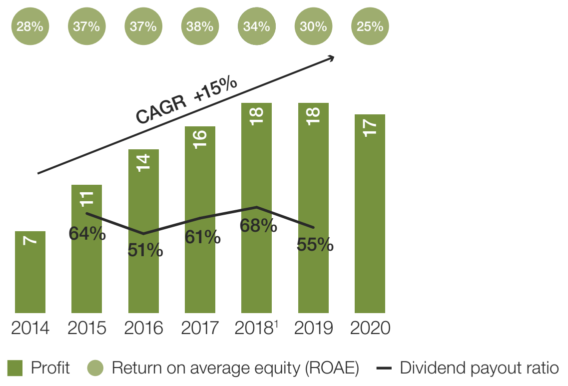
1 Source: ISSSG.

PERFORMANCE TRACK RECORD[3]

Earned premiums, gross
GEL millions



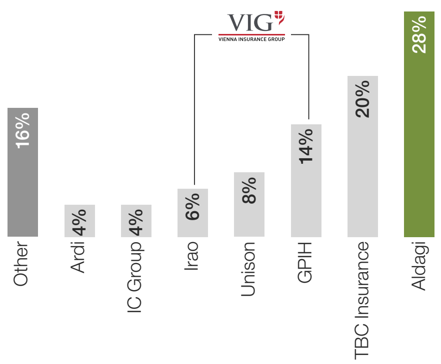
Profit and dividend payout ratio
GEL millions
ROAE



1 Adjusted for non-recurring items.

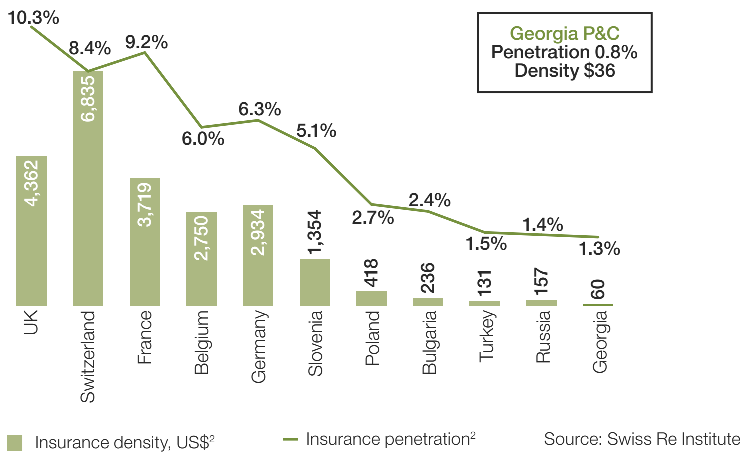
MARKET OPPORTUNITY

Market share, YTD Sep-20
Gross Premiums written



Source: Insurance State Supervision Service of Georgia

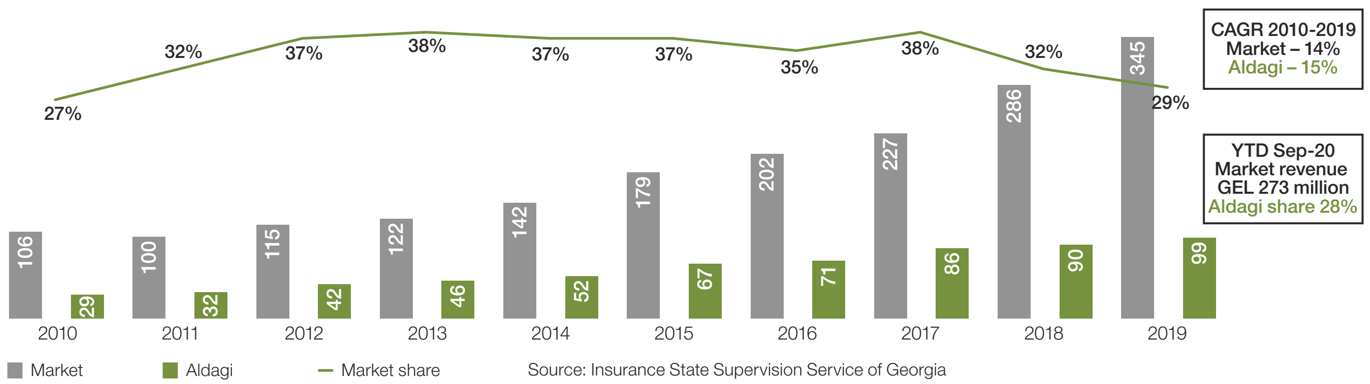
Insurance penetration and density[2]



Source: Swiss Re Institute

2 Penetration: Premiums as of % of GDP; Density: Premiums per capita in US$; Penetration and density are stated including healthcare insurance (as of latest available data).

Market and Aldagi revenue
GEL millions



Source: Insurance State Supervision Service of Georgia

3 Numbers are derived from Aldagi's unaudited IFRS accounts.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS[4]

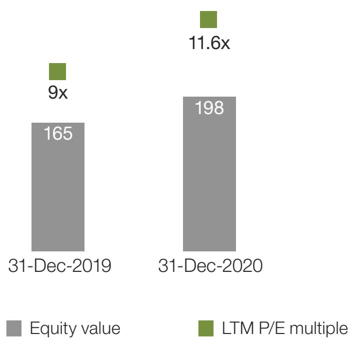
Earned premiums gross (GEL millions)	Net income (GEL millions)	ROAE	Combined ratio
102.2 +4.0% y-o-y	17.0 -7.2% y-o-y	24.8% -5.6ppts y-o-y	81.5% -0.6ppts y-o-y

OPERATING METRICS

Number of policies written (Corporate)	Renewal rate (Corporate)	Number of claims reported	Number of policies written (Retail)
82,285 -9.9% y-o-y	80.1% -3.7ppts y-o-y	14,148 -22.3% y-o-y	120,629 +4.0% y-o-y

VALUATION HIGHLIGHTS[1]

Value and LTM P/E multiple development overview
GEL millions



GEL millions, unless otherwise noted	31-Dec-20	31-Dec-19	Change
Valuation method	DCF & Multiples[2]	Multiples[2]	NMF
LTM net income[3]	17.1	18.3	(1.2)
Implied P/E multiple	11.6x	9.0x	+2.6x
Equity fair value	197.8	164.9	32.9
LTM ROAE	24.8%	30.4%	-5.6ppts

Peer companies
- Dhipaya Insurance | Thailand
- Zavarovalnica Triglav | Slovenia
- Pozavarovalnica Sava | Slovenia
- Aksigorta | Turkey
- Anadolu Sigorta | Turkey
- Bao Minh Insurance | Vietnam
- Turkiye Sigorta | Turkey

1 The detailed valuation overview and related drivers are described on pages 103-119 of this report.
2 P&C Insurance business was valued externally for the first time in 4Q20. The valuation method used was a combination of income approach (DCF) and market approach. P&C Insurance was valued internally in 3Q20 and FY19. The valuation method used was multiples cross checked with DCF.
3 Adjusted for non-recurring items.
4 Numbers are derived from Aldagi's unaudited IFRS accounts.

WATER UTILITY

Overview
The water utility business is a regulated natural monopoly in Tbilisi and the surrounding area, providing water and wastewater supply services to c.1.4 million residents and c.37,000 legal entities. Water Utility also operates hydro power plants with total installed capacity of 149MW. The business uses a portion of the power generated by its HPPs for internal consumption at regulated electricity tariffs to power its water distribution network, while the remaining electricity is sold on the market. Revenues come from two main streams (water and electricity sales), where the business benefits from: earning fair regulatory returns on invested capital made in upgrading the water utility network and average electricity sales price growth due to electricity market deregulation in 2019.

Water Utility's investment in infrastructure significantly improves the rendering of the water supply and wastewater services to customers and contributes to achieving operational efficiencies. 2017-2019 were quite capital-intensive years in which the business invested more than GEL 400 million to upgrade existing and develop substantial new water utility infrastructure. Through efficient capital expenditures, the water utility business managed to reduce self-produced electricity consumption by c.45% (by 144GWh) from 2015 to 2020 and hence free up electricity for market sales. Because of the significant network upgrade and operational efficiencies already achieved, in coming years Water Utility expects capital investment to gradually reach their run-rate level of GEL 80-100 million, contributing to positive free cash flow generation.

On the back of intensive capital expenditures implemented during the past years, water utility tariffs, as well as regulatory weighted average cost of capital (WACC), were reset at the end of 2020 by an independent regulatory body, GNERC. The WSS tariffs[1] in Tbilisi have increased compared to the previous regulatory period of 2018-2020: from GEL 0.3 to GEL 0.5 for residential customers and from GEL 4.4 to GEL 6.5 for legal entities. The tariff increase translates into an annual growth of approximately 38%[2] in allowed water revenues in the upcoming three year regulatory period, effective from 1 January 2021. The return on investment (WACC) is set at 14.98% (15.99% in the previous regulatory period). The tariff increase was a significant milestone achieved by the business in 2020, contributing to the healthy growth of its revenue generation in coming years, as well as demonstrating the transparency of Georgian regulatory framework and its alignment with the EU principles. The regulatory WACC formula is based on publicly available market variables such as the risk free rate, cost of debt, country risk premium, and other factors.

COVID-19 impact
The water utility business experienced a short-term negative impact from COVID-19. Revenue from water sales were down by 13.0% y-o-y, primarily reflecting COVID-19-related decrease in water consumption by commercial customers, whereas demand from residential customers was almost flat throughout the year. 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 December 2020. Electricity sales were resilient to the COVID-19 pandemic, however, they decreased due to unfavourable hydrological conditions, leading to lower levels of water inflows in the business' hydro power plants, offsetting the increase in average electricity sales prices of 15.1% y-o-y. Overall, the business effectively adjusted to the COVID-19 environment. Water Utility followed the cash accumulation and preservation strategy, decreased the level of development CAPEX and created a cash buffer of GEL 55.6 million. Moreover, the business tapped the capital markets and further strengthened its liquidity profile by the issuance of US$ 250 million green bonds with a five year maturity (the issuer being the holding company of GCAP's Water Utility and operational Renewable Energy assets). The proceeds allocated to the water utility business were US$ 155 million and were mainly used to refinance the existing loan portfolio of the business, substituting annual principal payments with the bullet structure.

Strategy
Water Utility's medium-term strategic priorities remain unchanged despite the evolving pandemic:
- Robust profitability with 60%-65% EBITDA margin
- ROIC enhancement to 13%-15% in GEL
- Strong cash flow generation and managed leverage – operating cash flow over debt service c.4.0x

INVESTMENT RATIONALE

Regulated natural monopoly in Tbilisi and surrounding districts with high entry barriers.

Stable regulatory environment with attractive return on investment.

Full asset ownership of water and wastewater network and self-sufficient in terms of electricity usage.

Diversified cash flow streams from water and electricity sales, the latter being US$-denominated and creating natural FX hedge.

Stable cash collection rates.

Growing electricity market as supply lags behind the increasing demand, creating opportunities.

Full ownership of a reservoir fed hydro (the second largest HPP in Georgia), facilitating full-year deals with the direct customers in the electricity market.

OWNERSHIP

Water Utility is 100% owned by Georgia Capital through GGU.

VALUE CREATION POTENTIAL

EU harmonisation reforms in progress in utilities sector, expected to drive water tariffs up, as demonstrated in the current regulatory period.

Bullet repayment structure, coupled with decreased capital expenditures, leading to strong cash flow generation and strengthened liquidity position.

Ongoing reforms in electricity market positively affecting electricity sales price.

Stable dividend distribution capacity.

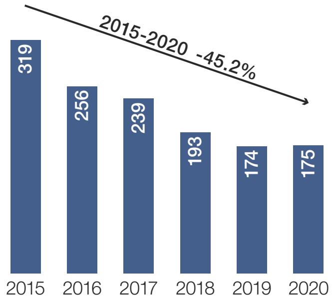
1 Tariffs are set per m^3 of WSS services supplied.
2 The tariff increase translates into the annual growth of approximately 38% in allowed water revenues of Georgian Water and Power LLC (GWP) in the three-year regulatory period effective from 1 January 2021 (corresponding to approximately 36.3% increase in allowed water revenues for GGU's entire water utility business).

Strategic Review Our Business

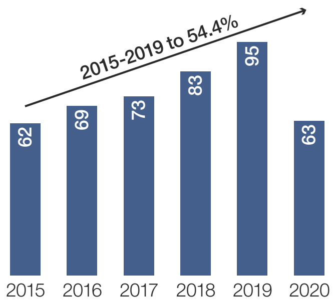
OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

PERFORMANCE TRACK RECORD[3]

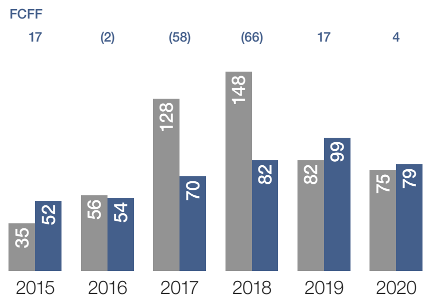
Self-produced electricity consumption
kWh millions



EBITDA track record
GEL millions



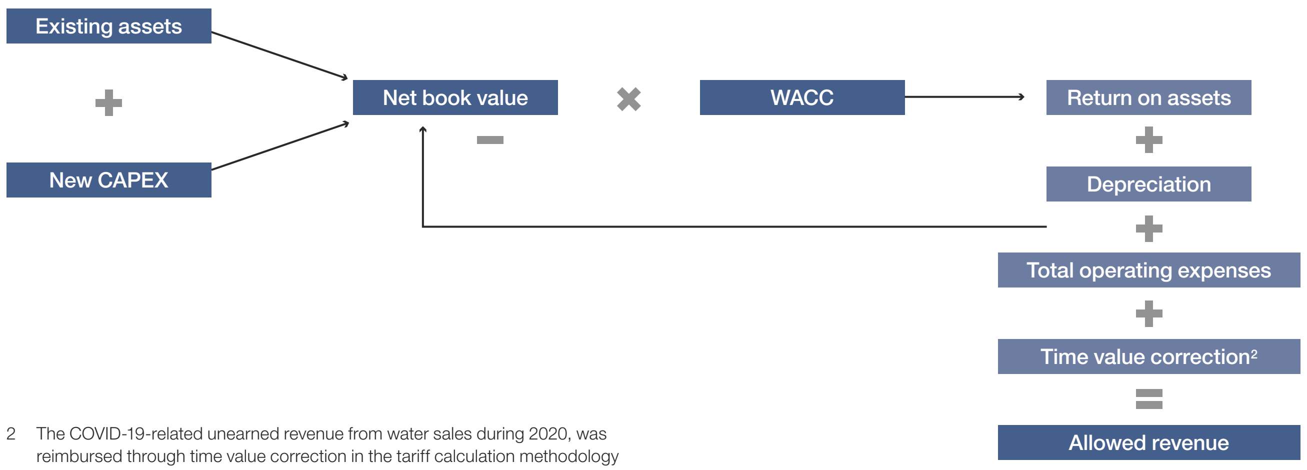
Cash flow and capital expenditure (incl. VAT)
GEL millions



1 Operating cash flow is before maintenance CAPEX.

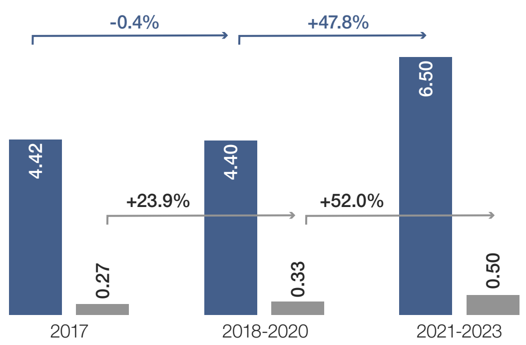
■ Capital expenditures ■ Cash flow from operations[1]

Regulatory environment (Water Utility business overview)
TARIFF DEVIATION FORMULA



2 The COVID-19-related unearned revenue from water sales during 2020, was reimbursed through time value correction in the tariff calculation methodology for 2021-2023 regulatory period.

Water Utility tariffs in GEL per m³ of water sold



■ Legal entities ■ Residential customers

3 Numbers are derived from GGU's unaudited IFRS accounts.

FINANCIAL METRICS[4]

Total revenue (GEL millions)
130.5 -20.1% y-o-y

Water supply revenue (GEL millions)
124.7 -13.0% y-o-y

Energy revenue (GEL millions)
5.9 -70.8% y-o-y

EBITDA (GEL millions)
62.5 -34.2% y-o-y

Operating cash flow (GEL millions)
55.8 -26.9% y-o-y

Development CAPEX excl. VAT (GEL millions)
57.6 -24.4% y-o-y

Dividend payment (GEL millions)
15.0 -31.8% y-o-y

OPERATING METRICS

Water sales (m³ million)
165.9 -7.0% y-o-y

Number of new connections
3,473 -36.1% y-o-y

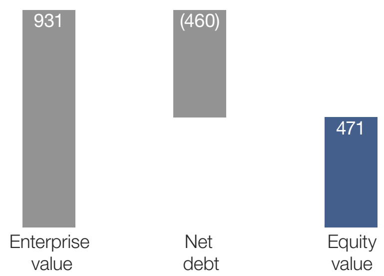
Energy sales (kWh million)
53.4 -69.9% y-o-y

Electricity generation (kWh thousands)
228.6 -35.0% y-o-y

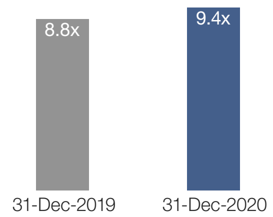
Average electricity sales price (Tetri/kWh)
13.0 +15.1% y-o-y

VALUATION HIGHLIGHTS[2]

Value development overview at 31-Dec-20
GEL millions



LTM EV/EBITDA development[1]



Peer companies
- Aguas Andinas | Chile
- EASTW | Thailand
- Tallinna vesi | Estonia

1 31-Dec-20 LTM EBITDA reflects new tariffs, announced in 2020.

GEL millions, unless otherwise noted	31-Dec-20	31-Dec-19	Change
Valuation method	DCF & Multiples[3]	Multiples[3]	NMF
Enterprise value[1]	930.9	836.8	94.1
LTM EBITDA	98.7[1]	95.1	3.9
Implied EV/Multiple	9.4x	8.8x	+0.6x
Net debt	(459.7)	(352.8)	106.9
Equity value	471.1	484.0	(12.8)

2 The detailed valuation overview and related drivers are described on pages 103-119 of this report.
3 The water utility business was valued externally for the first time in 4Q20. The valuation method used was combination of income approach (DCF) and market approach. Water Utility was valued internally in 3Q20 and FY19. The valuation method used was market approach (multiples), cross checked with DCF.
4 Numbers are derived from GGU's unaudited IFRS accounts.

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES

RENEWABLE ENERGY

Overview

Our renewable energy business represents a platform for developing and operating hydro and wind power plants across the country and continues to progress towards becoming one of the largest players in the fast-growing Georgian electricity market. The business operates commissioned renewable assets with 91MW installed capacity in aggregate and with average capacity factors of c.40%: 50MW Mestiachala HPPs (20MW HPP is currently not operational following the flood damage in 2019), 20MW Hydrolea HPPs and 21MW Qartli WPP. The latter two assets represent successful acquisitions made by the business at the end of 2019. All power plants benefit from long-term power purchase agreements (PPAs) formed with the Government-backed entity, resulting in predictable dollar-linked cash flows, as PPAs are fixed in US dollar. Following the buy-out of the 34.4% minority shareholder in February 2020, the renewable energy business is wholly-owned by Georgia Capital.

The renewable energy business aims to capitalise on favourable electricity market conditions in Georgia, on the back of the ongoing gradual harmonisation of the current energy market structure with EU directives, leading to a more liquid, competitive and transparent market. Following the electricity market deregulation in 2019, the Government of Georgia adopted a new electricity market model concept in 2020, creating the path towards launching day-ahead and intraday trading markets in the coming years. Overall, the renewable energy business expects planned reforms in the Georgian electricity market to have further positive impact on electricity sales prices.

COVID-19 Impact

Our renewable energy business demonstrated strong resilience towards the COVID-19 outbreak, as electricity sales were mainly covered either via PPAs with the Government or direct deals formed with the big industrial customers for non-PPA months (May-August). Moreover, on the back of the electricity market deregulation and securing a full year deal with one of the largest direct consumers, the renewable energy business's electricity sales price for non-PPA months increased by 34.5%[1] y-o-y during 2020, resulting in an additional 1.0 US cent received per kWh generated for non-PPA months. The price increase was also backed up by a 19.4% higher weighted average balancing price (ESCO price)[2] in Georgia during May-August period, mostly driven by decreased generation from cheap electricity sources. Notwithstanding the favourable price dynamics, the renewable energy business put on hold all its greenfield projects in light of the pandemic and prioritised cash preservation during these uncertain times. Moreover, the business tapped the capital markets and further strengthened its liquidity profile by the issuance of US$ 250 million green bonds together with the Group's water utility business. The proceeds from green notes allocated to the renewable energy business were US$ 95 million and were used to refinance the existing loan portfolio of operational renewable assets, substituting annual principal payments with the bullet structure.

Strategy

The renewable energy business plans to develop 172MW installed capacity power plants in the medium term: Zoti HPP (46.0MW), Tbilisi and Kaspi WPPs (108.0MW) and Darchi HPP (17.5MW). The business aims to establish a renewable energy platform with growing dollar-linked cash flows and solid profitability, expected to enable it to sponsor steadily increasing dividend payouts while progressing against its medium-term strategic priorities:

- Robust profitability with 75%-80% EBITDA margin
- ROIC within 11%-13% range in US$
- Strong cash flow generation and managed leverage – operating cash flow over debt service c.1.5x

INVESTMENT RATIONALE

Electricity demand has been outpacing the supply by 5.1% over the last decade.

Underutilised energy resources resulting in high availability of economically feasible hydro and wind projects.

Cheap to develop – up to US$ 1.5 million for 1MW hydro and up to US$ 1.4 million for wind development on average, with 1.5x higher capacity factors compared to Europe over the last decade.

Fully dollarised business, as both PPAs and market sales are set in US dollars.

OWNERSHIP

Following the buy-out of the 34.4% minority shareholder in February 2020, Renewable Energy is 100% owned by Georgia Capital.

VALUE CREATION POTENTIAL

Opportunity to establish a renewable energy platform with up to 265MW operating capacity over the medium term and capitalise on favourable electricity market conditions.

Diversified portfolio of hydro and wind power plants with c.40% capacity factors, all benefiting from long-term fixed price PPAs formed with the Government-backed entity.

Availability of competitive funding from international capital markets for pipeline projects.

High margins and EBITDA to cash-conversion rate, dollar-linked cash flows.

Stable dividend provider capacity in the medium term.

1 Like-for-like y-o-y growth number, including the revenues generated by Hydrolea HPPs before acquisition (acquired in 2H19).
2 The weighted average balancing price considers electricity volume purchased by ESCO (Electricity System Commercial Operator).

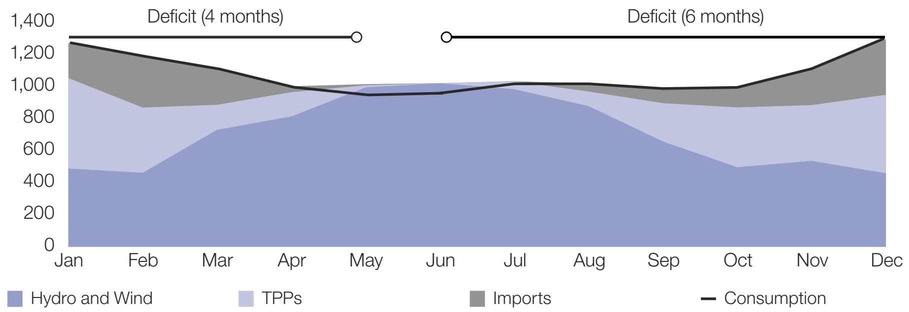
RENEWABLE ENERGY PROJECTS OVERVIEW

Targeting to earn on average 11-13% US dollar ROICs from renewable energy projects

Commissioned/acquired projects	Installed capacity, MWs	Actual/Target commissioning date[1]	Gross capacity factor	PPA expiration	PPA tariff, US¢/kWh
Mestiachala HPPs	50.0[2]	1H19	39.8%	1H34	5.5
Hydrolea HPPs	20.4	2H19	59.1%	1H22-2H28	5.5-5.6
Qartli Wind Farm	20.7	2H19	47.2%	2H29	6.5
Pipeline projects					
Zoti HPP	46.0	2H23	43.0%	2H38	5.1
Darchi HPP	17.5	1H23	55.0%-60.0%	1H33	5.5
Tbilisi Wind Farm	54.0	2H23	37.0%-40.0%	2H38	N/A[3]
Kaspi Wind Farm	54.0	2H23	37.0%-40.0%	2H38	N/A[3]
Total	**262.6**				

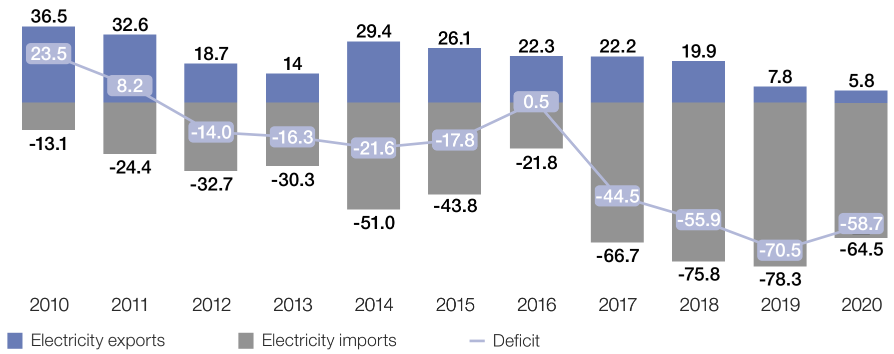
MARKET OPPORTUNITY

Electricity supply and consumption (TWh), 2020



- Electricity deficit during July-April.
- 22% of total consumption produced by gas-fired TPPs, 13% – imported.

Electricity import and export dynamics (US$ million)



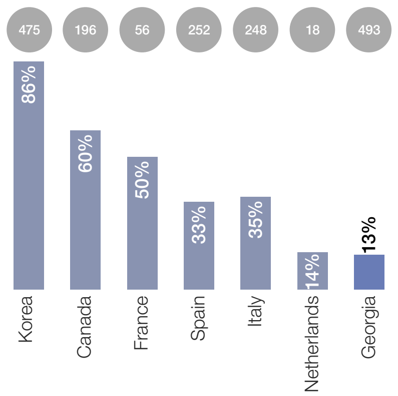
- 2020 electricity trade deficit stood at record high of US$ 58.7 million
- Consumption growth forecasted at minimum 4.0% CAGR in the coming ten years.
- Anticipated deficit of at least 6.1TWh by 2030.

1 In case of pipeline projects target commissioning dates are indicative and subject to regulatory procedures. In case of acquired projects, the date shows acquisition period.
2 Comprising of two HPPs, of which, 20MW HPP is currently not operational following the flood damage in 2019.
3 PPA terms are under negotiations with the Government.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

Low base and high CDD[1] point towards 5x increase in air conditioner (AC) penetration by 2030



ACs are the most electricity-intensive conventional domestic devices and increasing penetration of ACs quickly eats away the surplus electricity on the market in the summer months.

Source: World Bank's World Development indicators; Geostat, Galt & Taggart, Eurostat

1 Cooling degree days.

FINANCIAL METRICS[3]

Revenue (GEL millions)
42.6 NMF

EBITDA margin (%)
75.2% -5.0ppts y-o-y

Dividend payment (GEL millions)
4.9 NMF

Operating cash flow (GEL millions)
40.2 NMF

EBITDA (GEL millions)
32.0 NMF

OPERATIONAL METRICS

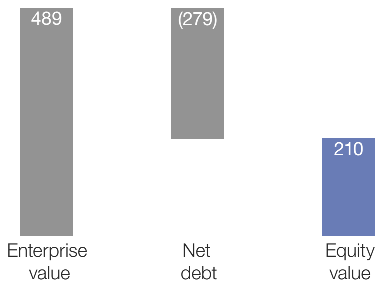
Electricity Generation (kWh million) (like-for-like change)[2]
229.2 +5.8% y-o-y

Average market sales price per US¢/kWh (like-for-like change)[2]
5.1 +6.6% y-o-y

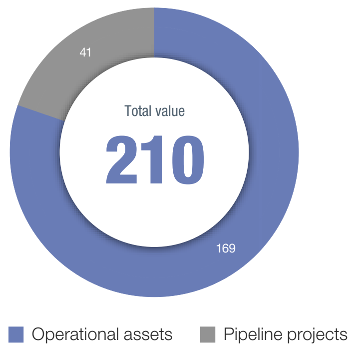
2 Like-for-like y-o-y growth number, including the revenues generated by Hydrolea HPPs and Qartli wind farm before acquisition (acquired in 2H19). Average market sales price includes PPA months.
3 Numbers are derived from Renewable Energy's unaudited IFRS accounts.

VALUATION HIGHLIGHTS[1]

Value development overview at 31-Dec-20
GEL millions



Equity fair value composition at 31-Dec-20
GEL millions



GEL millions, unless otherwise noted	31-Dec-20	31-Dec-19	Change
Valuation method	Multiples[4]	Cost[4]	N/A
Enterprise value	489	NMF	NMF
EBITDA[2]	27.3	NMF	NMF
Selected EV/EBITDA multiple	9.7x	NMF	NMF
Investments at cost (EV)	224.6[3]	NMF	NMF
Net debt	(279.4)	NMF	NMF
Equity fair value	209.9	106.8	NMF

Peer companies
- Falck Renewables | Italy
- Terna Energy | Greece
- Azure Power Global | India
- BCPG Public Company Limited | Thailand

1 The detailed valuation overview and related drivers are described on pages 103-119 of this report.
2 Run-rate and LTM EBITDA was used for the calculation purposes for different assets.
3 Investments at cost at 31-Dec-20 include: Mestiachala and pipeline projects.
4 Renewable Energy was valued internally. The valuation method used was market approach (multiples) cross checked with income approach (DCF) in 2020 and cost in 2019.

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

EDUCATION

Overview
The private education market's revenues across Kindergarten to 12th grade (K-12) in Georgia has grown at 16% CAGR over 2013-2019. There are currently c.61,900 learners in private schools in Georgia, representing 10.2% of the total school education market. The private general education market enjoys growth in enrolments with CAGR of 2.6% over 2013-2020 and rising tuition fees with CAGR of 9.2% over 2013-2020. Management expects that the private school market will double in size over the next five years, driven by factors such as the large gap in quality in public schools as compared to private schools, growing household income and a decreasing unemployment rate (although there has been an adverse impact on these indicators due to COVID-19). Georgia has relatively low average annual spending per K-12 learner, creating further room for growth together with globally trending demand on private K-12 education. The education market in Georgia is currently very fragmented with increasing average school size and 8% less number of schools over the last seven years. Currently, Georgia Capital is the largest player on the market with 4.2% market share in terms of learners, while the second largest player holds 2.2%. Only 3% of private schools have 1,000+ learners, while 63% have less than 250 learners. Private school learners are consolidated in four cities with populations larger than 100,000.

The education business is managed with a partnership model. The business combines four leading schools, with strong brand names in the attractive private education market. The premium segment is represented by British-Georgian Academy and British International School of Tbilisi (70% stake in both schools). Buckswood International School (80% stake) is well-positioned in the mid-level segment. The fourth school is Green School (80%-90% ownership[1]), a leading player in the affordable education segment. All four schools, acquired in the second half of 2019, have a combined capacity of 2,810 learners and enjoy high 90%+ utilisation rates. Annual tuition fees range from US$ 1,400 to US$ 17,400 across all three segments.

COVID-19 impact
The business successfully transitioned to a distance learning framework immediately after school closures were implemented. During the distance learning period, schools offered 15%-25% discounts for tuition fees or roll-over of fees for catering/transportation services. However, the intakes remained strong and utilisation rate for the first graders is c.86% for the 2020-2021 academic year. Average cash collection rates also remained at last year's levels and were in line with the schools' cash collection policies. The business prioritised cash accumulation and preservation and as such, expansion plans were postponed for several months.

1 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under Green School brand.

Strategy
Strong platform to facilitate growth and scale to become the leading integrated education player with up to 21,000 learners by 2025.

TARGETING FOR 2025…

1 **EQUITY VALUE**
GEL 0.5BLN

2 **EBITDA MARGIN**
40%+

3 **MAINTAIN ROIC**
20%+

4 **RAMP-UP FOR NEW CAPACITY**
(REACHING 80%+ UTILISATION)
3-5 YEARS

…THROUGH

	Expansion plans with existing partner schools		M&A 80% affordable & 20% midscale
	Now	**By 2025**	**By 2025**
Capacity (# of learners)	2,810	6,000	15,000
Utilisation on operational campuses	90%	85%	80%-85%
EBITDA	GEL 10mln[2]	GEL 32mln	GEL 18mln
GCAP new equity investment	US$ 17.5mln[3]	US$ 2.6mln	US$ 11.4mln
ROIC	20%+	20%+	20%+
Investment per learner capacity in affordable segment	GEL 7,200	GEL 7,000	GEL 6,200

2 EBITDA of GEL 10 million is an estimate for 2020-21 academic year. 3 Investment is calculated at 3.2 USD/GEL exchange rate.

Remaining GCAP new equity investment by 2025 (US$ millions)
14

Total EBITDA by 2025 (GEL millions)
50+

Capacity by 2025 (learners)
21k
– Of which, 6,000 (existing schools)
– Of which, 15,000 (M&As)

- With new equity investment of US$ 2.6 million, GCAP can expand to 6,000 learner capacity and generate GEL 32 million EBITDA by 2025 on secured real estate locations with existing partner schools.
- US$ 2.6 million new equity investment for expansion plans with existing partner schools is net of the education business reinvestment of US$ 5.6 million and net of in-kind contribution of US$ 5.5 million (assets already on GCAP Balance Sheet).
- US$ 11.4 million new equity investment for M&A pipeline is net of the education business reinvestment of US$ 15.2 million.

INVESTMENT RATIONALE

Highly fragmented general education market with consolidation opportunity.

Market with strong growth potential.

High quality revenue with high margins.

Strong and predictable cash flow streams.

High trading multiples.

Asset light strategy.

OWNERSHIP

Majority stakes (70%-90%) across different schools.

VALUE CREATION POTENTIAL

Scaling up to capacity of 21,000 learners through expansion plans in existing schools and M&As by 2025.

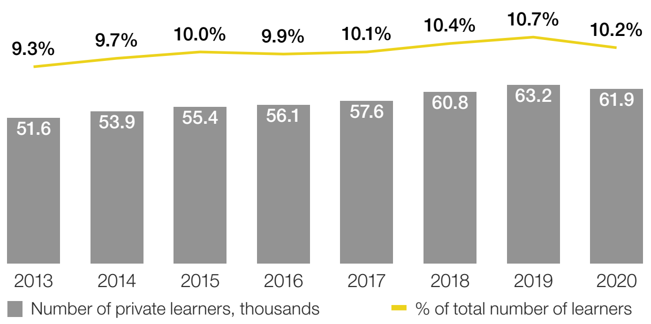
Strong organic growth at existing schools is expected to drive solid growth in run-rate EBITDA, on top of expansion plans and M&As.

Stable dividend provider capacity in the medium term.

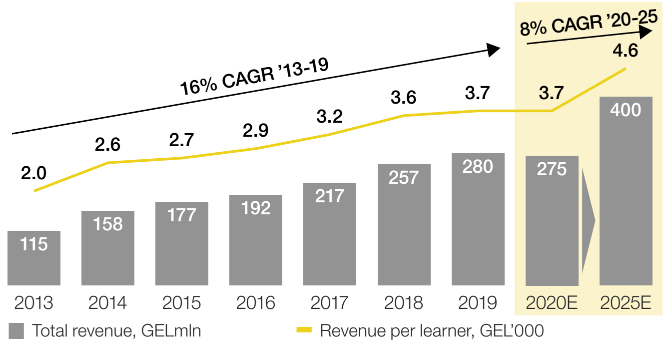
MARKET OPPORTUNITY

Market growing at c.2x nominal GDP growth rate

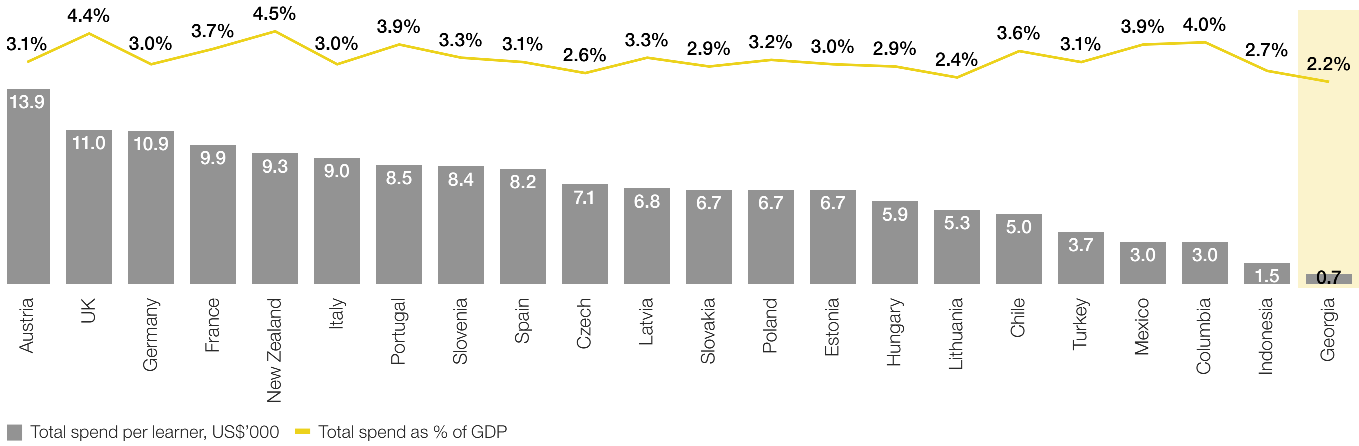
Private K-12 learners in Georgia



Private K-12 market size in Georgia



Lower average annual spending per K-12 learner in Georgia indicating room for further growth



Source: G&T, GCAP estimates, OECD, Ministry of Finance of Georgia

Georgia has lower spending on education compared to other countries:
- Total spend per learner is US$ 650 versus ~US$ 9,000 OECD average
- Total spend as % of GDP stands at 2.2% versus 3.1% OECD average

Strategic Review Our Business

OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS[4]

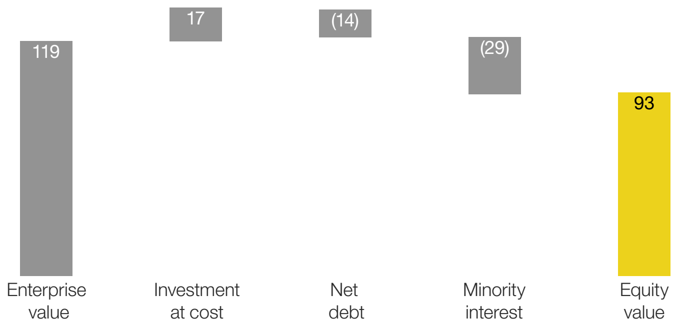
Revenue (GEL millions)	EBITDA margin (%)	EBITDA (GEL millions)	Operating cash flow (GEL millions)
25.8 +5.0% y-o-y	32.4% +2.8ppts y-o-y	8.3 +14.9% y-o-y	7.9 -17.9% y-o-y

OPERATIONAL METRICS

Revenue per learner (GEL)	Capacity utilisation (%)	Number of learners
9,530 +5.6% y-o-y	89.5 % -2.4ppts y-o-y	2,516 -2.6% y-o-y

VALUATION HIGHLIGHTS[1]

Value development overview at 31-Dec-20
GEL millions



Peer companies
- SISB Public Company Limited | Thailand
- Cogna Educacao | Brazil
- Curro Holdings Limited | South Africa
- Overseas Education Limited | Singapore
- Cairo For Investment & Real Estate Development (CIRA) | Egypt

GEL millions, unless otherwise noted	31-Dec-20	31-Dec-19	Change
Valuation method	Multiples[3]	Cost[3]	N/A
Enterprise value	119.1	NMF	NMF
EBITDA	9.5[2]	NMF	NMF
Selected EV/EBITDA multiple	12.5x	NMF	NMF
Net debt	(13.7)	NMF	NMF
Equity value	105.3	NMF	NMF
Investments at cost	16.8	56.4	(39.5)
Total equity value	93.0	56.4	36.7

1 The detailed valuation overview and related drivers are described on pages 103-119 of this report.
2 GEL 9.5 million LTM EBITDA was used for valuation purposes due to functional currency adjustment in premium schools.
3 Education was valued internally. The valuation method used was market approach (multiples) cross checked with income approach (DCF) in 2020 and cost in 2019.
4 Numbers are derived from Education's unaudited IFRS accounts.

OTHER PORTFOLIO COMPANIES

The Group's other portfolio companies (7.4% of total portfolio value at 31 December 2020) consist of its housing development, hospitality and commercial real estate, beverages, auto service and digital services businesses.

HOUSING DEVELOPMENT

The Group's housing development business is a leading real estate developer in the Georgian real estate market with three business lines: a residential development arm targeting mainly mass market customers by offering affordable, high quality and comfortable housing; a construction arm, engaging in construction contracts for the Group's other businesses as well as third-parties; and a distressed asset management arm developing suspended projects, which it commenced in 2019. The housing development business is wholly-owned through Georgia Real Estate, previously known as m².

The housing development business has two ongoing projects, Digomi and Sveti. As a result of the impact of COVID-19, its pipeline franchise projects have been suspended or cancelled. In connection with the Digomi project, the Group has sold 59,471 square metres with US$ 54.5 million sales value in the three stages as of 31 December 2020. The Sveti project is part of the new distressed asset management arm, White Square, which offers cost efficient solutions for fit-out works. Through this arm, the Group assumed responsibility for three suspended projects of the Sveti construction company, adding 165,541 square metres of sellable area to its inventory. The project is ongoing in three locations in Tbilisi and the construction and development will continue for approximately three years. The Group started construction and sales for the Sveti project in April 2020 and has sold 30,719 square metres with US$ 19.1 million sales value as of 31 December 2020.

HOSPITALITY AND COMMERCIAL REAL ESTATE

The Group's hospitality and commercial real estate business is comprised of two segments: rent-earning commercial assets with a targeted yield of 10%; and a hotel development business across Georgia. The hotel development business has two operational hotels, Ramada Encore Kazbegi Tbilisi and Gudauri Lodge, with 273 rooms, and nine hotels in the pipeline, with 949 rooms. The targeted hotel portfolio comprises approximately 630 internationally branded hotel rooms and approximately 592 hotel rooms developed by the business under its own Amber Group brand. The hospitality and commercial real estate business is wholly-owned through Georgia Real Estate.

The hospitality and commercial real estate business is the business that has been most affected by the COVID-19 outbreak across the Group's portfolio. The business's NAV revaluation led to a GEL 203 million decrease in the value of the business in 2020, reflecting COVID-19-related uncertainties for tourism and real estate sectors. In light of the COVID-19 outbreak, operations at the existing two hotels was suspended in mid-March and the construction of new hotels was put on hold.

BEVERAGES

The beverages business combines three business lines: a wine business, a beer business and a distribution business. The wine business produces and sells wine locally and exports to 17 countries. The wine business owns three top-class wineries across Kakheti's three wine-making regions and is in the top five wine producers by vineyard base in Georgia. The vast majority of the vineyards grow Georgia's flagship red wine grape, Saperavi. The wine business sold 7.2 million bottles of wine in 2020, with approximately 91% of sales coming from exports. The Group has a market share of 7.1% in the Georgian wine export market.

The beer business produces beer and lemonade and holds a ten-year exclusive license from Heineken to produce and sell Heineken beer brands in Georgia. The beer business had a 22.1% market share in 2020. The Group's brands include Heineken, ICY (its flagship mainstream beer brand), Black Lion (the leading Georgian craft beer producer which the Group acquired in 2018), Kazbegi, which was acquired by the Group in 2019, Amstel and Krusovice beer, for which the Group acquired a licence in 2019, and Kayaki (the Group's light beer brand). In 2019, the Group received a licence to brew commercial batches of Heineken, and locally brewed Heineken beer has been available in stores since August 2019. Starting from the second half of 2019, the beer business relaunched its brands and improved its product mix, which helped the group to increase its share in the beer market and allowed the business to achieve break-even EBITDA in the second half of 2019 and positive EBITDA in 2020. The Group also started to export its beer and lemonade brands to the international markets.

AUTO SERVICE

The Group's auto service business includes a periodic technical inspection (PTI) business, a car services and parts business under the Amboli brand and a secondary car trading business.

The Group commenced the construction of PTI centres in the first half of 2018 and launched the PTI business in March 2019 under the name Greenway Georgia (GWG). As part of the Georgia-EU Association Agreement, Georgia commenced the implementation of a mandatory vehicle inspection programme in several phases, starting from January 2018. In July 2018, GWG won a state tender to launch and operate 51 PTI lines across Georgia with a ten-year licence. GWG is the only player on the market with support from an international partner, Applus+, a Spanish headquartered worldwide leader in testing, inspection and certification services with a market presence in more than 70 countries. GWG serviced 252,007 cars (of which, 191,503 were primary checks) in 2020, giving it a market share of 36%.

Georgia Capital acquired an 80% interest in Amboli at the end of June 2019, increasing its shareholding to 90% in February 2020. Amboli is an importer, distributor, wholesaler and retailer of car consumables and spare parts with an approximate market share of 1%, making it the second largest player in a highly fragmented market.

DIGITAL SERVICES

In May 2019, the Group entered the high growth digital sector by acquiring a 60% equity stake in Redberry, a leading Georgian digital marketing agency. The acquisition of the attractive service business complements the Group's existing portfolio as well as provides an opportunity to enhance digital capabilities across its portfolio businesses.

S172 STATEMENT

Statement by the Directors on of their duties under section 172 of the UK Companies Act 2006 (the "Act")

Section 172 of the Act requires Directors to act in good faith and in a way that is the most likely to promote the long-term success of the Company. In discharging this duty, Directors must take into consideration the interests of the various stakeholders of the Company. This will include the impact Georgia Capital has on the workforce, community and the environment. Directors will also take a long-term view on the consequences of decisions they make. In addition, Directors must aim to maintain the Company's reputation for high standards of business conduct and to ensure fair treatment between the shareholders of the Company.

The UK Corporate Governance Code (the "Code") requires the Board to understand the views of the Company's other stakeholders and report how their interests and the matters covered by section 172 of the Act have been considered in decision-making. In addition, Directors are expected to provide information on how they have promoted the success of the Company.

The Directors have identified our key stakeholders who are essential to the success of our business. More information on our stakeholders, including examples of how our stakeholder considerations influenced Board decision-making are outlined on pages 129 -131 in the stakeholder engagement table. Stakeholder issues are an integral part of the Board's decision-making and we seek to embed this as part of managing our portfolio companies and decision-making committees throughout the Group. Whilst not every decision affects all stakeholder groups, we endeavour to balance any conflicting needs of our stakeholders to ensure all are treated consistently and fairly.

Other steps the Board takes to meet its section 172 responsibilities:

- Board papers include information, where appropriate, on each of the provisions of section 172.
- The Board and the Investment Committee focuses on long-term value generation opportunities, taking into account likely macroeconomic changes and their impact on stakeholder considerations.
- Although COVID-19 has restricted the opportunity to engage both as a whole and on an individual basis, this is regarded as extremely important by the Board and this programme of engagement will continue going forward. The work of Kim Bradley, the Non-Executive Director designated to engage with the workforce, is set out in the Corporate Governance framework on page 132 of the Annual Report.
- The Board continues to reflect regularly on the quality of Board and Committee meeting materials, and will continue to consider whether further information is required to help it discharge its duties. In addition, management has been instructed to ensure that proposals to the Board and Investment Committee specifically highlight those matters which Directors are required to consider in order to discharge their responsibilities under section 172.

The Board engages with certain stakeholders directly on some issues, and their feedback is considered when we discuss and make decisions relating to matters concerning the Board, such as financial and operational performance or strategic matters. This information is usually fed back through presentations and reports to the Board, within Committee or Board meetings. More information on how Directors take into consideration the interests of shareholders and other stakeholders can be found in the Corporate Governance framework on pages 129 to 131. Set out below are some case studies of principal decisions that have been taken by the Board that relate to the Company's shareholders.

1. MINORITY BUY-OUT IN GEORGIA HEALTHCARE GROUP

In December 2019, Georgia Capital acquired 13.4% in Georgia Healthcare Group (GHG) as a result of GCAP's exchange offer of one GCAP share for every 5.22 GHG shares held at that time. The Exchange Offer was significantly oversubscribed and therefore take up had to be scaled back by 56.25% in order to avoid an adverse impact on GHG's public listing and index eligibility. Given the feedback and oversubscription from investors, a recommended share exchange offer (the "Offer") was announced to GHG shareholders in 2020. The Offer was discussed on calls with individual shareholders, to confirm that we still had shareholder support and also, to take into account feedback on the Offer ahead of its implementation. We contacted the majority of our shareholders, covering approximately 75% of our shareholder register at that time. It is also worth highlighting that the majority of GHG's shareholders were also shareholders in GCAP. The Board gathered and took into consideration the feedback of investors and therefore the Board recommended the Offer. The Offer was completed on 17 July after receiving the required valid acceptances from GHG shareholders and, on 28 August 2020, Georgia Capital acquired the remaining 29.4% in GHG in exchange for 7.7 million GCAP shares issuance (please see more details of the transaction at: **https://georgiacapital.ge/ir/offer-ghg**).

2. STRATEGY ENHANCEMENT AND INTRODUCTION OF NEW PRIORITIES

In November 2020, Georgia Capital hosted a virtual investor day, at which the updated strategy was introduced. Following the buy-out of minority shareholders in GHG and widening NAV discount since 1Q20, the Company decided to revise the strategy. The revised strategy addresses the feedback received from investors and greater focus is placed on liquidity and large cash flow generative businesses, while de-emphasising less scalable small portfolio companies. The virtual event was open for all stakeholders, including investors and analysts and they were all very supportive of the changes in line with the updated strategy.

Georgia Capital will focus on larger scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value in 3-5 years after the initial investment and monetise them through exits, as investments mature. This larger size will provide improved liquidity and improved exit opportunities, to support the Group's desire to reduce the discount to reported NAV per share, which has been widening since March 2020 from its average historical level of 25% to 60% at 30 September 2020. In line with the updated strategy, Georgia Capital has introduced two new strategic priorities:
1. realise the value of one of the large portfolio companies, through a trade sale, over the next 18-24 months; and 2. divest the subscale portfolio companies over the next 2-3 years.

In the Remuneration Report, we report on the new incentivisation arrangements for senior executives in the portfolio companies which has been structured to take account of feedback received from several of our larger shareholders.

More information on the impact of the strategy enhancement and how this seeks to benefit our investors and portfolio companies can be seen on page 7.

3. GGU BOND ISSUANCE

In July 2020, GGU issued the first-ever green notes from Georgia. The transaction was met with considerable interest from investors, despite the uncertainty stemming from the COVID-19 pandemic. The proceeds from the notes were used to refinance all existing loan arrangements of GGU and to finance capital expenditures in the water supply and sanitation business. The issuance of the bonds significantly improves the financial flexibility of GGU and also enhances its liquidity profile, contributing to the healthy growth of the business whilst delivering environmental benefits, and contributing to a more sustainable economy. GGU obtained a Second Party Opinion from Sustainalytics, a leading provider of environmental, social and governance (ESG) research and ratings, for its Green Bond Framework. The Board took this Second Party Opinion into account when considering whether to approve the issuance. GGU's business model has an important role to play in the transition towards a more sustainable and lower-carbon economy in Georgia, both through the current investment portfolio and future investments. GGU expects that the technologies and assets it is investing in, will help achieve the United Nations' Sustainable Development Goals (SDGs), and the objectives of the Paris Agreement. Going forward, by launching the pipeline hydro and wind power plants, our renewable energy business will further enhance its contribution to green energy production development. To read more, please see page 92 of the Resources and Responsibilities section.

4. COVID-19 – PEOPLE CONSIDERATIONS

We were able to successfully implement our business continuity plan in response to the COVID-19 pandemic this year, which saw our employees shift to working remotely for safety. Our priority has been the health and safety of our people, and we continuously monitor best practice and Government advice and provide regular updates to our people and to the Board. We have been encouraging open dialogues with management and group chats on the challenging topics. We believe free expression and experience sharing is key for developing a healthy workforce. More information on ways we have promoted a healthy and safe workforce can be seen on page 87 of the Resources and Responsibilities section.

We have observed an accelerated digital transformation of the businesses as a result of the pandemic, such as our educational business switching to online learning facilities to ensure the safety of learners. Our healthcare services business has been playing a substantial role in coping with the pandemic. In May 2020, GHG completed and launched its innovative, independent and fully-integrated digital healthcare platform, EKIMO. EKIMO combines all components of primary healthcare: doctors, clinics, radiology units, retail pharmacies and medical insurance. More information on this can be seen in our Resources and Responsibilities section, on page 86.

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RISK MANAGEMENT

We believe that effective risk management underpins the successful delivery of our strategy. We identify, evaluate, manage and monitor the risks that we face through an integrated control framework supported by formal policies and procedures, clearly delegated authority levels and comprehensive reporting. The Board confirms that our framework has been in place throughout the year under review and to the date of approval of this Annual Report and is integrated into both our business planning and viability assessment processes.

Overview

Our Board, supported by our Audit and Valuation and Investment Committees and executive management, is ultimately responsible for the Group's risk management and internal controls with a view to maintaining ongoing sustainability.

As an investor, Georgia Capital is in the business of taking risks in order to seek to achieve its targeted returns for investors and shareholders. The Board approves the strategic objectives that determine the level and types of risk that Georgia Capital is prepared to accept and reviews the Group's strategic objectives and risk appetite at least annually. We believe that, in order to have an effective risk management framework, there needs to be a strong risk management culture within the Group. We have worked to ensure that managing risk is ingrained in our everyday business activities. We seek to create an environment where there is openness and transparency in how we make decisions and manage risks and where business managers are accountable for the risk management and internal control processes associated with their activities. Our culture also seeks to ensure that risk management is responsive, forward-looking and consistent. Georgia Capital's risk culture is built on rigorous and comprehensive investment procedures and disciplined capital management.

Risk appetite

Our risk appetite is defined by our strategic objectives. We invest capital and develop businesses that will have strong capital returns. Georgia Capital applies the following investment criteria:

- Geographic focus: only investing in and developing businesses in Georgia, the country we know – a diversified, resilient, fast-growing economy across the last decade.
- Focus on liquidity: in line with the updated strategy in 2020, the Group will be predominantly investing only in larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over the next 3-5 years. The Group believes a larger size will provide improved liquidity and superior exit opportunities, to support the Group's desire to reduce the current discount to reported NAV per share.
- Sector focus: investing mostly in fragmented and underdeveloped markets, particularly targeting high-multiple service industries.
- Return target: combination of the ROIC, MOIC, IRR and GCAP share price value versus investments return is the key decision-making matrix used in the investment decision-making process.
  - MOIC and IRR are determined at GCAP level, as the Group evaluates achievable money multiples with all acquisitions and analyses them in combination with the expected IRR.
  - ROIC is evaluated for financing projects and reinvestment at each portfolio company level. Different yields are appropriate for different industries. ROIC is at the core of decision-making when the portfolio companies are investing or divesting assets or businesses. ROIC should be more than weighted average cost of capital (WACC) for new investments. As part of ROIC enhancement initiatives across our portfolio, our businesses are targeting to continue divestment of low ROIC and/or non-core assets and businesses.
  - GCAP share price is at the core of decision-making when it comes to new investments. The Group performs 360-degree analysis each time GCAP makes a capital allocation decision and compares: a) the investment opportunity versus buyback opportunity; and b) the sale opportunity versus buyback opportunity. The Group intends to buy assets/companies at a higher discount to their listed peers than GCAP's fair value discount. Georgia Capital is targeting to invest in opportunities which produce greater returns than returns offered by buying back GCAP shares.

Capital management

Georgia Capital adopts a highly-disciplined approach to managing its capital resources as follows:

- 360-degree analysis, when evaluating capital returns, new investment opportunities or divestments.
- Georgia Capital allocates capital such that it does not depend on premature sales of listed portfolio investments. Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.
- The Board regularly reviews any major investment and divestment opportunities.

Our framework and approach to risk governance

The Board is responsible for setting the right tone and encouraging characteristics and behaviours which support a strong risk culture and effective risk management process across the Group. The Board's mandate includes determining the Group's risk appetite and risk tolerance as well as monitoring risk exposures to ensure that the nature and extent of the main risks we face are consistent with our overall goals and strategic objectives. Non-executive oversight is also exercised through the Audit and Valuation Committee which focuses on upholding standards of integrity, financial reporting and valuation framework, risk management systems, going concern, internal control and assurance frameworks. The Audit and Valuation Committee's activities are discussed further on pages 136 to 141. The Investment Committee ensures a centralised process-led approach to investment and the overriding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns. The Investment Committee's activities are discussed further on pages 134 to 135.

At the Board, Committee and executive management levels, we develop formal policies and procedures which set out the way in which risks are systematically identified, assessed, quantified, managed and monitored. Our Investment Committee, which has oversight of the investment pipeline development and approves new investments, significant portfolio changes and divestments, is integral to embedding our institutional approach across the business. It ensures consistency and compliance with Georgia Capital's financial and strategic requirements, cultural values and appropriate investment behaviours. Each business participates in the risk management process by identifying the key risks applicable to its business. The principal risks and uncertainties faced by the Group are identified through this process, as are the emerging risks.

On a day-to-day basis, management is responsible for the implementation of the Group's risk management and other internal control policies and procedures. Based on our risk culture, managers "own" the risks relevant to their respective function. For each risk identified at any level of the business, the risk is measured and mitigated (if possible) in accordance with our policies and procedures and monitored. Middle level managers, both at each portfolio company and Georgia Capital level, are required to report on identified risks and responses to such risks on a consistent and frequent basis. Executive and senior management regularly review the output from the bottom-up process by providing independent challenge and assessing the implementation of the risk management and internal control policies and procedures.

Our reporting process enables key risks and emerging risks to be escalated to the appropriate level of authority and provides assurance to the Committees and the Board. Key developments affecting our principal risks and associated mitigating actions are reviewed quarterly (or more often if necessary, on an ad hoc basis, outside of the regular reporting process) by the Audit and Valuation and Investment Committees, as appropriate, as well as the Board.

A description of emerging and principal risks and uncertainties, including recent trends and outlook, as well as mitigation efforts, can be found on pages 73 to 81 of the Strategic Review.

Risk Governance Structure

BOARD

- Determines the Group's risk appetite as part of strategy setting.
- Overall responsibility for maintaining a system of internal controls that ensure an effective risk management and oversight process across the Group.
- Assisted by the Board Committees with specific responsibility for key risk management areas.

Audit and Valuation Committee	Investment Committee	Remuneration Committee	Nomination Committee
• Responsible for managing financial reporting risk and internal control and the relationship with the external auditor. • Reviews and challenges risk management reports from Group Finance and Internal Audit. • Specific and primary responsibility for the valuation policy and valuation of the Group's portfolio companies. • Provides oversight and challenge of underlying assumptions on the valuation of the private portfolio companies (82.0% of portfolio value at 31 December 2020). Starting from 4Q20, all private large portfolio companies (63.9% of the total portfolio) are valued externally by an independent valuation company. • Direct engagement with the external auditors, who involve their specialist valuations team.	• Principal Committee for managing the Group's portfolio companies and its most material risks. • Strict oversight of each step of the investment lifecycle. • Approves all investment, divestment and material portfolio decisions. • Monitors investments against original investment case. • Ensures investments are in line with the Group's investment policy and risk appetite.	Reviews and recommends to the Board the Directors' Remuneration Policy to ensure that remuneration is designed to promote the long-term success of Georgia Capital (and to see that management is appropriately rewarded for their contribution to the Group's performance in the context of wider market conditions and shareholder views). • Approves variable compensation schemes for our investment professionals that are in line with market practice and enable the Group to attract and retain the best talent. • Ensures that remuneration is aligned with shareholder returns.	• Responsible for ensuring that the Board has the necessary skills, experience and knowledge to enable the Group to deliver its strategic objectives. • Leads the process for appointing Directors and senior management positions.

MANAGEMENT BOARD

The Management Board is led by the Chief Executive Officer and has:

- Delegated responsibility for management of the Group.
- Delegated responsibility for investment decisions.
- Delegated responsibility for risk management.

RISK MANAGEMENT CONTINUED

Bodies implementing the risk management system
As mentioned on page 69, our Board is responsible for reviewing and approving the Group's system of internal control and its adequacy and effectiveness. Controls are reviewed to ensure effective management of strategic, financial, market and operational risks, amongst other we face. Certain matters, such as the approval of major capital expenditure, significant acquisitions or disposals and major contracts, amongst others, are reserved exclusively for the Board. The full schedule of matters specifically reserved for the Board can be found on our website at: **https://georgiacapital.ge/governance/cgf/schedule**. With respect to other matters, the Board is often assisted by both the Audit and Valuation and Investment Committees.

The Management Board has the overall responsibility for the Group's assets, liabilities, risk management activities, respective policies and procedures. In order to effectively implement the risk management system, the Management Board delegates individual risk management functions to each of the various decision-making and execution bodies within the Group, as described below.

Internal Audit department
The Group has an established Internal Audit department, which is responsible for the regular review/audit of the Group's operations, activities, systems and processes, in order to evaluate and provide reasonable, independent and objective assurance and consulting services designed to add value and improve the Group's operations.

The Group's Internal Audit department is independent of the Management Board. The Head of the Group's Internal Audit department is appointed by, and has a direct reporting line to the Chairman of the Audit and Valuation Committee. The Group's Internal Audit department discusses the results of all assessments with the Group's Management Board and reports its findings and recommendations to the Group's Audit and Valuation Committee.

The purpose of the Internal Audit department is to determine whether the Group's risk management, internal controls and corporate governance processes, which are designed and implemented by the Management Board, are adequate such that:
- material risks including strategic, market, liquidity and operational risks, are appropriately identified, measured, assessed and managed across the Group, including its outsourced activities;
- interaction with the various internal governance groups occurs appropriately;
- significant financial, managerial, and operating information is accurate, reliable and timely;
- the Group and its employees act with integrity and their actions are in compliance with the policies, standards, procedures and applicable laws and regulations;
- resources are acquired economically, used efficiently and protected adequately;
- programmes, plans and objectives are achieved; and
- significant legislative or regulatory issues that impact the organisation are recognised and addressed in a timely and proper manner.

In order to fulfil its function, the Group's Internal Audit department has unrestricted access to all the Group's functions, records, property and personnel.

Investment team
The Group's Investment team has formalised the procedures of risk analysis in 2020, already ingrained informally in its existing responsibilities in prior periods. As part of the formalised procedures, qualitative and quantitative downside risks are identified and measured and risk adjusted returns are assessed for the investment opportunity.
For each capital allocation decision an independent risk team is formed and no member of the risk team is involved in developing investment thesis. The risk team identifies major risk areas of the proposed investment, assesses potential impact if the risks materialise and estimates returns based on stress test scenarios and sensitivity analysis. The team also evaluates the fit of the investment within the Group's investment policy and challenges the executability of the proposed business plan.

Risk analysis process involves desktop research as well as field work, including interviewing sector experts and senior executives. ROIC and equity IRR are the most common return metrics which are stressed in the risk analysis. For every capital allocation decision, the risk team issues a written capital allocation recommendation based on the risk reward profile of the proposed investment.

Together with the investment thesis, the risk analysis is reviewed by the Capital Allocation & Strategy committee, consisting of members of the Group's management team, which is responsible for recommending investment decisions to the Board.

Legal department
The Legal department's principal purposes are to ensure that the Group's activities conform to applicable legislation and to minimise losses from the materialisation of legal risks. The Legal department is responsible for the application and development of mechanisms for identifying legal risks in the Group's activities in a timely manner, the monitoring and investigation of the Group's activities in order to identify any legal risks, the planning and implementation of all necessary actions for the elimination of identified legal risks, participation in legal proceedings on behalf of the Group where necessary and the investigation of possibilities for increasing the effectiveness of the Group's legal documentation and its implementation in the Group's daily activities. The Legal department is also responsible for providing legal support to structural units of the Group.

Finance department
The Group's risk management system is implemented primarily by the Finance department, which is supervised by the Chief Financial Officer and is responsible for the Financial Risks Management function. It implements the Group's financial and tax risks policies by ensuring compliance with: liquidity management thresholds; limits on possible losses from the foreign currency risks; tax legislation; and all financial policies and procedures set by the Management Board. The Finance department, which reports to the Management Board, also focuses on the Group's relationship with the tax authorities, provides practical advice and tax optimisation plans for the Group and also assesses the entire Group's tax risks and exposures.

The Finance department also manages foreign currency exchange, money market and derivatives operations and monitors compliance with the limits set by the Management Board for these operations. The Finance department is also responsible for the management of the long-term and short-term liquidity and cash flow and monitors the volumes of cash on the Group's accounts for the purposes of sufficiency. Further, the Finance department actively monitors performance of portfolio companies on a regular basis and delivers daily NAV development reports, weekly liquidity reports and monthly management reports to the Management Board. The Management Board reviews the performance of each portfolio business company on a monthly basis and takes actions, as necessary.

IFRS technical accounting group
The IFRS technical accounting group, part of the Finance department, is responsible for monitoring the Group's compliance with relevant International Financial Reporting Standards. The IFRS technical accounting group is involved in the development process of the Group's accounting policies by leading new accounting standards implementation projects, monitoring of new IFRS developments, preparing an impact assessment on reporting, systems and processes across the Group.
In order to increase the understanding of IFRS, the IFRS technical accounting group delivers training on new IFRS standards, issues Group accounting policies, produces general guidance memos on application of IFRS and memoranda on complex, one-off transactions and also prepares quarterly reports to the Audit and Valuation Committee summarising material transactions across the Group, with respective financial impact.

Valuation workgroup
The Group has established a valuation workgroup, consisting of members of the Finance and Investment departments, which is responsible for the development and oversight of fair value assessment of the Group's private portfolio companies at each reporting date. The workgroup engages third-party professionals to assist with the fair value determination of large investments (63.9% of total portfolio value at 31 December 2020) in order to provide more transparency of Georgia Capital's portfolio valuations. The valuation workgroup also estimates fair values of investment stage and other portfolio companies (17.8% of total portfolio value at 31 December 2020, in aggregate) in-house by applying an appropriate valuation technique in compliance with IFRS 13. The workgroup reports to the Management Board. In order to ensure compliance with IFRS 13 requirements, increase the transparency of valuation and to ensure that consistent approach is applied in similar facts and circumstances, the workgroup developed a valuation policy and monitors compliance across all investments. The applied valuation methodology makes use of market-based information, is consistent with models generally used by market participants and is applied consistently from period to period, except where a change would result in a better estimation of fair value. The workgroup recommends fair values of private portfolio investments at each reporting date and prepares quarterly valuation reports for the Management Board and the Audit and Valuation Committee, describing valuation techniques applied and inputs used, with particular focus on the assumptions supporting the unquoted investments, any valuation uncertainties and the proposed disclosure in the financial statements. The valuation workgroup applies care in exercising judgement and making necessary estimates due to uncertainties inherent in estimating fair value for private companies. The valuation workgroup may also involve third-party professionals in assessing fair value of investments in exceptional circumstances.

Internal control
Georgia Capital's internal control over the financial reporting is focused primarily on ensuring efficient and reliable control of valuation of private portfolio companies as well as the Group's consolidation process. With respect to internal control over financial reporting, our financial procedures include a range of system, transactional and management oversight controls. The board and management of each private portfolio company is responsible for ensuring the efficiency of the private portfolio company's internal control structures, risk management and financial reporting. The private portfolio companies' boards ensure that Georgia Capital's Board receives information on any issues that could affect Georgia Capital's business or financial reporting. Our businesses prepare detailed monthly management reports that include analyses of their results along with comparisons, relevant strategic plans, budgets, forecasts and prior results. These are presented to and reviewed by executive management. Each quarter, the CFO of the Group and other members of the Finance department discuss financial reporting, valuations and associated internal controls with the Audit and Valuation Committee, which reports significant findings to the Board. The Audit and Valuation Committee also reviews the quarterly, half-year and full-year financial statements and corresponding press releases and provides feedback to the Board. The external and internal auditors attend each Audit and Valuation Committee meeting and the Audit and Valuation Committee meets regularly both with and without management present.

Going Concern Statement
The Group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives and performance are set out on pages 2 to 119. Comprehensive going concern assessment analysis is disclosed in Note 2 within the IFRS financial statements. The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and are satisfied that Georgia Capital has the resources to continue its 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. The Directors also considered issuance of US$ 65 million Eurobonds in March 2021, which will be consolidated and form a single series with the existing US$ 300 million 6.125% senior notes due 2024. After making enquiries, the Directors confirm that they have a reasonable expectation that Georgia Capital and the Group, as a whole, have adequate resources to continue in operational existence and, therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Viability Statement
In accordance with the Corporate Governance Code, the Directors are required to assess the prospects of the Company to meet its liabilities by taking into account its current position and principal risks. Georgia Capital runs an in-depth annual business planning process, involving both the management of portfolio companies and Group management with Board input and oversight. In line with the UK Corporate Governance Code, the process includes a viability assessment conducted by the Board over a three-year period beginning 1 January 2021, being the first day after the end of the financial year to which this report relates. In determining the appropriate period over which to make their assessment, the Directors considered: the duration of strategic plans and financial forecasts; the diverse nature of the Group's activities; the evolving nature of the regulatory environment in which the Group's businesses operate; the inherent uncertainty surrounding future capital allocation projections; and the Group's objective, in line with its updated strategy, to complete a trade/strategic sale of one of its large portfolio business over the next 18 to 24 months. A period of three years beyond the balance sheet date was therefore considered the most appropriate viability period for the Group.

In order to consider the Group's viability, the Board considered a number of key factors, including:
- the Board's risk appetite;
- the Group's business model and strategy as set out on pages 4 to 37;
- the Group's principal and emerging risks and uncertainties, principally those related to regional instability, portfolio company strategic and execution risk, investment risk, adverse economic conditions, implications of COVID-19, the depreciation of the Lari, lack of liquidity and how these risks and uncertainties are managed, as set out on pages 73 to 81;
- the effectiveness of our risk management framework and internal control processes; and
- stress testing, as described on the next page.

Strategic Review Our Business

RISK MANAGEMENT CONTINUED

The key factors on the previous page have been reviewed in the context of our current position and strategic plan. Since there are no legal guarantees or constructive commitments in place for Georgia Capital to fund losses or activities at portfolio companies' level (with the exception of a financial guarantee of EUR 18 million issued to a portfolio company owned by JSC Georgia Capital), a stress test analysis was prepared on a holding company level.

The viability assessment involved a risk identification process which included recognition of the principal risks to viability (risks that could impair the Group's business model, future performance, solvency or liquidity), excluding risks not sufficiently severe over the period of assessment for the Group. The principal risks and uncertainties identified by the Group are the impact of COVID-19, regional instability, regulatory, investment, liquidity, portfolio company strategic and execution, and currency and macroeconomic environment-related risks. Further, the Group has identified climate change-related risks as emerging risks. We also identified other risks which, while not necessarily severe in themselves, could escalate when combined with others.

For those risks considered sufficiently severe to affect our viability, we performed stress testing for the assessment period, which involved modelling the impact of a combination of severe and plausible risks in separate and combined adverse scenarios. The stress test scenario was then reviewed against the Group's current and projected liquidity position. The stress testing also took into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks to which the Group is exposed. The Group prepared a single reasonable worst case scenario which assumes inability of private portfolio companies to pay dividends or meet any other obligations towards the holding company, the reason for which could be economic consequences of COVID-19, GEL depreciation against the US dollar, market competition, operational underperformance, low liquidity of real estate assets (for our housing development and hospitality and commercial real estate businesses) and project cost overruns for the water utility and renewable energy businesses. Given COVID-19-related developments and contingency plans announced by Bank of Georgia, the Group's scenario also excludes dividend inflows from its only listed asset (BoG). The Group identified the following mitigating actions: suspension of capital allocations, where possible, together with optimisation of cash operating expenses. The Directors also considered the maturity of US$ 365 million Eurobonds issued by the Group and due in 1Q24, shortly after the end of the viability assessment period. It was noted that given the Group's superior access to capital, once again demonstrated by a successful US$ 65 million Eurobond tap issue in March 2021, the Eurobond refinancing remains as a primary and viable option, however, depending on the execution of exit strategy targets, discussed earlier and in accordance with the updated strategy, the Group may consider redeeming the bonds either fully or in part.

The Directors have also satisfied themselves that 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 viability assessment period. They have also collected necessary evidence to support the statement below in terms of the effectiveness of the Group's risk management framework and internal control processes in place to mitigate risk. As at 31 December 2020, Georgia Capital holds GEL 284 million assets across cash, marketable debt securities and loans issued to portfolio companies. Additionally, the Group also holds GEL 532 million equity securities of London Stock Exchange listed BoG PLC as at 31 December 2020. As mentioned above, the Group also successfully placed a US$ 65 million Eurobond tap issue on 16 March 2021, which will be consolidated and form a single series with the existing US$ 300 million 6.125% senior notes due 2024. Therefore, in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period of time, the likelihood of the Group having insufficient resources to meet its financial obligations is very low. Based on the analysis described above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue operation and meet its liabilities as they fall due over the three-year period from 1 January 2021 to 31 December 2023.

RISK OVERVIEW

Understanding our risks
We continuously monitor our internal and external environment to ensure that any new principal or emerging risk is identified in a timely manner and responded to appropriately. The Directors have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We define our principal risks as those that have the potential to impact the delivery of our strategic objectives materially. We also monitor risks which include new and emerging risks which may have the potential to become principal risks but are not yet considered to be so. Emerging risks usually have large uncertain outcomes which may become certain in the longer term (beyond one year) and which could have a material effect on the business strategy if they were to occur.

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

CORONAVIRUS (COVID-19) RISK

PRINCIPAL RISK/ UNCERTAINTY

The Georgian Government took significant actions at the early stage of the COVID-19 outbreak. Border checks began on 27 February, schools switched to distance learning from 29 February, travel restrictions for neighbouring countries were imposed on 5 March, followed by mandatory self-isolation/quarantine since 9 March. All borders were closed on 18 March and a state of emergency in effect from 21 March to 22 May 2020 imposed strict containment measures, such as quarantining municipalities with local outbreaks, stricter restriction on movements for the individuals aged 70 or above and a mandatory curfew requiring the population to stay indoors from 9pm to 6am. Business activity gradually recovered since 27 April 2020, as the six-stage lockdown exit plan was brought forward due to favourable epidemiological developments, and most economic activity has resumed since mid-July. Georgia lifted restrictions on domestic tourism from 15 June 2020 and opened borders to Germany, France, Latvia, Lithuania and Estonia from 8 July. Following a surge in cases since September 2020, a two-month partial lockdown was imposed spanning from end-November 2020 to February 2021, with winter resorts, restaurants, malls and fitness facilities closed, intracity municipal transport paused in major cities, a curfew imposed from 9pm to 5am and a two-week full lockdown "winter holiday" during 3-15 January was announced. Due to favourable epidemiological developments, the Government announced a plan for the gradual easing of restrictions from February 2021, including the reopening of schools and outdoor restaurants from mid-February, as well as resuming regular flights and municipal transport, and reopening shops and malls from the beginning of February. At the end of February, the Government announced a further gradual easing of remaining restrictions from 25 February 2021 through 15 March 2021. Following 15 March 2021, the only remaining material restriction is expected to be the nationwide curfew from 9pm to 5am.

The Group's portfolio companies have experienced certain adverse impacts on their businesses arising from the COVID-19 pandemic:

- Restrictions imposed in relation to the outbreak have had a significant impact on GHG's healthcare services business, particularly during the first lockdown from March to May of 2020. Lower emergency treatment requirements as well as postponements and cancellations of elective procedures due to COVID-19 have had a negative impact on the business. Revenue and EBITDA (excluding the impact of IFRS 16) for the healthcare services business decreased by 2.5% and 17.2% in 2020, respectively, largely due to the impact of COVID-19, although this was offset by revenue growth in the retail (pharmacy) business. Medical tourism and clinical trials, which are two growth areas targeted by GHG, have also been adversely affected by the spread of COVID-19 and the resulting travel restrictions imposed by the Government. Following the lifting of COVID-19-related lockdown restrictions in June 2020, which affected hospitals and clinics segments, the healthcare services business' revenue started to rebound and the trend continued throughout the second half of the year. As COVID-19 continues to spread, doctors and nurses have been on the front line of treatment, which is a risk to their health and could create labour shortages. Should COVID-19 overwhelm GHG's hospitals or clinics or the healthcare system in Georgia generally or create labour shortages in the healthcare system, this could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

Strategic Review Our Business

RISK OVERVIEW CONTINUED

CORONAVIRUS (COVID-19) RISK CONTINUED

PRINCIPAL RISK/ UNCERTAINTY continued

- The social distancing measures implemented by countries around the world to slow the spread of COVID-19 have resulted in a global recession. As economic activity is drastically reduced for several months, the outlook for many businesses remains highly uncertain. As businesses and unemployed workers no longer have the income to pay their outstanding debts, the number of defaults could significantly increase, which would have adverse impact on Bank of Georgia and respectively, the value of the Group's holding in BoG.
- At GGU, in relation to the water utility business, the COVID-19 outbreak resulted in lower demand from business customers, which in turn resulted in decreased revenue. However, according to the tariff setting methodology, volume risk does not stay with GGU and unearned revenues due to COVID-19 in the past regulatory period (2018-2020) will be reimbursed, applying the time value of money, through new tariffs set for the next regulatory period (2021-2023), as approved by GNERC in December 2020.
- At the Group's education business, schools were providing distance learning from 1 March 2020 and for most of the remainder of the year. During the distance learning period, schools offered discounts ranging between 15% and 25% for tuition fees and a roll-over of fees for transportation/catering services. Due to the pandemic, summer schools were almost fully cancelled and 2020 revenues from additional services (such as catering and transportation) decreased by 24.8% year-on-year to GEL 0.8 million. In light of epidemiological developments in Georgia, the schools in Tbilisi were reopened from 15 February 2021.
- A downturn in tourism had a material adverse effect on the Group's hospitality and commercial real estate business, which is dependent on the flow of tourists visiting Georgia. Additionally, a negative impact on the Georgian economy could depress Georgia's property market, which could have a material adverse effect on the Group's housing development business.
- The Group's auto service business was negatively affected by the lockdown, including due to the temporary suspension of mandatory car inspections.

KEY DRIVERS/TRENDS

Although vaccine development and the ongoing immunisation process have raised hopes of global recovery, exceptional uncertainty persists with respect to vaccine availability and roll-out timeline. The coronavirus has proven a major challenge for the Georgian economy, especially the tourism sector, and the outlook remains difficult to assess as any major turnaround is conditional on successful global immunisation. The virus outbreak presents both supply and demand side shocks and will continue to have multiple repercussions through various channels, as rising costs have been pressuring prices and falling disposable income has been constraining economic activity. As a small open economy (external merchandise trade around 70% of GDP as of 9M20), Georgia is highly dependent on foreign currency inflows to finance its current account deficit, so a significantly delayed recovery in tourism revenues or a substantial fall in foreign investment sentiment would significantly impact growth prospects. The global spread of downside risks would continue to contract foreign demand and, thus, exports, and could negatively impact remittance inflows, which have been invaluable in 2020. Measures preventing the virus from spreading and increased uncertainty about the vaccination timeline and availability could significantly affect domestic sentiment and demand, negatively impacting consumption and domestic absorption as a whole, while also creating risks of lowering potential output in the medium term.

Furthermore, there can be no assurance, that the measures introduced by the Government will be effective in preventing the further spread of COVID-19 or reducing the negative economic effects caused by the pandemic in Georgia or that more restrictive measures will not be implemented, any of which could have a material adverse effect on macroeconomic conditions and, in turn, the Group's business.

CORONAVIRUS (COVID-19) RISK CONTINUED

MITIGATION

The Government of Georgia's effective steps resulted in the lowest number of confirmed cases and deaths per capita in the region during the first wave, although the Autumn surge has placed Georgia at the frontier of the battle against COVID-19. In a population of about 3.7 million, there have been 276,436 confirmed cases, 269,384 recovery cases and 3,674 deaths as of 18 March 2021. The vaccination campaign began on 15 March 2021, with healthcare workers and risk groups given priority. Additional batches are expected to arrive by the end of March and throughout the year, as the government has set a goal of vaccinating 60% of the population.

In April 2020, the Government announced a GEL 3.5 billion package to address the crisis, which included social aid (GEL 1.03 billion), economic support and business aid (GEL 2.1 billion) and anti-pandemic measures (GEL 0.35 billion). The package included the suspension of property and income taxes for companies operating in the tourism industry, an interest subsidy for small- and medium-sized hotels, acceleration of VAT refunds, increased capital expenditure, payment for utility services for low-income households, unemployment benefits, subsidies for nine products, including sugar, wheat, buckwheat, beans, rice, pasta, sunflower oil and milk powder, hedging against increases in costs of construction materials, income tax exemptions for hired employees with a salary of up to GEL 750, one-off transfers to the self-employed, additional aid for families that fall below a specified social score threshold or with three or more children, as well as disabled people, pension indexation from January 2021, credit guarantee schemes, agriculture grants and a relaxation of upper limits on financing through the programme "Produce in Georgia". Moreover, special support packages have been unveiled in support of the agriculture and real estate sectors comprising co-financing for the agriculture sector, direct subsidies and grants for farmers, mortgage interest rate subsidies, guarantees and insurance for the real estate sector, and a sharp acceleration of Government demand for housing intended for refugees. The Government also announced plans to direct additional funds to address increased healthcare expenditure. Commercial banks also suspended loan payments for retail loans. In November 2020, in connection with the announcement of a second lockdown, the Government announced the extension of certain of the economic support and business aid measures which had expired on 1 November 2020 as well as certain other measures, including measures to support the tourism and restaurant industries. These measures will cost the Government GEL 1.10 billion.

The Georgian economy remains vulnerable to external shocks due to a mix of its historically high current account deficit, low domestic savings rate and high level of dollarisation. The external balance deteriorated following the onset of the COVID-19 pandemic, with the current account deficit amounting to 12% of GDP for the nine months ended 30 September 2020, as tourism revenues, a major source of foreign currency inflows, evaporated. This was mitigated to a certain extent by record high remittance inflows (up 8.8% in 2020, including a 20.2% increase in the second half of 2020) and a significant cut in the merchandise trade deficit (a reduction of US$ 1.05 billion compared to 2019), together with a strong pre-crisis position, with the current account deficit amounting to 5.4% of GDP in 2019, a record low. The remaining shortfall in the external balance was financed by donor funding secured by the Government, which was more than enough to fund the fiscal and external deficits, as international reserves grew to a record high of US$ 4.1 billion at the end of January 2021 despite the National Bank of Georgia selling US$ 873 million in 2020 and US$ 120 million in the first two months of 2021 on the foreign exchange market.

A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: the water utility, healthcare services and retail (pharmacy) businesses. Georgia Capital has a strong liquidity position, with GEL 284 million liquid assets and loans issued as of 31 December 2020 (further increasing by US$ 65 million following Eurobond tap issuance on 16 March 2021). We are also satisfied that Georgia Capital's liquidity forecast adequately accounts for the novel coronavirus risk. Further, Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. Therefore, capital allocations to portfolio companies may be suspended, if needed. The Group identified the following mitigating actions: suspension of capital allocations together with optimisation of cash operating expenses. Our businesses remained mostly resilient during 2020 and since the end of lockdown in the second half of May, we have seen a rapid recovery in the profitability of almost all our portfolio companies from April's low. Please refer to pages 103-119, where we describe in details FY20 performance of GCAP and our businesses.

Strategic Review Our Business

RISK OVERVIEW CONTINUED

REGIONAL INSTABILITY RISK	
PRINCIPAL RISK/ UNCERTAINTY	The Georgian economy and our business may be adversely affected by regional tensions. Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey, and has two breakaway territories, Abkhazia and the Tskhinvali Region/South Ossetia. Countries within the region, including Azerbaijan, Armenia, Russia and Turkey are key trading partners of Georgia. There has been ongoing geopolitical tension, political instability, economic instability and military conflict in the region, with the latest flare-up culminating in a six-week war (September-November 2020) between Armenia and Azerbaijan over the disputed Nagorno-Karabakh region. The continuation or escalation of political instability, geopolitical conflict, economic decline of Georgia's trading partners and any future deterioration of Georgia's relationship with Russia, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia, which in turn may have an adverse effect on our business including putting adverse pressure on our business model, our revenues, our financial position and valuations of our listed and private portfolio companies.
KEY DRIVERS/TRENDS	Although a ceasefire agreement has ended the recent six-week Armenia-Azerbaijan war, the conflict has neither been resolved nor has a clear path been outlined for negotiations. The risks of a further flare-up depend on the success of the Russian peacekeeping mission. The war has also worsened the economic and political outlook for Armenia, an important trading partner of Georgia, and created significant spillover risks in the region, with the rising influence of Russian and Turkey altering the regional balance. Russia imposed economic sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed Georgian borders and recognised the independence of Abkhazia and the Tskhinvali/South Ossetia regions. Russian troops continue to occupy the regions and tensions between Russia and Georgia persist. The introduction of a preferential trade regime between Georgia and the EU in 2016, and the European Parliament's approval of a proposal on visa liberalisation for Georgia in 2017, can potentially intensify tensions between the countries. Russia banned direct flights on 8 July 2019 and recommended to stop selling holiday packages to Georgia. The decision was made in response to anti-Putin protests in Tbilisi, which started after a member of the Russian parliament addressed the Georgian parliament in Russian from the speaker's chair. The ongoing conflict between Russia and Ukraine, and Russia's and Turkey's worsening relations with the US and between themselves, also increase uncertainties in the region, especially with the recent inauguration of the new US president. Fresh sanctions were imposed on a number of Russian individuals and entities on 2 March 2021 by the US and the EU, relating to the use of chemical weapons against Russian opposition figure Alexei Navalny, amplifying tensions in the region.
MITIGATION	The Group actively monitors significant developments in the region and risks related to political instability and the Georgian Government's response thereto. It also develops responsive strategies and action plans of its own. The Georgian export market shifted significantly away from the Russian market after Russia's 2006 embargo, and the Group participated in that shift. As of 2020, Russia accounted for 13.2% of Georgian exports, as opposed to 17.8% in 2005. As the tourism sector recovers, the Government's ongoing action plan to diversify tourism revenues should serve well to reduce exposure to Russia. Tourism revenues from the EU increased by 20% y-o-y in 2019, and it is hoped that this trend will continue. While financial market turbulence and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes, including DCFTA with the EU and FTA with China, support the country's resilience to regional external shocks. China became the largest destination country of Georgian exports in 2020, jumping to a 14.3% share from 5.9% in 2019, as well as becoming the largest destination country of domestically produced Georgian exports with a 19.1% share (8.7% in 2019).

REGULATORY RISK	
PRINCIPAL RISK/ UNCERTAINTY	The Group owns businesses operating across a wide range of industries: banking, healthcare services, pharmacy and distribution, property and casualty insurance, real estate, water utility and electric power generation, hydro power, wine and beverages, education, auto service and digital services. Many of these industries are highly regulated. The regulatory environment continues to evolve, and we cannot predict what additional regulatory changes will be introduced in the future or the impact they may have on our operations.
KEY DRIVERS/TRENDS	Each of our businesses is subject to different regulators and regulation. Legislation in certain industries, such as banking, healthcare, energy, insurance and utilities is continuously evolving. Different changes, including but not limited to; Governmental funding, licensing and accreditation requirements and tariff structures may adversely affect our businesses.
MITIGATION	Continued investment in our people and processes is enabling us to meet our current regulatory requirements and means that we are well placed to respond to any future changes in regulation. Further, our investment portfolio is well diversified, limiting exposure to particular industry specific regulatory risks. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes and, to the extent possible, proactively participate in the drafting of relevant legislation. As part of this process, we engage where possible in constructive dialogue with regulatory bodies and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. Our compliance framework, at all levels, is subject to regular review by Internal Audit and external assurance providers.

INVESTMENT RISK	
PRINCIPAL RISK/ UNCERTAINTY	The Group may be adversely affected by risks in respect of specific investment decisions.
KEY DRIVERS/TRENDS	An inappropriate investment decision might lead to poor performance. Investment risks include inadequate research and due diligence of new acquisitions and bad timing of the execution of both acquisition and divestment decisions. The valuation of investments can be volatile in line with the market developments.
MITIGATION	The Group manages investment risk with established procedures for thorough evaluation of target acquisitions. Investment opportunities are subject to rigorous appraisal and a multi-stage approval process. Target entry and exit event prices are monitored and updated regularly, in relation to market conditions and strategic aims. The Group performs due diligence on each target acquisition including financial and legal matters. Subject to an evaluation of the due diligence results an acceptable price and funding structure is determined, and the pricing, funding and future integration plan is presented to the Investment Committee (consisting of the full Board) for approval. The Committee reviews and approves or rejects proposals for development, acquisition and sale of investments and decides on all major new business initiatives, especially those requiring a significant capital allocation. The Investment Committee focuses on both investment strategy and exit processes, while also actively managing exit strategies in light of the prevailing market conditions.

RISK OVERVIEW CONTINUED

LIQUIDITY RISK	
PRINCIPAL RISK/ UNCERTAINTY	Risk that liabilities cannot be met, or new investments made, due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of demand from the market, from suspension of dividends from portfolio companies, from not holding cash or being able to raise debt.
KEY DRIVERS/TRENDS	The Group predominantly invests in private portfolio businesses, potentially making the investments difficult to monetise at any given point in time. There is a risk that the Group will not be able to meet its financial obligations and liabilities on time due to lack of cash or liquid assets or the inability to generate sufficient liquidity to meet payment obligations. This may be caused by numerous factors, such as: the inability to refinance long-term liabilities; suspended dividend inflows from the Group's portfolio companies; excessive investments in long-term assets and a resulting mismatch in the availability of funding to meet liabilities; or failure to comply with the creditor covenants causing a default.
MITIGATION	The liquidity management process is a regular process, where the framework is approved by the Board and is monitored by senior management and the Chief Financial Officer. The framework models the ability of the Group to fund under both normal conditions (Base Case) and during stressed situations. This approach is designed to ensure that the funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The Finance department monitors certain liquidity measures on a daily basis and actively analyses and manages liquidity weekly. Senior management is involved at least once a month and the Board on a quarterly basis. Such monitoring involves review of the composition of the cash buffer, potential cash outflows and management's readiness to meet such commitments. It also serves as a tool to revisit the portfolio composition and take necessary measures, if required. JSC Georgia Capital successfully issued US$ 300 million bonds in March 2018, which was followed by a US$ 65 million tap issuance on 16 March 2021. The debt is actively managed so that Georgia Capital maintains a maximum loan to value (LTV) ratio of 30%. GCAP has adopted the following measures to manage its standalone credit profile: • GCAP depends on dividend inflows from its portfolio companies, on its ability to sell its listed securities on the public markets at favourable prices, and on its ability over the longer term to monetise its private portfolio investments. To limit this dependency, the Group has adopted a policy to maintain a cash buffer of at least US$ 50 million in highly-liquid assets in order to always have sufficient capacity for potential downside scenarios as well as for potential acquisition opportunities. Additionally, the Group will maintain at least US$ 50 million in marketable securities which can be converted into cash within three to four weeks (this includes BoG shares); • The market value leverage (Net Debt divided by Asset Portfolio) should be no more than 30% at all times, where "Net Debt" is defined as borrowings plus guarantees issued and commitments from financial institutions minus liquid assets and "Asset Portfolio" is defined as the sum of fair values of portfolio company investments and loans issued. The ratio was 29% as of 31 December 2020; and • Recourse debt and guarantees are limited at GCAP and at each portfolio company level.

PORTFOLIO COMPANY STRATEGIC AND EXECUTION RISKS	
PRINCIPAL RISK/ UNCERTAINTY	Market conditions may adversely impact our strategy and all our businesses have their own risks specific to their industry. Our businesses have growth and expansion strategies and we face execution risk in implementing these strategies. The Group will normally seek to monetise its investments, primarily through strategic sale, typically within five to ten years from acquisition, and we face market and execution risk in connection with exits at reasonable prices.
KEY DRIVERS/TRENDS	Each of our private portfolio companies and our listed assets (Bank of Georgia) face their own risks. These include risks inherent to their industry, or to their industry particularly in Georgia, and each face significant competition. They also face the principal risks and uncertainties referred to in this table. Macroeconomic conditions, the financial and economic environment and other market conditions in international capital markets may limit the Group's ability to achieve a partial or full exit from its existing or future businesses at reasonable prices. It may not be possible or desirable to divest, including because suitable buyers cannot be found at the appropriate times, or because of difficulties in obtaining favourable terms or prices, or because the Group has failed to act at the appropriate time.
MITIGATION	For each business, we focus on building a strong management team and have successfully been able to do so thus far. Management succession planning is regularly on the agenda for the Nomination Committee which reports to the Board on this matter. The Board closely monitors the implementation of strategy, financial and operational performance, risk management and internal control framework and corporate governance of our businesses. We hold management accountable for meeting targets. For each industry in which we operate, we closely monitor industry trends, market conditions and the regulatory environment. We have also sought, and continue to seek, advice from professionals with global experience in relevant industries. We carry our private portfolio companies at fair value in our NAV Statement. After the switch to IFRS 10 on 31 December 2019, the valuations are audited, increasing the credibility of fair valuation and limiting the risk of mispricing the asset. In addition, starting from 4Q20 valuation of private large portfolio companies (63.9% of total portfolio value) is performed by an independent valuation company. The Group has a strong track record of growth and has accessed the capital markets on multiple occasions as part of the BGEO Group PLC, prior to the demerger in May 2018. On 23 July 2020, the holding company of the Group's water utility business and the operational renewable energy assets (JSC Georgia Global Utilities or "GGU") has successfully priced an inaugural US$ 250 million green bond offering. The Regulation S/Rule 144A senior unsecured US$-denominated 7.75% green notes, with a five-year maturity, represent the first-ever green notes from Georgia, further demonstrating our superior access to capital even during the current unprecedented times. JSC Georgia Capital, the Georgian holding company of the Group's businesses, successfully priced a US$ 65 million tap issue under the Group's existing US$ 300 million 6.125% senior unsecured notes due 2024, listed on the Global Exchange Market of the Irish Stock Exchange. Our acquisition history has also been successful and we have been able to integrate businesses due to our strong management with integration experience.

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RISK OVERVIEW CONTINUED

CURRENCY AND MACROECONOMIC ENVIRONMENT RISKS	
PRINCIPAL RISK/ UNCERTAINTY	Unfavourable dynamics of major macroeconomic variables, including depreciation of the Lari against the US dollar may have a material impact on the Group's performance.
KEY DRIVERS/TRENDS	The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. Factors such as gross domestic product (GDP), inflation, interest and currency exchange rates, as well as unemployment, personal income, tourist numbers and the financial situation of companies, can have a material impact on customer demand for its products and services. The Lari floats freely against major currencies. Lari depreciation against the US dollar was 14.3% y-o-y at the end of 2020. The Lari depreciation was driven by a sudden stop in tourism revenues and shrinking merchandise exports, as well as rapidly deteriorating expectations, although remittance inflows posted very strong growth and NBG sold US$ 873 million in 2020 to provide foreign currency liquidity to the markets. Significant capital outflows were not observed, but risks remain. The Lari has stabilised around US$/GEL 3.3 after an initial period of volatility. As well as intervening in the foreign exchange market, NBG cut the refinancing rate by 100bps to 8.0% and committed to use all available instruments, if necessary, to ease the pressure on prices. With supply side bottlenecks, rising costs and high commodity prices continuously pressuring prices, NBG halted exiting the relatively tight monetary policy and declared readiness to increase the refinancing rate in order to anchor inflation expectations, which will continue to support the Lari together with the active intervention policy in the foreign exchange market whilst foreign currency inflows remain depressed. In March 2021, NBG partially reversed the cut and increased the policy rate by 50bps to 8.5%, citing the above factors and aiming to curb price pressures in the medium run. On the macro level, the free-floating exchange rate works well as a shock absorber, but on the micro level, the currency fluctuation has affected, and may continue to adversely affect, the Group's results. There is a risk that the Group incurs material losses or loses material amounts of revenue and, consequently, deteriorates its solvency in a specific currency or group of currencies due to the fluctuation of exchange rates. The risk is mainly caused by significant open foreign currency positions in the balance sheets. In April 2017, the IMF approved a new three-year US$ 285 million economic programme, aimed at preserving macroeconomic and financial stability and addressing structural weaknesses in the Georgian economy to support higher and more inclusive growth. The programme has been extended as a result of the request from Georgian authorities after the COVID-19 outbreak, unlocking a further 130% of the initial quota in order to provide immediate emergency funding and gain access to around US$ 3 billion with 50% each for the public and private sectors. The programme, and the authorities' commitment towards fulfilling the corresponding obligations, has played an important role in anchoring trust and credibility towards the macroeconomic policy mix, as cited by Fitch Ratings in its latest update. Despite the downside risks, Georgian economic growth is expected to bounce back in 2021, inflation is managed and the economy has proven resilience to external shocks. Inflation is expected to remain slightly higher than the target in 2021, as rising costs and high commodity prices create sustained pressure on prices, but inflationary expectations remain anchored, while real GDP growth seems on track for recovery in 2021, with IMF forecasting a 4.3% growth (December 2020 forecast). The current account deficit reached 12% of GDP in 9M20, following a historic low of 5.5% in 2019, as the strong pre-crisis position provided space for a temporary expansion of the external deficit in 2020 while the economy absorbs the tourism sector shock. The current account deficit is expected to resume improvement from 2021, reaching -5.5% of GDP by 2025, according to IMF. Official reserve assets continued to increase due to donor financing and amounted to US$ 3.9 billion at the end of 2020 and a record high of US$ 4.1 billion at the end of January 2021, providing ample cover for the economy. In 2019, Fitch and S&P upgraded the sovereign credit rating of Georgia from BB- to BB and maintained a stable outlook. Resilience to negative external shocks, robust economic growth, shrinking current account (CA) deficit, increasing reserves and decreasing path of general Government debt were the major drivers for the reduced risk premium of the country. Georgia's outlook was downgraded to negative by Fitch in April 2020 as a result of the COVID-19 outbreak, pointing to challenges from the tourism and fiscal sectors, although noting strong structural indicators, consistent and credible policy framework, and resilience to shocks. S&P downgraded the outlook to negative in February 2021, citing deterioration in external and fiscal conditions, but also reiterating a strong institutional environment and investor confidence compared to peers. Moody's retained and reaffirmed stable outlook in August 2020.
MITIGATION	The Group continually monitors market conditions, reviews market changes and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements. The currency risk management process is an integral part of the Group's activities; currency risk is managed through regular and frequent monitoring of the Group's currency positions and through timely and efficient elaboration of responsive actions and measures. Senior management reviews overall currency positions of the Group several times during the year and elaborates respective overall currency strategies; the Finance department monitors the daily currency position for stand-alone Georgia Capital, weekly currency positions on portfolio company level and manages short-term liquidity of the Group across different currencies. Control procedures involve regular monitoring and control of the currency gap and currency positions, running currency sensitivity tests and elaborating response actions/steps based on the results of the tests.

Emerging risks

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

In 2020, the Group has identified climate change as an emerging risk. Since the Group's businesses are very much dependent on such climate elements as precipitation, wind speed and air temperature, the Group's development will definitely be affected by climate change. This is critical to protecting and enhancing the value of our assets and we monitor our governance and risk management framework to ensure that sustainability-related risks in our portfolio remain an important part of our agenda and are treated as a priority by our portfolio company management teams. Our portfolio companies' approach and the mitigants to climate risk are discussed further under Resources and Responsibilities section on pages 82-96.

Management takes climate change risk into consideration when determining fair value of is equity investments, of which, the water utility and renewable energy businesses are considered to be the most exposed to the climate change risk. Business forecasts are prepared with climate change risk in mind and it is considered when selecting peer companies and determining valuation multiples. Since Georgia Capital's water utility business generates electricity using renewable sources, it does not face obsolescence risk due to climate-focused regulations, on the contrary, renewable energy sources are considered to be the future of energy and are valued higher than traditional electricity generation companies (such as coal, gas and nuclear). For each of the HPPs and WPPs, management has performed extensive studies to determine their generation capacity and is basing generation forecasts on those studies. Climate change does not act in one particular way and may have complex effects on different geographical areas, which can not be determined with certainty as of now. The effects might be positive on some geographical areas and on some power plants and negative on others. Management continues to monitor generation of each power plant and continues to base the assumptions on scientific research reports prepared specifically for each power plant.

ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) PRINCIPLES LIE AT THE HEART OF OUR BUSINESS

In order to effectively manage the Group's direct and indirect impact on society and the environment, the Board of Directors adopted a Code of Conduct and Ethics, as well as policies which relate to environmental and social matters, employees, anti-corruption and anti-bribery. Copies of these policies can be found on the Group's website: **https://georgiacapital.ge/governance/cgf/policies**. We are pioneering sustainability practices in our business activities and across our portfolio and are constantly seeking new ways to improve our performance across the Group. We invite you to read more about these policies, practices and initiatives in the sections below, which also incorporates the non-financial information detailed under section 414CB of the Companies Act 2006.

As a Group, we are committed to a long-term investment strategy and maintaining effective relationships with those businesses in which we invest. We maintain close relationships with the management of our private portfolio companies as described within the Strategy section on pages 16 to 35. As a consequence of our involved investment style, we manage our portfolio companies in the best interests of our shareholders and other stakeholders, as well as striving to contribute to wider society. We continue to meet with our shareholders and listen to any concerns they may have as further detailed in the Stakeholder Engagement section on page 129 to 131. With a portfolio of GEL 2.9 billion, we recognise that our decisions as a Group potentially impact a broad range of stakeholders, particularly within Georgia.

As an investment holding company with c.40 employees, Georgia Capital has a limited direct impact on the environment and the community in which it operates. However, we realise that the indirect impact through our investment undertakings might also be an important consideration for our stakeholders. To ensure the Group's commitment to sustainable finance, as an integral component of responsible corporate governance, we follow our Environmental and Social Policy.

The Group is committed to conducting its business in an environmentally, socially responsible and sustainable manner in order to reduce the environmental impact of its operations, while at the same time improving social performance to enhance long-term returns to its shareholders.

Georgia Capital is also committed to achieving its strategic and investment objectives while behaving responsibly as an employer and as an international corporate citizen. We foster long-term relationships with our main stakeholders by providing high returns on investment for shareholders, encouraging employees' continuous development and contributing to the economic and social welfare of local communities, while taking into account our environmental footprint.

The Group does not invest in environmentally and socially sensitive business activities and focuses on opportunities for environmentally and socially responsible, and sustainable economic development. We also consider material ESG risks arising from our businesses. Georgia Capital recognises the increasing significance of ESG factors in the investment universe, and therefore adopts a positive approach to ESG oriented investment opportunities.

Task Force on Climate-related Financial Disclosures recommendations
The Board supports recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and is committed to disclose in line with the recommendations in our Annual Report (or a document referenced in our Annual Report) for financial year 2021.

We note that we already have structures in place which support this but we will improve our focus and commitment. The Board is entrusted with providing oversight of climate-related risks and opportunities, aided by the Audit and Valuation Committee and the Investment Committee, and management are increasing their role in assessing and managing climate-related risks and opportunities. We will be increasing identification and monitoring of climate change risks through our risk management system (Risk Management is described on pages 68 to 72 of this Report). We note that we already disclose Scope 1, 2 and 3 greenhouse gas emissions and energy usage as shown on page 93 of this Report and are considering what further metrics and disclosures could be appropriate given the structure of our Group.

The Group does not invest in environmentally and socially sensitive business activities and focuses on opportunities for environmentally and socially responsible, and sustainable economic development. You can read more below, in particular about renewable energy, in the case study on Investing in Socially Oriented Industries, and in the case study on Inaugural Green Bonds in Georgia.

OUR PORTFOLIO IS CONCENTRATED ACROSS STRUCTURALLY IMPORTANT INDUSTRIES FOR THE COUNTRY'S SUSTAINABLE DEVELOPMENT

Our approach to environmental and social matters is reflected in the strategy and management principles of our portfolio companies. All of the businesses adhere to sound environmental and social standards, as well as local policies and regulations.

The largest integrated healthcare player in the country, owned through GHG, represents 41% of our portfolio. GHG comprises the following three businesses: Healthcare Services, accounting for 20% of the county's total hospital bed capacity; Retail (pharmacy), with c.33% market share by revenue, and Medical Insurance, with 25.5% market share based on 3Q20 net insurance premiums. These businesses make an essential contribution to the development of the Georgian healthcare system. During COVID-19, Healthcare Services and Retail (pharmacy) businesses fulfilled a vital role in our society's health and well-being (further discussed in the case study on page 85).

Currently, we are investing in two key sectors that will benefit the sustainable development of Georgia: Renewable Energy and Education businesses, which we call investment stage portfolio companies (10.4% of our portfolio). As a responsible investment holding company, we believe our investments in these businesses will further enhance our community's well-being by supporting the education and development of the younger generations and increase the contribution to green energy production development, reducing environmental footprint.

Non-Financial Information Statement
The Company is required to disclose certain information on the way we operate and manage social and environmental challenges. The following table summarises where you can find further information on each of the key areas of disclosure. Further information on our policies can be found on our website at: **https://georgiacapital.ge/governance/cgf/policies.**

Reporting requirement	Further detail	Annual report page reference	Relevant policies
Social matters	Promoting local community	Page 83	Environmental and Social Policy
	Investing in socially oriented industries: healthcare, renewable energy and education	Page 84	
	Our healthcare services businesses on the frontline of COVID-19	Page 85	
	Digital transformation of our private businesses	Page 86	
	Sponsorship and charity	Page 86	
	Promoting and enhancing a healthy lifestyle	Page 87	
Employee matters	Our employees	Page 87	Code of Conduct and Ethics
	Talent attraction, training and development	Page 88	Diversity Policy
	Developing talent at our portfolio companies	Page 89	Whistleblowing Policy
	Gender diversity	Pages 88, 90-91	
	Encouraging female representation at our water utility and renewable energy businesses	Page 90	
Environmental matters	Inaugural green bonds from Georgia	Page 92	Environmental and Social Policy
	Emission disclosure and calculation methodology	Page 93	
	Our environmental activities	Page 94	
	Sustainable water management at our water utility business	Page 95	
	Specialised medical and biological waste disposal at our healthcare service business	Page 96	
Human rights	Human Resources and Human Rights Policy	Page 91	Code of Conduct and Ethics
Anti-corruption and anti-bribery	Code of Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy	Page 91	Anti-Bribery and Anti-Corruption Policy

Social matters
The Group considers the interests of its main stakeholders when developing the strategy and the processes to improve its operations. We adhere to our Environmental and Social Policy published on the Group's website: **https://georgiacapital.ge/governance/cgf/policies** and we continuously strive to contribute to society through all of our business activities by developing and investing in socially oriented products and services, implementing responsible approaches to our business operations, sponsorship and charitable activities.

Promoting local community
Georgia Capital is committed to playing a positive role in our local community, as illustrated in the case studies on the next pages on healthcare, renewable energy and education in Georgia and on healthcare on the frontline of, and award-winning digital transformation during, the COVID-19 pandemic.

RESOURCES AND RESPONSIBILITIES CONTINUED

CASE STUDY

INVESTING IN SOCIALLY ORIENTED INDUSTRIES: HEALTHCARE, RENEWABLE ENERGY AND EDUCATION

The businesses of Georgia Capital have been supportive of investments in socially and environmentally oriented businesses since 2008. When they entered the healthcare market and began to improve the overall quality of healthcare in the country, the market was in need of significant investment, with a vast network of decaying hospital infrastructure across the nation, an oversupply of depreciated hospitals, beds and doctors, and a damaging undersupply of nursing staff. Recognising that it did not have the resources to solve these problems on its own, the Georgian Government launched a "privatisation initiative" and invited the private sector to help overhaul the industry. The Group decided to participate in the programme with the aim of modernising the healthcare infrastructure, closing the service gaps in the country that forced patients to seek treatment abroad and increasing the overall quality of care that had declined sharply in the past decades, and in 2008, opened its first hospital.

Over the last ten years, the businesses of GHG have spent nearly GEL 770.4 million (US$ 306 million) on upgrading the Soviet-era facilities that were in a decrepit state. They built new hospitals and clinics that were outfitted with modern equipment. In 2020, GHG spent c.GEL 2 million on training medical and administrative staff.

As a result, we managed to develop an important institution for the Georgian healthcare system and our society as a whole. GHG has become the largest healthcare service provider, pharmaceuticals retailer and wholesaler, and medical insurance provider in the Georgian market. The Group operates a network of clinics and hospitals, pharmacies, a laboratory and the medical insurance business. GHG's health ecosystem generates synergies across all of its segments, resulting in a better patient experience.

Georgia Capital Group is the largest employer in the Georgian private sector. As of December 2020, the Group is comprised of 20,314 individuals across the businesses. GHG alone employs about 15,158 full-time employees, including 3,295 physicians, 3,130 nurses and 2,887 pharmacists. It trains the next generation of doctors through 29 residency programmes and is continually upskilling its doctors, nurses and other medical professionals.

Georgia Capital also continues to develop environmental, social and governance (ESG) oriented institutions through its investments in renewable energy and education, where we have identified a total net equity investment of c.US$ 50 million to be made over the next three to five years. As a result of our expansion plans, we expect to grow our investment stage portfolio companies in the medium term, each to more than GEL 0.5 billion value.

- Our renewable energy business, owned through GGU, has been contributing to the transition towards a more sustainable and lower-carbon economy in Georgia. Over the years, Georgia Capital has invested GEL 145 million in the renewable energy business which operates three wholly-owned commissioned renewable assets. In addition to the existing production capacity of 91MW, the business has a pipeline of up to 172MW renewable energy projects under advanced stages of development. Through its green projects, the business has been supporting climate change mitigation, natural resources conservation and pollution prevention. In July 2020, GGU successfully issued an inaugural US$ 250 million green bond. The issuance was backed by a Second Party Opinion from Sustainalytics, a leading provider of ESG research and ratings, for its Green Bond Framework. Going forward, by launching the pipeline hydro and wind power plants, our renewable energy business will further enhance its contribution to green energy production development.
- Our education business has made a significant contribution to the country's education system and society. With accrued investments of GEL 56 million, we have been striving to improve the quality of education and make it affordable for a wider group of learners, consequently supporting the development of the young generation. From current available capacity of c.3,000 learners, the Group targets to scale up the business to 21,000 learners by 2025, and the majority of the scale up will take place in the affordable segment. We acknowledge the importance and the substantial positive impact of quality education on society; therefore, we are committed to responsibly conducting our business activities and continue to support sustainable economic growth.

CASE STUDY

OUR HEALTHCARE BUSINESSES ON THE FRONTLINE OF COVID-19

Our healthcare services business has been playing a significant role during the pandemic. To support the Government and the patients affected by COVID-19, in times of peak, GHG 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, with trained medical personnel, isolated wards, intensive care and critical care units, to treat COVID-19 patients across Georgia. Employees of our hospitals and clinics were given a comprehensive training session, including how to manage patient flow, based on Georgian NCDC (National Center for Disease Control) recommendations. The call centres have been briefed about the pre-screening of patients. Educational materials were distributed and have been accessible in the facilities and online. To ensure uninterrupted flow of materials and supplies to hospitals, GHG has enhanced its processes with key vendors. The group introduced contingency plans across all businesses, including the central warehouse. GHG has been closely monitoring and managing the stock levels to ensure that enough medicines and major consumables are available in the country at all times.

Currently, our healthcare services account for 20% of the country's total referral beds to support hospitalised patients affected by COVID-19. In 2020 GHG's diagnostic facilities, including "Mega Lab", conducted 103,000 COVID-19 tests, covering 2.8% of the country's total population. In the course of the pandemic, our healthcare businesses served 11,322 COVID-19 patients and trained 6,873 medical personnel.

Our healthcare workers have been on the frontlines of battling the novel coronavirus disease that has been rapidly spreading throughout the entire country. The health and safety of employees has been one of GHG's most important priorities. Along with proper training and equipment, GHG developed various social programmes to support and encourage those who have been on the front line of patient care. GHG implemented a social campaign, "Say Thanks to Our Frontline Heroes". Throughout the campaign, online platform www.miceremadloba.ge was developed, which brought to light the stories of healthcare workers fighting selflessly against COVID-19. Through this campaign, our society has an opportunity to send letters and express their gratitude towards the dedication and commitment of our healthcare workers. To provide respite to its employees, GHG introduced mandatory away days for those in high pressure environments, at which doctors and medical personnel are given the opportunity to spend four days in hotels and recreational resorts free of charge. In 2021, 20,000 medical personnel across GHG were also granted pharmacy store vouchers (total budget of the programme amounts to GEL 1 million). In addition, GHG created GEL 2 million fund to support the physical and emotional well-being of the employees.

Along with the activities mentioned above, GHG initiated the following programmes:

Online consultations and doctors' online offices

Our clinics business enhanced digital channels and provided free online consultations via the 24-hour hotlines. Our doctors provided more than 35,817 consultations via the 24-hour hotlines and more than 5,000 remote consultations to patients through social media. The clinics business introduced online consultations through the specially created Facebook groups where patients can receive general recommendations from the best professionals in the field. Online "cabinets" comprise more than 19,000 members. More than 5,000 queries were answered through social media.

Medical Assistance Programme

Our hospitals business has been working hard to meet the needs of the community during difficult times. Uncertainty created by pandemics significantly reduced the number of outpatient visits for prevention care and diagnostics, therefore the level of disease detection has been reduced dramatically which could result in a large threat to public heath. Secondly, the mindset of patients had changed. Taking into account these circumstances, we launched a Medical Assistance Programme offering society free medical consultations, discounts on ambulatory diagnostics and GEL 500 medical vouchers for inpatient services, in order to make medical services financially available. 4,124 patients benefited from the Medical Assistance Programme.

Free concilium

To improve quality of the remote medical services, our clinics business created an online concilium. The council united leading specialists in Georgia and abroad. Complicated medical cases observed through online consultations have been discussed by 13 leading doctors from different fields.

EVEXMOBILE

Our clinics business established and trained a mobile team of family physicians to examine medical workers who have the most intensive face-to-face contact with customers. Through a special mobile clinic, EVEXMOBILE, family doctors conducted medical examinations for the employees of various companies. Participants of the social responsibility programme were employed in the public transport, media, delivery and administrative fields. Medical staff provided recommendations and instructions regarding coronavirus. Within the scope of this project, more than 5,000 employees in 50 companies were examined.

First Medical Forum regarding COVID-19

The first Medical Forum at the beginning of the COVID-19 pandemic was held on 16 April 2020 by our clinics business where doctors from Georgia, the Netherlands and the United States shared their experiences. The forum covered several key topics, such as patient triage, diagnosis, referral, home quarantine and remote control. The forum was open for any medical representatives in Georgia. Up to 800 doctors from various clinics registered and took part in the forum.

CSR project with Liberty Bank

As part of an unprecedented large-scale project of joint social responsibility of our clinics business and Liberty Bank, social card owners, including pensioners and socially vulnerable people, received the highest discounts specially designed for outpatient and dental services. The services are accessible in 34 clinics covering six regions of Georgia. The project started in January 2020 and is still ongoing. The project benefited more than 10,000 patients, who received around 30,000 discounted services.

Special cards

Our clinics business launched a special discount card (with up to 70% discount) to be used for the unfinanced medical services by people who do not have private insurance. The card can be applied for ambulatory and dental services. By the end of 2020, 14,032 services were used by 6,790 beneficiaries.

RESOURCES AND RESPONSIBILITIES CONTINUED

CASE STUDY

DIGITAL TRANSFORMATION OF OUR PRIVATE BUSINESSES

The COVID-19 pandemic has accelerated a digital transformation of businesses across the globe. To ensure business continuity and the safety of employees and society, Aldagi completed its Digital Transformation Project, making all of its services and products available digitally. The new web application, applying artificial intelligence and blockchain technology, enabled the company to offer fully digital services to its customers. As a result, user experience became safer, easier and more enjoyable (the web application identifies the user, applies artificial intelligence and allows an electronic insurance policy to be issued in the client's name without physical contact or document exchange). The project will help the company to further support innovation in the future.

For this initiative, Aldagi was acknowledged by the UN Global Compact Georgian Network and won the nomination of "Industry, Innovation and infrastructure" at the Corporate Responsibility Awards 2020.

To support our community during challenging times, in May 2020, GHG completed and launched an innovative, independent and fully-integrated digital healthcare platform, EKIMO. EKIMO combines all components of primary healthcare: hospitals, clinics, radiology units, retail pharmacies and medical insurance. During the lockdown periods and mobility restrictions, our online platform unlocked immense possibilities for our society, such as online consultations with doctors, appointment management, pharma delivery, and other online services. Our digital services simplified pandemic-related diagnosis and enhanced safety of the processes while reducing the environmental footprint.

Amid COVID-19, our education business also switched to online learning facilities. To safeguard learners, classes were held via digital platforms.

Sponsorship and charity

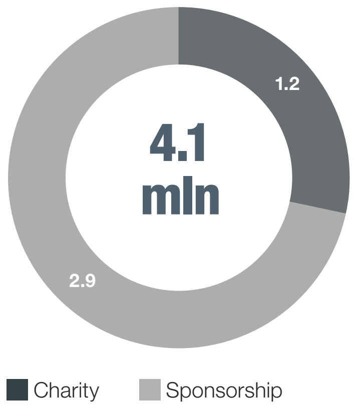
In 2020, the Group spent a total of GEL 4.1 million financing sponsorship and charitable activities, some of which are listed below. As part of the sponsorship and charitable activities, the Group continues to focus on promoting and enhancing access to education, conserving nature, supporting people with disabilities and special needs, and facilitating innovative projects that focus on social good. The Group's sponsorship and charity activities encourage partnerships with various foundations and non-governmental organisations to deliver sustainable results and bring positive change. In doing so, we follow our undertakings in respect of social and community matters set out in our Environmental and Social Policy.

Georgia Capital and GHG support the Caucasus Nature Fund (CNF), as we are involved in the Project of Maintenance of Caucasus Natural and Cultural Heritage. The fund helps to support the effective long-term management of the protected territories of Armenia, Azerbaijan and Georgia. Georgia Capital also continued to support the Fullbright programme and covered education and travel expenses of two high-achieving students.

GHG continues to support Georgian Solidarity Fund beneficiaries with free medical services at our facilities. In 2020, up to 85 beneficiaries received free medical check-ups at our hospitals. GHG also offered a 20% discount on all of our healthcare services to a charitable fund supporting children diagnosed with leukaemia and cancer. In 2019, GHG introduced a new initiative for socially and economically disadvantaged individuals. Within the scope of this initiative, for every new-born baby, parents are gifted a GEL 20 voucher. Effective from December 2020, every new-born baby will receive a GEL 25 voucher as a gift and parents will receive special offers during 2021. The vouchers can be redeemed in our pharmacies. During 2020, 17,000 vouchers were issued. GHG also supports activities to address increasing prevalence of diabetes in Georgia, by offering a 50% discount on test strips to patients with diabetes. We help patients with chronic diseases to get accessible and affordable care by offering special prices at GHG pharmacies on the medication they need on a regular basis. Such patients can register five most frequently used medicines on their GHG loyalty card (loyalty cards are available at our pharmacies) and get an extra discount on each purchase. In 2020, Pharmadepot (one of our pharmacy chains) started to sell high-demand chronic disease medications with a symbolic price of GEL 1. The package comprises three to five medications and is changed on a monthly basis to cover different main medical conditions.

Our healthcare services business also provides free regular medical examinations in its facilities throughout the country. In 2020, the business carried out 21 different free screening programmes for up to 36,124 patients. Such free-of-charge medical check-ups and screening programmes include managing tuberculosis, cancer screenings, hepatitis C screening and antenatal programmes.

Total sponsorship and charitable expenditure of the Group, 2020 (GEL million)



Furthermore, in 2020, our hospitals business carried out 18 different free-of-charge medical check-ups, benefiting up to 1,630 patients. Apart from this, during the year our hospitals spent up to GEL 1.1 million to provide free medical services to the socially and economically disadvantaged groups of the population.

In addition, GHG's specialists deliver free medical services, including examination and treatment of socially and economically disadvantaged groups of the population. In cooperation with other healthcare institutions, GHG arranges free blood donations for its patients.

Our water utility business, managed by GGU, regularly runs charitable activities for several social service agencies in Tbilisi, Rustavi and Mtskheta. The business annually covers water supply expenses for social agencies: Child and Environment, Caritas Georgia, international humanitarian network for elderly – Catharsis, children's hospice – Firefly World and others. These are social agencies that care for homeless children, children with disabilities and the elderly.

Promoting and enhancing a healthy lifestyle

Georgia Capital acknowledges the importance of the healthy lifestyle of its employees. During the COVID-19 pandemic, in line with local regulations and recommendations of the healthcare experts, most of the indoor and outdoor physical group activities have been cancelled. Top management, as well as the departmental heads, have increased their support of the emotional well-being of our staff. We have been encouraging open dialogue with management and group chats on challenging topics. We believe that free expression and experience sharing is key for developing a healthy workforce.

At our portfolio companies' level, to support a healthy lifestyle in 2020, GHG initiated several activities including sponsorship of medical TV programmes to reach out to a wider population in order to raise health awareness and promote healthcare practices. In 2020, GEL 76,800 was spent on financing these TV programmes (GEL 167,800 in 2019). Along with this, our clinics business provides free medical support and screening programmes for different illnesses to the pupils and teachers of nurseries.

Aldagi has been promoting safe driving with a project that offered safe drivers a chance to receive up to 30% price discount on their car insurance policy premiums.

Employee matters

Our employees

Recruiting, developing and retaining our talent is one of our most important priorities. We work towards that objective by communicating openly with our employees, providing training and opportunities for career advancement, rewarding our employees fairly and encouraging employees to give direct feedback to senior management. We recognise the importance of providing a supportive working environment with a healthy work/life balance for all our employees, both at the holding company level and across our portfolio companies.

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

The Group develops and implements Human Resource (HR) policies and procedures which promote the key principles, areas, approaches and methods that are crucial for building Human Capital Management systems at each business level and at Georgia Capital level in line with the above mentioned policies. Examples of some of our HR policies and procedures include, but are not limited to:

- employee succession planning and recruitment;
- staff administration;
- compensation and benefits;
- Code of Conduct and Ethics;
- diversity;
- employee development and training;
- grievances;
- retrenchment; and
- anti-nepotism.

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

Employee feedback also helps to improve our community focused approach. Amid COVID-19, to support the employees' continuous development and engagement, we organised weekly online meetings initiated by the CEO. Meetings were attended by key management personnel. Following these meetings, further meetings were held by middle level managers to cascade down the messages and information to those across all levels of staff at our businesses.

In 2020, we conducted an employee satisfaction survey at the holding company level. The survey concentrated on three key areas:
1. What Georgia Capital must continue to do;
2. What Georgia Capital must stop doing;
3. What Georgia Capital must start doing.
According to the survey results, Georgia Capital should continue to attract top talent, value its employees and maintain a competitive remuneration system. The Company should encourage employees' better work/life balance and career and academic development. The results of the survey were fed back to management. Management is committed to conduct annual employee satisfaction surveys at the holding company level going forward.

Unfortunately, due to the pandemic, we were forced to postpone a number of events we had planned, such as the GCAP awareness event for students and graduates. However, in 2020, we conducted two staff off-site events. The events were held in line with the local regulations and recommendations of the healthcare experts. In February 2020, before the COVID-19 outbreak, we held a networking event for all GCAP staff and management of the portfolio companies in the newly opened hotel in Gudauri. In 2020, we began to involve middle management in the recruitment process and in candidate evaluation discussions. In the scope of performance management, we exchanged upward, downward and peer feedbacks through performance evaluation and talent management process, trained staff in the regulations and procedures against COVID-19 and conducted other relevant activities.

Employee engagement activities have also been conducted by our portfolio companies in 2020. To increase safety and provide support for employees, GHG has created the "COVID-19 coordination centre" that offers different actions, such as:

- workplace safety and health – continuous training and on-job instructions for medical and non-medical employees;
- open communication – recurring dialogue between senior managers and employees via electronic platforms and on-site; and
- well-being support – conducting stress resilience webinars and providing psychological support.

In 2020, employee surveys were focused on COVID-related factors and organisational culture and values. According to GHG's employee survey, conducted in May 2020, 80% of employees report to be highly engaged, despite the remote work, and 83% of our front-end employees reported to feel safe at the workplace due to the norms and guidelines introduced by the companies during the pandemic.

The Employee Fund is one of the most popular workforce engagement projects among GHG's employees. Employees voluntarily contribute 1% of their monthly salary to the fund, while the business contributes 50% of the amount accumulated each month. The fund is managed solely by our employees through elected committees in each hospital and clinics. The fund currently has 4,546 voluntary participants, and in 2020 raised more than GEL 0.5 million.

Strategic Review Our Business

RESOURCES AND RESPONSIBILITIES CONTINUED

The fund has contributed to more than 709 causes – mainly supporting health issues of employees and their family members, as well as team-building, and motivational and learning activities for the employees.

Talent attraction, training and development

Sustained development of the Group's businesses requires the strengthening of the teams, both by using the Group's own significant internal resources through staff development and rotation and by attracting external candidates. Our Recruitment Policy and relevant control procedures ensure an unbiased hiring process that provides equal employment opportunities for all candidates. In order to attract young talent, we actively partner with leading Georgian business schools and universities, participate in job fairs and run extensive internships not only locally, but also internationally. The COVID-19 pandemic had a negative impact on employment prospects in Georgia. Reduced revenue streams and liquidity shortages have caused redundancies in many companies. However, Georgia Capital not only maintained its employees but also never stopped promoting its talent. In 2020, two of our employees were promoted to managerial positions, Chief Strategy Officer and Investments Director. GGU's CFO was also promoted to a CEO position, and consequently his successor, Head of Strategic Projects, was appointed as their CFO.

In 2020, Georgia Capital continued its talent acquisition project for its Investment Officer position which was launched in 2016. A number of young and talented candidates were selected for various investment projects within the Group and the Investment Officers hired in the previous years were promoted to managerial positions Group-wide.

To manage our employees in a way that best supports our business strategy and their professional growth, we seek to help them contribute to business performance through personal and professional development. The COVID-19 pandemic with consequent lockdowns and distance working arrangements slowed down the pace of training activities across the country. Despite these challenges, Georgia Capital managed to develop a training programme for the new employees in the Investment Team. A two-week programme offers various activities to the new joiners, including online meetings with management teams at portfolio companies.

Total number and rate of Georgia Capital's new employee hires and employee turnover (%)

	New hires	New hires rate	Full turnover	Turnover rate
2019	11	27%	5	13%
2020	4	9%	5	12%

Gender diversity

Georgia Capital is fully committed to provide equal opportunities as an employer and prohibits unlawful and unfair discrimination. We believe that there are great benefits to be gained from having a diverse workforce. Although we do not set specific diversity targets at Georgia Capital level, we seek to ensure that our corporate culture and policies, particularly our HR policies, create an inclusive work environment that helps to bring out the best in our employees. Georgia Capital's Diversity Policy establishes a commitment to eliminating unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation. The Board embraces diversity in all its forms. Diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and balance in terms of skills, experience, independence and knowledge, amongst other factors, will be taken into consideration when seeking to make any new appointment within the business, whether an employee, client, supplier or contractor. On 31 December 2020, Georgia Capital, as an investment holding company, had a total of 44 employees, of which 26 are females, and 18 are males.

We are supportive of the ambition shown in the recent reviews on diversity, including the Davies Review and the Hampton-Alexander Review and seek to apply the UK Corporate Governance Code in this respect. We will continue to examine ways in which we can increase female representation at Board and senior management level. We do not currently have any formal diversity targets at Board level. However, in 2020 female representation was increased to two female Board members when Ms Maria Chatti-Gautier was appointed as an Independent Non-Executive Director of the Company.

CASE STUDY

DEVELOPING TALENT AT OUR PORTFOLIO COMPANIES

Georgia Capital Group is one of the largest employers in the Georgian private sector. Our approach to recruiting, developing and retaining our talent has been widely spread across our portfolio companies. In 2020, the Group hired 4,688 new employees (6,339 employees in 2019).

In 2020, GHG invested GEL 2 million in training and development courses, mostly designed for nurses, physicians, pharmacists and managers.

GHG has continued to roll out the "GHG Leadership Programme", which was designed to develop and improve managerial and leadership skills for middle-level managers. For the participants of the programme, GHG has also developed a Personal Development Programme, which builds leadership competencies through effective performance feedback and coaching sessions. In 2020, 59 middle managers used the 360-feedback tool, developed their personal plan, and also took part in individual coaching sessions. 72% of Leadership Programme participants are female.

In line with its strategy to develop a new generation of doctors in Georgia, GHG launched in 2015 a postgraduate residency programme in a number of fields. These programmes ensure development of qualified specialists in the areas where we lack physicians and they have proved to be popular. Currently, we have 221 talented residents involved in 29 specialties, 16 of them have received a 100% grant and 24 an 80% grant, while 20 residents have obtained student loans. Our residents are actively engaged in the new reality of caring for our COVID-19 patients.

GHG maintains a partnership with almost all leading universities in Georgia, which is the primary source of emerging talent. GHG has signed a memoranda of understanding (MoU) with 18 nursing colleges in all regions of Georgia. To address the shortage of pharmacists and increase the number of staff qualified for this position, our retail (pharmacy) business initiated exclusive partnership programmes with several colleges. Under the exclusive agreement, GHG finances 50% of the total tuition fee. As of 2020, 14 participants have been enrolled in the programme; all of them have been hired by GHG.

In addition, GHG initiated several projects to attract and develop young entry-level and specialists' positions.

- Under the Student Internship Programme, operated by the hospitals, clinics and the medical insurance businesses, 250 students underwent internships in different GHG facilities and positions, 118 of which were hired by GHG.
- In 2020, the clinics business started the employment campaign to attract medical and non-medical talent to fill more than 30 vacant places and employ around 300 professionals.

GHG continued training activities through EVEX Learning Centre, the only centre in Georgia offering continuing medical education. In 2020, the EVEX Learning Centre trained a total of 1,157 nurses (both employees and candidates), 1,644 physicians and 1,513 back-office employees and managers.

Professional development of our retail (pharmacy) business employees is led by the GEPHA Training Centre trainers (employees with a background in pharmacology, para-pharmacy and operational standards), mentors (employees from different business units supporting on-the-job training and inductions) and coaches (employees with appropriate backgrounds who conduct soft skills training). In 2020, due to the pandemic, our retail (pharmacy) business Training Centre adjusted their training programmes to the remote and digital environment, which will continue in 2021.

Our retail (pharmacy) business launched a new 27-hour, four-day Basic Sales Skills training programme for pharmacists. The programme started in November 2019 and had been planned to train all front-end staff by the end of 2020. However, due to COVID-19 implications, GHG managed to train only 3,094 participants. The purpose of the course is to improve sales, cross and up-sales skills through effective verbal and non-verbal communication, knowing client typology, having a variety of interactive tools in order to increase sales and customer satisfaction. The programme will continue in 2021.

In 2020, our clinics business focused on the family doctors' competency and career development. We have implemented a new career and motivation system and conducted the first annual attestation. In 2021, family doctors' development will be the main focus of the development programmes.

To encourage continuing professional development our Medical Insurance business operates its own Imedi L Academy, offering specialised vocational training programmes and courses to its employees. Training programmes are delivered by guest speakers as well as the company managers, who share their ideas, experience and best practices. Imedi L Academy has established a corporate library with a large variety of books to give employees opportunities for growth, learning and self-development. Imedi L Academy trained 1,123 participants in 2020.

In 2020, Georgia Capital's Water Utility and Renewable Energy businesses continued sustainable development of their human capital despite the challenging times due to the COVID-19 outbreak. GGU conducted annual 360 assessments, expanding the target group from the management level (top and middle) to their respective successors. As a result, individually tailored career development plans were developed, including personal transformation coaching sessions, both hard and soft skills and professional training. In addition to internally conducted 360 assessments, for the first time in 2020, GGU's management was evaluated via Barret Value Centre evaluation methodology, which provides a proven and useful map for understanding the values of leaders. The evaluation was followed by the individual feedback sessions, encouraging personal transformational and development plans and coaching sessions.

To attract and develop talent, our education business partners with various local and international parties. At Buckswood International School we have partners in Estonia and the UK, through which we exchange methodological experiences and educational innovations (Ainslie Wood Primary School, Buckswood School, University of Tartu).

Strategic Review Our Business

RESOURCES AND RESPONSIBILITIES CONTINUED

CASE STUDY

ENCOURAGING FEMALE REPRESENTATION AT OUR WATER UTILITY AND RENEWABLE ENERGY BUSINESSES

To increase female representation and their roles in utility and energy businesses, GGU has successfully started an internship programme in technical departments, attracting several female students from the leading universities in Georgia. The purpose of the internship programme is to increase the role of female employees in civil engineering, dispatching, automatisation, electrical engineering, operations and other technical directions of the company.

Besides the policies that directly protect rights and interests of the employees, including a Diversity Policy and Grievance Policy, in 2020, GGU has successfully implemented a Anti-Sexual Harassment Policy, committing to provide a safe environment to all of its employees, free from discrimination and harassment on any grounds.

GGU plans to develop more gender-inclusive policies, including recruitment, retrenchment and development, and aims to be one of the leading companies to be supporting and encouraging women in the utility and energy sector.

Occupational health and safety
Ensuring the safety of the workplace and providing healthy working conditions are amongst the Group's fundamental HR management principles. The Group pays particular attention to preventative measures, such as conducting regular staff training and medical check-ups, certifying workplaces and promoting a healthy lifestyle.

In line with its principles, Georgia Capital signed an agreement with a safety consultancy company, which provided a dedicated safety inspector. The inspector conducted a safety audit, gave recommendations and delivered staff trainings. Our safety consultant provides systematic monitoring to ensure compliance with globally accepted standards.

In the course of the COVID-19 pandemic, to ensure the safety of the employees, Georgia Capital created and distributed a special manual for staff, conducted online awareness trainings, equipped the office with all necessary safety measures and placed informative materials. The Company also supported its employees by sponsoring certain health-related expenses.

Due to the COVID-19 pandemic challenges, to enhance employee safety, our healthcare services business created a special training programme for medical and non-medical employees covering personal protection, workplace safety and implementation of the new protocols in our hospitals. 10,130 doctors (men/training), 13,834 nurses (men/training) and 8,438 admin staff (men/training) at the hospitals business continued on-job instructions during the year. Our clinics business trained 218 medical employees.

During 2020, GGU focused on COVID-19 exposure prevention, work-related incidents prevention and training of its employees to enforce Health and Safety performance improvement across the company. The business developed and implemented specific COVID-19 exposure prevention, preparedness and response plan for all its sites, outlining relevant control measures and responsibilities of the employees and actions in case of the virus confirmation.

GGU always conducts health and safety supervision during rehabilitation and installation projects undertaken by the water utility business. Each of these activities is performed in accordance with the control measures determined in advance by the risk assessment procedure. Contractor companies are supervised and monitored by the water utility business's health and safety team, composed of certified professionals. In accordance with the COVID-19 regulations, online training on health and safety was given to employees and contractors. In 2020, the water utility business performed health and safety audits of its facilities and assets. In total, 54 sites were inspected, findings documented, and mitigation measures defined. Consequently, Safe Operation Procedures, Health and Safety Plans, Risk Assessments and Emergency Preparedness and Response Plans were updated for each site.

Health and safety monitoring is also applied to the renewable energy business arm, where all running equipment is inspected and documented, and work processes are monitored daily to ensure safety and maintenance. Laboratory testing of isolation equipment and an inspection of areas with potential hazardous exposures (noise, vibration, humidity) were conducted and documented to define additional preventive measures for employees. An international health and safety audit was successfully passed, resulting in no uncontrolled high risk in working areas.

In order to take proper care of employees and the workplace environment, GGU conducts a pre-work assessment that identifies potential hazards and enables GGU to apply risk elimination mechanisms, which positively reflects in the company's operations.

Human Rights Policy
The Human Resources Policy is an integral part of the employee on-boarding package at each business level with updates communicated electronically. The Human Rights Policy is part of the Human Resources Policy and covers the following:

- equal opportunities and anti-discrimination;
- work environment free of harassment; and
- grievance policy.

We recognise the importance of observing human rights and are committed to implementing socially responsible business practices. Our Human Rights Policy establishes priorities and puts control procedures in place to provide equal opportunities and prevent discrimination or harassment on any grounds, including disability. This Policy applies to all employees and includes procedures in relation to employment processes, training and development, procedures on recruitment and on the continuity of employment of employees who become disabled during the course of their employment.

Code of Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy
The Group has a Code of Conduct and Ethics, as well as a Anti-Bribery and Anti-Corruption Policy, which are also applicable to the Group companies. As an organisation that is fully committed to the prevention of bribery and corruption, the Group ensures that appropriate internal controls are in place and operating effectively. Anti-Bribery and Anti-Corruption Policy enforcement processes include:

- operating an internal whistleblowing hotline system;
- disclosure of gifts or other benefits, including hospitality offered to, or received by, the Group's personnel;
- voluntary disclosure of corrupt conduct;
- third-party screening to identify the level of risk third parties might pose;
- informing the banks/partners/counterparties about anti-corruption and anti-bribery principles before commencement of business relations;
- ensuring that anti-bribery and anti-corruption clauses are incorporated in the agreements with customers and third parties;
- ensuring that anti-bribery and anti-corruption matters are included in contractual agreements with partners/counterparties; and
- online training programme aiming to raise awareness of corruption and bribery issues among employees.

As part of the Group's third-party screening to identify the level of risk which third parties might pose, the Group carries out due diligence such as indirect investigations, which include general research of the activities undertaken by the proposed business partners, research into their reputation and information on whether the company is a related party. The Compliance Officers (the General Counsel and UK General Counsel) have the authority to conduct periodic compliance checks of the operations of the Group.

We are pleased to confirm that there have been no instances of violation of the Anti-Bribery and Anti-Corruption Policy in 2020.

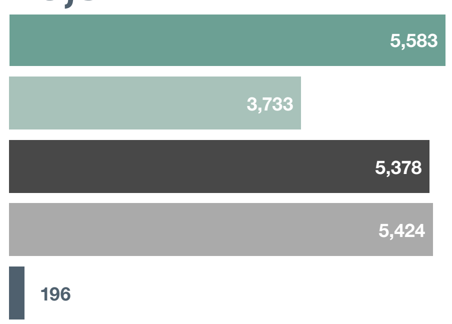
Age diversity at 31 December 2020

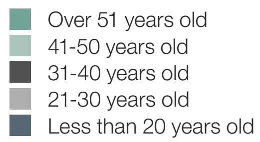
All employees at Georgia Capital [1]

44

All employees at Group level[2]

20,314





1 Employee numbers are presented at JSC Georgia Capital level.
2 Excluding temporary employees.

Gender diversity at 31 December 2020

Board of Directors at Georgia Capital PLC

7

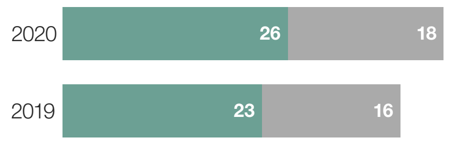
Management at Georgia Capital

8

The Chairman and CEO is included in both categories: "Board of Directors at Georgia Capital PLC" and "Management at Georgia Capital".

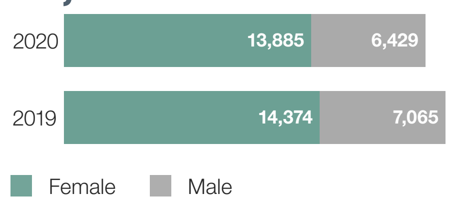
All employees at Georgia Capital[1]

44



All employees at Group level[2]

20,314



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CASE STUDY

INAUGURAL GREEN BONDS FROM GEORGIA

JSC Georgia Global Utilities (GGU), the holding company of the Group's water utility business and the operational Renewable Energy assets, successfully issued an inaugural US$ 250 million green bond par value in July 2020. The Regulation S/Rule 144A senior unsecured US$-denominated 7.75% green notes, with a 5-year non-call 2-year bullet maturity, represents the first-ever green notes from Georgia. Despite the global pandemic, the issuance was met with significant interest from IFIs and other institutional investors. The proceeds from the notes were used to refinance all existing loan arrangements of GGU and to finance capital expenditures in the water supply and sanitation business. GGU obtained a Second Party Opinion from Sustainalytics, a leading provider of environmental, social and governance (ESG) research and ratings, for its Green Bond Framework.

GGU believes its business model has an important role to play in the transition towards a more sustainable and lower-carbon economy in Georgia, both through the current investment portfolio and future investments. GGU further believes the technologies and assets it is investing in, will help achieve the United Nations' Sustainable Development Goals (SDGs), and the objectives of the Paris Agreement.

As GGU believes that there is an opportunity to obtain market recognition of the role played by its businesses in facilitating a transition to a more sustainable, lower-carbon economic model, it decided to issue a green bond to allow investors an opportunity to support its business model and investment plans.

GGU recognises the main environmental objectives for its green projects, such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

GGU aligned its Green Bond Framework with the Green Bond Principles 2018 across four core components:

1. Uses of Proceeds – net proceeds to be used in line with Eligible Green Project categories as outlined in the Green Bond Framework.
2. Process for Project Evaluation & Selection – to ensure that allocations are made to Eligible Green Projects as specified above, the GGU established a Green Bond Committee, which meets on a quarterly basis and which is comprised of cross-functional representatives including the Head of Energy, Head of Water, Head of Environmental and Social Affairs, Chief Financial Officer, and Head of IR and Funding. The Green Bond Committee inter alia is responsible for:
   - ensuring the proposed allocations are aligned with the relevant GGU policies concerning project development;
   - ensuring the proposed Eligible Green Projects are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above; and
   - reviewing and approving allocation and impact reports.
3. Management of Proceeds – GGU established a register of Eligible Green Projects and tracks allocations to the projects matched to the green bond proceeds. Pending allocation, proceeds are held in cash deposits on a temporary basis in accordance with the relevant internal policies.
4. Reporting – GGU has committed to providing an annual allocation and impact report, disclosing total amount per each category and the share of financing and refinancing, as well as the balance of unallocated proceeds. Where feasible, impact reporting will provide relevant environmental impact metrics. Until full allocation, GGU commits to provide an annual review conducted by an external auditor. The issuance of the first green bonds in Georgia, once again demonstrates GGU's commitment towards ESG principles and its strong access to international capital markets. Moreover, the transaction serves as a good example to the Georgian market demonstrating the viability of such notes, which may be replicated by other market participants going forward.

Environmental matters

Methodology

Georgia Capital PLC, as a low energy user, is exempt from the emission reporting requirements. However, we recognise the evolving significance of emissions disclosures in the investment universe and in line with our commitment to increasing transparency, we voluntarily disclose emissions for JSC Georgia Capital (intermediate Georgian holding company).

We have reported on all of the emission sources listed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (Scopes 1 and 2). Additionally, we have reported on those emissions under Scope 3 that are applicable to our business. All reported sources fall within our consolidated financial statements, which can be found on pages 176 to 222. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. Under an exception to the usual principles of IFRS 10 that require consolidation of subsidiaries, entities that meet the definition of an "investment entity" instead measure their investments in their subsidiaries at fair value. Georgia Capital meets investment entity definition under IFRS from 31 December 2019 and, as a result, the accounting basis was changed from consolidation to fair value measurement effective on that date. Following the change to fair value reporting, none of Georgia Capital's subsidiaries are; (i) consolidated; (ii) incorporated in the UK; and (iii) exceed the 40,000kWh threshold for the UK; therefore, Georgia Capital is not required disclose the greenhouse gas emissions of its portfolio companies.

As our investment portfolio is subject to continuous change as a result of periodic asset rotation, we do not publish aggregated emissions data. We believe, due to the nature of our business, such disclosure would not provide a stable basis for a year on year comparison. However, we monitor our portfolio companies' environmental performance and use our resources to encourage emission reduction, investments in the mitigation of the environmental impact, and implementation of energy-efficient measures.

In preparing our emissions data, we have used the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD), Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) as a reference source. We have used the most recent Georgia electricity conversion factor taken from the JRC Guidebook – How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries, European Commission, Ispra, 2018, JRC113659. We have re-calculated our 2019 footprint for baseline purposes using the Georgia electricity conversion factor to enable year-on-year comparison of the data sets. Further conversion factors have been taken from the UK Government's Greenhouse Gas Conversion Factors' for Company Reporting 2020. Energy consumption is disclosed in line with SECR requirements. The Group is also in the process of preparing for the upcoming TCFD disclosure requirements.

Our reported data is collected in respect of JSC Georgia Capital, including its office and facilities. Data on emissions resulting from travel is reported for business-related travel only and excludes commuting travel. Data from joint ventures, investments or sub-leased properties have not been included within the reported figures. The data is provided by on-site delegates invoices and meter readings. Our office in the UK operates with only three employees and the annual consumption is under 5,000kWh, therefore it is not material to disclose emissions for Georgia Capital PLC. To aid year on year comparison, 2020 conversion factors were used for 2019 emission calculations. We have no offshore emissions.

Scope 1 (combustion of fuel and operation of facilities) includes emissions from:

- Combustion of natural gas, diesel and petrol in stationary equipment at owned and controlled sites.
- Combustion of petrol, diesel and aviation fuel in owned transportation devices (cars and aeroplanes).

Scope 2 (electricity, heat, steam and cooling purchased for own use) includes emissions from:

- Used electricity at owned and controlled sites; to calculate the emissions, we used the most recent Georgia electricity conversion factor taken from the JRC Guidebook – How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries, European Commission, Ispra, 2018, JRC113659.
- Heat and steam emission is not applicable.

Scope 3 includes emissions from:

- Air business travel (short-haul and long-haul); information on the class of travel is unavailable, hence, we used an "average passenger" conversion factor, with Radiative forcing (RF).
- Ground transportation, including taxis, coaches and car hire.

Data for the period beginning 1 January 2019 and ended 31 December 2020	Georgian holding company	
	2020	**2019**
Total greenhouse gas emissions (tonnes of CO_2e)		
Scope 1 (emissions fuel combustion and facility operations)	59	85
Scope 2 (emissions from electricity, heat, steam and cooling purchased for own use)	2	3
Scope 3 (emissions from air travel and ground transportation)	12	131
Total greenhouse gas emissions	74	218
FTEs	44	39
Total greenhouse gas emissions per FTE[2]	1.68	5.60
Total energy consumption (kWh)[3]	207,989	293,445
Electricity	22,354	28,384
Fuels	185,635	265,061

1 Department for Business Energy and Industrial Strategy (BEIS), Greenhouse gas reporting: conversion factors 2020 updated 17 July 2020 – **https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting.**
2 FTE is stated excluding temporary employees.
3 Scope 1 and Scope 2 consumption data is converted in kWh. For the distance (km) conversion into kWh, we used a conversion factor for an average size car.

RESOURCES AND RESPONSIBILITIES CONTINUED

Our environmental activities

As an investment holding company with around 40 employees in Georgia and a further three in the UK, Georgia Capital has limited direct impact on the environment. However, we realise that the indirect impact through our investment undertakings might be an important consideration for our stakeholders. At Group level we consume thousands of kilowatts of electricity annually. Electricity usage accounts for more than half of our total greenhouse gas emissions. Due to the restrictions imposed and appropriate behaviour during the pandemic, our total energy consumption has decreased by 29%. The reduction was further strengthened by our continued implementation of energy-saving solutions. In that regard, various activities have been performed across the Group. To be more environmentally responsible, our portfolio companies continue to implement energy-saving solutions, such as LED lights and other energy-efficient equipment, for example boilers and heating ventilation and air conditioning systems. Our clinics business also joined in energy efficiency initiatives. One of the clinics switched to Solar Power System, an alternative energy source. To minimise emissions and further contribute to eco-friendly energy consumption, two clinics replaced a diesel-powered heating system with a gas heating system. In order to reduce air pollution and lessen our negative impact on the environment, our medical insurance business has shifted from traditional petrol-powered vehicles to lower emission hybrid vehicles.

Environmental activities of our portfolio companies

During 2020, GGU carried out climate change assessment studies for its water supply network and operational power plants. The studies include climate change adaptation assessment, engineering, and non-engineering adaptation measures, as well as implementation arrangements of climate change adaptation plans.

In order to be in full compliance with IFC Performance Standards and in particular with IFC PS6, GGU carried out supplementary biodiversity studies for its operational assets, including critical and natural habitat assessments. Biodiversity related strategy documents such as: corporate biodiversity strategy, invasive non-native species (INNS) strategy and biodiversity action plan were developed and introduced.

Furthermore, resource efficiency plans were updated in line with "IFC Good Practice Note: Environmental, Health, and Safety Approaches for Hydropower Projects" (published in March 2018), for all operational hydro power plants managed by GGU.

GGU strives to reduce greenhouse gas emissions for its projects on behalf of the substitution of grid electricity generated from Thermal Power Plants. In 2020, the business implemented the methodology to track its progress. The methodology, formula and coefficients used for the calculation are taken from the most recent guidelines recommended by the IPCC – Intergovernmental Panel on Climate Change (2006 IPCC Guidelines for National GHG Inventories, v.2 Ch.2 Stationary Combustion). This method calculates the emissions of all three major greenhouse gases (CO_2, CH_4, N_2O) based on the amount of fuel consumed, depicted in energy units multiplied by the corresponding emission factors for gases and specific fuels (Formula 2.1, 2006 IPCC Guidelines for National GHG Inventories, v.2 Ch.2). The business is expecting to achieve emission reduction in the next years.

The water utility and renewable energy businesses, managed by GGU, are in compliance with the current Georgian Environmental legislation, as well as environmental monitoring and control procedures. GGU's environmental activities strongly and directly support the Georgian Government with the implementation of the national obligation under the EU Association Agreement. Furthermore, GGU's environmental activities directly address the SDGs under the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015. The SDGs address the global challenges the company faces, including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice. It is important that each goal and target is achieved by 2030. The company is focused on the following SDGs: affordable and clean energy (N7), sustainable cities and communities (N11), clean water and sanitation (N6) and climate action (N13).

CASE STUDY

SUSTAINABLE WATER MANAGEMENT AT OUR WATER UTILITY BUSINESS

GGU is also strongly committed to introducing sustainable water management practices and carrying out the water utility business operations that consider the principles of a green economy, which targets to increase the country's welfare with minimum environmental impact and maximum resource efficiency. Since sustainable water management encompasses maximisation of resource efficiency, GGU's urban water management includes the production and treatment of water resources, as well as reduction in energy and material resource consumption and lower emission levels related to Water Utility operations. To improve efficiency, GGU invests in upgrading of ageing infrastructure, introduces innovative technologies and implements continuous training of staff, as well as awareness-raising campaigns.

For water quality and resource management, the following activities are being performed in line with international best practices:

- 24-hour access to clean water and sanitation, ensured by permanently expanding the water supply and sewage network across Tbilisi and surrounding areas;
- the treatment and discharge of treated wastewater into the transboundary river Mtkvari, ensured by recent rehabilitation of Gardabani Wastewater Treatment Plant; and
- pollution prevention is controlled by the Decree of the Government of Georgia, which defines maximum permissible norms of pollutant substances discharged into the sewage systems. As a result, the state obligation under the EU Association Agreement with regard to Article 11 of Directive 91/271/EEC on wastewater treatment was fulfilled.

Our water utility business implemented an Environmental and Social Management System (ESMS) in accordance with the roadmap schedule presented in the Environmental and Social Policy Framework, adopted by the business in 2016, which is also in compliance with the Georgian legislation and the IFC performance standards (Environmental, Health and Safety guidelines for Water and Sanitation). The Environmental and Social Policy Statement declares that the company is committed to conduct business and provide services in a thoughtful, responsible way, with a view to preventing pollution and safeguarding the natural and social environment. It highlights that the company is dedicated to the continuous improvement of operational performance in order to reduce any adverse environmental and social impact. The Environmental and Social Policy Framework consists of a combination of Environmental and Social Policy Statement, legal and regulatory review, overview of GGU's activities and environmental impacts, description of management system including various management plans, procedures and practices, description of the monitoring programme and the stakeholders engagement process.

In the framework of the ESMS, an environmental and social audit of GGU was performed. The environmental and social audit report covered the environmental topics, mainly associated with water treatment: water distribution, sanitation (sewerage system) and wastewater treatment and discharge, as well as occupational health and safety topics related to accidents and injuries, chemical exposure and noise. To manage the risks associated with GGU's business, the business has elaborated ESMS procedures and topical management plans, which are being implemented according to the Environmental and Social Action Plan (ESAP) in the set time frame. Additionally, ESMS will facilitate the process of obtaining the ISO14000 standard for environmental management and the ISO26000 standard for social responsibility for all companies under GGU.

ESMS is fully implemented at GGU and supports the organisation in enhancing its environmental performance, and managing its environmental responsibilities in a systematic manner. In January 2020, the water utility business was certified as meeting the requirement and scope of registration – ISO 14001:2015. Similar certification process to obtain ISO 14001:2015 for Gardabani WWTP was recently finalised and the certificate was obtained.

It is recommended that each company within the GGU group achieves the aforementioned standard. Besides the environmental performance, ISO 14001:2015 will support GGU's sustainable financing. In line with the EU classification system for environmentally sustainable economic activities (Taxonomy), in regard to the EU Green Bond Standard (EU GBS), the company will need to be Taxonomy-aligned in order to be qualified as an eligible issuer of the bond. According to the Taxonomy Technical Report, a minimum requirement is the implementation and

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RESOURCES AND RESPONSIBILITIES CONTINUED

adherence to a recognised environmental management system (ISO 14001, EMAS, or equivalent).

GGU's various implemented projects have a direct positive impact on national and regional environments. For example, protection of sanitary zones (such as fencing, introducing safety and security systems, controlling extraction of sand and gravel in the valley, managing green cover within the sanitary zones and introducing information signs) supports integrated management of water bodies – Aragvi river and Tbilisi Reservoir, from which the row water is sourced for the delivery of potable water in the supply system. Such approach ensures both the high quality of drinking water and good ecological status of the water bodies.

In October 2019, the Early Warning System (EWS) for Zhinvali HPP was successfully tested and launched. The area under the responsibility of the water utility business corresponds to the 15km downstream in the Zhinvali Dam. In order to protect the population and environment, the EWS was implemented in this area. Other than drinking water supply and power generation, the Zhinvali Dam plays a key role in controlling floods and other geo-hazards. It is built as a safe structure, complying with strict standards. Zhinvali HPP EWS consists of: a) a high accuracy hydrological and meteorological data monitoring system, b) the warning system, covering the area that may be flooded with a warning signal within a relevant time period, and c) the notification system, informing the first responders of an emergency via voice and text message.

In order to respect all the rules and instruction, and to perform regular testing and continuous maintenance of the equipment, special training for the EWS management team was conducted. Zhinvali HPP EWS enables the water utility business to leverage best practices, innovative methodologies and existing assets to share actionable early warnings and build sustainability for water and climate information.

Projects implemented by our renewable energy business are also in compliance with local and international environmental standards and legislation. In 2018, the environmental and social management system (ESMS) was introduced, which is applicable to all types of renewable projects. In general, for the projects which are at the development stage, the business elaborates Environmental and Social Impact Assessment (ESIA) documentation, which also includes a scoping report and, if needed, a Resettlement Policy Framework (RFP) and a respective Resettlement Action Plan (RAP).

The renewable energy business's Environmental and Social Policy Framework and the ESMS is based on the principles of no pollution of water, soil and air (including dust and noise). In order to identify the arrangements necessary to prevent pollution of water, air and soil, the Pollution Prevention and Control Plan (PPCP) was developed and adopted by the group of companies at GGU and their contractors in compliance with the IFC PS3 and the WB General EHS Guidelines. The PPCP consists of the following components: Wastewater and Storm-water Management; Spill Prevention and Control; Hazardous Materials Storage and Handling; Air Emissions Management; and Dust Control and Noise Management.

Since GGU's business is very much dependent on climate elements, such as precipitation, wind speed and air temperature, the business's development will be affected by climate change. Current climate changes in Georgia are assessed based on the observation data of hydro-meteorological network. The prognostic scenarios for the periods of 2021-2050 and 2071-2100 were compiled using Regional Climate Model RegCM4. GGU is strongly committed to actively contributing to limiting climate change through its Environmental Policy, procedures and implementation of Environmental Management Plans. Water, Energy and Resources Management Plans were developed and adopted at corporate and site-specific levels. The objective of the plans is to ensure efficient use of water, energy and resources during construction and operation of the proposed development, thereby reducing resource consumption and greenhouse gas emissions.

To reduce the harmful effects of plastic, GHG has been using paper bags in its pharmacies. Pharmadepot (one of GHG's pharmacy brands) also produces and promotes the use of eco-friendly canvas bags in its pharmacies. GHG has put in place a reward system for the pharmacies' customers to encourage them to use canvas bags instead of plastic. During 2020, on average, 2,000 canvas bags per month were distributed to our customers. Both of the pharmacy chains, GPC and Pharmadepot, sell eco batteries which are 100% safe for standard recycling. This is an exclusive product within our market. The eco batteries help emphasise GHG's responsibility and attitude towards environmental issues.

GHG continues to promote its going "paperless" programme. In this regard, GHG has replaced several historically paper-based procedures with software-based programmes and has launched "The Green Project" by placing special boxes at our facilities for recycling paper waste. The money received from the sale of scrap paper collected at such boxes will be used for various social activities. GHG's annual consumption of paper stood at approximately 371 tonnes in 2020, compared with 412.2 tonnes in 2019.

Most of the Group's environmental impact comes from medical waste generation, electricity and water consumption, use of fuel for own vehicles, and paper. By developing various standards and procedures, we aim to become more resource-efficient and environmentally friendly. We believe that the impact of the insurance businesses on the environment is not significant. Nevertheless, there are a number of measures in place within the business to reduce electricity, paper, water and fuel consumption.

CASE STUDY

SPECIALISED MEDICAL AND BIOLOGICAL WASTE DISPOSAL AT OUR HEALTHCARE SERVICES BUSINESS

GHG's medical waste management recordkeeping standards remain in line with national legislative requirements. GHG personnel are responsible for registering the information on produced hazardous waste on the state platform and filling out waste registration and transportation forms. To further reduce risks and maintain regulatory compliance, GHG regularly conducts internal trainings on waste management procedures. All hospitals have a special storage room to store waste before final disposal. To prevent human or environmental harm, GHG clinics collect and dispose of medical and biological waste through a specialised outsourced service.

To ensure reliability of their contractors, GHG regularly examines monthly reports and imposes penalties if necessary. In total, GHG hospitals generated 859 tonnes of medical waste in 2020, compared to 682 tonnes in 2019. GHG is dedicated to look at innovative ways of reducing medical and biological waste and take advantage of best practices both in Georgia and internationally.

ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) overview

Management assesses the Group's performance using a variety of measures that are not specifically defined under IFRS and are, therefore, referred to as APMs internally and throughout this document. Management monitors the Group's performance on a regular basis based on developments in the Income Statement and Statement of net asset value (NAV) prepared under the methodologies, as described below. Management believes that such statements provide an important view on Georgia Capital's strategy and helpful insights into management's decision-making. Management dedicates time to ensuring that the Group's APMs are reported in a consistent and transparent way in accordance with the European Securities and Markets Authority (ESMA) published guidelines.

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.

The Net Asset Value Statement, as included in the notes to the IFRS financial statements, summarises the Group's equity value and drivers of related changes between the reporting periods. Georgia Capital 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 measures its investment in JSC Georgia Capital at fair value through profit and loss, estimated with reference to JSC Georgia Capital's own portfolio value as offset against its net debt.

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"). A full reconciliation of the adjusted income statement, to the IFRS income statement is provided below.

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 12-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 unaudited IFRS financial statements for each portfolio company and a related brief results discussion.

Our adjusted IFRS 10 Income Statement and the stand-alone IFRS results for our portfolio companies may be viewed as alternative performance measures (APMs).

Net asset value (NAV) Statement

The Group makes investments in portfolio companies indirectly, held through intermediate Georgian holding company, JSC Georgia Capital, which is the principal subsidiary of Georgia Capital PLC. The application of IFRS 10 requires us to fair value the intermediate holding company JSC Georgia Capital. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our equity capital investments and associated transactions occurring in the intermediate holding company. The financial effect from the valuation of the underlying portfolio companies are aggregated into a single value. The breakdown of the value of JSC Georgia Capital is presented in Note 14 within the IFRS financial statements. To maintain transparency in our report and aid understanding we present a NAV Statement and respective reconciliation to IFRS Balance Sheet in Note 5 (Segment information) of the IFRS financial statements. Net asset value disclosed under the NAV Statement is the same as IFRS equity value as at 31 December 2020. The NAV Statement is simply a "look through" of the IFRS 10 Balance Sheet to present the underlying performance.

The NAV Statement breaks down NAV into its components and provides rollforward of the related changes between the reporting periods, including a snapshot of the Group's financial position at the opening and closing dates. The NAV Statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Management closely monitors NAV in connection with capital allocation decisions. The following methodology underlies the presentation of the NAV for period-end dates:

- NAV is calculated at stand-alone GCAP level, which represents the aggregation of the stand-alone assets and liabilities of Georgia Capital PLC and JSC Georgia Capital.
- Holdings in listed and private portfolio companies are carried based on the following methodology:
  – Listed portfolio companies are carried at the period-end market values based on closing share prices on respective stock exchanges.
  – Private portfolio companies are carried at fair value based on a valuation technique believed to be most appropriate to that investment as described in the valuation methodology on page 101.
  – NAV per share represents total NAV divided by the number of outstanding shares at the end of the period, i.e. the number of issued shares at the end of the period less unawarded shares in GCAP's management trust.

Management Income Statement

The Income Statement is an aggregation of GCAP's stand-alone Profit and Loss Statement and fair value change of portfolio companies during the reporting period. The following methodology underlies the preparation of the Income Statement.

- The top part of the Income Statement (GCAP net operating income) represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on distributed or declared annual dividend proceeds from portfolio companies during the reporting period, b) interest income on liquid funds and loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued) and d) expenses incurred at GCAP level.
- Fair value change of portfolio companies (total investment return) represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV Statement. A detailed valuation methodology is described on page 101. We view fair value changes of portfolio companies as a metric to measure the total investment return of Georgia Capital's holdings, which itself reflects value creation for a shareholder.
- Following the aggregation of GCAP net operating income and total investment return, we arrive at management income before foreign exchange movements for the period.
- Below the income before foreign exchange movements line, to arrive at management net income, we present GCAP gains or losses from foreign exchange movements.

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ALTERNATIVE PERFORMANCE MEASURES CONTINUED

APM summary

In October 2015, ESMA published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. In the Strategic Review section of the Annual Report on pages 2 to 119, Georgia Capital describes its financial performance under the adjusted IFRS 10 Income Statement and also discloses the stand-alone IFRS results for the portfolio companies, which themselves can be viewed as APMs. A number of other measures are used which are also APMs, since they are derived from the management accounts. The applicable reconciliations to the IFRS equivalent where appropriate, is provided below and should be read alongside the adjusted IFRS 10 Income Statement to IFRS reconciliation. The table on the next page lists all the APMs used within the Annual Report.

Read more on **financial performance** in the **Strategic Review** on pages **103 to 119**.

Read more on about the **use of APMs** in the **Discussion of Results** on pages **97 to 100**.

APM	Purpose	Calculation	Reconciliation to IFRS
NAV per share	The measure of per-share value of Georgia Capital.	NAV per share is calculated as NAV divided by the number of outstanding shares at the end of the period, i.e. issued shares at the end of the period less unawarded shares in management trust.	N/A
GCAP net operating income	A measure to reflect performance of the stand-alone GCAP and evaluate cash generating capacity on a holding company level.	GCAP net operating income reflects the net result of: a) dividend income accrual based on paid or declared annual dividend proceeds from portfolio companies to be collected during the year; b) interest income on liquid funds and senior loans issued; c) interest expenses on debt incurred at GCAP level; and d) operating expenses incurred at GCAP level.	The equivalent balance under IFRS and respective reconciliation are shown in the reconciliation of the Income Statement.
Total investment return	A metric to measure the value creation power of Georgia Capital from its investments.	Fair value change of portfolio companies (total investment return) represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV Statement.	The equivalent balance under IFRS and respective reconciliation are shown in the reconciliation of the Income Statement.
Net income	A performance metric to measure the value creation power of Georgia Capital during the period.	Aggregation of GCAP net operating income and total investment return less GCAP gains or losses from foreign exchange movements.	The equivalent balance under IFRS and respective reconciliation are shown in the reconciliation of the Income Statement.

APM	Purpose	Calculation	Reconciliation to IFRS
EBITDA	Management uses EBITDA as a tool to measure the portfolio companies' operational performance and the profitability of those companies' operations. The Company considers EBITDA to be an important indicator of representative recurring operations.	Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation.	N/A
GCAP net debt	A measure of the available cash to invest in the business and an indicator of the financial risk at GCAP level.	Net debt is calculated at GCAP level as follows: cash and liquid funds plus loans issued less gross debt; loans issued does not include investment type mezzanine loans.	N/A
Internal rate of return (IRR)	A metric to evaluate the historical track record of investments.	IRR for investments is calculated based on: a) historical contributions to the investment; less b) dividends received; and c) market value of the investment.	N/A
Multiple of invested capital (MOIC)	A measure to evaluate Georgia Capital's efficiency in allocating capital.	MOIC is calculated as follows: a) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date; and b) the denominator is the gross investment amount.	N/A
Return on invested capital (ROIC)	To evaluate a company's efficiency at allocating the capital under its control to profitable investments.	ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.	N/A
Return on average total equity (ROAE)	To measure the performance of a company based on its average shareholders' equity outstanding.	ROAE equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders for the same period.	N/A
Value creation/investment return	To measure the annual shareholder return on each portfolio company for Georgia Capital.	Aggregation of: a) change in beginning and ending fair values, b) gains from realised sales (if any), and c) dividend income during period. The net result is then adjusted to remove capital injections (if any) to arrive at the total value creation/investment return.	N/A
GCAP's liquid funds	A measure to evaluate the Company's liquidity.	Includes marketable debt securities and issued loans.	

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RECONCILIATION OF ADJUSTED IFRS MEASURES TO IFRS FIGURES

Reconciliation of the adjusted IFRS 10 Income Statement to the IFRS Income Statement

The table below reconciles the adjusted Income Statement to the IFRS Income Statement for the 2020 year. Adjustments to reconcile the adjusted IFRS 10 Income Statement with the 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 the IFRS Income Statement of Georgia Capital PLC.

GEL thousands, unless otherwise noted	Adjusted IFRS 10 Income Statement	Adjustment	IFRS Income Statement
Dividend income	29,870	(29,870)	–
Interest income	20,957	(20,957)	–
Realised/unrealised (loss)/gain on liquid funds	(2,984)	2,984	–
Interest expense	(62,478)	62,478	–
Gross operating (loss)/income	(14,635)	14,635	–
Operating expenses	(32,136)	24,187	(7,949)
GCAP net operating (loss)/income	(46,771)	38,822	(7,949)
Total investment return/gross investment loss	449,615	(110,441)	339,174
Income/(Loss) before foreign exchange movements and non-recurring expenses	402,844	(71,619)	331,225
Net foreign currency loss	(90,943)	90,052	(891)
Non-recurring expenses	(3,389)	3,389	–
Net income	308,512	21,822	330,334

VALUATION METHODOLOGY

Equity investments in Georgia Capital's portfolio companies are measured at fair values at each reporting date in accordance with IFRS 13, Fair Value Measurement. Fair value, as defined in IFRS, is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Equity investments in listed portfolio companies

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

Equity investments in private portfolio companies

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 possesses excellent reputation, 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 the 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 a 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 judgements 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 and for which the company can determine a group of listed companies with similar characteristics. The earnings multiple used in valuation is determined by reference to listed peer group multiples appropriate for the period of earnings calculation for the investment being valued. The Group identifies peer group for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles. 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. Earnings are adjusted where appropriate for exceptional, one-off or otherwise adjustable 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/adjusted EBITDA for the last 12 months (LTM EBITDA). In exceptional cases, where EBITDA is negative, peer EV/Sales (enterprise value to sales) multiple may be applied to last 12-month recurring/adjusted sales revenue of the business (LTM sales) to estimate enterprise value.

Once the enterprise value is estimated, the following steps are taken:
- Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero (assuming the debt is without recourse to Georgia Capital).
- The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued, if applicable.
- Valuation based on enterprise value using peer multiples is used for profitable businesses within non-financial industries.

b. Equity fair value valuation

Fair value of equity investment in companies can be determined using the 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 the financial sector (e.g. insurance companies).

Discounted cash flow

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

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.

Strategic Review Discussion of Results

VALUATION METHODOLOGY CONTINUED

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 analyses whether the fair value estimated above falls within this range.
- Discounted cash flow (DCF) – discounted cash flow valuation method is used to determine fair value of equity investment. Under discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and internally-developed discounting rate of return. Based on DCF, the company might make the upward or downward adjustment to the value of the valuation target as derived from the primary valuation method. If fair value estimated using discounted cash flow analysis significantly differs from the fair value estimate derived using the primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.

Valuation of equity investments in private portfolio companies

The table below summarises fair valuation of equity investments in our private portfolio companies as at 31 December 2020.

GEL thousands	Valuation performed externally or internally	Valuation method	Multiple applied	Fair value
Large companies	**Externally**			**1,858,237**
Healthcare Services	Externally	DCF and EV/EBITDA	13.2x	571,656
Retail (Pharmacy)	Externally	DCF and EV/EBITDA	9.1x	552,745
Water Utility	Externally	DCF and EV/EBITDA	9.4x	471,148
Insurance	Externally	DCF and P/E	10.1x-11.6x	262,688
Investment stage companies	**Internally**			**302,964**
Renewable Energy	Internally	SOTP (EV/EBITDA and acquisition price)	9.7x	209,902
Education	Internally	EV/EBITDA	12.5x	93,062
Other companies	**Internally**	**EV/EBITDA, EV/Sales, NAV, DCF**		**214,929**

FINANCIAL REVIEW

Financial Performance Highlights in GEL thousands (IFRS)[1]

	31-Dec-20	31-Dec-19	Change
Georgia Capital NAV overview			
NAV per share, GEL	48.12	46.84	2.7%
Net Asset Value (NAV)	2,212,292	1,753,868	26.1%
Total portfolio value	2,907,688	2,253,083	29.1%
Liquid assets and loans issued	284,272	363,773	-21.9%
Net debt	(697,999)	(493,565)	41.4%
Georgia Capital performance			
Total portfolio value creation	479,485	134,371	NMF
Of which, listed businesses	*(261,524)*	*(33,937)*	*NMF*
Of which, private businesses	*741,009*	*168,308*	*NMF*
large portfolio companies	*859,545*	*121,385*	*NMF*
investment stage portfolio companies	*98,730*	*–*	*NMF*
other portfolio companies	*(217,266)*	*46,923*	*NMF*
Investments	194,665[2]	357,557	-45.6%
Dividend income	29,870	122,219	-75.6%
Net income	308,512	71,551	NMF
Private portfolio companies' performance[1]			
Large portfolio companies			
Revenue	1,235,045	1,219,343	1.3%
EBITDA	218,965	258,624	-15.3%
Net operating cash flow	253,025	239,719	5.6%
Investment stage portfolio companies			
Revenue	68,385	27,300	NMF
EBITDA	40,568	16,920	NMF
Net operating cash flow	48,191	4,700	NMF
Total portfolio[3]			
Revenue	1,624,776	1,527,254	6.4%
EBITDA	291,586	280,152	4.1%
Net operating cash flow	375,742	230,486	63.0%

Key points

- 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 30.2% to GEL 33.15 in FY20.
- Strong 2020 results across our private portfolio, despite the negative headwinds from the pandemic:
  - Aggregated revenues and EBITDA up 6.4% and 4.1% y-o-y, respectively, in FY20.
  - Outstanding growth in aggregated net operating cash flow generation, up 63.0% y-o-y in FY20 to GEL 375.7 million.
  - Aggregated cash balances of portfolio companies more than doubled in FY20 to GEL 392 million at 31 December 2020 (GEL 183 million at 31 December 2019).
- GEL 30 million dividends collected from private businesses in FY20.
- GCAP liquidity remained solid at GEL 284 million.

1 See basis of presentation on pages 97-99 in the section "Alternative Performance Measures (APMs)" for more background. 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 and instead, measures them at fair value under IFRS.
2 Includes 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 119) 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).

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Discussion of Group results

Net Asset Value (NAV) Statement[1]

The 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 (31 December 2019 and 31 December 2020). 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.

NAV Statement

GEL thousands, unless otherwise noted	31-Dec-19	1. Value creation[2]	2a. Investment	2b. Buyback	2c. Dividend	2d. GHG de-listing[3]	3. Operating expenses	4. Liquidity/ FX/Other	31-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	NMF
Of which, share-based compensation	–	–	–	–	–	–	(12,681)	12,681	–	NMF
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[2]	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%***	

1 Following the GHG buy-out in the third quarter of 2020, as discussed above in this report, 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 above 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.

2 Please see definition in glossary on page 226.

3 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.

Discussion of IFRS statements of financial position and changes in equity

As described above on page 97 in APMs overview, the Group makes investments in portfolio companies indirectly, held through intermediate Georgian holding company, JSC Georgia Capital, which is the principal subsidiary of Georgia Capital PLC. The application of IFRS 10 requires us to carry the intermediate holding company JSC Georgia Capital at fair value in Georgia Capital PLC IFRS Statement of Financial Position. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our equity capital investments and associated transactions occurring in the intermediate holding company. The financial effect from the valuation of the underlying portfolio companies are aggregated into a single value. The breakdown of the value of JSC Georgia Capital is presented in Note 14 within the IFRS financial statements. To maintain transparency in our report and aid understanding we present a NAV Statement and respective reconciliation to IFRS Balance Sheet in Note 5 (Segment information) of the IFRS financial statements. Net asset value disclosed under the NAV Statement is the same as IFRS equity value as at 31 December 2020. The NAV Statement is simply a "look through" of the IFRS 10 Balance Sheet to present the underlying performance. NAV was up 26% to GEL 2.2 billion in FY20. Below we describe the key drivers behind NAV (IFRS equity value) change.

Discussion of NAV Statement

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 the 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 August 2020 ("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. As a result, at 31 December 2020, 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). In order to provide additional transparency to our private portfolio valuation, we hired a third-party independent valuation firm, 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 the third-party independent valuation firm, 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) GHG minority buy-out and de-listing

Following the completion of the GHG buy-out in 3Q20, GCAP's holding in GHG increased from 70.6% to 100% in exchange for 7.7 million GCAP share issuance. Our 70.6% equity stake in GHG had a market value of GEL 336 million at 30 June 2020 based on the LSE closing price, increasing to GEL 474 million following the exchange of newly issued GCAP shares into GHG shares valued at GEL 138 million. Cancellation of listing and trading of GHG shares took effect on 5 August 2020, when GHG's share price was down by 26.1% to GBP 0.708 from 30 June 2020. As a result, the market value of our 100% holding in GHG decreased by GEL 101 million to GEL 373 million as of the date of de-listing. Following de-listing, GHG was transferred to the private portfolio as three separate businesses: Healthcare Services (hospitals, clinics, diagnostics), Retail (pharmacy) and Medical Insurance. All three businesses were valued in line with our methodology for valuation of private businesses. In order to provide additional transparency to our valuations, we hired an independent valuation company in 3Q20, to perform a valuation assessment of each of GHG's businesses as further described below.

2) 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.

Strategic Review Discussion of Results

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Portfolio businesses	Operating performance[1]	Greenfields/ buy-outs[2]	Multiple change and FX[3]	Value creation
Unaudited numbers, in GEL thousands	**(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**

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 13% and 18.9% loan book growth y-o-y in FY20. BoG's share price, along with other banks, decreased in FY20 by 24.9% to GBP 12.20 at 31 December 2020 and, as a result, the market value of our equity stake in BoG decreased by GEL 66 million. BoG's public announcement on FY20 results is available at: **https://www.bankofgeorgiagroup.com/results/earnings**.

Private large portfolio companies (63.9% of total portfolio value)[4]

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 by an independent valuation company; the valuations for these businesses were performed in-house before YE20. The valuations of the GHG businesses (Healthcare Services, Retail (Pharmacy) and Medical Insurance were updates of the first-time valuations performed in 3Q20 following the GHG buy-out. All of 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 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) – The total value creation was GEL 394 million in 2020, reflecting a) GEL 296 million following the GHG buy-out in 3Q20 and b) GEL 98 million in 4Q20 from subsequent revaluation of the business.

- Following GHG buy-out, the independent valuation company estimated the fair value range of the business as of 30 June 2020. The implied LTM EV/EBITDA valuation multiple as of 30 June 2020 was 12.2x including the impact of IFRS 16. Fair value was assessed at GEL 474 million as of 30 June 2020, as compared to the value of GEL 178 million allocated to Healthcare Services following the de-listing[5]. As a result, a GEL 296 million value uplift was recorded in 3Q20 from the first-time valuation of the business following the GHG buy-out.
- Healthcare Services Enterprise Value (EV) remained largely flat at GEL 837 million in 4Q20 (down 1.3%) compared to the EV as of the initial valuation assessment, performed as of 30 June 2020. 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 (including financial lease liabilities) reduction by 25.9% in 4Q20 to GEL 230 million at 31 December 2020. 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 to GEL 572 million, translating into the implied LTM EV/EBITDA multiple (including IFRS 16) of 13.2x at 31 December 2020.

Retail (pharmacy) (19.0% of total portfolio value) – The total value creation was GEL 374 million in 2020, reflecting: a) GEL 297 million following the GHG buy-out in 3Q20 and b) GEL 78 million in 4Q20 from subsequent revaluation of the business.

- Following the GHG buy-out in 3Q20, the independent valuation company applied a similar valuation approach as for Healthcare Services. The implied LTM EV/EBITDA valuation multiple as of 30 June 2020 was 8.7x including the impact of IFRS 16. The fair value of GCAP's holding was assessed at GEL 475 million as of 30 June 2020. Allocated value for the business following the GHG buy-out was GEL 178 million[5], resulting in GEL 297 million value creation from the first-time valuation of the business in 3Q20.
- The business demonstrated outstanding results in 4Q20, with continued y-o-y growth in revenues (up 16.4%) and EBITDA (up 6.0% excluding 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 (including financial lease liabilities) being down 14.1% since the initial valuation to GEL 130.2 million as of 31 December 2020. 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 including the impact of IFRS 16 (up from 8.7x at initial valuation).

1 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.
2 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.
3 Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.
4 Please read more about valuation methodology on pages 101-102.
5 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 June 2020.

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 December 2020 and further discussed on pages 114-115 of this report. Consequently, Water Utility's multiple-based and DCF valuation at 31 December 2020 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 3.8% increase in the LTM EBITDA from 31 December 2019. As a result, in light of the increased tariffs and allowed revenue prospects in the three-year regulatory period, value creation was GEL 433 thousand in FY20. In addition, the business paid GEL 15.0 million dividends in 2020. The equity value of the business was assessed at GEL 471.1 million at 31 December 2020, down by 2.6% y-o-y.

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.

P&C Insurance – The implied LTM P/E valuation multiple at 31 December 2020 was 11.6x (up from 9.0x at 31 December 2019, 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 FY20 (down 6.9% y-o-y), as the negative impact of COVID-19 on the business was relatively well-contained. In 2020, despite the pandemic, the business paid GEL 10 million dividend within the historical payout range. As a result, value creation was GEL 42.8 million in FY20 and the equity value was assessed at GEL 197.8 million at 31 December 2020 (up 19.9% in FY20).

Medical Insurance was valued externally for the first-time in 3Q20 following the GHG buy-out, similar to healthcare services and retail (pharmacy) businesses. The total value creation was GEL 48 million in 2020, reflecting: a) GEL 28 million following the GHG buy-out in 3Q20 and b) GEL 20 million in 4Q20 from subsequent revaluation of the business.

Fair value was assessed at GEL 44.5 million as of 30 June 2020, as compared to the allocated value of GEL 16.7 million following de-listing[1] resulting in GEL 27.8 million value creation from the first-time valuation in 3Q20. The implied LTM P/E valuation multiple as of 31 December 2020 was 10.1x (up from 8.0x as of the initial valuation). The equity value was assessed at GEL 64.9 million at 31 December 2020 (up 45.8% in 4Q20), resulting in GEL 20.4 million value creation in 4Q20.

Private investment stage businesses (10.4% of total portfolio value)

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 total value creation was GEL 62 million in 2020, reflecting a) GEL 33 million following the first time revaluation of Hydrolea HPPs and Qartli wind farm from acquisition price at market approach in 1H20 and b) GEL 29 million in 2H20 from subsequent revaluation of the business.

- The business was resilient towards the COVID-19 outbreak, as up to 65% of electricity sales during 2020 were covered by long-term purchase power agreement (PPAs). Renewable Energy's FY20 EBITDA of GEL 32.0 million mainly reflects the strong performance of high-quality renewable assets acquired in 4Q19 and valued for the first time in 1H20 by applying peer group earnings multiples. In 1H20, Hydrolea HPPs and Qartli wind farm were valued using run-rate EBITDA earnings and related EV/EBITDA multiple, resulting in GEL 32.7 million value creation (previously the investments had been valued at acquisition price).
- The value creation was GEL 29.4 million in 2H20, 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 at 31 December 2020. As a result, the equity value of the business was up 96.5% to GEL 209.9 million in FY20. At 31 December 2020, total 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. The total value creation was GEL 36 million in 2020, reflecting a) GEL 24 million following the first time revaluation of the schools from acquisition price at market approach in 1H20 and b) GEL 12 million in 2H20 from subsequent revaluation of the business.

- The profitability was largely unaffected by COVID-19. Education was valued using LTM EV/EBITDA methodology at GEL 80.7 million at 30 June 2020 (previously the business had been valued at acquisition price). GCAP invested GEL 56.4 million in 2019, mainly in the acquisitions of majority stakes in four leading schools: British-Georgian Academy and British International School of Tbilisi (70% stake), the leading schools in the premium segment of the market; Buckswood International School (80% stake), well-positioned in the mid-level segment; and Green School (80%-90% ownership[2]), a leading player in the affordable education segment. As a result of stable operating performance across all three schools, the business created GEL 24.3 million value in 1H20 from the first time valuation by applying peer group earnings multiples.
- As of 31 December 2020 LTM EBITDA of the education business was GEL 9.5 million[3], 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 from the first-time revaluation at 12.5x. As a result, GEL 36.6 million value was created in FY20, driving the 65.1% increase in the equity value of the education business to GEL 93.1 million.

1 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 June 2020.
2 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under the Green School brand.
3 LTM EBITDA used for valuation purposes (at 30 September 2020 and at 31 December 2020) includes functional currency adjustment in premium schools.

Strategic Review Discussion of Results

FINANCIAL REVIEW CONTINUED

Other businesses (7.4% of total portfolio value)
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 than our real estate and hospitality businesses. Our other private portfolio had a combined value of GEL 214.9 million at 31 December 2020, down by 48.0% in FY20. Overall, other businesses demonstrated negative GEL 217.3 million value creation in FY20, primarily reflecting the negative impact of COVID-19 on our real estate and hospitality businesses and FX movements on EUR denominated debt. Hospitality and Commercial Real Estate was the business most affected by COVID-19 across our portfolio. The two operational and five under construction hotels were marked down in value, while the increase in required yield for office spaces resulted in decrease in the value of the commercial real estate portfolio in 1H20. In light of the COVID-19 outbreak, operations at the existing two hotels were suspended since mid-March and construction of new hotels was put on hold.

2) Investments[1]
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 buy-out 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 buy-out of an additional 10% equity stake in Amboli, increasing GCAP's total ownership to 90%.

3) Dividends[1]
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.

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

GEL thousands	Valuation source	31-Dec-20	31-Dec-19	Change	Change %	% share in total portfolio
Listed portfolio (1)		**531,558**	**1,027,814**	**(496,256)**	**-48.3%**	**18.3%**
GHG	Public markets	–	430,079	(430,079)	-100.0%	0%
BoG	Public markets	531,558	597,735	(66,177)	-11.1%	18.3%
Private portfolio (2)=(a)+(b)+(c)		**2,376,130**	**1,225,269**	**1,150,861**	**93.9%**	**81.7%**
Large portfolio companies (a)		**1,858,237**	**648,893**	**1,209,344**	**NMF**	**63.9%**
Healthcare Services	Independent external	571,656	–	571,656	NMF	19.7%
Retail (pharmacy)	Independent external	552,745	–	552,745	NMF	19.0%
Water Utility	Independent external	471,148	483,970	(12,822)	-2.6%	16.2%
Insurance (P&C and Medical)		262,688	164,923	97,765	59.3%	9.0%
Of which, P&C Insurance	Independent external	197,806	164,923	32,883	19.9%	6.8%
Of which, Medical Insurance	Independent external	64,882	–	64,882	NMF	2.2%
Investment stage portfolio companies (b)		**302,964**	**163,150**	**139,814**	**85.7%**	**10.4%**
Renewable Energy	Internal	209,902	106,800	103,102	96.5%	7.2%
Education	Internal	93,062	56,350	36,712	65.1%	3.2%
Other (c)	**Internal**	**214,929**	**413,226**	**(198,297)**	**-48.0%**	**7.4%**
Total portfolio value (3)=(1)+(2)		**2,907,688**	**2,253,083**	**654,605**	**29.1%**	**100%**

1 Investments are made and dividends are received at JSC Georgia Capital level, the Georgian holding company.

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 losses on liquid funds, driving net GEL 44.5 million increase in net debt; c) GCAP cash operating expenses of GEL 19.5 million; and 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 July 2020 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 thousands	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%**

Income Statement (adjusted IFRS/APM)
Discussion of IFRS consolidated statement of profit or loss and comprehensive income
Net income under IFRS was 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 pages 97-100 in this report. A full reconciliation of the adjusted income statement to the IFRS income statement is provided on page 100.

Income Statement (adjusted IFRS/APM, unaudited)

GEL thousands, unless otherwise noted	FY20	FY19	Change
Dividend income	29,870	122,219	-75.6%
Interest income	20,957	39,044	-46.3%
Realised/unrealised (loss)/gain on liquid funds	(2,984)	9,547	NMF
Interest expense	(62,478)	(55,071)	13.4%
Gross operating (loss)/income	**(14,635)**	**115,739**	**NMF**
Operating expenses	(32,136)	(34,391)	-6.6%
GCAP net operating (loss)/income	**(46,771)**	**81,348**	**NMF**
Fair value changes of portfolio companies			
Listed portfolio companies	**(261,524)**	**(62,869)**	**NMF**
Of which, Georgia Healthcare Group PLC	*(195,347)*	*(203,109)*	*-3.8%*
Of which, Bank of Georgia Group PLC	*(66,177)*	*140,240*	*NMF*
Private portfolio companies	**711,139**	**75,021**	**NMF**
Large portfolio companies	**834,602**	**87,352**	**NMF**
Of which, Healthcare Services	*393,797*	–	*NMF*
Of which, Retail (pharmacy)	*374,322*	–	*NMF*
Of which, Water Utility	*(14,567)*	*52,953*	*NMF*
Of which, Insurance (P&C and Medical)	*81,050*	*34,399*	*NMF*
Investment stage portfolio companies	**93,803**	**–**	**NMF**
Of which, Renewable energy	*57,242*	–	*NMF*
Of which, Education	*36,561*	–	*NMF*
Other businesses	**(217,266)**	**(12,331)**	**NMF**
Total investment return	**449,615**	**12,152**	**NMF**
Income before foreign exchange movements and non-recurring expenses	**402,844**	**93,500**	**NMF**
Net foreign currency loss	(90,943)	(20,967)	NMF
Non-recurring expenses	(3,389)	(982)	NMF
Net Income (adjusted IFRS)	**308,512**	**71,551**	**NMF**

Strategic Review Discussion of Results

FINANCIAL REVIEW CONTINUED

FY20 gross operating loss of GEL 14.6 million mainly reflects decreased dividend inflows due to COVID-19-related uncertainties. The dividend income by businesses is presented in the table below:

GEL thousands, unless otherwise noted	FY20	FY19	Change
Water Utility	15,000	22,000	-31.8%
P&C Insurance	9,943	12,033	-17.4%
Renewable Energy	4,927	–	NMF
BoG	–	24,951	NMF
GHG	–	3,981	NMF
Housing Development	–	59,254[1]	NMF
Total dividend income	**29,870**	**122,219**	**-75.6%**

Further, interest income was 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 March 2018, is 6.125%. As a result, net interest expense was GEL 41.5 million in FY20 at GCAP level (GEL 16.0 million in FY19).

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 December 2020 (1.8%[2] as of 31 December 2019). The total LTM operating expense ratio (which includes fund type expenses) was 2.8% at 31 December 2020 (2.4%[2] at 31 December 2019). 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	FY20	FY19	Change
Administrative expenses[3]	(10,477)	(11,542)	-9.2%
Management expenses – cash-based[4]	(8,978)	(8,327)	7.8%
Management expenses – share-based[5]	(12,681)	(14,522)	-12.7%
Total operating expenses	**(32,136)**	**(34,391)**	**-6.6%**
Of which, fund type expense[6]	*(11,030)*	*(9,163)*	*20.4%*
Of which, management fee[7]	*(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 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 106-108. The performance of each of our private large and investment stage portfolio companies is discussed on pages 111-119. 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 statement page 104.

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 December 2020. Net foreign currency loss was GEL 90.9 million in FY20. As a result of the movements described above, GCAP's adjusted IFRS *net income* was GEL 308.5 million. See page 100 for a reconciliation to the IFRS figures presented above.

Discussion of IFRS consolidated and separate statement of cash flows

Until the change to investment entity accounting under IFRS 10, the Group's IFRS statement of cash flows for the year ended 31 December 2019 reflect the consolidated results of operations of the Group's subsidiaries. Due to the change in investment entity status, the cash flow statement information for the year ended 31 December 2020, on the one hand, and for the year ended 31 December 2019, on the other hand, is not comparable. 2020 IFRS statement of cash flow is prepared at Georgia Capital PLC level and does not include JSC Georgia Capital's cash flows, since JSC Georgia Capital is measured at fair value under IFRS 10. Net cash flow used in operating activities was GEL 7.1 million in 2020, reflecting salaries, general and administrative expenses incurred at Georgia Capital PLC level. Net cash flow from investing activities was GEL 21.2 million, reflecting a capital reduction to Georgia Capital PLC by JSC Georgia Capital during 2020. Net cash flow used in financing activities was GEL 14.5 million in 2020, mainly reflecting transaction costs for GHG share exchange facility. The IFRS consolidated and separate statement of cash flow is included on page 182 of this report.

1 GEL 49 million was non-cash dividend: commercial space (ground floors in completed residential projects).
2 The management fee expense ratio in FY19 was calculated based on average market capitalisation during the year. FY20 ratio is calculated based on period-end market capitalisation due to significant price fluctuations during the year in light of COVID-19.
3 Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
4 Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
5 Share-based management expenses are share salary and share bonus expenses of management and staff.
6 Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
7 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 12 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 pages 97-102 for more background.

Large portfolio companies

Discussion of Healthcare Services business results

The 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 December 2020. The 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); and 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.

FY20 performance (GEL thousands), Healthcare Services[1, 2]
2020 numbers are unaudited

Income statement highlights	FY20	FY19	Change
Revenue, net[3]	**283,447**	**290,758**	**-2.5%**
Gross profit	**111,919**	**125,751**	**-11.0%**
Gross profit margin	*39.2%*	*42.9%*	*-3.7ppts*
Operating expenses (excl. IFRS 16)	(50,093)	(51,040)	-1.9%
EBITDA (excl. IFRS 16)	**61,826**	**74,711**	**-17.2%**
EBITDA margin (excl. IFRS 16)	*21.6%*	*25.5%*	*-3.9ppts*
Adjusted[4] net profit excl. IFRS 16	**4,877**	**17,627**	**-72.3%**
Cash flow highlights	**FY20**	**FY19**	**Change**
Cash flow from operating activities (excl. IFRS 16)	**80,956**	**59,645**	**35.7%**
EBITDA to cash conversion (excl. IFRS 16)	130.9%	79.8%	51.1ppts
Cash flow from/used in investing activities[5]	**16,755**	**(14,062)**	**NMF**
Free cash flow (excl. IFRS 16)[6]	**83,528**	**23,295**	**258.6%**
Cash flow from financing activities (excl. IFRS 16)	**(15,169)**	**(54,095)**	**-72.0%**
Balance Sheet Highlights	**31-Dec-20**	**31-Dec-19**	**Change**
Total assets	**899,391**	**953,874**	**-5.7%**
Of which, cash balance and bank deposits	*93,721*	*7,648*	*NMF*
Of which, securities and loans issued	*7,133*	*–*	*NMF*
Total liabilities	**510,079**	**472,675**	**7.9%**
Of which, borrowings	*312,036*	*291,239*	*7.1%*
Total equity	**389,312**	**481,199**	**-19.1%**

1 The detailed IFRS financial statements are included in supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**.
2 All numbers in the income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020, discussed below in more detail.
3 Net revenue – Gross revenue excluding corrections and rebates. Margins are calculated from Gross revenue.
4 Adjusted for non-recurring items, FX loss and loss from discontinued operations due to HTMC hospital disposal.
5 Of which capex of 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.
6 Operating cash flows less capex and payment of holdback on acquisition of subsidiaries, but inclusive of GEL 32.8 million net inflow from disposal of 40% equity stake in HTMC and also proceeds from sale of property and equipment.

Strategic Review Discussion of Results

FINANCIAL REVIEW CONTINUED

Key points/valuation drivers

- Revenue down slightly in FY20 by 2.5% y-o-y
- FY20 EBITDA down 17.2% y-o-y to GEL 61.8 million
- Free cash flow (excluding IFRS 16) at GEL 83.5 million in FY20, up 258.6% y-o-y
- Net debt[1] down 25.5% y-o-y to GEL 211.2 million as of 31 December 2020

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 patients.

- The number of admissions at clinics also increased by 12.8% y-o-y in 2H20, translating into FY20 net revenue of GEL 46.3 million, up 5.1% y-o-y.
- While the utilisation levels were up at GHG's non-COVID hospitals by 11% h-o-h in 2H20, net revenue of hospitals was down 6.6% y-o-y to GEL 230.2 million in FY20.
- The diagnostics segment, which apart from regular diagnostics services is also engaged in COVID-19 testing, almost tripled its full year revenue in 2020 (up to GEL 14.5 million).

Overall, 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 FY20, direct salary rate remained well-controlled at hospitals (down 0.6ppts y-o-y) and clinics (down 3.0ppts y-o-y). The direct salary rate partially benefited from six-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 4.1ppts at hospitals and up 1.1ppts at clinics), 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 service business' gross margin was subdued by 3.7ppts for FY20, y-o-y. Overall, in FY20, the business posted GEL 61.8 million EBITDA (excluding 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 December 2020, which reduced interest expense (excluding IFRS 16) y-o-y by 8.5% for FY20 to GEL 27.4 million. The GEL depreciation during 2020 led to a foreign currency loss (GEL 5.1 million excluding IFRS 16 in FY20) 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 the de-listing of GHG from the 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 loss from continuing operations 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 4.9 million (down 72.3% y-o-y). In 2020, 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

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 51.1ppts y-o-y, excluding IFRS 16. Strong operating cash flow excluding 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 December 2019). 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).

1 Net debt is calculated from cash balance and bank deposits, securities and loans issued minus gross debt.

Discussion of Retail (Pharmacy) business results

The 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 four 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.

FY20 performance (GEL thousands), Retail (Pharmacy)[1]
2020 numbers are unaudited

Income statement highlights	FY20	FY19	Change
Revenue, net	**679,437**	**614,675**	**10.5%**
Gross profit	**172,312**	**156,855**	**9.9%**
Gross profit margin	*25.4%*	*25.5%*	*-0.1ppts*
Operating expenses (excl. IFRS 16)	(101,925)	(91,552)	11.3%
EBITDA (excl. IFRS 16)	**70,387**	**65,303**	**7.8%**
EBITDA margin, (excl. IFRS 16)	*10.4%*	*10.6%*	*-0.2ppts*
Net profit (excl. IFRS 16)	**32,531**	**46,590**	**-30.2%**
Cash flow highlights	FY20	FY19	Change
Cash flow from operating activities (excl. IFRS 16)	**66,075**	**53,129**	**24.4%**
EBITDA to cash conversion	**93.9%**	**81.4%**	**+12.5ppts**
Cash flow used in investing activities	**(1,963)**	**(13,718)**	**-85.7%**
Free cash flow, (excl. IFRS 16)[2]	**60,760**	**47,565**	**27.7%**
Cash flow from financing activities (excl. IFRS 16)	**(37,091)**	**(48,711)**	**-23.9%**
Balance sheet highlights	31-Dec-20	31-Dec-19	Change
Total assets	**464,644**	**396,078**	**17.3%**
Of which, cash and bank deposits	*36,856*	*7,774*	*NMF*
Of which, securities and loans issued	*12,471*	*12,167*	*2.5%*
Total liabilities	**361,048**	**303,240**	**19.1%**
Of which, borrowings	*88,608*	*84,712*	*4.6%*
Of which, lease liabilities	*85,919*	*77,700*	*10.6%*
Total equity	**103,596**	**92,838**	**11.6%**

Key points/valuation drivers

- Solid y-o-y growth in FY20 revenues and EBITDA despite COVID-19 outbreak
- Achieved 10.4% EBITDA margin in FY20, substantially exceeding the targeted 9%
- FY20 free cash flow at GEL 60.8 million, up 27.7% y-o-y
- Net debt[3] down 39.4% y-o-y to GEL 39.3 million as of 31 December 2020
- 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 6.1%, same-store revenue growth rates in FY20. 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 second half of the year. As a result, the business posted a 10.5% increase in net revenues in FY20, y-o-y. The business issued 27.6 million bills 2020, with average customer interactions of 2.3 million per month. The average bill size substantially increased to GEL 16.8 (up 17.9% y-o-y), reflecting para-pharmacy (personal care, beauty and other non-medication high margin products) sales promotions.

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 (1.4% 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 7.8% y-o-y growth in EBITDA excluding IFRS 16, with a 10.4% EBITDA margin.

Interest expense, excluding IFRS 16, was 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 FY20 resulted in FX loss of GEL 13.2 million, 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.

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

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As a result, 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 a 8.9% y-o-y increase in net profit to GEL 54.1 million.

Cash flow and balance sheet highlights

The strong operating cash flow with EBITDA to cash conversion ratio of 93.9% in 2020, coupled with decreased capex investments, resulted in an ending balance of cash and cash equivalents of GEL 36.9 million as of 31 December 2020 (up from GEL 7.8 million at 31 December 2019). 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 December 2020.

Discussion of Water Utility business results

Our Water Utility is a regulated natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c.37,000 legal entities. Water Utility also operates hydro power plants with a total installed capacity of 149MW. GCAP owns 100% in Water Utility.

FY20 performance (GEL '000), Water Utility[1]
2020 numbers are unaudited

Income statement highlights	FY20	FY19	Change
Revenue	**130,548**	**163,454**	**-20.1%**
Water supply	124,651	143,237	-13.0%
Energy	5,897	20,217	-70.8%
Operating expenses	**(61,733)**	**(61,053)**	**1.1%**
EBITDA	**62,546**	**95,076**	**-34.2%**
EBITDA margin	*47.9%*	*58.2%*	*-10.3ppts*
Net (loss)/profit	**(61,082)**	**33,221**	**NMF**
Cash flow highlights	**FY20**	**FY19**	**Change**
Cash flow from operating activities	**55,822**	**76,394**	**-26.9%**
Cash flow used in investing activities	**(51,702)**	**(59,561)**	**-13.2%**
Free cash flow	**4,120**	**15,937**	**-74.1%**
Cash flow from financing activities	**21,861**	**(3,315)**	**NMF**
Balance sheet highlights	**31-Dec-20**	**31-Dec-19**	**Change**
Total assets	**653,201**	**591,036**	**10.5%**
Of which, cash balance	*55,577*	*26,581*	*109.1%*
Total liabilities	**574,179**	**432,741**	**32.7%**
Of which, long-term borrowings	*498,555*	*353,021*	*41.2%*
Total equity	**79,022**	**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 July 2020
- New water tariffs set at the end of 2020, translating up to 38% increase[2] in allowed revenues from water sales for the 2021-2023 regulatory period compared to the previous regulatory period of 2018-2020

Income statement highlights

The 20.1% y-o-y decrease in FY20 revenues was primarily driven by a 70.8% decrease in energy revenues and a 13.0% decrease in water sales revenues. Extraordinarily low precipitation related water inflows to Zhinvali HPP led to a 35.0% y-o-y decrease in electricity generation in FY20, while self-produced electricity consumption only increased by 0.7% y-o-y. As a result, FY20 electricity sales volume decreased by 69.9% y-o-y. Revenue from water supply to legal entities was 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 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 the annual growth of approximately 38%2 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%).

1 The detailed IFRS financial statements are included in supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results**.
2 The tariff increase translates into the annual growth of approximately 38% in allowed water revenues of Georgian Water and Power LLC (GWP) in the three-year regulatory period effective from 1 January 2021 (corresponding to approximately 36.3% increase in allowed water revenues for GGU's entire water utility business).

FY20 operating expenses were up 1.1% y-o-y to GEL 61.7 million, primarily reflecting higher electricity and transmission costs associated with the increased electricity purchases. As a result, EBITDA amounted to GEL 62.5 million in FY20, down y-o-y by 34.2%. Net interest expense was 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 July 2020. 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 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 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 the Government's subsidy plan for the utility bills during the pandemic for residential customers. FY20 EBITDA to cash conversion rate[1] was 126%. FY20 development capex was down by 24.4% to GEL 57.6 million, reflecting prudent planning of capital investments and prioritising 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. 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 December 2020.

Discussion of Insurance (P&C and Medical) business results

The insurance business comprises a) a property and casualty (P&C) insurance business, owned through Aldagi and b) a medical insurance business, owned through GHG. The 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 September 2020. P&C Insurance 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.

FY20 performance (GEL thousands), Insurance (P&C and Medical)[2]
2020 numbers are unaudited

Income statement highlights	FY20	FY19	Change
Earned premiums, net	**141,614**	**150,698**	**-6.0%**
Of which, P&C Insurance	*72,128*	*75,340*	*-4.3%*
Of which, Medical Insurance	*69,486*	*75,358*	*-7.8%*
Net underwriting profit	**47,368**	**43,065**	**10.0%**
Of which, P&C Insurance	*31,242*	*31,817*	*-1.8%*
Of which, Medical Insurance	*16,126*	*11,248*	*43.4%*
Net profit	**23,426**	**22,729**	**3.1%**
Of which, P&C Insurance	*17,002*	*18,326*	*-7.2%*
Of which, Medical Insurance	*6,424*	*4,403*	*45.9%*
Cash flow highlights	**FY20**	**FY19**	**Change**
Net cash flows from operating activities	**30,959**	**29,868**	**3.7%**
Of which, P&C Insurance	*17,912*	*19,524*	*-8.3%*
Of which, Medical Insurance	*13,047*	*10,344*	*26.1%*
Free cash flow	**31,617**	**27,783**	**13.8%**
Of which, P&C Insurance	*15,963*	*17,553*	*-9.1%*
Of which, Medical Insurance	*15,654*	*10,230*	*53.0%*
Balance sheet highlights	**31-Dec-20**	**31-Dec-19**	**Change**
Total assets	**257,887**	**279,848**	**-7.8%**
Of which, P&C Insurance	*176,479*	*200,273*	*-11.9%*
Of which, Medical Insurance	*81,408*	*79,575*	*2.3%*
Total equity	**101,507**	**89,491**	**13.4%**
Of which, P&C Insurance	*69,443*	*62,611*	*10.9%*
Of which, Medical Insurance	*32,064*	*26,880*	*19.3%*

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

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Total Insurance business highlights

P&C Insurance and Medical Insurance have a broadly equal share in total revenues, while P&C Insurance had a 73% share in total net profit in FY20. The loss ratio decreased significantly in 2020 translating into an improved combined ratio (down 3.1ppts in FY20 to 86.0%). Net profit was up by 3.1% to GEL 23.4 million in FY20, y-o-y. As a result, ROAE was 23.8% in FY20 (26.6% in FY19).

Discussion of results, P&C Insurance

Key points/ valuation drivers

- FY20 combined ratio down 0.6ppts to 81.5%
- Net profit 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, 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. 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. 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 December 2020, 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 are as noted below:

Key ratios, unaudited	FY20	FY19	Change
Combined ratio	81.5%	82.1%	-0.6ppts
Expense ratio	37.6%	40.6%	-3.0ppts
Loss ratio	44.0%	41.6%	2.4ppts
ROAE	24.8%	30.4%	-5.6ppts

The 2.4ppts 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 are COVID-19-related). The 3.0ppts y-o-y decrease in FY20 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 normalised for the absence of GEL 2.8 million investment income recorded in 2019). The ROAE was 24.8% in FY20.

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. The business paid GEL 10 million dividend in 2020.

Discussion of results, Medical Insurance

Key points/valuation drivers

- Loss ratio down 8.4ppts y-o-y to 73.0% in FY20
- Insurance renewal rate at 73.4% in FY20 (77.5% in FY19)
- Net profit up 45.9% to GEL 6.4 million in FY20

Income statement highlights

A 7.8% y-o-y decline in FY20 revenues reflects the decrease in the number of insured clients to c.174,000 as of 31 December 2020 from c.236,000 as of 31 December 2019, 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	FY20	FY19	Change
Total claims retained within the GHG	37.3%	37.4%	-0.1ppts
Total claims retained in outpatient	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 8.4ppts 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 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 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 5.5ppts for the year to 90.6%. The business posted net profit of GEL 6.4 million for the full year (up 45.9% y-o-y). Net profit, adjusted for FX loss and non-recurring expenses, was 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 December 2019 to GEL 25.1 million. Operating cash flow was up 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[1], 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 February 2020, the renewable energy business is 100% owned by Georgia Capital.

FY20 performance (GEL thousands), Renewable Energy[2]
2020 numbers are unaudited

Income statement highlights	FY20	FY19	Change
Revenue	**42,592**	**16,171**	**NMF**
Operating expenses	(10,565)	(3,196)	NMF
EBITDA	**32,027**	**12,975**	**NMF**
EBITDA margin	*75.2%*	*80.2%*	*-5.0ppts*
Net (loss)/profit	**(16,320)**	**649**	**NMF**
Cash flow highlights	**FY20**	**FY19**	**Change**
Cash flow from operating activities	**40,176**	**2,784**	**NMF**
Cash flow from/(used in) investing activities	**15,866**	**(117,528)**	**NMF**
Cash flow (used in)/from financing activities	**(29,185)**	**140,204**	**NMF**
Balance sheet highlights	**31-Dec-20**	**31-Dec-19**	**Change**
Total assets	**482,986**	**439,455**	**9.9%**
Of which, cash balance	*66,820*	*35,253*	*89.5%*
Total liabilities	**326,252**	**291,845**	**11.8%**
Of which, borrowings	*318,269*	*274,367*	*16.0%*
Total equity	**156,734**	**147,610**	**6.2%**
Total equity attributable to GCAP	**157,454**	**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 19.5 million to FY20 EBITDA
  - Electricity sales price (USD) increase led to a 12.5% y-o-y like-for-like growth[3] in FY20 revenues
- Operating cash was 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

1 20MW Mestiachala HPP was flooded and taken offline in late July 2019. The restoration process is ongoing.
2 The detailed IFRS financial statements are included in supplementary excel file, available at **https://georgiacapital.ge/ir/financial-results.**
3 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).

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Income statement highlights
The renewable energy business remained fully resilient throughout 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 a like-for-like basis during non-PPA months (May-August) 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.

FY20 revenue was 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 18.5 million to FY20 revenues on the back of 90.8GWh generation and an outstanding capacity factor of 50%;
- The 20MW Hydrolea HPPs FY20 revenue was GEL 7.1 million, having been negatively affected by almost seven months' shutdown of the 9MW Akhmeta HPP in 2020 for planned rehabilitation works until mid-July; and
- Mestiachala HPPs 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 FY20 reflects the addition of expenses as a result of acquisitions of Qartli wind farm and Hydrolea HPPs. EBITDA was up almost 3x to GEL 32.0 million in FY20, with EBITDA margin of 75.2%.

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 12.5% y-o-y like-for-like growth[1] in FY20 revenues, like-for-like growth was 23.4% based on increase in electricity sales price (GEL). The business recorded GEL 23.4 million net interest expense in FY20. In addition, GEL 10.6 million non-recurring expenses were incurred for the liability management exercise in connection with US$ 250 million green bond issuance in July 2020. As a result, the net loss amounted to 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 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 January-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. As a result, cash inflow from investing activities was GEL 15.9 million in FY20 and the cash balance increased 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[2]), a leading player in the affordable education segment.

FY20 performance (GEL thousands), Education[3]
2020 numbers are unaudited

Income statement highlights	FY20	FY19	Change
Revenue	**25,794**	**24,575**	**5.0%**
Operating expenses	(17,446)	(17,310)	0.8%
EBITDA	**8,348**	**7,265**	**14.9%**
EBITDA Margin	*32.4%*	*29.6%*	*+2.8ppts*
Net profit	**3,148**	**2,312**	**36.2%**
Cash flow highlights	**FY20**	**FY19**	**Change**
Net cash flows from operating activities	7,877	9,591	-17.9%
Net cash flows from investing activities	(7,129)	(8,925)	-20.1%
Net cash flows from financing activities	78	1,882	-95.9%
Balance Sheet Highlights	**31-Dec-20**	**31-Dec-19**	**Change**
Total assets	**110,541**	**105,158**	**5.1%**
Of which, cash	*6,399*	*5,133*	*24.7%*
Total liabilities	**53,396**	**48,394**	**10.3%**
Of which, borrowings	*24,947*	*19,809*	*25.9%*
Total equity	**57,145**	**56,764**	**0.7%**
Total equity attributable to GCAP	**53,553**	**55,494**	**-3.5%**

1 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).
2 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under the Green School brand.
3 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**.

Key points/valuation drivers
- Solid y-o-y growth in 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 2.8ppts y-o-y to 32.4% in FY20
- Cash collection rates largely at 2019 levels, translating into operating cash flow of GEL 7.9 million in FY20

Income statement highlights
In light of COVID-19, the schools were providing distance learning from 1 March 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 5.0% 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 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 December 2020, 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 December 2020. The combined school capacity utilisation also remained largely at last year's level with minor decrease of 2.4ppts y-o-y to 89.5%, as follows: down to 92.6% and 741 learners in BGA and BIST (95.3% and 762 learners as of 31 December 2019); 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 December 2019).

The growing revenues coupled with significant cost optimisation initiatives in light of COVID-19 and distance learning, resulted in increased EBITDA, up 14.9% to GEL 8.3 million in FY20, y-o-y. Similarly, EBITDA margin improved y-o-y by 2.8ppts to 32.4%. Net income was 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 and 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 December 2019), 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 December 2020, which represented only 7.4% of our total portfolio.

FY20 aggregated performance highlights (GEL thousands), other portfolio

2020 numbers are unaudited	FY20	FY19	Change
Revenue	321,346	280,611	14.5%
EBITDA	32,053	4,608	NMF
Net cash flows from operating activities	74,525	(13,932)	NMF

Aggregated EBITDA and operating cash flow generation improved significantly in 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 ongoing 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 FY20, increasing the number of bottles sold by 19.4% y-o-y. As a result, the business posted an all-time high EBITDA of GEL 11.0 million in FY20 (up 26.5% y-o-y). Net cash flow from operating activities was 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, where FY20 EBITDA more than doubled to GEL 5.0 million. Net cash flow from operating activities was up from negative GEL 0.1 million in FY19 to GEL 1.7 million in FY20.

Governance

DIRECTORS' GOVERNANCE STATEMENT

Irakli Gilauri
Chairman and
Chief Executive Officer

David Morrison
Senior Independent
Non-Executive Director

Dear Shareholders
We are delighted to present our third Governance Statement. The Board continues to apply the UK Corporate Governance Code 2018 (the Code) in its entirety except for combining the roles of Chairman and CEO. The Nomination Committee and the Board continues to monitor the appropriateness of this structure. Since the beginning, we have spoken about the Board's commitment to the highest standards of corporate governance which, going forward, we intend to maintain as an anchor of the Group's culture. The coming year presents Georgia Capital with a number of challenges and the Board's oversight of how management delivers the Company's updated strategy will be crucial. The Board will also remain focused on the Company's responsibilities to its stakeholders and the wider expectations of society. These are doubly important as the COVID-19 pandemic continues, especially given our important interests in the healthcare sector.

A key element of our governance structure is the direct engagement by the Investment Committee with our portfolio companies. All Directors are members of the Investment Committee. Due to the COVID-19 pandemic, the Investment Committee was unable to have face-to-face meetings with the management teams of our portfolio companies nor was it able to carry out site visits which the Investment Committee finds particularly useful. However, the meetings with Directors were replaced with direct engagement via teleconferencing and videoconferencing, and similar methods of engagement were used to remain in contact with stakeholders. We continued to keep our investors informed through regular online meetings, virtual conferences and roadshows, in addition to the London Stock Exchange announcements and regular quarterly earnings reports and calls. We look forward to the Investment Committee resuming face-to-face activities when appropriate during 2021.

In 2020, we strengthened the Board with the appointment of Maria Chatti-Gautier, who brings extensive experience of developing businesses in a private equity context. The entire Board remains committed to working with our management to ensure that our high standards extend beyond the boardroom and are implemented throughout the business in the successful delivery of the Group's strategic priorities.

Irakli Gilauri
Chairman and Chief Executive Officer
25 March 2021

David Morrison
Senior Independent Non-Executive Director
25 March 2021

Compliance Statement
The Company is subject to the principles and provisions of the Code, a copy of which is available at www.frc.org.uk. For the year ended 31 December 2020, the Board considers that it has complied in full with the provisions of the Code with the exception of provision 9 which states that the roles of chair and chief executive should not be exercised by the same individual.

The Company's Chairman, Irakli Gilauri, also serves as the Company's Chief Executive Officer and is not considered by the Board to be independent. We set out below why we regard the joint Chairman and Chief Executive position to be appropriate for our Company and we also explain some of the measures we have put in place to ensure that no one individual is able to dominate the Board's decision-making.

Set out on our website at: **https://georgiacapital.ge/governance/cgf** is the Board's assessment of its application of the Main Principles of the Code as required by LR 9.8.6.

Combined CEO and Chairman Role
We acknowledge that our decision for the roles of Chairman and CEO to be exercised by one individual is not compliant with provision 9 of the Code. This matter continues to be reviewed by the Nomination Committee and the Board at least annually as part of the Board effectiveness evaluation exercise. On page 128 you will find the results of the Board evaluation conducted since the last Annual Report was published. A feature of this exercise was to determine how the current structure of combined Chairman/CEO contributes to the effectiveness of the operation of the Board and more widely to the Company as a whole. The Board continues to believe that the current structure better serves our Company and its stakeholders and believes that it should continue. The basis for this conclusion is summarised below.

Georgia Capital is unusual as a listed company because we manage it first and foremost as a holding company focused on investing in and developing businesses, with the result that we hold and operate a highly diversified group of companies.

- Our central group management structure is quite small (head office has around 40 employees). It is principally at the level of the central management team at which the Board and Investment Committee provide challenge, most importantly, on investment/divestment decisions through the Investment Committee as discussed below.
- The highly diverse portfolio of businesses, except for the very early stage ones, have an unusually strong measure of operational independence. Each of the private portfolio companies also has its own strong CEO who operates their business with a significant degree of operational independence, with principal oversight and strategic guidance exercised by Mr. Gilauri or another member of the central group management team. This includes, following the delisting of Georgia Healthcare Group PLC, our Healthcare Services and Retail businesses, which are overseen by Nikoloz Gamkrelidze, formerly CEO of the publicly listed group. Our fourth largest investment is 19.9% stake in Bank of Georgia Group PLC which has its own board composed mainly of Independent Non-Executive Directors which is independent from us.
- We believe that the role of a Non-Executive Chairman on top of a CEO in this environment could interfere with the lean group structure. It would also add extra cost.

The Board is almost entirely independent and is highly experienced.

- Other than the CEO, our Board is composed solely of Independent Non-Executive Directors, six in total. As there is only one Executive Director, and each Non-Executive Director approaches the Company with true independence, the Executive Director cannot form a block to try and convince enough independent Directors to support him. Our decisions at the Board level and the decisions of the Investment and Nomination Committees (on which the CEO sits) are typically reached through consensus, but ultimately it is a majority decision: the CEO does not have a veto and is heavily outnumbered.
- The Non-Executive Directors are experienced business people of particular high quality for a FTSE Small/MidCap company and we would invite shareholders to consider their biographies and note the degree of real expertise and experience they bring to the Board. They have a diverse range of backgrounds and nationalities and each brings a fresh view and particular expertise to board discussions. The Senior Independent Director, a former partner at a top US law firm, is highly experienced in the region and is the governance lead for the Board and the Non-Executive Directors. He also chairs the Audit and Valuation Committee, which since 31 December 2019 has an increased remit covering additional governance processes and decision-making required by investment entity accounting. Previous roles for the other Non-Executive Directors (as detailed in the biographies later in this section) include:
  - career at Goldman Sachs specialising in real estate;
  - investment officer at a major investment fund;
  - career in banking, investment funds and investor relations;
  - membership and experience on a number of UK boards and qualified accountant; and
  - extensive private equity experience.

The role of the Investment Committee in our Company context is outsized.
The Investment Committee plays the key role in making decisions on portfolio investments and exits, managing all aspects of investment policy and strategy. It scrutinises, challenges and ultimately either approves or disapproves of investment and divestment proposals and initiatives, including significant add-on investment for the existing portfolio companies. It also considers the commercial terms of major transactions (i.e. over GBP 2.5 million). In 2020, as noted in the Investment Committee report, the Investment Committee's activity further increased (for example it held five meetings in 2020, as compared to four meetings in 2019). All Board members sit on the Investment Committee, but it is chaired by a Non-Executive Director, not the Chairman/CEO.

The Group's NAV is set by the Audit and Valuation Committee. The Group's key financial and investor communications metric is its net asset value as approved by the Audit and Valuation Committee, a Committee comprised of all independent Directors on which the CEO does not sit. The report of the Audit and Valuation Committee on pages 136 to 141 describes scrutiny of valuations.

The Non-Executive Directors exercise key secondary oversight of the private portfolio businesses.

- Although we think of ourselves as a holding company and delegate day-to-day management to our portfolio companies and ongoing strategic advice to the Group Chairman/CEO and his central team, the private portfolio companies' CEOs also present directly to the Board to update them and to seek approvals on the most important capital allocation and strategic matters. In that sense, the most important decisions of our private portfolio companies are reserved for the Board.
- The Directors also engage directly with senior management and the workforce in Georgia so that there are further unfiltered channels of access. As part of the regular quarterly meeting schedule of the Investment Committee, all Directors normally visit facilities and projects of the portfolio companies and meet with one or more of the portfolio companies' CEO/executive management which provides direct and open access. These face-to-face visits have been curtailed during the pandemic this year and will be resumed once it is appropriate to do so.

Given the structure of the Group explained in the foregoing, the Board continues to believe the current combined Chairman/CEO structure best suits the Group. The structure was supported by shareholders at the time of the demerger from BGEO Group PLC and the Board notes that the shareholder engagement exercise in 2019, ongoing dialogue with shareholders and their approval of this structure at the 2020 AGM voting (voting 88.5% in favour) shows that its shareholders understand and support this approach. The Board will nevertheless keep the approach under regular review to ensure that it continues to best serve our stakeholders.

Governance

BOARD OF DIRECTORS

Biography

Irakli Gilauri

Chairman and Chief Executive Officer

Irakli Gilauri was appointed CEO and Chairman on 24 February 2018. He also serves as a member of the Nomination and Investment Committees.

Skills and Experience: Irakli Gilauri formerly served as the CEO of BGEO Group from 2011 to May 2018. He joined as CFO of Bank of Georgia in 2004 and was appointed as Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Prior, he was an EBRD (European Bank for Reconstruction and Development) banker. Mr Gilauri has up to 20 years of experience in banking, investment and finance. He served as Director of Georgia Healthcare Group PLC (now Georgia Healthcare Group Limited) from August 2015. Mr. Gilauri also sits on the Supervisory Board of JSC Georgia Capital.

Education: Mr. Gilauri received his undergraduate degree in Business Studies, Economics and Finance from the University of Limerick, Ireland, in 1998. He was later awarded the Chevening Scholarship, granted by the British Council, to study at the Cass Business School of City University, London, where he obtained his MSc in Banking and International Finance.

Reasons for appointment: Irakli Gilauri brings significant insight of local and international strategic and commercial issues to the Board and has a distinguished career in corporate banking. Over the last decade, Mr. Gilauri's leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and beverages. Mr. Gilauri's local expertise and business experience, in working previously with both Georgia Healthcare Group PLC and BGEO Group PLC, alongside his strong understanding of the Georgian political, economic and cultural context is invaluable to the Board.

David Morrison

Senior Independent Non-Executive Director

David Morrison was appointed as the Senior Independent Non-Executive Director of the Company on 24 February 2018. He also serves as the Chairman of the Company's Audit and Valuation Committee and as a member of the Company's Investment Committee. He sits on the Supervisory Board of JSC Georgia Capital.

Skills and Experience: Mr Morrison spent most of his career (28 years) at Sullivan & Cromwell LLP where he served as Managing Partner of the firm's Continental European offices. His practice focused on advising public companies in a transactional context, including capital raisings, IPOs and mergers and acquisitions. Mr Morrison is the author of several publications on securities law-related topics, and was recognised as a leading lawyer in Germany and France. Mr Morrison previously served as the Senior Independent Non-Executive Director of BGEO Group PLC from October 2011 until May 2018, and as a Non-Executive Director of Georgia Healthcare Group PLC from September 2015 until their delisting in August 2020, and served as Chairman of the Audit Committee (amongst other Committee roles) for both companies. In 2008, Mr Morrison turned his attention to conservation finance as the Founding CEO of the Caucasus Nature Fund (CNF), a charitable trust dedicated to wilderness protection in Georgia, Armenia and Azerbaijan. He now acts as Chair of CNF's supervisory board, as well as serving on the boards of three other conservation trusts he helped to create. A principal focus of his role for these charities is the investment of a portfolio of over US$ 200 million in endowment capital. In April 2019, David Morrison was named as Georgia's first Environmental Ombudsman.

Education: Mr Morrison received his undergraduate degree from Yale College and his law degree from the University of California, Los Angeles. He was also a Fulbright scholar at the University of Frankfurt.

Reasons for appointment: With his background as a corporate finance and securities lawyer advising dozens of clients, including a large number of publicly held companies, David Morrison brings to the Board vast experience in corporate governance and compliance as well as a strong understanding of legal and regulatory issues. His work since 2008 has given him extensive regional experience, which includes in depth knowledge of ESG matters in Georgia. As an experienced Chairman of Audit Committees of premium listed companies, Mr Morrison has significant, direct experience of ensuring integrity in financial reporting and adequate risk management and internal control procedures. With its significant focus on financial disclosure and reporting, his career as a financial and securities lawyer prepared him well for his Audit Committee duties.

Kim Bradley

Independent Non-Executive Director

Kim Bradley was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves on the Remuneration and Nomination Committees, and as Chairman of the Investment Committee. He is also a member of the Supervisory Board of JSC Georgia Capital.

Skills and Experience: Mr Bradley served as an Independent Non-Executive Director of BGEO Group PLC from December 2013 until May 2018. He also served as Chairman of its Risk Committee and as a member of its Audit and Nomination Committees. Mr Bradley retired from Goldman Sachs in early 2013, following 15 years as a professional in the Real Estate Principal Investments and Realty Management divisions, where he focused on investment in both European real estate and distressed debt in real estate and corporate areas. In addition to his investment activities, Mr Bradley led Goldman Sachs' asset management affiliates in France, Italy and Germany, where he was involved in financial and tax audits as well as the management of internal audit activities. He has also served as President of Societa Gestione Crediti, a member of the Board of Directors of Capitalia Service Joint Venture in Italy and Chairman of the Shareholders Board at Archon Capital Bank Deutschland in Germany. Prior to Goldman Sachs, he served as a Senior Executive at GE Capital for seven years in both the United States and Europe, where his activities included real estate workouts and restructuring, as well as acquisitions. Prior to GE Capital, Mr Bradley held senior executive positions at Manufacturers Hanover Trust (now part of JP Morgan) and Dollar Dry Dock Bank. He has also served as a Peace Corps volunteer and as a consultant with the US Agency for International Development in Cameroon. Mr Bradley is also Managing Partner at Sabino Capital Partners LLC, an entity through which he provides real estate advisory services. Mr Bradley serves as a director of a mental health charity, Gould Farm.

Education: Mr Bradley holds an MA in International Affairs from the Columbia University School of International and Public Affairs and an undergraduate degree in English Literature from the University of Arizona.

Reasons for appointment: Kim Bradley has significant experience in governance and strategy working with investment entities and major banks across Europe, as well as significant experience in investing and post-investment asset and entity management. In addition to real estate, Mr Bradley has had extensive experience in various corporate industries through corporate distressed debt resolution including recapitalisation. Mr Bradley's extensive experience and strong understanding of these areas makes him well suited to his role as Chairman of the Investment Committee and enables him to make an effective contribution to the oversight and improvement of corporate value of the Group.

Jyrki Talvitie

Independent Non-Executive Director

Jyrki Talvitie was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves as the Chairman of the Nomination Committee and of the Remuneration Committee and as a member of the Investment Committee. He is also a member of the Supervisory Board of JSC Georgia Capital.

Skills and Experience: Mr Talvitie has worked in the financial industry for 30 years in banks as well as on both the buy and sell side of the markets. Prior to joining the Board, Mr Talvitie worked in Moscow for 14 years, his latest position being a Member of the Management Board of Magnit, a Russian publicly quoted retailer. Prior to Magnit, Mr Talvitie was in charge of Strategic Partners and Investors at Sberbank, one of the largest banks in Russia and top 15 in the world previously. Before Sberbank, Mr Talvitie was a Management Board Member at Russian Direct Investment Fund, Head of Investor Relations at VTB Bank and established and ran the Russian operations of East Capital, a Swedish private equity and asset management company, while also managing a financials fund. Prior to moving to Russia in 2003, Mr Talvitie worked for BNP Paribas in Paris, Bank of New York in London and Moscow as well as several Nordic banks both in Helsinki and Moscow. Mr Talvitie has extensive board experience, having served on over ten boards of both public and private companies in Georgia, Finland, Russia, Kazakhstan and Ukraine.

Education: Mr Talvitie holds an Executive MBA from London Business School as well as a Masters of Law from Helsinki University. Mr Talvitie also holds a Diploma in Company Direction from the Institute of Directors in London.

Reasons for appointment: Jyrki Talvitie has spent his career in the financial industries in the region, including in Georgia, and has a considerable breadth and variety of experience in corporate governance derived from his positions on the boards of various companies in the region. Mr Talvitie has a deep understanding of regional and international strategic issues which, complemented with his extensive board experience, is a valued asset to the Board.

Caroline Brown

Independent Non-Executive Director

Caroline Brown was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. She also serves as a member of the Investment and Audit and Valuation Committees and is a member of the Supervisory Board of JSC Georgia Capital.

Skills and Experience: Dr Brown has managed divisions of FTSE100 groups and AIM businesses with international industrial and technology operations and has worked as a corporate finance advisor to governments and corporations with BAML, UBS and HSBC. She is a Fellow of the Chartered Institute of Management Accountants with over 20 years' experience sitting on the boards of listed companies, and has chaired audit committees of listed companies for the past 18 years. Dr Brown currently serves as an independent Non-Executive Director on the boards of London-quoted companies, IP Group plc and Luceco plc.

Education: Dr Brown holds a first-class degree and PhD in Natural Sciences from the University of Cambridge and a Masters of Business Administration from the Cass Business School, University of London.

Reasons for appointment: Caroline Brown brings a strong understanding of corporate finance and accounting practices and is an experienced Chair of Audit Committees of UK listed companies. This significant and direct experience, alongside her accountancy experience and qualifications, is a strength to the Board and the Audit and Valuation Committee.

Massimo Gesua' sive Salvadori

Independent Non-Executive Director

Massimo Gesua' sive Salvadori was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves as a member of the Company's Investment and Audit and Valuation Committees and is a member of the Supervisory Board of JSC Georgia Capital.

Skills and Experience: Dr Gesua' sive Salvadori is a bank analyst covering banking and other financial stocks globally. He works for Odey Asset Management, a London based hedge fund, which he joined in 2011. He is responsible for generating investment ideas and understanding broad trends. Dr Gesua' sive Salvadori worked as a management consultant at the London office of McKinsey and Co. between 2002 and 2011, specialising in financial services and served clients across different geographies in developed and emerging markets as part of the banking strategy practice.

Education: Dr Gesua' sive Salvadori, a native of Venice, obtained an M.Phil. and a Ph.D. from Oxford University, where he attended St. Antony's College. He graduated with a B.Sc. in Economics from Warwick University. He attended the United World College of the Adriatic in Duino. His postgraduate studies were funded through scholarships by the Foreign and Commonwealth Office, the Economic Research council, the Fondazione Einaudi and the Ente Einaudi.

Reasons for appointment: Massimo Gesua' sive Salvadori's background in investment and his experience as a professional investor with financial markets, strategic issues and valuation techniques brings a breadth of knowledge to the Investment and Audit and Valuation Committees, of which he is a member, and makes him an important asset to the Board. His background as a management consultant is also valued in Board discussions.

Maria Chatti-Gautier

Independent Non-Executive Director

Maria Chatti-Gautier was appointed as an Independent Non-Executive Director of the Company on 19 March 2020. She also serves as a member of the Company's Investment, Remuneration and Nomination Committees and is a member of the Supervisory Board of JSC Georgia Capital.

Skills and Experience: Ms Chatti-Gautier is a senior investment manager with over 25 years of experience in private equity in prominent financial institutions, and has sat on the Board of Directors of over 30 companies. She currently serves as Partner of Trail Management, an Independent Euro-Chinese Private Equity investment firm, where she invests in European midcap companies to develop them in China. Ms Chatti-Gautier started her career at Chase Manhattan Bank in Paris before joining BAII (Banque Arabe et Internationale d'Ivestissement). She spent most of her career (15 years) at Natixis Private Equity, before moving to Oddo Private Equity. Her activities included sourcing, analysing, managing and monitoring a large number of investments and exits. Through her own consulting firm, Ms Chatti-Gautier has also advised various investment and fund raising programmes in Europe, Lebanon and the MENA region, including Drake Star Partners (known as LDA Jupiter previously). Ms Chatti-Gautier currently serves as a board member and member of the Audit Committee of Groupe Pizzorno Environnement, a leading French operator in the waste management business listed on Euronext. She is also a director of Buffet Crampon Group, a major producer of wind musical instruments.

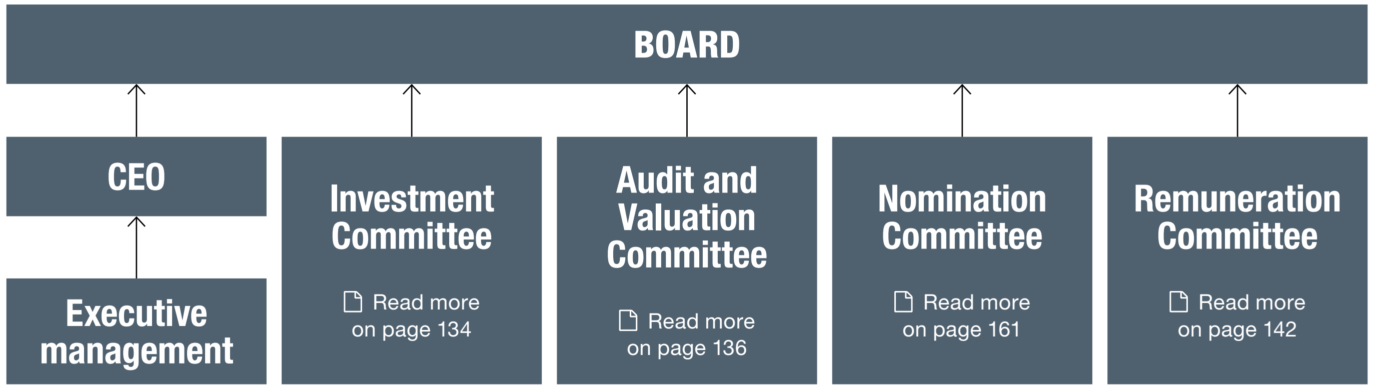
Education: Ms Chatti-Gautier holds an MBA with major in Finance from Ecole des Hautes Etudes Commerciales-HEC, with joint MBA programmes from London Business School and NYU Stern.

Reasons for appointment: Maria Chatti-Gautier has extensive experience in all types of private equity transactions with a hands-on approach and leadership role in investment execution, build-up and exit strategies. Ms Chatti-Gautier's background in private equity and understanding of investment strategies, alongside her board experience makes her well suited to her role on the Board and a valuable addition.

Governance

CORPORATE GOVERNANCE FRAMEWORK

Our governance structure



Board size, composition, tenure and independence
The Board is comprised of seven Directors, six of whom are Independent Non-Executive Directors, and one executive Chairman – Irakli Gilauri, who also acts as the Company CEO. The responsibilities of the Board can be viewed on page 125.

Full director biographies can also be found here:
https://georgiacapital.ge/governance/board.

We consider that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities, age and gender is important to effectively govern the business. The Board and its Nomination Committee works to ensure that the Board continues to have the right balance of skills, experience, independence and knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

Board appointments are made based on recommendations received from the Nomination Committee. In making these appointments, the Nomination Committee ensures that appointments and succession plans are made based on merit as well as other objective criteria, whilst ensuring the Board maintains the right balance of skills and knowledge needed to address its specific needs. Due consideration is also given to diversity in the wider sense, and the benefits that stem from having a diverse Board.

We believe our overall size and composition to be appropriate, having regard in particular to the independence of character and integrity of all of the Directors.

Each of our Non-Executive Directors occupies, and/or has previously occupied, senior positions in a broad range of relevant associated industries, bringing valuable external perspective to the Board's deliberations through their experience and insight from other sectors enabling them to contribute significantly to decision-making. Some of these skills include:

- Banking, investment and finance sector experience.
- Leadership knowledge.
- Understanding of local and international strategic and commercial issues.
- Investor market knowledge.
- Experience of stakeholder engagement.
- Understanding of governance practices and regulatory framework.
- Familiarity with Georgian political, economic and cultural context.
- Experience of investment execution, exit strategies and private equity.

The relationship between Directors ensures that no individual, or group of individuals, is able to dominate the decision-making process, independence of thought is maintained, and no undue reliance is placed on any individual.

We have assessed the independence of each of the six Non-Executive Directors and are of the opinion that each acts in an independent and objective manner. We consider that, under the Code, all of our Non-Executive Directors are independent and free from any relationship that could impair their judgement.

Our governance structure
We understand our responsibility to shareholders and stakeholders. We are dedicated to delivering shareholder value over the long term and promoting the success of the Company for the benefit of all shareholders through the management of the Group's business.

The Georgia Capital Board is assisted in fulfilling its responsibilities by four Committees: Investment, Audit and Valuation, Nomination and Remuneration. The Terms of Reference are approved by each Committee and the Board and reviewed annually, and can be found at: **https://georgiacapital.ge/governance/cgf/terms**.

For further information about the Committees see the Investment Committee report on page 134, the Audit and Valuation Committee report on page 136, the Remuneration Committee report on page 142 and the Nomination Committee report on page 161.

The Board is responsible to shareholders for creating and delivering shareholder value over the long term through the management of the Group's portfolio businesses. Among our responsibilities are setting and overseeing the execution of the Group's strategy within a framework of effective risk management and internal controls, demonstrating ethical leadership and upholding best practice corporate governance. All decisions are made through Directors exercising independent objective judgement, and following open and rigorous challenge.

We also monitor management's execution of strategy and financial performance. While our ultimate focus is long-term growth, the Company also needs to deliver on short-term objectives and we seek to ensure that management strikes the right balance between the two.

Each Director also recognises their statutory duty to take into account and represent the Company's various stakeholders in its deliberations and decision-making. You can read more about how Directors had regard to their duties under section 172(1) of the Companies Act 2006 and how Directors performed these duties on page 66 of the Strategic Report.

In order to ensure that we meet our responsibilities, specific key decisions have been reserved for approval by the Board.

The key matters reserved to the Board are:

- The Group's long-term objectives and strategy.
- Shareholder engagement and general meetings.
- Overall corporate governance arrangements including Board and Committee composition, Committee Terms of Reference, Directors' independence and conflicts of interest.
- Internal controls, governance and risk management frameworks.
- Changes to the corporate or capital structure of the Company.
- Annual Report and Accounts, and financial and regulatory announcements.
- Significant changes in accounting policies or practices.
- Annual budgets and financial expenditure.

A full formal schedule of matters specifically reserved for the Board can be found on our website at:
https://georgiacapital.ge/governance/cgf/schedule.

Outside of these matters, the Board delegates authority for the day-to-day management of the business to the CEO. The CEO delegates aspects of his own authority, as permitted under the corporate governance framework, to the Management Board.

Operation of the Board
The Board meets at least quarterly and up until travel restrictions were introduced around the world in 2020 as a result of COVID-19, the quarterly meetings were held in Georgia. This year, all meetings have been held with Directors via teleconference or via videoconference.

Each quarter the following topics are usually discussed in the Board meeting:

- Financial update (with formal financial results announcements and trading updates to the market typically being approved in separate phone meetings).
- Monitoring of financial performance against budget.
- Macroeconomic developments, including a focus on both the Georgian and regional markets.
- An assessment of current and potential future risks to the Company.
- Regulatory and legislative updates, including corporate governance as appropriate.
- Updates from the Committee meetings, typically including at least an Audit and Valuation Committee report on accounting issues and valuations and Internal Audit.
- Business updates from selected portfolio companies. The entire Board sits on the Investment Committee, and every meeting reviews the investment pipeline and takes action as necessary on new investments or divestments.

In addition, during 2020, the Board spent time discussing the various issues concerning the delisting and acquisition of Georgia Healthcare Group PLC, and the impact of the COVID-19 pandemic on the business was a major focus area for the Board, Investment Committee and Audit and Valuation Committee. These and other factors led the Board to develop and introduce an updated strategy, which in turn influenced refinements in the Board's thinking on Group culture and steps to further disseminate it Group-wide.

We maintain a corporate calendar which sets out rolling agenda items that must be considered during the year. This annual schedule of items ensures that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle.

The Chairman/CEO seeks input from the Non-Executive Directors ahead of each Board meeting in order to ensure that any matters they have raised are on the agenda to be discussed at the meeting. The Senior Independent Director supports the Chairman in his role, acts as an intermediary for other Non-Executive Directors when necessary and liaises with the Non-Executive Directors outside of the Board and Committee meetings. The Senior Independent Director met with the Non-Executive Directors without the Chairman present at least once during the year to appraise the Chairman's performance.

Governance

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Board activities in 2020

Details of the areas that the Board considered this year are set out below and comprise:

Strategy	• Regularly assessed portfolio companies performance and composition in light of the continuing COVID-19 pandemic. • Discussed the strategy on the Company's holding in Georgia Healthcare Group PLC leading to the full acquisition of GHG. • Developed and approved the introduction of an updated strategy, described in detail on page 7. • Revised the portfolio breakdown in line with the updated strategy by listed, private large, private investment stage and other portfolios. • Discussed the capital allocation outlook for portfolio companies. • Reviewed the definition of GCAP core values, mission and strategy, in light of the Company's long-term strategy and shareholder interests. • Agreed business KPIs. • Reviewed portfolio companies investments. • Reviewed performance against strategy. • Regularly reviewed the Georgian and regional political and economic climate, particularly in light of the COVID-19 pandemic.
Governance, assurance and risk management	• Focused on high level governance issues and developments that may have an effect on the Company. • Reviewed the culture, purpose and values of the Company in the context of the updated strategy, and continued work to create/reinforce the desired culture. • Received reports from different Committees. • Conducted an internally facilitated Board evaluation looking at Board effectiveness and process. • Considered external legislative and governance developments. • Reviewed the Board Diversity Policy. • Reviewed the proxy voting agency reports and the impact this would have on the Company. • Reviewed and approved governance documents, including Terms of Reference for the Audit and Valuation Committee, Remuneration Committee, Nomination Committee, Investment Committee and Group level policies.
Financial reporting	• Reviewed application and implementation of investment entity basis of accounting. • Received reports on the financial performance of the Group. • On the recommendation of the Audit and Valuation Committee, reviewed and approved financial reporting including approval of Accounts, notice of AGM, half year and full year announcements and trading updates to the market. • Approved switch from quarterly trading updates to quarterly full results announcements starting from 3Q20 reporting period. • On the recommendation of the Audit and Valuation Committee, approved hiring of external independent valuation company to perform valuation of private large portfolio companies.
Succession	• Appointed a new independent director to the Board.
Stakeholders	• Considered and implemented duties under s172.
Investment matters	• Endorsed the work undertaken by the Investment Committee. See report on pages 134 to 135 for further detail.

Board and Committee meeting attendance

Details of Board and Committee meeting attendance in 2020 are as follows:

Members	Board	Audit and Valuation Committee	Nomination Committee	Remuneration Committee	Investment Committee
Irakli Gilauri	8/8	n/a	3/3	n/a	5/5
David Morrison*	8/8	11/11	1/1	n/a	5/5
Kim Bradley	8/8	n/a	3/3	3/3	5/5
Massimo Gesua' sive Salvadori*	8/8	11/11	1/1	n/a	5/5
Caroline Brown*	8/8	11/11	1/1	n/a	5/5
Jyrki Talvitie	8/8	n/a	3/3	3.3	5/5
Maria Chatti-Gautier**	8/8	n/a	2/2	2/2	5/5

Notes:

* Ceased to be members of the Nomination Committee on 19 March 2020.

** Joined the Board on 19 March 2020.

For Board and Committee meetings, Directors attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

Purpose, culture and values

The Board has a responsibility for the overall purpose, culture and values of the Company and their pursuit/development is at the core of each Board meeting.

The Board believe that there are three features of success that will allow the Company to capitalise on the fast-growing Georgian economy: access to capital, access to management and strong corporate governance. Our culture and values are designed to strengthen all of these.

Purpose

Georgia Capital's purpose is to provide investors with an opportunity to invest in the historically fast-growing Georgian economy by giving them access to attractive investments with long-term growth potential. The Company then seeks to develop these into viable independent businesses on which value can be realised through sale or otherwise. By investing in Georgia to create multiple strong private companies/institutions, we will foster Georgia's development and help it succeed.

Culture

In 2020, the Board placed additional focus on developing, monitoring and assessing corporate culture and thinking about the ways in which our culture might serve as a long-term differentiator, both in terms of strategy and of recruitment and retention. We are proud of the culture that we have within Georgia Capital and recognise it is important to articulate this culture, and drive it and ensure that it permeates the entire business.

Helping Georgia to succeed is at the heart of Georgia Capital, and during the year the Board looked closely at our mission, vision and values and how we could reinforce this in shaping the Company's long-term strategy. The Board is of the view that this will benefit all of the Company's stakeholders. The economic crisis resulting from the COVID-19 pandemic has increased the scale of this challenge.

In order to create the multiple strong private business institutions, we plan to further develop our leaders so that they become future entrepreneurs of Georgia, through personal and professional development. As part of the Board's discussion on our culture, three core desired values have been identified which are driven by, and serve to complement, our strategic and operational needs: being entrepreneurial; having a learning mindset; and maintaining the high standard of ethics.

While the COVID-19 pandemic and consequent lockdowns and distance working arrangements slowed progress in 2020, the Board continued to oversee and contribute to the work in embedding the culture throughout the Company. In light of the COVID-19 pandemic, the Board engaged regularly with the holding company management by video conference, and engaged with portfolio company management in connection with investment and capital allocation decisions. The Chairman/CEO held weekly update calls with key management personnel at Georgia Capital to share the vision and coordinate the Group's actions and priorities.

These messages were then cascaded down from the management team to the wider employees, through video conferences. The Chairman/CEO and Georgia Capital's key management personnel monitored portfolio companies' performance on at least a monthly basis and held monthly videoconferencing meetings. Ahead of the second wave of the pandemic in Georgia, the Chairman/CEO organised an experience sharing off-site meeting for the management teams at Georgia Capital and portfolio companies, where the strategy update was also discussed.

In 2021, we will be developing our culture further in line with our purpose, for example by better aligning the business leaders' incentives to our value creation and realisation goals and by establishing metrics such as training data or absentee rates, that we can use to begin to form a benchmark. We also hope to resume work on our GCAP Entrepreneurship Academy over the next year. Finally, we will continue to monitor and assess how well our culture and values are embedded across all parts of the Company.

Values

Being entrepreneurial:

We believe our current culture is entrepreneurial in nature, and this is something that is grounded in our ability to see and seize opportunities and to develop business strategies whilst remaining disciplined and rational. All of our portfolio companies have been founded or substantially developed by entrepreneurs, and this is at the core of what we do. Our objective moving forward is to empower our people, continue to develop this spirit and pursue execution excellence in our businesses.

Having a learning mindset:

We believe we are developing a learning mindset as part of our wider culture; however, we recognise that we need to improve the ways in which we communicate and give and provide feedback and help our people to develop. We are approaching this by looking at ways we can mentor and coach people throughout the organisation, and we aim to create an environment where independent thinking and curiosity are encouraged.

Maintaining the high standard of ethics:

This has been an aspect of our culture that we have maintained since our inception, and it is a priority of ours to ensure it stays this way. In order to ensure we maintain a high level of ethics, we will draw on principles of transparency and accountability and seek to maintain the high standards of corporate governance.

Creating a culture relies on the participation and leadership of our Board of Directors, as this vision can then be communicated through executive management and onward to the wider businesses. By setting the tone at the top, establishing the core values of the Company and demonstrating our leadership, we are creating a culture that clearly sets an expectation that every employee acts ethically and transparently in all of their dealings. This, in turn, fosters an environment where business and compliance are interlinked.

Going forward, the Board will monitor and assess the culture of the Group by holding meetings with members of management and reviewing employee feedback, including through different workshops and off-site meetings. The Non-Executive Directors meet regularly with the Company's portfolio businesses, adopting a proactive approach to the communication, which allows the culture to spread, although face-to-face meetings have not been possible during the pandemic.

We recognise that the Board will have to continue to play an important role in shaping, defining and communicating our culture.

Governance

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Evaluation of Board performance

This year, the Board conducted its second formal effectiveness evaluation. The primary focus of the evaluation was to conduct a comprehensive review of the Board's composition, expertise, interaction, management, key decision-making processes and meeting focus and prioritisation. The Board reviewed its key decision-making processes during the year, particularly relating to investment decisions. The Board also assessed its culture and engagement with stakeholders in line with the Code. Evaluations were also conducted to review the performance of the Committees and Directors were asked to review their own performance.

The formal evaluation was conducted internally with reference to the guidance contained in the FRC Guidance on Board Effectiveness. The evaluation process consisted of a questionnaire for all Directors to complete, and allowed Directors to provide an open response to some of the questions to provide further insight on some of the addressed topics, which was then followed by a report disclosing the process, outcomes and actions taken from the data.

The outcomes of the evaluation were positive overall, and discussed by the Board in a meeting, including a number of actions that were agreed to be taken forward.

The main findings from the evaluation and key focus areas are set out below:

Individual performance

Alongside the Board and Committees evaluations, Directors were also invited to assess their individual performance in their role as Director, using a three-point scoring system. Directors were asked to rate their performance in a number of areas, including their preparation before meetings, the quality and value of contributions and the success of their relationships with fellow Board members. They were also invited to suggest areas they would like additional training on or areas where they would want additional support.

The process for evaluating the Chairman's performance

Given his role as Chairman and CEO, Irakli Gilauri's performance was reviewed by the Remuneration Committee. In addition, the full Board met to consider the Remuneration Committee's recommendations and Mr Gilauri's performance as Board Chairman. David Morrison as the Senior Independent Director led the overall review. The CEO was not present during the full Board's discussions around his own performance. The Board also reached consensus on his performance as Chairman as reflected in the favourable Board self-evaluation and the decision to recommend the maintenance of the current combined role of Chairman and CEO as discussed above.

The Board's objectives for 2021 are:

- Maintaining focus on succession planning.
- Addressing the challenges ahead as the global economy emerges from the pandemic.
- Keeping ESG and climate change at the forefront of our decision-making.
- Exploring our exit strategies.
- Overseeing management in implementing the updated strategy, including:
  - developing and growing investment stage portfolio companies;
  - preparing to harvest the value of one large investment over the next 18-24 months; and
  - maintaining a disciplined approach to capital allocation across our portfolio, especially in light of the ongoing uncertainty caused by the pandemic.
- Continuous review of overall strategy of the Group in light of our purpose and values.
- Monitoring and assessing culture and how this aligns with our purpose, values and strategy.
- Assuring continued active shareholder and stakeholder engagement.

Succession planning:
Board appointments and senior management

We believe that effective succession planning mitigates the risks associated with the departure or absence of well-qualified and experienced individuals. We recognise this, and our aim is to ensure that the Board and management are always well resourced with the right people in terms of skills and experience, in order to effectively and successfully deliver our strategy. We also recognise that continued tenure brings a depth of Company-specific knowledge that is important to retain.

The Board's Nomination Committee is responsible for both Director and senior management succession planning. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, including a review of other significant commitments Directors may have and, typically, a period of service in a board advisory role.

More detail on the role and performance of the Nomination Committee is on pages 161 to 163.

For further information on the process for the appointment of Maria Chatti-Gautier, please see the Appointment to the Board section of the Nomination Committee report.

Non-Executive Directors' terms of appointment

On appointment, our Non-Executive Directors are provided with a letter which sets out the terms and conditions of their directorship, including the fees payable and the expected time commitment. Each Non-Executive Director is expected to commit approximately 25-35 days per year to the role. An additional time commitment is required to fulfil their roles as Board Committee members and/or Board Committee Chairmen, as applicable. Having reviewed all Directors' current time commitments, we are confident that all Non-Executive Directors are sufficiently able to dedicate the amount of time necessary to contribute effectively to the Board.

The Letters of Appointment for our Non-Executive Directors are available for inspection at our Company's registered office address during normal business hours.

Prior to accepting any external appointments, Directors are required to seek the Board's approval. The Board believes that the other external directorships/positions held provide the Directors with valuable expertise which enhances their ability to act as a Non-Executive Director of the Company. Despite our Non-Executive Directors holding external directorships and other external positions, the Board believes they still have sufficient time to devote to their duties as a Director of the Company. In order to form a view of this, we conduct an annual review of individual Director's conflicts, which is recorded in the Conflicts of Interest Register and as part of the review we consider other appointments held by each Director.

Shareholder engagement

The Code reinforces and expands the requirements of the UK Companies Act for directors to remain mindful of their duties to consider the interests of key stakeholders. The Board recognises the impact that effective engagement with our stakeholders has on our business, and its contribution to the long-term success of the Company. The Company has established a comprehensive shareholder engagement programme and encourages an open and transparent dialogue with existing and potential shareholders.

The Board has a responsibility to ensure the delivery of the Group's strategic objectives whilst:

- Maintaining an understanding of the views of shareholders.
- Seeking regular engagement with major shareholders in order to understand their views.
- Generating value for shareholders and contributing to wider society.

The Chairman has overall responsibility for ensuring that the Board understands the views of major stakeholders. The Board is regularly kept informed of these views by the Chairman as well as executive management and the Investor Relations team and, to the extent deemed appropriate, the Group has taken active steps to adopt different ways of working in response to feedback received from shareholders and other stakeholders. Informal feedback from analysts and the Group's corporate advisors is also shared with the Board.

The Board's primary contact with institutional shareholders is through the Chairman/CEO, the CFO, the Advisor to the CEO and the Head of Investor Relations, each of whom provide a standing invitation to shareholders to meet and discuss any matters they wish to raise. Our Committees' Chairmen also make themselves available to answer questions from investors. The Board has also appointed David Morrison as the Senior Independent Director whose role includes acting as an intermediary for shareholders.

During the year, the Board took several key decisions relevant to shareholders including further investment in Georgia Healthcare Group PLC (GHG), increasing the Group's stake in GHG from 70.6% to 100% in 3Q20 following the completion of a recommended share exchange offer for GHG shareholders, whereby GCAP issued 7.7 million new shares in exchange for a 29.4% equity stake in GHG. The Board also approved the updated strategy, which was announced on Georgia Capital's virtual investor day. To read more about how the Board considered the views of stakeholders during key decisions, please refer to pages 129-131.

Over the course of 2020, members of the Board and management held approximately 500 calls with institutional investors and analysts, and participated in more than 20 online investor conferences and road shows. We also held our annual virtual investor day where shareholders and analysts were invited to attend an online webinar to discuss the strategy and performance with the Group's management and the Board.

Our website, **https://georgiacapital.ge/** provides our shareholders with access to the Group's results, press releases, investor presentations, analyst reports, details on our corporate governance and corporate and social responsibility framework, our leadership, as well as other information relevant to our shareholders. We also ensure that shareholders can access details of the Group's results and other news releases through the London Stock Exchange's Regulatory News Service.

Stakeholder engagement

Our Directors understand the importance of effective engagement with stakeholders to gain an understanding of the issues that relate to each stakeholder so that the Board can appropriately consider these views and their concerns when having Board discussions.

Over the year, the Board has restructured the meeting agendas to take account of each of the provisions in s172 of the Companies Act 2006, and focused on long-term value generation opportunities, taking into account political and macroeconomic circumstances and stakeholder considerations. Stakeholders considerations are sought out and then incorporated into our discussions and decisions.

The table below sets out our key relationships with stakeholders and how we have engaged with them over the financial year. The table also shows examples of how we have considered our stakeholders when making key decisions and how this has influenced certain decisions.

More information about how the Directors have discharged their duty under s172 of the Companies Act 2006 is available in the Strategic Report, on pages 66-67.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Key stakeholders	Activities undertaken throughout the year	How this stakeholder group influenced the Committee/Board agenda and decision-making
Investors	**Types of engagement:** • Meetings with Non-Executive Directors • Meetings with the Chairman/CEO • Meetings and calls with the Advisor to the CEO • Investor Relations team • The London Stock Exchange announcements • Investor day • Investor roadshows • Corporate website with investor section • AGM • Quarterly results • Senior Independent Director as intermediary • Annual Report **How the Board engages with investors:** During the year, we updated our strategy to consider the changes in our portfolio following the GHG buy-out. We shared the updated strategy with investors and they were very supportive of the changes. In December 2019, Georgia Capital acquired 13.4% in GHG as a result of GCAP's exchange offer of one GCAP share for every 5.22 GHG shares held at that time. The Exchange Offer (the Offer) was significantly oversubscribed and therefore take up had to be scaled back by 56.25% in order to avoid an adverse impact on GHG's public listing and index eligibility. Given the feedback and oversubscription from investors, a recommended share exchange offer was announced for GHG shareholders in 2020. The Offer was discussed on calls with individual shareholders to confirm that we still had the shareholders support and to obtain their feedback on the Offer, ahead of its implementation. We contacted the majority of our shareholders, covering approximately 75% of our shareholder register at that time. It is also worth highlighting that majority of GHG's shareholders were also shareholders in GCAP. The Offer was completed on 17 July after receiving the required valid acceptances from GHG shareholders and on 28 August 2020, Georgia Capital acquired the remaining 29.4% in GHG in exchange for 7.7 million GCAP shares issuance (please see more details of the transaction at: **https://georgiacapital.ge/ir/offer-ghg**). In November 2020, Georgia Capital hosted a virtual investor day in Tbilisi, which was open to all investors and analysts. The virtual webinar event was hosted by the Group's management team and attended by the full Board. This investor day provided the opportunity for investors and analysts to receive an update on: Georgia Capital strategy from the Chairman/CEO; Georgia Capital performance from the Chief Financial Officer; Georgian macro-economic outlook from our Chief Economist; and a summary of the medium-term strategy and performance for each large and investment stage business from the CEO of each portfolio company. The Company was pleased to host approximately 80 investors and analysts at the event. Non-Executive Directors also attended and thus had direct access to the views expressed by investors. Questions were submitted through the "chat" function and therefore were visible to all participants. The questions were then relayed to the relevant Directors and management by the Head of Investor Relations. We will engage with shareholders through the Company's forthcoming Annual General Meeting to be held in May 2021 but will also continue to communicate with shareholders on important developments throughout the year. Our quarterly results are supported by a combination of presentations and conference calls briefing, as was the announcement of our annual results in February 2020. Our UK General Counsel and our Company Secretary also have ongoing dialogue with shareholder advisory groups and proxy voting agencies.	• The Board receives feedback from investors at our investor days and during meetings about how they view Georgia Capital within the wider market, and raise matters of interest which are then discussed at the Board meetings. At our 2020 investor day, we received direct feedback that investors liked the enhanced focus on liquidity in particular, which formed a key aspect of the new strategy. • Given the feedback and oversubscription from investors for the Exchange Offer in 2019, a recommended share exchange offer was announced for GHG shareholders in 2020. The feedback that was previously received informed the decision to recommend the share exchange offer for GHG shareholders. The new offer was discussed on calls with individual shareholders to confirm that we still had the shareholders support and to obtain their feedback on the offer, ahead of its implementation. • We hold regular meetings with the Group's existing bondholders and actively engage with potential lenders to discuss our funding strategy. The Chairman/CEO, Senior Independent Director and members of the Board make themselves available to meet with institutional investors when requested. • Our comprehensive investor website is updated and reviewed on a regular basis to ensure that information, including matters relating to sustainability, are up to date.

Key stakeholders	Activities undertaken throughout the year	How this stakeholder group influenced the Committee/Board agenda and decision-making
Employees	**Types of engagement:** • Nominated Non-Executive Director • Regular town halls • Off-site and on-site meetings • Feedback systems, e.g. employee satisfaction surveys at our businesses **How the Board engages with employees:** Kim Bradley was appointed as the designated Non-Executive Director for workforce engagement. Please see page 132 for further details on Workforce Engagement. The Board is encouraged to engage with employees outside of formal channels and workforce engagement before the COVID-19 pandemic, included visits to sites and portfolio company offices. Details of these visits are fed back to the Board so they are aware of any issues or feedback. For further information on the Company's approach to investing and rewarding its workforce, please refer to the Resources and Responsibilities section. We believe that communicating with our employees is vital and we provide information in a number of ways, including via managers, presentations, email, intranet and regular off-site meetings. We communicate information about our corporate culture, the Group's strategy and performance, risks relating to its performance, such as financial and economic factors, and our policies and procedures. The Board has oversight of whistleblowing and routinely receives reports arising from its operation.	• Further information on the details of activities carried out throughout the year, and the output of that engagement is provided in our workforce engagement section on page 132. • In July 2020, an off-site meeting was held where specific feedback was provided regarding the COVID-19 situation, and information was provided from Mr Gilauri on the plans to mitigate the impact of COVID-19, as well as updating employees on the plans regarding the updated strategy. The employees were consulted before this was presented at the investors day. • Employee surveys are conducted across the portfolio companies and this year we conducted an employee survey at holding company level. Since the survey, actions have been taken on some of the most important issues raised by employees, and more can be read on this in the Resources and Responsibilities section. • Management have been instructed to ensure that proposals to the Board and Investment Committee are made in line with stakeholders interests. • The Nomination Committee will look at succession planning and ensuring a diverse pipeline in the future. • Please see page 132 for further details on workforce engagement.
Wider community and environment	**Types of engagement:** • Investments to support diversified economy • Engagement with local communities • Education • Corporate website • Volunteering **How the Board engages with the wider community:** The Group considers the interests of its main stakeholders when developing the strategy and the processes to improve its operations. Investing in local businesses helps us to diversify and modernise the Georgian economy, and this can be seen in the development of our different portfolio companies. Our healthcare services business is driving the modernisation and improvement of healthcare in the country. Our water and energy businesses are involved in infrastructure programmes and ongoing structural market reforms, such as the improvement of wastewater treatment and clean energy. Our automobile inspection business contributes to overall cleaner air and improved vehicle safety. The Group believes that educating young people is extremely important for the development of the community as a whole. Georgia Capital is investing in schools to give more learners access to high-quality education and facilities. Our Senior Independent Director was named as Georgia's first Environmental Ombudsman in 2019. As part of our sponsorship and charitable activities, the Group is conserving nature, promoting and enhancing access to education, and supporting people with disabilities and special needs. See pages 86 to 87 in the Resources and Responsibilities section for more detail.	• Board agenda from time to time considers governmental issues that influence the wider Georgian market, which can influence key investment decisions. • Investments are made in local businesses that will be beneficial to the Georgian economy. Pages 82-96 of our Resources and Responsibilities section provide further examples of some of our recent investments which have positively impacted communities. • The environment and wider community was considered throughout the GGU green bond issuance. A case study on this is provided on page 92.

Governance

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Directors' responsibilities
Statements explaining the responsibilities of the Directors for preparing the Annual Report and consolidated and separate financial statements can be found on page 164 of this Annual Report.

A further statement is provided confirming that the Board considers the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Internal controls and risk management
The Company has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that the Company's objectives are attained. It is accountable for reviewing and approving the effectiveness of internal controls operated by the Company, including financial, operational and compliance controls, and risk management. The Board recognises its responsibility in respect of the Company's risk management process and system of internal control and oversees the activities of the Company's external auditors and the Group's risk management function (supported by the Audit and Valuation Committee).

A review of the Company's risk management approach is further discussed in the Strategic Report on pages 68 to 72.

For details on the management and mitigation of each principal risk see pages 73 to 81.

The Group's Viability Statement is detailed on pages 71-72.

Please refer to pages 136 to 141 for further detail in relation to the role of the Audit and Valuation Committee.

The Group's governance structure for risk management is illustrated on pages 68 to 72.

Board induction, ongoing training, professional development and independent advice
On appointment, each Director takes part in an induction programme, during which they meet members of senior management and receive information about the role of the Board and individual Directors, each Board Committee and the powers delegated to those Committees.

They are also advised by the Company Secretary and the UK General Counsel of the legal and regulatory obligations of a Director of a company listed on the London Stock Exchange. Induction sessions are designed to be interactive and are tailored to suit the needs of the individual, taking into account previous experience and knowledge.

We are committed to the continuing development of our Directors in order that they may build on their expertise and develop an ever more detailed understanding of the business and the markets in which the Group companies operate.

All Directors have access to the advice of the Company Secretary and the UK General Counsel, as well as independent professional advice, at the Company's expense, on any matter relating to their responsibilities.

Company Secretary
The Board has appointed Link Company Matters Limited to act as Company Secretary to Georgia Capital PLC. Link Company Matters Limited is one of the UK's largest professional services secretarial teams.

Re-election of Directors
All Directors are required under the Code to be elected or re-elected by shareholders at the Company's Annual General Meeting in May 2021. The Board has set out in its Notice of Annual General Meeting the qualifications of each Director and support for election as applicable.

Workforce engagement
As mentioned elsewhere, the full Board through the Investment Committee regularly visits different sites and offices of portfolio companies, however, due to the COVID-19 pandemic, communication shifted to a virtual format, and regular site visits were replaced with regular management calls. At most regular Board meetings dinners with second level Group and portfolio companies, management are organised that allow for informal exchange. The Senior Independent Director also spends time outside Board meetings and meets informally with various staff. All Non-Executive Directors are encouraged to engage with employees outside of formal channels. Kim Bradley is the designated Non-Executive Director for employee engagement, however, due to the COVID-19 pandemic, he was unable to spend time in Georgia. Instead, Mr Bradley held regular discussions with the Company Chairman and members of the executive team, and in the initial discussions agreed that for both portfolio companies and GCAP employees the focus had to be on health and safety outside of our key overall business objectives.

Given that Georgia Capital is a relatively small holding company with a diverse number of portfolio companies, and given the relative independence of the portfolio companies, the steps and tools used to encourage employee engagement are developed within the companies (and shared as needed with other portfolio companies) as opposed to a "top down" initiative directed by Georgia Capital. The following is a brief summary of employee engagement activities undertaken at Georgia Capital and in our portfolio.

Georgia Capital: As our people are our main asset, we invest a lot to help engage and motivate our staff. The Company has a small head office (c.40 people) and we encourage an open door policy – staff can approach management at any time with any concern. In the months following the COVID-19 pandemic, we closed our offices, and operated mostly from home. Our small London office also mostly operated from home, and we did not utilise the UK Governments's furlough scheme.

In order to remain engaged with staff, we organised weekly Zoom meetings organised by our Chairman/CEO, which were attended by management and middle management staff. Following these meetings, further meetings would be held by those in management to cascade down the messages and information to those across the business.

Unfortunately, due to the pandemic, we were forced to postpone a number of events we had planned, including the GCAP awareness event for students and graduates. However, in 2020, we conducted two off-site events for engaging staff. In February 2020, we held a networking event for all GCAP staff and management of the portfolio companies in the newly opened hotel in Gudauri which took place well ahead of the pandemic in Georgia. In July 2020, an off-site meeting was held where specific feedback was provided regarding the impact of the COVID-19 situation, and information was provided from Irakli Gilauri on the plans to mitigate COVID-19, as well as updating them on the plans regarding the updated strategy.

In addition to this, we also performed the below activities over 2020:
- Updated our internal policies;
- Began to involve middle management staff in the recruitment process and participated in candidate evaluation discussions;
- In the scope of performance management – exchanged upward, downward and peer feedbacks through performance evaluation and talent management process; several staff members were identified and promoted;
- Trained staff in regulations and procedures against COVID-19;
- Equipped offices with all necessary safety measures and distributed a manual. We sponsored testing of the staff who had connections with infected people; and
- In December, we conducted a Staff Satisfaction survey.

Our portfolio companies are also actively pursuing workforce engagement activities individually. The businesses support information sharing via email, intranet, focus-groups, regular meetings and off-site meetings. This year has been challenging due to the global lockdown and changes from office work to working from home. As such, they introduced online trainings, workshops and lectures for the employees covering topics related to the challenges caused by the new reality and the pandemic, offering them tools and instruments on how to overcome them, how to manage and motivate teams, how to deal with stress and time management, etc. During 2020, our businesses, and especially Georgia Healthcare Group, largely focused on ensuring the performance and well-being of our employees at an organisational level as the COVID-19 pandemic evolved. To increase the sense of safety and support experienced by employees, each GHG company has created the "COVID-19 coordination centre" that provides various functions, such as:
- Workplace safety and health – continuous training sessions and on-job instructions for medical and non-medical employees;
- Open communication – senior managers recurring dialogue with employees via electronic platforms and on-site; and
- Well-being support – conducting stress resilience webinars, providing psychological support.

To read more about employee matters, please refer to pages 87 to 89 of the Resources and Responsibilities section.

Annual General Meeting
The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting. All shareholders are invited to attend the Annual General Meeting, where there is an opportunity for individual shareholders to question the Chairman and the Chairs of the principal Board Committees.

After the Annual General Meeting, shareholders can talk informally with the Directors.

As recommended by the Code, all resolutions proposed at the 2021 Annual General Meeting will be voted on separately and the voting results will be announced to the London Stock Exchange and made available on the Company's website as soon as practicable after the meeting. These will include all votes cast for and against and those withheld, together with all proxies lodged prior to the meeting. In the event that 20% or more of votes are cast against a resolution, an explanation will be provided in the announcement to the London Stock Exchange of the actions the Company will be taking to address shareholders' concerns. A follow up announcement would then be made within six months of the Annual General Meeting regarding feedback received from shareholders and the subsequent actions taken by the Company.

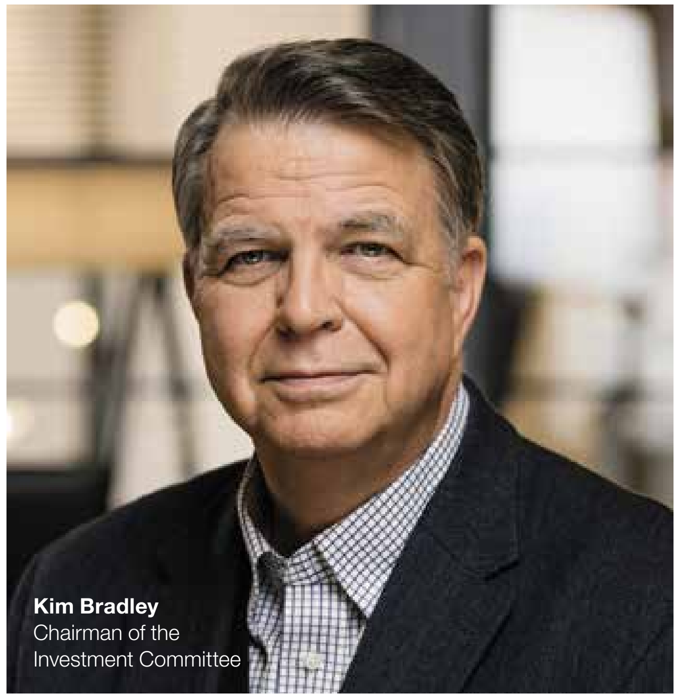
See page 227 for further shareholder information and page 129 for further information on shareholder engagement.

UK Bribery Act 2010 and whistleblowing
The Board stands firmly against bribery and corruption and is committed to the Group acting in an ethical manner. To support this, and in response to the legislation, the Group has implemented and enforces its Anti-Bribery and Anti-Corruption Policy. The Board attaches the utmost importance to the Policy and its systems. The Company has a whistleblowing system, including an anonymous helpline, under its Whistleblowing Policy.

Diversity Policy
We value diversity in all forms in accordance with our Diversity Policy. More information on the Company's Diversity Policy, its objectives, implementation and results can be found on pages 88-91.

Governance

INVESTMENT COMMITTEE REPORT



Kim Bradley
Chairman of the Investment Committee

INDEPENDENT AND OBJECTIVE REVIEW AND CHALLENGE OF THE GROUP'S INVESTMENTS

Dear Shareholders

I am delighted to report on the work of the Investment Committee (the Committee) during 2020. The Investment Committee was established to provide an independent and objective review of investment opportunities and performance, within the scope of its term of reference.

The Investment Committee is central to the Company's investment process. It plays the key role in making decisions on portfolio investments and exits, managing all aspects of investment policy and strategy. It scrutinises, challenges and ultimately either approves or disapproves investment and divestment proposals and initiatives, including significant add-on investment for the existing portfolio companies. It also considers the commercial terms of Major Transactions and reviews the pipeline of investment opportunities ensuring that management retains strategic focus. The Committee is also a key part of Georgia Capital's corporate governance framework – all Directors are members of the Investment Committee, which is chaired by me, an Independent Non-Executive Director and not the Chairman/CEO.

This year, one of the key activities for the Committee was around the acquisition of Georgia Healthcare Group PLC, which saw the Group's stake in GHG increase from 70.6% to 100%. Please see further details on the transaction on page 5.

Kim Bradley
Chairman of the Investment Committee
25 March 2021

Composition

The composition of the Investment Committee is a matter for the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Investment Committee. Presently, all Directors are members of the Investment Committee.

Key purpose and responsibilities

The Investment Committee is responsible for managing all aspects of investment policy and its strategy for the Group and provides oversight of the Group's investments within strategy and risk frameworks. In addition, the Investment Committee's responsibilities include:

- selecting investment opportunities based upon recommendations of the executive management; such recommendations to be based upon in-depth, rigorous analysis (of business plans, financial statements, projections, risks and rewards, fit with the Group's strategy, etc.) as well as the legal structure of the investment;
- considering the material commercial and legal terms of relevant Major Transactions[1];
- assessing the risks and rewards and general attractiveness and suitability of proposed Major Transactions;
- where it deems appropriate, making investment recommendations and providing ongoing guidance on pricing, contractual negotiations and other considerations prior to signing;
- reviewing each Major Transaction and its development at least twice per year, or more often if necessary; and
- ensuring that management has the appropriate plans and controls in place, with the necessary resources and capability to manage the investment risk framework.

1 A "Major Transaction" is an investment opportunity, acquisition or disposal which is in excess of GBP 2.5 million.

Key activities

The Investment Committee's role is to provide oversight of investment activity and challenge management where appropriate. As reported elsewhere in this Annual Report on page 125, an important part of this process is the visits to portfolio companies and the meetings with senior management that take place throughout the year, which gives members of the Committee real insight into the operations and is fundamental to the Board's approach to corporate governance. The COVID-19 pandemic made these visits impossible during 2020 and all meetings have been held with Directors via teleconference or via videoconference. We look forward to the Committee resuming these face-to-face activities when appropriate during 2021.

Before the COVID-19 outbreak in Georgia, the Committee reviewed and approved the buy-out of the 34.4% minority shareholder, RP Global, in its renewable energy business. However, following the COVID-19 outbreak in Georgia in March 2020, Georgia Capital implemented a cash accumulation and preservation strategy, resulting in the Company holding back its investment plans and focussing on the performance of the portfolio companies. The Committee revisited in detail the business plans and strategy for its portfolio companies in light of COVID-19. These reviews focused on new stressed assumptions for each business as well as the resulting leverage and cash flow outputs. In addition, the Committee reviewed and challenged the assumptions concerning the buy-out of minority shareholders in GHG in exchange for Georgia Capital's share issuance.

Following the buy-out of minority shareholders in GHG, the Committee analysed and tested the updated strategy, where Georgia Capital will focus on larger scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value in 3-5 years after the initial investment and monetise them through exits, as investments mature. The Committee also reviewed and challenged the new strategic priorities and medium-term capital allocation outlook in light of the updated strategy. Finally, the Committee reviewed both the organisation and several business cases of GCAP's exit team in anticipation of the post-COVID recovery in economic activity.

In the Strategic Report (page 66), you will find a description of how the Directors discharge their duties under section 172 of the Companies Act 2006 when making decisions such as these. It is also worth noting that at each of its quarterly meetings the Investment Committee receives a detailed update on the regional and Georgian economy and the prevailing political and societal climate. This information is crucial to the Investment Committee's decision-making process.

The Investment Committee undertook an evaluation of its effectiveness. The evaluation concluded that overall the Investment Committee was performing effectively and its composition, being all the members of the Board, remained appropriate. In particular, having an Independent Director chair the Investment Committee continued to be a critically important element of the Company's corporate governance framework.

We expect 2021 to be a challenging year as the global economy starts its recovery from the economic shock of the COVID-19 pandemic. I look forward to reporting to you next year on how the Investment Committee continues to develop and the areas of work that it has focused on.

Priorities for 2021

- Closely monitor and collaborate with portfolio companies on recovery pace, given uncertainty over continued fiscal stimulus in 2021.
- Develop sale cases to harvest value of one of the large portfolio companies over the next 18-24 months.
- Disciplined exits of the subscale portfolio companies over the next 2-3 years.
- Ongoing in-depth review of portfolio businesses and investment monitoring meetings that will complement the Investment Committee's annual oversight.
- Focus on operational execution.
- Focus on how investments are performing against the basis on which approval was given.
- Ensuring portfolio monitoring and review metrics remain valid and appropriate.

AUDIT AND VALUATION COMMITTEE REPORT

David Morrison
Chairman of the Audit and Valuation Committee

COMMITMENT TO COMPREHENSIVE AND TRANSPARENT REPORTING

Dear Shareholders,
As Chairman of the Audit and Valuation Committee (the Committee), I am pleased to present the Committee's report for the year ended 31 December 2020. As we reported last year, with effect from 31 December 2019, the role of the Audit Committee expanded to cover the additional governance processes required following the adoption of investment entity accounting in accordance with IFRS 10. These additional responsibilities focus principally on oversight of valuations of private portfolio companies and related valuation policies and procedures.

As a consequence, the major focus for the Committee in 2020 was its review of the quarterly, half-yearly and annual valuations of the Company's private portfolio companies and monitoring compliance with the Valuation Policy and fair value measurement under IFRS 13. In addition, the impact of the economic uncertainty on the Georgian economy caused by COVID-19 gave rise to a number of challenges for the Company and, together with the buy-out of minority shareholders in GHG, resulted in adjustments to the Group's strategy and refocusing of the portfolio that is reflected in a revised financial reporting structure. Major areas of focus in 2020 thus included:
- The impact of the COVID-19-related economic crisis on the valuations of the Company's unquoted investments as well as the ongoing viability of the Company and its status as a going concern.
- The acquisition of the minority interests in Georgia Healthcare Group PLC (GHG) and the resulting first time valuation of GHG as a wholly-owned private company.
- Oversight of the appointment of independent valuation specialists to value our large private portfolio companies.

The Committee has also continued to oversee the activities of the Internal Audit function as outlined in the 2020 Internal Audit Plan. Additionally, after completion of the GHG share exchange transaction, the Committee's oversight expanded to include the activities of the Internal Audit functions at the healthcare services, retail (pharmacy) and medical insurance businesses which are now reporting to Georgia Capital's Internal Auditor.

The Committee devoted significant efforts to reviewing and challenging management across a number of areas during 2020 and as a consequence met nine times during the year. This reflects the extent of the Committee's oversight of the financial health of the business during this difficult period. Unfortunately, given the pandemic, all of our meetings in 2020 were virtual, but our past history of working with management enabled us to adapt quickly to the video conference environment. As a result, our work continued to be fully effective, and we will continue to take advantage of the efficiency of virtual meetings for some of our work even after face to face meetings and travel become possible again. Further details about our work are set out below.

David Morrison
Chairman of the Audit and Valuation Committee
25 March 2021

Introduction and key purposes and responsibilities
This report describes the functioning and activities of the Committee during the reporting period, including an overview of the key areas of activity and principal topics covered at each meeting of the Committee.

On behalf of the Board, the Committee monitors the integrity of the Company's Annual Report and oversees the conduct of financial reporting and the valuation process that, since the change in accounting basis in accordance with IFRS 10, drives it. The Company met the investment entity definition in accordance with IFRS 10 from 31 December 2019 and as a result, measures its investments in portfolio companies at fair value (through profit or loss) effective from that date instead of consolidating them. The Committee also overseas internal control, risk management and Internal Audit, and supervises the work of our external auditor.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board, all of which have been accepted during the year. The Committee's Terms of Reference outline its primary roles and responsibilities. These Terms of Reference are subject to annual review.

Composition and operations of the Committee
The Committee members are David Morrison (Chairman), Dr Caroline Brown and Dr Massimo Gesua' sive Salvadori, all of whom are Independent Non-Executive Directors. For the purposes of the Code and Disclosure, Guidance and Transparency Rule 7.1, the Board is satisfied that all members of the Committee have recent and relevant financial experience and the Committee as a whole has competence relevant to

the sector in which the Company operates. A finance and securities lawyer whose practice for more than 25 years included a focus on financial reporting, Mr Morrison has both chaired and sat on audit committees of three premium listed companies over the last ten years. Dr Caroline Brown is a Fellow of the Chartered Institute of Management Accountants and has chaired audit committees of listed companies for the past 15 years, including until recently another premium listed company. Dr Massimo Gesua' sive Salvadori's experience of valuations has been of particular benefit to the Committee over the last year and will continue to be important going forward. More detailed biographies of the Committee members are set out on pages 122-123.

The Audit and Valuation Committee held 11 meetings during the year, and the meeting attendance during the year can be seen on page 126. The Company Secretary is Secretary to the Committee and attends all meetings. Meetings are also attended by: the Chief Financial Officer, Head of Technical Accounting, Head of Finance and Head of Internal Audit.

In addition, representatives of Ernst & Young LLP (EY), the Company's external auditor are invited to attend several meetings of the Committee each year. On some occasions, invitations to attend are extended to other members of the Board and management where necessary, to provide a deeper level of insight into key issues and developments. The Committee also holds at least one meeting during each year with the external auditor and the Head of Internal Audit without management present to allow discussion of any issues of concern in more detail.

The Committee works to a planned programme of activities focused on key events in the annual financial reporting cycle and standing items that it considers regularly under its Terms of Reference. As has been the case in 2020, the Committee also reacts to business developments as they arise. Mr Morrison will be available at the AGM to respond to any questions from shareholders that may be raised on the Committee's activities.

Activities of the Committee in 2020
The table below summarises the Committee activity during 2020.

Area of focus	Core activities
Financial reporting	• Oversaw the Company's change in accounting basis from consolidation to fair value measurement (in accordance with IFRS 10) effective from 31 December 2019. • Reviewed the use, presentation and clarity of APMs. • Reviewed the appropriateness and disclosure of accounting policies and practices. • Reviewed the Annual Report and Accounts content and advised the Board on whether the Annual Report was fair, balanced and understandable. • Reviewed the Company's annual and interim financial statements and quarterly accounts relating to the Company's financial performance, including the significant financial reporting policies and judgements contained in them and, in particular, the valuation of portfolio companies (see below). • Approved the switch from quarterly trading updates to quarterly full results announcements starting from 3Q20 reporting period. • Reviewed and recommended to the Board for its approval the Going Concern and Viability Statements, including stress scenarios as a consequence of the economic impact of the COVID-19.
Valuation	• Ensured that the Valuation Policy is continuously and consistently applied. • Ensured that the Valuation Policy complies with IFRS 13, *Fair Value Measurement*, and with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company. • Approved hiring of independent valuation companies to perform valuations of private large portfolio companies. • Reviewed quarterly, half-yearly and annual valuations including reports by an independent valuation firm of the Company's portfolio investments prepared and presented to it by management and monitored the compliance with the Valuation Policy and IFRS 13, and in particular, ensured that the valuations reflected the COVID-19-related implications on the future business plans of portfolio companies. • Considered the extent of valuation disclosure in the Company's annual and interim reports.
Risk and control environment	• Reviewed and assessed the effectiveness of GCAP internal controls and risk management processes. • Reviewed the results of risk identification and assessment work performed by management. • Reviewed the Board's approach to assessing the Company's long-term viability. • Reviewed reports from the external auditor where they have looked at internal controls as part of the annual audit process. • Reviewed the Company's principal risks and uncertainties statement included in the Annual Report and supporting stress test scenarios. • Regularly monitored the internal and external environment to ensure that any new or emerging risk is identified in a timely manner and responded to appropriately. As a result of the principal risks assessment, no new risks relating to the Company and the portfolio businesses were identified, although risks relating to COVID-19 escalated.
Internal Audit	• Reviewed reports of internal audits and monitored action points and follow up actions arising from audit visits. • Approved 2021 Internal Audit Plan. • Monitored and reviewed the effectiveness of the Company's Internal Audit function. • Approved the annual budget for the Internal Audit function.
External audit	• Monitored the effectiveness and performance of EY. • Reviewed and confirmed the objectivity and independence of the external auditor. • Reviewed the 2020 Audit Plan including the approach, scope and risk assessments and significant audit risks. • Agreed the terms of the external auditor's engagement and fees. • Approved the policy for non-audit fees.
Governance	• Reviewed governance processes in place to oversee valuation of portfolio companies. • Reviewed Terms of Reference of the Committee. • Evaluated the effectiveness of the Committee.

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

Key activity highlights:
The following discussion adds colour to the summary of the activities described in the table above. In each area of activity, the Committee considered the financial implications of a number of business developments, with a major focus on the impact of the COVID-19, the buy-out of minority shareholders in GHG and the resulting adjustments to the Group's strategy and refocusing of the portfolio.

Financial reporting and valuation

As part of the Company's adjustments to its strategy, in 2020, further discussed above in the Strategic Report, the Committee oversaw a revision of the presentation of the Group's business segments for financial reporting purposes. Starting from 3Q20 and 9M20 results announcement, the Group adopted a new reporting format and updated the breakdown of its private portfolio companies, ranking them as "large", "investment stage", and "other" portfolio companies:

- Large portfolio companies are businesses that are close to reaching at least GEL 0.5 billion equity value: Healthcare Services, Retail (pharmacy), Insurance (P&C and Medical) and Water Utility.
- Investment stage portfolio companies are comprised of businesses that have the potential to reach at least GEL 0.5 billion equity value. Currently, two businesses, Renewable Energy and Education are included in this category.
- Other portfolio companies are comprised of businesses, which the Group believes currently offer less scalable growth potential. Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses are included in this category.

Previously, 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.

At the same time, in 3Q20, Georgia Capital moved to quarterly reporting with greater focus on our large and investment stage private portfolio companies. The five businesses in our "other" private portfolio represented only 9.3% of our total portfolio at 30 September 2020. Since September 2020, Georgia Capital provides a commentary on key developments in the "other" portfolio that affect the aggregate value creation, and absent a development material to the aggregate portfolio value, a divestment, or a change in our view of the growth potential of one of the companies in this portfolio, is not commenting on the individual businesses or their performance.

A principal responsibility of the Committee is to consider the significant areas of complexity, management of judgement and estimation that have been applied in the preparation of the financial statements. This includes ensuring that the Annual Report and Accounts and the quarterly and half-year reporting, taken as a whole, are fair, balanced and understandable and comply with disclosure requirements as discussed in more detail below.

Throughout the year the Committee received detailed reporting from the external auditor in respect of key areas of audit focus and these were in some instances discussed without management present. In addition, regular reports were received from the CFO on the financials and internal controls and where appropriate, reports and feedback from internal and external advisors were presented to the Committee to enhance the quality of our reporting.

As the investment portfolio comprises a number of private companies, management, the Committee and our external auditors have spent a significant amount of time considering valuations. The assessment of fair value is subjective and requires a number of significant and complex judgements to be made by management. In 2020, the Committee approved the engagement of an independent valuation company to perform a valuation establishing fair value ranges for all large private portfolio companies (Healthcare Services, Retail (pharmacy), Water Utility and Insurance) as at 31 December 2020. For these businesses, the valuation methodology applied by the independent experts were reviewed in detail by the Committee and the most appropriate point in the established range was selected for each business. There was a particular focus on Healthcare Services, Retail (pharmacy) and Medical Insurance, as these were previously part of our publicly traded subsidiary Georgia Healthcare Group. For the Other private portfolio companies, the Committee reviewed and challenged the valuation inputs selected by management as for prior periods. With the external auditors, the Committee reviewed in detail both (i) the auditors' assessment of the methodologies applied by the independent valuation company for the large private portfolio companies and by management for the Other assets, and (ii) the basis for their independent assessment of the valuations. Full details on our valuation policies and procedures which are overseen by the Committee can be found on page 71 (please see valuation workgroup) and page 101 (please see valuation methodology).

The finance team worked intensively, under the supervision of the Committee, in considering the suitability of the accounting policies which have been adopted, ensuring that key reporting estimates and judgements were appropriate, and ensuring that the external auditors were afforded timely and full access to relevant information.

Using our own independent knowledge of the Group, but also taking into account the external auditor's assessment of risk, the Committee has where necessary challenged the actions, estimates and judgements of management in relation to the preparation of the financial statements. In these instances, management has reconsidered its assessments and reported to the Board with amended information. When considering financial reporting, the Committee assesses compliance with relevant accounting standards, regulations and governance codes. In particular, the Committee has increased the robustness of its review of its assessment of going concern and viability assessments under a number of scenarios.

The Committee particularly focuses on matters it considers to be important, in light of their complexity, level of judgement and the potential impact on the financial statements. The significant accounting measures and financial judgements considered by the Committee in relation to the financial statements are outlined below:

Significant accounting and financial judgement matters considered	How the Committee addressed the matter
Adoption of investment entity basis of accounting	The Company met the investment entity definition in accordance with IFRS 10 from 31 December 2019 and as a result, the accounting basis was changed from consolidation to fair value measurement effective on that date. The Committee monitored and received regular updates on the application of investment entity basis of accounting in the financial statements.
Portfolio company fair value estimation and disclosure	Reviewed quarterly, half-yearly and annual valuations of the Company's portfolio investments presented to it by management. Reviewed and challenged assumptions and judgements applied by management and third-party valuation experts. The Committee considered and challenged whether management followed appropriate valuation standards as reflected in the Valuation Policy and used appropriate judgement. The Committee also considered in discussions with the external auditor the methods used to account for significant or unusual valuations where different approaches are possible. As a result, the Committee was satisfied with the appropriateness of valuation methods used and the reasonableness of assumptions and judgements applied in valuation.
Going concern and viability	The Committee considered management's assessment of the Company's ability to continue as a going concern and its long-term viability taking into consideration the expected impact of the COVID-19 crisis. The Committee reviewed and challenged the inputs and assumptions made during the assessment and ensured that disclosures in the Annual Report and Accounts are appropriate. The Committee was satisfied with the reasonableness of the inputs and assumptions made during the assessment, as well as the sufficiency and appropriateness of disclosures.
Fair, balanced and understandable reporting	See below.

Fair, balanced and understandable reporting

The Committee reviewed quarterly, half yearly and annual financial statements, and performance updates and assessed whether they provide a true and fair view of the Group's affairs at the end of the period as well as provide shareholders with the necessary information in a fair, balanced and understandable way in order to enable them to assess the Group's position, performance, business model and strategy.

As part of that review, the Committee considered the alternative performance measures used by the Company, challenged management and is satisfied that these are appropriate. It also considered the prominence of the APMs in the reporting. The Committee confirmed that the requirements of the Disclosure, Guidance and Transparency Rules and the mandatory guidelines issued by ESMA on APMs were met and the reconciliation between the APMs and the IFRS results was clear, balanced and understandable. You can read more about alternative performance measures, including the applicable IFRS reconciliations, on pages 97-100 of the Annual Report.

In reviewing the 2020 Annual Report and Accounts, the Committee considered whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

When forming its opinion, the Committee considered the following questions in order to encourage challenge and assess whether the Report was fair, balanced and understandable:

Is the Report *fair*?	• Is the whole story presented? • Have any sensitive material areas been omitted? • Are the KPIs disclosed at an appropriate level based on the financial reporting?
Is the Report *balanced*?	• Is there a good level of consistency between the front and back sections of the Annual Report? • Is the Annual Report a document for shareholders and other stakeholders? • Is there good level of balance between IFRS figures and alternative performance measures?
Is the Report *understandable*?	• Is there a clear and understandable framework to the report? • Is the Report presented in straightforward language and a user-friendly and easy to understand manner? • Does the Report provide sufficient information to understand the Group's performance, business and strategy, as well as its corporate governance and risk management frameworks?

In making this assessment, we:

- satisfied ourselves that there was a robust process of review and challenge at different levels within the Group to ensure balance and consistency;
- reviewed several drafts of the 2020 Annual Report and Accounts and directly reviewed the overall messages and tone of the Annual Report with the CEO and CFO; and
- considered other information regarding the Group's performance and business presented to the Board during the period, both from management and the external auditor.

After consideration of all of this information, we are satisfied that, when taken as a whole, the 2020 Annual Report and Accounts is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Governance

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

Risk management and control environment; Internal Audit

One of the delegated responsibilities of the Committee is to review the effectiveness of the Company's internal financial control systems and risk management and to ensure that where areas of improvement are identified, there are the correct processes in place to effectively take action to address these areas.

The Committee assists the Board in fulfilling its responsibility to review the adequacy and effectiveness of the controls over financial reporting and risk. Further information on risk management and internal controls can be found on pages 68-72.

The Committee is supported by a number of sources of internal assurance within the Group in order to discharge its responsibilities. As part of the regular reporting from the Chief Financial Officer and the Finance team regarding the operating performance of the portfolio companies, the strength of the internal control environment is considered. Management also provides updates on how risks, for example bribery and information security, are managed within particular business areas, and updates are presented to the Board or the Committee as appropriate. Further, during the year, the Internal Audit function continued to assist management to perform certain risk identification and assessment activities at the private portfolio companies, the results of which were presented and discussed at the Committee meetings.

The Committee monitors the scope and effectiveness of the Group's Internal Audit function. It also reviews, approves and oversees the Internal Audit Plan, which is designed using a risk-based approach aligned with the overall strategy of the Group.

Throughout the year, we received regular reports from Internal Audit on the progress of the internal Audit Plan and on the audits themselves, including significant findings as well as the corrective measures recommended to management. We also reviewed and monitored management's responsiveness to the corrective measures and found that, on the whole, management accepted recommendations and used them as a basis to improve processes.

The restrictions on travel in Georgia for part of the year due to the COVID-19 pandemic and remote working caused a slowdown in the internal audit programme. Although the majority of the planned internal audits have taken place, a few will be carried out in 2021 and have been incorporated into the 2021 Internal Audit Plan which has been approved by the Committee.

With respect to external assurance, throughout the year, the Audit and Valuation Committee reviews the regular interim reports from the external auditor, which include the external auditor's observations on risk management and internal financial controls identified as part of its audit.

The processes described above ensure that the effectiveness of the controls is reviewed on an ongoing basis, and we are pleased to report that no significant weaknesses in our risk management processes or internal controls were identified this year.

Internal Audit effectiveness

As noted above, the Committee continued, on behalf of the Board, to oversee the Internal Audit function, which serves as independent assurance over the adequacy of the systems and processes of risk management and control across the Company.

The Head of Internal Audit has direct access to the Committee and the opportunity to discuss matters with the Committee without other members of management present. We also monitor the resources dedicated to Internal Audit as well as the relevant qualifications and experience of the team.

We reviewed the effectiveness of the Internal Audit department by considering progress against the agreed plan, taking into account the need to respond to changes in the Group's business and the external environment. During the year, Internal Audit provided assurance across a range of areas, including investment evaluation process in hospitality, budgeting and cost control in housing development, capital expenditures in water utility and procurement cycle in various portfolio companies. We also considered the quality of the reporting by Internal Audit to the Committee and the ability of Internal Audit to address unsatisfactory results. On this basis, we concluded that the Internal Audit function is effective and respected by management, and that it conforms to the standards set by the Institute of Internal Auditors.

External audit

Oversight of the relationship between Georgia Capital and the external auditor, EY, is one of the Committee's key responsibilities. With respect to our responsibilities for the external audit process on behalf of the Board, we:

- approved the annual Audit Plan, which included setting the areas of responsibility, scope of the audit and key risks identified;
- oversaw the audit engagement, including the degree to which the external auditor was able to assess key accounting and audit judgements;
- reviewed the findings of the external audit with the external auditor, including the level of errors identified during the audit;
- monitored management's responsiveness to the external auditor's findings and recommendations;
- reviewed the qualifications, expertise and resources of the external auditor;
- monitored the external auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements;
- reviewed audit fees; and
- recommended the re-appointment of the external auditor.

Auditor

EY was appointed by the Board as the Group statutory auditor in 2018, following a competitive tender process, and re-appointed by shareholders at the 2020 AGM. The Audit Tender process was described in detail in last year's report. Following the successfully completed tender for the provision of external audit services last year, the Group will be required to put the external audit contract out to tender no later than 2028. The Committee recommends that EY be re-appointed as the Company's statutory auditor for the 2021 financial year. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. There are no contractual obligations that restrict the Committee's choice of external auditor.

EY appointed Alistair Denton as the lead audit partner in 2020, following the retirement of his predecessor.

Auditor effectiveness

We have an established framework for assessing the effectiveness of the external audit process. This includes:

- a review of the Audit Plan, including the materiality level set by the auditor and the process they have adopted to identify financial statements risks and key areas of audit focus;
- regular communications between the external auditor and both the Committee and management, including discussion of regular papers prepared by management and EY;
- regular discussions with EY (without management present) and management (without EY present) in order to discuss the external audit process;
- a review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached; and
- a review of the annual FRC Audit Quality Inspection Report of EY.

During the year an assessment of the effectiveness of the external auditor was conducted through the use of a questionnaire completed by all Committee members and also the Chief Financial Officer, members of the Finance team and the Company Secretary. The questionnaire addressed a number of issues including:

- the quality of the auditors' involvement and their understanding of the Company;
- co-ordination between the London and Tbilisi offices;
- governance and independence;
- audit scope, planning and execution; and
- quality of the challenge to management and the Committee from EY.

Feedback was positive overall, and areas in which EY could improve were identified. The results of the assessment were discussed between the Committee Chairman and the audit lead, Alistair Denton.

Auditor independence

The Committee has the responsibility for developing, implementing and monitoring policies and procedures on the use of the external auditor for non-audit services, which help to ensure that the external auditor maintains the necessary degree of independence and objectivity. This is supported by the Company's Non-Audit Services Policy.

The Committee has undertaken a formal assessment of EY's independence, which included a review of: a report from EY describing their arrangements to identify, report and manage any conflicts of interest, and their policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and the value of non-audit services provided by EY. EY have confirmed that they believe they remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with their professional standards.

Non-Audit Services Policy

The Committee adopted a new Non-Audit Services Policy during 2020, safeguarding the external auditor's independence and objectivity. The provision of non-audit services by our external auditors aligns with current EU Statutory Audit regime and recent amendments to the UK Corporate Governance Code. Any work other than for audit or review of interim statements to be undertaken by the external auditor now requires authorisation by the Committee except in very narrow circumstances. The Group's Non-Audit Services Policy is available on our website at: **https:// georgiacapital.ge/governance/cgf/policies**.

The ratio of non-audit fees to audit fees for 2020 is below 1:1. Nearly all of the non-audit fees relate to the review of the interim financial statements, the offer for the minority shareholdings in GHG and the green bond issue by GGU. As indicated in Note 10 of the audited IFRS financial statements for 2020, the total fees paid to EY for the year ended 31 December 2019 was GEL 6.6 million. The Audit and Valuation Committee is of the view that engaging EY on occasions for non-audit work is the most efficient method of having those particular services delivered to the Company, and do not consider this work compromised the independence of the external auditor.

Compliance

During 2020, the Company complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the UK Corporate Governance Code.

Governance

Whistleblowing, conflicts of interest, anti-bribery and anti-corruption and data protection

The Committee conducts an annual review of the Company's policies in its remit, and it is the responsibility of the Committee to ensure that there is a robust governance framework and effective procedures are in place.

This included a review of the Whistleblowing Policy. Under the UK Corporate Governance Code, it is now the responsibility of the Board to have oversight of whistleblowing within the Company and accordingly, following its review of the Policy the Committee made an appropriate recommendation to the Board.

The Committee is responsible for the Conflicts Authorisation Policy through which we assess actual and potential conflicts of interest and assist the Board in its review of the permissibility of such conflicts. The Board continues to monitor potential conflicts of interest, and recommends to the Board to consider whether these should be authorised.

The Committee keeps under review the Group's Anti-Bribery and Anti-Corruption Policy and procedures and receives reports from management on a regular basis in relation to any actual or potential wrongdoing. There were no significant findings in 2020.

Committee effectiveness review

An internal review was facilitated by the Company Secretary, in reviewing the Committee's performance over the financial year. The effectiveness evaluation concluded that overall the Committee was performing effectively and its composition remained appropriate.

Continuing education and training

The entire Board has received training on the current UK Corporate Governance Code, and regularly receives information and regulatory updates that could impact the work of the Committee.

Priorities for 2021

Our priorities for 2021 include among others, continued focus on:

- monitoring new and emerging risks, including the Group's continued response to the coronavirus pandemic;
- monitoring the application of investment entity basis accounting in accordance with IFRS 10, with a focus on monitoring compliance with the Group's valuation policy, individual portfolio company valuations and the effectiveness of external valuations;
- ensuring continued integrity and balance in the Group's financial reporting;
- monitoring the control environment and its appropriate roll-out at the various portfolio companies;
- integration of clinical risk review in our risk control framework following the GHG buy-out;
- preparing for the upcoming Taskforce on Climate-related Financial Disclosures (TCFD) requirements; and
- following developments on the planned enactment of legislation in the UK similar to the Sarbanes-Oxley Act in the US (UK SOX), and making preparations for compliance as appropriate.

Governance

DIRECTORS' REMUNERATION REPORT

Jyrki Talvitie
Chairman of the Remuneration Committee

INNOVATIVE ALIGNMENT OF REMUNERATION WITH SHAREHOLDERS' INTERESTS AND EXPERIENCE

Dear Shareholders
I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

Particularly, in an unprecedented year for financial markets such as this, the remuneration structure of the Company demonstrates how fully the Executive Director shares the shareholder experience.

Our approach to remuneration is highly unusual. The Executive Director's salary, as well his performance-based remuneration, is comprised of deferred shares alone. There is no cash bonus or even cash salary, and no LTIP. Both the salary and the maximum opportunity for the performance-based remuneration are set in a number of shares (rather than utilising a cash figure which could translate to a higher number of shares when awarded at a lower share price), and so for our Company, a reduction in share price does not result in an increased number of shares and vice versa.

The interests of the Executive Director are therefore highly aligned with the interests and experience of our shareholders; for 2020 his compensation when calculated using recent share price levels has significantly decreased.

Overview of remuneration structure
The Directors' Remuneration Policy (the Policy), which was passed at the 2019 AGM with 99% approval, continues to apply. As set out in our previous reports, members of the Remuneration Committee (the Committee) (including myself) and the Senior Independent Director engaged extensively with our investors ahead of proposing this Policy, through letters, calls and face-to-face meetings and took their feedback into account. The Directors' Remuneration Report received 92% approval at the 2020 AGM.

The approach to executive remuneration is as set out above, and a summary of the Policy shown on pages 156 to 160 of this section, with the full text of the Policy available on the website at: **https://georgiacapital.ge/governance/cgf/policies**.

The structure of our Policy follows relevant guidance including:
- Shareholding guidelines with an equivalent of 200% of salary, also to be maintained for two years post-employment. As compensation vests in tranches this level is built up organically, and this requirement also forms part of the Executive Director's contract for two years post-employment.
- Executive pension contribution by the Company would be the same as for the employees, although our CEO, Irakli Gilauri, has waived his pension entitlement.
- Both salary and variable compensation vest over several years.
- Malus and clawback provisions with prescribed triggers are consistent with UK best practice. Unusually, malus provisions may also be triggered in certain circumstances over the salary shares.

2020 Performance outcomes
Although 2020 was a challenging year, the Group continued to deliver on its strategic priorities. The buy-out of the GHG minority in the third quarter of 2020, through a share exchange offer, strengthened our private portfolio by adding GHG's existing three market-leading, high cash flow generating businesses. GGU, the holding company of the water utility business and operational renewable assets, successfully issued US$ 250 million 7.75% 5-year green bonds, demonstrating the Group's superior access to capital even during COVID-19 times. As the Group continued to deliver on 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.

Underlying operating performances across our private portfolio remained solid. Despite COVID-19, the aggregated FY20 revenues of our private portfolio increased to GEL 1,625 million. The Group 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 notable, up 63.0% y-o-y in FY20 to GEL 376 million.

The management team has performed very well despite COVID. None of the Group companies required support from the Georgian or UK Governments and the furlough scheme was not utilised. (We have never distributed dividends.) No holding companies level employees were made redundant during the year; further, please see table "Percentage change in remuneration of Directors and employees" later in this Remuneration Report, which shows that the salary for employees was not reduced during the year.

Irakli Gilauri's salary is comprised of a fixed number of shares to fully align him with the shareholder experience. As stated above, the maximum opportunity is linked to a fixed number of deferred shares rather than a dollar amount and therefore a reduction in share price does not result in an increased number of shares. There is no "windfall" effect.

Last year we disclosed weightings for the first time, and we continue to do so this year. In this year's report, we have expanded our disclosures to explain more on each KPI and illustrated how the KPIs align with strategy. Additionally, we have disclosed the range for each financial KPI (target, threshold and maximum). Please also see the extended explanation below the "Single total figure" table and in the sections below to show alternative disclosures for maximum transparency.

We awarded Irakli Gilauri, our CEO, an annual bonus of 160,000 deferred shares which vest over four years and are subject to a further one year holding period. This amounted to 80% of the maximum number of shares. Please see section "Basis for determining Mr Gilauri's discretionary deferred share compensation in respect of 2020" below for explanation of how this was calculated and decided. We did not change our implementation of the Policy during 2020. There is no LTIP.

Other Remuneration Committee activities
Review of the wider workforce compensation and benefits
During 2020, the Committee considered workforce compensation, pension, benefits, leave and working hours, training and development, and number of staff by salary band at the holding company level.

The Committee also considered workforce compensation for the main private portfolio businesses: GHG (as now privately-owned), Water Utility, P&C Insurance, Renewable Energy, Education, Beverages, Real Estate and Auto Service.

There is some variation in workforce remuneration between portfolio companies. The general approach to remuneration is that there is a base salary, a cash bonus determined by direct managers based on individual performance, health insurance and other varying benefits. Middle and senior management tend to have their bonus and part of their salary in shares and/or phantom shares.

The pension contribution is the same for all Georgian employees (including senior management) as it follows the mandatory State Pension Fund system whereby employees contribute 2% of their remuneration, the relevant company matches the amount and the Government may contribute a further amount (0-2% depending on income levels).

In early 2021, the Committee decided the awards for the senior management, including the discretionary deferred shares that vest over several years. (The Committee decided the bonus for financial year 2019 in early 2020 as reported last year). Senior management is defined as the top executives in the Georgian holding company. The Committee also decided the bonus level for several top executives in the portfolio companies.

Workforce engagement
Our designated Non-Executive Director for workforce matters, Kim Bradley, is also a member of the Committee. In addition to receiving feedback which was acted upon as described in the "portfolio companies management compensation review" section above, employees were able to raise matters directly through Mr. Bradley. Further details of this can be found on page 132.

Portfolio companies[1] executive management compensation review in line with strategy
At its investor day in November 2020, the Group announced an updated strategy in respect of portfolio companies, including new strategic priorities regarding realising the value of one of the large portfolio companies and divesting the subscale portfolio companies. During 2020, portfolio companies' executive management continued to be remunerated in a mix of the Company shares, phantom shares for their particular portfolio business and cash.

In the light of the new strategy, the Committee considered proposals which focused on aligning the interests of the portfolio companies' top management with the Group's updated strategy. In particular, there had been a low level of personal incentive to focus on and be proactive in executing the strategy of realising proceeds to the Group through the sale of developed investments.

Given their strong degree of autonomy, we considered there would be a greater motivation if executives could focus on increasing the value of areas under their control. To effect this, we needed to shift the balance of their package so that a higher proportion was formed of phantom shares linked to their area of the business and the Company shares element of their remuneration was reduced.

Effective from 2021, the Committee agreed that the remuneration of certain portfolio companies' CEOs and their executive management shall be shifted to a mix of phantom shares and cash salary, discretionary bonus phantom share opportunity, a discretionary cash bonus opportunity. The Company share salary element and the bonus opportunity in Company shares has been removed. The award of any cash bonus is to be determined on a case by case basis, and any overall cash remuneration is to be lower than any overall phantom share remuneration.

There is also the potential for an exit bonus for a limited number of individuals at portfolio company level, dependent upon the level of the profitability of the sale of a portfolio company, to incentivise realisation of the Group's strategy.

Lastly, the Committee and Group management reassessed how the bonus determination structure could be made more transparent so that the metrics driving the final bonuses were clearly understandable to participants. The Committee considered and challenged the structure and calculation methods of the proposed compensation package for the portfolio companies' executives.

Given our Group's structure and the degree of autonomy of the portfolio companies, management of the portfolio companies were also consulted on this new scheme, and were supportive of the changes.

The above changes do not apply to the executive management at the Group holding companies level, which retain the structure whereby the majority of their compensation is comprised of Company shares.

Non-Executive Director fees and COVID-19
Non-Executive Director fees are decided by the Board. From 31 December 2019 the remit of the Audit Committee increased, and it became the Audit and Valuation Committee. The Board did not increase the fees of the Audit and Valuation Committee during 2020 given the COVID-19 pandemic.

Further, from 1 April 2020 to 31 December 2020, the members of the Nomination Committee waived their fees (and the Chairman of the Committee only received the difference between his fee and the member's fees), to show solidarity with the impact of COVID-19.

1 Under investment entity accounting principles of IFRS 10, the portfolio companies are not consolidated, instead are measured at fair value.

Governance

DIRECTORS' REMUNERATION REPORT CONTINUED

Effectiveness review and new Committee member
An internal review of the effectiveness of the Committee was facilitated by the Company Secretary this year. The evaluation concluded that overall the Committee was performing effectively.

The Committee had previously concluded that it would be necessary to replace Bill Huyett, who ceased to be a member of the Committee in June 2019 when he stood down from the Board. The Committee was therefore pleased that Maria Chatti-Gautier, who was appointed to the Board on 19 March 2020, became a member of the Committee on the same date.

During 2021, the Committee's priority will be the shareholder consultation on and formulation of an updated Director's Remuneration Policy for the 2022 AGM, in accordance with the three-year cycle.

Jyrki Talvitie
Chairman of the Remuneration Committee
25 March 2021

What's in this report
This Directors' Remuneration Report discloses the amounts earned and other information relating to the year ended 31 December 2020.

The Remuneration Report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The Remuneration Report has been prepared in line with the recommendations of the UK Corporate Governance Code (the Code) and the requirements of the UKLA Listing Rules.

The Directors' Remuneration Policy was approved by shareholders in a binding vote at the 2019 AGM and took formal effect from the date of approval and will apply until the 2022 AGM, at which time we will be required to submit our Directors' Remuneration Policy for approval by shareholders. A summary of our Directors' Remuneration Policy can be found on pages 156 to 160. The full policy is set out in the 2018 Annual Report on pages 140 to 147 which is available at: **https://georgiacapital.ge/ir/annual-reports** and on our website at: **https://georgiacapital.ge/governance/cgf/policies**.

The Annual Report on Remuneration (set out on pages 142 to 160), which includes the Annual Statement by the Chairman of the Remuneration Committee, will be subject to an advisory vote at the 2021 AGM.

How the Remuneration Committee addressed the factors in provision 40 of the Code
The Committee considered the requirements of the Code in determining the new remuneration structure and Policy, taking each of the factors of provision 40 of the Code in turn:

Principle	Approach
Clarity	Remuneration arrangements are transparent and competitive. The Committee set out the rationale and full Policy in the Annual Report for 2018, published in April 2019. The Policy is available on the website and summarised in this report so that the main features are clear.
Simplicity	The rationale is simple – this structure focuses the Executive Director and senior management on sustainable, long-term performance of the Company by remunerating them predominantly in deferred shares.
Risk	By its nature, setting all of the CEO's remuneration in shares which are deferred by up to six years from the start of the work year, the remuneration structure drives the CEO and senior management to mitigate reputational, behavioural and undue strategic risks as the outcome of such would be likely to affect the share price over the years. The new Policy also introduced a minimum shareholding and post-employment shareholding requirements. Further, the Executive Director's salary and bonus is calculated by reference to a fixed maximum number of shares, rather than a monetary amount, which removes the risk that the Executive Director will receive a windfall in the event that the share price decreases.
Predictability	The range of possible values was set out in the Policy voluntarily, including the impact of share price appreciation and depreciation, to aid predictability. Further, by calculating the maximum opportunity to a fixed number of shares, the Company and its shareholders have certainty regarding the Executive Director's and senior managements' remuneration.
Proportionality	Outcomes reward performance proportionately by reference to performance targets. Further, to allow appropriate adjustment, the entire "bonus" is discretionary. For further considerations on proportionality, see section "Chief Executive's pay and comparators" on page 152.
Alignment to culture	The Executive Director's entire remuneration in deferred shares rather than cash promotes alignment with culture and the long-term success of the Company. This is supported by the inclusion of initiating cultural change as one of the CEO's performance KPIs.

Shareholder context
The Directors' Remuneration Policy applicable to this section of the Annual Report on Remuneration was approved by shareholders at our AGM on 22 May 2019 (the 2019 Policy). The Directors Remuneration Policy received the following votes from shareholders.

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Director's Remuneration Policy	28,900,823	98.89	325,227	1.11	29,226,050	2,309,274

Set out below are the shareholder voting figures for the Directors' Remuneration Report (including the Annual Statement of the Chairman of the Remuneration Committee) presented at our 2020 AGM on 4 June 2020.

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Director's Remuneration Report	27,647,378	92.36	2,288,295	7.64	29,935,673	25,075

The Remuneration Committee and its advisors
The Committee is principally responsible to the Board for establishing a remuneration policy for the Executive Directors, the Chairman and designated members of the executive management team that rewards fairly and responsibly, and is designed to support the Company's strategy and promote its long-term sustainable success. The Committee ensures that performance-related elements of Executive Directors' remuneration are transparent, stretching and rigorously applied. The Committee's full Terms of Reference were reviewed in September 2020 and are available on our website: **https://georgiacapital.ge/governance/cgf/terms**.

The Committee is comprised of three Independent Non-Executive Directors: Jyrki Talvitie who serves as Chairman (and previously appointed in 2019), Kim Bradley (designated Non-Executive Director for workforce matters) and Maria Chatti-Gautier who joined the Committee on 19 March 2020. The members' attendance during 2020 is shown in the Board and Committee meetings attendance table on page 126. No other changes to the composition of the Committee were made in 2020.

In addition to the formal meetings held during the year, the Committee participated in various discussions by video conference outside of these meetings. Other attendees at the Committee meetings who provided advice or assistance to the Committee on remuneration matters from time to time included the CEO, the other Board members and the UK General Counsel. Attendees at the Committee meetings do not participate in discussions or decisions related to their own remuneration.

The Committee received additional advice on compliance from Baker & McKenzie LLP, the Company's legal advisors. The Committee is of the view that the advice received from Baker & McKenzie LLP is objective and independent.

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DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' remuneration

Single total figure of remuneration for the Executive Director (audited)

The table below sets out the remuneration earned by Georgia Capital PLC's sole Executive Director, Irakli Gilauri, in respect of his employment for the years ended 31 December 2020 and 31 December 2019. Mr Gilauri's compensation as set out in the table below is in the form of deferred shares that vest in tranches with a vesting period of up to six years from the beginning of the work year. The values shown in the table are calculated at a fixed share price as described in footnotes 2 and 4 to the table. The actual value of the compensation as it is received over time will fluctuate with increases and decreases in the value of the share price as illustrated in the graph on page 158.

	Cash salary[1] (US$)	Deferred share salary[2] (US$)	Taxable benefits[3] (US$)	Pension benefits[3] (US$)	Total fixed pay (US$)	Discretionary deferred shares[4] (US$)	Total Variable pay (US$)	Single total figure (US$)
2020	**–**	**2,730,000**	**–**	**–**	**2,730,000**	**1,168,000**	**1,168,000**	**3,898,000**
2019	–	2,730,000	–	–	2,730,000	1,060,000	1,060,000	3,790,000

Notes:
1. Mr Gilauri does not receive a cash salary.
2. Deferred share salary. The figures show the Georgia Capital PLC shares underlying nil-cost options granted in respect of the relevant year. 200,000 deferred salary shares were awarded for the work year 2020 and for the work year 2019. To discharge the UK tax and employee National Insurance Contributions arising upon the grant of the salary shares Georgia Capital PLC and the Executive Director agreed to waive his entitlement to such number of the salary shares as needed for the payment of the Executive Director's UK tax and employee National Insurance Contributions by the Company. Under this arrangement, the Executive Director waived his entitlement to 7,953 deferred salary shares with respect to work year 2020 and 9,186 deferred salary shares with respect to work year 2019. The value of US$ 2,730,000 for the work years 2020 and 2019 is calculated by reference to the share price on 12 July 2018, being the date of the Committee meeting at which the deferred share salary was determined. The share price on 12 July 2018 was US$ 13.65 a share (the official share price of GBP 10.324 converted into US dollars using an exchange rate of 1.3223, being the official exchange rate published by the Bank of England on the same date). Deferred share salary in respect of a work year will vest over six years (from the beginning of the work year) with 20% vesting in each of the second, third, fourth, fifth and sixth years following the end of the work year.
3. There are no taxable benefits or pension benefits for 2020 and 2019. Mr Gilauri has agreed for all pension contributions to be waived. Mr Gilauri was reimbursed for reasonable business expenses, on the provision of valid receipts. No money or other assets have been received or are receivable by Mr Gilauri in respect of a period of more than one financial year.
4. Discretionary deferred share remuneration. The figures show the value of Georgia Capital PLC shares underlying nil-cost options granted in respect of the bonus award for the year. For 2020, awards were granted over 160,000 shares. The value is calculated by reference to the share price on 5 February 2021, which is the last working day prior to the date of the Remuneration Committee meeting which determined the discretionary deferred share award on 8 February 2021, being US$ 7.30 a share (the official share price of GBP 5.32 converted into US dollars using an exchange rate of 1.3724 being the official exchange rate published by the Bank of England on the same date). For 2019, awards were granted over 100,000 shares. The value is calculated by reference to the share price on 29 January 2020, which the last working day prior to the date of the Committee meeting which determined the discretionary deferred share award on 30 January 2020, being US$ 10.60 a share (the official share price of GBP 8.15 converted into US dollars using an exchange rate of 1.3, being the official exchange rate published by the Bank of England on the same date). Discretionary deferred shares vest 25% in each of the second, third, fourth and fifth years following the end of the work year and are subject to a further holding period of a year.
5. The number of shares awarded pursuant to the deferred share salary and discretionary deferred share remuneration is fixed at grant. No discretion has been exercised as a result of share price appreciation or depreciation. Discretionary deferred shares are subject to one-year targets and the Company does not operate a LTIP. No amount of the remuneration in 2020 is attributable to share price remuneration. No amounts were recovered or withheld in 2020. No dividend equivalents have been received.

As noted in the single total figure of remuneration table above, salary is calculated on the basis of US$ 13.65 a share. This is because we disclose using the decision date for each element of remuneration, in this case the salary figure refers to the value of the shares on 12 July 2018.

However, the share price as at the last practicable date before the publishing of this Annual Report, 22 March 2021, was US$ 7.76 a share (the official share price of GBP 5.60 converted into US dollars using an exchange rate of 1.3855, being the official exchange rate published by the Bank of England on the same day). Therefore, when calculated using the more recent price, the single total figure of the compensation is US$ 2,793,600.

Alternative remuneration table showing the Executive Director's 2020 and 2019 remuneration discounted for time value of money (unaudited)

For investor information, the alternative table below sets out the share remuneration earned by Irakli Gilauri in 2020 and 2019 as per the previous table (Single total figure of remuneration for the Executive Director) but taking into account the time value of money discounted at 15%, given that both the salary shares and discretionary deferred shares vest over a number of years. Further, the Executive Director may forfeit the shares on cessation of employment in certain circumstances.

	Deferred share salary (US$)	Discretionary deferred shares (US$)	Total salary and discretionary deferred shares remuneration (US$)
2020	**1,590,845**	**724,583**	**2,315,428**
2019	1,590,845	657,634	2,248,480

The following table sets out details of total remuneration for the Chairman and Chief Executive Officer, Mr Gilauri, for the year ended 31 December 2020 and his discretionary compensation as a percentage of maximum opportunity.

	2018	2019	2020
Single total figure of remuneration (US$)	4,066,962	3,790,000	**3,898,000**
Discretionary compensation as a percentage of maximum opportunity (%)	85	50	**80**

Note: Maximum opportunity is 100% of total number of salary shares as set out in the section above.

Basis for determining Mr Gilauri's discretionary deferred share compensation in respect of 2020

Mr Gilauri's KPIs included financial targets, strategic targets and non-quantifiable components. The financial and strategic elements largely track the Group's KPIs as he is expected to deliver on the Group's strategy. The non-quantifiable targets take into account factors such as leadership and mentoring, corporate culture and personal development. The Committee's practice is to set ambitious financial targets, and would normally expect to award 70% of the maximum available for meeting the target, depending on the circumstances, including business and economic developments during the year. For strategic and development targets, measurement is more difficult, but here again we have high expectations of Mr Gilauri and would typically plan to award 70% of the maximum available for meeting these targets.

Last year, for the first time, we reported the relevant weightings of the KPIs. This year, we provide further information to better explain how the KPIs link to strategic targets. We also specifically link each KPI to the relevant Group priority and this year we have disclosed ranges of targets for each KPI (threshold, target and maximum). We would typically expect to award 25% for threshold, 70% for target and 100% for outperformance for each KPI.

The overall financial to non-financial KPI ratio is 60:40 (the Group is young and non-financial strategic targets are also key) and the individual KPI weightings are shown in the table below, which sets out the targets for Mr Gilauri's 2020 KPIs as well as a summary of the Committee's assessment of his performance against them. The Committee retains the discretion to increase or decrease the amount awarded. More details on performance is also provided in the table on the next page.

Group priorities:

Strategic

1. Discipline when investing by buying at reasonable prices
2. Institutionalising and developing portfolio
3. Establishment of structured exit processes, engage in the active price discovery of portfolio assets held
4. NAV per share growth
5. Further diversifying access to capital
6. Decrease share of listed assets in total portfolio to 20%
7. Portfolio companies' strategic priorities

Cultural and foundation for the future

8. Developing management talent in GCAP and its portfolio companies
9. Strong corporate governance, efficient management structure
10. Culture core values: being entrepreneurial, having a learning mindset, maintaining the highest standard of ethics

(KPIs were set in early 2020. New strategic priorities announced on Georgia Capital's investor day on 12 November 2020 have been considered when setting the 2021 KPIs.)

Governance

DIRECTORS' REMUNERATION REPORT CONTINUED

KPI	Group priority on page 147	Weighting	2020 target and range: Threshold	Target	Outperformance	Performance and evaluation	Weighted result
FINANCIAL TARGETS							
NAV per share growth	4	35%; 10% for overall	10%	15%	20%	Overall NAV per share growth – 2.7% (did not reach threshold, no award).	25%
		25% for private portfolio	20%	29%	35%	Private portfolio per share growth – 54% (outperformance target exceeded, 25% awarded). NAV per share is the key metric for the Group. Excellent performance in the NAV per share attributable to the private portfolio (which is more under the control the CEO).	
Achieving budget of GCAP and portfolio companies, including cash flow generation	2, 7	15%	GEL 100mln	GEL 168mln	GEL 200mln	GCAP standalone net income: GEL 309mln (183% of budget) – exceeded outperformance target.	13.5%
			GEL 80mln	GEL 113mln	GEL 130mln	GCAP standalone cash and liquid funds: GEL 175mln (155% of budget) – exceeded outperformance target.	
			GEL 1,500mln	GEL 1,931mln	GEL 2,100mln	Portfolio companies aggregate revenue: GEL 1,625mln (84% of budget) – between threshold and target.	
			GEL 330mln	GEL 364mln	GEL 395mln	Portfolio companies aggregate cash flow generation: GEL 376mln (103% of budget) – between target and outperformance. The above results are considered to be excellent, particularly in the challenging conditions.	
Expense ratio	9	10%	2.5%	2%	1.5%	Exceeded target at 1.83%. Further, management fees down year-on-year by 16%.	8.5%

KPI	Group priority on page 147	Weighting	2020 target and range (Threshold / Target / Outperformance)	Performance and evaluation	Weighted result
STRATEGIC TARGETS					
Broaden access to capital including active seeking of price discovery of assets held	3, 5	10%		Target exceeded, the following taken into account: US$ 250mln 5-year green notes by GGU. Landmark transaction as first green notes in Georgia. Third-party portfolio company valuations, price discovery on select portfolio companies. Third-party money raising and CAPEX has been put on hold due to the impact of COVID-19 on markets. Efforts expected to resume as markets normalise.	8%
Disciplined pursuit of investment opportunities	1	10%		Outperformance exceeded with particular consideration of taking GHG private with significant value creation. Created a larger combined entity with enhanced share liquidity and better access to capital. Further strengthened portfolio with three strong free cash flow-generating businesses within GHG. Minority buy-out to achieve 100% ownership in Renewable Energy. No investment opportunities worth pursuing missed. CAPEX readjusted to financial crisis to preserve liquidity.	10%
Progress towards achieving mid to long-term strategic priorities in portfolio companies	6, 7	10%		Target reached on strategic priorities: Taking GHG private, decreasing share of listed assets to total portfolio under 20%. Separating GHG into three business units with clear strategies. Achieving 58% increase in water tariffs from 2021. Turnarounds in beverage businesses. Updated strategy to sharpen focus on businesses with potential to become large.	7%

Governance

DIRECTORS' REMUNERATION REPORT CONTINUED

KPI	Group priority on page 147	Weighting	2020 target and range	Performance and evaluation	Weighted result
DEVELOPMENTAL TARGETS			Threshold / Target / Outperformance		
Active mentoring and development of management including successor(s) Introduction of succession planning process across the GCAP and portfolio companies Continued personal development	8, 10	10%		Target exceeded on this developmental KPI which show culture and leadership, and prepares talent for the future: Succession planning prepared at GCAP (executive committee equivalent with CFO and JSC Deputy CEOs). Active mentoring resulting in new Head of Investments and Head of Exit Strategy. During the COVID-19 crisis successfully mentoring portfolio top management in managing the crisis. Succession planning being finalized on portfolio companies level. 360-degree evaluation undertaken and working on personal development based on feedback.	8%
TOTAL PERFORMANCE ASSESSMENT					**80%**

The targets and KPIs were set in January 2020 when the base assumption was a GDP growth of 5% for the Georgian economy with budgets and capital allocation plans made accordingly. The actual GDP declined by over 6% in 2020.

In March 2020, as the COVID-19 virus caused lockdowns and major economic disturbances, the CEO, together with management and the Board of Directors, re-examined the budgets and built stress scenarios based on liquidity preservation, holding back CAPEX and capital as well as controlling expenses. The challenging circumstances were handled very well and the CEO led the team in taking swift action. In sectors where the impact was devastating, such as hospitality and commercial property, appropriate write downs were concluded and preparations for opportunistic exits of sub-scale businesses made. In the other businesses, the focus was shifted very swiftly to husbanding resources to assure they would weather the crisis.

At the same time, the CEO and his team initiated and executed efficiently the opportunity of taking GHG private thus unlocking significant value in addition to achieving one of our long-term targets of decreasing listed assets to below 20% ahead of time. The deal increased the liquidity of GCAP shares as well as allowing the Group to manage the GHG companies according to our strategy.

In 2020, Irakli Gilauri designed, and the Board approved, an updated strategy for the Group, to invest in the sectors and opportunities with the potential to reach GEL 0.5 billion in equity value. The vision is that focusing on larger businesses will be more attractive for international buyers, and exiting from investments with less potential will also maximise efficiency of management time and of resources allocation. The new strategy received positive feedback from investors.

While the Committee retains discretion to avoid formulaic outcomes and to assess the overall reasonableness of the rewards, the discretionary deferred award was determined using the metrics above and the Committee did not exercise its discretion in 2020.

In deciding whether to exercise discretion the Committee considered the following matters:

- Swift response to COVID outlined above;
- The Group did not seek additional capital from its shareholders; and
- The Group did not require Government support, nor furlough its employees and no holding companies level employees were made redundant during the year.

Despite the U-turn caused by the pandemic, the Committee considered that the above factors are sufficiently reflected in the outcome determined in accordance with the original KPIs. Alignment with shareholders is built in to the structure (by maximum bonus award being comprised of deferred shares only and the maximum award being calculated based on a fixed number of shares, rather than by cash value). There is no LTIP.

In accordance with the above KPI table and explanations above, the Remuneration Committee awarded the CEO 80% of the maximum number of shares. The Remuneration Committee did not exercise any discretion for 2020. As previously explained, Mr Gilauri's maximum opportunity for his bonus award is calculated by reference to a fixed number of shares.

Percentage change in remuneration of Directors and employees

The following table sets out details of the percentage change in the remuneration awarded to the Directors between 2019 and 2020, compared with the average percentage change in the per capita remuneration awarded to the employees at the holding companies' level only (c.40 employees) on a full-time equivalent basis as a whole between 2019 and 2020, in line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019.

Given the small number of employees employed by the Georgia Capital PLC entity and the Company's status as an investment entity under IFRS 10, we considered comparison against the holding companies employees to be the most appropriate. See the single total figure of remuneration table on page 146 for an explanation of deferred share salary, taxable benefits and discretionary deferred remuneration of Mr Gilauri.

	Year-on-year change in pay for Directors compared to the employees at the holding company's level as a whole								
		Executive Director	Non-Executive Directors						
2020	Average employees	Irakli Gilauri	David Morrison	Kim Bradley	Jyrki Talvitie	Caroline Brown	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier	William Huyett
Total cash salary	11.0%	–	-3.7%	7.2%	-3.6%	-4.8%	-4.8%	100%	-100%
Total deferred share salary	0%	0%	–	–	–	–	–	–	–
Taxable benefits	7.3%	–	–	–	–	–	–	–	–
Total bonus	20.0%	10.2%	–	–	–	–	–	–	–

Notes:
1 Maria Chatti-Gautier was appointed to the Board of Directors of Georgia Capital PLC and to the Supervisory Board of JSC Georgia Capital, and the Remuneration and Nomination Committees, on 19 March 2020.
2 On 5 June 2019, William Huyett stepped down Board of Directors of Georgia Capital PLC and the Supervisory Board of JSC Georgia Capital and their associated committees.
3 On 19 March 2020, David Morrison, Caroline Brown and Massimo Gesua' sive Salvadori stepped down as members of the Nomination Committee.
4 For the period of 1 April 2020 to 31 December 2020 the members of the Nomination Committee waived their fees, and for the Chairman of the Committee only the difference between the level of fees for the Chair against the member's fees was retained.
5 As reported in the Annual Report and Accounts for 2019, the fees of the Chairman of the Investment Committee, Kim Bradley, were increased from 1 August 2019 due to the increased role of the Committee in overseeing the Group's activities.
6 Jyrki Talvitie, stepped up from being a member of the Remuneration Committee of the Company and of the Supervisory Board, to Chairman of the respective Committees on 16 January 2019.

Details of fixed and discretionary deferred share remuneration granted during 2020

The table below sets out details of the nil-cost options over GCAP shares which have been granted to Mr Gilauri in 2020 in respect of the 2019 work year. Please note that the information presented in this section relates to the 2019 financial year.

	Deferred share salary	Discretionary deferred share remuneration
Number of underlying shares and basis on which award was made	200,000 granted pursuant to the 2019 Policy available at: **https://georgiacapital.ge/governance/cgf/policies.**	100,000 granted pursuant to the 2019 Policy available at: **https://georgiacapital.ge/governance/cgf/policies.**
Type of interest	Nil-cost option	Nil-cost option
Cost to Group (as reflected in accounts)	US$ 2,730,000[1]	US$ 1,060,000[2]
Face value	US$ 2,730,000[1] Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable).	US$ 1,060,000[2] Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable).
Percentage of award achievable if minimum performance achieved	100% of the award will be receivable, since the award is part of the Executive Director's salary for 2019 and accordingly is not subject to performance measures or targets over the vesting period.	100% of the award will be receivable, since the award is based on 2019 performance (and is not an LTIP award) and accordingly is not subject to performance measures or targets over the vesting period.
Exercise price	Nil. The options form part of the Executive Director's salary under the Policy and so no payment is required upon exercise. The exercise price has not changed.	Nil. The options make up the entirety of the Executive Director's performance-based remuneration (with respect to his performance in the previous financial year) so no payment is required upon exercise. The exercise price has not changed.
Vesting period	20% in each of 2021, 2022, 2023, 2024 and 2025. (Six years in total from the start of the working year).	25% in each of 2021, 2022, 2023 and 2024. Holding period of one year on each tranche. (Five years in total from the start of the working year).
Performance measures	None. See the 2019 Policy available at: **https://georgiacapital.ge/governance/cgf/policies**.	See the 2019 Policy available at: **https://georgiacapital.ge/governance/cgf/policies**.

Notes:
1 Deferred share salary. The value is calculated as described in footnote 2 to the table of single total figure of remuneration for the Executive Director.
2 Discretionary deferred share remuneration. The value is calculated as described in footnote 4 to the table of single total figure of remuneration for the Executive Director.

Governance

DIRECTORS' REMUNERATION REPORT CONTINUED

CEO pay and comparators

The Group has less than 250 UK employees and therefore is not required to disclose ratios of the CEO pay against the UK pay (and indeed given it has less than five UK employees, to do so would be distortionary).

Additionally, the delayed receipt of the Executive Director's salary and the bonus (in shares vesting across several years) means that the time value of money and also the risk of salary and bonus not vesting (due to malus but also in relation to shares lapsing in the event of early termination under certain circumstances) were factored in. When formulating the 2019 Policy we presented the overall package (without factoring in the time value of money or risk of lapse) to investors. The value of the salary shares and the potential dollar value of the maximum bonus opportunity (when calculated using recent share prices) has decreased year-on-year; the dollar figure remains as calculated at the decision date of the salary in line with IFRS and consistent with our previous disclosures. The downside risk that has materialised this year (as well as any upside that may materialise in future years) forms part of our approach to remuneration and its alignment with the shareholder experience.

The Committee also considered the fact that the CEO's salary is 35% less than the CEO salary in our predecessor company, BGEO Group PLC.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the remuneration received by each Non-Executive Director in 2019 and 2020. From 31 December 2019, the remit of the Audit Committee increased, and it became the Audit and Valuation Committee. The Board did not increase the fees of the Audit and Valuation Committee for 2020 at a subsequent meeting given the rise of COVID-19, but will keep the matter under review.

Further, from 1 April 2020 to 31 December 2020, the members of the Nomination Committee waived their fees (and only the additional fee received by the Chairman (as Chair) on top of the normal committee fees was retained by the Chairman), to show solidarity with the impact of COVID-19.

The Non-Executive Directors do not receive any variable remuneration or pension contributions.

	Georgia Capital PLC fees (US$)		JSC Georgia Capital fees (US$)		Total fees (US$)	
	2020	2019	2020	2019	2020	2019
David Morrison	**69,989**	77,526	**124,100**	124,100	**194,089**	201,626
Massimo Gesua' sive Salvadori	**54,439**	61,977	**94,973**	94,973	**149,412**	156,950
Kim Bradley	**65,114**	65,730	**122,125**	108,903	**187,239**	174,633
William Huyett	**–**	25,585	**–**	39,444	**–**	65,029
Caroline Brown	**54,439**	61,977	**94,973**	94,973	**149,412**	156,950
Jyrki Talvitie	**58,254**	63,994	**94,973**	94,957	**153,227**	158,951
Maria Chatti-Gautier	**38,856**	–	**71,096**	–	**109,952**	–
Total	**341,090**	356,789	**602,240**	557,350	**943,330**	914,139

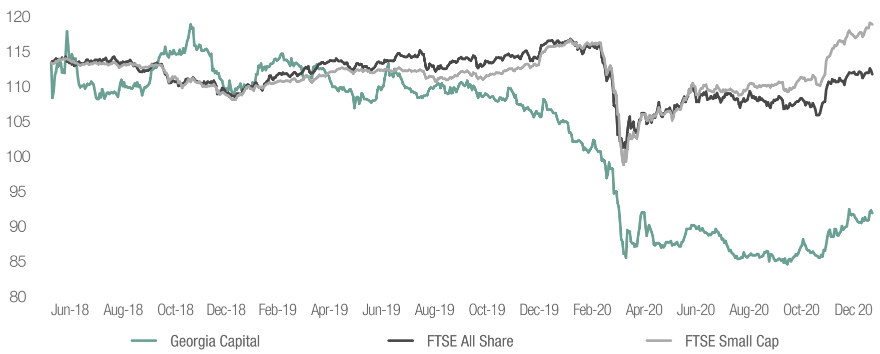
Notes:
1 On 19 March 2020, Maria Chatti-Gautier was appointed to the Board of Directors of Georgia Capital PLC and to the Supervisory Board of JSC Georgia Capital. Ms Chatti-Gautier was also appointed as a member of the Investment Committee, the Remuneration Committee and the Nomination Committee.
2 On 19 March 2020, David Morrison, Caroline Brown and Massimo Gesua' sive Salvadori stepped down as members of the Nomination Committee.
3 For the period of 1 April 2020 to 31 December 2020, the members of the Nomination Committee waved their fees and the Nomination Committee Chairman's fees were reduced.
4 As reported in the Annual Report and Accounts for 2019, the Chairman of the Investment Committee, Kim Bradley, received an increase from 1 August 2019 due to the increased role of the Committee in overseeing the Group's activities.
5 William Huyett stepped down as Chairman of the Remuneration Committee on 16 January 2019 but remained as a member of the Remuneration Committee. On 5 June 2019 William Huyett resigned from the Board of Directors of Georgia Capital PLC and the Supervisory Board of JSC Georgia Capital and their associated committees.
6 Jyrki Talvitie, stepped up from being a member of the Remuneration Committee of the Company and of the Supervisory Board, to Chairman of the respective Remuneration Committees on 16 January 2019.

Payments to former Directors and for loss of office

No payments were made to former Directors or for loss of office during the year ended 31 December 2020.

Total Shareholder Return

The following graph compares the Total Shareholder Return (TSR) of Georgia Capital PLC with the companies comprising the FTSE All Share Index and FTSE Small Cap Index for the period from 29 May 2018 until 31 December 2020. Georgia Capital PLC has been a member of the FTSE All Share Index since its premium listing in 29 May 2018.



Relative importance of spend on pay

The following table shows Georgia Capital's actual spend on pay at the holding company's level only (c.40 employees in total) between 2019 and 2020. We considered comparison against these employees to be the most appropriate given the Company's status as an investment entity under IFRS 10.

	Remuneration paid to all employees of the Group	Distribution to shareholders by way of buyback
Year ended 31 December 2019 (US$ 000)	9,580	27,133
Year ended 31 December 2020 (US$ 000)	9,200	–
Percentage change	-4.0%	-100.0%

Note:
1 The Company did not make any other significant distributions during 2020. The US$ 45 million buyback programme was completed in 2019.

Share ownership requirement (audited)

Executive Directors are required to build over five years and maintain a shareholding equivalent to 200% of base salary. Mr Gilauri already holds above this requirement as at 31 December 2020 – see table and footnote 2 below. In accordance with the Policy, beneficially owned shares as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares count towards the requirement, noting that such unvested and vested shares are not subject to performance conditions after their grant.

Directors' interests in shares (audited)

The following table sets forth the respective holdings of GCAP shares of each Director as at 31 December 2019 and 2020.

	As at 31 December 2019				As at 31 December 2020			
	Number of GCAP shares held directly	Number of vested but unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in GCAP shares	**Number of GCAP shares held directly**	**Number of vested but unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)**	**Number of unvested and unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)**	**Total number of interests in GCAP shares**
Irakli Gilauri	721,141	–	579,005	1,300,146	**914,138**	**–**	**686,821**	**1,600,959**
David Morrison	53,252	N/A	N/A	53,252	**66,368**	**N/A**	**N/A**	**66,368**
Kim Bradley	18,246	N/A	N/A	18,246	**35,383**	**N/A**	**N/A**	**35,383**
Jyrki Talvitie	5,762	N/A	N/A	5,762	**12,585**	**N/A**	**N/A**	**12,585**
Caroline Brown	–	N/A	N/A	–	**–**	**N/A**	**N/A**	**–**
Massimo Gesua' sive Salvadori	13,739	N/A	N/A	13,739	**13,739**	**N/A**	**N/A**	**13,739**
William Huyett	500	N/A	N/A	500	**–**	**–**	**–**	**–**
Marie Chatti-Gautier	–	N/A	N/A	–	**–**	**N/A**	**N/A**	**–**

Notes:
1. As at 31 December 2020, Mr Gilauri's vested and unvested shareholding was 1,600,959 GCAP shares, representing approximately 3.3% of the Company's share capital. In 2021, Mr. Gilauri received awards of 200,000 salary deferred shares for the 2020 work year, out of which 7,953 shares were waived by Mr Gilauri to discharge the UK tax and employee National Insurance Contributions. This will be reported in the 2021 Annual Report and Accounts and is not included in the table above, which is at 31 December 2020. None of Mr. Gilauri's connected persons have any interest in the shares of the Company.
2. In June 2020, Mr Gilauri exercised options in respect of 182,998 GCAP shares, of which 36,314 were withheld to satisfy tax liabilities. The net gain of these options was US$ 827,994.
3. As at 31 December 2019, WI Huyett Revocable Trust, a Person Closely Associated (PCA) of Mr Huyett, also held 6,500 GCAP shares. Mr Huyett stepped down from the Board in June 2019.

The Remuneration Policy focuses on base salary in deferred salary shares and discretionary compensation in discretionary deferred shares. The long vesting periods naturally results in the Executive Director, Irakli Gilauri, building up large holdings of unvested nil-cost options. The Policy naturally results in Mr Gilauri and our executive management team holding a significant number of unvested shares and achieves a delay between performance and vesting. We believe these results are consistent with the principles of the Investment Association. As at 31 December 2020, Mr Gilauri met the shareholding requirement.

DIRECTORS' REMUNERATION REPORT CONTINUED

Under the 2019 Policy, the Group does not require Non-Executive Directors to hold a specified number of shares in GCAP. Notwithstanding this, some Non-Executive Directors have chosen to become shareholders. The Non-Executive Directors are not awarded incentive shares and are not remunerated in shares. Non-Executive Directors are not subject to a shareholding requirement.

There have been no changes in the Directors' interests in shares in the Company between the end of the financial year and 22 March 2021, with exception of Irakli Gilauri who as at 22 March 2021 holds total of 1,793,006 vested and unvested shares.

Mr Gilauri's interests in group debt securities

On 9 March 2018, Mr Gilauri acquired an aggregate principal amount of US$ 1,000,000 notes issued by JSC Georgia Capital which are listed on the Irish Stock Exchange.

Details of Non-Executive Directors' letters of appointment

Georgia Capital has entered into letters of appointment with each Non-Executive Director. The letters of appointment require Non-Executive Directors to provide one month's notice prior to termination. The letters of appointment for the majority of current Non-Executive Directors are effective from 24 February 2018. Each Non-Executive Director is put forward for election at each Annual General Meeting following his or her appointment. Continuation of a Non-Executive Director's employment is conditional on his or her continued satisfactory performance and re-election by shareholders at each Annual General Meeting.

A succession plan adopted by the Board provides for a tenure of six years on both the Georgia Capital PLC and JSC Georgia Capital boards. Upon the expiry of such six-year tenure, the appointment of the relevant Non-Executive Director may cease at the next upcoming AGM.

Notwithstanding the foregoing, if the Board determines that, in order to maintain the balance of appropriate skills and experience required for the Board, it is important to retain a Non-Executive Director on the Board beyond the relevant six-year period, the Board may offer the Non-Executive Director a letter of appointment for an additional one-year term. Such a one-year "re-appointment" may be renewed no more than two times, with the effect that the usual six-year tenure may be extended to a maximum of nine years if circumstances were to warrant such extension.

Implementation of Remuneration Policy for 2021

Details of how the 2019 Policy will be implemented for the 2021 financial year are set out below.

For Irakli Gilauri

2021 Fixed Pay

Total Deferred Share Salary	200,000 Georgia Capital deferred shares underlying nil-cost options.
Pension Benefits	Mr Gilauri has agreed for all pension contributions to be waived. Details of the benefits received by Executive Directors are on page 157.

There are circumstances in which unvested deferred shares may lapse, and narrow circumstances in which such shares may vest immediately are set out in detail in the 2019 Policy.

There shall be no significant changes to the implementation of the 2019 Policy in 2021.

2021 discretionary deferred share remuneration

Opportunity	Maximum is 100% of number of salary shares
Deferral terms	The Committee will determine whether an award is merited based on an Executive Director's achievement of the KPIs set by the Committee for the work year and the performance of the Group during the work year. If Mr Gilauri is awarded discretionary deferred shares with respect to the 2021 work year, the award will vest 25% in January of each of 2023, 2024, 2025 and 2026. Each tranche will be subject to a further holding period of one year. Upon vesting, Mr Gilauri will receive (in addition to the vested shares) cash payments equal to the dividends paid (if any) on the underlying shares between the beginning of the year immediately following the work year and the vesting date.
Performance measures	For 2021, the Committee has determined that the performance measures will be based on KPIs (see below). The Committee has considered the detail of each KPI and ensured that measurable targets are included. The KPIs will be reviewed by the Committee throughout the year and by the Board as appropriate.

See notes to the 2019 Policy for malus and clawback provisions.

2021 CEO KPIs

The 2021 KPIs were selected based on our new strategy and ongoing key metrics. As announced on investor day in November 2020, Georgia Capital's updated strategy is to focus on larger scale investment opportunities in Georgia which have the potential to reach at least GEL 0.5 billion equity value in 3-5 years after the initial investment and monetise them through exits, as the investments mature. In line with the updated strategy, Georgia Capital has introduced two new strategic priorities: (i) Realise the value of one of the large portfolio companies, through a trade sale, over the next 18-24 months; and (ii) Divest the subscale portfolio companies over the next 2-3 years.

Consequently, the 2021 KPIs are as follows:
- NAV per share growth
- Achieving budget of GCAP and portfolio companies (including cash flow)
- Expense ratio
- Broaden access to capital including seeking of price discovery of assets held (including progress on the two new strategic priorities above)
- Disciplined pursuit of investment opportunities (including progress on the new strategic priority to focus on larger scale investment opportunities)
- Progress towards achieving mid to long-term strategic priorities in portfolio companies
- Active mentoring and development of management including successors
- Maintain up-to-date succession planning process across the GCAP and portfolio companies
- Continued personal development

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and appropriate detail will therefore be disclosed in the 2021 Remuneration Report following the completion of the financial year. KPIs and targets will be reviewed and may be revised by the Remuneration Committee and the Board as appropriate throughout the year, subject to the terms of the Policy.

Non-Executive Director remuneration

The table below shows the fee structure for Non-Executive Directors for 2021. Non-Executive Directors' fees are determined by the Board.

Component	Purpose and link to strategy	Operation	Opportunity
Base cash fee	The fee for the Board is competitive enough to attract and retain individuals. The Chairman receives a fee which reflects the extra time committed and responsibility. However, no Chairman's fee is received when Chairman and CEO roles are combined. The Senior Independent Non-Executive Director receives a higher base fee which reflects the extra time and responsibility.	Cash payment on quarterly basis.	The amount of remuneration may be reviewed from time to time by the Board. The fees may be amended and varied if there are genuinely unforeseen and exceptional circumstances. Any significant increase shall be the minimum reasonably required. The maximum aggregate for all Non-Executive Directors which may be paid by Georgia Capital PLC for the PLC fees is GBP 750,000 which is consistent with the current limit in the PLC's Articles of Association.
Cash fee for each Committee membership	Additional fee to compensate for additional time spent discharging Committee duties.	Cash payment on quarterly basis.	The amount of remuneration for the membership may be reviewed from time to time by the Board. The Chairman of the PLC does not receive any Committee fee.

Governance

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' Remuneration Policy

The Remuneration Policy was approved at the AGM on 22 May 2019 and took effect from that date. It is intended that approval of the Remuneration Policy will be sought at three-year intervals, unless amendments to the 2019 Policy are required, in which case further shareholder approval will be sought; no changes are proposed for 2021. The full 2019 Policy is available at: **https://georgiacapital.ge/governance/cgf/policies**. The tables in this section provide a summary of the existing 2019 Directors' Remuneration Policy.

Remuneration Policy table for Executive Directors

DEFERRED SHARE SALARY

Purpose and link to strategy	Opportunity
To reflect the role and required duties, skills, experience and individual contribution to the Group whilst promoting long-term value creation and share price growth.	The maximum number of deferred share salary shares is 200,000 per annum for Irakli Gilauri, of which 20,000 shares per annum are for his work as the CEO of Georgia Capital PLC and 180,000 shares per annum are for his work as a CEO of JSC Georgia Capital and its subsidiaries.
Operation	**Performance measures**
The level of base salary for an Executive Director is fixed in his or her service agreement(s). Salary is comprised entirely of long-term deferred shares ("deferred share salary") in the form of nil-cost options annually in respect of the work year with no cash salary. Deferred share salary is awarded annually in the form of nil-cost options in respect of the work year and vest over five years with 20% vesting in each of the second, third, fourth, fifth and sixth years following the end of the work year. At vesting the Executive Director also receives cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date. Lapse provisions (natural malus) are built into the deferred share salary. Extended malus and clawback provisions do not apply to the deferred share salary as the awards attach to salary already earned.	N/A

DISCRETIONARY DEFERRED SHARES

Purpose and link to strategy	Opportunity
To motivate and reward an Executive Director that meets or exceeds the KPIs set for him or her by the Remuneration Committee for the relevant period. Performance-based remuneration is solely in the form of deferred shares (no cash), designed to closely align the interests of an Executive Director with shareholders, avoid inappropriate risk taking for short-term gain and encourage long-term commitment to the Group.	The maximum number of discretionary deferred shares that may be awarded in respect of the previous work year for Mr Gilauri is capped at 200,000 shares (i.e. 100% of deferred share salary). For an Executive Director (other than Mr Gilauri), the maximum opportunity in respect of the previous work year is 100% of total salary.
Operation	**Performance Measures**
Performance-based remuneration is awarded annually entirely in the form of nil-cost options over the Group shares subject to vesting ("discretionary deferred shares"). The Group does not award cash bonuses. The Remuneration Committee will determine annually the number of shares to be awarded based on the Executive Director's achievement of the KPIs set for the work year and the performance of the Group during that year. Any discretionary deferred shares are expected to be granted following the end of the work year and vest 25% in each of the second, third, fourth and fifth years following the end of the work year, although the Remuneration Committee retains the discretion to determine the timing of the award. Each tranche of vested discretionary deferred shares must then be held for a further one year. At vesting, the Executive Director also receives cash payments equal to the dividends paid on the underlying shares between the beginning of the year immediately following the work year and the vesting date. There is no contractual right to discretionary deferred shares and the Remuneration Committee reserves the right to award no discretionary deferred share remuneration if the Group's performance is unsatisfactory. Extended malus and clawback, in addition to lapse provisions (natural malus) apply.	KPIs for the Executive Director are set towards the beginning of each work year and reflect the Executive Director's targeted contribution to the Group's overall key strategic and financial objectives for the coming work year. KPIs may also include non-tangible factors such as self-development, mentoring and social responsibility. If appropriate, where a strategic change or change in business circumstances has made one or more of the KPIs an inaccurate gauge of the Executive Director's performance, the Remuneration Committee may decide to base its assessment on alternative measures.

PENSION

Purpose and link to strategy	Opportunity
The Group complies with pension requirements set by the Georgian Government. The same arrangement applies to employees across the Group in Georgia.	In line with current Georgian legislation, the Executive Director and Group each contribute 2% of total remuneration from the Group, and the Georgian Government may contribute a further small amount (0-2% depending on income levels). Pension contributions will only increase above this level if mandated by Georgian legislation or if mandated by any other applicable legislation.
Operation	**Performance measures**
Pension provision will be in line with Georgian pension legislation, which may change from time to time. There is no provision for the recovery or withholding of pension payments.	N/A

BENEFITS

Purpose and link to strategy	Opportunity
Non-cash benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high-calibre talent.	There is no prescribed maximum on the value of benefits payable to an Executive Director. The maximum amount payable depends on the cost of providing such benefits to an employee in the location at which the Executive Director is based.
Operation	**Performance measures**
Benefits consist of: life insurance; health insurance; incapacity/disability insurance; Directors' and Officers' liability insurance; physical examinations; tax gross-ups and tax equalisation payments; company car and driver; mobile phone costs; personal security arrangements (if requested by the Executive Director); assistance with completing tax returns (where required); relocation costs for Executive Director and close family; and legal costs. Other benefits may be provided from time to time if considered reasonable and appropriate.	N/A

SHAREHOLDING GUIDELINES

Purpose and link to strategy	Operation
To ensure Executive Directors build and hold a significant shareholding in the Group over the long term and to align Executive Directors' interests with those of shareholders. To ensure departing Executive Directors make long-term decisions and maintain an interest in the ongoing success of the Group post-employment.	Executive Directors are required to build and then maintain a shareholding equivalent to 200% of salary, such amount to be built up within a five-year period from appointment as an Executive Director (the "Required Shareholding"). All beneficially owned shares, as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares count towards the Required Shareholding (as such awards are not subject to any performance conditions after grant). Executive Directors are to retain the lower of (i) the Required Shareholding, or (ii) the shareholding at the time employment ceases, for a period of two years from the date on which employment ceases unless the Remuneration Committee determines otherwise. In very exceptional circumstances, for example in the event of a serious conflict of interest, the Remuneration Committee has the discretion to vary or waive the Required Shareholding, but must explain any exercise of its discretion in the Group's next Remuneration Report. It should be emphasised that there is no present intention to use this discretion.

DIRECTORS' REMUNERATION REPORT CONTINUED

Clawback and malus

Discretionary deferred shares are subject to malus, and clawback for up to two years from vesting, in the following circumstances:

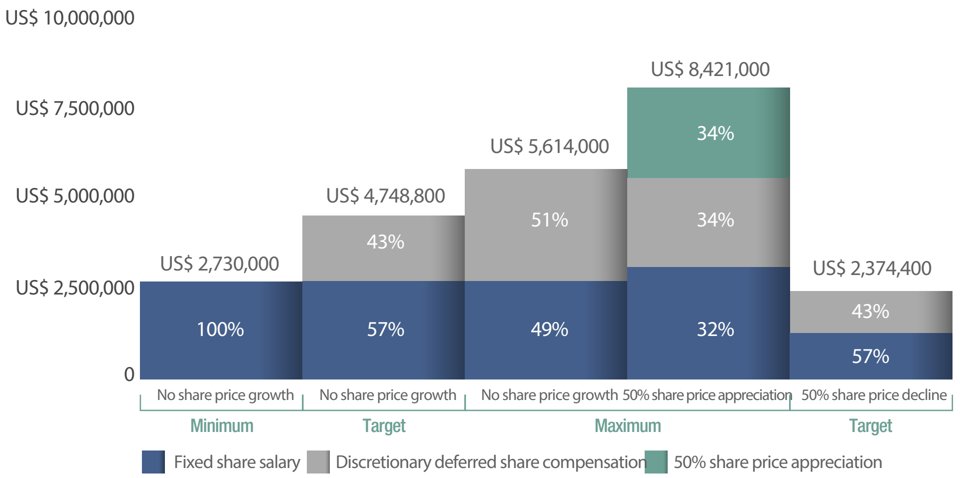
- misconduct in the performance or substantial failure to perform duties;
- significant financial losses, serious failure of risk management or serious damage to the reputation of Georgia Capital PLC or JSC Georgia Capital, caused by misconduct or gross negligence (including inaction in performance of his/her duties by the Executive Director);
- material misstatement or material errors in the financial statements that relates to the area of responsibility of the Executive Director or can be attributed to their action (or inaction in performance of his/her duties);
- deliberately misleading Georgia Capital PLC or JSC Georgia Capital in relation to financial performance; and
- an award being made on the basis of erroneous or misleading data, provided that for payments based on erroneous or misleading data (other than where such error has been caused by fraud, willfull misconduct, deliberate action/inaction and/or gross negligence of the Executive Director), malus and clawback apply to discretionary deferred remuneration awarded for the year in question.

For the Group's current Executive Director, Mr Gilauri, the Group also has unusually strong malus provisions where all unvested shares (deferred share salary and discretionary deferred shares) lapse when the service contract is terminated under certain circumstances, including for cause such as gross misconduct, substantial and repeated failure to perform duties, fraud or conviction of a felony. This may be several years of salary deferred shares and discretionary deferred shares. For more information please see the "Termination of the JSC Georgia Capital service agreement" in the Remuneration Policy available at: **https://georgiacapital.ge/governance/cgf/policies**.

Illustration of application of Remuneration Policy

The chart below shows an estimate of the remuneration that could be received by Mr Gilauri, the Group's sole Executive Director and CEO, in respect of 2021 under the proposed 2019 Policy at five different performance levels. The 50% share price appreciation disclosure is made voluntarily by the Group (as performance measures are limited to one year) for investor information.

The below is an extract from the 2019 Policy.



Notes:

1. Salary is comprised of deferred share salary and benefits. Mr Gilauri does not receive a cash salary and has waived all pension contributions. For illustration purposes, the value of the deferred share salary payable to Mr Gilauri is US$ 2,730,000, calculated by reference to the share price of US$ 13.65 on 12 July 2018, being the date of the Committee meeting (the official share price of GBP 10.324 converted into US dollars using an exchange rate of 1.3223, being the official exchange rate published by the Bank of England on the same date).
2. For the purpose of calculating the value of discretionary deferred shares for illustration in this chart a share price of US$ 14.42 per share was used. The actual value of the discretionary deferred share award in respect of the performance of the 2021 work year will be reported in the 2021 Annual Report and Accounts as at latest closing share price before the Committee meeting at which the award is decided.
3. Minimum opportunity reflects a scenario whereby Mr Gilauri receives only fixed remuneration which is deferred share salary and benefits. No share price growth assumptions have been made.
4. Target opportunity reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and 140,000 discretionary deferred shares, being 70% of the maximum opportunity. No share price growth assumptions have been made.
5. Maximum opportunity reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 100% being the number of shares granted under the deferred share salary. No share price growth assumptions have been made.
6. Maximum plus 50% share price growth reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 100% of the maximum opportunity and share price grows by 50%.
7. Target with 50% share price depreciation reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 70% of the maximum opportunity and share price depreciates by 50%.
8. For long-term incentive awards, disclosure of the value of the award in the event of a 50% share price appreciation is required by the Companies (Miscellaneous Reporting) Regulations 2018. Such disclosure is not required for short-term incentive awards, such as those made by the Group, where performance measures are limited to one year, nor is it required for salary compensation in the form of shares. The reason for this is that an increase in the value of the deferred shares resulting from share price appreciation in the period through to the vesting date is not considered to constitute remuneration for the purposes of the regulations. However, the Group has decided to voluntarily disclose information showing the value of a 50% share price appreciation.

Remuneration Policy table for Chairman and Non-Executive Directors

BASE FEES

Purpose and link to strategy	Opportunity
To attract and retain high performing Non-Executive Directors with the requisite skills, knowledge, experience, independence and other attributes to add value to the Group.	The maximum aggregate Georgia Capital PLC fees for all Non-Executive Directors which may be paid under the PLC's Articles of Association is GBP 750,000. A specific maximum has not been set for the individual base cash fee. The Senior Independent Non-Executive Director receives a higher base fee which reflects the extra time commitment and responsibility. The Chairman receives a fee which reflects the extra time commitment and responsibility. However, no Chairman's fee is received when the Chairman and CEO roles are combined.
Operation	**Performance measures**
All fees are paid in cash on a quarterly basis. The fee of the Chairman will be determined by the Remuneration Committee. Fees for Non-Executive Directors will be determined by the Board. Fees may be reviewed from time to time by the above, taking into account the time commitment, responsibilities and the technical skills required to make a valuable contribution to the Board, and by reference to comparators, benchmarking, results of the annual review and other guidance. The Board also reserves the right, in their discretion, to amend and vary the fees if there are genuinely unforeseen and exceptional circumstances which necessitate such review and in such circumstances any significant increase shall be the minimum reasonably required. The Board reserves the right to structure the Non-Executive Directors' fee differently in its absolute discretion. Non-Executive Directors are reimbursed for reasonable business expenses, including travel and accommodation, which are incurred in the course of carrying out duties.	N/A

COMMITTEE FEES

Purpose and link to strategy	Opportunity
Compensate for additional time spent discharging Committee duties.	The Chairman does not receive Committee fees.
Operation	**Performance measures**
Cash payment on a quarterly basis. The amount of remuneration for Committee membership is reviewed as above.	N/A

Governance

DIRECTORS' REMUNERATION REPORT CONTINUED

Service agreements and policy on payments for loss of office
Mr Gilauri is the sole Executive Director of the Group. Mr Gilauri has a service contract effective from 29 May 2018 with Georgia Capital PLC for an indefinite term (subject to re-election at the AGM) which is terminable by either party on four months' notice unless for cause where notice is served by the Group shall have immediate effect.

Mr Gilauri also has a service agreement with JSC Georgia Capital effective from 29 May 2018 for an employment term of five years which is terminable by the Company with immediate effect (with or without cause) and by the Executive Director on not less than three months' notice.

For information on our policy on payments for loss of office, please see our full Policy at: **https://georgiacapital.ge/governance/cgf/policies**.

Letters of Non-Executive Directors' appointments
Each Non-Executive Director is required to submit himself or herself for annual re-election at the AGM. The letters of appointment for Non-Executive Directors provide for a one-month notice period although the Group may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Non-Executive Director has committed any serious breach or non-observance of his or her obligations to the Group, is guilty of fraud or dishonesty, brings the Group or him/herself into disrepute or is disqualified as acting as a Non-Executive Director, among other circumstances. Upon termination, the only remuneration a Non-Executive Director is entitled to is accrued fees as at the date of termination together with reimbursement of properly incurred expenses incurred prior to the termination date.

The service agreements and letters of appointment are available for inspection at the Company's registered office.

Signed on behalf of the Remuneration Committee

Jyrki Talvitie
Chairman of the Remuneration Committee
25 March 2021

NOMINATION COMMITTEE REPORT

Jyrki Talvitie
Chairman of the Nomination Committee

DEVELOPING AND RECRUITING THE TALENT PIPELINE FOR A UNIQUE GROUP

Dear Shareholders
As Chairman of the Nomination Committee (the Committee), I am pleased to present the Committee's report for the year ended 31 December 2020.

The Committee's principal responsibility is to lead the process for appointing Directors to the Board and senior management positions. In last year's report, I explained that the Committee had focused primarily on ensuring the Board and its Committees were suitably resourced to facilitate the successful delivery of the Company's strategic and financial objectives. The continuous development of our business, together with ensuring that the combination of the roles of Chairman and CEO continues to be the best structure for the Company, will be key areas of focus for the Committee going forward.

Maria Chatti-Gautier was appointed to the Board in March 2020 and her experience of private equity transactions has proven to be a valuable addition to the Board. The process to appoint Ms Chatti-Gautier is described later in this report.

The Board has since carried out a further evaluation reported on later in this report and the Committee is satisfied that the overall size and composition of the Board is appropriate for the Group and that it comprises the right combination of skills, experience and knowledge. The Committee is also satisfied that we have in place strong leaders across our portfolio companies. Succession planning will, however, be an important focus for the Committee in 2021 at both Board and senior management level.

The Committee also reviewed the composition of each of the Board Committees and considered the results of the effectiveness evaluation undertaken by each of them. The Committee concluded that the composition of the Audit and Valuation Committee continues to be appropriate notwithstanding the widening of that Committee's responsibilities since the beginning of 2020. Responding to the results of the previous evaluation of both the Nomination and Remuneration Committees, the Committee recommended to the Board that the composition of the Nomination Committee was reduced and this is referred to later in the report. In addition, on the Committee's recommendation, Maria Chatti-Gautier joined the Remuneration Committee, filling a vacancy. Ms Chatti-Gautier's understanding of private equity businesses will be helpful to the Committee in fulfilling its responsibilities.

I invite you to read more on the activities we have undertaken during 2020 in the following report.

Jyrki Talvitie
Chairman of the Nomination Committee
25 March 2021

Strategic Review Overview
Strategic Review Our Business
Strategic Review Discussion of Results
Governance
Financial Statements
Additional Information

NOMINATION COMMITTEE REPORT CONTINUED

The role of the Nomination Committee
The role of the Nomination Committee is to help ensure the Board comprises individuals who are best able to discharge the responsibilities of Directors, having regard to the highest standards of governance, the strategic direction of the Company and the Board's Diversity Policy.

We also help to ensure that the Company appoints excellent executive managers within our portfolio of companies, capable of successfully executing our strategic objectives.

In summary, the key responsibilities of the Nomination Committee include:

- regular review of the composition of the Board and its Committees to ensure they are appropriately constituted and balanced in terms of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and balance in terms of skills, experience, independence and knowledge;
- responsibility for identifying and nominating candidates for the approval by the Board to fill Board vacancies as and when they arise;
- giving full consideration to succession planning for Directors, including the Chairman and CEO and other senior management, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keeping under review the Group's leadership needs, both executive and non-executive, and ensuring plans are in place for senior management succession, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace; and
- making recommendations to the Board concerning the re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code (the "Code"), having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and their independence, bearing in mind the need for progressive refreshing of the Board.

During 2020, the Committee undertook a review of its Terms of Reference as a result of which some revisions were incorporated to ensure the responsibilities of the Committee were aligned to the Code and best practice in a manner appropriate for the Company. The full Terms of Reference of the Committee can be found on our website here: **https://georgiacapital.ge/governance/cgf/terms**.

Composition and meeting attendance
The composition of the Committee and the members' meeting attendance for the year 2020 are set out in the Board and Committee meeting attendance table on page 126, and the skills and experience each member contributes can be found on pages 122-123. Until 19 March 2020, the Nomination Committee consisted of all members of the Board. As mentioned in our 2019 report, following the appointment of Maria Chatti-Gautier to the Board in March 2020, and having taken into account the results of the Committee's effectiveness evaluation exercise carried out in the prior year, the Committee decided that it would be more effective if it reduced its membership. As a consequence, the Committee now comprises me as Chairman, Kim Bradley, Maria Chatti-Gautier and Irakli Gilauri.

From time to time, when appropriate, other members of management may be invited to provide a fuller picture and deeper level of insight into key issues and developments.

The Committee also reviewed the time commitment of the Non-Executive Directors, taking into account any external directorships, length of service as well as independence of character and integrity. When considering this alongside the Company's strategic direction and the required skills and competencies required of the Board, the Committee recommends that each Non-Executive Director and the Chairman/CEO be elected at the 2021 AGM.

The tenure for each of the Directors is three years at the date of this report (appointment February 2018), except for Maria Chatti-Gautier who has served one year (appointment March 2020). As part of a wider assessment, the Committee notes that David Morrison was previously a director of BGEO Group PLC from 2011 to 2018. The original business of Georgia Capital demerged from BGEO Group PLC, into a new group which listed in its own right in May 2018. Georgia Capital is a platform for buying, developing and selling businesses in Georgia. Importantly therefore, the nature of the business of Georgia Capital is substantially different to that of BGEO Group PLC at the date of the demerger, which primarily consisted of the regulated bank. The Committee has also taken into account that Mr Morrison has a background as a corporate lawyer which gives him a particular sensitivity to conflicts and independence questions. Taking all the foregoing into consideration, the Committee continues to determine that Mr Morrison is independent in character and judgement.

You can read more on the balance of the Board in the section on "Board size, composition, tenure and independence" on page 124.

Role of the Chairman of the Board
The Committee revisited the decision to combine the roles of Chairman and CEO. Notwithstanding that this is not compliant with Provision 9 of the Code, the Committee and the Board continue to believe that the current structure better serves our Company and recommend that it should continue. Shareholders have, for the last two years, been supportive of this structure and from our discussions with shareholders, we believe this continues to be the case. The basis for this conclusion, and our shareholder engagement on this matter, is set out in the Directors' Governance Statement on page 121.

Inclusion and diversity
Our Board embraces diversity in all its forms and the Board understands the importance of developing a diverse pipeline for succession to senior management and the Board.

The Committee and the Board recognise the role that diversity has in promoting balanced decision-making which aligns with our values and strategy, and diversity of skills, background, experience, knowledge, outlook, approach, gender, nationality and ethnicity, amongst other factors, will be taken into consideration when seeking to appoint a new director to the Board. Notwithstanding the foregoing, any Board appointment will always be made based on merit.

Similarly, we are clear that diversity of outlook and approach, while inevitably being difficult to measure, may be equally important. We are supportive of the ambition shown in recent reviews on diversity, including the Parker Review regarding ethnic diversity, and the Hampton-Alexander Review regarding gender diversity, which are primarily aimed at FTSE 350 companies. Whilst the Committee will continue to examine ways in which we can become an increasingly diverse Board, we are also working to improve the gender balance of those in the senior management and their direct reports, as seen in the Resources and Responsibilities section on page 91. On 31 December 2020, Georgia Capital, as an investment holding company, had a total of 44 employees, of which 26 are females, and 18 are males. You can view our further gender diversity statistics on page 91 and a case study on gender diversity on page 90, in the Resources and Responsibilities section. In terms of diversity in nationality, the Board is currently composed of Directors from Georgia, the US, the UK, Finland and France.

The Committee is responsible for maintaining and assessing the effectiveness of the Company's Diversity Policy and will be undertaking a review of this as part of its activities for 2021. As part of our review of the Company's Diversity Policy, we will ensure that the policy is reviewed in light of the recommendations of both the Parker Review and the Hampton-Alexander Review and consider whether it will become appropriate to adopt targets in the future to promote an inclusive and diverse culture. You can read more about the established diverse culture and related activities during 2020 in the Resources and Responsibilities section on pages 82-96.

Succession planning and talent development
Succession planning at the Board and senior management level will continue to be a primary focus of the Committee throughout 2021. In 2020, appropriate opportunities were created to develop high-performing individuals and to build diversity in senior roles across the business. As a result of this, we have a fantastic talent pool of employees within Georgia Capital. We firmly believe that focusing on their development is the best way to ensure a healthy and diverse pipeline of future leaders of the Company. Please see pages 88, in the Resources and Responsibilities section on internal promotions. We were particularly pleased to see multiple promotions within our Group at senior leadership positions: the new Chief Strategy Officer and the Investments Director at Georgia Capital, and the CEO and the CFO of our water utility and renewable energy businesses were all promoted from other positions within the Group.

In addition, the Company is pursuing initiatives aimed at developing the entrepreneurial business leaders that Georgia Capital will require as it grows.

Appointment to the Board
The Committee has adopted a model of identifying potential candidates, based on merit and other objective criteria, and working with them over a period of time by inviting them to Board meetings and introducing them to senior management. This enables both the Board – and the candidates – to establish suitability and fit.

In 2020, the Committee recommended, and the Board appointed, Maria Chatti-Gautier as a member of the Board. Candidates shortlisted for appointment to the Board are generally seen first by a combination of the Chairman/CEO and Senior Independent Non-Executive Director, although other members of the Committee may also be involved at this stage. If the selection progresses further, each potential candidate is invited to meet other members of the Committee as well as members of management. We then decide whether to recommend the candidate for appointment as an advisor to the Board. It is our usual practice to appoint a Board candidate as an advisor prior to offering an appointment to the Board (as an extended trial of the candidate, who is only paid the equivalent to a Director's fee and whose remit is restricted to the Board and Committee matters). An advisor to the Board may be recommended for a Committee appointment. Following this trial period, the Nomination Committee will agree whether to recommend the advisor for appointment to the Board. The Board will ultimately resolve whether to make the recommended appointment.

As noted above, Maria Chatti-Gautier underwent the process and the Committee recommended her for appointment to the Board and Nomination Committee, alongside her continuing memberships of the Investment and Remuneration Committees and the Board approved such appointments.

The agreement with Ms Chatti-Gautier under which she had previously acted as an advisor to the Board was terminated upon her appointment as a Director of the Company. The fee payable to her under that agreement was equivalent to the fee she receives as a Non-Executive Director.

The Committee is always mindful of the diversity of the Board of Directors when recruiting. Ms Chatti-Gautier has extensive experience in all types of private equity transactions, a skill that the Committee had specifically identified would be of particular benefit to the Board. Ms Chatti-Gautier also has a background that includes investment execution and exit strategies.

Training and Director induction
We are committed to the continuing development of our Directors in order that they may build on their expertise and develop an even more detailed understanding of the business and the markets in which our investments operate. All of our Directors participated in development sessions and presentations, although due to restricted travel this year, site visits were carried out by the Director living in the country, Irakli Gilauri. The UK General Counsel and Group Company Secretary provide briefings as appropriate on regulatory and governance developments.

Each Director, upon appointment, receives a tailored induction to the Company and its various investments over the first six months of appointment, with the purpose of:

- building an understanding of the nature of the Company, its business and its markets;
- building a link with the Company's people;
- building an understanding of the Company's main relationships; and
- understanding the obligations and responsibilities of a Director of a UK premium listed company.

As part of the induction programme, each Director meets members of executive management, receives information about the role of the Board and individual Directors, each Board Committee and the powers delegated to these Committees. The new Director is also advised of the legal and other duties and obligations of a Director of a premium listed company.

Board and Committee Evaluation
On page 128 shareholders can find out more about the latest Board evaluation exercise. This was the second year that the evaluation was carried out internally, facilitated by the Company Secretary. The Committee considers that next year it might be appropriate to have the evaluation conducted by an external evaluator and this is something the Committee will explore over the coming months.

The review of the Committee carried out recently concluded that overall the Committee continued to perform effectively. The reduction in the size of the Committee had improved the effectiveness of the Committee in fulfilling its role. The Committee will increase its focus on succession planning in 2021.

Given his role as Chairman and CEO, Irakli Gilauri's performance was reviewed by the Remuneration Committee. The Senior Independent Director led the full review into the Board's evaluation process and separately met with the Non-Executive Directors without the Chairman/CEO present to assess the effectiveness of the Chairman/CEO. The CEO recused himself from the full Board's discussions around his own performance. In addition, the full Board met to consider the Remuneration Committee's recommendations and Mr Gilauri's performance as Board Chairman.

Governance

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the consolidated and stand-alone financial statements and the Directors' Remuneration Report, in accordance with applicable law and regulations.

Company law requires us to prepare financial statements for each financial year. As required, we have prepared the accompanying consolidated and separate statements in accordance with International Accounting Standards (IAS) as adopted by the European Union in conformity with the Companies Act 2006.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

We must not approve the accompanying consolidated and stand-alone financial statements unless we are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the accompanying consolidated and separate financial statements, we are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and with respect to the consolidated financial statements, the IAS Regulation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The financial statements of the Company are published on the Company's website at: **https://georgiacapital.ge/**. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Irakli Gilauri
Chairman and CEO
25 March 2021

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2020.

Please refer to the Corporate Governance Statement for further information on how we applied the UK Corporate Governance Code.

Strategic Report
The Strategic Report on pages 2 to 119 was approved by the Board of Directors on 25 March 2021 and signed on its behalf by Irakli Gilauri, Chairman and Chief Executive Officer.

Management Report
This Directors' Report together with the Strategic Report on pages 2 to 119 form the Management Report for the basis of DTR 4.1.5 R.

Information contained elsewhere in the Annual Report
Information required to be included in this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference:

Information	Location in Annual Report
Future developments	pages 2 to 119
Going Concern Statement	page 71
Viability Statement	pages 71 to 72
Risk management	pages 68 to 70
Principal risks and uncertainties	pages 73 to 81
Directors' Governance Statement	pages 120 to 121
The Board of Directors	pages 122 to 123
Nomination Committee report	pages 161 to 163
Audit and Valuation Committee report	pages 136 to 141
Remuneration Committee report	pages 142 to 160
Summary of the Remuneration Policy	pages 156 to 160
Investment Committee report	pages 134 to 135
Greenhouse gas emissions	page 93
Employee matters	pages 87 to 91
Environmental matters	pages 92 to 96
Share capital	page 208
Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, foreign currency risk and financial instruments	pages 214 to 216

Articles of Association
Georgia Capital PLC's (the "Company") Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. The process for the appointment and removal of Directors is included in our Articles of Association. The Georgia Capital PLC Articles of Association are available on the Company's website: **https://georgiacapital.ge/governance/cgf/articles**.

Share capital and rights attaching to the shares
Details of the movements in share capital during the year are provided in Note 8 to the consolidated financial statements on page 208 of this Annual Report. As at the date of this Annual Report there was a single class of 47,903,785 ordinary shares of 1 pence each in issue, each with one vote. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Holders of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

The Company is permitted to make market purchases of its own shares provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006. Authority was given at a General Meeting of the Company on 4 June 2020 for the Company to purchase up to 6,021,449 shares (approximately 14.99%) of Georgia Capital's issued ordinary share capital excluding treasury shares as at 7 April 2020. This authority will expire at the conclusion of the Company's AGM in 2021 or, if earlier, the close of business on 4 July 2021.

The Company has not repurchased any of its own shares during the financial year ended 31 December 2020 or from that date until 22 March 2021 being the latest practicable date prior to the publication of this Annual Report. No shares are held in treasury as at the date of this Annual Report.

On 8 July 2020, the Company issued 6,109,267 ordinary shares of 1 pence each which relate to valid acceptances under the terms of a recommended share exchange offer made by the Company for the remaining issued share capital of Georgia Healthcare Group Limited (GHG) in respect of 30,546,535 GHG shares.

On 22 July 2020, the Company issued 944,751 ordinary shares of 1 pence each fully paid which relate to valid acceptances not previously received under the terms of a recommended share exchange offer made by the Company for the remaining issued share capital of GHG that it did not already own (the "Offer").

On 2 September 2020, the Company issued a further 679,992 ordinary shares of 1 pence each fully paid pursuant to a compulsory acquisition procedure under Chapter 3 of Part 28 of the Companies Act 2006 to acquire the remaining GHG shares under the Offer.

All shares issued by the Company were admitted to listing on the London Stock Exchange.

A renewal of the authority to make market purchases will be sought from shareholders at each AGM of the Company. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

At a General Meeting of the Company on 4 June 2020, the Directors were given the power a) to allot shares up to a maximum nominal amount of GBP 133,899.25 (representing 13,289,925 ordinary shares), approximately one third of the Company's issued share capital as at 7 April 2020, and b) to allot equity securities up to an aggregate nominal amount of GBP 133,899.25 in connection with an offer by way of a rights issue: (i) to holders of shares in proportion (as nearly as may be practicable) to their existing holdings; and (ii) to holders of other equity securities as required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities, such amount to be reduced by the aggregate nominal amount of shares

DIRECTORS' REPORT CONTINUED

allotted or rights to subscribe for or to convert any securities into shares granted under paragraph (a), and subject to the Directors having the right to make such exclusions or other arrangements as they may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory. These authorities will expire at the conclusion of the 2021 AGM (or, if earlier, at the close of business on 4 September 2021) and approval will be sought at that meeting to renew a similar authority for a further year.

None of the ordinary shares carry any special rights with regard to control of Georgia Capital.

There are no restrictions on transfers of shares other than:
- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing or pursuant to the Group's Inside Information Disclosure Policy;
- pursuant to the Company's Securities Dealing Policy and Code, whereby the Directors and designated employees require approval to deal in Georgia Capital's shares or cannot deal in certain periods; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

There are no restrictions on exercising voting rights save in situations where Georgia Capital is legally entitled to impose such a restriction (for example, under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to Georgia Capital). Georgia Capital is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Results and dividends

The Company made a profit before taxation of GEL 330 million.
The Company's profit after taxation for the year was GEL 330 million.

Georgia Capital may by ordinary resolution declare dividends provided that no such dividend shall exceed the amount recommended by the Company's Directors. The Directors may also pay such interim dividends as appear to be justified by the profits of Georgia Capital available for distribution.

As Georgia Capital is a holding company, Georgia Capital relies primarily on dividends and other statutorily (if any) and contractually permissible payments from its subsidiaries to generate the funds necessary to meet its obligations and pay dividends to its shareholders.

The Company expects to be a cash generative business with the opportunity for attractive capital investment to enhance its growth prospects, both through organic investments and acquisitions. The Board intends to pursue a capital return policy that reflects this strategy whilst also delivering shareholders high quality, long-term dividend growth, through share buybacks or other potential exits. However, the Board may periodically reassess the Company's dividend policy and the payment of dividends (or quantum of the same) will depend on the Group's existing and future financial condition, results of operations, capital requirements, investment and divestment cycles, liquidity needs and other matters the Board considers relevant from time to time.

Equity Settled Option Plan (ESOP)

The Company operates an employee benefit trust (EBT) (the ESOP), which holds ordinary shares on trust for the benefit of employees and former employees of the Group, and their dependants, and which is used in conjunction with the Group's employee share schemes. Whilst ordinary shares are held in the EBT, the voting rights in respect of these ordinary shares are exercised by the trustees of the EBT.

In accordance with the ESOP documentation, Sanne Fiduciary Services Limited has waived its right to receive any dividends. This waiver will remain in place indefinitely, unless otherwise instructed by Georgia Capital. The Company has committed that new shares issued in satisfaction of deferred share compensation from the time of the Company's listing on the premium segment of the London Stock Exchange will not exceed 10% of Georgia Capital's ordinary share capital over any ten-year period.

Powers of Directors

The Directors may exercise all powers of the Company subject to applicable legislation and regulations and Georgia Capital's Articles of Association.

Conflicts of interest

In accordance with the Companies Act 2006, the Directors have adopted a policy and procedure for the disclosure and authorisation (if appropriate) of conflicts of interest, and these have been followed during 2020. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his or her duty under company law.

Directors' remuneration

Directors' fees are determined by the Remuneration Committee from time to time. The remuneration of Directors must be in accordance with the Directors' Remuneration Policy. A Remuneration Policy was put to the shareholders for approval at the 2019 AGM and remuneration is determined in accordance with that Policy. The fees paid to the Non-Executive Directors in 2020 pursuant to their letters of appointment are shown on page 152. The fees paid to our sole Executive Director in 2020 pursuant to his service agreements with Georgia Capital are shown on pages 146.

Directors' interests

The Directors' beneficial interests in ordinary shares of Georgia Capital as at 31 December 2020 are shown on page 153 together with any changes in those interests between the financial year end and the date on which this Directors' Report was approved by the Board.

Indemnity

Subject to applicable legislation, every current and former Director or other officer of the Company (other than any person engaged by the Company as auditor) shall be indemnified by the Company against (broadly) any liability in relation to Georgia Capital, other than (broadly) any liability to the Company or a member of the Company, or any criminal or regulatory fine. In addition, the Company has put in place Directors' and Officers' indemnity insurance.

Related party disclosures

Details of related party disclosures are set out in Note 16 to the consolidated financial statements on page 222 of this Annual Report.

Significant agreements

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the company. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

Presence outside of Georgia

We have our Company office in London: see page 227.

Employee disclosures

Our disclosures relating to the number of women in senior management, employee engagement and our policies on human rights, including employment of disabled persons, are included in the section "Employee Matters" on pages 87 to 91.

Political donations

The Company did not make any political donations or expenditure during 2020. Authority to make political donations and incur political expenditure will be put to shareholder vote at the 2021 AGM.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics relating to the lawful and ethical conduct of the business, supported by the Company's core values. The Code of Conduct and Ethics has been communicated to all Directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Company operates. Our Code of Conduct and Ethics is available on our website: **https://georgiacapital.ge/governance/cgf/policies.**

Independent auditors

A resolution to re-appoint Ernst & Young LLP as auditors of Georgia Capital will be put to shareholders at the upcoming AGM.

Major interests in shares

The table below lists shareholders with voting rights of more than 3% as of 31 December 2020:

	As of 31 December 2020	
Shareholder	Number of voting rights	% of voting rights
Eaton Vance	2,852,039	5.95%
M&G Investment Management Ltd	2,762,288	5.77%
Schroder Investment Management	1,894,962	3.95%
RWC Partners	1,507,329	3.15%

Source: Georgeson, Computershare

From the period 1 January 2021 up to and including 22 March 2021, there have been no further notifications to the Company in respect of interest in voting rights.

It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed. The respective regulatory filings by shareholders are available on GCAP's website at: **https://georgiacapital.ge/ir/news/regulatory-announcements** and the London Stock Exchange website: **www.londonstockexchange.com**

Post balance sheet events

On 16 March 2021 the 100% subsidiary of Georgia Capital PLC, JSC Georgia Capital, placed US$ 65 million (GEL 215.8 million) Eurobonds tap issue, to be consolidated and form a single series with the existing US$ 300 million 6.125% senior notes due 2024 issued on 9 March 2018, of which the notes with par value of US$ 4.2 million (GEL 13.8 million) were repurchased by JSC Georgia Capital at the issue date. The New Notes were priced at par and were listed on the Global Exchange Market of the Irish Stock Exchange plc trading as Euronext Dublin.

Statement of disclosure of information to the auditor

We, the Directors confirm that, so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware and we have taken all steps that we reasonably believe should be taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of such information.

Information to be disclosed in accordance with the Listing Rule 9.8.4R

The following information required to be disclosed in terms of Listing Rule 9.8.4R is not applicable unless stated otherwise:
- the amount of interest capitalised during the period under review and details of any related tax relief;
- information in relation to the publication of unaudited financial information;
- any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company;
- details of any non-pre-emptive issues of equity for cash by the Company or by any unlisted major subsidiary undertaking;
  - parent participation in a placing by a listed subsidiary;
  - any contract of significance in which a Director is or was materially interested;
  - any waiver of dividends by a shareholder; and
- details of any long-term incentive schemes.

The Directors' Report on pages 165 to 167 was approved by the Board of Directors on 25 March 2021 and signed on its behalf:

Link Company Matters Limited
Company Secretary
25 March 2021

Financial Statements

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion:

- Georgia Capital PLC's Group financial statements and parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Georgia Capital PLC (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2020	Separate statement of financial position as at 31 December 2020
Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2020	Separate statement of changes in equity for the year ended 31 December 2020
Consolidated statement of changes in equity for the year ended 31 December 2020	Separate statement of cash flows for the year ended 31 December 2020
Consolidated statement of cash flows for the year ended 31 December 2020	Related notes 1 to 17 to the financial statements including a summary of significant accounting policies
Related notes 1 to 17 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern statement

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process which included the preparation of the base case cash flow covering the going concern period until 31 March 2022 and the severe but plausible scenario. We also engaged with management early to ensure all key factors were considered in their assessment.
- We challenged the appropriateness of the going concern assessment period with reference to management's assessment, forecasts prepared and business cycle.
- Management's assessment considers the going concern position on a consolidated basis, taking into account the cash forecasts for both Georgia Capital PLC and Georgia Capital JSC on a combined basis with reference to the cash and liquid assets held in the balance sheet of Georgia Capital JSC. We have obtained bank confirmations and, made inquiries of management and the Directors and the local EY statutory audit team of the portfolio companies to identify whether the Company and Georgia Capital JSC have provided any material guarantees to its portfolio investments (in addition to a financial guarantee of EUR 18 million issued to one of the portfolio investments) and whether there are any other legal or constructive obligations to fund losses or activities at portfolio company level.
- We challenged whether there are any restrictions inhibiting Georgia Capital JSC's ability to support Georgia Capital PLC as required by considering the applicable law and the Eurobonds terms.
- We tested the inputs and key assumptions included in each modelled scenario for the cash forecast and we have assessed the impact of COVID-19 included in the single severe but plausible forecasted scenario. In addition, we developed an alternative cash flow projection where we stressed the expected future cash flows at JSC Georgia Capital, such as dividend income, interest income and loan repayment from portfolio companies, and assessed the completeness of cash flow outflows, such as operating costs, Eurobond coupon payments and planned debt and equity allocation to the portfolio companies.
- We compared Management's going concern assessment at the year end 2020 with the one prepared at the 2020 interim period to understand any major change in assumptions and to assess Management's forecasting accuracy.
- We tested the credit quality and liquidity of the underlying cash and liquid funds at 31 December 2020 with reference to the credit ratings of debt securities.
- We considered the maturity of the original US$ 300 million Eurobond and the subsequent US$ 65 million bond tap issued by the Group which is due in 2024 and the covenants attached to it to ensure there is no early repayment required during the going concern assessment period.
- We considered the financial position of Bank of Georgia and the COVID-19 related disclosures presented in its Preliminary Announcement for the year ended 31 December 2020, given that Bank of Georgia is the single liquid quoted investment in the Company's portfolio and also a depository of the majority of the Group's cash.
- We challenged the mitigating factors included in the cash forecast that are within the control of the Group.
- We performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity during the going concern period and assessed the likelihood of their occurrence.
- We reviewed the Group's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards. We confirmed that management appropriately disclosed in the post balance sheet event Note 17 that on 16 March 2021 the Company successfully raised an additional US$ 65 million to increase the US$ 300 million Eurobond in issue at the Balance Sheet date to US$ 365 million. We have confirmed the receipt of this amount, which will provide additional liquidity to the business in the going concern review period.

We have observed that the going concern scenarios modelled by management, including stress-testing, are consistent with our understanding of the financial position of the Group and its financial commitments to portfolio company investments.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent Company's ability to continue as a going concern for the period until 31 March 2022.

In relation to the Group and parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit Scope	The audit work was performed by an Integrated Group audit team which is based in the UK and Georgia.
Key audit matter	Valuation of unquoted investments.
Materiality	Overall Group materiality of GEL 11.1 million which represents 0.5% of the Net Asset Value (2019: GEL 17.5 million which represents 1% of the Net Asset Value).

An overview of the scope of the parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

The underlying subsidiaries are no longer consolidated, and only Georgia Capital PLC and Georgia Capital JSC were included in the scoping of 2020 audit. Hence, no component teams were involved.

All audit work performed in respect to the audit of the Consolidated and separate statement of financial position, including the valuation of the underlying portfolio investments, was undertaken by the Integrated Group audit team.

In the current year we have audited the fair value of 100% of the investment portfolio indirectly held by Georgia Capital through Georgia Capital JSC.

Financial Statements

INDEPENDENT AUDITOR'S REPORT CONTINUED

Changes from the prior year

In the prior year of the 11 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For another 3 components ("specific scope components"), we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. In 2019 the remaining components not subject to full or specific Group scoping mainly represented certain entities within the beverages, auto service, water utility, education and digital segments which were not significant individually or in the aggregate. Of the remaining components, the largest represented less than 1% of the Group EBITDA, adjusted for non-recurring items and only 1% of the Group's revenue.

In the prior year the reporting components where we performed audit procedures accounted for 95%, of the Group's Revenue, 106% of the Group's Profit, 90% of the Group's Total assets and 97% of the Group's Adjusted EBITDA. For the prior year, the full scope components contributed 89% of the Group's Revenue, 105% of the Group's Profit, 80% of the Group's Total assets and 88% of the Group's Adjusted EBITDA. The specific scope component contributed 6% of the Group's Revenue, 1% of the Group's Profit, 10% of the Group's Total assets and 9% of the Group's Adjusted EBITDA.

Integrated Group audit team

In establishing our overall approach to the Group audit, we considered that all significant elements of the Group's finance and accounting function are situated and managed centrally in Tbilisi, Georgia, and operate under one common internal control environment, and all operations of the Group are also managed from this location. All audit work performed for the purposes of the audit was undertaken by the Group audit team, as an integrated audit engagement team, consisting of team members located in Georgia and the UK. As an integrated team all audit work was performed in a shared electronic workspace. The audit plan was developed jointly and both teams were involved in the execution of the plan and in the consideration of areas of significant judgement and estimation.

The significant risk areas, namely valuation of unquoted investments were planned and directed by the UK audit team, including UK valuation specialists. The Prospective Financial Information included within valuation models relating to unquoted investments was audited by the Integrated Group Team including EY Tbilisi audit team members with appropriate knowledge of the underlying portfolio companies.

Travel restrictions due to COVID-19 presented challenges to us in exercising sufficient and appropriate direction, supervision, oversight and review of the audit work performed by members of our Integrated Group audit team in Tbilisi, Georgia such that we have adequate involvement in their work.

Under normal circumstances, Alistair Denton and other UK audit managers would visit Tbilisi, Georgia several times. The purpose of these visits would be to discuss the audit approach with the Integrated Group audit team members based in Tbilisi, Georgia and any issues arising from their work, meet with the Group management and management of the largest portfolio companies and attend Audit and Valuation Committee meetings.

In planning our audit, we assumed a worst-case scenario where travel restrictions and lockdowns would persist throughout the period of the audit. As a result, we included incremental procedures described below that enabled the Group engagement team to fulfil its responsibilities under auditing standards to evaluate, review and oversee the work of members of our Integrated Group audit team in Tbilisi, Georgia on a remote basis.

In the absence of being able to travel to Tbilisi, Georgia, we undertook alternative procedures to meet virtually with our Integrated Group team members and performed our review. We also maintained an open dialogue with the Head of Internal Audit, management valuations specialists, Group management and management of the largest portfolio companies to gain a sufficient understanding of business developments, performance and outlook which in turn drive valuation of these companies, to ensure that we were fully aware of their progress and results of their procedures.

During critical periods of the audit, we increased the use of online collaboration tools to facilitate team meetings, information sharing, and the evaluation, review and oversight of the work being performed by our Integrated Group audit team.

We utilised fully the interactive capability of EY Canvas, our global audit workflow tool, to review the underlying work performed.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Valuation Committee
Valuation of unquoted investments (GEL 2.376 million, 2019: GEL 1.224 million) *Refer to the Audit and Valuation Committee Report (pages 136-141); Accounting policies (pages 192-203); and Note 14 of the Consolidated Financial Statements (pages 216-221)* The fair value of the investment portfolio forms the basis of valuation of the single direct subsidiary presented under the account Equity investments at fair value in the Consolidated and Separate statement of financial position. The investment portfolio includes a number of unquoted businesses. These businesses include Georgia Healthcare Group (GHG), in relation to which on 16 July 2020 Georgia Capital PLC completed a buyout. Prior to the buy-out of the investment the value of GHG was, as a Listed business, based on the quoted share price. GHG represents the largest private investment in the Group's portfolio. The discount which exists in relation to Georgia Capital PLC's Market Capitalisation to Net Asset Value has increased from c.26% at 31 December 2019 to c.48% at 31 December 2020. The size of this discount could be indicative of material overstatement of the unquoted portfolio companies' fair value. The Company adopts a valuation methodology based on the International Private Equity and Venture Capital Valuation 2018 (IPEV) guidelines, in conformity with IFRS 13 Fair value measurements (IFRS 13). Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgements to be made by management. These judgements include in particular the selection of an appropriate valuation method, determination of peer group and applicable earnings multiples, calculation of discount rates and the estimation of future maintainable earnings. There is the risk that management may influence these judgements in order to meet market expectations of the overall net asset value of the Group and also influence their compensation.	Our procedures were performed by the Integrated Group audit team, including our UK valuation specialists. Our procedures extended to testing 100% of the related balance. We obtained an understanding of management's processes and controls for determining the fair valuation of unquoted investments. With the assistance of our valuation specialists, we: • compared management's valuation methodology to IFRS and the IPEV guidelines. We sought explanations from management where there were judgements applied in its application of the guidelines and assessed their appropriateness; • formed an independent range for the key assumptions used in the valuation of unquoted investments, namely, the discount rates, valuation multiples and the long-term growth rates, with reference to the relevant industry and market valuation considerations. We derived a comparative range of fair values for each investment in-scope using our comparative discount rate assumption in certain cases, keeping all other inputs and assumptions consistent with that of Management; • corroborated key inputs in the valuation models, such as earnings and net debt to the board packs provided by the portfolio companies and performed analytical review procedures to make sure the input data was reasonable; • we checked the mathematical accuracy of the valuation models; and • also performed the following procedures on key judgements made by management in the calculation of fair value: – assessed the suitability of the comparable companies used in Management's valuation analysis; – challenged Management on the applicability (or lack thereof) of adjustments made to earnings and/or multiples by obtaining rationale and supporting evidence for adjustments made; – challenged management on the selection of weighting applied to earnings multiples of the comparable companies by independently estimating our own range of multiples;	The valuation of the unquoted investments is within our independently developed range of fair values. Valuations were performed in accordance with IFRS 13 "Fair Value Measurement". We are satisfied that the disclosures in the financial statements are sufficient and appropriate.

Financial Statements

INDEPENDENT AUDITOR'S REPORT CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit and Valuation Committee
	– evaluated the appropriateness of discount rates by performing independent calculation which provided corroborative evidence; and – discussed with local management the key assumptions applied to calculate future cash flows and terminal value and corroborated this to supporting documentation. We have applied sensitivities to certain assumptions informed by our own benchmarking of these assumptions. • We considered the difference between the Company's market capitalisation and its Net Assets Value and challenged management's considerations as to the reasons for that difference by performing an independent market analysis of peer companies trading at a discount and reviewing the analysts' report. • We understood the nature of the material valuation uncertainty expressed by management's specialist on the valuation of the real estate properties within the Commercial and Hospitality RE business as disclosed in Note 14 to the accounts to ensure the scope of the work performed by the audit team, including our RE valuation specialists was sufficient and appropriate. • We engaged our real estate valuation specialists to assist us reviewing the valuation of the real estate assets in the Commercial and Hospitality RE business which form the basis of the net asset value at which this particular business is valued. We reviewed the property valuation report which covered a sample of properties, prepared by external property valuer and had a discussion with the property valuer and management to understand the key assumptions underpinning the valuation and changes in the Georgia real estate market, including COVID-19 implications. • We evaluated competence, capabilities and objectivity of management's specialists. We obtained an understanding of the work of management's specialists and evaluated and concluded whether the results of the specialists' work support the valuation assertion in the financial statements. We held video conference calls with management's specialists and challenged the key assumptions and methodologies applied in the valuation of the investments. • We performed a stand back test by considering where the fair value of each portfolio company estimated by management sits within EY range at both individual and the total portfolio level. • We assessed the disclosures against the requirements of IFRS 10 and IFRS 13.	

In the prior year, our auditor's report included Key Audit Matters in relation to the Risk of fraud in the recognition of revenue across the different businesses within the Group, Valuation of Investment properties, and the change in basis of accounting to adopt IFRS 10 Investment Entity consolidation exceptions and the Going concern basis used in preparation of the Annual Report and Accounts.

In the current year, the KAM in relation to the risk of fraud in the recognition of revenue has been removed due to the change in accounting basis whereby subsidiaries are no longer consolidated but instead accounted for at fair value. The KAM in relation to the Valuation of Investment properties is subsumed within the KAM entitled Valuation of Unquoted Investments in the current period. The KAM relating to the change in basis of accounting has been removed as it is no longer applicable. Our considerations in relation to the Going concern basis of preparation of the Annual Report and Accounts are discussed separately in our Audit Report. In the current year we do not consider Going concern to be a Key Audit Matter.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Company to be GEL 11.1 million (2019: GEL 17.5 million, which is 0.5% (2019: 1%) of the Net Asset Value. We consider that the Net Asset Value provides us with an appropriate basis for audit materiality as Net Asset Value is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Group. We have reduced the percentage in 2020 from 1% to 0.5%. As a result of the decrease in market capitalisation of the Company during 2020, the NAV of Group and Company exceeds market capitalisation as at 31 December 2020 by c.48% (2019 c.20%). As we have selected the Net Asset Value as the basis for materiality, we have consequently reduced the percentage applied to mitigate the risk of overstatement of assets as a result of management over-ride of controls. Refer to the Valuation of unquoted investments KAM for further details.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely GEL 5.5 million (2019: GEL 8.77 million). We have set performance materiality at this percentage due to the judgmental nature of the valuations in the Consolidated and separate statements of financial position, to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality of GEL 11.1 million.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Valuation Committee that we would report to them all uncorrected audit differences in excess of GEL 0.56 million (2019: GEL 0.88 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon:
- Strategic review section, including Georgia Capital Strategy, Market and Industry Overview, Capital Allocation and Managing Portfolio Companies, Value Creation, Portfolio Overview, S172 Statement, Risk Management, Risk Overview and Resources and Responsibilities, set out on pages 2 to 119;
- Governance section, including Directors' Governance Statement, Board of Directors, Corporate Governance Framework, Investment Committee Report, Audit and Valuation Committee Report, Director's Remuneration Report, Nomination Committee Report, Statement of Directors' Responsibilities and Directors' Report, set out on pages 120 to 167; and
- Additional information, including Abbreviations, Glossary and Shareholder information, set out on pages 224 to 227.

The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Strategic Review Overview
Strategic Review Our Business
Strategic Review Discussion of Results
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INDEPENDENT AUDITOR'S REPORT CONTINUED

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 71 and 186;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 71 and 186;
- Directors' statement on fair, balanced and understandable set out on page 164;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 73-81;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 68-72; and
- The section describing the work of the Audit and Valuation Committee set out on pages 136-141.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 164, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority requirements). We understood how the Group is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Valuation Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the Group or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plans targets and their potential to influence management to manage earnings or influence the perceptions of investors.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing designed to include large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management and internal audit.
- In relation to the valuation of unquoted investments, we identified a risk that management may influence judgements. Our response included using specialists, considering contrary evidence and performing enquiries of management of material portfolio companies in relation to prospective financial information used in the valuation models, as set out in more details in the Key Audit Matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address
- Following the recommendation from the audit committee, we were appointed by the company in 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. We were appointed as auditors by the Company and signed an engagement letter on 27 July 2020.
  The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2018 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Valuation Committee.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor Leeds
25 March 2021

Financial Statements

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

	Notes	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents*		**855**	1,243
Prepayments		**426**	234
Equity investments at fair value	6	**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	8		
Share capital		**1,574**	1,320
Additional paid-in capital and merger reserve		**238,311**	108,863
Retained earnings		**1,642,073**	1,327,327
Net profit for the year**		**330,334**	314,511
Total equity		**2,212,292**	1,752,021
Total liabilities and equity		**2,214,571**	1,759,674

* As at 31 December 2020 and 31 December 2019 cash and cash equivalents consist of current accounts with credit institutions.
** Company only net profit as at 31 December 2020 and 31 December 2019.

The parent company distributable reserves as at 31 December 2020 were GEL 1,311,489 (31 December 2019: GEL 1,320,092).

The financial statements on page 176 to 184 were approved by the Board of Directors on 25 March 2021 and signed on its behalf by:

Irakli Gilauri
Chief Executive Officer

Georgia Capital PLC
Registered No. 1085240

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

	Notes	2020
Gains on investments at fair value	6	**339,174**
Gross investment profit		**339,174**
Administrative expenses	10	**(5,430)**
Salaries and other employee benefits	10	**(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:	8	
– basic		**8.2302**
– diluted		**8.1966**

The parent company has taken advantage of the exemption in Companies' Act 2006 section 408 not to disclose a separate income statement for the year ended 31 December 2020 and 31 December 2019. In relation to this exemption only company net profit has been disclosed as a separate line in the consolidated and separate statement of financial position as at 31 December 2020.

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

Financial Statements

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019 (THOUSANDS OF GEORGIAN LARI)

	Notes	2019
Revenue		1,473,437
Cost of sales		(883,024)
Gross profit	9	590,413
Salaries and other employee benefits	10	(177,000)
Administrative expenses	10	(116,911)
Other operating expenses		(11,464)
Expected credit loss on financial assets	9	(11,474)
Impairment charge on insurance premium receivables, other assets and provisions	9	(1,078)
		(317,927)
EBITDA		272,486
Share in profit of associates		357
Dividend income	14	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	11	(9,130)
Gain from change in investment entity status	2	588,828
Income before income tax expense		608,899
Income tax expense	7	(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:	8	
– basic		16.4478
– diluted		16.0932

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019 (THOUSANDS OF GEORGIAN LARI)

	Notes	2019
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	8	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

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (THOUSANDS OF GEORGIAN LARI)

	Attributable to shareholders of Georgia Capital							
	Share capital	Additional paid-in capital and merger reserve	Treasury Shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
31 December 2018	1,293	–	(118)	415,164	684,349	1,100,688	329,005	1,429,693
Profit for the year	–	–	–	–	569,262	569,262	35,004	604,266
Other comprehensive income for the year	–	–	–	234,774	–	234,774	1,839	236,613
Total comprehensive income for the year	–	–	–	234,774	569,262	804,036	36,843	840,879
Issue of share capital (Note 8)**	113	112,743	–	–	–	112,856	–	112,856
Increase in equity arising from share-based payments (Note 12)	–	–	–	25,148	–	25,148	6,585	31,733
Transaction costs recognised directly in equity (Note 8)**	–	(5,888)	–	–	–	(5,888)	–	(5,888)
Dilution of interests in subsidiaries	–	–	–	5,040	–	5,040	(5,040)	–
Increase in share capital of subsidiaries	–	–	–	–	–	–	6,215	6,215
Acquisition/Sale of non-controlling interests in existing subsidiaries**	–	–	–	(46,512)	–	(46,512)	(92,354)	(138,866)
Acquisition of additional interest in existing subsidiaries by non-controlling shareholders	–	–	–	(1,932)	–	(1,932)	749	(1,183)
Non-controlling interests arising on acquisition of subsidiary	–	–	–	–	–	–	6,976	6,976
Dividends paid by subsidiaries*	–	–	–	–	(89)	(89)	(11,170)	(11,259)
Cancellation of own shares	(86)	–	86	–	–	–	–	–
Purchase of treasury shares	–	2,008	(106)	(134,962)	–	(133,060)	–	(133,060)
Change in investment entity status	–	–	138	(496,720)	388,316	(108,266)	(277,809)	(386,075)
31 December 2019	1,320	108,863	–	–	1,641,838	1,752,021	–	1,752,021

* During 2019, Georgia Healthcare Group PLC, the Group's subsidiary, announced its dividend, out of which GEL 2,873 was paid in dividends to its minority shareholders. In addition, JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of GEL 8,297.

** On 18 November 2019, the Company announced a share exchange facility for GHG shareholders. Under the Exchange Facility, GHG shareholder's had the opportunity to exchange GHG shares for shares in GCAP in the ratio of 1:0.192. The facility closed on 18 December 2019 and as a result of which GCAP exchanged 17,892,911 existing GHG shares for 3,435,438 newly issued GCAP shares. The Group's interest in GHG increased to 70.6%. Acquisition of non-controlling interest in existing subsidiaries is mostly attributable to GHG share exchange transaction.

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

	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 (Note 12)	–	–	552	552
Issue of share capital (Note 8)	254	138,011	–	138,265
Transaction costs recognised directly in equity (Note 8)	–	(8,563)	–	(8,563)
Purchase of treasury shares	–	–	(317)	(317)
31 December 2020	**1,574**	**238,311**	**1,972,407**	**2,212,292**

* As a result of acquiring an additional 29.4% interest in Georgia Healthcare Group PLC and increasing investment in GHG to 100%, the company recognised merger reserve in the amount of GEL 138,011 in relation to this transaction.

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

Financial Statements

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

	Notes	2020*	2019*
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	2	**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	2	**–**	(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	8	**–**	(75,428)
Dividends paid		**–**	(11,405)
Interest paid		**–**	(148,790)
Contributions under share-based payment plan	8	**(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	8	**(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. For the parent company separate statement of cash flows for the year ended 31 December 2019 refer to page 184.

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (THOUSANDS OF GEORGIAN LARI)

	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
31 December 2018	1,293	–	(41)	1,378,911	1,380,163
Income for the year	–	–	–	314,511	314,511
Increase in equity arising from share-based payments	–	–	–	535	535
Issue of share capital (Note 8)	113	112,743	–	–	112,856
Transaction costs recognised directly in equity (Note 8)	–	(5,888)	–	–	(5,888)
Cancellation of shares	(86)	–	86	–	–
Purchase of treasury shares	–	2,008	(45)	(52,119)	(50,156)
31 December 2019	1,320	108,863	–	1,641,838	1,752,021

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

Financial Statements

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (THOUSANDS OF GEORGIAN LARI)

	Notes	2019
Interest income received		14
Salaries and other employee benefits paid		(1,332)
General, administrative and operating expenses paid		(4,393)
Net other expense paid		(208)
Cash flows from operating activities		(5,919)
Capital redemption from subsidiary	2	80,389
Cash flows from investing activities		80,389
Cash flows from financing activities		
Purchase of treasury shares	8	(75,428)
Transaction costs incurred in relation to share issuance	8	(1,108)
Net cash from financing activities		(76,536)
Effect of exchange rates changes on cash and cash equivalents		(272)
Net increase in cash and cash equivalents		(2,338)
Cash and cash equivalents, beginning of the period		3,581
Cash and cash equivalents, end of the period		1,243

The accompanying notes on pages 185 to 222 are an integral part of these consolidated and separate financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

1. Principal Activities
Georgia Capital PLC ("Georgia Capital", the "Company") is a public limited liability company incorporated in England and Wales with registered number 10852406. Georgia Capital PLC holds 100% of the share capital of the JSC Georgia Capital, which makes up a group of companies (the "Group"), focused on buying, building and developing businesses in Georgia. The Group currently has six large and investment stage 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; Georgia Capital also holds other small private businesses across different industries in Georgia, including housing development, hospitality and commercial property construction and development, wine and beer production, digital, auto service businesses through privately held subsidiaries and a 19.9% equity stake in LSE premium-listed Bank of Georgia Group PLC (BoG), a leading universal bank in Georgia. On 19 May 2020 Georgia Capital PLC offered to acquire all remaining outstanding shares in Georgia Healthcare Group PLC, a holding company for healthcare, retail (pharmacy) and medical insurance businesses. On 8 July 2020 GCAP PLC applied to delist Georgia Healthcare Group from the London Stock Exchange premium listing. Delisting was finalised on 5 August 2020. The shares of Georgia Capital are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities under the ticker CGEO, effective 29 May 2018.

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

As at 31 December 2020 and 31 December 2019, the following shareholders owned more than 5% of the total outstanding shares* of Georgia Capital. Other shareholders individually owned less than 5% of the outstanding shares.

Shareholder	31 December 2020	31 December 2019
Eaton Vance	**6%**	–
M&G Investment Management Ltd	**6%**	8%
Others	**88%**	92%
Total	**100%**	100%

* For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares which includes shares held in the trust for share-based compensation purposes of the Group.

2. Basis of Preparation
General
The consolidated and separate financial statements have been prepared 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 Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) effective for 2020 reporting.

These financial statements are prepared under the historical cost convention except for financial assets measured at fair value and investments in subsidiaries held at fair value through profit or loss (FVPL).

The consolidated statement of other comprehensive income for the year ended 31 December 2020 is zero, therefore a single combined consolidated statement of profit or loss and other comprehensive income for the period is presented. Refer to page 177.

As the comparative information in these financial statement was prepared under the consolidated basis, they are referred to as consolidated financial statements, despite the application of the investment entity accounting for the year ended 31 December 2020 as described in Note 3.

The financial statements are presented in thousands of Georgian Lari (GEL), except per-share amounts and unless otherwise indicated.

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

a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The financial impact of the change in investment entity status, a gain of GEL 588,828, was recorded in 2019. Further details on the financial impact of change in investment entity status and underlying significant judgements are provided in notes 3, 4, 6 and 14 respectively.

Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued

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's liquidity outlook for the period ending 31 March 2022, taking into account the impact of the COVID-19 pandemic and considering 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 be focused on limiting capital allocations, optimising operating expenses and accumulating and preserving cash.

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 (refer to Note 14). The latter are considered to be highly liquid, as they are debt instruments listed on international and local markets. Liquidity needs of the holding companies (which includes JSC GCAP as well) during the Going Concern review period mainly consists of the coupon payments on JSC GCAP Eurobonds and the 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). Liquidity outlook also considers a US$ 65 million (GEL 215.8 million) Eurobonds tap issue placed on 16 March 2021 and priced at par, which will be consolidated and form a single series with the existing US$ 300 million 6.125% senior notes due 2024 (Note 17). 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 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 EUR 18 million 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 excluded it from 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 deal with the COVID-19 pandemic. The Georgian Government took 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 US$ 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.

Subsidiaries and associates

The total amount of investment in subsidiaries in the Company's separate statement of financial position as at 31 December 2020 was GEL 2,213,290 (as at 31 December 2019: 1,758,197) represented by direct investment in JSC Georgia Capital. As at 31 December 2020 and 31 December 2019 investment in JSC Georgia Capital (Note 14) is measured at fair value. As at 31 December 2020 equity investments of JSC Georgia Capital include the following subsidiaries and associates:

The Company's direct and indirect subsidiaries and associates are as follows:

	Proportion of voting rights and ordinary share capital held						
Subsidiaries	31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
JSC Georgia Capital	**100.00%**	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Investment	6/8/2015	–
JSC Georgia Real Estate	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	27/9/2006	–
m² Group, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
m² Development, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	12/12/2019	–
Optima ISANI, LLC	**100.00%**	100.00%	Georgia	14 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
Tamarashvili 13, LLC	**100.00%**	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
m² at Hippodrome, LLC	**100.00%**	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
m² Skyline, LLC	**100.00%**	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	23/7/2015	–
m² at Kazbegi, LLC	**100.00%**	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
m² at Tamarashvili, LLC	**100.00%**	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–

2. Basis of Preparation continued

Subsidiaries and associates *continued*

	Proportion of voting rights and ordinary share capital held						
Subsidiaries	31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
m² at Nutsubidze, LLC	**100.00%**	100.00%	Georgia	71 Vaja Pshavela Ave., 0186	Real estate	21/5/2013	–
M Square Park, LLC	**100.00%**	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
Optima Saburtalo, LLC	**100.00%**	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
m² at Chavchavadze, LLC	**100.00%**	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
Land, LLC	**100.00%**	100.00%	Georgia	Between university and Kavtaradze st.,Tbilisi	Real estate	3/10/2014	–
m² New District, LLC	**100.00%**	–	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	24/1/2020	–
JSC New Development	**100.00%**	–	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	27/1/2020	–
Optima, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	3/8/2016	–
BK Construction, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	18/5/2017	2/6/2017
BK Production, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	27/6/2019	–
Georgia Real Estate Management Group, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
Amber Group, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Hospitality	10/12/2019	–
Kakheti Wine and Spa, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	23/04/2018	–
Gudauri Lodge, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	24/04/2018	–
m² Mtatsminda, LLC	**100.00%**	100.00%	Georgia	22 Zaal Dumbadze st., Tbilisi	Hospitality	16/10/2014	26/12/2017
m² Svaneti, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	14/11/2018	–
m2 Hatsvali, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	17/4/2019	–
m² Resort,LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	11/2/2019	–
JSC Litera	**–**	50.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	4/12/2019	–
Georgia Property Management Group, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Property management	4/10/2018	–
Vere Real Estate, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	4/3/2010	6/8/2018
Caucasus Autohouse, LLC	**100.00%**	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	29/3/2011	–
Georgia Hotels Management Group, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	16/12/2019	–
m², LLC	**100.00%**	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	12/2/2014	–
m² Kutaisi, LLC	**100.00%**	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
m² at Melikishvili, LLC	**100.00%**	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
m² Zugdidi, LLC	**100.00%**	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	7/11/2018	–
Georgia Commercial Assets, LLC	**100.00%**	–	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	23/12/2020	–
Georgia Hospitality Management Group, LLC	**100.00%**	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Real estate	22/8/2018	–
Georgia Hospitality Management Group Gudauri, LLC	**100.00%**	100.00%	Georgia	Georgia, Dusheti region, village Seturebi	Real estate	12/5/2019	–
JSC Georgian Renewable Power Company	**100.00%**	65.59%	Georgia	79 David Agmashenebeli Ave, 0102, Tbilisi	Renewable Energy	15/9/2015	–
JSC Geohydro	**85.00%**	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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2. Basis of Preparation *continued*
Subsidiaries and associates *continued*

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
JSC Zoti Hydro	**100.00%**	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	20/8/2015	–
JSC Caucasian Wind Company	**100.00%**	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	14/9/2016	–
JSC Caucasian Solar Company	**100.00%**	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	27/10/2016	–
Bakhvi 2, LLC	**95.00%**	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	22/10/2015	8/23/2019
Racha Hydro, LLC	**95.00%**	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	31/10/2019	–
Hydro S, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/1/2019	10/28/2019
Georgia Geothermal Company, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	16/12/2019	–
JSC A Group	**100.00%**	100.00%	Georgia	1, Berbuki str., Saburatlo, Tbilisi	Various	20/9/2018	–
JSC Insurance Company Aldagi	**100.00%**	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	31/7/2014	–
JSC Insurance Company Tao	**100.00%**	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	22/8/2007	21/1/2015
Aliance, LLC	**100.00%**	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	3/1/2000	30/4/2012
Auto Way LLC	**100.00%**	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	9/8/2004	30/4/2012
Insurance Informational Bureau, LLC	**22.50%**	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2007	–
JSC Carfest	**75.00%**	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
JSC Greenway Georgia	**100.00%**	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
GreenWash, LLC	**75.00%**	75.00%	Georgia	6, University str., Vake, Tbilisi	Car Wash	31/8/2018	–
Georgia Healthcare Group Limited (formerly GHG PLC)**	**100.00%**	70.63%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
JSC Georgia Healthcare Group**	**100.00%**	70.63%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	29/4/2015	–
JSC Insurance Company Imedi L	**100.00%**	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
JSC GEPHA	**67.00%**	67.00%	Georgia	142, A. Beliashvili str, Tbilisi	Pharmacy and Distribution	19/10/1995	4/5/2016
JSC ABC Pharamcia (Armenia)	**100.00%**	100.00%	Armenia	Kievyan Str. 2/8, Erevan, Armenia	Pharmacy and Distribution	28/12/2013	6/1/2017
ABC Pharmalogistics, LLC	**100.00%**	100.00%	Georgia	Peikrebi str. 14a, Tbilisi, Georgia	Pharmacy and Distribution	24/2/2004	6/1/2017
JSC Evex Hospitals	**100.00%**	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/8/2014	1/8/2014
EVEX-Logistics, LLC	**100.00%**	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	13/2/2015	–
New Clinic, LLC	**100.00%**	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	3/1/2017	20/7/2017
Caucasus Medical Center, LLC	**99.80%**	99.80%	Georgia	23, P. Kavtaradze Str., Tbilisi	Healthcare	12/1/2012	30/6/2015
JSC Pediatry	**100.00%**	76.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	5/9/2003	6/7/2016
JSC Kutaisi County Treatment and Diagnostic Center for Mothers and Children	**67.00%**	67.00%	Georgia	Djavakhishvili str. 85, Kutaisi, Georgia	Healthcare	5/5/2003	29/11/2011
LLC Academician Z Tskhakaia National Centre of Intervention Medicine of Western Georgia	**67.00%**	67.00%	Georgia	A Djavakhishvili str. 83A, Kutaisi, Georgia	Healthcare	15/10/2004	29/11/2011

2. Basis of Preparation *continued*
Subsidiaries and associates *continued*

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
NCLE Evex Learning Centre	**100.00%**	100.00%	Georgia	#83A, Javakhishvili street, Tbilisi	Other	20/12/2013	20/12/2013
Emergency Service, LLC	**85.00%**	85.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	18/6/2013	3/1/2015
GNCo	**10.00%**	50.00%	Georgia	Chavchavadze ave. N 16, Tbilisi	Healthcare	4/6/2001	5/8/2015
High Technology Medical Center, LLC	**10.00%**	100.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	16/4/1999	5/8/2015
LLC Nefrology Development Clinic Centre	**8.00%**	80.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	28/9/2010	5/8/2015
JSC Evex Clinics	**100.00%**	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/4/2019	–
Tskaltubo Regional Hospital, LLC	**67.00%**	67.00%	Georgia	16 Eristavi street, Tskhaltubo	Healthcare	29/9/1999	29/11/2011
LLC Aliance Med	**100.00%**	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	7/7/2015	20/7/2017
JSC Polyclinic Vere	**97.80%**	97.80%	Georgia	18-20 Kiacheli str.,Tbilisi	Healthcare	22/11/2013	25/12/2017
New Dent, LLC	**75.00%**	75.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Healthcare	24/12/2018	–
JSC Mega-Lab	**92.00%**	92.00%	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	6/6/2017	–
JSC Patgeo	**100.00%**	100.00%	Georgia	Mukhiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	1/8/2016
JSC Vabaco	**67.00%**	67.00%	Georgia	Bochorishvili str. 37, Tbilisi, Georgia	Software Development	9/9/2013	28/9/2018
JSC Georgian Global Utilities (formerly Georgian Global Utilities, LLC)	**100.00%**	100.00%	British Virgin Islands	33 Porter Road, PO Box 3169 PMB 103, Road Town, Tortola	Utilities	16/08/2007	31/12/2014
Georgian Water and Power, LLC	**100.00%**	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	25/06/1997	31/12/2014
Rustavi Water, LLC	**100.00%**	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
Gardabani Sewage Treatment, LLC	**100.00%**	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/12/1999	31/12/2014
Mtskheta Water, LLC (merged with GWP LLC)	**–**	100.00%	Georgia	Aghmashenebeli St., Mtskheta	Utilities	1/9/1999	31/12/2014
Georgian Engineering and Management Company (GEMC), LLC	**100.00%**	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/03/2011	31/12/2014
JSC Saguramo Energy	**100.00%**	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	11/12/2008	31/12/2014
JSC Svaneti Hydro	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/12/2013	–
Qartli Wind Farm, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	10/9/2012	30/12/2019
Georgian Energy Trading Company (GETC), LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy Sales	23/4/2019	–
Hydrolea, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/7/2012	28/10/2019
Geoenergy, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	26/1/2012	28/10/2019
Hydro Georgia, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	8/5/2012	28/10/2019
Darchi, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
Kasleti 2, LLC	**100.00%**	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued
Subsidiaries and associates *continued*

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
JSC Georgian Beverages	**100.00%**	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
JSC Georgian Beverages Holding	**87.39%**	86.81%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Investment	17/12/2019	–
JSC Teliani Valley	**100.00%**	100.00%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
Teliani Trading (Ukraine), LLC	**100.00%**	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
Georgia Logistics and Distribution, LLC	**100.00%**	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
Le Caucase, LLC	**100.00%**	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
Kupa, LLC	**70.00%**	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
Global Beer Georgia, LLC	**100.00%**	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
Kindzmarauli Marani, LLC	**100.00%**	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
Alaverdi, LLC	**100.00%**	100.00%	Georgia	Chumlaki, Gurjaani Region, Georgia	Winery	8/4/2008	19/8/2019
Global Coffee Georgia, LLC	**100.00%**	100.00%	Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
New Coffee Company, LLC	**100.00%**	100.00%	Georgia	Tskneti Highway, 16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017
Genuine Brewing Company LLC	**100.00%**	100.00%	Georgia	7 Kotetishvili st, Tbilisi, 0108	Beer Production and Distribution	7/6/2011	7/2/2018
Craft and Draft, LLC	**100.00%**	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Beer Production	20/2/2019	–
JSC Artisan Wine and Drinks	**100.00%**	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Wine distribution	26/8/2019	–
Amboli, LLC	**90.00%**	80.00%	Georgia	24, Leonidze st, Rustavi, Georgia	Car Services	13/8/2004	25/6/2019
Redberry, LLC	**60.00%**	60.00%	Georgia	9, Tashkenti st, Tbilisi, Georgia	Digital Services	29/8/2014	1/5/2019
Lunchoba, LLC	**60.00%**	60.00%	Georgia	22 Nutsubidze IV Micro-district, Tbilisi	Catering Services	8/10/2018	–
Shabatoba, LLC	**100.00%**	–	Georgia	8 Zurab Sakandelidze st, Tbilisi, Georgia	Delivery Services	2/6/2020	–
JSC Carfest	**25.00%**	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
GCMF, LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Excess liquidity management company	2/5/2019	–
Georgian Wind Company, LLC (merged with JSC GGU)	**–**	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	18/6/2019	–
Georgia Energy Holding, LLC (merged with JSC GGU)	**–**	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	26/9/2019	–
Georgia Education Group,LLC	**100.00%**	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	16/7/2019	–

2. Basis of Preparation continued
Subsidiaries and associates *continued*

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
Green School, LLC	**90.00%**	90.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	21/10/2019	–
Tbilisi Green School, LLC	**80.00%**	80.00%	Georgia	Didube-Chughureti/Dighomi massive IV, Building 5A, Apartment 35	Education	7/6/2011	22/8/2019
Buckswood International School – Tbilisi, LLC	**80.00%**	80.00%	Georgia	2, Dolidze str, Tbilisi	Education	24/8/2005	29/7/2019
Sakhli Tsknetshi, LLC	**100.00%**	100.00%	Georgia	Tskneti, Vake region, Tbilis	Education	1/5/2005	–
British Georgian Academy, LLC	**70.00%**	70.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2006	23/7/2019
NNLE British International School of Tbilisi	**100.00%**	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2015	–
British International School of Tbilisi LLC	**100.00%**	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	5/9/2019	–
JSC Liberty Consumer	**77.23%**	75.10%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
JSC Intertour	**99.94%**	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006
JSC Oncloud	**100.00%**	–	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Digital Services	28/2/2020	–

Associates	Proportion of voting rights and ordinary share capital held 31 December 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
#5 Clinic hospital, LLC	**–**	35.00%	Georgia	Temka, XI mcr. Block 1, N 1/47, Tbilisi	Healthcare	16/9/1999	4/5/2016
Ytong Capital, LLC*	**28.90%**	28.90%	Georgia	15, Kipshidze str, Tbilisi, Georgia	Production	6/3/2015	30/10/2019
JSC Isani Parki	**6.00%**	6.00%	Georgia	Kakheti Highway, Isani, Tbilisi	Real estate	18/12/2017	–

* On 30 October 2019 one of the Group's wholly owned subsidiaries – JSC Georgia Real Estate (formerly JSC m2 Real Estate) acquired 28.9% equity investment in Ytong Capital LLC. Total consideration paid was GEL 10,822.

** As at 31 December 2020 the Group holds 100% investment in GHG directly through an entity based in Georgia – JSC Georgia Healthcare Group. As at 31 December 2019 the Group's 70.63% investment in GHG was owned through a UK based entity – Georgia Healthcare Group PLC.

During 2020 JSC Georgia Capital made a capital reduction to its 100% shareholder with total cash consideration of GEL 21,180 (2019: GEL 80,389).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

3. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated and separate financial statements. Certain accounting policies relate to assets, liabilities, income and expenses of subsidiaries of the Group which were consolidated up until 31 December 2019 before change of Company's investment entity status, these are grouped together at the end of these accounting policies and might not be relevant for Company's assets and liabilities as at 31 December 2020 or to its operations going forward:

Change in basis of accounting

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Following the change in investment entity status on 31 December 2019 (Note 2), the Group de-consolidated its subsidiaries and recognised them as investments in subsidiaries at their fair value as at 31 December 2019.

Fair value measurement

The Group measures investments in subsidiaries (starting from 31 December 2019) and other financial instruments, such as debt securities owned, equity investments and derivatives at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 14.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within ninety days of the date of contract origination and are free from contractual encumbrances and readily convertible to known amount of cash.

Financial assets

Initial recognition

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. Summary of significant accounting policies continued

Financial assets *continued*

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories under IFRS 9:

- Financial assets at amortised cost (Cash and cash equivalents)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (currently Group does not have instruments classified under this category)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (currently Group does not have instruments classified under this category)
- Financial assets at fair value through profit or loss (investments in subsidiaries)

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Investments in subsidiaries are classified at fair value through profit or loss. Derivatives and financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and investments in subsidiaries (from 31 December 2019).

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the profit or loss.

Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

3. Summary of significant accounting policies continued

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value of shares at the grant date.

The cost of equity settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

3. Summary of significant accounting policies continued

Share-based payment transactions *continued*

Equity-settled transactions *continued*

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Group purchases Georgia Capital's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at par value, with adjustment of premiums against other reserves.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Dividend income

Dividend revenue is recognised when the Group's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of equity investment at fair value, financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the respective territories in which the Group and its subsidiaries operate.

The annual profit earned by entities is not taxed in Georgia, except for insurance companies. Corporate income tax is paid on dividends, donations, abnormal losses, non-business related disbursements, etc. The corporate income tax arising from the payment of dividends is accounted for as a liability and expensed in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The corporate income tax rate is 15% in Georgia.

According to the UK tax legislation, UK companies pay corporation tax on all its profits. UK corporate tax rate is 19%.

Georgia also has various operating taxes that are assessed on the Group's activities. These taxes are included as a component of general and administrative expenses.

Functional, presentation currencies and foreign currency translation

The consolidated and separate financial statements are presented in Georgian Lari, which is the presentation and functional currency of GCAP PLC and JSC GCAP. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as net foreign currency gain (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia (NBG) exchange rate on the date of the transaction are included in Net foreign currency gain (loss). The official NBG exchange rates at 31 December 2020 and 31 December 2019 were as follows:

	Lari to GBP	Lari to USD	Lari to EUR
31 December 2020	4.4529	3.2766	4.0233
31 December 2019	3.7593	2.8677	3.2095

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

3. Summary of significant accounting policies continued

Policies applied up to 31 December 2019

Basis of consolidation

Starting from 31 December 2019, Georgia Capital's status has been changed to investment entity. As the result, it measures investments in subsidiaries at fair value rather than consolidating them. Investments in subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair values. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, Financial Instruments is measured at fair value with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

3. Summary of significant accounting policies continued

Policies applied up to 31 December 2019 *continued*

Business combinations and goodwill *continued*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combination under common control

The business combinations under common control are accounted for using pooling of interest method with restatement of periods prior to the combination under common control.

The assets and liabilities acquired are recognized at carrying amounts to reflect the combination as if it had occurred from the beginning of the earliest period presented and no adjustments are made to reflect fair values at the date of combination. The difference between consideration transferred and net assets acquired is recorded as an adjustment to the equity. No goodwill is recognized as a result of business combination under common control.

Investments in associates and joint ventures

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate or joint venture. The Group's share of its associates' and joint ventures' profits or losses is recognised in the consolidated income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group is considered an organization similar to a venture fund. When the Group acquires an associate, at initial recognition, the Group makes an irrevocable choice to measure investment in associate under the equity method or at fair value through profit or loss under IFRS 9.

Investments in subsidiaries in parent company financial statements

For the purposes of parent company financial statements investments in subsidiaries are accounted at cost. Investments in subsidiaries are accounted in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale or distribution. Dividends from a subsidiary are recognised in the parent company financial statements when the parent's right to receive the dividend is established.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately from other assets and liabilities in the statement of financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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3. Summary of significant accounting policies continued

Policies applied up to 31 December 2019 *continued*

Non-current assets held for sale and discontinued operations *continued*

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented separately in the statement of cash flows.

The asset or disposal group ceases to be classified as held for sale if the criteria for classification are no longer met. Non-current asset or disposal group that ceased to be classified as held for sale is measured at the lower of (a) carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell. Any adjustment to carrying amount of non-current asset that ceases to be classified as held for sale is recognized in income statement in the period in which criteria for held for sale classification are no longer met. Financial statements for the periods since classification as held for sale are amended accordingly if the disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate.

The results of operations of the component previously presented in discontinued operations is reclassified and included in income from continuing operations for all periods presented. Amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods are not reclassified to reflect the classification in the statement of financial position for the latest period presented.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised based upon insurance policy terms and measured at cost. The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with any impairment loss recorded in the consolidated statement of income.

Reinsurance receivables, included in other assets, primarily comprise of balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance receivables are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract that this can be measured reliably.

Insurance liabilities

General insurance liabilities

General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures – therefore the ultimate cost of which cannot be known with certainty at the reporting date.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated income statement in order that revenue is recognised over the period of risk or, for annuities, the amount of expected future benefit payments.

Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately charged to the consolidated income statement by establishing an unexpired risk provision.

Deferred acquisition costs

Deferred acquisition costs (DAC), included in insurance premiums receivable, are capitalised costs related to the issuance of insurance policies. They consist of commissions paid to agents, brokers and some employees. They are amortised on a straight-line basis over the life of the contract.

Investment properties

Investment property is a land or building or a part of a building held to earn rental income or for capital appreciation purposes and which is not used by the Group or held for sale in the ordinary course of business. Property that is under construction, is being developed or redeveloped for future use as an investment property is also classified as an investment property.

3. Summary of significant accounting policies continued

Policies applied up to 31 December 2019 *continued*

Investment properties *continued*

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognized and relevant professional qualifications and who have recent experience in valuation of property of similar location and category. Gains and losses resulting from changes in the fair value of investment property are recorded in the income statement in the period in which they arise.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Investment properties are derecognised either when they have been disposed of or they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Office buildings	Up to 100
Hospitals and clinics	100
Hotels	Up to 100
Infrastructure assets	10-40
Factory and equipment	7-30
Furniture and fixtures	10
Computers and equipment	5-10
Motor vehicles	5

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets under construction are stated at cost and are not depreciated until the time they are available for use and reclassified to respective group of property and equipment.

Leasehold improvements are depreciated over the life of the related leased asset or the expected lease term if lower.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Leases (IFRS 16, applied since 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group's right-of-use assets are presented separately in statement of financial position.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

3. Summary of significant accounting policies continued
Policies applied up to 31 December 2019 *continued*
Leases (IFRS 16, applied since 1 January 2019) *continued*
Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of vehicles and equipment across the Group, exemption will not be applied to the lease of real estate. The Group also applies low value lease exemption to its low value leases such as computers and furniture (assets with a value, when new, of GEL 15,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventory includes expenditure incurred in acquiring inventory and bringing it to its existing location and condition including borrowing costs. The cost of inventory is determined on a weighted average basis for beverages and inventory in healthcare segment and first in first out basis (FIFO) in the pharma segment. The cost of inventory in real estate segment is determined with reference to the specific costs incurred on the property sold and allocated non-specific costs based on the relative size of the property sold.

Biological assets
Biological assets comprise grapes on the vine. Upon harvest the grapes are measured at fair value less costs to sell with any fair value gain or loss recognized in the consolidated income statement.

Intangible assets
The Group's intangible assets include computer software and licenses and exclusive rights.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over 4 to 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programs are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete the asset and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

Goodwill Impairment
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment as defined in IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses cannot be reversed in future periods.

3. Summary of significant accounting policies continued
Policies applied up to 31 December 2019 *continued*
Income and expense recognition
Insurance income and expense
- Premiums written
  Insurance premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage. Insurance premiums written reflect business incepted during the year before deduction of commission and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are computed principally on monthly pro rata basis.
- Premiums ceded
  Premiums payable in respect of reinsurance ceded are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not determined at the reporting date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis.
- Provision for unearned premiums
  The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated statement of comprehensive income in the order that revenue is recognised over the period of risk or, for annuities, the amount of expected future benefit payments.
- Benefits and claims
  General insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.
  Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims.

Income and expense recognition healthcare and pharma revenue
The Group recognises revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Healthcare services that the Group provides to the clients are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group.

Healthcare revenue comprises the fair value of the consideration received or receivable for providing inpatient and outpatient services and includes the following components:
- Healthcare revenue from insurance companies – The Group recognises revenue from the individuals who are insured by various insurance companies by reference to the stage of completion of the actual medical service and agreed-upon terms between the counterparties.
- Healthcare revenue from state – The Group recognises the revenue from the individuals who are insured under the state programmes by reference to the stage of completion of the actual medical service and the agreed-upon terms between the counterparties.
- Healthcare revenue from out-of-pocket and other – The Group recognises the revenue from non-insured individuals based on the completion of the actual medical service and approved prices by the Group. Sales are usually in cash or by credit card. Other revenue from medical services includes revenue from municipalities and other hospitals, which the Group has contractual relationship with. Sales of services are recognised in the accounting period in which the services are rendered calculated according to contractual tariffs.

Revenue is presented net of corrections and rebates that occasionally arise as a result of reconciliation of detailed bills with counterparties (mostly with the State). Invoice corrections are estimated at contract inception. The estimation of potential future corrections and rebates is calculated based on statistical average correction rate which is applied to gross amount of invoices that were not approved by the state as at reporting date. The Group's gross revenue (before deducting its corrections and rebates) is based on the official invoices submitted to and formally accepted by the customers (State, insurance companies, provider clinics and individuals) and accruals for already performed but not yet billed service.

Revenue from pharma comprises the fair value of the consideration received or receivable both from wholesale and retail sales and drug exchange transactions. The pharma business sometimes receives drugs in exchange for sale of drugs from other wholesalers. The consideration received is assessed with reference to its actual wholesale price which is deemed fair value of consideration received.

Utility and energy revenue
The Group recognizes revenue from utility when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the goods and services to a customer. The following specific recognition criteria must be met before revenue is recognized:
- Revenue from water supply – includes amounts billed to the customers based on the metered or estimated usage of water by legal entities and by application of the relevant tariff for services set per unit of water supplied. Meters are read on a cyclical basis and the Group recognizes revenue for unbilled amounts based on estimated usage from the last billing through to the end of the financial year.
- Revenue from water supply to population – includes amounts billed on monthly basis to the residential customers (with meter) based on the metered usage of water and by application of the relevant tariff for services set per unit of water supplied or based on the number of individual person registered by respective city municipality per each residential address (without meter) by application of the relevant tariff set per capita per month for the general population.
- Revenue from connection and water meter installation – includes non-refundable amounts billed upfront for connecting customers to water system and providing them with the access to water supply. Revenue from connection and water meter installation is recognized over the time in line with the satisfaction of performance obligation over the life of water meters.

Revenue from electric power sales is recognised on the basis of metered electric power transferred.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

3. Summary of significant accounting policies continued
Policies applied up to 31 December 2019 *continued*
Income and expense recognition *continued*
Real estate revenue
Gross real estate profit comprises revenue from sale of developed real estate property, revenue from construction services, revenue from hospitality operations and revaluation gains on investment properties.

Revenue from sale of developed real estate property is recognized over the time based on the progress towards complete satisfaction of a performance obligation using input method (proportion of costs incurred up to date to total expected project cost). Percentage of completion calculated based on total costs of the building is applied to apartment selling price to recognize revenue from apartment sale. Payment arrangements of the sale of developed real estate property usually include advance payment of part of transaction price and progress payments during the construction by the customer, such payments are recognized as deferred income. Significant financing component is usually immaterial.

Revenue from construction services is recognized over the time based on the progress towards complete satisfaction of a performance obligation using output method based on the completion level reflected in monthly completion reports. Payment arrangements for construction services usually include advance payment of part of transaction price (usually up to 10%) and monthly progress payments during the construction by the customer, 5% from each monthly progress payment is usually retained by the customer as guarantee for a year after the completions of construction. Significant financing component is usually immaterial.

Revenue from hospitality operations is generated through hotel room and meeting space rental and sale of foods and beverages. Revenue is recognized when the Group satisfies a performance obligation, i.e. over the time the customer stays in the hotel and food and beverages are delivered to the customer, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the goods and services to a customer.

Beverage revenue
Revenue from the sale of beverages is recognised when the group satisfies the performance obligation, i.e. when the control of the goods has passed to the buyer, usually on delivery of the goods. For the finished goods sold on consignment basis, revenue is recognized when the goods are transferred to the end-customer or on expiration of specified period. Revenue recognized in connection to the sale of finished goods reflects an adjustment for the consideration payable to the customer (cash amounts that the Group pays, or expects to pay, to a customer).

Gain on measurement of grapes at fair value less costs to sell is recognized at the point of harvest.

Revenue from customer loyalty program
Customer loyalty program points accumulated in the business are treated as deferred revenue and recognized in revenues gradually as they are earned. The Group recognizes gross revenue earned from customer loyalty program when the performance obligation is satisfied i.e. when the customer redeems the points or the points expire, where the Group acts as a principal. At reach reporting date the Group estimates portion of accumulated points that is expected to be utilized by customers based on statistical data. These points are treated as liability in the statement of financial position and are only recognized in revenues when points are earned or expired.

Interest and similar income and expense
For all debt financial instruments measured at amortised cost and fair value through OCI interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Education revenue
Education revenue is recognised in line with the satisfaction of performance obligations in education contracts.

For performance obligations which are satisfied at a point in time, respective revenue is recognised at a point in time. Revenue is recognised on a straight-line basis for learning process, catering and transportation services over the period during which the performance obligation is being satisfied.

Renewable energy revenue
The Group recognizes revenue from renewable energy when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the goods and services to a customer. Revenue amount is based on power generation by the end of each period and application of the relevant tariff for services set in the agreements with customers.

3. Summary of significant accounting policies continued
Policies applied up to 31 December 2019 *continued*
EBITDA
The Group separately presents EBITDA on the face of the income statement. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation and is derived as the Group's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, interest expense, net foreign currency (loss) gain, profits from associates, gain from change in investment entity status and net non-recurring items.

Non-recurring items
The Group separately classifies and discloses those income and expenses that are non-recurring by nature. The Group defines non-recurring income or expense as an income or expense triggered by or originated from an economic, business or financial event that is not inherent to the regular and ordinary business course of the Group and is caused by uncertain or unpredictable external factors that cannot be reasonably expected to occur in the future and thus they should not be taken into account when making projections of the future results.

Adoption of new or revised standards and interpretations
The following Interpretations and amendments did not have any impact on the financial statements of the Group or the Company:

Amendments to IFRS 3: Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8 Definition of Material
Amendments to IFRS 16 Covid-19 Related Rent Concessions

Standards issued but not yet effective
Up to the date of approval of the consolidated and separate financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. Such standards that are expected to have an impact on the Group, or the impacts of which are currently being assessed, are as follows:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3 Reference to the Conceptual Framework

These amendments have no impact on the consolidated and separate financial statements of the Group.

Annual Improvements 2018-2020 Cycle (issued in May 2020)
These improvements include:
- IFRS 1 First-time adoption of International Financial Reporting Standards
- IFRS 9 Financial instruments
- IFRS 16 Leases
- IAS 41 Agriculture

The Group does not expect any effect on its consolidated and separate financial statements.

4. Significant Accounting Judgements and Estimates
In the process of applying the Group's and Company's accounting policies, the Management Board use their judgment and make estimates in determining the amounts recognised in the consolidated and separate financial statements. The most significant judgements and estimates are as follows:

Assessment of investment entity status
Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVPL rather than consolidate them. The criteria which define an investment entity are, as follows:
- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group invests funds, originally obtained from its investors, in its private portfolio companies, obtains dividend inflows from its mature investments and once the businesses are developed, exits the investment ideally at a higher multiple (vs entry multiple) to monetise on capital appreciation gains. The Group reports to its investors on a fair value basis. All investments are reported at fair value in the Group's annual reports.

Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments; although JSC Georgia Capital is wholly capitalised by Georgia Capital PLC, Georgia Capital PLC is funded by many investors who are unrelated to the entity; and ownership in Georgia Capital PLC is represented by units of equity interests acquired through a capital contribution. Thus the judgement above refers to both entities in aggregation. The Board has concluded that the Group meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

4. Significant Accounting Judgements and Estimates continued

Assessment of investment entity status *continued*

Georgia Capital met the investment entity definition on 31 December 2019. As of 31 December 2020, the Group continues to meet the definition of investment entity. In making this assessment, the Group considered each criteria and characteristic described above as well as developments during the year, such as delisting and acquisition of non-controlling interest in Georgia Healthcare Group plc and concluded that all such developments are consistent with the purpose of an investment entity.

Fair valuation of the investment portfolio

The investment portfolio, a material asset of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 14. Given the importance of this area, the Board has formed a separate Audit and Valuations Committee to review the valuations to be placed on portfolio companies, compliance with the valuation standards and usage of appropriate judgement. The detailed valuation process is disclosed in Note 14.

5. Segment Information

During the year ended 31 December 2020 segments were restructured as reportable segments as disclosed below.

For management purposes, the Group is organised into the following operating segments as follows:
listed portfolio companies, private large portfolio companies, private investment stage portfolio companies, private other portfolio companies, and corporate centre.

Listed portfolio companies segment

BoG – the Group has a significant investment in London Stock Exchange premium listed Bank of Georgia Group PLC.

Private portfolio companies segment

Large portfolio companies segment:

Large portfolio companies segment includes investments into healthcare, pharmacy and distribution, water utility and insurance businesses.

Healthcare services business owned through GHG, is the largest healthcare market participant in Georgia. Healthcare services business comprises three sub-segments: Hospitals providing secondary and tertiary level healthcare services; Clinics providing outpatient and basic inpatient services and polyclinics providing outpatient diagnostic and treatment services; Diagnostics operating the largest laboratory in the entire Caucasus region.

Pharmacy and distribution business owned through GHG consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies.

Water Utility business is a regulated natural monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services. Water Utility also operates hydro power plants.

Insurance business comprises a property and casualty insurance business owned through Aldagi and medical insurance business owned through GHG. Principally providing wide-scale property and casualty and medical insurance services to corporate and retail clients.

Investment stage portfolio companies segment:

Investment stage portfolio companies segment includes investments into renewable energy and education businesses.

Renewable Energy business principally operates three wholly-owned commissioned renewable assets. In addition, a pipeline of renewable energy projects is under advanced stage of development.

Education business combines majority stakes in four leading private schools in Tbilisi. Principally providing education for learners from preschool to 12th grade (K-12);

Other portfolio companies segment:

Other portfolio companies segment includes Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses.

Corporate Centre comprising of Georgia Capital PLC and JSC Georgia Capital.

Management monitors the fair values of its segments separately for the purposes of making decisions about resource allocation and performance assessment.

Transactions between segments are accounted for at actual transaction prices.

As at 31 December 2019 and for the periods following the change in investment entity status (refer to Note 3) the management of Georgia Capital no longer monitors and uses consolidated financial information and solely focuses on fair value information for performance evaluation and decision-making. In line with the updated management view the change also applied to the presentation of segment information as at 31 December 2020 and 2019, as outlined in the tables below. Due to the reasons above, management decided it was impracticable to disclose the similar comparative segment information for the year ended 31 December 2019.

5. Segment information continued

The following tables present NAV statement roll-forward regarding the Group's operating segments as at and for the year ended 31 December 2020:

NAV Statement	31 December 2019	1. Value1. Value Creation	2a. Investments	2b. Buybacks	2c. Dividends	2d. GHG Delisting	3. Operating Expenses	4. Liquidity Management/ FX/Other	31 December 2020
Listed Portfolio Companies	1,027,814	(261,524)	138,265	–	–	(372,997)	–	–	**531,558**
GHG	*430,079*	*(195,347)*	*138,265*	–	–	*(372,997)*	–	–	**–**
BoG	*597,735*	*(66,177)*	–	–	–	–	–	–	***531,558***
Private Portfolio Companies	1,225,269	741,009	56,400	–	(29,870)	372,997	–	10,325	**2,376,130**
Large Portfolio Companies	648,893	859,545	–	–	(24,943)	372,997	–	1,745	**1,858,237**
Healthcare Services	–	*393,797*	–	–	–	*177,859*	–	–	***571,656***
Retail (Pharmacy)	–	*374,322*	–	–	–	*178,423*	–	–	***552,745***
Water Utility	*483,970*	*433*	–	–	*(15,000)*	–	–	*1,745*	***471,148***
Insurance (P&C and Medical)	*164,923*	*90,993*	–	–	*(9,943)*	*16,715*	–	–	***262,688***
Of which, P&C Insurance	*164,923*	*42,826*	–	–	*(9,943)*	–	–	–	***197,806***
Of which, Health Insurance	–	*48,167*	–	–	–	*16,715*	–	–	***64,882***
Investment Stage Portfolio Companies	163,150	98,730	44,501	–	(4,927)	–	–	1,510	**302,964**
Renewable energy	*106,800*	*62,169*	*44,350*	–	*(4,927)*	–	–	*1,510*	***209,902***
Education	*56,350*	*36,561*	*151*	–	–	–	–	–	***93,062***
Other Portfolio Companies	413,226	(217,266)	11,899	–	–	–	–	7,070	**214,929**
Total Portfolio Value	2,253,083	479,485	194,665	–	(29,870)	–	–	10,325	**2,907,688**
Net Debt	(493,565)	–	(57,684)	(6,033)	29,870	–	(19,455)	(151,132)	**(697,999)**
Of which, Cash and liquid funds	*211,889*	–	*(57,684)*	*(6,033)*	*29,870*	–	*(19,455)*	*16,702*	***175,289***
Of which, Loans issued	*151,884*	–	–	–	–	–	–	*(42,901)*	***108,983***
Of which, Gross Debt	*(857,338)*	–	–	–	–	–	–	*(124,933)*	***(982,271)***
Net other assets/ (liabilities)	(5,650)	–	1,284	–	–	–	(12,681)	19,650	**2,603**
Net Asset Value	1,753,868	479,485	138,265	(6,033)	–	–	(32,136)	(121,157)	**2,212,292**

1. Value Creation – measures the annual shareholder return on each portfolio company for Georgia Capital. It is the aggregation of a) the change in beginning and ending fair values, b) dividend income during period. The net result is then adjusted to remove capital injections (if any) to arrive at the total value creation/investment return.; 2a. Investments – represents capital injections in portfolio companies made by JSC GCAP, with the exception of investment in GHG PLC made by GCAP PLC, which was further contributed to the equity of JSC GCAP. Refer to Note 6 and 8. ; 2b. Buybacks – represent buybacks made by GCAP PLC and JSC GCAP in order to satisfy share compensation of executives and purchases under buyback program announced by GCAP PLC; 2c. Dividends – represent dividends received from portfolio companies by JSC GCAP; 2d. GHG Delisting – delisting and transfer of GHG to the private portfolio sub-segment; 3. Operating Expenses – holding company aggregated operating expenses of GCAP PLC and JSC GCAP; 4. Liquidity Management/FX/Other – holding company aggregated movements of GCAP PLC and JSC GCAP related to liquidity management, foreign exchange movement, non-recurring and other.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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5. Segment Information continued

Reconciliation to IFRS FS:

	31 December 2020					
	Georgia Capital PLC	Aggregation with JSC Georgia Capital*	Elimination of double effect on investments	Aggregated Holding Company	Reclassifications/ adjustments**	NAV Statement
Cash and cash equivalents	855	117,026	–	117,881	(117,881)	–
Amounts due from credit institutions	–	42,655	–	42,655	(42,655)	–
Marketable securities	–	13,416	–	13,416	(13,416)	–
Prepayments	426	–	–	426	(426)	–
Loans issued	–	108,983	–	108,983	(108,983)	–
Other assets, net	–	7,276	–	7,276	(7,276)	–
Equity investments at fair value	2,213,290	2,907,688	(2,213,290)	2,907,688	–	2,907,688
Total assets	**2,214,571**	**3,197,044**	**(2,213,290)**	**3,198,325**	**(290,637)**	**2,907,688**
Debt securities issued	–	980,932	–	980,932	(980,932)	–
Other liabilities	2,279	2,822	–	5,101	(5,101)	–
Total liabilities	**2,279**	**983,754**	**–**	**986,033**	**(986,033)**	**–**
Net Debt	–	–	–	–	(697,999)	(697,999)
Of which, Cash and liquid funds	–	–	–	–	*175,289*	*175,289*
Of which, Loans issued	–	–	–	–	*108,983*	*108,983*
Of which, Gross Debt	–	–	–	–	*(982,271)*	*(982,271)*
Net other assets/ (liabilities)	–	–	–	–	2,603	2,603
Total equity/NAV	**2,212,292**	**2,213,290**	**(2,213,290)**	**2,212,292**	**–**	**2,212,292**

	31 December 2019					
	Georgia Capital PLC	Aggregation with JSC Georgia Capital*	Elimination of double effect on investments	Aggregated Holding Company	Reclassifications/ adjustments**	NAV Statement
Cash and cash equivalents	1,243	117,215	–	118,458	(118,458)	–
Marketable securities	–	62,493	–	62,493	(62,493)	–
Prepayments	234	–	–	234	(234)	–
Loans issued	–	151,884	–	151,884	(151,884)	–
Other assets, net	–	8,782	–	8,782	(8,782)	–
Equity investments at fair value	1,758,197	2,251,465	(1,758,197)	2,251,465	1,618	2,253,083
Total assets	1,759,674	2,591,839	(1,758,197)	2,593,316	(340,233)	2,253,083
Debt securities issued	–	825,952	–	825,952	(825,952)	–
Other liabilities	7,653	7,690	–	15,343	(15,343)	–
Total liabilities	7,653	833,642	–	841,295	(841,295)	–
Net Debt	–	–	–	–	(493,565)	(493,565)
Of which, Cash and liquid funds	–	–	–	–	*211,889*	*211,889*
Of which, Loans issued	–	–	–	–	*151,884*	*151,884*
Of which, Gross Debt	–	–	–	–	*(857,338)*	*(857,338)*
Net other assets/ (liabilities)	–	–	–	–	(5,650)	(5,650)
Total equity/NAV	1,752,021	1,758,197	(1,758,197)	1,752,021	1,847	1,753,868

* For detailed breakdown of JSC Georgia Capital refer to Note 14.

** Reclassification and adjustments to aggregated balances to arrive at the NAV specific presentation, such as: aggregating cash, marketable securities, repurchased GCAP bonds as cash and liquid funds, debt securities issued as gross debt and netting of other assets and liabilities; capitalization of project development related expenses.

5. Segment information continued

The following tables present income statement information regarding the Group's operating segments as at and for the year ended 31 December 2020:

		Private Portfolio Companies								
	Listed Portfolio Companies	Large	Investment Stage	Other	Corporate Center	Total	Intragroup Investment Reversal and Adjustments	Equity Changes in JSC GCAP	Other*	Investment Entity Total
Losses/(gains) on investments at fair value	(261,524)	834,602	93,803	(217,266)	–	449,615	(132,009)	19,983	1,585	339,174
Listed Equity Investments	*(261,524)*	–	–	–	–	*(261,524)*	*261,524*	–	–	–
Private Investments	–	*834,602*	*93,803*	*(217,266)*	–	*711,139*	*(393,533)*	*19,983*	*1,585*	*339,174*
Dividend income	–	24,943	4,927	–	–	29,870	(29,870)	–	–	–
Interest income	–	–	–	–	20,957	20,957	(20,957)	–	–	–
Realised/unrealised loss on liquid funds	–	–	–	–	(2,984)	(2,984)	2,984	–	–	–
Gross investment (loss)/ profit	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**17,973**	**497,458**	**(179,852)**	**19,983**	**1,585**	**339,174**
Administrative expenses	–	–	–	–	(10,477)	(10,477)	5,047	–	–	(5,430)
Salaries and other employee benefits	–	–	–	–	(21,659)	(21,659)	19,140	–	–	(2,519)
Depreciation and amortisation	–	–	–	–	–	–	–	–	–	–
Interest expense	–	–	–	–	(62,478)	(62,478)	62,478	–	–	–
(Loss)/profit before provisions, foreign exchange and non-recurring items	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(76,641)**	**402,844**	**(93,187)**	**19,983**	**1,585**	**331,225**
Provision	–	–	–	–	(114)	(114)	114	–	–	–
Net foreign currency loss	–	–	–	–	(90,829)	(90,829)	89,938	–	–	(891)
Non-recurring expense	–	–	–	–	(3,389)	(3,389)	3,389	–	–	–
(Loss)/profit before income taxes	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(170,973)**	**308,512**	**254**	**19,983**	**1,585**	**330,334**
Income tax	–	–	–	–	–	–	–	–	–	–
(Loss)/profit for the year	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(170,973)**	**308,512**	**254**	**19,983**	**1,585**	**330,334**

* Write-off of capitalized project development related expenses.

6. Equity Investments at Fair Value

	2020
At 1 January	**1,758,197**
Fair Value gain	**339,174**
Increase of investment in subsidiary*	**138,265**
Capital redemption (Note 2)**	**(22,346)**
At 31 December	**2,213,290**

* During 2020 Georgia Capital PLC acquired the 29.4% remaining equity stake in GHG PLC, which was contributed to the equity of JSC Georgia Capital. Refer to Note 8.

** Of which cash consideration GEL 21,180.

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. For the breakdown and detailed information regarding the equity investments at fair value, refer to Note 14.

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7. Taxation

As at 31 December 2020 GCAP PLC has unrecognised tax asset (tax loss carried forward) in the amount of GEL 3,235 (31 December 2019: GEL 1,678). The Company does not recognize the deferred tax asset since it is not expected to be utilized in the foreseeable future.

The aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements is GEL 660,920 (2019: GEL 321,746). The deferred tax liability has not been recognized as the Company controls the timing of reversal of these temporary differences and considers it probable that the temporary differences will not be reversed in the foreseeable future.

The corporate income tax (expense) credit for the year ended 31 December 2019 comprises:

	2019
Current income tax (expense) benefit	(4,548)
Deferred income tax (expense)/credit	(85)
Income tax (expense)	(4,633)
Deferred income tax credit (expense) in other comprehensive income (loss)	–

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income which varies from 15% to 19%.

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2019 a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2019
Profit before income tax expense	608,899
Average tax rate	15%
Theoretical income tax expense at average tax rate	(91,335)
Non-taxable income	88,225
Correction of prior year declarations	(376)
Non-deductible expenses	–
Tax at the domestic rates applicable to profits in each country	292
Unrecognised deferred tax asset	(1,439)
Income tax (expense) benefit	(4,633)

Applicable taxes in Georgia include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. Management believes that the Group is in compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

8. Equity

Share capital

As at 31 December 2020 issued share capital comprised of 47,903,785 authorised common shares (31 December 2019: 40,169,775), of which 47,903,785 were fully paid (2019: 40,169,775). Each share has a nominal value of one British penny. Shares issued and outstanding as at 31 December 2020 are described below:

	Number of shares Ordinary	Amount
31 December 2018	39,384,712	1,293
Issue of share capital	3,435,438	113
Cancellation of shares	(2,650,375)	(86)
31 December 2019	40,169,775	1,320
Issue of share capital	7,734,010	254
31 December 2020	**47,903,785**	**1,574**

Share issue

On 18 November 2019 Company announced a share exchange facility for GHG shareholders. Under the Exchange Facility GHG shareholder's had opportunity to exchange GHG shares for GCAP shares in the ratio of 1:0.192. The facility closed on 18 December 2019 as a result of which GCAP exchanged 3,435,438 new GCAP shares for 17,892,911 existing GHG shares. The Group's interest in GHG increased to 70.6%. The Group incurred transaction costs of GEL 5,888 in relation to this transaction.

8. Equity continued

Share issue *continued*

On 19 May 2020 the board of directors of Georgia Capital PLC and the Independent Directors of Georgia Healthcare Group PLC (GHG) announced that they had reached agreement on the terms of a recommended share exchange offer to be made by GCAP PLC for the entire issued or to be issued share capital of GHG not already owned by Georgia Capital (the Offer). On 8 July 2020, GCAP PLC announced that the Offer had been declared unconditional in all respects. Under the Offer GHG shareholder's had opportunity to exchange GHG shares for GCAP shares in the ratio of 1:0.2. As a result GCAP exchanged 7,734,010 new GCAP shares, with nominal value of GEL 254, for 38,670,406 existing GHG shares. The acquired additional investment in GHG was recognized at its fair value of GEL 138,265. The Group's interest in GHG increased to 100%. This investment was further contributed to the equity of JSC GCAP (note 6). The Group incurred transaction costs of GEL 8,563 in relation to this transaction, which were recognized in the statement of changes in equity.

Treasury Shares

In 2019, the Group acquired 3,608,174 own shares for total consideration of GEL 133,060.

In 2020, the Group paid cash consideration of GEL 317 (2019: GEL 135,889) for acquisition of treasury shares, of which GEL 317 (2019: GEL 60,461) was related to shares acquired for settlement of employee share-based payments and GEL nil (2019: GEL 75,428) were other acquisitions made by the Company, including those under the share buyback programme in 2019.

On June 12, 2019 and August 22, 2019 2,000,000 and 650,375 treasury shares bought back under the Buyback Program were cancelled. 686,468 shares were transferred to JSC Georgia Capital Executive Equity Compensation Trust. As at 31 December 2020 number of treasury shares outstanding was 30,572 (2019: 4,207,224).

Earnings per share

	2020	2019
Basic earnings per share		
Profit for the year attributable to ordinary shareholders of the parent	**330,334**	569,262
Weighted average number of ordinary shares outstanding during the year	**40,136,937**	34,610,215
Earnings per share	**8.2302**	16.4478
Diluted earnings per share		
Profit for the year attributable to ordinary shareholders of the Group	**330,334**	569,262
Weighted average number of diluted ordinary shares outstanding during the year	**40,301,238**	35,372,783
Diluted earnings per share	**8.1966**	16.0932

9. Gross Profit and Impairment Charges

	2019
Pharma revenue	570,836
Healthcare revenue	315,042
Utility and energy revenue	162,962
Net insurance premiums earned	131,882
Beverage revenue	124,705
Real estate revenue	97,780
Auto service revenue	19,540
Education revenue	12,083
Digital services revenue	2,324
Other income	36,283
Revenue	1,473,437
Cost of pharma services	(424,814)
Cost of healthcare	(176,753)
Cost of utility and energy	(41,121)
Net insurance claims incurred	(76,992)
Cost of beverage	(80,283)
Cost of real estate	(70,441)
Cost of auto service	(9,799)
Cost of education	(679)
Cost of digital services	(2,142)
Cost of sales	(883,024)
Gross profit	590,413

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9. Gross Profit and Impairment Charges continued

Gross Healthcare and Pharma Profit

	2019
Revenue from government programmes	221,397
Revenue from free flow (non-insured retail individuals)	84,299
Revenue from insurance companies	9,346
Healthcare revenue	315,042
Retail	430,312
Wholesale	140,524
Pharma revenue	570,836
Healthcare and pharma revenue	885,878
Direct salary expenses	(112,321)
Healthcare direct materials	(48,189)
Expenses on medical service providers	(3,280)
Other direct expenses	(12,963)
Cost of healthcare	(176,753)
Retail	(309,213)
Wholesale	(115,601)
Cost of pharma services	(424,814)
Cost of healthcare and pharma services	(601,567)
Gross healthcare and pharma profit	284,311

Gross Utility and Energy Profit

	2019
Revenue from water supply	131,608
Revenue from electric power sales	31,354
Utility and energy revenue	162,962
Cost of water supply	(33,102)
Cost of electric power sales	(8,019)
Cost of utility and energy	(41,121)
Gross utility and energy profit	121,841

Gross Insurance Profit

	2019
Gross health insurance premiums earned	73,981
Gross P&C insurance premiums earned	82,693
Total gross premiums earned on insurance contracts	156,674
Reinsurers' share of gross earned premiums on health insurance contracts	(2,552)
Reinsurers' share of gross earned premiums on P&C insurance contracts	(22,240)
Reinsurers' share of gross earned premiums on insurance contracts	(24,792)
Net insurance premiums earned	131,882
Gross health insurance claims incurred	(47,697)
Gross P&C insurance claims incurred	(37,521)
Gross insurance claims incurred	(85,218)
Reinsurers' share of gross health insurance claims incurred	558
Reinsurers' share of gross P&C insurance claims incurred	7,668
Reinsurers' share of gross insurance claims incurred	8,226
Net insurance claims incurred	(76,992)
Gross insurance profit	54,890

9. Gross Profit and Impairment Charges continued

Gross Beverage Profit

	2019
Revenue from beer sales	49,668
Revenue from wine sales	42,216
Revenue from distribution of imported goods	19,569
Change in net realizable value of agricultural produce after harvest	2,899
Other beverage revenue	10,353
Beverage revenue	124,705
Cost of beer	(32,803)
Cost of wine	(23,553)
Cost of distribution	(15,894)
Cost of other beverage revenue	(8,033)
Cost of beverage	(80,283)
Gross beverage profit	44,422

Gross Real Estate Profit

	2019
Revenue from apartment sale	52,022
Revenue from construction services	21,835
Income from operating leases	9,416
Revaluation of m2 investment property	7,498
Revenue from hospitality services	7,009
Real estate revenue	97,780
Cost of apartments sold	(43,513)
Cost of construction services	(19,412)
Cost of operating leases	(2,445)
Cost of hospitality services	(5,071)
Cost of real estate	(70,441)
Gross real estate profit	27,339

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

	2019
Real estate revenue:	
Net gain from revaluation of investment property	7,498
Income from operating leases	9,416
	16,914
Beverage revenue:	
Change in net realizable value of agricultural produce after harvest	2,899
	2,899
Net insurance premiums earned	131,882
Other income	
Revenue from BI insurance*	9,933
Gain from call option	6,619
Payables derecognised	1,021
Loss from sale of PPE and IP	589
Net gains (losses) from revaluation of investment property	767
	170,624

* Reimbursement of lost revenue due to business interruption under insurance contract.

Salary and employee benefit expenses included in cost of sales comprised GEL 128,664. Inventory recognised as an expense during the period comprised GEL 55,307.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

9. Gross Profit and Impairment Charges continued

Contract assets and liabilities

The Group recognised GEL 29,239 revenue in financial year ended at 31 December 2019 that relates to carried-forward contract liabilities and is included in the deferred income.

Impairment charge on insurance premium receivables, other assets and provisions

The Group recognized expected credit loss of GEL 1,078 on insurance premium receivables and other receivables and impairment charge of GEL 11,474 on other financial assets during the year ended 31 December 2019.

10. Salaries and Other Employee Benefits, and General and Administrative Expenses

	2020	2019
Salaries and bonuses	**(1,873)**	(149,542)
Equity compensation plan costs	**(552)**	(24,274)
Pension and social security costs	**(94)**	(3,184)
Salaries and other employee benefits	**(2,519)**	(177,000)

Refer also to the Resources and Responsibilities section on pages 82-96 and the Directors' Remuneration Report on pages 142-160 in the Group's Annual Report 2020. For total number of employees of Georgia Capital, refer to page 91 of the Resources and Responsibilities section in the Group's Annual Report 2020. For directors' remuneration refer to page 152 of the Directors' Remuneration Report in the Group's Annual Report 2020. The Annual Report Figures comprise of both holding company entities: Georgia Capital PLC and JSC Georgia Capital. The figures in the table above are consolidated for the year ended 31 December 2019, while the figures for the year ended 31 December 2020 are for standalone Georgia Capital.

General and administrative expenses

	2020	2019
Marketing and advertising	**–**	(21,800)
Legal and other professional services	**(5,158)**	(21,422)
Office supplies	**–**	(11,637)
Operating taxes	**–**	(10,951)
Utility expenses	**–**	(6,547)
Repair and maintenance	**–**	(5,783)
Occupancy and rent	**(123)**	(5,090)
Corporate hospitality and entertainment	**–**	(3,566)
Communication	**(32)**	(3,490)
Travel expenses	**–**	(3,258)
Banking services	**–**	(3,220)
Security	**–**	(1,702)
Customer service fee	**–**	(1,697)
Personnel training and recruitment	**–**	(740)
Other	**(117)**	(16,008)
General and administrative expenses	**(5,430)**	(116,911)

Auditor's remuneration

Auditors' remuneration is included within legal and other professional services expenses above and comprises:

	2020	2019
Fees payable for the audit of the Company's current year annual report	**1,200**	480
Fees payable for other services:		
Audit of the Company's subsidiaries	**2,365**	3,775
Total audit fees	**3,565**	4,255
Audit related assurance services		
Review of the Company's and Subsidiaries' interim accounts	**737**	860
Other assurance services	**16**	47
Total audit related fees	**753**	907
Non-audit services		
Corporate finance services	**2,237**	–
Total other services fees	**2,237**	–
Total fees	**6,555**	5,162

10. Salaries and Other Employee Benefits, and General and Administrative Expenses continued

Auditor's remuneration *continued*

The figures shown in the above table relate to fees paid to Ernst & Young LLP and its associates. Fees paid to other auditors not associated with EY in respect of the audit of the Parent and Group's subsidiaries were GEL 377 (2019: GEL 179) and in respect of other services of the Group were GEL 52 (2019: GEL 26).

11. Net Non-recurring Items

Net non-recurring expense for the year ended 31 December 2019 comprised:

	2019
Net loss on flood of Mestiachala	(1,068)
Termination benefits	(4,397)
Prepayments write-off	(3,019)
Other	(646)
	(9,130)

12. Share-based Payments

Executives' Equity Compensation Plan

In 2018, Georgia Capital introduced Group's Executives' Equity Compensation Plan (EECP). Under the EECP, shares of the parent are granted to senior executives of the parent and subsidiaries. In July 2018, the executives signed new five-year fixed contingent share-based compensation agreements with a total of 1,750,000 ordinary shares of Georgia Capital. The total amount of shares fixed to each executive will be awarded in five equal instalments during the five consecutive years starting January 2019, of which each award will be subject to a six-year vesting period subject to continued employment within the Group during such vesting period. The fair value of the shares is determined at the grant date using available market quotations.

After Georgia Capital met the definition of investment entity on 31 December 2019, only the small portion of the CEO's share-based compensation which Georgia Capital PLC retains the obligation to settle is within scope of IFRS 2 in Georgia Capital's financial statements. In the tables below, the 2020 information includes only the CEO's compensation at Georgia Capital PLC. The 2019 information includes share compensation of the Group's senior executives'.

The following table illustrates the number and weighted average prices of, and movements in, shares awards granted to the senior executives of the Group during the year:

	2020	2019
Shares outstanding at 1 January	**100,000**	2,394,556
Granted during the year	**–**	343,638
Forfeited during the year	**–**	(239,000)
Vested during the year	**(2,367)**	(111,000)
Change in investment entity status	**–**	(2,288,194)
Shares outstanding at 31 December	**97,633**	100,000

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2020 was 3.5 years (2019: 4 years).

The weighted average fair value of shares granted during the year was GEL nil (2019: GEL 38.2). The weighted average fair value of shares forfeited and vested was GEL 34.2 (2019: GEL 37.7).

Expense recognition

The expense recognised for employee services received during the year and the respective increase in equity arising from equity-settled share-based payments is shown in the following table:

	2020	2019
Increase in equity arising from equity-settled share-based payments	**552**	31,733
Expense arising from equity-settled transactions	**552**	27,136

Expense arising from equity-settled transactions in the amount of GEL 2,862, related to termination of employment agreement of an executive, was recognised in net non-recurring expenses in 2019.

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13. Risk Management
Introduction
Risk is inherent in the Group's and the Company's activities but it is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Company's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to investment risk, credit risk, liquidity risk and market risk. It is also subject to operational risks and insurance risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure
Audit and Valuation Committee

The Audit and Valuation Committee of Georgia Capital PLC assists the Management Board of the Group in relation to the oversight of the Group's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the internal audit function and external auditor, reporting back to the Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and IS (including cyber-security) and assessed the effectiveness of the risk management and internal control framework.

It is responsible for reviewing and approving half-yearly and annual valuations of the Company's portfolio investments prepared and presented to it by the Management Board. The Committee will ensure that the Valuation Policy complies with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company.

Investment Committee

The Investment Committee ensures a centralised process-led approach to investment; and the over-riding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns.

It oversees each step of the investment lifecycle, approves all investment, divestment and material portfolio decisions and ensures that investments are in line with Group's investment policy and risk appetite.

Management Board

The Management Board of Georgia Capital has overall responsibility for the Company's and the Group's asset, liability and risk management activities, policies and procedures. The Management is Board comprised of senior managers of GCAP PLC and JSC GCAP. In order to effectively implement the risk management system, the Board of Directors delegates individual risk management functions to the Management Board, which in turn assigns specific functions to the various decision-making and execution bodies within the Company's portfolio entities.

Internal Audit

The Internal Audit Department of Georgia Capital PLC is responsible for the annual audit of the Group's risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Group's internal control systems and detecting any infringements or errors on the part of the Group's departments and divisions. It examines both the adequacy of and the Group's compliance with those procedures. The Group's Internal Audit Department discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Valuation Committee.

Risk measurement and reporting systems
The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and countries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board.

Risk mitigation
As part of its overall risk management, GCAP PLC and JSC GCAP use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. Risks at portfolio company level are mitigated by instruments applicable to specific industries they operate in.

Credit risk
Credit risk is the risk that the Group or the Company will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group and the Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit terms by debtors for various portfolio companies are managed and monitored separately, given industry specifics in which respective entities operate.

13. Risk Management continued
Credit risk *continued*
Liquid financial instruments

Credit risk from balances with banks and financial institutions is managed by the treasury department of GCAP PLC and JSC GCAP in accordance with the company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The table below demonstrates the Company's financial assets credit risk profile by external rating grades:

	31 December 2020			31 December 2019		
	BB+ to BB–	B+ to B–	Not graded	BB+ to BB–	B+ to B–	Not graded
Cash and cash equivalents	**855**	**–**	**–**	1,243	–	–
Total	**855**	**–**	**–**	1,243	–	–

Liquidity risk
Liquidity risk is the risk that the Company or any of its portfolio entities will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates daily monitoring of expected cash flows and liquidity needs.

In addition, Group at all times holds a US$ 50 million liquid asset buffer at the Georgian parent company level, with liquid assets defined as marketable debt securities, cash at bank and short-term and long-term deposits with financial institutions.

The Group manages the maturities of its assets and liabilities for better matching, which helps the Group additionally mitigate the liquidity risk. Maturities of the Company and each portfolio entities are managed separately. The major liquidity risks confronting the Group are the daily calls on its available cash resources in respect of supplier contracts, claims arising from insurance contracts and the maturity of borrowings.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

Financial liabilities

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other financial liabilities	**2,279**	**–**	**–**	**–**	**2,279**
Total undiscounted financial liabilities	**2,279**	**–**	**–**	**–**	**2,279**

Financial liabilities

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other financial liabilities	7,650	–	–	–	7,650
Total undiscounted financial liabilities	7,650	–	–	–	7,650

Market risk
Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Company has exposure to market risks. GCAP PLC and JSC GCAP structure the levels of market risk it accepts through a market risk policy that determines what constitutes market risk. Risks associated with changes in fair value of equity investment and its implied fair value components are disclosed in Note 14.

Currency risk
GCAP PLC and JSC GCAP are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's principal transactions are carried out in Georgian Lari and its exposure to foreign exchange risk arises primarily with respect to Dollar.

The Company is not directly exposed to material currency risk.

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13. Risk Management continued

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. GCAP PLC and JSC GCAP cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Operating environment

Most of the Company's portfolio investments are concentrated in Georgia. As an emerging market, Georgia's business and regulatory infrastructure is less well-developed than that which would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian government has taken a number of steps that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including a new Tax Code and procedural laws). In the view of the Board, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is, however, largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Capital Management

Management monitors the Group's capital on a regular basis based on statement of Net Asset Value (NAV) prepared on fair value bases, which corresponds to equity attributable to shareholders of Georgia Capital PLC as at 31 December 2020 in the amount of GEL 2,212,292 (2019: GEL 1,752,021). The Net Asset Value (NAV) statement breaks down NAV into its components, including fair values for the private businesses and follows changes therein, providing management with a snapshot of the Group's financial position at any given time. The NAV statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Management closely monitors NAV in connection with capital allocation decisions. Refer to note 5.

The capital management objectives are as follows:

- to maintain the required level of stability of the Group thereby providing a degree of security to the shareholders;
- to manage capital needs such that Group does not depend on potentially premature liquidation of its listed investments;
- to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders; and
- to maintain financial strength to support new business growth and to satisfy the shareholders' requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the applicable financial covenants. To maintain or adjust the capital structure, the Group may adjust the amount of outstanding equity.

14. Fair Value Measurements

Fair value hierarchy

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

31 December 2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Equity investments at fair value	**–**	**–**	**2,213,290**	**2,213,290**
Assets for which fair values are disclosed				
Cash and cash equivalents	**–**	**855**	**–**	**855**

31 December 2019	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Equity investments at fair value	–	–	1,758,197	1,758,197
Assets for which fair values are disclosed				
Cash and cash equivalents	–	1,243	–	1,243

14. Fair Value Measurement continued

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 the Company's investment in its 100% owned subsidiary of JSC Georgia Capital at fair value through profit or loss. 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 consider that, the net asset value of investment entity subsidiaries is the most appropriate basis 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
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 its investment in Bank of Georgia Group PLC.

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

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FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

14. Fair Value Measurements continued
Valuation techniques *continued*

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 including an income approach based mainly on discounted cash flow and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the investment stage and other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects 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 judgements and in making the necessary estimates.

The fair value of equity investments 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 a peer group for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles. Some peer-group companies' multiples may be more heavily weighted during valuation if their characteristics are closer to those of the company being valued than others.

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

a. Valuation based on enterprise value

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

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

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

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

b. Equity fair value valuation

The fair value of equity investments in private companies can also be 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.

Valuation based on equity fair value using peer multiples is used for businesses within financial sector (e.g. insurance companies).

Discounted cash flow

Under the discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the business or market sector. Under the discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and an internally-developed discounting rate of return.

14. Fair Value Measurements continued
Valuation techniques *continued*

Equity Investments in Private Portfolio Companies *continued*

Net Asset Value

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

Price of recent investment

The price of a recent investment resulting from an orderly transaction, generally represents fair value as of the transaction date. At subsequent measurement dates, the price of a recent investment may be an appropriate starting point for estimating fair value. However, adequate consideration is given to the current facts and circumstances at each measurement date to assess 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 the respective metrics of the investment being valued depending on the industry of the company. The Company develops a fair value range based on these techniques and analyses whether the 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 the 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.

Valuation process for Level 3 valuations

Georgia Capital's Management Board proposes fair values to be ascribed at each reporting date to the Audit and Valuation Committee. The Audit and Valuation Committee is responsible for the review and approval of fair values of investments at the end of each reporting period.

Fair values of investments in private companies are assessed externally by an independent third-party valuation firm for large private portfolio companies at the reporting date starting from 2020 (fair value assessment was performed internally as at 31 December 2019) and internally in accordance with Georgia Capital's valuation methodology by the Valuation Workgroup for investment stage and other portfolio companies.

Description of significant unobservable inputs to level 3 valuations

The approach to valuations as of 31 December 2020 was consistent with the Group's valuation process and policy. The 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

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
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 EV/Sales multiple Cashflow probability NAV multiple	5.1x-19.9x (5.0x-10.0) 1.2x-4.7x (2.4x) (90%-100%) (0.9x)	214,929

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2020 (THOUSANDS OF GEORGIAN LARI)

14. Fair Value Measurements continued

Description of significant unobservable inputs to level 3 valuations *continued*

31 December 2019

Description	Valuation technique	Unobservable input	Range (selected input)	Fair value
Loans Issued	DCF	Discount rate	9%-12%	117,506
Equity investments at fair value				
Large portfolio				648,893
Water utility	EV/EBITDA	EV/EBITDA multiple	7.9x-11.0x (8.8x)	483,970
P&C insurance	P/E	P/E multiple	6.6x-12.3x (9.0x)	164,923
Investment stage				163,116
Renewable energy	Recent transaction price	Recent transaction price	n/a	106,800
Education	Recent transaction price	Recent transaction price	n/a	56,316
Other	Sum of the parts	EV/EBITDA multiples EV/Sales multiple Cashflow probability NAV multiple	6.6x-15.4x (10.0x-10.4x) 1.3x-3.9x (2.2x) (70%-100%) (1x)	411,642

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 the London Stock Exchange in August 2020. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

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).

The 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 the 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. The fair value of the business as at 31 December 2020 is GEL 43,036.

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%).

14. Fair Value Measurements continued

Description of significant unobservable inputs to level 3 valuations *continued*

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated and separate historical financial information. The table does not include the fair values of non-financial assets and non-financial liabilities, or fair values of other smaller financials assets and financial liabilities, fair values of which are materially close to their carrying values.

	Carrying value 2020	Fair value 2020	Unrecognised gain (loss) 2020	Carrying value 2019	Fair value 2019	Unrecognised gain (loss) 2019
Financial assets						
Cash and cash equivalents	**855**	**855**	–	1,243	1,243	–
Total unrecognised change in unrealised fair value			–			–

Movements in level 3 financial instruments measured at fair value

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

	At 1 January 2019	Gain on revaluation	Investment entity classification	At 31 December 2019	Fair Value loss	Capital redemption	Capital increase	At 31 December 2020
Level 3 financial assets								
Call option	16,969	6,619	(23,588)	–	–	–	–	–
Equity investments at fair value (note 6)	–	–	1,758,197	1,758,197	339,174	(22,346)	138,265	**2,213,290**

15. Maturity Analysis

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

	31 December 2020		
	Less than 1 Year	More than 1 Year	Total
Cash and cash equivalents	**855**	**–**	**855**
Equity investments at fair value	**–**	**2,213,290**	**2,213,290**
Prepayments	**426**	**–**	**426**
Total assets	**1,281**	**2,213,290**	**2,214,571**
Other liabilities	**2,279**	**–**	**2,279**
Total liabilities	**2,279**	**–**	**2,279**
Net	**(998)**	**2,213,290**	**2,212,292**

	31 December 2019		
	Less than 1 Year	More than 1 Year	Total
Cash and cash equivalents	1,243	–	1,243
Equity investments at fair value	–	1,758,197	1,758,197
Prepayments	234	–	234
Total assets	1,477	1,758,197	1,759,674
Other liabilities	7,653	–	7,653
Total liabilities	7,653	–	7,653
Net	(6,176)	1,758,197	1,752,021

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16. Related Party Disclosures

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

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

The volumes of related party transactions, related expenses and income for the year are as follows:

	2020		2019	
	Management*	Equity investments at fair value **	Management*	Equity investments at fair value **
Income and expenses				
Interest income	–	–	–	199
Interest expense	–	–	(390)	–
	–	–	(390)	199

* Management of Georgia Capital PLC consist of 1 executives and 6 members of board of directors (4 executives and 6 board of directors in 2019) (2020 figures are for GCAP PLC, while 2019 figures are for GCAP PLC and GCAP JSC).

** Comprises of JSC Georgia Capital

There were no related party transactions as of 31 December 2020, other than increase of investment in subsidiary in the amount of GEL 138, 265, capital redemption from JSC GCAP of GEL 22,346 (note 6 and 8) and compensation of key management personnel disclosed below.

Compensation of key management personnel comprised the following:

	2020	2019
Salaries and other benefits	**(1,232)**	(3,589)
Share-based payments compensation	**(552)**	(12,988)
Total key management compensation	**(1,784)**	(16,577)

Key management personnel do not receive cash settled compensation, except for fixed salaries. The number of key management personnel at 31 December 2020 was 7 (2019: 10(4 executives and 6 members of board of directors, including executives of JSC GCAP)).

17. Events after the Reporting Period

On 16 March 2021 the 100% subsidiary of Georgia Capital PLC, JSC Georgia Capital, placed US$ 65 million (GEL 215.8 million) Eurobonds tap issue, to be consolidated and form a single series with the existing US$ 300 million 6.125% senior notes due 2024 issued on 9 March 2018, of which the notes with par value of US$ 4.2 million (GEL 13.8 million) were repurchased by JSC Georgia Capital at the issue date. The New Notes were priced at par and were listed on the Global Exchange Market of the Irish Stock Exchange plc trading as Euronext Dublin.

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ABBREVIATIONS

AGM	Annual General Meeting
APM	Alternative performance measure
BoG or BoGG	Bank of Georgia Group PLC
CAGR	Compounded annual growth rate
COVID-19	The novel coronavirus
DCF	Discounted cash flow
DCFTA	Deep and Comprehensive Free Trade Agreement
EBITDA	Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation
EECP	Executives' Equity Compensation Plan
EFTA	European Free Trade Association
EPS	Earnings per share
ESMS	Environmental and Social Risk Management Procedures
EUR	Euro
EV	Enterprise value
EY	Ernst & Young
FCF	Free cash flow
FDI	Foreign direct investment
FRC	Financial Reporting Council
FTA	Free Trade Agreement
GBP	Great British Pound, national currency of the UK
GDP	Gross domestic product
GEL	Georgian Lari or Lari, national currency of Georgia
GGU	Georgia Global Utilities
GHG	Georgia Healthcare Group
HPP	Hydro power plant
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
LTIP	Long-Term Incentive Plan
LTM	Last 12 months
LTV	Loan to value ratio
MOIC	Multiple of invested capital
MoU	Memorandum of Understanding
MTPL	Mandatory third-party liability insurance
MW	Megawatt
NAV	Net asset value
NBG	National Bank of Georgia
NGO	Non-governmental organisation
NIM	Net Interest Margin
NMF	Not meaningful to present
NPLs	Non-performing loans
NTM	Next twelve months
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating expenses
P&C	Property and Casualty
PLC	Public limited company
PPA	Power Purchase Agreement
RAB	Regulatory Asset Base
ROA	Return on assets
ROAE	Return on average equity
ROE	Return on equity
ROIC	Return on invested capital
SDGs	United Nations' Sustainable Development Goals
SMEs	Small and medium-size enterprises
SOTP	Sum-of-the-parts valuation
TBD	To be determined
TPP	Thermal power plant
TPL	Third-party liability insurance
TSR	Total Shareholder Return
UK	United Kingdom
US$	United States dollar, national currency of the United States
WACC	Weighted average cost of capital
WPP	Wind power plant
WSS	Water supply and sanitation
WWTP	Wastewater treatment plant
y-o-y	Year-on-year
YTD	Year to date

Additional Information

REFERENCES

BGEO Group PLC	Former parent company of Georgia Capital PLC prior to demerger
Georgia Capital and "the Group"	Georgia Capital PLC and its portfolio companies as a whole
GCAP	The aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
The Board	The Board of Directors of Georgia Capital PLC
The Code	The UK Corporate Governance Code published in 2018
The Directors	Members of Georgia Capital PLC Board of Directors
We/Our/Us	References to "we", "our" or "us" are primarily references to the Group throughout this Report. However, the Group comprises of and operates through its subsidiaries which are legal entities with their own relevant management and governance structure (as set out in relevant parts of this Report).

Additional Information

GLOSSARY

Alternative performance measures (APMs) In this Annual Report management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. Management believes that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate our operating performance and make day-to-day operating decisions.

Combined ratio Equals sum of the loss ratio and the expense ratio in the insurance business.

Demerger Georgia Capital PLC emerged as a separately listed company after demerger from its former Parent Company BGEO Group on 29 May, 2018 (the demerger).

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 portfolio companies' operational performance and the profitability of these companies' operations. The Company considers EBITDA to be an important indicator of representative recurring operations.

Expense ratio Equals sum of acquisition costs and operating expenses divided by net earned premiums in the insurance business.

IRR IRR for investments is calculated based on: a) historical contributions to the investment; b) dividends received; and c) fair value of the investment as at 31 December 2020.

LTV Loan to value ratio: net debt divided by the portfolio value.

Liquid assets and Loans issued Liquid asset and loans issued in Georgia Capital include cash, marketable debt securities and issued short-term loans.

Loss ratio Equals net insurance claims expense divided by net earned premiums.

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.

Net investment Gross investments less capital returns.

Number of shares outstanding Number of shares in issue less total unawarded shares in JSC GCAP's management trust.

MOIC Multiple of invested capital is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date, and ii) the denominator is the gross investment amount.

Realised MOIC Realised multiple of invested capital is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs, ii) the denominator is the gross investment amount.

ROAE Return on average total equity equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders for the same period.

ROIC Return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.

Value creation 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.

SHAREHOLDER INFORMATION

Our website
All shareholders and potential shareholders can gain access to the Annual Report, presentations to investors, key financial information, regulatory news, share and dividend data, AGM documentation and other significant information about Georgia Capital at: **https://georgiacapital.ge/**.

Our registered address
Georgia Capital PLC
84 Brook Street
London W1K 5EH
United Kingdom

Annual General Meeting
The Annual General Meeting of Georgia Capital PLC (the AGM) will be held at 12:30 pm (London time) on 25 May 2021 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA. Details of the date, time and business to be conducted at the AGM is contained in the Notice of AGM, which will be mailed to shareholders who have elected to receive hard copies of shareholder information and will be available on the Company's website: **https://georgiacapital.ge/**.

Shareholder enquiries
Georgia Capital PLC's share register is maintained by Computershare Investor Services PLC. Any queries about the administration of holdings of ordinary shares, such as change of address or change of ownership, should be directed to the address or telephone number immediately below. Holders of ordinary shares may also check details of their shareholding, subject to passing an identity check, by visiting the Registrar's website: **www.investorcentre.co.uk** or by calling the Shareholder Helpline on: +44 (0)370 702 0176.

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Forward-looking statements
Certain statements in this Annual Report and Accounts contain forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things, those described in "principal risks and uncertainties" included in this Annual Report and Accounts, see pages 73 to 81.

No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

Additional Information

NOTES

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