IMPORTANT NOTICE: NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

IMPORTANT: You must read the following before continuing. The following applies to the attached preliminary Listing Particulars (the "**Listing Particulars**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the attached Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the "**Securities**"). You acknowledge that this electronic transmission and the delivery of the attached Listing Particulars is intended for you only and you agree you will not forward this electronic transmission or the attached Listing Particulars to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the U.S. Securities Act of 1933 (the "**Securities Act**") or the applicable laws of other jurisdictions.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR WITHIN THE UNITED STATES ONLY TO QIBs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the Listing Particulars or make an investment decision with respect to the Securities referred to herein, investors must be (i) outside the United States; (ii) QIBs that are acquiring the Securities for their own account or the account of another QIB; or (iii) "**sophisticated investors**" for the purposes of the Law of Georgia on Securities Market (the "**Securities Market Law**") that are acquiring the Securities for their own account or the account of another "sophisticated investor". By accepting this e-mail and accessing the Listing Particulars, you shall be deemed to have represented to us that: (1) (A) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States; (B) you are a QIB acquiring the Securities referred to herein for your own account and/or for the account of another QIB; or (C) you are a "sophisticated investor" (as defined in the Securities Market Law) acquiring the Securities referred to herein for your own account and/or for the account of another "sophisticated investor"; and (2) you consent to delivery of such Listing Particulars by electronic transmission.

The Listing Particulars may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 (the "**FSMA**") does not apply and may be distributed in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**"), or (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Order (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the Listing Particulars are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Listing Particulars relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The Listing Particulars do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer of the Securities in such jurisdiction.

These Listing Particulars are being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither Joint Stock Company Georgia Capital nor J.P. Morgan Securities plc nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRIIPs / IMPORTANT - EEA RETAIL INVESTORS - The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation 2017/1129. Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs / IMPORTANT - UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR product governance / Professional investors and ECPs only target market - Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Securities Market Law / Offering and sale to sophisticated investors only

The Securities are not intended to be advertised, marketed, offered or sold in the territory of Georgia in a "public offering" (defined as an offer to sell securities directly or indirectly on behalf of an issuer or other person to at least 100 persons or to an unspecified number of persons per the Securities Market Law) without a prior or simultaneous delivery/publication of a final prospectus approved by the National Bank of Georgia (the "**NBG**") in accordance with the Securities Market Law. Offering and sale of the Securities to sophisticated investors (as defined in the Securities Market Law) only, however, will not constitute a public offering. In the event, however, that the Securities are placed/listed on the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**"), which is a "recognised stock exchange of the foreign country" under Georgian law, the Securities may be offered in Georgia in a public offering without approval of the Listing Particulars by the NBG, provided that the NBG is notified about the public offering of the Securities in accordance with Georgian law and the International Securities Identification Number (the "**ISIN**") of the Securities, as well as evidence of listing of the Securities on Euronext Dublin and the Listing Particulars, together with the Georgian translation of the *"Overview of the Offering"* section of the Listing Particulars (both of which should also be made publicly available in accordance with Georgian law), is provided to the satisfaction of the NBG in advance of the offering in Georgia.

Joint Stock Company Georgia Capital

(incorporated in Georgia with limited liability)

U.S.$65,000,000 6.125% Notes due 2024 (to be consolidated and form a single series with the U.S.$300,000,000 6.125% Notes due 2024)

Issue Price: 100% (plus 7 days of accrued interest)

The U.S.$65,000,000 6.125% Notes due 2024 (the "**New Notes**" and together with the Original Notes (as defined below, the "**Notes**") will be issued by Joint Stock Company Georgia Capital (the "**Issuer**", and together with its subsidiaries, the "**Group**").

The New Notes will be consolidated and form a single series with the existing U.S.$300,000,000 6.125% Notes due 2024 (the "**Original Notes**") of the Issuer issued on 9 March 2018 (the "**Original Closing Date**") on or after the Closing Date (as defined below). Upon consolidation, the aggregate principal amount of the Original Notes and the New Notes will be U.S$365,000,000. The New Notes will be constituted by a second supplemental trust deed to be dated on or about 16 March 2021 (as amended or supplemented from time to time, the "**Second Supplemental Trust Deed**") between the Issuer and the Trustee (as defined in the section headed "Terms and Conditions of the Notes" (the "**Conditions**", and references herein to a numbered "Condition" shall be construed accordingly)) which is supplemental to a trust deed dated 9 March 2018 and a first supplemental trust deed dated 17 October 2019 (together with the Second Supplemental Trust Deed and as further modified and/or supplemented from time to time, the "**Trust Deed**") between the same parties.

The issue price of the New Notes is 100% (plus U.S.$77,413.19 accrued interest from, and including 9 March 2021 to, but excluding 16 March 2021) and the issue date of the New Notes is 16 March 2021 (the "**Closing Date**").

Interest on the New Notes will accrue at the rate of 6.125% and will be payable semi-annually in arrear on 9 March and 9 September in each year, commencing on 9 September 2021.

The Notes may be redeemed by the Issuer in whole, but not in part, at their principal amount, plus accrued and unpaid interest thereon (if any), if, as a result of a change of law, the Issuer becomes obliged to pay certain additional amounts and otherwise as described under "*Terms and Conditions of the Notes—Condition 6(b) (Redemption for Taxation and Other Reasons)*". Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 9 March 2024 (the "**Maturity Date**").

The Notes will constitute unsecured and unsubordinated obligations of the Issuer (subject as described in Condition 4(a) (*Negative Pledge*)). See "*Terms and Conditions of the Notes—Condition 3* (*Status*)".

This document ("**Listing Particulars**") has been prepared for the purpose of providing disclosure information with regard to the New Notes which are to be admitted to the Official List (the "**Official List**") of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") and to trading on The Global Exchange Market which is the exchange regulated market of Euronext Dublin (the "**Global Exchange Market**"). The Global Exchange Market is not a regulated market for the purposes of (i) Directive 2014/65/EU ("**MiFID II**") or (ii) Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Application has been made to the Euronext Dublin for the New Notes to be admitted to the Official List and trading on its Global Exchange Market. **Investors should note that securities to be admitted to the Official List and to trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.**

These Listing Particulars do not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended), (ii) a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation"); or (iii) a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "UK Prospectus Regulation"). These Listing Particulars have been prepared solely with regard to the Notes which are (i) not to be admitted to listing or trading on any regulated market for the purposes of MiFID II; (ii) not to be offered to the public in a Member State of the European Union or in the United Kingdom (other than pursuant to one or more of the exemptions set out in the Prospective Regulation or UK Prospectus Regulation, as applicable). These Listing Particulars have not been approved or reviewed by any regulator which is a competent authority under the Prospectus Regulation.

The denominations of the Notes shall be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 6 OF THESE LISTING PARTICULARS BEFORE INVESTING IN THE NOTES.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The

Notes are being offered and sold outside the United States in accordance with Regulation S under the U.S. Securities Act ("**Regulation S**") and within the United States to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the U.S. Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or passed upon the adequacy or accuracy of these Listing Particulars. Any representation to the contrary is a criminal offence. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. For a more complete description of restrictions on offers, sales and transfers, see "*Transfer Restrictions*" and "*Subscription and Sale*".

The New Notes that are being offered and sold in accordance with Regulation S (the "**New Regulation S Notes**") will initially be represented by a Regulation S global certificate (the "**New Regulation S Global Certificate**", and the New Regulation S Global Certificate and all global certificates representing the Original Notes offered and sold in reliance on Regulation S being, together, the "**Regulation S Global Certificates**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for and will be deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on or about the Closing Date. New Notes that are offered and sold in reliance on Rule 144A (the "**New Rule 144A Notes**" and together with the New Regulation S Notes, the "**New Global Notes**") will initially be represented by beneficial interests in a restricted global certificate (the "**New Rule 144A Global Certificate**", and the New Rule 144A Global Certificate and all global certificates representing the Original Notes offered and sold in reliance on Rule 144A being, together, the "**Rule 144A Certificates**" and, together with the New Regulation S Global Certificates, the "**New Global Certificates**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Beneficial interests in the New Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their account holders. Definitive notes in respect of beneficial interests in the New Regulation S Global Certificate and the New Rule 144A Global Certificate ("**New Regulation S Definitive Certificates**" and "**New Rule 144A Definitive Certificates**", respectively, and, together, the "**New Definitive Certificates**" and such New Definitive Certificates together with any definitive certificates in respect of the Original Notes are, together the "**Definitive Certificates**") will not be issued except as described under "*Terms and Conditions of the Notes*".

The Notes are expected to be rated B by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**") and B2 by Moody's Investors Service Limited ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Credit ratings included or referred to in these Listing Particulars have been issued by S&P and Moody's. Moody's is established in the European Union (the "**EU**") and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**EU CRA Regulation**") and under the UK domestic law regarding credit rating agencies in accordance with the EUWA as amended by the Credit Rating Agencies (Amendments etc.) (EU Exit) Regulations 2019 (the "**UK CRA Regulation**" and together with the EU CRA Regulation, the "**CRA Regulation**"). S&P is not established in the EU and has not applied for registration pursuant to the EU CRA Regulation.

Bookrunner and Lead Manager

J.P. Morgan

Listing Particulars dated 12 March 2021

IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

These Listing Particulars do not comprise a prospectus for the purposes of the Prospectus Regulation or the UK Prospectus Regulation and constitute listing particulars for the purpose of giving information with regard to the Group and the Notes, which, according to the particular nature of the Issuer, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Group and of the rights attaching to the Notes.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Lead Manager (as defined in "*Subscription and Sale*") or the Trustee to subscribe for or purchase, any Notes in any jurisdiction where it is unlawful to make such an offer or invitation. The distribution of these Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Lead Manager and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of these Listing Particulars, see "*Transfer Restrictions*" and "*Subscription and Sale*".

No person is authorised to provide any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Lead Manager or the Trustee. The delivery of these Listing Particulars at any time does not imply that the information contained in them is correct as at any time subsequent to its date. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of these Listing Particulars.

None of the Issuer, the Lead Manager, the Trustee or any of its or their respective representatives or affiliates makes any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess these Listing Particulars. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer, the Lead Manager and the Trustee are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, the Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

The contents of the Issuer's website do not form any part of these Listing Particulars.

No representation or warranty, express or implied, is made by the Lead Manager, the Trustee or any of their or its affiliates or any person acting on their behalf as to the accuracy or completeness of the information set forth in these Listing Particulars. Nothing contained in these Listing Particulars is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving these Listing Particulars acknowledges that such person has not relied on the Lead Manager, the Trustee or any of its or their affiliates or any person acting on their behalf in connection with its investigation of the accuracy or completeness of such information or its investment decision. Each person contemplating making an investment in the Notes from time to time must make its own investigation and analysis of the creditworthiness of the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

NOTICE TO INVESTORS IN GEORGIA

These Listing Particulars have not been approved by the National Bank of Georgia (the "**NBG**").These Listing Particulars and the information contained herein are not a "public offer" or "advertisement" (each as defined in Georgian law) of the Notes in Georgia and are not an offer, or an invitation to make offers, to purchase, sell, exchange or transfer any securities in Georgia or to or for the benefit of any Georgian person or entity, unless and to the extent otherwise permitted under Georgian law, and must not be made publicly available in Georgia. The Notes have not been and will not be registered in Georgia and are not intended for "placement", "public circulation", "offering" or "advertising" (each as defined in Georgian law) in Georgia except to "sophisticated investors" (as defined in the Law of Georgia on Securities Market (the "**Securities Market Law**")), or as otherwise permitted by Georgian law.

NOTICE TO PROSPECTIVE U.S. INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THIS OFFERING IS BEING MADE IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF THE NOTES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. IN MAKING YOUR PURCHASE, YOU WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS. SEE "*TRANSFER RESTRICTIONS*" AND "*SUBSCRIPTION AND SALE*".

THESE LISTING PARTICULARS ARE BEING PROVIDED (1) TO A LIMITED NUMBER OF INVESTORS IN THE UNITED STATES THAT THE ISSUER REASONABLY BELIEVES TO BE "QIBS" FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH THEIR CONSIDERATION OF THE PURCHASE OF THE NOTES AND (2) TO INVESTORS OUTSIDE THE UNITED STATES IN CONNECTION WITH OFFSHORE TRANSACTIONS COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of any Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the initial allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the

Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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OVERVIEW OF THE OFFERING

This overview describes the principal terms of the Notes. This overview does not purport to be complete and is qualified in its entirety by the remainder of these Listing Particulars. See "Terms and Conditions of the Notes" for a more detailed description of the Notes.

The Offering	Offering of U.S.$65,000,000 6.125% Notes due 2024 (to be consolidated and form a single series with the U.S.$300,000,000 6.125% Notes due 2024). The New Notes are being offered by the Issuer (i) in the United States to certain QIBs (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act; and (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.
Issuer	Joint Stock Company Georgia Capital.
Bookrunner	J.P. Morgan Securities plc.
Lead Manager	J.P. Morgan Securities plc.
Trustee	Citibank, N.A. London Branch.
Principal Paying Agent and Transfer Agent	Citibank, N.A. London Branch.
Registrar	Citigroup Global Markets Europe AG.
Issue Price	100% of the principal amount of the New Notes plus accrued interest from (and including) 9 March 2021 to (but excluding) the Closing Date.
Interest	The Notes will bear interest at the rate of 6.125% per annum from and including 9 March 2018 (in the case of the Original Notes) and 9 March 2021 (in the case of the New Notes), in each case, to but excluding 9 March 2024. Interest on the Notes will be payable semi-annually in arrear on 9 March and 9 September in each year, commencing on 9 September 2018 (in respect of the Original Notes) and 9 September 2021 (in respect of the New Notes).
Status and Ranking of the Notes	The Notes constitute unsecured and unsubordinated obligations of the Issuer (subject as described in Condition 4(a) (*Negative Pledge*)) and shall at all times rank *pari passu* and without preference amongst themselves. The Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Covenants*), at all times rank at least *pari passu* in right of payment equally with all other unsubordinated creditors of the Issuer.
Form of New Notes	The New Notes will be issued in registered form, without coupons attached, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The New Notes will be represented by interests in a New Regulation S Global Certificate and a New Rule 144A Global Certificate, each in registered form without coupons. The New Regulation S Global Certificate will be deposited with, and registered in the name of, a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. The New Rule 144A Global Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee for DTC. Ownership interests in the

	New Regulation S Global Certificate and the New Rule 144A Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg. The New Global Certificates will be exchangeable for Definitive Certificates only in the limited circumstances described under "*Overview of Provisions Relating to the Notes in Global Form*".
Redemption	Subject to early redemption or acceleration, the Notes will be redeemed on 9 March 2024.
Tax Redemption	Upon the occurrence of certain events relating to taxation in Georgia as a result of which the Issuer becomes obligated to pay additional amounts on the Notes, the Issuer may redeem the outstanding Notes in whole (but not in part) at any time, at their principal amount plus accrued interest thereon (if any) to, but excluding the redemption date. See "*Terms and Conditions of the Notes—Condition 6(b)* (*Redemption for Taxation and Other Reasons*)".
Negative Pledge and Other Covenants	Condition 4 (*Covenants*) contains a negative pledge on the Issuer; covenants limiting mergers by the Issuer and its Material Subsidiaries (as defined in the Conditions), disposals by the Issuer and its Material Subsidiaries and transactions between the Issuer, its Material Subsidiaries and its Affiliates (as defined in the Conditions); the payment of dividends and other distributions and payments by the Issuer, restrictions on the payment of dividends by Material Subsidiaries and the incurrence of Indebtedness (as defined in the Conditions) by the Issuer; certain financial covenants; certain information furnishing requirements (including the provision of compliance certificates); and other covenants. See "*Terms and Conditions of the Notes—Condition 4* (*Covenants*)".
Events of Default	If an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred, the Trustee may give notice that the Notes are, and the Notes shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Notes—Condition 9* (*Events of Default*)".
Credit Ratings	The Notes are expected to be rated B by S&P and B2 by Moody's, each with stable outlook. S&P affirmed Georgia's long-term foreign and local currency and short-term foreign and local currency sovereign credit ratings of BB and B, respectively, and changed the outlook from stable to negative on 26 February 2021. Moody's is registered under the EU CRA Regulation. S&P is not established in the EU and has not applied for registration pursuant to the EU CRA Regulation. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the Maturity Date. The ratings do not address the marketability of the Notes or any market price. Any

	change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Withholding Tax or Increased Costs; Gross up	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Georgia or any authority therein or thereof having power to tax, in accordance with "*Terms and Conditions of the Notes—Condition 8 (Taxation)*", unless such withholding is required by law, in which event, the Issuer shall, save in certain circumstances provided in "*Terms and Conditions of the Notes—Condition 8 (Taxation)*", pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.
Use of Proceeds	The Issuer intends to use the net proceeds from the issuance of the New Notes (after the deduction of management, underwriting and selling fees, and commissions and listing fees, but before the deduction of other expenses) as follows: approximately U.S.$35.0 million will be used to fund capital allocations to the Group's portfolio companies and approximately U.S.$29.5 million will be used for general corporate purposes, of which the Issuer intends to retain U.S.$12.0 million in cash, deposits, cash equivalents and other temporary investments as a liquidity buffer for such time as it deems appropriate for prudential management purposes.
Listing and Admission to Trading	Application has been made to Euronext Dublin for the New Notes to be admitted to the Official List and trading on its Global Exchange Market.
Selling Restrictions	The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The offer and sale of Notes is also subject to restrictions in Georgia, Russia, the EEA, the United Kingdom and other jurisdictions. See "*Subscription and Sale*".
Governing Law	The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.
Arbitration and Jurisdiction	The Notes and the Trust Deed provide that disputes are to be resolved by arbitration in the London Court of International Arbitration (the "**LCIA**").
Risk Factors	Prospective purchasers of Notes should consider carefully all of the information set forth in these Listing Particulars and, in particular, the

	information set forth under "*Risk Factors*" before making an investment in the Notes.
Security Codes in relation to the Notes	Regulation S Notes: ISIN: XS1778929478 Common Code: 177892947 Rule 144A Notes: ISIN: US373143AA49 Common Code: 178546554 CUSIP: 373143AA4 CFI: DBFNGR FISN: JOINT STOCK COM/6.125EUR NT FM WC

Substitution of the Issuer

On 4 May 2018, Joint Stock Company Georgia Capital Group (the "**Substitute Issuer**" as referred to in the listing particulars dated 7 March 2018, published in connection with the Original Notes (the "**Original LPs**")) merged with Joint Stock Company Georgia Capital (the "**Issuer**" as referred to in the Original LPs). Joint Stock Company Georgia Capital Group assumed the rights and obligations of Joint Stock Company Georgia Capital as part of such merger. On 4 May 2018, Joint Stock Company Georgia Capital Group changed its name to Joint Stock Company Georgia Capital, and such entity is making this offering of New Notes as Issuer.

Overview of the Group

The Group is a platform for buying, building and developing businesses in Georgia. The Group's primary business is to develop or buy businesses, help them institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. 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 they mature. The Group manages its portfolio companies individually and does not focus on achieving intra-Group 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.

The Group categorises its portfolio companies as follows (with the percentages of the total portfolio value being as reflected in the financial statements of the Issuer as equity investments at fair value as at 31 December 2020):

- *Listed businesses (18% of total portfolio value)*: The Group holds a 19.9% equity stake in Bank of Georgia Group plc ("**BoGG**"), a holding company of a leading universal bank in Georgia, listed on the premium segment of the London Stock Exchange ("**LSE**");
- *Private portfolio businesses (82% of total portfolio value)*: The Group's private portfolio businesses comprise large portfolio companies, investment stage portfolio companies and other portfolio companies:
    - *Large portfolio companies (64% of total portfolio value)*:
        - *Healthcare services (20% of total portfolio value)*: The healthcare services business, owned through Georgia Healthcare Group ("**GHG**"), comprises three segments: hospitals, clinics and diagnostics;

- *Retail pharmacy (19% of total portfolio value)*: The retail pharmacy business, owned through GHG, consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies;

- *Water utility (16% of total portfolio value)*: The water utility business is owned through Georgia Global Utilities JSC ("**GGU**") and supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia; and

- *Insurance (Property & Casualty and Medical) (9% of total portfolio value)*: The insurance business combines: a property and casualty insurance business, owned through Aldagi and a medical insurance business, owned through GHG;

o *Investment stage portfolio companies (11% of total portfolio value)*:

- *Renewable energy (8% of total portfolio value)*: The renewable energy business consists of the Mestiachala Hydro Power Plants ("**HPPs**"), Hydrolea HPPs and the Qartli Wind Farm, which are owned through GGU, as well as a pipeline of up to 172 MW of renewable energy projects in the advanced stage of development currently held under the umbrella of Georgia Capital and intended to be transferred to GGU at a later date (other than the Darchi project, which is held under GGU currently); and

- *Education (3% of total portfolio value)*: The education business combines three high quality school partnerships across the premium, mid-level and affordable education segments; and

o *Other portfolio companies (7% of total portfolio value)*: Other portfolio companies include five businesses: housing development; hospitality and commercial real estate; beverages; auto services; and digital services.

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of Notes should carefully read these entire Listing Particulars. In addition to the other information in these Listing Particulars, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment in the Notes. Any of the risks described below could have a material adverse effect on the Group's business, financial condition and results of operations. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. Although the Group believes that the risk factors described below represent the principal risks inherent in investing in the Notes, there may be additional risks and uncertainties that the Group currently considers immaterial or of which the Group is currently unaware, and any of these risks and uncertainties could have similar effects to those set forth below. Accordingly, the Group does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Relating to the Group

The Group's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business.

Substantially all of the Group's revenue is derived from Georgian businesses. Accordingly, the Group's results of operations are, and are expected to continue to be, affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. In addition to gross domestic product ("**GDP**") growth, factors such as inflation, interest and foreign currency exchange rates, as well as unemployment, personal income, tourism levels and the financial condition of Georgian companies, can have a material impact on customer demand for the Group's portfolio companies' products and services. In particular, the ongoing novel coronavirus ("**COVID-19**") pandemic has had an adverse effect on and remains a substantial hurdle for the Georgian economy, as is the case elsewhere in the world. See *"—The Georgian economy, and hence the Group's business, may be adversely affected by the ongoing COVID-19 pandemic"*.

Any deterioration or instability in the Georgian economy will adversely affect the Group's business. 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 the Government of Georgia (the "**Government**") securing external financing, 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 U.S.$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, according to the National Statistics Office of Georgia ("**Geostat**").

Starting in the second half of 2014, the Georgian economy was affected by falling global commodity prices and the contagion effect of the recession in Russia, as well as by the depreciation of the currencies of Georgia's main trading partners. Since the end of 2016, economic growth in Georgia had been accelerating due to more favourable external conditions. Following one of the strongest years with respect to all around economic performance in 2019, with economic growth of 5%, 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 acceleration of the COVID-19 pandemic. According to preliminary Geostat estimates, Georgia's real GDP contracted by 6.1% in 2020, due to the Government restrictions and tourism revenue fell by 83%, which weighed heavily on economic performance. The recovery is expected to begin in 2021, as and when the pandemic starts to be brought under control. There is significant uncertainty, however, concerning widespread vaccine availability, mutated variants of COVID-19 and the immunisation timeline. Any adverse macroeconomic developments in the Georgian or global economy could have a material direct or indirect adverse effect on the Group's business, financial condition, results of operations and prospects.

The Georgian economy, and hence the Group's business, may be adversely affected by the ongoing COVID-19 pandemic.

The Georgian economy has been affected by adverse developments in the global economy arising from the outbreak of COVID-19. The outbreak, which originated in the city of Wuhan in Hubei province in China in November 2019, has since spread to the rest of the country and globally. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Based on reports by individual governments, as of 4 March 2021, more than 115 million people had been infected globally and around 2.5 million deaths have resulted from COVID-19 infection. Most countries across the world have implemented travel restrictions and/or advised against travel and imposed travel bans on visitors travelling from certain countries. While vaccines have been developed and are in the course of being rolled out globally, the infection has continued to spread and new variants of the virus have developed for which vaccines are not effective or are less effective. The COVID-19 outbreak and the measures taken by various governments have had a severe impact on global macroeconomic conditions, with the International Monetary Fund ("**IMF**") forecasting in January 2021 that the global economy would swing from a 2.9% growth rate in 2019 to a contraction of 3.5% in 2020.

The spread of COVID-19 has adversely affected, and may continue to adversely affect, the Georgian economy, particularly in light of its significant reliance on tourism and remittances. According to preliminary Geostat estimates, Georgia's real GDP contracted by 6.1% in 2020. As of 4 March 2021, Georgia had confirmed 271,872 recorded cases of COVID-19 and 3,553 deaths.

In February and March of 2020, Georgia introduced a number of measures aimed at containing the COVID-19 pandemic, including suspensions of direct air traffic with a number of countries, bans of inbound foreigners who had transited via these countries and medical screening for travellers who had been in certain jurisdictions. Tourism revenues fell by 83% in 2020, including a 96% fall in the period from April to December of 2020, as a result of these measures, according to Geostat.

In March 2020, the President of Georgia declared a nationwide state of emergency effective until 21 April 2020, which was subsequently extended to 22 May 2020. As the result of the state of emergency, most international air, maritime and land travel was suspended, gatherings and manifestations were restricted, and the Government was granted additional powers to intervene in the management of businesses and private companies to restrict or prohibit their activities or to instruct them to carry out specific tasks and additional powers to regulate prices for basic consumption products, drugs and medical services essential for human life and health.

In March 2020, the Government closed two municipalities in one of the Georgian regions and declared both municipalities as quarantine zones due to the possible transmission of COVID-19. Among other restrictions, exit from and entrance into the municipality territories (excluding the residents of these municipalities) were prohibited during the term of the state of emergency.

In March 2020, the Government announced certain additional measures during the term of the state of emergency comprising, among other things, the following measures:

- a nationwide curfew in effect from 9 p.m. to 6 a.m. starting from 31 March 2020;

- a suspension of all public transport, including the metro;

- a prohibition of gatherings of more than three people (later changed to ten people), excluding, inter alia, pharmacies and food markets, where people must keep a distance from one another;

- a suspension of economic activities, except in relation to, inter alia, banking activities, financial services, medical services, food and essential industries and other principal industries in the country (the list of permitted economic activities was amended by the Government on several occasions), such as major infrastructure projects, oil, minerals, metals and other principal production materials; and

- screening via special checkpoints in Tbilisi, Batumi, Kutaisi, Rustavi, Poti, Zugdidi, Akhaltsikhe, Telavi and Gori.

On 26 November 2020, the Government announced a nationwide multi-phased two-month restriction plan to commence on 28 November 2020 in order to slow the spread of the COVID-19 outbreak. This included placing the eight largest Georgian cities and ski resorts in partial lockdown. Nationwide restrictions, effective from 28 November 2020 through 31 January 2021, included:

- a nation-wide curfew in effect from 9 p.m. to 5 a.m., with two exceptions on New Year's and Orthodox Christmas nights;
- the closure of restaurants and other food facilities, except for takeaway, delivery and drive-in services;
- the closure of gyms and swimming pools;
- conferences, training and cultural and entertainment events being required to be conducted online; and
- a cessation of activities of sport, art and cultural clubs.

The following additional restrictions, effective from 28 November through 24 December 2020 and again from 3 January to 1 February 2021, applied to the eight largest cities in the country (Tbilisi, Kutaisi, Batumi, Rustavi, Zugdidi, Poti, Gori and Telavi), as well as the ski resorts of Bakuriani, Gudauri, Mestia and Goderdzi:

- all shops/ shopping malls were required to switch to remote trade, except for grocery, chemist and hygiene shops, newsstands, pharmacies, pet shops, and pet pharmacies. Outdoor and indoor marketplaces, except for agrarian markets, were required to close;
- all municipal and inter-city transport was suspended;
- studies in secondary schools, vocational schools and universities (other than medical universities) were required to be conducted remotely. Private and public nursery schools were required to close; and
- hotels in winter resorts were only permitted to be used for quarantine purposes, and ski lifts and trails were required to shut down.

The Government announced the plan for the gradual easing of restrictions from 1 February 2021, including:

- regular flights resumed;
- in Batumi, Zugdidi, Gori, Poti and Telavi, municipal transport resumed during weekdays;
- shops and malls reopened (except during weekends) in all eight of the largest cities in the country; and
- in-person studies resumed at schools throughout the country, except in Tbilisi, Kutaisi, and Rustavi. Nursery schools, along with in-person studies in schools of vocational and higher education, resumed on 1 March 2021.

Due to favourable epidemiological developments, a further easing of restrictions was announced on 4 February 2021, including:

- municipal transport resumed in Tbilisi, Kutaisi and Rustavi from 8 February 2021 (with restrictions still applying on weekends);
- indoor and outdoor markets opened a week earlier than planned, from 8 February 2021 (with restrictions still applying on weekends);
- in-person studies resumed at schools in Tbilisi, Kutaisi and Rustavi from 15 February 2021, instead of 1 March 2021 (with parents having the option to select distance learning); and
- restaurants and food services resumed outdoor operation from 15 February 2021.

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 9 p.m. to 5 a.m.

Georgian authorities have mobilised U.S.$3.0 billion financing from the IMF and other international partners (the United States, the European Union, the World Bank, Kreditanstalt für Wiederaufbau, L'Agence Française de Développement, the European Bank for Reconstruction and Development (the "**EBRD**"), the European Investment Bank and Asian Development Bank, among others) to respond effectively to the economic crisis stemming from the COVID-19 pandemic. Of this funding, U.S.$1.5 billion is earmarked for the public sector and U.S.$1.5 billion is earmarked for the private sector. The IMF financing accounts for approximately U.S.$400 million of the total, of which U.S.$334 million has already been disbursed, following the 6th (U.S.$200 million, 1 May 2020) and 7th (U.S.$114 million, 16 December 2020) reviews under the Extended Fund Facility.

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 a further GEL 1.10 billion.

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

- 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. See also *" —Risks Relating to Georgia Healthcare Group—The ongoing COVID-19 pandemic has led to significant disruption in the healthcare industry and has strained the resources of the Georgian healthcare system"*;

- BoGG has recorded a higher cost of risk driven by expected credit loss ("**ECL**") provisions due to the impact of COVID-19. In the first quarter of 2020, it also recorded a GEL 38.7 million one-off net loss on modification of financial assets in relation to the three-month payment holidays on principal and interest offered to retail customers, in order to reduce the requirement for customers to physically visit bank branches and reduce the risk of the COVID-19 virus spreading;

- 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 the Georgian National Energy and Water Supply Regulatory Commission ("**GNERC**") in December 2020;

- At the Group's education business, schools were providing distance learning from 1 March 2020 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, 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; and

- The Group's auto services business was negatively affected by the lockdown, including due to the temporary suspension of mandatory car inspections.

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.

There is a 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 sufficient cash or being able to raise sufficient debt financing.

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 creditor covenants causing a default. For instance, Condition 4 (*Covenants*) contains a negative pledge on the Issuer; covenants limiting mergers by the Issuer and its Material Subsidiaries (as defined in the Conditions), disposals by the Issuer and its Material Subsidiaries and transactions between the Issuer, its Material Subsidiaries and its Affiliates (as defined in the Conditions); the payment of dividends and other distributions and payments by the Issuer, restrictions on the payment of dividends by Material Subsidiaries and the incurrence of Indebtedness (as defined in the Conditions) by the Issuer; certain financial covenants; certain information furnishing requirements (including the provision of compliance certificates); and other covenants. See "*Terms and Conditions of the Notes—Condition 4* (*Covenants*)".

The liquidity management process is a regular process, where the framework is approved by the Board of Directors of Georgia Capital PLC and is monitored by senior management and the Chief Financial Officer of the Group. 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 Group's finance department monitors certain liquidity measures on a daily basis and actively analyses and manages liquidity weekly. Senior management of the Group is involved at least once a month and the Board of Directors of Georgia Capital PLC 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. The Group's debt is actively managed so that it maintains a maximum market value leverage ("**LTV**") ratio of 30%. The Group has adopted the following measures to manage its standalone credit profile:

- the Group 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 monetize its private portfolio investments. To limit this dependency, the Group has adopted a policy to maintain a cash buffer of at least U.S.$50 million in highly liquid assets in order to maintain sufficient capacity for potential downside scenarios as well as for potential acquisition opportunities. Additionally, the Group currently maintains at least U.S.$50 million in marketable securities which can be converted into cash within three to four weeks (this includes BoGG shares); and

- market value leverage (net debt divided by asset portfolio) should be no more than 30% at all times, where "net debt" is defined as the sum of borrowings, debt securities issued, guarantees issued and commitments from financial institutions minus liquid assets and third party loans issued, and "asset portfolio" is defined as equity investments at the fair value and loans issued to portfolio companies. The ratio was 29% as at 31 December 2020; and

- recourse debt and guarantees are limited at the Issuer and at each portfolio company level, except for the existing guarantee issued to the beer business.

Despite these measures, however, there can be no assurance that the Group will not experience a stressed liquidity situation, particularly in light of the ongoing COVID-19 pandemic. This could in turn have a material adverse effect on macroeconomic conditions and in turn, the Group's business.

Market conditions may adversely impact the Group's operating results and its ability to execute its investment strategy.

The Group invests capital in businesses that it believes have the potential to reach at least GEL 0.5 billion equity value over the next 3-5 years and is targeting to monetise such investments through a partial or full exit within five to ten years. The Group may not be able to identify suitable acquisition opportunities, compete successfully, particularly if the Georgian economy deteriorates as it did in 2020 due to the COVID-19 pandemic, with other potential acquirers of these businesses or negotiate attractive terms for such acquisitions. There may be a limited number of attractive acquisition opportunities in Georgia and certain acquisition opportunities may command high valuations. The Group may become more dependent, over the longer term, on external sources of finance to fund future acquisitions and development projects, and funding might not be available on commercially acceptable terms. In addition, the Group may not be able to realise the anticipated cost savings, synergies and revenue enhancements from any acquisitions that it does make. Additionally, an inappropriate investment decision might lead to poor performance, which could be caused by inadequate research or due diligence of new acquisition targets and poor execution timing. The valuation of investments can be volatile in line with market developments.

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. Similarly, potential buyers of the Group's investments may also face reduced access to capital. As a result, such buyers could experience difficulty in raising the necessary finance to purchase any of the Group's existing or future businesses on exit. Market conditions may also prevent the Group from being able to monetise its investments via sales of its existing stakes in listed entities or initial public offerings of its key businesses, which could adversely affect the Group's business, financial condition, results of operations and prospects.

Conversely, any divestments made by the Group may reduce the cash flows available to service interest and principal payments on the Notes. Realising the value of one of the Group's large investments is a strategic priority in order to complete the full cycle of the Group's strategy (invest, grow, monetise) and to validate the Group's portfolio value. Therefore, on 12 November 2020 the Group announced that the Group will be targeting the completion of a trade sale of one of its large businesses over the next 18 to 24 months. Another strategic priority is the divestment of the businesses included in the other portfolio companies, which have limited potential to reach GEL 0.5 billion in value. This is expected to occur over the next two to three years. To the extent the Group is successful in exiting any of its portfolio companies, this would likely reduce its cash flows.

The Group and its portfolio companies depend on their ability to hire and retain key management and qualified personnel.

The current senior management team includes a number of individuals that the Group believes contribute significant experience and expertise. The Group's ability and the ability of its portfolio companies to continue to retain, motivate and attract qualified and experienced management personnel is vital to their business. There can be no assurance that the Group or its portfolio companies will be able to successfully recruit and retain the necessary qualified personnel. The loss or diminution in the services of members of its senior management team or an inability to recruit, train or retain necessary personal, could adversely affect the Group's business, financial condition, results of operations and prospects or business, financial condition, results of operations and prospects of the Group's portfolio companies, which in turn could adversely affect the Group's business, financial condition, results of operations and prospects.

Risks Relating to Georgia Healthcare Group

GHG operates across the Georgian healthcare ecosystem through its healthcare services and retail pharmacy businesses and is subject to a complex spectrum of laws, regulations and codes, and cannot accurately predict future regulatory changes or their effect.

GHG, which is the holding company of the Group's healthcare services, retail pharmacy and medical insurance businesses, operates in an evolving regulatory environment and cannot accurately predict what regulatory changes will be introduced in the future or their effect. GHG's healthcare services business includes a network of hospitals, clinics (including community clinics and polyclinics) and its Mega Laboratory ("**MegaLab**"), each of which must comply with extensive requirements across a spectrum of laws, regulations and codes. GHG's retail pharmacy and medical insurance businesses must also comply with a broad range of requirements.

Since 2007, there has been a significant transformation of the Georgian healthcare system aimed at achieving higher standards of care, modernisation of equipment and facilities, wider access to healthcare and lower healthcare costs. From 2007 to 2013, significant steps were taken to privatise the healthcare system. The Government essentially delegated responsibility for insurance of certain segments of the population (including teachers, military personnel and other public sector employees) to private insurance companies. In February 2013, however, the Government launched the Universal Healthcare Programme ("**UHC**"), which extended public healthcare coverage to the entire Georgian population and transferred responsibility for purchasing healthcare services from private insurance companies to the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("**MOH**"). Despite these reforms, out-of-pocket payments remain the dominant source of financing for healthcare services in Georgia, comprising payments of services not covered by the UHC.

The Government may in the future expand the coverage it currently provides though the UHC. There are also periodic changes to applicable regulations, including the UHC, and UHC tariffs may change from time to time. For example, on 5 November 2019, the Government introduced changes to the UHC reimbursement mechanism, effective from 21 November 2019. The changes mainly apply to the Tbilisi and Kutaisi regions, which developed an oversupply of beds as a result of an increase in the number of small hospitals in recent years. This change reduced certain tariffs on intensive care and cardiac services to bring them into line with tariffs applicable in Georgia's other regions. These changes had an adverse effect on GHG's revenues leading to a reduction in the hospital business's revenues by approximately GEL 12 million and EBITDA by GEL 7 million on a normalised basis.

Regulatory authorities (such as the Social Services Agency, the Regulation Agency for Medical and Pharmaceutical Activities (the "**Medical Regulation Agency**") and the Drug Agency and the Insurance State Supervision Service of Georgia (the "**ISSSG**")) conduct periodic inspections of GHG in order to determine compliance with relevant regulatory requirements and have in the past imposed penalties for minor errors and non-compliance totalling approximately GEL 2 million a year. The Government may introduce new licensing or accreditation requirements or quality standards for healthcare providers which could result in an increase in GHG's costs.

Non-compliance with applicable laws, regulations, codes or regulatory requirements, including in the areas of tax, insurance, pharmaceuticals, diagnostics, healthcare and the UHC, or the settling of disputes or lawsuits, could lead to penalties, increased costs of operations, censure, regulatory investigations and/or reputational damage, any of which could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

GHG depends on revenue from the Georgian government and a small number of insurance providers.

GHG's healthcare services business depends on revenue from the Government and a relatively limited number of private insurance providers. As a result, its ability to obtain favourable pricing depends on its ability to maintain good working relationships with the Government and private insurance providers and may be impacted by a change in the process by which the Government reimburses healthcare providers, including GHG, which could increase GHG's administrative costs or result in delays in obtaining payment for its services. Payments by the Government under the UHC may be delayed and the private insurance companies GHG works with may experience financial difficulties which cause them to fail or may otherwise fail to pay the claims GHG submits to them for reimbursement. Any reduction in prices or increase in the time for making payment, including any delayed payments under the UHC, would adversely affect GHG's revenues, profitability and working capital. In addition, GHG might not be able to predict the evolution of the Government's policy in relation to the state funding of healthcare and, in particular, changes to the UHC and any consequent effect on its business. Any of the foregoing could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

GHG operates in a competitive industry.

GHG competes with other private and state providers of healthcare services across Georgia. A large and mainly fragmented group of competing healthcare providers in certain regions are more established than GHG, and may have greater experience, infrastructure and brand loyalty in such regions. For example, the market share of GHG's 17 hospitals and 19 community clinics was 18% as at 31 December 2020, based on the number of beds. Its next largest competitors, Aversi, Vienna Insurance Group, Ghudushauri-Chachava, Inova and PSP, had market shares of 5%, 4%, 3%, 2% and 1%, with smaller competitors accounting for 65% of the market, based on publicly available data for each competitor. GHG's retail pharmacy business is less fragmented. It had a market share based on revenue of approximately 32% as at 31 December 2020, with PSP and Aversi having market shares of 28% and 19% and remaining players accounting for 21% of the market, based on publicly available data from each competitor. Competition is based on factors such as reputation, clinical excellence, patient satisfaction and price. Competition is strongest in Tbilisi, although GHG faces competition in all of the regions of Georgia in which it operates.

GHG may also face competition from other healthcare service providers, such as stand-alone speciality centres and laboratories, for areas such as cardiology, oncology, urology and diagnostics. Although fewer in number and more limited in reach, GHG also competes with state-owned hospitals and polyclinics. Over time, GHG may also face competition from international healthcare companies with substantially greater resources, which may begin providing services in Georgia or attracting patients from Georgia as part of medical tourism. GHG's competitors may consolidate, develop alliances or adopt predatory pricing policies to capture market share, which could adversely affect GHG's business, financial condition, results of operations and prospects.

The ongoing COVID-19 pandemic has led to significant disruption in the healthcare industry and has strained the resources of the Georgian healthcare system.

Restrictions imposed in relation to the outbreak of COVID-19 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 fear of contracting COVID-19 have had a negative impact on the business. Revenue and earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") (excluding the impact of International Financial Reporting Statements ("**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 and COVID-19 related revenues. 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 business's revenue started to rebound and the trend continued throughout the second half of the year. 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 only receiving COVID-19 patients, and ten healthcare facilities as hybrid facilities, receiving both COVID-19 and non-COVID-19 patients, with total approximately 1,300 beds across the country. The Government fully reimburses costs associated with COVID-19 treatments, and also pays a fixed fee amount per each occupied bed for COVID-19 patients. In April 2020, GHG also started to engage in testing patients for COVID-19 and as of 26 February 2021, approximately 125,600 COVID-19 tests have been performed.

As COVID-19 continues to spread, doctors and nurses could be on the front line of treatment and this could be 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.

GHG is involved in contractual and other disputes and litigation.

Healthcare providers such as GHG are subject to the risk of litigation by patients and it is possible that some of these cases will be decided against GHG, which could require GHG to pay increased premiums for medical malpractice insurance or substantial damages or other amounts in judgements or settlements. Any such actions could also harm GHG's reputation and the goodwill associated with its brand, require significant time and attention from management and require GHG to incur debt to finance amounts owing under any judgement or settlement. GHG's patients may contract serious infections or communicable diseases at its facilities because of the risks associated with the operation of medical care facilities. GHG's operations involve the treatment of patients with a variety of infectious diseases and previously healthy or uninfected people may contract, during their stay at or visits to GHG's facilities, serious communicable diseases, which could also infect GHG's employees and reduce the treatment and care capacity of GHG's medical facilities. In addition to claims for damages, any of these events may lead to limitations on the activities of GHG's healthcare facilities as a result of regulatory restrictions, loss of reputation and reduced utilisation of GHG's hospital beds. Any of the foregoing could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

Inadequate record-keeping or documentation of medical matters and patient data could lead to medical or administrative errors and regulatory breaches, which could give rise to fines, penalties and/or reputational damage.

GHG receives, generates and stores significant volumes of personal and sensitive information, such as patient medical information, and is therefore subject to privacy and security regulations with respect to the uses and disclosures of protected health information, which are intended to protect the confidentiality, integrity and availability of such information. Georgian privacy regulations and the Georgian criminal code establish a regulatory framework on a variety of subjects, including:

- the prohibition of disclosing health information learned during the course of diagnosis and treatment;
- the circumstances under which use or disclosure of protected health information is permitted or required without a specific authorisation by the patient;
- the requirements to notify patients of privacy practices for protected health information; and
- safeguards required of entities that use or receive protected health information.

In addition, although GHG has implemented network security measures, its servers are potentially vulnerable to computer viruses, break-ins and similar disruptions from unauthorised tampering. GHG holds confidential data regarding its patients and customers, and, given the nature of healthcare services, it must be particularly vigilant in guarding data privacy. A cyber-attack, security breach or unauthorised access to GHG's systems could cause important or confidential data to be misappropriated, misused, disseminated or lost. If GHG does not adequately safeguard confidential patient data or other protected health information, or if such information or data are wrongfully used by GHG or disclosed to an unauthorised person or entity, GHG's reputation could suffer, resulting in a loss of customers, and it could be subject to fines, penalties and litigation, any of which could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

Because of the risks typically associated with the operation of medical care facilities, patients may contract serious communicable infections or diseases at hospitals, some of which may not be capable of treatment with antibiotics due to antimicrobial resistance.

The operation of a hospital involves the treatment of patients with a variety of infectious diseases. Previously healthy or uninfected people may contract serious communicable diseases in connection with their stay or visit at hospitals. This could result in significant claims for damages and, as a result of reports and press coverage, to loss of reputation. Furthermore, these germs or infections could also infect employees and thus significantly reduce the treatment and care capacity at the medical facilities involved, as well as lead to legal claims for damages. In addition, any of these events may lead directly to limitations on the activities of the hospital involved as a result of quarantines, closing of parts of the hospitals at times for sterilisation, regulatory restrictions on, or the withdrawal of, permits and authorisations, and any such events may indirectly result, through a loss of reputation, in reduced utilisation of the affected hospitals.

Should one of GHG's hospitals be the site of contraction of serious communicable infections or diseases, including COVID-19, GHG's business, financial condition, results of operations and prospects could be materially adversely affected. See also *"—The ongoing COVID-19 pandemic has led to significant disruption in the healthcare industry and has strained the resources of the Georgian healthcare system"*.

In addition, antibiotics are one of the most frequently used drugs in the Georgian healthcare sector and are often seen as the solution by clinicians and patients with regard to existing and potential infections. However, certain infections have become resistant to antibiotics and therefore it is not always an effective treatment. Overuse of antibiotics can lead to an increase in antimicrobial resistance, especially among hospital associated infections. Failure to successfully train staff on the use of antibiotics, and potential misuse and/or overuse of antibiotics can lead to the creation of bacteria with resistance to antibiotics, decreased quality of patient safety and increased consumption of hospital resources, as well as reputational damage should any such misuse or overuse be publicly disclosed, which could, in each case adversely affect GHG's business, financial condition, results of operations and prospects.

GHG's performance depends on its ability to recruit and retain high quality doctors, nurses and other healthcare professionals.

GHG's operations depend on its ability to recruit and retain high quality doctors, nurses and other healthcare professionals at its hospitals and clinics. GHG competes with other healthcare providers to recruit and retain qualified doctors and other healthcare professionals. The reputation, expertise and demeanour of the doctors, nurses and other medical professionals who provide medical services at GHG's hospitals are instrumental to its ability to maintain high safety and quality standards and attract patients. GHG's hospital and outpatient network has grown rapidly during the last several years and requires personnel with the appropriate skills and experience to serve patients across a range of specialities. However, there is a shortage of suitably skilled doctors, nurses and other healthcare professionals in Georgia. Therefore, the success of GHG's healthcare services business depends, in part, on GHG's ability to recruit, train and retain an appropriate number of highly skilled doctors, nurses and other healthcare professionals in order to deliver international standards of care, offer greater diversity of services to better satisfy Georgia's needs and provide the latest treatments using technologically advanced equipment. If GHG is unable to effectively attract, recruit and retain qualified doctors, nurses and other healthcare professionals, its ability to provide high quality healthcare services and sophisticated treatments and to retain and attract new patients may be adversely affected, which could in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

GHG's operations could be impaired by a failure of its information systems or any failure to update or upgrade these systems in a timely manner.

GHG has expanded and has increasingly complex operations to manage, including its retail pharmacy business, including through its acquisition of JSC ABC Pharmacia in 2017 and JSC GPC in 2016. GHG's information systems are essential to a number of critical areas of GHG's business, including patient and insurance billing, electronic document management systems, medical and non-medical materials management and patient information management. Any system failure that causes an interruption in service or availability of GHG's systems could materially adversely affect GHG's business and/or delay the collection of revenue.

Improper access or information misappropriation may also lead to insider trading or other illegal actions by employees or others. Software or network disruptions may also cause GHG to lose revenue or otherwise result in failed customer transactions and/or delayed submissions of mandatory or other reports. Non-recurring operational risks include incurring losses or unexpected expenses from system failures, human error, fraud or other unexpected events. Any of the above could lead to disruptions to GHG's business, adversely affect patient and customer loyalty, subject GHG to governmental investigations, litigation, damages, penalties and/or reputational damage, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

GHG may not be able to accurately forecast healthcare costs in relation to its medical insurance products.

Premiums for GHG's medical insurance business are priced in advance based on GHG's forecasts of healthcare costs during a fixed premium period. These forecasts are typically developed several months before the fixed premium period begins, are influenced by historical data (and recent historical data in particular), are dependent on GHG's ability to anticipate and detect medical cost trends and changes in customer behaviour and healthcare utilisation patterns and require a significant degree of judgement. Cost increases in excess of GHG's projections cannot be recovered in the fixed premium period through higher premiums. As a result, GHG's profits are particularly sensitive to the accuracy of GHG's forecasts and ability to anticipate and detect medical cost trends. Even relatively small differences between predicted and actual healthcare costs as a percentage of premium revenues can result in significant adverse changes in GHG's results of operations.

Healthcare costs can be affected by external events that GHG cannot forecast or anticipate and over which it has little or no control, such as emerging changes in the Georgian economy and/or public policy, additional government mandated benefits or other regulatory changes, changes in customer behaviour and healthcare utilisation patterns, changes in health care practices, new technologies, increases in the cost of prescription drugs, influenza and COVID-19 related healthcare costs, direct-to-consumer marketing by pharmaceuticals companies, clusters of high cost cases, epidemics, pandemics, terrorist attacks or other man-made disasters, natural disasters or other events that materially increase utilisation of medical services, as well as changes in provider billing practices. GHG's health care and other benefit costs also can be affected by changes in GHG's business mix, product designs, contracts with providers, medical management, underwriting, rating and/or claims processing methods and processes.

It is particularly difficult to accurately anticipate, detect, forecast, manage and reserve for medical cost trends and utilisation of medical services during and following periods when such utilisation and/or trends are below recent historical levels, during periods of changing economic conditions and employment levels and for products with substantial customer turnover.

If healthcare costs are higher than the levels reflected in GHG's pricing or if it is not able to obtain appropriate pricing on new or renewal business, its prices will not reflect the risks it assumes, and its results of operations will be adversely affected. If healthcare costs are lower than GHG predicts, its prices may be higher than those of its competitors, which may cause it to lose customers. Any of the foregoing could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

Any failure to maintain the quality of service provided at GHG's facilities may negatively impact GHG's brand or reputation and could lead to a decrease in the number of patients.

Some of GHG's patients are referred to its hospitals by medical professionals while others select their healthcare providers themselves based upon brand recognition and reputation. GHG's business is dependent upon providing high quality healthcare (e.g., medical care, facilities and related services), measured by reference to factors such as quality of medical care, doctor expertise, friendliness of staff, waiting times and ease of access to doctors. If GHG is unable to provide high quality services to its patients, fails to maintain a high level of patient satisfaction or experiences a high rate of mortality or medical malpractice suits, its brand and/or reputation could be damaged. This damage could cause patients to select alternative healthcare providers or could cause medical professionals to refer patients to GHG's competitors.

If GHG does not continuously enhance its facilities with the most recent technological advances in diagnostic and surgical equipment, its prospects for growth, its reputation and its ability to recruit and retain medical staff could be materially adversely affected.

Technology in the medical field continues to evolve rapidly. In order to compete with other healthcare providers for patients, as well as attract doctors and recruit and retain medical staff, GHG must continuously assess its equipment needs at its facilities and upgrade equipment as a result of technological developments. Operating room equipment, as well as radiology, intensive care unit and laboratory equipment, tends to have a relatively short lifespan and must be replaced often with more advanced equipment. Such equipment costs may entail significant capital expenditure. If GHG is unable to purchase new technology, medical practitioners may be unable to provide the required services. This could lead to a decline in revenue, as patients seek out other healthcare providers that offer such services, or a loss of medical staff, as GHG considers its facilities and equipment to be a key recruitment tool. Rapid technological advances could also, at times, lead to equipment becoming obsolete earlier than planned and result in impairment charges. Any of these outcomes could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

GHG is subject to antitrust regulations, the violation of which could materially and adversely affect its business.

GHG is the largest healthcare services provider in Georgia and offers a comprehensive range of inpatient and outpatient services through its vertically integrated network of hospitals and clinics. GHG is also both the largest pharmaceuticals retailer and wholesaler in Georgia, and the largest provider of medical insurance in Georgia. As a company operating in Georgia, GHG is subject to antitrust and competition related restrictions, as well as the possibility of investigations by the Georgian National Competition Agency. GHG could face penalties if it is found to have abused its dominant position in the Georgian market and/or to have engaged in prohibited practices (for example, preventing competitors from penetrating the market or restricting suppliers from dealing with other competitors). Additionally, GHG will be required to seek approval from the Georgian National Competition Agency prior to proceeding with any future acquisitions meeting thresholds defined by applicable competition law regulations. Any penalties imposed by the Georgian National Competition Agency or delays in acquisitions could have a material adverse effect on GHG's business, financial condition, results of operations and prospects.

Risks Relating to GGU

Changes in regulated tariffs could have an adverse effect on GGU's results of operations and financial condition.

GGU, which is the holding company of the Group's water utility and operational renewable assets, is subject to a substantial degree of regulation, particularly with respect to the tariffs it may charge for its regulated activities, which include its water supply and sanitation business as well as the Zhinvali HPP, being the only power plant owned by GGU with an installed capacity above 40 MW (in June 2017, the Law of Georgia on Electricity and Natural Gas was amended to deregulate all HPPs constructed prior to August 2008 with an installed capacity below 40 MW). As a result, GGU is affected by the tariff pricing decisions of GNERC.

GGU's return in relation to its regulated water businesses is based on a methodology adopted by the GNERC in August 2017. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, GGU applies a weighted average cost of capital ("**WACC**") to its net book value, which represents its regulated asset base ("**RAB**"), essentially comprising the historical book value of its existing assets plus capital expenditure it has made. RAB is then multiplied by regulated WACC, providing the return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's financial statements prepared in accordance with IFRS. The new tariff defined a three-year regulatory period. The first regulatory period for which this methodology initially applied ran from 1 January 2018 to 31 December 2020. On 4 January 2021, GGU announced that GNERC had approved new tariffs for GGU's water supply and sanitation business. The tariff in Tbilisi was increased compared to the previous regulatory period of 2018-2020 from GEL 0.33 to GEL 0.5 (per cubic meter) for metered residential customers, from GEL 3.89 to GEL 4.5 (per capita) for unmetered residential customers and from GEL 4.4 to GEL 6.5 (per cubic meter) for business customers. 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).

The WACC specified for the first regulatory period was 15.99% and the WACC applicable in the current regulatory period running from 1 January 2021 to 31 December 2023 is set at 14.98%. GGU is required to submit a new tariff application no later than 4 July of the year immediately preceding the next tariff period. Together with the tariff application, GGU is required to submit its most recent audited financials. GNERC is authorised to request any additional information it requires for tariff calculation purposes and the tariff is set through public proceedings, based on the same methodology as applied previously. The final deadline for the completion of the tariff-setting process is established by GNERC itself. However, it must be finalised prior to the start of the new regulatory period.

In relation to the Zhinvali HPP, GGU's only regulated HPP, it charges GWP, GGU's main water supply subsidiary, the regulated tariff for GWP's internal electricity consumption, the cost of which is then included in "allowed revenue" under the above methodology and is reimbursed through the water tariff. External electricity sales are mostly conducted by Georgian Energy Trading Company LLC ("**GETC**"), GGU's electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies, other affiliated HPPs and third parties, and sells it to direct consumers on the free market.

As a result of the application of the above methodology, GGU has a degree of predictability in relation to its revenue stream for its water supply and sanitation business. There can be no assurance, however, that the tariff it is permitted to charge will not be adjusted following the end of the second regulatory period on 31 December 2023 in a manner that is adverse to GGU, although GNERC is expected to continue using the currently applicable methodology going forward. Furthermore, upon demonstration of proper justification, GNERC may in the future amend tariffs in a manner that could be adverse to GGU, or may change the conditions of access to such regulated tariffs. Any adverse changes in regulated tariffs could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU is subject to service quality regulations, which may place additional obligations on it and may reduce its profitability.

In July 2016, GNERC adopted commercial service quality rules containing service quality standards applicable to all utility companies. These rules were subsequently replaced with revised service quality rules adopted by GNERC in December 2018 and effective from 1 July 2019. The rules are intended to incentivise improvements in overall service quality among utility companies and include standards in relation to the response time for customer complaints, new customer registration requests and phone calls. The rules also require that subscribers are informed about planned supply interruptions through "out of service" notifications via email and/or text (sms) messages. The rules contain a clear framework for handling unplanned service interruptions and new customer connections. Planned interruptions in the case of simple maintenance works shall not exceed six hours. For complex maintenance works, the permissible duration of interruption of water supply services is dependent on the number of impacted subscribers and may last from 12 to 48 hours. Information on all interruptions shall be kept in physical as well as electronic form for the duration of three years thereafter. Service standards are divided into two types: (i) general standards; and (ii) guaranteed standards. Certain standards came into force in 2016, while others came into force in 2017, 2019 and 2020. In the event the general standards are breached, GNERC applies certain incentives or fines. In relation to breaches of the general standards, each 1% increase/decrease in set milestones shall cause an increase/decrease in the regulatory cost base of 0.01% for the purposes of calculation of the applicable tariff. In relation to breaches of the guaranteed standards, the service provider is required to pay compensation to the affected customers for each breach (GEL 5 for individuals and GEL 10 for business customers). Such compensation shall be reflected as a credit on the bill of the relevant customer within 10 calendar days of the breach. While there have been no material breaches in the past, any future breaches of the service quality rules or any additional service quality obligations placed upon GGU could have a material adverse effect on its business, financial condition, results of operations and prospects.

Climate conditions, the availability of water and wind and natural hazards can affect GGU's ability to supply water to its customers as well as its ability to generate electricity from its power plants.

The amount of water in the Zhinvali Reservoir, GGU's main water source for its water supply and sanitation business, and in groundwater storage depends on climate conditions. During drought periods, demand for water will be higher while the amount of available water will be lower, with the reverse also being true. Insufficient water in the Zhinvali Reservoir may result in GGU incurring additional costs in order to secure additional water sources, although this has never occurred in the past and is unlikely to occur given the level of water inflows into the reservoir. Drawing upon alternative water sources would likely be more expensive for GGU because sourcing water from the Natakhtari and Mukhrani water conduits requires more electricity which would affect short-term liquidity but would be reimbursed in subsequent regulatory periods in accordance with the current tariff-setting methodology.

Adverse weather conditions can also affect GGU's renewable energy business. In drought conditions, the level of electricity produced by GGU's HPPs for sale to third parties may be lower, which would result in lower revenue, and in prolonged cases, Zhinvali HPP may be unable to generate sufficient electricity for internal electricity consumption of GWP. In that event, GWP would need to purchase electricity from third party sources, which would entail additional costs, which would in turn harm GGU's short-term liquidity, but would be reimbursed during subsequent regulatory periods according to the current tariff-setting methodology. Water availability is also seasonal, especially for GGU's run-of-river HPPs, which include the Mestiachala HPP and the Kasleti HPP, with the strongest water flow typically occurring during the months of March, April and May for the Kasleti HPP and July and August for the Mestiachala HPP due to thawing snow. Moreover, the Akhmeta, Debeda and Tetrikhevi HPPs are located on irrigation channels and the supply of water to these HPPs may be diverted for irrigation purposes, which will have priority over the supply of water for electricity generation purposes during the irrigation season in the summer months. Any rehabilitation works carried out on irrigation channels can also limit water supply to the aforementioned HPPs. In addition, due to its acquisition of Qartli Wind Farm, GGU is dependent on suitable wind conditions, which exhibit seasonal patterns and are difficult to predict. In addition, windiness may be reduced by neighbouring wind farms or other large structures. Winds exceeding certain speeds may also require GGU to halt its turbines.

In addition to drought conditions and adverse wind conditions, natural disasters such as earthquakes and landslides can disrupt GGU's water supply. The Dusheti region, where the Zhinvali Reservoir is located, is particularly exposed to these risks. In the event of any such natural disaster, GGU would be required to incur additional expenses to manage the resulting disruption to its operations.

In July 2019, the Mestiachala HPP was affected by flooding resulting from a rock avalanche and both generation units were taken offline. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity, while the restoration process is ongoing for the 20 MW generation unit. The business interruption, covering the period of July 2019 to July 2020, as well as property damage, was fully agreed with the insurance company and almost wholly settled by the end of 2020. Notwithstanding this payout, the design and permitting processes and construction works may be delayed, which will negatively affect generation and electricity sales.

Finally, while GGU projects electricity generation on the basis of normal weather representing a long-term historical average and considers possible variations in normal weather patterns, taking a conservative approach where necessary, and the potential impact on its operations, there can be no assurance that such planning can address an impact of adverse weather conditions or accurately predict future weather conditions. To the extent climate change causes changes in temperature, variability in precipitation and wind patterns or exacerbates the intensity or frequency of extreme weather events, this could negatively impact GGU's business.

Any adverse weather conditions, whether as a result of climate change or otherwise, could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU requires significant capital expenditure in relation to its aging water supply network and there can be no assurance that it will continue to be able to fund such capital expenditure.

Certain parts of the water supply network in Georgia date back to the Soviet period and are in poor condition. As a result, disruptions to the water supply have historically been frequent and water losses have been relatively high. GGU has been investing in its water supply network, including in order to fulfil its privatisation obligation to invest an amount of not less than U.S.$220 million in aggregate during the post-privatisation period. As a result, GGU has been able to reduce its water loss ratio, which was 62.4%, 65.1% and 67.2% in 2020, 2019 and 2018, respectively. GGU was also able to decrease its consumption of self-produced electricity (which is the primary cost driver of the water supply and sanitation business and therefore a major focus of GGU's management). Self-produced electricity was 175.2 million KWh, 174.0 million KWh and 193.2 million KWh in 2020, 2019 and 2018, respectively. GGU is continuing to invest in its water supply network, having incurred GEL 75.6 million, GEL 90.5 million and GEL 156.1 million in capital expenditure in connection with its water supply and sanitation business in 2020, 2019 and 2018, respectively. There can be no assurance, however, that GGU will continue to reduce water losses and consumption of self-produced electricity or that its capital expenditure will be sufficient to maintain its water supply network.

Furthermore, capital expenditure undertaken by GGU may place significant demands on management time and on its financial resources. Such projects are subject to the risk of cost overruns and may not be completed on time or at all. Although GGU has a degree of predictability in relation to the return on investment for the capital expenditure it undertakes due to the methodology applied in its tariff calculation model, there can be no assurance that GGU will achieve the objectives it intends in connection with its capital expenditure. In particular, GGU makes assumptions regarding water loss improvements, cost savings, synergies and revenue enhancements when it budgets capital expenditure and these assumptions may prove to be incorrect. GGU may also be required to make additional capital expenditure beyond the currently envisaged capital expenditure programme to ensure its uninterrupted operations. If GGU's capital expenditure programme does not achieve the stated objectives or if sufficient financial resources are not available to fund additional capital expenditure, its business, financial condition, results of operations and prospects could be materially adversely affected.

Contamination of water, either from naturally occurring compounds or man-made sources, may result in the interruption of water supply and/or exposure of humans to hazardous substances, which could in turn result in liability for GGU.

The main water source for GGU's water supply and sanitation business is the Zhinvali Reservoir, which is located in the Dusheti region of Georgia. The Zhinvali Reservoir may become subject to contamination from naturally occurring compounds as well as pollution resulting from man-made sources. Although GGU monitors water quality on hourly basis via an early notification system covering the entire Aragvi Valley, any possible contamination due to factors beyond its control could force GGU to shut down or temporarily disrupt water supply to its customers. In that event, supplying water from alternative sources (such as the Natakhtari or Mukhrani water conduits), would result in increased operating costs. The treatment of contaminated water would also entail additional expenses for GGU, which would harm its short-term liquidity but would be reimbursed in subsequent regulatory periods in accordance with the current tariff-setting methodology. Since GGU has never experienced a contamination of its water supply, it is unable to quantify these additional costs but they could be material depending upon the severity of the contamination. In addition, GGU may be held liable for environmental damage and other consequences arising from the exposure of humans to hazardous substances and may become subject to civil, administrative or criminal enforcement actions, private litigation and clean-up obligations, which could result in financial and reputational damage. If GGU's water supply is contaminated and it is unable to substitute its water supply in a timely and cost effective manner, or if it incurs liabilities in connection with any such contamination, its business, financial condition, results of operations and prospects could be materially adversely affected.

GGU uses gaseous chlorine deposited in gas tanks for water purification, which gives rise to the risk of explosions which can threaten human lives and result in substantial environmental damage.

Water is carried from the Zhinvali Reservoir to end users, with chlorination occurring on the five head works which are part of the water infrastructure and are supplied from the Zhinvali Reservoir with crude water. Each headwork has a separate chlorination system and discharges water to supply network. The water may require additional purification in certain instances. For example, when the distance to the end user is relatively long, this can result in a decrease in chlorine levels in the water. For these reasons, chlorine tanks are installed on the water units located across the districts of the cities GGU serves. GGU complies with rules and regulations applicable to the use of gaseous substances and conducts specialised trainings for its personnel in relation to the handling of gaseous chlorine. Nevertheless, gaseous chlorine deposited in gas tanks gives rise to the risk of explosions, although GGU has not yet experienced such an event. In the event of an explosion, GGU will be subject to sanctions under relevant environmental laws and may also become subject to private litigation to the extent private property is damaged, as well as reputational damage.

Currently, all of GGU's chlorine stations are equipped with all necessary protective systems and equipment and Emergency Response Plans are in place. Despite this, since 2018, when installing new chlorine systems, preference has been given to the method of sodium hypochlorite instead of gaseous chlorine. In addition, GGU is actively studying opportunities for the gradual replacement of gaseous chlorine systems with sodium hypochlorite in all of GGU's chlorine stations that are being actively studied.

Notwithstanding these measures, any explosion of gaseous chlorine could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU's cash flows may be adversely affected if it does not maintain its collection rates for its water supply and sanitation customers.

GGU provides water supply and sanitation services to both business and residential customers. The Georgian water utility sector has historically had relatively low receivable collection rates for residential customers. This is because water utility companies operating outside of Tbilisi have historically not cut off electricity to residential customers for missed payments, unlike GWP. GWP's collection rate has improved significantly from 2011, due to the changes to the Georgian law, pursuant to which electricity suppliers are entitled to cut off electricity to customers if they do not pay their water bills. As a result, Tbilisi's electricity suppliers receive flat monetary compensation from GWP (approximately GEL1.3 million annually since 2011) for assisting in the collection process. Collection rates were 100.5%, 98.7% and 97.9% for business customers and 107.1%, 94.2% and 94.2% for residential customers in 2020, 2019 and 2018, respectively. Collection rates in 2020 were further supported by the Government's subsidy plan for utility bills during the COVID-19 pandemic. There can be no assurance, however, that this trend will continue, particularly if economic conditions in Georgia were to deteriorate, which could affect customers' ability to pay their water bills. The decrease in collection rates could have a corresponding adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU is dependent upon its power purchase agreements ("PPAs") with ESCO in relation to its renewable energy business, although all of GGU's PPAs (with the exception of the Akhmeta and Debeda HPP PPAs) expire after the maturity of the Notes.

The Mestiachala, Kasleti, Akhmeta, Debeda and Bodorna HPPs and the Qartli Wind Farm sell the electricity they generate pursuant to PPAs with the Electricity System Commercial Operator ("**ESCO**") as the offtaker. With the exception of Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). PPAs can typically only be terminated in circumstances of force majeure or default (which is not remedied despite written warnings) by either of the parties. Purchase prices for electricity generated under these PPAs are pre-determined. For the period from May to August, electricity generated by these plants is sold at market prices. PPAs with ESCO are typically not extended and there can be no assurance that GGU will be able to find arrangements for the sale of the electricity it generates that are as favourable as those under the relevant PPA (although all of GGU's PPAs (with the exception of the Akhmeta and Debeda HPP PPAs) expire after the maturity of the Notes). In addition, at the time of expiration of GGU's PPAs, market prices may be volatile as a result of various factors. The Government offers PPAs, which are effectively intended to serve as a price hedge, as an incentive to HPP developers. From 2018, the PPA process is determined by the new public private partnership ("**PPP**") agency, which conducts a cost/benefit analysis and concludes whether the project requires any support from the Government and decides on the mechanism of support. Notwithstanding changes to Georgian energy regulations, the PPAs already entered into by the Government remain effective. If GGU is unable to find suitable arrangements for the replacement of its existing PPAs, this could, in the longer term, have a material adverse effect on its business, financial condition, results of operations and prospects.

GGU is exposed to the risk of fluctuations in electricity prices, which can be volatile, and this volatility may increase following changes recently introduced by the Government.

To the extent electricity generated by the Zhinvali HPP is not used for internal consumption by GGU's water supply and sanitation business, it is sold by GETC, GGU's electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies, other affiliated HPPs and third parties and sells it to direct consumers on the free market. In 2020, 85.9% of net electricity generated by Zhinvali HPP was used for internal consumption by GGU's water supply and sanitation services business. In addition, with the exception of Qartli Wind Farm (for which the PPA applies for the entire year), the PPAs to which GGU is party apply only for the period from September to April (inclusive), with electricity generated during the period from May to August being sold at market prices. Pursuant to its PPA with ESCO, while Qartli Wind Farm is obliged to sell electricity to ESCO during the eight months from September to April (inclusive), it is permitted to select an offtaker and market the electricity it generates for the remainder of the year, subject to the restriction that, during the first 13 years of operation, electricity generated by Qartli Wind Farm must be sold exclusively to satisfy the internal Georgian demand. As a result of these arrangements, GGU is exposed to the risk of fluctuations in electricity prices. Electricity prices can be volatile due to various factors, including changes in electricity demand and/or prevailing economic conditions. In addition, while currently there is a supply deficit in the Georgian electricity generation market, any future supply coming on-stream could result in increased competition and lower electricity prices. Georgian electricity prices have historically been relatively stable, with the weighted balancing electricity selling price reported by ESCO being GEL 0.156 per KWh for 2020, compared to GEL 0.135 per KWh and GEL 0.129 in 2019 and 2018, respectively. There can be no assurance, however, that this will continue to be the case, particularly in light of recent developments in relation to the outbreak of COVID-19, which is expected to have a severe impact on the global, and potentially the Georgian, economy, given the correlation of electricity consumption with GDP growth.

In 2008, the power generation market witnessed significant changes to facilitate market liberalisation. All HPPs constructed after August 2008 have been deregulated, which served as a first step towards the establishment of a free electricity market. In 2014, the EU and Georgia signed the Association Agreement (the "**E.U. Association Agreement**") and Georgia became a full contracting party member of the Energy Community. Further, the Law of Georgia on Electricity and Natural Gas was amended in June 2017, deregulating all HPPs below 40 MW and gradually moving large industrial consumers out of the regulated pricing scheme to the free market. In the next phase of deregulation, effective from May 2019, large industrial customers with monthly electricity consumption of at least 5 GWh were required to register as direct customers. In coming years, further steps towards deregulation are expected to come in force. In December 2019, the Georgian Energy Exchange was founded with 50%-50% co-participation of the Georgian State Electrosystem and ESCO. The establishment of the new energy exchange was a step forward in the reform of the Georgian energy sector. The Georgian Energy Exchange will be responsible for organising day-ahead, intraday and bilateral markets.

In accordance with current legislation, the Day-Ahead Market platform is scheduled to open on 1 July 2021 and the Intraday Market platform is scheduled to open on 1 July 2022.

The Day-Ahead Market is a daily auction for physical hourly deliveries on the following day. Day-Ahead prices are calculated using an optimisation algorithm. The market clearing price calculation methodology ensures that, based on the sell and buy orders placed, the lowest cost generation units are activated first. The last activated order sets the price for all production needed to meet demand. All buyers and sellers pay or receive the same market clearing price.

In the Intraday Market, trading takes place every day and there is continuous buying and selling with delivery times as short as 15 minutes. It is important for participants to match traded and actual volumes produced/consumed in order to avoid imbalance fees imposed by the transmission system operators. The intraday market price is calculated as "pay as bid". In the "pay as bid" context, market orders are cleared based on the bid price when a matching order is found.

On 2 July 2020, the Government adopted rules for supporting generation and the utilisation of power generated from renewable energy sources. According to the relevant decree, every investor developing a plant with more than 5 MW installed capacity is authorized to use the support mechanism, which includes (a) the support period; and (b) premium tariff. The mechanism does not replace already signed PPAs and will be applicable only for new renewable energy projects. The support period can last for 10 years from the moment of issuing the generation license (if required) or commencing the commercial operation and will apply over a 8 months period (covering January, February, March, April, September, October, November and December) each year. As regards the premium tariff, this amounts to U.S.$0.015 per 1 KWh. Such premium tariff is payable as a surplus on the wholesale (equilibrium) price recorded for the relevant hour in the organised electricity market only if, over the course of the support period, the wholesale (equilibrium) price for 1 KWh of electricity generated by the plant during the support period and sold in the organised electricity market is less than U.S.$0.055. However, if the difference between the wholesale (equilibrium) price recorded for the relevant hour in the organised electricity market, and U.S.$0.055 is less than U.S.$0.015, then the premium tariff shall amount to such difference. The premium tariff is payable in Lari, according to the exchange rate determined by the NBG as of the date of the relevant invoice. The support mechanism shall be implemented by ESCO. Once the wholesale public service organization ("**WPSO**") is determined, as provided under the new Law of Georgia on Energy and Water Supply ("**Energy Law**"), the support mechanism will be implemented by such WPSO. It is noteworthy that the Government is authorised to elaborate different Government PPAs and other support mechanisms, depending on the specificities and significance of any specific project. This energy market model may greatly increase volatility in energy prices, especially in the summer months where the support mechanism will not be applicable and the prices will be formed based on market supply and demand. In case the electricity supply exceeds demand on the free electricity market, this could negatively affect electricity wholesale price and absent of any alternative markets, could result in a decrease in the Group's revenues.

In addition, GGU's power plants built after 2010 have priority access to the Turkish energy market. To the extent it exports electricity to Turkey, which is Georgia's main export market for electricity, it will be exposed to Turkish energy prices, which have been volatile in the past and have declined significantly early in the last decade. The average market clearing price in Turkey was U.S.$c 4.1 per KWh in 2020, compared to U.S.$c 4.7 per KWh and U.S.$c 4.8 per KWh in 2019 and 2018, respectively.

Any fluctuations in electricity prices in Georgia or any of GGU's current or future export markets could have a material adverse effect on its business, financial condition results of operations and prospects.

Maintenance and refurbishment of power plants involve significant risks that could result in unplanned power outages, reduced output and unanticipated capital expenditure.

The operation of GGU's power plants involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency and the inability to transport electricity to customers in an efficient manner due to a lack of transmission capacity or transmission infrastructure issues. Such failures and performance issues can stem from a number of factors, including errors in operation, lack of maintenance and general wear over time. As a result, GGU's facilities may require planned periodic major overhaul activities, which may also include improvements. Unplanned outages of power plants may occur from time to time and are an inherent risk of GGU's renewable energy business. Unplanned outages of GGU's power plants will typically increase GGU's expenses which may not be recoverable under the applicable PPA (where relevant) and may reduce GGU's revenue as a result of selling lower volumes of electricity.

In addition, critical equipment or parts may not always be readily available when needed. GGU also cannot be certain of the level of capital expenditure that will be required due to changing environmental, health and safety laws and regulations (including changes in the interpretation or enforcement thereof), necessary facility repairs and unexpected events (such as natural or man-made disasters or terrorist attacks). Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditure at GGU's power plants, could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU operates in a highly regulated environment and changes in laws, government policy and regulations can significantly affect its operations and financial performance.

GGU is subject to the laws of Georgia and to regulation by GNERC, the Ministry of Regional Development and Infrastructure of Georgia ("**MRDI**"), the Ministry of Environmental Protection and Agriculture of Georgia ("**MEPA**"), the Ministry of Economy and Sustainable Development of Georgia ("**MoESD**") and the National Food Agency of Georgia (the "**NFA**"). These laws and regulations affect many aspects of GGU's business and, in many respects, determine the manner in which GGU conducts its business. As a provider of water supply and sanitation services and an owner and operator of renewable energy power plants, GGU is subject to extensive governmental and other regulations in Georgia. Any new regulation or any changes in existing regulations, including those arising from Georgia's alignment of its regulatory framework with that of the European Union, may require significant changes in GGU's business in ways that cannot be predicted. Any new regulations or requirements that require GGU to restructure or otherwise change its business in any way, or that affect water supply and sanitation services or electricity generation, could have a material adverse effect on GGU's business, results of operations and financial condition. See "*Business—Regulation*" for further detail on the regulatory regime.

In December 2019, the new Energy Law was enacted to replace the old Law of Georgia on Electricity and Natural Gas adopted back in June 1997. The Energy Law required all licensed water utility companies to apply to GNERC for a new authorisation (license) within two months of the Energy Law's entry into force. Although GWP and GGU's other water utility subsidiaries complied with this requirement and filed their respective applications with GNERC, due to lack of clarity and extensive periods for obtaining requested third-party expert conclusions, the authorisation process (issuing new licenses) remains uncompleted. On the other hand, according to Energy Law and GNERC's licensing rules deriving therefrom, all licenses held by water utility companies, including GGU's water utility companies, remain valid and such companies shall continue to perform licensed activities on the basis of old licenses until they obtain new authorisations (new licences) from GNERC. Furthermore, certain amendments to the Energy Law have recently been initiated by GNERC, which are aimed at facilitating the new authorisation process. Although GGU believes that its water utility companies will be able to obtain new authorisations in due course, the failure to do so could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

Similarly, any non-compliance or breach of licence conditions or other regulatory requirements could lead to financial sanctions and, in extreme cases, the revocation of licences. In addition, GGU may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the water supply and sanitation and renewable energy industries generally.

GGU currently complies in all material respects with the regulatory regime applicable to it in Georgia and continues to allocate adequate resources to achieve and maintain compliance with such regulations. However, the relevant authorities in Georgia may enforce existing regulations more strictly than they have in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present. Any of the foregoing could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU is subject to environmental and health and safety laws and regulations and is required to obtain certain regulatory approvals and it may be exposed to significant liabilities if it fails to comply with such laws or maintain such approvals.

GGU is subject to various environmental and health and safety laws and regulations governing, among other things, pollution caused by GGU's operations and the health and safety of GGU's employees. GGU is also required to obtain environmental and safety permits from various governmental authorities for its operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and compliance reporting. GGU may not always be able to renew such permits or there may be material changes to its permits requiring significant expenditure. Violations of these laws, regulations or permits could result in fines or legal proceedings being commenced against GGU or other sanctions, in addition to negative publicity and significant damage to GGU's reputation.

GGU has adopted environmental standards applicable to its operations. While as at the date of these Listing Particulars GGU is in compliance with all applicable environmental and health and safety regulations in force in Georgia in all material respects, there can be no guarantee that it will continue to be in compliance in the future. Should any GGU company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable health and safety legislation may result in disruption to GGU's services or cause reputational harm and significant liability could be imposed on GGU for damages, clean-up costs and penalties and/or compensation as a result. The occurrence of any of these events may also cause disruption to GGU's operations and result in additional costs to GGU.

Although environmental laws and regulations have an increasing impact on GGU's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on GGU's business. While GGU has budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted. Any of the foregoing could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

GGU is subject to the risk of foreign exchange rate fluctuations in relation to its water supply and sanitation business.

GGU's water supply and sanitation business is a Lari denominated business. Its renewable energy business, by contrast, is a U.S. Dollar denominated business, with revenue under the PPAs to which GGU is party and market sales denominated in U.S. Dollars and approximately 90% of the funding costs and capital expenditures of the renewable energy business being denominated in U.S. Dollars. As a result of the Lari exposure of the water supply and sanitation business, fluctuations in the U.S. Dollar/Lari exchange rate can adversely affect GGU. In 2020, the Lari depreciated against the U.S. Dollar by 14.3% and in 2019, the Lari depreciated against the U.S. Dollar by 7.1%, after depreciating by 3.3% in 2018. The depreciation in 2020 was largely due to the impact of the COVID-19 pandemic, while depreciation in 2019 was largely due to negative expectations surrounding Russia's flight ban and depreciation in 2018 was largely due to the depreciation of the Turkish Lira. Russia and Turkey are key trading partners of Georgia and hence any adverse movements in their currencies can affect the value of the Lari. Any adverse foreign exchange movements could have a material adverse effect on GGU's business, financial condition, results of operations and prospects.

Risks Relating to the Group's Property and Casualty (P&C) Insurance Business (Aldagi)

The Georgian property and casualty insurance market is highly competitive. Aldagi might not be able to compete with its competitors' pricing policies or price its insurance products correctly.

The Georgian property and casualty insurance market is highly competitive. Providers compete on factors such as the terms of insurance policies (including coverage, exclusions and price) and the ease of the claims reimbursement process. Competition may increase among insurance providers, including as a result of consolidation, alliances or new entrants, which could result in competitors having greater resources than Aldagi or other competitive advantages. In addition, competitors may adopt aggressive pricing policies to capture market share. Aldagi makes assumptions about a number of factors in determining the pricing of its insurance products and setting its insurance reserves. These assumptions include estimates of the incidence and amount of claims, policy renewals, long term interest rate trends, returns on investment, mortality and morbidity rates and future costs. If these assumptions prove to be incorrect or do not reflect actual market changes, then Aldagi may under-price its insurance products and may need to increase insurance reserves for its property and casualty insurance business. This could lead to losses, which could in turn have a material adverse effect on Aldagi's business, financial condition, results of operations and prospects. Aldagi has also been adversely affected by the COVID-19 outbreak. For example, during 2020, it experienced a decline in earned premiums from compulsory border third-party liability insurance due to COVID-19 related restrictions on traveling.

***Aldagi's business is partly dependent on obtaining suitable reinsurance*.**

Aldagi's ability to implement its reinsurance policy depends on the continued availability of reinsurance at a competitive cost. Aldagi's capacity to underwrite and minimise its capital requirements will depend on its ability to meet its reinsurance policy criteria. Underwriters do not typically accept risks that exceed treaty limits and will not accept risks above the company's retention as per the treaty for each business line. Aldagi's retention and optimal treaty structure is determined by the actuarial consideration prepared by Aldagi's actuarial division and subject to approval by Aldagi's CEO. Should Aldagi be unable to obtain reinsurance when required, its underwriting process may not function as intended, which may lead to increased losses. Aldagi's approach to risk is determined for each business on an annual basis.

There is a risk that reinsurance support will not be available in the future if the results or future prospects of Aldagi are not attractive enough to reinsurers; this is a particular risk with newer business lines where the risk of underperformance is potentially higher. If Aldagi is not able to reinsure risks above the level of desired retention, new business lines may be withheld until appropriate reinsurance can be found, which could have a material adverse effect on Aldagi's business, financial condition, results of operations and prospects.

Aldagi is required to meet certain minimum capital and reserve requirements and to comply with a number of regulatory requirements relating to its operations.

Certain minimum regulatory capital requirements and reserve requirements apply to Aldagi's property and casualty insurance business. To maintain its non-life and life insurance licences, Aldagi must maintain a minimum share capital of GEL 4,200,000 (increasing to GEL 7,200,000 from 31 December 2021), 100% of which must be retained in cash on deposit with a banking institution licensed in Georgia and free from any encumbrances. Insurance companies are also required to maintain a solvency ratio, calculated as regulatory capital divided by the solvency requirement, in excess of 100%. Whilst Aldagi has consistently maintained its required solvency ratio above 100%, and, as at 31 December 2020, it had a solvency ratio of 141% based on its regulatory capital (calculated as total capital less certain qualifying assets) and solvency requirement of GEL 11 million. Capital requirements are subject to change, and such changes may adversely affect Aldagi's business by requiring it to hold more capital. While management expects that Aldagi will continue to fully comply with all applicable regulatory requirements on an ongoing basis, if it were to fail to do so, the ISSSG could withdraw Aldagi's licence, which would prevent it from continuing to operate its business.

In accordance with general industry practices and accounting regulatory requirements, Aldagi establishes reserves for reported but not settled claims (known as "**RBNS**"), incurred but not reported claims (known as "**IBNR**") and unearned premiums. Aldagi seeks to reduce losses from these claims through effective administrative processes and the terms of its policies. Claims made outside the terms or coverage period are not settled by Aldagi. However, claims that arise during the coverage period but are referred to Aldagi after the expiration date of the policy are still settled by Aldagi. Aldagi's gross and net reserves for claims outstanding (with both RBNS and IBNR included) were GEL 17.1 million and GEL 8.9 million in 2020, GEL 65.1 million and GEL 8.3 million in 2019 and GEL 13.6 million and GEL 5.1 million in 2018. The number of claims was 14,148, 18,211 and 16,631 in 2020, 2019 and 2018, respectively. Reserves do not represent an exact calculation of liability, but instead represent estimates of what the ultimate settlement and administration of claims will cost based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in the severity of claims, frequency of claims, legal theories of liability and other factors. Actual claims may materially exceed Aldagi's claims reserves. If this were to occur, Aldagi's business, financial condition, results of operations and prospects could be materially adversely affected.

Risks Relating to the Group's Education Business

The Group may be unable to recruit a sufficient number of qualified teaching personnel for its schools and/or the market rate for teachers' salaries may increase.

The Group's education business may face challenges recruiting and maintaining the quality of its workforce necessary for the expansion of its business. Qualified academic personnel are the most important factor for the education business. The business plans to expand to reach approximately 21,000 learners by 2025 and if the scarcity of qualified personnel on the market persists, this might compromise the Group's ability to achieve this goal. In addition, the business's expansion plans have increased demand for teachers in Georgia, which, in turn, might lead to an increase in salary levels for teachers. Additionally, if the Government increases teacher salaries in public schools in Georgia, this might put additional pressure on salary costs for the private sector, including the Group. Although the business plans to establish a teacher training institute and develop its own talent through targeting and training young professionals, there can be no guarantee that it will be successful in obtaining enough teachers at a reasonable salary. If it is unable to do so, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The education business may not be able to successfully execute its growth strategy.

The education business may not be able to successfully execute its growth strategy and capitalise on business opportunities. Risks in this area include cost overruns, such as exceeding the budgeted cost for greenfields; missing the timeline for a project due to, inter alia, delays in receiving the relevant permits from governmental agencies and delays in construction processes, resulting in reputational damage or delayed admission of learners; and creating an oversupply of school places on the market due to the Group's rapid expansion plan, which could result in low utilisation rates. Although the education business's growth is phased over several years and the business is closely monitoring expenditures associated with the expansion, any of the aforementioned risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Group's Other Businesses

The Group's other private portfolio companies (housing development; hospitality and commercial real estate; beverages; auto services; and digital services) had a combined value of GEL 214.9 million as at 31 December 2020, representing 7% of total portfolio value of the Group. The Group faces various risks associated with its other businesses, including competition, adverse developments in the related industries and changes in the relevant regulatory frameworks. In particular, certain of these businesses have been severely affected by the COVID-19 pandemic. For instance, the downturn in tourism had a material adverse effect on the Group's hospitality and commercial real estate business and the impact of the pandemic may depress Georgia's property market more generally, which could also adversely affect the Group's housing development business. The auto services business was also negatively affected by the lockdown, including due to the temporary suspension of mandatory car inspections. See *"—Risks Relating to the Group—The Georgian economy and hence the Group's business, may be adversely affected by the ongoing COVID-19 pandemic"*. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Group's Listed Investment

The Group may not be able to monetise its holdings.

The Issuer holds a 19.9% stake in BoGG, which is listed on the LSE. The value of the Issuer's stake in BoGG is subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. The value of this stake may fluctuate, sometimes materially, in response to the activities of BoGG or due to general market and economic conditions or other events. The share price of BoGG decreased by 24.9% in 2020 due in part to the impact of the COVID-19 outbreak on its profitability. In the event of a material reduction in the share price of BoGG, the Issuer may not be able to monetise its stake at a sufficiently attractive price or at all.

There are risks inherent in relation to the Group's stake in BoGG.

BoGG is a UK incorporated holding company listed on the premium segment of the LSE. The market capitalisation of BoGG as of 25 February 2021 was £509 million. JSC Bank of Georgia is the principal operating unit of BoGG, accounting for 97% of its total equity as of 31 December 2020. BoGG operates through the following business segments: (1) retail banking ("**RB**") services; (2) corporate and investment banking ("**CIB**") services; and (3) JSC Belarusky Narodny Bank ("**BNB**"), which provides banking operations in Belarus. BoGG is subject to risks inherent with the provision of RB and CIB services in Georgia as well as, to a lesser extent, Belarus, including the following:

- *The quality of JSC Bank of Georgia's loan portfolio and its business prospects may deteriorate as a result of adverse macroeconomic conditions in Georgia*: JSC Bank of Georgia operates primarily in Georgia, with its Georgian operations accounting for 95% of its total consolidated operating income for the year ended 31 December 2020. Accordingly, any deterioration or instability in the Georgian economy will adversely affect its business. The Georgian economy may be more vulnerable to shocks due to a mix of its historically high current account deficit, low domestic savings rate and high level of dollarisation. See also *"—Risks Relating to the Group's Business—The Group's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business"*;

- *Currency fluctuations have affected, and may continue to affect, BoGG, particularly given the high level of loans denominated in U.S. Dollars and Euros across JSC Bank of Georgia's loan portfolio:* The majority of JSC Bank of Georgia's loan portfolio is denominated in U.S. Dollars and Euros. As at 31 December 2020, approximately 59% of JSC Bank of Georgia's RB and CIB gross loan portfolios were denominated in foreign currencies (predominantly U.S. Dollars and Euros). As a result of the high proportion of loans denominated in U.S. Dollars and Euros across its loan portfolio, fluctuations in the U.S. Dollar and Euro to Lari exchange rate affect the value, in Lari terms of JSC Bank of Georgia's gross loans to customers and finance lease receivables and, in turn, total assets. Furthermore, as the majority of JSC Bank of Georgia's customers with foreign-currency denominated loans depend on Lari-denominated income, any depreciation in the Lari against the currency of the loan may result in customers facing difficulties repaying their loans. JSC Bank of Georgia's foreign currency lending can also adversely affect its capital position. Lending to customers where there is a currency mismatch between a customer's loans and that customer's income entails more strain on capital since, in line with NBG requirements, JSC Bank of Georgia assigns a 75% additional risk weight as part of the unhedged currency-induced credit risk buffer requirement introduced as part of the Pillar 2 requirements of the Basel III Framework of the Basel Committee of Banking Supervision (the "**BCBS**");

- *JSC Bank of Georgia may not be able to maintain the quality of its loan portfolio:* The credit quality of JSC Bank of Georgia's loan portfolio may deteriorate due to external factors beyond its control such as negative developments in Georgia's economy or in the economies of its neighbouring countries, the unavailability or limited availability of credit information on certain of its customers, any failure of its risk management procedures or the rapid expansion of its loan portfolio. In addition, any deterioration in the Georgian macroeconomic environment or any stagnation in levels of personal income, individual purchasing power or consumer confidence may cause demand for consumer financial services and consumer goods to decrease. JSC Bank of Georgia's credit risk will also be heightened by any significant concentration across its loan portfolio. Although JSC Bank of Georgia completed a loan portfolio risk deconcentration exercise in 2017 in relation to its CIB loan portfolio, which resulted in the level of concentration across the portfolio decreasing, there can be no assurance that JSC Bank of Georgia will be able to maintain lower levels of concentration across its CIB loan portfolio. JSC Bank of Georgia's cost of credit risk has also been increasing due to the impact of the COVID-19 outbreak on ECL provisions. JSC Bank of Georgia's cost of credit risk ratio was 1.8% in the year ended 31 December

2020, compared to 0.9% in the year ended 31 December 2019 and 1.6% in the year ended 31 December 2018;

- *JSC Bank of Georgia operates in an evolving regulatory environment and is subject to regulatory oversight, with changes to regulations which are difficult to predict:* JSC Bank of Georgia operates in an evolving regulatory environment, which means that its RB business, CIB business and BNB are subject to changes in regulation imposed by various regulatory bodies. BoGG cannot predict what regulatory changes will be introduced in the future or their effect. For example, in December 2017, the NBG introduced amendments to the regulations relating to capital adequacy requirements. These amendments were intended to bring Pillar 1 minimum requirements in Georgia in line with the framework established by the BCBS and to implement additional capital requirements under Pillar 2 of Basel III. The amendments also designated three commercial banks in Georgia, including JSC Bank of Georgia, as domestic systemically important banks ("**DSIBs**"). DSIBs are required to set aside more Common Equity Tier 1 Capital relative to risk-weighted assets ("**RWAs**"), with the requirements being phased in from the end of 2018 to the end of 2021. In May 2018, the NBG announced the introduction of the net stable funding ratio pursuant to Basel III standards, which became effective from 1 September 2019. If legislation or regulations were to change or if JSC Bank of Georgia were to expand its businesses, it may become subject to additional rules and regulations at a national, international or supranational level, which may impact its operations;

- *Collateral values may decline:* Downturns in the residential and commercial real estate markets or a general deterioration in economic conditions in the industries in which JSC Bank of Georgia's customers operate may result in illiquidity and a decline in the value of the collateral securing loans, including a decline to levels below the outstanding principal balance of those loans;

- *Significant changes or volatility in JSC Bank of Georgia's net interest margin could have an adverse effect on BoGG's performance:* JSC Bank of Georgia derives the majority of its profit from net interest income. As a result, it is affected by fluctuations in its net interest margin ("**NIM**"), which, in turn, is affected by key factors such as interest rates, competition for loans and deposits, customer demand and cost of funding. These key factors are influenced by other factors beyond BoGG's control, such as Georgian and global macroeconomic conditions, the resources of competitors and consumer confidence*;*

- *JSC Bank of Georgia faces liquidity and funding risk:* JSC Bank of Georgia is exposed to liquidity risk, which arises when there is a mismatch between the maturities of its assets and liabilities, as well as funding risk. Liquidity risk is inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability. Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding availability. The availability of credit in emerging markets, in particular, is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings of BoGG or JSC Bank or Georgia, or state interventions or debt restructurings in a relevant industry), could affect the price or availability of funding for BoGG companies operating in any of these markets;

- *JSC Bank of Georgia is subject to certain regulatory ratios*: JSC Bank of Georgia, like all regulated financial institutions in Georgia, is required to comply with certain capital adequacy and regulatory ratios set by the NBG. The current NBG capital regulation is based on Basel III guidelines of the BCBS, with regulatory discretion applied by the NBG due to the specifics of the local banking industry. Failure to maintain the minimum capital adequacy, liquidity, leverage, related party credit exposure and other regulatory ratios may have a material adverse effect on BoGG. JSC Bank of Georgia may be subject to penalties from the NBG for violations of capital adequacy and other regulatory ratios. Depending on the seriousness of any violation, the NBG is also authorised to impose other, more stringent and severe sanctions; and

- *Competition could adversely affect JSC Bank of Georgia's market share or compress its NIM*: According to the NBG, as of 31 December 2020, there were 15 commercial banks operating in Georgia, of which 14 had foreign capital participation. JSC Bank of Georgia competes with a number of these banks, including TBC Bank, Liberty Bank, ProCredit Bank, VTB Georgia and Credo Bank, in respect of the retail, micro, small- and medium-sized enterprises ("**MSME**") and corporate sectors. Certain international development financial institutions are also active in direct lending to the corporate sector. In addition, both the mortgage market and the market for the provision of financial services to high net worth individuals are highly competitive in Georgia, with some competitors in the mortgage market implementing aggressive pricing policies in order to retain or build their market share.

Macroeconomic and Political Risks Related to Georgia

The Group is subject to risks associated with political, financial and economic instability in Georgia and the wider region.

The Group's operations are primarily located in, and substantially all of its income is sourced from, Georgia. Accordingly, the Group's results of operations are, and are expected to continue to be, significantly affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. Factors such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and corporate finance, can have a material impact on customer demand for its products and services.

Real GDP growth in Georgia was 5% in 2019 and 4.8% in 2018, according to Geostat. This rebound in growth was supported by the stronger external economic environment, which was reflected in increased foreign currency remittances from Georgians working abroad, higher net exports from Georgia and increased foreign direct investment ("**FDI**"). Global growth has, however, been severely impacted by the COVID-19 outbreak, with shrinking demand and damaged global supply chains. The Georgia's real GDP contracted by 6.1% year-on-year according to preliminary Geostat estimates in 2020, with the COVID-19 shock reversing the trend of economic growth. Mobility restrictions, evaporating tourism revenues and shrinking external demand have constrained economic activity. This has resulted in an adverse effect on the liquidity and financial condition of customers in Georgia. In addition, rising commodity prices and imported inflation have created sustained pressure on prices, constraining the monetary policy from adopting a further accommodating stance. According to Geostat, average annual inflation was 5.2% in 2020, above the 3% target. Market turmoil, economic deterioration and political instability in Georgia may cause consumer spending to decline and have a material adverse effect on Georgia's growth prospects. Uncertain and volatile global and regional economic conditions, such as the unpredictability of U.S. regulatory and fiscal policies, the outbreak of COVID-19 and the resulting impact on global economic conditions and travel restrictions, the potential adoption of trade restrictions, the United Kingdom's post-Brexit-related uncertainties, economic and political instability in Turkey and heightened geopolitical risk, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy.

The Georgian economy is diversified, with no significant dependency on a single country, although Russia, Turkey, Azerbaijan and Armenia are significant trading partners. Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 13.0%, 13.2% and 13.2% of Georgia's total exports and approximately 10.2%, 10.8% and 11.1% of Georgia's total imports in 2018, 2019 and 2020, respectively, according to Geostat. Following a recession and depreciation in 2015 and 2016, the Russian Rouble rebounded in 2017 against the U.S. Dollar. In 2018, the Russian Rouble depreciated again against the U.S. Dollar by 17.1%, with an appreciation of 10.9% in 2019. COVID-19 related recession risks and plunging oil prices have led to further depreciation in the Russian Rouble. Turkey represents the largest source of Georgian imports, accounting for 16.1%, 17.8% and 17.6% of total imports in 2018, 2019 and 2020, respectively, according to figures published by Geostat. Turkey's economy grew by 2.8% in 2018, 0.2% in 2019 and 0.5% in the nine months ended 30 September 2020. Adverse economic conditions in Turkey are a potential obstacle to the growth of the Georgian economy. Azerbaijan and Armenia accounted for 15.0% and 8.3%, 13.2% and 10.9% and 13.2% and 5.6% of total exports in 2018, 2019 and 2020, respectively. Following its devaluation by 49.7% against the U.S. Dollar and 44.1% against the euro as at 31 December 2015, the Azerbaijan Manat stabilised throughout 2017, 2018 and 2019. The Armenian Dram also experienced a period of stability during 2017, 2018 and 2019, having depreciated by 14.9% against the U.S. Dollar in the period between 1 October 2014 and 27 February 2015. Hostilities in Nagorno-Karabakh during 2020 contributed to further volatility in these currencies and have generally destabilised the region.

The economic slowdowns and currency depreciations experienced by Georgia's main trading partners resulted in lower exports from and remittances to Georgia during the period from 2014 to 2016, while the acceleration of growth in regional economies since 2017 has supported strong growth in exports and remittances. Of particular note is remittance inflows from Azerbaijan in 2020, increasing over 2.4 times year-on-year to reach U.S.$53.9 million. However, as Russia and Azerbaijan depend significantly on oil prices and the wider region in turn depends significantly on Russia, Georgia is also exposed to oil price shocks, which affect it both as an importer of energy as well as a small open economy that depends on regional economic conditions. Any continued oil price volatility and/or pandemic related restrictions, as well as any further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Regional tensions and disruptions in neighbouring markets could have a negative effect on Georgia's economy.

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has two breakaway territories within its borders, Abkhazia and the Tskhinvali Region/South Ossetia. Ongoing political tensions within the region have led to sporadic outbreaks of violence and the straining of diplomatic relations between Georgia and Russia, and in the region generally. Russia imposed sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed the international border and a state of war was declared. Although a French-brokered ceasefire was signed, calling for the withdrawal of Russian troops, Russia recognised the independence of the breakaway regions and tensions persist. Russia is opposed to the eastward enlargement of NATO, including former Soviet republics such as Georgia. Therefore, Georgia's continued progression towards closer economic and political ties with the European Union and NATO may exacerbate tensions between Georgia and Russia. Developments, such as the introduction of a free trade regime between Georgia and the European Union in September 2014, and the visa-free travel in the European Union granted to Georgian citizens in March 2017, similarly contributed to such tensions. In July 2019, the Russian President ordered a ban on direct flights to Georgia as part of the Russian state response to mass anti-Russia demonstrations in Tbilisi in June 2019. The geopolitical relationship between Russia and Ukraine also remains strained following the crisis which began in 2013. Sanctions imposed by the United States and the European Union against Russia continue and there is uncertainty as to how and when the conflict between Russia and Ukraine will be resolved. Following the arrest of Russian opposition activist Alexei Navalny, the United States and the European Union imposed new sanctions against a number of Russian officials, amplifying tensions in the region.

The civil unrest which took place in Turkey during 2016 has placed significant doubt over Turkey's ability to function as a stable regional trading partner for Georgia. The failed coup attempt of 2016 has led to increasingly autocratic governance of Turkey, and in April 2017, amendments to the Turkish constitution were approved by voters in a referendum. The proposed constitutional changes were originally scheduled for November 2019. However, in June 2018, as a result of early parliamentary and presidential elections, the amendments became effective. The amendments, which grant the President broader powers, transformed Turkey's system of government from a parliamentary system into an executive presidential system.

Further geopolitical disharmony in the region, most notably between Azerbaijan and Armenia (where tensions escalated and hostilities broke out during 2020 in relation to Nagorno-Karabakh) and among Turkey, Syria and Russia, may also have an adverse impact on Georgia. The downing of a Russian jet by Turkey over a violation of the Turkey-Syria border in November 2015 triggered a major crisis between Turkey and Russia. On 31 May 2019, Turkey accused Russia and Syria of bombing a hospital in Idlib. In response, Russia imposed a number of economic sanctions on Turkey. These included the suspension of visa-free travel to Russia for Turkish citizens, limits on Turkish residents and companies doing business in Russia and restrictions on imports of Turkish products. Although the relationship has since normalised to a certain extent and the sanctions were lifted, Georgia's political and economic stability may be affected by potential deterioration in relations between these two countries. In particular, tensions between Turkey and Syria have recently escalated, with Syrian troops being backed by Russia.

Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business.

Since its independence from the former USSR in 1991, Georgia has experienced an ongoing and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of existing reform policies, or as a result of a rejection of reform policies by the president, the parliament or others.

In October 2010, the Georgian Parliament approved certain amendments to the Constitution of Georgia (the "**Constitution**") that were intended to enhance the primary governing authority of the Georgian Parliament, to increase the powers of the prime minister of Georgia, and to limit the scope of functions of the president of Georgia. The Georgian Parliament adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013. In October 2017 and March 2018, the Georgian Parliament made numerous changes to the Constitution introducing, inter alia, the indirect election of the president by the Georgian Parliament, a fully proportional electoral system of the Georgian Parliament starting from 2024, special status for agricultural land, and raising the minimum age for members of the Georgian Parliament and the president. The changes adopted in October 2017 and March 2018 entered into force in December 2018. Furthermore, following public demonstrations in June 2019 that began after certain Russian officials visited the Georgian Parliament, the Government committed to switching to a fully proportional electoral system for the 2020 elections, instead of the 2024 elections. This commitment was not approved by the Georgian Parliament, which led to protests by major political parties in Georgia. As a political consensus, which was reached with the involvement of foreign diplomats stationed in Georgia, it was agreed that, for the purposes of 2020 elections, 30 members of the Georgian Parliament would be selected through a majoritarian system, while the remaining 120 members of the Georgian Parliament would be selected through proportional representation with the electoral threshold of 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. On 29 June 2020, however, the Georgian Parliament voted to adopt the constitutional amendments. Any further changes to Georgian parliamentary, presidential or prime ministerial powers may create political disruption or political instability or otherwise negatively affect the political climate in Georgia. Parliamentary elections were held in Georgia in October 2020 to elect 150 members of the Georgian Parliament, however, the results of elections are boycotted by the opposition parties. On 18 February 2021, the Prime Minister, Giorgi Gakharia, resigned from his position amid disagreements with the ruling party. Any political instability in Georgia may have a material adverse effect on Georgia's economy, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Uncertainties in the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business.

Georgia's legal framework is still developing, with several fundamental civil, criminal, tax, administrative, financial and commercial laws having only recently become effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in its application, including in relation to such legislation's enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in financial, commercial and corporate law matters than in certain other countries, particularly in the European Union and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Group.

There may be challenges associated with legislative harmonisation of the Georgian regulatory environment with the European Union driven by the DCFTA.

On 27 June 2014, Georgia entered into the E.U. Association Agreement and established the Deep and Comprehensive Free Trade Area ("**DCFTA**") (effective since 1 September 2014) with the European Union, which envisages bilateral trade liberalisation with the European Union with effect from 1 July 2016. The implementation of the E.U. Association Agreement is expected to create new business opportunities, although it may pose challenges for businesses, households and the state. The implementation of the E.U. Association Agreement and the DCFTA may require Georgia to conform to E.U. trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and customer safety, including product and safety information, among others.

Georgia has been gradually conforming its trade legislation to E.U. norms and practices since it became a member of the World Trade Organisation in 2000. For example, in 2013, it introduced amendments to the labour code to bring Georgian labour laws closer to commitments under the E.U. Association Agreement and the DCFTA. These amendments required employers to pay overtime, increased severance pay (from one to two months' salary), strengthened workers' rights to challenge employers' decisions in court, prohibited dismissal without clear cause, and guaranteed basic working conditions. The amendments also strengthened competition laws in Georgia, which could restrict the Group's ability to make further acquisitions in line with its growth strategy. In December 2019, the Georgian Parliament adopted the Energy Law, which lays down the foundation for the reform of the energy sector in Georgia in line with the Energy Community Treaty and European energy legislation and seeks to establish a legal framework for the generation, supply, dispatch, distribution, and trade of electricity and water supply. These legislative developments were consistent with Georgia's commitments under the E.U. Association Agreement to align its legislation with the relevant E.U. norms. Certain amendments to the personal data protection framework have also been introduced to the Georgian Parliament aiming to bring Georgian personal data protection standards in line with the standards of the E.U. General Data Protection Regulation (Regulation (EU) 2016/67).

Other changes in governmental policy are expected, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the E.U. Association Agreement may place a significant burden on regulatory bodies, divert their resources from ongoing reforms and slow their efficiency.

As a result of expected regulatory amendments to achieve harmonisation with E.U. legislation, the Group may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations. For example, the Group has made changes to its labour contracts to reflect changes to the labour code described above. It has also made certain changes in anticipation of changes to data protection legislation. The Group expects that there will be further changes, although it cannot predict the extent to which it may be affected by, or able to comply with, any such changes. If any of these risks materialise, they could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies.

Tax laws have been in force in Georgia for a relatively short period of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. Tax law enforcement can also be unpredictable.

Moreover, tax laws are subject to changes and amendments, which can result in complexities for businesses. A new tax code (the "**Tax Code**") came into effect on 1 January 2011. In December 2010, the Constitution had been amended to prohibit the introduction of new state-wide taxes or increases in existing tax rates (other than excise taxes) without a public referendum initiated by the Government (except in certain limited circumstances). In January 2011, the Georgian Parliament passed the Organic Law of Georgia on Economic Liberty reflecting the same constitutional guarantee. This law has been in effect since 31 December 2013 and will remain in effect for 12 years from 16 December 2018. In October 2017, the Constitution was amended to retract the provision prohibiting the introduction of new taxes and tax increases. The Organic Law of Georgia on Economic Liberty was however also amended to guarantee that the prohibition on new taxes and tax increases will remain in place until December 2030. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does allow for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While the management of the Issuer (the "**Management**") believes that the Group and members of the Group operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Group could face fines or penalties as a result of regular tax audits.

In addition, tax laws and government tax policies may be subject to change in the future, including changes resulting from a change in the Government. See *"—Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Group's business"*. Such changes could include the introduction of new taxes or an increase in the tax rates applicable to the Group or its customers, which may, in turn, have a material adverse effect on its business.

In May 2016, the Georgian Parliament adopted amendments to the Tax Code which provide that an enterprise will not be liable for the payment of corporate profit tax until it distributes its profit to shareholders, or incurs costs, or makes supplies or payments that are subject to corporate profit tax. These amendments have applied from 1 January 2017 for all entities apart from certain financial institutions, including banks, credit unions, microfinance organizations and insurance businesses (the changes shall become applicable to above said financial institutions from 1 January 2023).

Payments of interest on Notes will be exempt from withholding tax and such payments of interest shall not be included in the gross taxable income of individual Noteholders and certain legal entities, such as commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers, until 1 January 2023, so long as the Notes are issued by a Georgian resident and listed and admitted to trading on a "recognised stock exchange of the foreign country". For these purposes, Euronext Dublin is a "recognised stock exchange of the foreign country" under Georgian law. Interest received by Georgian resident legal entities (except commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers, until 1 January 2023) may be subject to taxation.

Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Group.

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, the total volume of commercial banks' trading turnover in the Lari-U.S. Dollar and Lari-euro markets (including activities of the NBG) amounted to U.S.$53.6 billion and €21.7 billion in 2020, respectively, as compared to U.S.$46.1 billion and €17.8 billion, respectively, in 2019, and U.S.$29.4 billion and €8.2 billion, respectively, in 2018. Excluding activities of the NBG, the total volume of trading turnover in the Lari-U.S. Dollar market amounted to U.S.$52.1 billion in 2020, as compared to U.S.$ 45.8 billion in 2019 and U.S.$29.2 billion in 2018 (the NBG was not active in the euro market). According to NBG, it had U.S.$3.9 billion in gross official reserves as at December 2020 as compared to U.S.$3.5 billion as at December 2019 and U.S.$3.3 billion as at December 2018. While these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the businesses of the Group's customers across its various portfolio companies and, in turn, on the Group's business, results of operations, financial condition and prospects. Moreover, to the extent that U.S. Dollars are not available in the market, this may impact the Group's ability to pay amounts due under the Notes.

In addition, any lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari/U.S. Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, NBG allowed the Lari to depreciate by 28.5% and by a further 10.5% in 2016, in a measure aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. The Lari generally appreciated against the U.S. Dollar and other major international currencies in the first half of 2016, primarily due to an increase in the number of tourists travelling to Georgia, but experienced depreciation in the second half of 2016 and in 2017 and 2018 due to negative expectations surrounding the collapse of the Turkish Lira, and in 2019 due to negative expectations surrounding Russia's direct flight ban. The Lari depreciated significantly in 2020 as a result of the ongoing COVID-19 outbreak, which resulted in a sudden cessation and deterioration in the outlook for traditional sources of foreign exchange inflows such as tourism revenues, remittances and merchandise exports. The NBG introduced a U.S.$400 million currency swap facility, sold U.S.$953 million from March 2020 up to February 2021 to provide foreign currency liquidity and reduced the monetary policy rate by 100 basis points to 8%. The NBG has committed to remaining active in providing foreign currency liquidity and curbing Lari depreciation expectations. Although foreign currency reserves provide adequate cover in the short term and exchange rates against hard currencies have stabilised after initial volatility, any sustained depreciation in the Lari could create risks regarding the scope of policy action.

According to information published by Geostat, annual inflation in Georgia, as measured by the average annual Consumer Price Index, was 2.6%, 4.9% and 5.2% in 2018, 2019 and 2020, respectively. There is no guarantee that the Georgian economy will not be further affected by domestic or global increases in food, consumer products and oil prices. Deflation, while increasing the purchasing power of the Lari, could adversely affect FDI and profitability in the lending activities of JSC Bank of Georgia. On the other hand, high and sustained inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the Group's customers across its various portfolio companies, which could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks Relating to the Notes

The Issuer is a holding company and there is a risk of structural subordination.

The Issuer is a holding company and conducts the vast majority of its operations through its subsidiaries. The Issuer holds (or will hold) no significant assets other than shares of its subsidiaries, interests in its associates and shareholder loans to its subsidiaries and it is therefore dependent upon the receipt of dividends from its subsidiaries and interest income on intercompany loans as well as the divesting of its shareholdings, to meet its obligations. Noteholders will be structurally subordinated to the creditors of the Issuer's subsidiaries, in that the Issuer's ability to benefit from the distribution of any assets upon the liquidation of any of its subsidiaries will be subject to the prior claims of that subsidiary's direct creditors. In addition, as of the date of these Listing Particulars, none of the Issuer's current Material Subsidiaries is subject to the limitation on the distribution of dividends, negative pledge or debt incurrence provided in the Terms and Conditions of the Notes. A decrease in dividend or interest income from the Issuer's subsidiaries or the insolvency or liquidation of one or more of the Issuer's subsidiaries could adversely affect the market price of the Notes without regard to the Issuer's business, financial condition, prospects and results of operations and the Issuer's ability to service the Notes.

Noteholders may face difficulties enforcing judgments, including foreign arbitral awards, in respect of the Notes and against the Issuer.

On the basis of certain precedents established by foreign judiciaries, it may not be possible to effect service of process against the Issuer in courts outside Georgia or in a jurisdiction to which the Issuer has not explicitly submitted.

The Issuer has not submitted to the jurisdiction of any courts, but instead has agreed to resolve disputes by arbitration in accordance with the rules and procedures of the LCIA. Georgia is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"). Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to compliance with the terms of the New York Convention and Georgian law. Pursuant to Article 45.1 of the Law of Georgia on Arbitration (the "**Arbitration Law**"), arbitral awards against the Issuer, irrespective of the country in which they are rendered, may not be recognised and enforceable in Georgia if: (i) the party against whom the award is made proves before Georgian courts that: (a) a party to the arbitration at the time of entering into an arbitration agreement lacked legal authorisation or was a beneficiary of support (a person lacking legal capacity) who had an appointed supporter in relation to issues under the arbitration agreement but did not receive relevant support, or the arbitration agreement is void or set aside pursuant to the law specified by the parties in the arbitration agreement or, in the absence of such, based on the laws of the place where the award was made; (b) a party was not duly informed about the appointment of an arbitrator or the arbitration proceedings, or was not otherwise able to present its position or defend its interests; (c) the arbitral tribunal issued the award on a subject matter which was not submitted to arbitration by the parties or the arbitral award goes beyond the scope of the claim of the parties in the arbitration, provided that if decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced; (d) the composition of the arbitral tribunal or the procedure of the arbitration was not in accordance with the arbitration agreement, or, in the absence of such agreement, the arbitration was conducted in violation of the laws of the place of arbitration; or (e) the arbitral award has not yet become binding and/or has been set aside or suspended by the courts of the state in which, or under the laws of which, the award was made; or (ii) the court establishes that: (a) the subject matter of the dispute is not subject to arbitration under Georgian law; or (b) the recognition and enforcement of the award is contrary to public order. It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial transactions, certain procedural irregularities and Georgian courts' inability to enforce such orders, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, actual or anticipated variations in the operating results of the Issuer's competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and actual or expected sales of a large number of Notes, as well as any other factors affecting the Issuer or the Group, including economic and market conditions in Georgia and its neighbouring countries and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the Member States of the EU, the United Kingdom and elsewhere. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's business, financial condition and results of operations. If an active trading market for the Notes develops, there can be no assurance that events in Georgia or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Notes or that economic and market conditions will not have any other adverse effect. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the financial condition and prospects of the Issuer or other factors some of which may be beyond the control of the Issuer.

The Notes are pari passu securities.

Subject to the restrictions on the incurrence of indebtedness set out in the Conditions, there is no restriction on the amount of securities, which the Issuer may issue and which may rank equally in right of payment with the Notes. The issue of any such securities may reduce the amount investors may recover in respect of the Notes in certain scenarios as the incurrence of additional debt could affect the Issuer's ability to repay principal of, and make payments of interest on, the Notes. This could have a material adverse effect on the trading price of the Notes.

The Notes constitute unsecured obligations of the Issuer.

The Issuer's obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims, which would be satisfied only after any secured creditors, if at all. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

Any change of law in England in the future may have a material adverse effect on the Notes.

The Terms and Conditions of the Notes are based on the laws of England in effect as of the date of these Listing Particulars. There can be no assurance as to the impact of any possible judicial decision or change in law or administrative practice in England after the date of these Listing Particulars.

Any fluctuations in the credit ratings assigned to Georgia, the Issuer or the Notes may cause trading in the Notes to be volatile and/or adversely affect the trading price of the Notes.

The Notes are expected to be rated B by S&P and B2 by Moody's, each with stable outlook. S&P affirmed Georgia's long-term foreign and local currency and short-term foreign and local currency sovereign credit ratings of BB and B, respectively, and changed the outlook from stable to negative on 26 February 2021.

Moody's is registered under the EU CRA Regulation. S&P is not established in the EU and has not applied for registration pursuant to the EU CRA Regulation.

The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Issuer has no obligation to inform Noteholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to Georgia, the Issuer or the Notes may cause trading in the Notes to be volatile or adversely affect the trading price of the Notes.

The credit ratings may not reflect the potential impact of the risks discussed above or of any other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the Maturity Date. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Investors whose financial activities are denominated in a currency or currency unit other than U.S. Dollars may receive less interest or principal than expected, or no interest or principal on the Notes, as a result of fluctuations in exchange rates or changes to exchange controls.

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Issuer's or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Changes in the value of the Investor's Currency relative to the U.S. Dollar could be caused by a variety of factors, including changes to the monetary policies maintained in the relevant central banks and vacillating demand for various currencies in the global marketplace. As a result of COVID-19, global demand for the U.S. Dollar has increased, causing it to appreciate against a variety of currencies. Additionally, in response to the economic fallout of COVID-19, global central banks have endeavoured to bolster local economies by implementing substantial stimulus programmes which can dramatically impact the availability of, and demand for, certain currencies (thus impacting foreign exchange rates). In some cases, these stimulus measures can be, or may be perceived to be, catalysts for future inflation, which can also impact the relative present and future value of a currency.

Furthermore, governmental and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal on the Notes.

An investment in the Notes involves certain legal investment considerations.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used by it as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Transfers of the Notes will be subject to certain restrictions.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Prospective investors should read the discussion under the heading "*Notice to Prospective U.S. Investors*" for further information about these transfer restrictions. It is each investor's obligation to ensure that offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures.

The New Regulation S Notes will be represented on issue by a New Regulation S Global Certificate that will be deposited with a nominee for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Regulation S Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the relevant Regulation S Global Certificate. While the Notes are represented by the Regulation S Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The New Rule 144A Notes will be represented on issue by a New Rule 144A Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the relevant Rule 144A Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the relevant Rule 144A Global Certificate. While the Notes are represented by the Rule 144A Global Certificate, investors will be able to trade their beneficial interests only through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Terms and Conditions of the Notes may be modified or waivers for breaches of the Terms and Conditions of the Notes may be given in the future.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

There may not be an active trading market for the Notes.

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected by a number of factors, some of which may be beyond the control of the Issuer. Furthermore, although certain anchor or other investors may purchase and hold Notes as part of the initial issuance, there can be no assurance that any anchor or other investor will be granted any particular allocation of Notes. See "*Subscription and Sale—Other Investors*". If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of the Issuer.

The Notes may be impacted by further issuances of securities unless issued in a qualified reopening.

The Issuer may create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except the issue price, issue date, and/or first payment of interest on them (as is the case with the New Notes)), and so that such further issue is consolidated and forms a single series with the Notes or upon such other terms as the Issuer may determine at the time of their issue. Additional securities may not be fungible for U.S. federal income tax purposes unless they are issued in a "qualified reopening" of the issuance of the original Notes (within the meaning of the applicable U.S. Treasury Regulations). Whether the issuance of additional securities is a "qualified reopening" will depend on certain factors, such as the interval after the original offering, the yield of the outstanding Notes at that time (based on their fair market value), whether the additional debt securities would otherwise be issued with original issue discount, and whether any outstanding Notes are publicly traded or quoted at the time. If issuance of the additional securities is not a "qualified reopening", the additional securities may have original issue discount. If such additional securities have original issue discount, that may adversely affect the market value of the outstanding Notes unless the additional securities can be distinguished from the Notes.

FORWARD LOOKING STATEMENTS

These Listing Particulars include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. All statements other than statements of historical facts included in these Listing Particulars are forward-looking statements. They appear in a number of places throughout these Listing Particulars, involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on Management's intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates and the general economic outlook. In particular, the statements under the headings "*Risk Factors*", "*Description of Business*" and "*Operating and Financial Review*" regarding the Issuer's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in these Listing Particulars regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in these Listing Particulars speak only as of the date of these Listing Particulars. The Issuer and the Lead Manager expressly disclaim any obligation or undertaking to publicly update or revise these forward-looking statements contained in the Listing Particulars to reflect any change in their underlying expectations, new information or any change in events, conditions, or circumstances on which such statements are based unless required to do so by Euronext Dublin or applicable law.

In light of these risks, uncertainties and assumptions, the forward-looking events and/or circumstances discussed in these Listing Particulars might not occur or may occur in a materially different manner or timetable than indicated.

The contents of these sections relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in these Listing Particulars.

ENFORCEABILITY OF FOREIGN JUDGMENTS AND ARBITRAL AWARDS

The Issuer is a joint stock company incorporated under the Law of Georgia on Entrepreneurs dated 28 October 1994. A substantial portion of the assets of the Issuer and most of the Management and the Issuer's executive officers reside outside the United Kingdom and the United States and all of the assets of the Group and of such persons are located outside of the United States and the United Kingdom. The Issuer has not submitted to the jurisdiction of any courts, but instead has agreed to resolve disputes by arbitration in accordance with the rules and procedures of the LCIA. Georgia is a party to the New York Convention. Therefore, an arbitration award obtained in a country which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Georgia, subject to compliance with the terms of the New York Convention and Georgian law.

Pursuant to Article 45.1 of the Arbitration Law, arbitral awards against the Issuer, irrespective of the country in which they are rendered, may not be recognised and enforceable in Georgia if:

(i) the party against whom the award is made proves before Georgian courts that:

  (a) a party to the arbitration at the time of entering into an arbitration agreement lacked legal authorisation or was a beneficiary of support (a person lacking legal capacity) who had an appointed supporter in relation to issues under the arbitration agreement but did not receive any relevant support, or the arbitration agreement is void or set aside pursuant to the law specified by the parties in the arbitration agreement or, in the absence of such, based on the laws of the place where the award was made;

  (b) a party was not duly informed about the appointment of an arbitrator or the arbitration proceedings, or was not otherwise able to present its position or defend its interests;

  (c) the arbitral tribunal issued the award on a subject matter which was not submitted to arbitration by the parties or the arbitral award goes beyond the scope of the claim of the parties in the arbitration, provided that if decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced;

  (d) the composition of the arbitral tribunal or the procedure of the arbitration was not in accordance with the arbitration agreement, or, in the absence of such agreement, the arbitration was conducted in violation of the laws of the place of arbitration; or

  (e) the arbitral award has not yet become binding and/or has been set aside or suspended by the courts of the state in which, or under the laws of which, the award was made; or

(ii) the court establishes that:

  (a) the subject matter of the dispute is not subject to arbitration under Georgian law; or

  (b) the recognition and enforcement of the award is contrary to public order.

It may be difficult, however, to enforce arbitral awards in Georgia due to a number of factors, including the lack of experience of Georgian courts in international commercial and/or financial transactions and certain procedural irregularities, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award in Georgia.

The Issuer has appointed an agent for service of process in England; however, it may not be possible for investors to effect service of process within the United States or the United Kingdom on the directors and executive officers of the Issuer or enforce judgments against such persons or the Issuer. In addition, on the basis of certain precedents established by foreign judiciaries, it may not be possible to effect service of process against the Issuer in courts outside Georgia or in a jurisdiction to which the Issuer has not explicitly submitted. See "*Risk Factors—Risks Relating to the Notes—Noteholders may face difficulties enforcing judgments including foreign arbitral awards, in respect of the Notes and against the Issuer*".

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Statements

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (which include comparative information as at and for the year ended 31 December 2019) (the "**2020 Audited Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (which include comparative information as at and for the year ended 31 December 2018) (the "**2019 Audited Financial Statements**" and, together with the 2020 Audited Financial Statements, the "**Financial Statements**") included in these Listing Particulars have been prepared in accordance with IFRS issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Group's operations.

Basis of Preparation

On 31 December 2019, the Group concluded that it met the definition of "investment entity" as defined in IFRS 10. As per IFRS 10, an investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

According to IFRS 10, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.

The Financial Statements consolidate the Group's subsidiaries up to 31 December 2019. As at that date, the Group's subsidiaries were de-consolidated, and recognised as investments in subsidiaries at their fair value as at 31 December 2019. As a result, the Group recorded a gain from the change to investment entity status of GEL 589 million in the income statement in 2019, representing the difference between: (a) the previous carrying amount of the subsidiaries, and (b) the fair value of the subsidiaries.

The Group's results of operations for the year ended 31 December 2020, therefore, reflect changes in the value of the Group's subsidiaries directly on the income statement under the line item "profit/(losses) on investments at fair value". By contrast, the Group's results of operations for the years ended 31 December 2019 and 2018 reflect the consolidated results of operations of the Group's subsidiaries.

Further details on the financial impact of the change in investment entity status and the underlying significant judgments are provided in Notes 3, 4 and 20 to the 2020 Audited Financial Statements.

Non-IFRS Measures

These Listing Particulars include certain financial measures that are not measures of performance specifically defined by IFRS.

EBITDA is defined as profit for the year less income tax expense, net non-recurring items, interest expense, net foreign currency loss and depreciation and amortisation less gain from change in investment entity status, interest income based on the effective interest rate ("**EIR**") method, net realised gains from investment securities measured at FVOCI, net gains from investment securities measured at FVPL, dividend income and share in profit of associates. EBITDA is derived from the Financial Statements. In addition, the Listing Particulars include EBITDA attributable to the operating segments of the Group, as presented in Note 6 to the 2019 Audited Financial Statements. EBITDA attributable to the operating segments is not presented in the same manner as consolidated EBITDA, as it is not adjusted for eliminations of intercompany balances and transactions, as well as reconciling items arising from different classification of certain assets and liabilities at the level of the operating segment and the level of the consolidated financial statements. EBITDA margin is calculated by dividing EBITDA by revenue ("**EBITDA Margin**").

Internal rate of return ("**IRR**") is defined as a metric used to estimate the profitability of potential and actual investments or projects. IRR is a discount rate that makes the net present value of all cash flows from a project equal to zero.

Return on average equity ("**ROAE**") is defined as profit for the period attributable to shareholders divided by average total equity of the period attributable to shareholders (calculated as the sum of total equity at the start and at the end of the relevant period, divided by two).

Total capitalisation is defined as the sum of debt securities issued, share capital, additional paid-in capital, treasury shares, other reserves and retained earnings.

Net debt is defined as borrowings and debt securities issued less liquid assets and loans issued.

Liquid assets is defined as the sum of cash and cash equivalents, amounts due from credit institutions and marketable securities.

LTV is defined as the sum of borrowings, debt securities issued, guarantees issued and commitments from financial institutions minus liquid assets and third party loans divided by asset portfolio, where "asset portfolio" is defined as the sum of equity investments at fair value and loans issued to portfolio companies.

The Group has presented these measures in this document because Management uses them as tools to measure the Group's operational performance and the profitability of its operations. Prospective investors should use caution when reviewing any of these measures or the calculation thereof and should not consider these measures as absolute measures of the Group's financial performance or liquidity, as alternatives to operating profit, net income or any other performance measures derived in accordance with IFRS, or as alternatives to cash flow from operating activities as a measure of the Group's performance, or consider it to be comparable to other companies' calculations with the same or similar titles. In addition, these measures should not be used instead of, or considered as an alternative to, the Financial Statements under IFRS.

These measures are not uniformly or legally defined measures and are not recognised under IFRS or any other generally accepted accounting principles. The Group is not presenting them as measures of its financial performance. Each of these measures has important limitations as an analytical tool and prospective investors should not consider any of them in isolation or as a substitute for analysis of the Group's results of operations. Management considers these measures to be important indicators of its representative recurring operations.

Market, Industry and Economic Information

Georgian macroeconomic data was principally obtained from the Geostat, the NBG, the Ministry of Finance of Georgia, the Georgian National Tourism Administration, the National Centre for Disease Control and Public Health (the "**NCDC**"), the ISSSG, ESCO, the Turkish Energy Exchange, the IMF and the World Bank. Unless otherwise noted, the source of all macroeconomic data appearing in these Listing Particulars is Geostat. The Issuer accepts responsibility for having accurately reproduced information obtained from third parties, and, so far as the Group is aware and have been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

USE OF PROCEEDS

The net proceeds to be received by the Issuer from the issuance of the New Notes (after the deduction of management, underwriting and selling fees, and commissions and listing fees, but before the deduction of other expenses) are expected to be approximately U.S.$64.5 million.

The Issuer intends to use the net proceeds from the offering as follows:

- approximately U.S.$35.0 million will be used to fund capital allocations to the Group's portfolio companies; and
- approximately U.S.$29.5 million will be used for general corporate purposes, of which the Issuer intends to retain U.S.$12.0 million in cash, deposits, cash equivalents and other temporary investments as a liquidity buffer for such time as it deems appropriate for prudential management purposes.

CAPITALISATION AND INDEBTEDNESS

The table below sets out the capitalisation and indebtedness of the Group as at 31 December 2020 and has been extracted without material adjustment from the Financial Statements.

	As at 31 December 2020
	(GEL millions)
Indebtedness	
Debt securities issued	980.9
Equity	**2,213.3**
Share capital	13.4
Additional paid-in capital	634.2
Treasury shares	(0.9)
Other reserves	(0.7)
Retained earnings	1,567.3
Total capitalisation	**3,194.2**

Since 31 December 2020, there has been no material change in the Group's capitalisation and indebtedness other than the issuance of the New Notes and the application of the proceeds as described in these Listing Particulars.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The selected financial information presented below has been extracted from the Financial Statements. The basis of preparation of the Group's financial statements changed effective 31 December 2019, the date on which the Group concluded that it met the definition of "investment entity" as defined in IFRS 10. As of 31 December 2019, the Group's subsidiaries were de-consolidated and recognised as investments in subsidiaries at their fair value. Therefore, for purposes of the financial information presented as at 31 December 2020 and 2019 (i.e. statement of financial position information) and for the year ended 31 December 2020 (i.e. income statement information), the Group's investments in its subsidiaries are measured at fair value, whereas for purposes of the financial information presented as at 31 December 2018 (i.e. statement of financial position information) and for the years ended 31 December 2019 and 2018 (i.e. income statement information), the Group's subsidiaries are consolidated. See "Presentation of Financial and Certain Other Information". For that reason, the statement of financial position information as at 31 December 2020 and 2019 and the income statement information for the year ended 31 December 2020, on the one hand, and the statement of financial position information as at 31 December 2018 and the income statement information for the years ended 31 December 2019 and 2018, on the other hand, is presented separately below.

Consolidated Income Statement Information

	Year ended 31 December 2020
	(GEL millions)
Gains/(Losses) on investments at fair value	451.2
Listed Equity Investments	(261.5)
Private Investments	712.7
Dividend Income	29.9
Other interest income	15.0
Interest income at effective interest rate method	5.0
Net losses from investment securities measured at fair value through profit or loss	(0.6)
Net realised losses from investment securities measured at fair value through other comprehensive income	(1.7)
Other income	0.4
Gross investment profit	**499.2**
Administrative expenses	(4.7)
Salaries and other employee benefits	(19.1)
Depreciation and amortisation	(0.6)
Interest expense	(61.5)
Profit before provisions, foreign exchange and non-recurring items	**413.3**
Expected credit losses	(0.1)
Net foreign currency loss	(89.9)
Non-recurring expense	(3.4)
Profit before income taxes	**319.9**
Income tax	-
Profit for the year	**319.9**

	Year ended 31 December	
	2019	**2018**
	(GEL millions)	
Revenue	1,473.4	1,283.0
Cost of sales	(883.0)	(789.9)
Gross profit	590.4	493.1
Salaries and other employee benefits	(174.8)	(135.8)
Administrative expenses	(112.7)	(105.7)
Other operating expenses	(11.4)	(11.3)

Expected credit loss/impairment charge on financial assets	(11.4)	(10.6)
Impairment charge on insurance premium receivables, other assets and provisions	(1.1)	(2.2)
EBITDA	**279.0**	**227.5**
Share in profit of associates	0.3	0.2
Dividend income	25.0	23.9
Depreciation and amortisation	(110.1)	(66.4)
Net foreign currency loss	(41.9)	(37.6)
Net gains from investment securities measured at fair value through profit or loss	1.7	–
Net realised gains from investment securities measured at fair value through other comprehensive income	1.2	–
Interest income at effective interest rate method	30.7	23.2
Interest expense	(150.4)	(96.9)
Net operating income before non-recurring items	**35.5**	**73.9**
Net non-recurring items	(8.2)	(29.5)
Gain from change in investment entity status	588.8	–
Profit before income tax expense	**616.1**	**44.4**
Income tax expense	(4.6)	(3.6)
Profit for the year	**611.5**	**40.8**

Consolidated Statement of Financial Position Information

	As at 31 December	
	2020	**2019**
	(GEL millions)	
Assets		
Cash and cash equivalents	117.0	117.2
Amounts due from credit institutions	42.7	–
Marketable securities	13.4	62.5
Accounts receivable	0.1	1.2
Prepayments	0.6	0.4
Loans issued	109.0	151.9
Property and equipment	0.4	0.5
Intangible assets	0.1	0.1
Other assets	6.0	6.5
Equity investments at fair value	2,907.7	2,251.5
Total assets	**3,197.0**	**2,591.8**
Liabilities		
Accounts payable	0.5	1.3
Debt securities	980.9	826.0
Other liabilities	2.3	6.3
Total liabilities	**983.7**	**833.6**
Equity		
Share capital	13.4	**12.4**
Additional paid-in capital	634.2	499.4
Treasury shares	(0.9)	(1.0)
Other reserves	(0.7)	–
Retained earnings	1,567.3	1,247.4
Total equity	**2,213.3**	**1,758.2**
Total liabilities and equity	**3,197.0**	**2,591.8**

	As at 31 December 2018
	(GEL millions)
Assets	
Cash and cash equivalents	253.3
Amounts due from credit institutions	40.3
Marketable securities	71.8
Accounts receivable	170.2
Insurance premiums receivable	57.8
Inventories	276.2
Investment properties	151.2
Prepayments	117.8
Income tax assets	2.4
Property and equipment	1,573.6
Loans issued	150.3
Goodwill	142.1
Intangible assets	51.5
Other assets	101.3
Equity investments at fair value	457.5
Assets of disposal groups held for sale	–
Total assets	**3,617.3**
Liabilities	
Accounts payable	143.1
Insurance contracts liabilities	68.2
Income tax liabilities	1.1
Deferred income	62.3
Borrowings	764.4
Debt securities issued	916.4
Other liabilities	235.2
Liabilities of disposal groups held for sale	-
Total liabilities	**2,190.7**
Equity	
Share capital	11.5
Additional paid-in capital	498.8
Treasury shares	(0.6)
Other reserves	497.4
Retained earnings	90.5
Total equity attributable to the shareholder of JSC Georgia Capital	**1,097.6**
Non-controlling interests	329.0
Total equity	**1,426.6**

Non-IFRS Measures

In these Listing Particulars, EBITDA Margin, net debt, liquid assets and market value leverage are presented. These measures are not uniformly or legally defined measures and are not recognised under IFRS or any other generally accepted accounting principles. See "*Presentation of Financial and Certain Other Information—Non-IFRS Measures*".

EBITDA Margin

	Year ended 31 December	
	2019	2018
	(GEL millions)	
EBITDA	279.0	227.5
Revenue	1,473.4	1,283.0
EBITDA Margin	18.9%	17.7%

Net debt

	As at 31 December	
	2020	2019
	(GEL millions)	
Debt securities issued	980.9	826.0
Less:		
Cash and cash equivalents	117.0	117.2
Amounts due from credit institutions	42.7	–
Marketable securities	13.4	62.5
Loans issued	109.0	151.9
Net debt	**698.8**	**494.4**

Liquid assets

	As at 31 December	
	2020	2019
	(GEL millions)	
Cash and cash equivalents	117.0	117.2
Amounts due from credit institutions	42.7	–
Marketable securities	13.4	62.5
Liquid assets	**173.1**	**179.7**

Market value leverage

	2020	2019
	(GEL millions)	
Debt securities issued	980.9	826.0
Less:		
Cash and cash equivalents	117.0	117.2
Amounts due from credit institutions	42.7	–
Marketable securities	13.4	62.5
Loans issued	109.0	151.9
Net debt	**698.8**	**494.4**
Plus:		
Loans issued to portfolio companies	109.0	117.5
Guarantees issued	74.4	59.4
	882.2	**671.3**
Divided by sum of:		
Equity investments at fair value	2,907.7	2,251.5

Loans issued to portfolio companies	109.0	117.5
	3,016.7	**2,369.0**
Market value leverage (LTV)	**29%**	**28%**

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the consolidated financial condition and results of operations of the Group covers the years ended 31 December 2020, 2019 and 2018. Unless otherwise specified, the financial information for the periods presented in this discussion has been extracted from the Financial Statements. This section should be read in conjunction with the Financial Statements and the notes thereto and the other financial information included elsewhere in these Listing Particulars.

The basis of preparation of the Group's financial statements changed effective 31 December 2019, the date on which the Group concluded that it met the definition of "investment entity" as defined in IFRS 10. As at 31 December 2019, the Group's subsidiaries were de-consolidated and recognised as investments in subsidiaries at their fair value. Therefore, for purposes of the financial information presented as at 31 December 2020 and 2019 (i.e. statement of financial position information) and for the year ended 31 December 2020 (i.e. income statement information), the Group's investments in its subsidiaries are measured at fair value, whereas for purposes of the financial information presented as at 31 December 2018 (i.e. statement of financial position information) and for the years ended 31 December 2019 and 2018 (i.e. income statement information), the Group's subsidiaries are consolidated. See "—Basis of Preparation" below for further detail. Since the income statement information for the year ended 31 December 2020, on the one hand, and for the years ended 31 December 2019 and 2018, on the other hand, is not comparable, the Group's results of operations for the year ended 31 December 2020 are discussed on a stand-alone basis (i.e. not in comparison with the results of operations for the year ended 31 December 2019).

Certain information contained in the discussion and analysis set forth below and elsewhere in these Listing Particulars includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the sections entitled "Risk Factors" and "Forward-Looking Statements".

Overview

The Group is a platform for buying, building and developing businesses in Georgia. The Group's primary business is to develop or buy businesses, help them institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. The Group's focus is typically on larger-scale investment opportunities in Georgia, which have a 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 they mature. The Group manages its portfolio companies separately from each other 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.

The Group categorises its portfolio companies as follows (with the percentages of the total portfolio value being as reflected in the financial statements of the Issuer as equity investments at fair value as at 31 December 2020):

- *Listed businesses (18% of total portfolio value)*: The Group holds a 19.9% equity stake in LSE premium-listed BoGG, a holding company of a leading universal bank in Georgia;

- *Private portfolio businesses (82% of total portfolio value)*: The Group's private portfolio businesses comprise large portfolio companies, investment stage portfolio companies and other portfolio companies:

    - *Large portfolio companies (64% of total portfolio value)*:

        - *Healthcare services (20% of total portfolio value)*: The healthcare services business, owned through GHG, comprises three segments: hospitals, clinics and diagnostics;

        - *Retail pharmacy (19% of total portfolio value)*: The retail pharmacy business, owned through GHG, consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies;

        - *Water utility (16% of total portfolio value)*: The water utility business is owned through GGU and supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia; and

        - *Insurance (Property & Casualty and Medical) (9% of total portfolio value)*: The insurance business combines: a property and casualty insurance business, owned through Aldagi and a medical insurance business owned through GHG;

    - *Investment stage portfolio companies (11% of total portfolio value)*:

        - *Renewable energy (8% of total portfolio value)*: The renewable energy business consists of the Mestiachala HPPs, Hydrolea HPPs and the Qartli Wind Farm, which are owned through GGU, as well as a pipeline of up to 172 MW of renewable energy projects under the advanced stage of development currently held under the umbrella of Georgia Capital and intended to be transferred to GGU at a later date (other than the Darchi project, which is held under GGU currently); and

        - *Education (3% of total portfolio value)*: The education business combines three high quality school partnerships across the premium, mid-level and affordable education segments; and

    - *Other portfolio companies (7% of total portfolio value)*: Other portfolio companies include five businesses: housing development; hospitality and commercial real estate; beverages; auto services; and digital services.

Basis of Preparation

On 31 December 2019, the Group concluded that it met the definition of "investment entity" as defined in IFRS 10. As per IFRS 10, an investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measures and evaluates the performance of substantially all of its investments on a fair value basis.

According to IFRS 10, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.

The Financial Statements consolidate the Group's subsidiaries up to 31 December 2019. As at that date, the Group's subsidiaries were de-consolidated, and recognised as investments in subsidiaries at their fair value as at 31 December 2019. As a result, the Group recorded a gain from the change to investment entity status of GEL 589 million in the income statement in 2019, representing the difference between: a) the previous carrying amount of the subsidiaries, and b) the fair value of the subsidiaries.

The Group's results of operations for the year ended 31 December 2020, therefore, reflect changes in the value of the Group's subsidiaries directly on the income statement under the line item "profit/(losses) on investments at fair value". By contrast, the Group's results of operations for the years ended 31 December 2019 and 2018 reflect the consolidated results of operations of the Group's subsidiaries.

Further details on the financial impact of the change in investment entity status and the underlying significant judgments are provided in Notes 3, 4 and 20 to the 2020 Audited Financial Statements.

Due to the change in investment entity status, the income statement information for the year ended 31 December 2020, on the one hand, and for the years ended 31 December 2019 and 2018, on the other hand, is not comparable.

For that reason, the Group's results of operations for the year ended 31 December 2020 are discussed on a stand-alone basis (i.e. not in comparison with the results of operations for the year ended 31 December 2019).

Key Factors Affecting Results of Operations

Acquisitions, capital allocations and divestments

Acquisitions

The Group is a platform for buying, building and developing businesses in Georgia and hence acquisitions and divestments are a significant factor affecting its results of operations. Until 31 December 2019, following an acquisition, the Group consolidated the acquired company. Since that date, however, it initially records the acquired company at fair value on its statement of financial position and then changes in fair value are recorded directly on its income statement. See *"—Basis of Preparation"* above.

During the periods under review, the Group made the following acquisitions, which have affected the comparability of its results of operations across those periods:

- *Georgia Healthcare*: In December 2019, the Group increased its stake in GHG from 57% to 70.6% following the completion of a share exchange facility. On 16 July 2020, a second share exchange offer was completed, whereby GHG shareholders received shares of Georgia Capital PLC in exchange for their reminaing GHG shares. Following the second exchange offer, the Issuer's equity stake in GHG reached 100% on 28 August 2020. GHG was subsequently delisted from the LSE in August 2020. GHG is now a private portfolio company of the Group. Although GHG was consolidated in the Group's results for each of the years ended 31 December 2019 and 2018, these transactions eliminated the Group's non-controlling interest in GHG. From 31 December 2019, changes in the fair value of GHG are recorded directly on the Group's income statement;

- *Hydrolea HPPs, Qartli Wind Farm and minority buyout in GRPC*: In October 2019, the Issuer, through its then wholly owned subsidiary, Georgia Energy Holding LLC, which was later merged into GGU, acquired Hydrolea, which owned and operated the Kasleti, Debeda, Darchi and Akhmeta HPPs, and in December 2019, through its wholly owned subsidiary, Georgian Wind Company LLC, which was also later merged into GGU, it acquired Qartli Wind Farm. In February 2020, the Issuer completed the buyout of the 34.4% minority shareholder, RP Global Investment GmbH ("**RP Global**"), in Georgian Renewable Power Company ("**GRPC**"), through which the Issuer owned Mestiachala HPPs and other pipeline renewable assets. These transactions resulted in an increase in the value of the renewable energy business on the Group's statement of financial position;

- *Education acquisitions*: In May to July of 2019, the Issuer signed sale and purchase agreements to acquire the following stakes in private schools: a 70% stake in British Georgian Academy ("**BGA**"), an 80% stake in Buckswood International School and an 80% stake in Green School (with a 90% stake in three new schools that will be developed under the Green School brand). This marked the Group's entry into the education sector; and

- *Other acquisitions*: The Group made several other acquisitions across its other portfolio companies, including the acquisition of a 60% stake in the digital services company, Redberry, in May 2019; the acquisition of an 80% equity interest in Amboli LLC, an auto services provider, in June 2019, and the acquisition of an additional 10% equity interest in Amboli LLC in February 2020; and the acquisition of Alaverdi, a producer of Georgian wines and spirits, in August 2019. See Note 5 to the 2019 Audited Financial Statements for further detail of these acquisitions.

Going forward, the Group's acquisition strategy is to invest in sectors and opportunities with the potential to reach GEL 0.5 billion equity value in a time horizon of three to five years. See *"Description of Business—Strategy"*.

Capital allocation

The Group's capital allocation decisions are expected to be in line with its updated strategy as described in *"Description of Business—Strategy"*. Management believes that the Group's large portfolio companies (comprising the healthcare services, retail pharmacy, water utility and insurance businesses) are close to reaching a GEL 0.5 billion in value, whereas its investment stage portfolio companies (comprising the renewable energy and education businesses) have the potential to reach GEL 0.5 billion in value. Accordingly, the Group plans to invest only in the investment stage portfolio companies in the medium term. The Group plans to invest U.S.$50 million in these portfolio companies over the next three to five years, with U.S.$10 million being invested in 2021. Its other businesses (comprising the housing development, hospitality and commercial real estate, beverages, auto services and digital services businesses) are considered to have limited potential to reach GEL 0.5 billion in value and the current strategy is for these businesses not to be a focus in terms of capital allocation.

In light of the Group's capital allocation decisions, in future periods, the value of the investment stage portfolio companies on the Group's statement of financial position may grow more rapidly than the Group's other portfolio companies, although other factors affecting the industries in which these companies operate may offset any impact from investment by the Group. Any changes in value as a result of investment by the Group will be recorded directly on the income statement.

Divestments

Realising the value of one of the Group's large investments is a strategic priority in order to complete the full cycle of the Group's strategy (invest, grow, monetise) and to validate the Group's portfolio value. Therefore, as announced on 12 November 2020, the Group is targeting the completion of a trade sale of one of its large businesses over the next 18 to 24 months.

Another strategic priority is the divestment of the businesses included in the other portfolio companies, which have limited potential to reach GEL 0.5 billion in value. This is expected to occur over the next two to three years.

Macroeconomic Conditions

Substantially all of the Group's revenue is linked to the Georgian economy. Accordingly, the value of the Group's portfolio companies, and hence its results of operations, are, and are expected to continue to be, affected by political, financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in Georgia and the wider region. See *"Risk Factors—Risks relating to the Group—The Group's operations are located in, and its revenue is sourced from, Georgia, and any deterioration in macroeconomic conditions in Georgia will adversely affect its business".*

Certain macroeconomic data relating to Georgia is set out in the table below.

	Year ended 31 December		
	2020	**2019**	**2018**
GDP growth (%)	(6.1)%	5.1%	4.8%
Nominal GDP (U.S.$ millions)	11,616[(1)]	17,737	17,597
Nominal GDP per capita (U.S.$)	3,125[(1)]	4,763	4,722
Current account deficit (U.S.$ millions)	(1,394)[(1)]	(897)	(1,309)
Current account deficit as a % of GDP	(12)%[(1)]	(5.1)%	(6.8)%
Inflation (end of period, %)	5.2%	7.0%	1.5%
Foreign direct investment (U.S.$ millions)	719[(1)]	1,268	1,265
Foreign direct investment as a % of GDP	6.2%[(1)]	7.1%	7.2%
Public debt as a % of GDP	54.9%[(1)]	39.8%	38.9%
Budget expenditures (GEL millions)	17,187	14,464	12,353
Budget expenditures as a % of GDP	33.4%[(1)]	28.9%	27.7%
Fiscal deficit as a % of GDP	(7.7)%[(1)]	(2.4)%	(2.3)%
Tourism revenues (U.S.$ millions)	542	3,269	3,222
Tourism revenues as a % of GDP	4.3%[(1)]	18.4%	18.3%
Goods exports (U.S.$ millions)	3,343	3,762	3,356
Goods imports (U.S.$ millions)	8,003	9,068	9,136

Remittances (U.S.$ millions)	1,886	1,733	1,580
Remittances as a % of GDP	11.5%[(1)]	9.8%	9.0%
Unemployment rate	17.9%[(1)]	11.6%	12.7%

Source: Geostat, NBG, Georgian Ministry of Finance.

Note:

(1) Data as at or for the nine months ended 30 September 2020.

Since the end of 2016, economic growth in Georgia had been accelerating due to more favourable external conditions. Following one of the strongest years with respect to all around economic performance in 2019, with economic growth of 5%, 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 acceleration of the COVID-19 pandemic. According to Geostat preliminary estimates, Georgia's real GDP contracted by 6.1% in 2020, and tourism revenues fell by 83%, weighing heavily on economic performance, while goods exports fell by 12%, although record high remittances mitigated the impact of falling external revenues. The recovery is expected to begin in 2021, with fiscal support continuing once the pandemic is brought under control. There is significant uncertainty, however, concerning widespread vaccine availability, mutated variants of COVID-19 and the immunisation timeline.

Impact of COVID-19

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

- *BoGG*: BoGG, in which the Group owns a 19.9% equity stake, recorded a higher cost of risk driven by ECL provisions due to the impact of COVID-19. In the first half of 2020, it also recorded a GEL 39.7 million one-off net loss on modification of financial assets in relation to the three-month payment holidays on principal and interest offered to retail customers, in order to reduce the requirement for customers to physically visit bank branches and reduce the risk of the COVID-19 virus spreading. The significant increase in cost of credit risk ratio in 2020 was driven by the build-up of reserves, created for the full economic cycle in both the RB and CIB segments in the first quarter of 2020, primarily related to the deterioration of the macro-economic environment and expected creditworthiness of borrowers as a result of the impact of the COVID-19 pandemic. This reflected additional reserves held for retail customers and borrowers operating across multiple sectors of the economy, with the largest impacts in tourism, trade, transportation, construction and real estate industries. As a result of these assumptions, BoGG created additional reserves of GEL 220.2 million in the first quarter of 2020. The market value of the Group's stake in BoGG decreased by 11.1% in 2020, directly impacting the Group's income statement. In light of the COVID-19, the Board of Directors of BoGG has decided not to recommend a dividend to shareholders at the 2020 Annual General Meeting.

- *Healthcare services*: Restrictions imposed by the Government related to the COVID-19 pandemic had a major impact on the Group's hospitals and clinics, resulting at times during 2020 in a reduction in patient footfall, both because of lower emergency treatment requirements and the cancellation of many elective and outpatient care procedures during the lockdown. This reduction led to utilisation levels falling by approximately 45% in the Group's hospitals and approximately 40% in its clinics during the period from March to May 2020. Following the lifting of COVID-19 related lockdown restrictions in June 2020, the healthcare services business began to rebound. The number of admissions in the third quarter of 2020 increased by 17% year-on-year at the Group's clinics and at hospitals, the number of admissions increased by 3%. 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-19 patients only, and ten healthcare facilities as hybrid ones, focused on both COVID-19 and non-COVID-19 patients, with total aggregate number of beds 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-19 patient. The number of admissions was up by 9.3% at clinics in the fourth quarter of 2020 year-on-year and occupancy rate was up by 3.6% in the fourth quarter of 2020 year-on-year in hospitals. The diagnostics segment, which apart from regular diagnostics services is also engaged in COVID-19 testing, more than quadrupled its quarterly revenue in the fourth quarter of 2020 year-on-year.

- *Retail pharmacy*: The retail pharmacy business has been more resilient throughout the pandemic, as the pharmacies remained open throughout Georgia during the lockdown. While sales started to slow in April 2020, reflecting pandemic related behavioural change, as customers started to stock up on pharmaceuticals in March ahead of the lockdown, revenue rebounded in June 2020 and the trend continued in the second half of the year. As a result, the business posted a 10.5% and 7.8% year-on-year increase in revenues and EBITDA (excluding the impact of IFRS 16), respectively, in 2020.

- *Water utility*: The COVID-19 outbreak resulted in decreased consumption levels from business customers, which in turn resulted in decreased revenue in 2020. However, according to the tariff setting methodology, volume risk does not stay with the Group and unearned revenues due to COVID-19 in the previous regulatory period (2018-2020) will be reimbursed, inclusive of the time value of money, through new tariffs set for the next regulatory period (2021-2023), as approved by the regulator in December 2020.

- *Education*: At the Group's education business, its schools provided distance learning from 1 March 2020 through to the end of the year. During the distance learning period, schools offered 15 to 25% discounts for tuition fees and a roll-over of fees for transportation/catering services. Due to the pandemic, summer schools were almost fully cancelled and revenues in 2020 from additional services (including catering and transportation) decreased by 24.8% year-on-year to GEL 0.8 million. Given improved epidemiological developments in Georgia, schools in Tbilisi reopened on 15 February 2021.

- *Other portfolio companies*: 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 more generally, which could also adversely affect the housing development business. The Group's auto services business was also severely affected by the lockdown, including due to the temporary suspension of mandatory car inspections.

Financing arrangements

Prior to 31 December 2019, all financing at the level of the Group's subsidiaries (for instance bonds issued by GGU and GHG in the local and international markets) was consolidated on its statement of financial position and interest expense on the Group's income statement was therefore attributable to both financing at the parent company level and at the subsidiary level. From 31 December 2019, however, such financing is reflected in the equity value of the subsidiaries and the only financing appearing directly on the Group's statement of financial position currently is the Original Notes. The interest expense appearing directly on the Group's income statement is, therefore, solely attributable to the Original Notes.

Foreign Exchange Fluctuations

The Group's borrowings (including certain of the borrowings of its subsidiaries) in currencies other than Lari are subject to foreign exchange fluctuations and prior to 31 December 2019, any foreign exchange gains or losses were recorded on the income statement. Since 31 December 2019, only borrowings at the parent company level give rise to foreign exchange gains or losses being directly recorded on the income statement.

At the subsidiary level, foreign exchange fluctuations may affect the Group's individual portfolio companies, which may in turn affect the equity value of the Group's holding in each portfolio company. For example, the water utility business is a Lari business and thus exposed to foreign exchange fluctuations on its U.S. Dollar denominated debt. The renewable energy business has a balanced foreign exchange position due to the fact that revenue under its PPAs is denominated in U.S. Dollars. In addition, sales to third parties on the open market are typically conducted in U.S. Dollars rather than Lari.

In 2020, the Lari depreciated against the U.S. Dollar by 14.3% and in 2019, the Lari depreciated against the U.S. Dollar by 7.1%, after depreciating by 3.3% in 2018. The depreciation in 2020 was largely due to the impact of the COVID-19 pandemic, while depreciation in 2019 was largely due to negative expectations surrounding Russia's flight ban and depreciation in 2018 was largely due to the depreciation of the Turkish Lira. Russia and Turkey are key trading partners of Georgia and hence any adverse movements in their currencies can affect the value of the Lari.

Developments in the Industries in which Portfolio Companies Operate

In addition to the broader macroeconomic environment in Georgia (as discussed above under *"—Macroeconomic Conditions"*), the Group's results of operations will be affected by trends in the industries in which the Group's portfolio companies operate, including the banking, healthcare, water utility and renewable energy, insurance and education industries and, to a lesser extent, the real estate, beverages, auto services and digital services industries. Industry trends affect earnings and cash flows of the Group's portfolio companies and represent key drivers of their valuations in the Issuer's IFRS financial statements. These factors are described in greater detail below:

BoGG

- *Changes in the size and composition of the loan portfolio*: Increases or decreases in the overall size of JSC Bank of Georgia's loan portfolio and the mix of the portfolio significantly impact its total interest income and NIM. In addition, the proportion of loans to customers and finance lease receivables to total interest-earning assets also has an effect, since non-loan interest-earning assets (which primarily comprise amounts due from credit institutions and investment securities) generally have lower yields as compared to loans. Similarly, the percentage of Lari-denominated loans affects total interest income and NIM as these loans generally have higher yields compared to foreign currency-denominated loans, which is offset by depreciation of the Lari against the U.S. Dollar.

  JSC Bank of Georgia's loans to customers and finance lease receivables increased during the periods under review as a result of growth in lending activity, which positively affected interest income. The increase in interest income was also due to an increase in loans to customers and finance lease receivables as a percentage of total interest-earning assets and an increase in the share of Lari-denominated loans in the loan portfolio, which bear higher interest rates than foreign currency denominated loans. This increase was partially offset by a decrease in loan yields in 2018 and 2019, primarily reflecting a shift towards higher quality, lower margin products such as mortgage loans and loans to SME and corporate clients on the back of tighter regulatory conditions for unsecured consumer lending as part of lending regulations introduced by the NBG in 2018. In 2020, JSC Bank of Georgia's NIM was adversely impacted by a reduction in retail lending activity in the COVID-19 environment during the first half of the year, although there was a rebound in the second half of the year.

- *Cost of credit risk:* BoGG's cost of risk is comprised of ECL/impairment charges on loans to customers and finance lease receivables, other expected credit (loss)/recovery and impairment charges on other assets and provisions, such as guarantees and other debts. BoGG had ECL/impairment charges on loans to customers and finance lease receivables of GEL 245.0 million, GEL 95.0 million and GEL 139.7 million in the years ended 31 December 2020, 2019 and 2018, respectively. In the year ended 31 December 2020, the cost of credit risk was 1.8%, compared to 0.9% in 2019 and 1.6% in 2018. The increase in cost of risk in 2020 was due to reserve builds in the first half of 2020, which was in turn due to the deterioration in the macroeconomic environment occasioned by the COVID-19 pandemic. BoGG created reserves of GEL 220.2 million in the first quarter of 2020.

GHG (holding company of the Group's healthcare services, retail pharmacy and medical insurance businesses)

- *Expansion of footprint and capital expenditure programme:* GHG undertook a three-year capital expenditure programme commencing at the time of its initial public offering in 2015 which is now complete. GHG incurred GEL 32.5 million, GEL 56.0 million and GEL 78.6 million of capital expenditure in 2019, 2018 and 2017, respectively. This tapered off to GEL 26.2 million in 2020. The capital expenditure programme included the renovation and development of acquired healthcare facilities, the Regional Hospital (opened in March 2018) and Tbilisi Referral Hospital (opened in December 2017), financing expansion and enlarging the network of polyclinics, and investing in the development of different elective medical services across GHG's hospitals. The capital expenditure programme positioned GHG for growth through the expansion of its footprint, including the addition of nine polyclinics in the period from 2016 to 2018, in addition to the opening of the Regional Hospital and the Tbilisi Referral Hospital referred to above, as well as the launch of new services across its network. GHG also opened its MegaLab in December 2018. GHG has now been able to reduce its capital expenditure significantly as it focuses on operational improvements. The number of hospitals and clinics has remained stable since 2018.

However, GHG is continuing to expand its network of retail pharmacies, having added 26 pharmacies in 2019 and 17 pharmacies in 2020. GHG is also focused on various growth initiatives within its retail pharmacy business, including its digital consumer health platform, EKIMO, as well as aesthetics and beauty retail projects and adding pharmacies in Armenia.

- *Trends in Government healthcare spending*: Since 2007, there has been a significant transformation of the Georgian healthcare system aimed at achieving higher standards of care, modernisation of equipment and facilities, wider access to healthcare and lower healthcare costs. From 2007 to 2013, significant steps were taken to privatise the healthcare system. The Government essentially delegated responsibility for insurance of certain segments of the population (including teachers, military personnel and other public sector employees) to private insurance companies. In February 2013, however, the Government launched the UHC, which extended public healthcare coverage to the entire Georgian population and transferred responsibility for purchasing healthcare services from private insurance companies to MOH. The expansion of the UHC is one of the key factors driving the expansion of the healthcare sector in Georgia. Since the introduction of the UHC, its budget has more than doubled, from GEL 338 million in 2014 to GEL 829 million in 2019 and estimated at GEL 802 million in 2020.

  Elective inpatient services and emergency services constitute the most significant part of the UHC budget. The remainder of the state healthcare budget is allocated to vertical healthcare programmes, such as dialysis and cancer screening. Outpatient services have limited coverage under the UHC. The UHC accounted for 66% of the healthcare services business's revenue in 2020, with out-of-pocket payments and other sources accounting for 28% and 6% of revenue, respectively. In 2020, the share of UHC financing in the total healthcare budget decreased to 53% due to the increased cost of associated with COVID-19 related budgetary healthcare expenses.

  The Government may in the future expand the coverage it currently provides though the UHC. There are also periodic changes to applicable regulations, including the UHC and UHC tariffs may change from time to time. For example, on 5 November 2019, the Government introduced changes to the UHC reimbursement mechanism, effective from 21 November 2019. The changes mainly apply to the Tbilisi and Kutaisi regions, which developed an oversupply of beds as a result of an increase in the number of small hospitals in recent years. This change reduced certain tariffs on intensive care and cardiac services to bring them into line with tariffs applicable in Georgia's other regions. These changes had an adverse effect on GHG's revenues.

GGU (holding company of the Group's water utility business and operational renewable energy assets)

- *Regulated water tariffs*: GGU's return in relation to its regulated water businesses is based on a tariff-setting methodology adopted by the GNERC in August 2017. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and the operating expenses utilities must incur for their continued operations. Under the model, GGU applies a WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets plus capital expenditure it has made. RAB is then multiplied by regulated WACC, providing the return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's IFRS financial statements. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied ran from 1 January 2018 to 31 December 2020. The WACC specified for the current regulatory period running from 1 January 2021 to 31 December 2023 is 14.98%, whereas the previously applicable WACC was 15.99%. On 4 January 2021, GGU announced that GNERC had approved new tariffs for GGU's water utility business. The tariff in Tbilisi was increased compared to the previous regulatory period of 2018-2020 from GEL 0.33 to GEL 0.5 (per cubic meter) for metered residential customers from GEL 3.89 to GEL 4.5 (per capita) for unmetered residential customers, and from GEL 4.4 to GEL 6.5 (per cubic meter) for business customers. The tariff increase translates into annual growth of approximately 38% in allowed water revenues of 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).

The Zhinvali HPP, which is GGU's only regulated power plant, charges GWP the regulated tariff for its internal consumption, the cost of which is then included in "allowed revenue" under the above methodology and is reimbursed through the water tariff.

As a result of the application of the above methodology, GGU has significant predictability in relation to its revenue stream for its water supply and sanitation business.

- *Supply and demand dynamics in the electricity market*: Demand for electricity in Georgia has been growing faster than supply in recent years, which has resulted in a deficit in generation. Increased demand for electricity has been satisfied by imports, which have tripled since 2016 and continued to grow gradually between 2017 and 2020, resulting in Georgia gradually becoming a net electricity importer.

  Despite the overall trend, domestic consumption of electricity increased by only 1.4% to reach 12.8 TWh in 2019 and decreased by 4.8% in 2020 to reach 12.2 TWh. In 2020, this was due to lockdown and related decreased economic activity due to the COVID-19 pandemic. In 2019, this was due to the slowdown in growth, which was in turn due in part to the decrease in residential cryptocurrency mining, which was in turn caused by lower profitability of the cryptocurrency mining business due to global growth in supply of large data centres. In 2018, domestic consumption of electricity increased by 6.1% to reach 12.6 TWh. However, consumption slowed towards the end of the year. Imports grew by only 0.8% in 2018, while hydro generation grew by 8.0% and thermal generation decreased by 5.3%.

  Going forward, Management expects demand for electricity to continue to increase once the COVID-19 impact has abated, driven by GDP growth, which is strongly correlated with electricity demand. Increasing penetration of domestic appliances, as well as a rapidly growing tourism industry are also expected to contribute to demand for electricity. The number of international tourists to Georgia has almost tripled since 2011 and increased by 17% in 2018. Management expects further growth in the number of tourists over the next several years, once COVID-19 related restrictions are lifted. Tourism revenues in Georgia fell 83% in 2020, as international travel was severely curtailed. In addition, the penetration level of domestic appliances is relatively low in Georgia compared to its peer countries. Penetration levels are expected to grow as a result of GDP growth, declining prices for appliances and decreasing average household size, resulting in growth in demand for electricity.

Insurance (Property & Casualty)

- *Risk selection, pricing and claims handling*: Risk selection and pricing drives the property and casualty insurance business's underwriting results and determine the footprint of risk insured, as well as the premium charged for such risk. Underwriting takes a data-driven approach to risk selection through claims cost modelling and market expertise. In general, the more accurately the Group is able to select and appropriately price risks, the better the results of underwriting. While overly conservative risk selection and pricing could result in reduced volumes or reduced premiums per policy, imprudence in risk selection and pricing could result in excess risk and losses from claims. Aldagi's loss ratios were 44%, 42% and 38% for the years ended 31 December 2020, 2019 and 2018, respectively. The Group's ability to mitigate losses through claims handling also materially impacts its profitability and the use of technology and strategy to negotiate fair settlements with third parties is vital to the maintenance of relatively low calendar year loss ratio.

Education

- *Dynamics in the education market in Georgia*: The Group recently entered the education market in Georgia when it acquired interests in three school brands in Georgia in 2019. Management estimates that the private K-12 education market in Georgia is growing at a rate that is two times the rate of GDP growth. Management believes that 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. Management estimates that 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). To the extent these factors drive growth in demand for private education, this should translate into an increase in value of the education business, which should in turn translate into a gain on the Group's income statement.

Other portfolio companies

- *Supply and demand dynamics in other industries*. To a lesser extent, the Group will be impacted by supply and demand dynamics in the real estate, beverages, auto services and digital services industries. For instance, demand for real estate in Georgia will influence the value of the hospitality and commercial real estate business and the housing development business. The level of tourism will also have a significant impact on the hospitality and commercial real estate business.

Results of Operations

Year ended 31 December 2020

The following table sets forth the Group's results of operations for the year ended 31 December 2020:

	Year ended 31 December 2020
	(GEL millions)
Gains/(Losses) on investments at fair value	451.2
Listed Equity Investments	(261.5)
Private Investments	712.7
Dividend Income	29.9
Other interest income	15.0
Interest income at effective interest rate method	5.0
Net losses from investment securities measured at fair value through profit or loss	(0.6)
Net realised losses from investment securities measured at fair value through other comprehensive income	(1.7)
Other income	0.4
Gross investment profit	**499.2**
Administrative expenses	(4.7)
Salaries and other employee benefits	(19.1)
Depreciation and amortisation	(0.6)
Interest expense	(61.5)
Profit before provisions, foreign exchange and non-recurring items	**413.3**
Expected credit losses	(0.1)
Net foreign currency loss	(89.9)
Non-recurring expense	(3.4)
Profit before income taxes	**319.9**
Income tax	-
Profit for the year	**319.9**

Gain on investments at fair value

The Group recorded a gain on investments at fair value of GEL 451.2 million in the year ended 31 December 2020, reflecting the minority shareholder buy-out and subsequent revaluation of GHG as a private portfolio company in 2020 and the first time valuation of the Group's investment stage portfolio companies following acquisitions. These valuation gains were partially offset by the impact of the COVID-19 pandemic on the Group. The following table sets forth a breakdown of portfolio development during the year including gains (losses) on investments at fair value:

	Year ended 31 December 2020							
	As at 31 December 2019	Value Change	Dividends	Total gains / (Losses) on investments at Fair Value	GHG Delisting	Investments	Other	As at 31 December 2020
				(GEL millions)				
Listed portfolio companies	**1,027.8**	**(261.5)**	**-**	**(261.5)**	**(373.0)**	**138.3**	**-**	**531.6**
GHG	430.1	(195.4)	-	(195.4)	(373.0)	138.3	-	-
BoGG	597.7	(66.1)	-	(66.1)	-	-	-	531.6
Private portfolio companies	**1,223.7**	**742.6**	**(29.9)**	**712.7**	**373.0**	**56.4**	**10.3**	**2,376.1**
Large portfolio companies	**648.9**	**859.5**	**(24.9)**	**834.6**	**373.0**	**-**	**1.7**	**1,858.2**
Healthcare services	-	393.8	-	393.8	177.9	-	-	571.7
Retail (pharmacy)	-	374.3	-	374.3	178.4	-	-	552.7
Water utility	484.0	0.4	(15.0)	(14.6)	-	-	1.7	471.1
Insurance (P&C and Medical)	164.9	91.0	(9.9)	81.1	16.7	-	-	262.7
Investment stage portfolio companies	**163.1**	**98.7**	**(4.9)**	**93.8**	**-**	**44.6**	**1.5**	**303.0**
Renewable energy	106.8	62.1	(4.9)	57.2	-	44.4	1.5	209.9
Education	56.3	36.6	-	36.6	-	0.2	-	93.1
Other portfolio companies	**411.6**	**(215.7)**	**-**	**(215.7)**	**-**	**11.9**	**7.1**	**214.9**
Equity investments at fair value	**2,251.5**	**481.1**	**(29.9)**	**451.2**	**-**	**194.7**	**10.3**	**2,907.7**

Listed equity investments. The Group recorded a loss on listed equity investments of GEL 261.5 million in the year ended 31 December 2020, reflecting decline in the share price of GHG before its de-listing and the decline in the share price of BoGG, which in turn reflected the impact of the COVID-19 pandemic on BoGG.

Private investments. The Group recorded a gain on private investments of GEL 712.7 million in the year ended 31 December 2020, mainly reflecting the impact of the minority shareholder buy-out and subsequent revaluation of GHG in 2020 and the first time valuation of the Group's investment stage portfolio companies following acquisitions. Following GHG becoming a private company, it is valued together with the rest of the Group's private portfolio as three separate businesses: healthcare services, retail pharmacy and medical insurance. In order to add additional transparency to the private portfolio valuation, the Group hired an independent third-party valuation company, to perform valuation assessments of each private large portfolio company. Further detail regarding the gain on private investments is set forth below:

- *Healthcare services*: The Group recorded a gain on private investments in relation to its healthcare services business in the amount of GEL 393.8 million, reflecting the impact of the minority shareholder buy-out and subsequent revaluation of GHG's businesses in 2020.
- *Retail pharmacy*: The Group recorded a gain on private investments in relation to its retail pharmacy business in the amount of GEL 374.3 million, reflecting the impact of the minority shareholder buy-out and subsequent revaluation of GHG's businesses in 2020.
- *Water utility*: The Group recorded a loss on private investments in relation to its water utility services business in the amount of GEL 14.6 million, reflecting decreased water supply revenues due to lower consumption of water as a result of the COVID-19 pandemic, as well as a decrease in energy revenues due to lower water inflows at the Zhinvali reservoir. However, according to the tariff setting methodology, volume risk does not stay with the Group and water utility unearned revenues in the current regulatory period (2018-2020) will be reimbursed, applying the time value of money, through new tariffs set for the next regulatory period (2021-2023), approved by the regulator in December 2020.

- *Insurance (Property & Casualty and Medical Insurance)*: The Group recorded a gain on private investments in relation to its medical insurance business in the amount of GEL 48.2 million reflecting the impact of a minority shareholder buy-out and subsequent revaluation of GHG's businesses in 2020. In addition, the P&C insurance business's value also increased by GEL 32.9 million, reflecting historically high profitability within the P&C insurance business and changes in multiples and methodology, being largely unaffected by the COVID-19 pandemic.

- *Renewable energy*: The Group recorded a gain on private investments in relation to its renewable energy business in the amount of GEL 57.2 million, reflecting the impact of the first time valuation (by applying peer group earnings multiples) of Hydrolea HPPs and the Qartli Wind Farm following their acquisition by the Group.

- *Education*: The Group recorded a gain on private investments in relation to its education business in the amount of GEL 36.6 million, reflecting the impact of the first time valuation (by applying peer group earnings multiples) of schools following their acquisition by the Group.

- *Other portfolio companies*: The Group recorded a loss on private investments in in the amount of GEL 215.7 million, reflecting the impact of the COVID-19 pandemic, primarily on its real estate business.

Dividend income

The Group recorded dividend income of GEL 29.9 million in the year ended 31 December 2020, of which approximately GEL 5 million was received from the renewable energy business, approximately GEL 10 million was received from the property and casualty insurance business and approximately GEL 15 million was received from the water utility business.

Interest income

The Group recorded interest income of GEL 20.0 million in the year ended 31 December 2020 on an average balance of liquid assets and issued loans. Interest income represents the sum of other interest income and interest income using the EIR method.

Net losses from investment securities measured at FVPL

The Group recorded a net loss from investment securities measured at FVPL in the amount of GEL 0.6 million in the year ended 31 December 2020, which related to its marketable securities.

Administrative expenses

The Group recorded administrative expenses in the amount of GEL 4.7 million in the year ended 31 December 2020, which related to expenses incurred at the Issuer level.

Salaries and other employee benefits

The Group recorded expenses for salaries and other employee benefits in the amount of GEL 19.1 million in the year ended 31 December 2020, which related to salaries and employee benefits for employees at the Issuer level.

Interest expense

The Group recorded interest expense in the amount of GEL 61.5 million in the year ended 31 December 2020, which represented interest accrued in respect of the Original Notes.

Net foreign currency loss

The Group recorded a net foreign currency loss in the amount of GEL 89.9 million in the year ended 31 December 2020, which related to the impact of currency fluctuations on the foreign currency denominated financial assets and liabilities of the Issuer.

Non-recurring expense

The Group recorded a non-recurring expense in the amount of GEL 3.4 million in the year ended 31 December 2020, which related to termination benefits of key management personnel.

Year ended 31 December 2019 Compared to Year ended 31 December 2018

The following table sets forth the results of operations of the Group for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	**2018**
	(GEL millions)	
Revenue	1,473.4	1,283.0
Cost of sales	(883.0)	(789.9)
Gross profit	590.4	493.1
Salaries and other employee benefits	(174.8)	(135.8)
Administrative expenses	(112.7)	(105.7)
Other operating expenses	(11.4)	(11.3)
Expected credit loss/impairment charge on financial assets	(11.4)	(10.6)
Impairment charge on insurance premium receivables, other assets and provisions	(1.1)	(2.2)
EBITDA	**279.0**	**227.5**
Share in profit of associates	0.3	0.2
Dividend income	25.0	23.9
Depreciation and amortisation	(110.1)	(66.4)
Net foreign currency loss	(41.9)	(37.6)
Net gains from investment securities measured at fair value through profit or loss	1.7	–
Net realised gains from investment securities measured at fair value through other comprehensive income	1.2	–
Interest income at effective interest rate method	30.7	23.2
Interest expense	(150.4)	(96.9)
Net operating income before non-recurring items	**35.5**	**73.9**
Net non-recurring items	(8.2)	(29.5)
Gain from change in investment entity status	588.8	–
Profit before income tax expense	**616.1**	**44.4**
Income tax expense	(4.6)	(3.6)
Profit for the year	**611.5**	**40.8**

Revenue

Revenue increased by GEL 190.4 million, or 14.8%, to GEL 1,473.4 million for the year ended 31 December 2019, compared to GEL 1,283.0 million for the year ended 31 December 2018. The increase was primarily due to higher revenues in the healthcare and pharmacy businesses as well as at the water utility and beverages businesses; the launch of greenfield projects (including the Mestiachala HPPs and the periodic vehicle inspection business) and the acquisition of renewable energy assets and schools during 2019, partially offset by lower revenue in the housing development business.

EBITDA

EBITDA increased by GEL 51.5 million, or 22.6%, to GEL 279.0 million for the year ended 31 December 2019, compared to GEL 227.5 million for the year ended 31 December 2018. The increase was primarily in line with the growth in revenue. The Group's EBITDA margin was 18.9% for the year ended 31 December 2019, compared to 17.7% for the year ended 31 December 2018. EBITDA for the year ended 31 December 2019 includes the effect of application of IFRS 16.

Healthcare. EBITDA from the healthcare business increased by GEL 43.2 million, or 32.7%, to GEL 175.2 million for the year ended 31 December 2019, compared to GEL 132.0 million for the year ended 31 December 2018. Excluding the impact of IFRS 16, EBITDA increased by 16.6%. The Group benefitted from its three-year capital expenditure programme which it commenced in 2015 and which entailed significant investments in its hospitals and the acquisition of clinics across Georgia. The increase in EBITDA from the healthcare business was largely driven by a successful ramp-up of the newly-launched hospitals, as well as the expansion of the pharmacy business by adding 26 new pharmacies and by organic sales growth.

Water Utility. EBITDA from the water utility business increased by GEL 11.7 million, or 14.1%, to GEL 94.9 million for the year ended 31 December 2019, compared to GEL 83.2 million for the year ended 31 December 2018. The increase was broadly in line with the increase in revenue, primarily reflecting a significant increase in the electricity price following the deregulation of the electricity market, effective from May 2019. The EBITDA margin of the water utility business was 56.3% for the year ended 31 December 2019, compared to 55.8% for the year ended 31 December 2018.

Housing Development. The Group recorded negative EBITDA in the amount of GEL 3.5 million for the year ended 31 December 2019, compared to positive EBITDA of GEL 15.3 million for the year ended 31 December 2018. This reflected the delay in receiving the construction permit from the Tbilisi City Municipality for the Digomi project. Notwithstanding the decrease in EBITDA, following the receipt of construction permits for its largest residential project, Digomi, in 2019-2021 together with what Management believes to be the strong project pipeline, expected cash inflows increased, resulting in an increase in the valuation of the housing development business.

Property & Casualty Insurance. EBITDA from the property and casualty insurance business decreased by GEL 2.3 million, or 12.9%, to GEL 15.7 million for the year ended 31 December 2019, compared to GEL 18.1 million for the year ended 31 December 2018 due to increased operating expenses reflecting investments in the retail client portfolio. Over the next several years, the P&C business expects to build a healthier retail client portfolio in the largely untapped market for motor insurance, with the current penetration of approximately 4% providing significant room for growth.

Renewable energy. EBITDA from the renewable energy business was GEL 13.1 million in the year ended 31 December 2019 with an 80.9% EBITDA margin. In October 2019, the Issuer acquired Hydrolea, which owned and operated the Kasleti, Debeda and Akhmeta HPPs, and in December 2019, it acquired Qartli Wind Farm. The renewable energy business's 2019 revenues in the amount of GEL 16.2 million includes revenue from electricity sales of GEL 6.1 million, of which GEL 4.7 million was contributed by the Mestiachala HPPs. The Hydrolea HPPs added GEL 1.4 million to 2019 revenues since their acquisition on 29 October 2019. The remaining GEL 10.0 million revenue represented expected business interruption reimbursement by the Group's insurance company for foregone electricity sales revenues from the Mestiachala HPPs during August to December of that year. The first phase (30MW) of the Mestiachala HPPs was launched on 8 April 2019, followed by the second phase (20MW) on 4 June 2019. The HPPs were affected by flooding resulting from a rock avalanche and were taken offline in late July 2019. Operations successfully resumed at the first phase (30MW) within the expected timeline and at the originally planned generation level in December 2019.

Hospitality and commercial real estate. EBITDA from the hospitality and commercial real estate business decreased by GEL 6.8 million, or 21.5%, to GEL 24.7 million for the year ended 31 December 2019, compared to GEL 31.5 million for the year ended 31 December 2018. This primarily reflected a lower revaluation gain on hotels and commercial real estate in 2019 compared to 2018 and increased operating expenses while launching the pipeline hotels.

Beverages. EBITDA from the beverages business was GEL 2.4 million for the year ended 31 December 2019, compared to negative EBITDA of GEL 6.2 million for the year ended 31 December 2018. The growth mainly reflects increased export wine sales and increased revenues following the successful launch of new beer brands.

Auto services. EBITDA from the auto services business was GEL 2.4 million for the year ended 31 December 2019, which related to the greenfield periodic vehicle inspection business launched in 2019.

Dividend income

The Group's dividend income increased by GEL 1.1 million, or 4.5%, to GEL 25.0 million for the year ended 31 December 2019, compared to GEL 23.9 million for the year ended 31 December 2018. This related to dividends from BoGG.

Interest expense

The Group's interest expense increased by GEL 53.5 million, or 55.2%, to GEL 150.4 million for the year ended 31 December 2019, compared to GEL 96.9 million for the year ended 31 December 2018. The increase was due to the issuance of the Original Notes as well as higher financing costs at the healthcare and water utility businesses.

Net non-recurring items

The Group recorded GEL 8.2 million of net non-recurring items in 2019, which related to termination benefits, the write-off of prepayments and the net loss associated with the flood at the Mestiachala HPP. In 2018, the Group recorded GEL 29.5 million of net non-recurring items, which primarily related to the acceleration effect of share-based payments.

Gain from change in investment entity status

In 2019, the Group recorded a gain from the change in its investment entity status in the amount of GEL 588.8 million, which related to the change in its accounting policies described in "*—Basis of Preparation*" above.

Financial Condition

As at 31 December 2020 and 2019

The following table sets forth the statement of financial position of the Group as at 31 December 2020 and 2019:

	As at 31 December	
	2020	2019
	(GEL millions)	
Assets		
Cash and cash equivalents	117.0	117.2
Amounts due from credit institutions	42.7	-
Marketable securities	13.4	62.5
Accounts receivable	0.1	1.2
Prepayments	0.6	0.4
Loans issued	109.0	151.9
Property and equipment	0.4	0.5
Intangible assets	0.1	0.1
Other assets	6.0	6.5
Equity investments at fair value	2,907.7	2,251.5
Total assets	**3,197.0**	**2,591.8**
Liabilities		
Accounts payable	0.5	1.3
Debt securities	980.9	826.0
Other liabilities	2.3	6.3
Total liabilities	**983.7**	**833.6**
Equity		
Share capital	13.4	**12.4**
Additional paid-in capital	634.2	499.4
Treasury shares	(0.9)	(1.0)
Other reserves	(0.7)	–

Retained earnings	1,567.3	1,247.4
Total equity	**2,213.3**	**1,758.2**
Total liabilities and equity	**3,197.0**	**2,591.8**

Total Assets

Total assets increased by GEL 605.2 million, or 23.4%, to GEL 3,197.0 million as at 31 December 2020, compared to GEL 2,591.8 million as at 31 December 2019. The increase was primarily due to an increase in equity investments at fair value, which was in turn due to the factors discussed above under *"—Results of Operations—Year ended 31 December 2020— Gain on investments at fair value"*.

Total Liabilities

Total liabilities increased by GEL 150.1 million, or 18.0%, to GEL 983.7 million as at 31 December 2020, compared to GEL 833.6 million as at 31 December 2019. The increase was due to foreign exchange movements.

Total Equity

Total equity increased by GEL 455.1 million, or 25.9%, to GEL 2,213.3 million, compared to GEL 1,758.2 million. The increase was mainly due to an increase in retained earnings.

As at 31 December 2018

The following table sets forth the statement of financial position of the Group determined on a consolidated basis as at 31 December 2018:

	Year ended 31 December 2018
	(GEL millions)
Assets	
Cash and cash equivalents	253.3
Amounts due from credit institutions	40.3
Marketable securities	71.8
Accounts receivable	170.2
Insurance premiums receivable	57.8
Inventories	276.2
Investment properties	151.2
Prepayments	117.8
Income tax assets	2.4
Property and equipment	1,573.6
Loans issued	150.3
Goodwill	142.1
Intangible assets	51.5
Other assets	101.3
Equity investments at fair value	457.5
Assets of disposal groups held for sale	-
Total assets	**3,617.3**
Liabilities	
Accounts payable	143.1
Insurance contracts liabilities	68.2
Income tax liabilities	1.1
Deferred income	62.3
Borrowings	764.4
Debt securities issued	916.4

Other liabilities	235.2
Liabilities of disposal groups held for sale	-
Total liabilities	**2,190.7**
Equity	
Share capital	11.5
Additional paid-in capital	498.8
Treasury shares	(0.6)
Other reserves	497.4
Retained earnings	90.5
Total equity attributable to the shareholder of JSC Georgia Capital	**1,097.6**
Non-controlling interests	329.0
Total equity	**1,426.6**

Liquidity and Capital Resources

The primary source of liquidity for the Group's operations is the issuance of debt securities as well as dividends from its portfolio companies.

In March 2018, JSC Georgia Capital issued U.S.$300 million 6.125% notes due in March 2024, with which the Notes to be issued hereby are intended to be fungible with.

The Group's portfolio companies also finance themselves through issuances of debt securities and other forms of financing at the asset level. In particular:

- In July 2020, GGU issued U.S.$250 million 7.750% notes due 2025 guaranteed by certain of GGU's subsidiaries;
- GHG finances itself in part through the issuance of local bonds. For example, in November 2019 and July 2017, Evex Hospitals issued five-year local bonds in the amount of GEL 50 million and GEL 90 million, respectively;
- GHG and GGU enter into financing arrangements with local and international financial institutions (although GGU refinanced these arrangements with the proceeds of the notes it raised in July 2020);
- Georgia Real Estate and Georgia Property Management Group finance themselves in part through the issuance of local bonds. For example, in December 2018, Georgia Property Management Group issued 3-year bonds in the amount of U.S.$30 million and in October 2019, Georgia Real Estate issued 3-year bonds in the amount of U.S.$35 million; and
- BoGG finances itself through customer deposits and interbank lending arrangements, as well as through issuances in the international capital markets, among other sources.

Capital Allocations

The table below sets forth a breakdown of capital allocations for the years ended 31 December 2020, 2019 and 2018. Capital allocations in this breakdown also include the non-cash buyout of minority shareholders in GHG, which has been allocated across the healthcare services, retail pharmacy and insurance businesses.

	Year ended 31 December		
	2020	**2019**	**2018**
	(GEL millions)		
Large portfolio companies	**138.3**	**112.9**	–
Healthcare services	66.0	53.8	–
Retail pharmacy	66.1	54.0	–
Water utility	–	–	–
Insurance	6.2	5.1	–

Investment stage portfolio companies	**44.6**	**94.9**	**11.0**
Renewable energy	44.4	45.6	5.0
Education	0.2	49.3	6.0
Other portfolio companies	**11.9**	**149.8**	**73.0**
Total capital expenditure	**194.7**	**357.6**	**84.0**

Commitments and Contingencies

The Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Off-Balance Sheet Arrangements

Save as disclosed in Note 19 of to the 2020 Audited Financial Statements, the Group was not a party to any off-balance sheet obligations or arrangements as of 31 December 2020.

Qualitative and Quantitative Data About Market Risk

As part of overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes of interest rates and foreign currencies. The Group actively uses credit terms and credit limit systems on both sides, accounts receivable as well as accounts payable to mitigate the risk of excessive or high risk exposures. For a full discussion of the Group's risk management policies, see Note 19 to the 2020 Audited Financial Statements.

Critical Accounting Policies

For details of the Group's significant accounting policies, see Note 3 to the 2020 Audited Financial Statements.

DESCRIPTION OF BUSINESS

Overview

The Group is a platform for buying, building and developing businesses in Georgia. The Group's primary business is to develop or buy businesses, help them institutionalise their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. 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 they mature. The Group manages its portfolio companies individually and does not focus on achieving intra-Group 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.

The Group categorises its portfolio companies as follows (with the percentages of the total portfolio value being as reflected in the financial statements of the Issuer as equity investments at fair value as at 31 December 2020):

- *Listed businesses (18% of total portfolio value)*: The Group holds a 19.9% equity stake in LSE premium-listed BoGG, a holding company of a leading universal bank in Georgia;

- *Private portfolio businesses (82% of total portfolio value)*: The Group's private portfolio businesses comprise large portfolio companies, investment stage portfolio companies and other portfolio companies:

    - *Large portfolio companies (64% of total portfolio value)*:

        - *Healthcare services (20% of total portfolio value)*: The healthcare services business, owned through GHG, comprises three segments: hospitals, clinics and diagnostics;

        - *Retail pharmacy (19% of total portfolio value)*: The retail pharmacy business, owned through GHG, consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies;

        - *Water utility (16% of total portfolio value)*: The water utility business is owned through GGU and supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia; and

        - *Insurance (Property & Casualty and Medical) (9% of total portfolio value)*: The insurance business combines: a property and casualty insurance business, owned through Aldagi and a medical insurance business, owned through GHG;

    - *Investment stage portfolio companies (11% of total portfolio value)*:

        - *Renewable energy (8% of total portfolio value)*: The renewable energy business consists of the Mestiachala HPPs, Hydrolea HPPs and the Qartli Wind Farm, which are owned through GGU, as well as a pipeline of up to 172 MW of renewable energy projects in the advanced stage of development currently held under the umbrella of Georgia Capital and intended to be transferred to GGU at a later date (other than the Darchi project, which is held under GGU currently); and

        - *Education (3% of total portfolio value)*: The education business combines three high quality school partnerships across the premium, mid-level and affordable education segments; and

    - *Other portfolio companies (7% of total portfolio value)*: Other portfolio companies include five businesses: housing development; hospitality and commercial real estate; beverages; auto services; and digital services.

The following table sets forth a breakdown of the Group's portfolio value, based on the Group's holding in the equity values of its portfolio companies:

	As at 31 December 2020		
	Group ownership	Fair value	Total
	(%)	*(GEL millions)*	*(%)*
Listed portfolio companies		**532**	**18%**
BoGG	19.9%	532	18%
Private portfolio		**2,376**	**82%**
Large portfolio companies		**1,858**	**64%**
Healthcare services	100%	572	20%
Retail pharmacy	67%	553	19%
Water utility	100%	471	16%
Insurance (property & casualty and medical)	100%	262	9%
Investment stage portfolio companies		**303**	**11%**
Renewable energy	100%	210	8%
Education	70-90%[(2)]	93	3%
Other portfolio companies[(1)]		**215**	**7%**
Equity investments at fair value		**2,908**	**100%**

Note:

(1) Fair values of the housing development, hospitality and commercial real estate, beverages, auto services and digital services businesses were GEL 95 million, GEL 43 million, GEL 55 million, GEL 13 million and GEL 9 million as at 31 December 2020.

(2) The Group has different ownership stakes across premium, mid-level and affordable segment schools.

Competitive Strengths

Management believes that the Group's ability to attract and develop talent, management expertise and access to local and international capital markets, combined with a limited pool of potential competing purchasers for large, domestic acquisitions in Georgia, positions it well to create value by acquiring high quality assets at attractive valuations and expanding its operations while maintaining an attractive return on capital. Management has a proven track record of creating value through successful business development and investments, high performance management processes, market consolidation and successful exits.

In particular, Management believes that the Group benefits from the following competitive strengths:

Scale of business which positions the Group to benefit from growth in and diversification of the Georgian economy

The Group is the only group of its scale focused on investing in and developing businesses in Georgia and is therefore uniquely positioned to benefit from growth in and diversification of the Georgian economy. The Group owns interests in high-growth businesses in sectors of the Georgian economy that are expected to benefit from such growth and diversification. The Georgian economy grew in real terms at a compound annual growth rate of 4.7% between 2010 and 2019, according to Geostat. Although growth in 2020 has been severely affected by the outbreak of COVID-19 and based on preliminary estimates, Georgia's real GDP contracted by 6.1% in 2020, Management expects growth to resume in 2021, with the IMF forecasting growth of 4.3%. Management expects this growth to drive business growth and consumer demand in the segments in which the Group currently operates. The Group also expects such growth to contribute to further investment opportunities, as well as opportunities to exit businesses in line with its strategy.

Experienced senior management team with strong track record and deep understanding of the Georgian market

The Group's senior management team is highly experienced, and all of its members have previously served as members of the BGEO Group management team, which achieved growth in net asset value of approximately 33 times between 2005 and 2017. Management was also successful in growing market share across its portfolio companies. For example, the market share of the banking business measured by total assets grew from 17.8% as at 31 December 2005 to 34.4% as at 31 December 2017 according to the NBG. This growth was achieved while maintaining an emphasis on asset quality and conservative risk management policies. Management also diversified the business via a number of strategic acquisitions, established itself as a borrower in the international markets and money markets, attracted new institutional equity investors and strengthened its transparency and corporate governance policies and procedures. The senior management team also has a strong track record of achieving favourable investment returns. For example, the team oversaw the successful initial public offering of GHG in November 2015, which achieved an IRR of 121% at the time of the offering.

Proven track record of accessing the capital markets

The Group's access to both equity and debt capital provides flexibility in managing its balance sheet and is one of the Group's key competitive advantages in realising its goal of capturing attractive investment opportunities in Georgia. The Georgian capital markets are not yet fully developed and corporates therefore have more limited options to raise capital locally and domestic commercial banks remain their primary source of funding. By contrast, the Group has more than ten years of international capital markets experience, including through its predecessor entities, and has raised approximately U.S.$0.5 billion in equity on the LSE and has carried out six Eurobond issuances which, in aggregate, raised approximately U.S.$1.7 billion (including funds raised by portfolio companies). In addition, more than U.S.$3 billion has been raised from international financial institutions ("**IFIs**") (including the EBRD and the IFC). Furthermore, as a listed company, the Group has the ability to use its stock as acquisition currency, as it did in a cash-efficient manner when it acquired the remainder of GHG shares that it did not already own via a share exchange offer in August 2020. Management also believes that the Group's investment in BoGG is liquid and the Group could access further capital, if needed, by pursuing an appropriate method of monetising this asset.

Rigorous analysis methods and processes in relation to capital allocation and valuation

The Group performs a 360 degree analysis every time it makes a capital allocation decision, comparing each investment or divestment opportunity with a buyback opportunity. Georgia Capital PLC's share price is at the core of each investment decision. The Group focuses on two metrics at the Group level, IRR and multiple of invested capital. The key metric for reinvestment at the portfolio company level is return on invested capital ("**ROIC**"). In relation to divestments, in February 2020, the Group created a new role of Chief Strategy Officer. The Chief Strategy Officer is responsible for overseeing the establishment of structured exit processes for the Group's portfolio companies.

The Group has a rigorous valuation system in place across its portfolio companies. In order to add additional transparency to its private portfolio valuation, the Group hired an independent third party valuation company to perform valuation assessments of private large portfolio companies. Accordingly, 82% of the total portfolio is valued based on the external sources as at 31 December 2020, comprising private large portfolio companies (64%) and the stake in BoGG (18%). Financial statements of the Issuer, which include valuations of the equity investments, are audited by independent auditors on an annual basis.

Optimal leverage and liquidity profile and favourable dividend income outlook from portfolio companies

Following a spike during the COVID-19 outbreak, in the fourth quarter of 2020 the Group returned to its targeted LTV ratio, which is defined as net debt divided by the portfolio value, of 30%. Its pre-COVID-19 LTV ratio averaged 22% (for 2018 and 2019). LTV spiked with the onset of the COVID-19 pandemic, reaching 44.1% in March 2020, but has since declined to reach 29% as at 31 December 2020. The Group had liquid funds and loans issued of U.S.$86 million as at 31 December 2020, of which 57%, 5% and 38% were cash and amounts due from credit institutions, marketable securities and loans issued, respectively. The Group's annual cash operating expenses (defined as the sum of salaries and other employee benefits paid and general, administrative and operating expenses paid as presented in the Issuer's consolidated statement of cash flows) in 2020 were U.S.$4 million and the annual bond coupon expense paid was U.S.$17 million. The Group has a solid dividend income for 2020 and income outlook for 2021 on the back of strong cash flow generation. As at 31 December 2020, the aggregated cash balance of all private businesses in the portfolio was GEL 392 million. The aggregated net operating cash flow generation across the private businesses in 2020 was GEL 376 million. In 2020, the aggregated revenue and EBITDA of these businesses was GEL 1,625 and GEL 292 million, respectively. In 2020, although BoGG suspended the payment of dividends due to the COVID-19 outbreak, the Issuer received dividends of GEL 29.9 million and it expects to receive dividends from its private portfolio companies between GEL 60 to 70 million in 2021 reflecting organic growth in dividend flows and addition of GHG as a new dividend payer.

Efficient cost structure

The Group's management team's remuneration is heavily weighted towards share-based compensation. Approximately two-thirds of the Issuer's total operating expenses are targeted to be in the form of share-based compensation expected to be paid by way of long-term deferred shares as described above. The Group has a small headcount with approximately 40 employees at the Issuer. Management believes that the remuneration policy, combined with the Group's well-integrated management team, lean corporate structure, share-based remuneration policy, and commitment to cash preservation, enables the Group to operate in a cost-efficient manner.

Transparency and robust corporate governance

The Issuer's former parent company, BGEO Group PLC, has a longstanding culture of transparency and has been complying with the obligations applicable to it under the Listing Rules and Disclosure Guidance and Transparency Rules since November 2006, when it became the first Georgian entity to list its global depositary receipts ("**GDRs**") on the LSE. Moreover, as members of the group of companies owned by BGEO Group PLC, the Group's core businesses have complied in all material respects with the robust corporate governance standards for a premium listed company since 2012, when the shares of its UK incorporated holding company, BGEO Group PLC (formerly known as Bank of Georgia Holdings PLC), were admitted to the premium segment of the Official List and to trading on the LSE's main market for listed securities. The Group continues to maintain these high standards of governance and transparency since the demerger in May 2018, when Georgia Capital PLC was admitted to trading to the premium segment on the LSE's main market for listed securities. The Group's strong Supervisory Board is comprised of members with extensive international experience, all of which are also the Board members of Georgia Capital PLC. The Supervisory Board is responsible to shareholders for creating and delivering shareholder value over the long-term through the management of the Group's business. Among the Supervisory Board's 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.

Strategy

The Group invests in Georgia, develops and grows businesses and realises proceeds through exits as investments mature. The three fundamental enablers of its strategy include:

- superior corporate governance;
- access to management; and
- access to capital.

The Group introduced an updated strategy on its Investor Day held in November 2020. Pursuant to the updated strategy, the Group intends to focus on 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 and to monetise investments through exits, as investments mature. This larger size is expected to provide improved liquidity and improved exit opportunities, to support the Group's desire to reduce the current discount to reported NAV per share. This is based on the notion that large companies are more attractive for international buyers as compared to smaller companies, which tend to be attractive for local and regional buyers. In addition, it is considered that management's time will be used more efficiently with regard to large opportunities.

Following the completion of the GHG acquisition in August 2020, in line with its updated strategy, the Group changed the classification of its portfolio into listed portfolio companies, large portfolio companies, investment stage portfolio companies and other portfolio companies. Large and investment stage portfolio companies comprise defensive, high quality assets with strong and growing cash flow streams. The other portfolio companies (7% of total portfolio value as at 31 December 2020) include five businesses in the private portfolio which the Group currently believes offer less scalable growth potential. The Group has also moved from semi-annual reporting to quarterly reporting, with greater disclosure on large and investment stage companies.

The Group's capital allocation decisions will be in line with the updated strategy. The Group's large portfolio companies (comprising the healthcare services, retail pharmacy, water utility and insurance businesses) are close to reaching a GEL 0.5 billion in value, whereas its investment stage portfolio companies (comprising the renewable energy and education businesses) have the potential to reach GEL 0.5 billion in value based on management's projections. Accordingly, the Group plans to invest predominantly in the investment stage portfolio companies in the medium term. The Group plans to invest U.S.$50 million in these portfolio companies over the next three to five years, including U.S.$10 million in 2021. Its other businesses (comprising the housing development, hospitality and commercial real estate, beverages, auto services and digital services businesses) are currently considered to have limited potential to reach GEL 0.5 billion in value.

Realising the value of one of the Group's large investments is a strategic priority in order to complete the full cycle of the Group's strategy (invest, grow, monetise) and to validate the Group's portfolio value. Therefore, as announced on 12 November 2020, the Group is targeting the completion of a trade/strategic sale of one of its large businesses over the next 18 to 24 months. Starting from 2020, the Group is institutionalising the exit process, which includes the appointment of the Chief Strategy Officer in February 2020.

Another strategic priority is the divestment of the businesses comprising the other portfolio companies, which have limited potential to reach GEL 0.5 billion in value. While a number of these businesses have promising potential, the Group currently believes that most may not offer the scalable growth potential the Group seeks to achieve. Absent changes in this assessment in the future, the Group is targeting to exit the other portfolio companies in the next two to three years.

History

The Issuer was the investment arm of BGEO Group PLC prior to its demerger from BGEO Group PLC in 2018. The BGEO Group's principal banking business, JSC Bank of Georgia, traces its roots to 1903 and is the successor to the former state-owned Binsotsbank, which was privatised in 1994. In 2000, JSC Bank of Georgia became one of the first companies to list its securities on the Georgian Stock Exchange. In 2004, JSC Bank of Georgia replaced its senior management with a team of primarily Western trained and educated professionals. In November 2006, JSC Bank of Georgia completed its initial public offering of GDRs, becoming the first Georgian company to list GDRs on the LSE, which was followed by its debut Eurobond offering in 2007. In 2006, the BGEO Group's healthcare business (which was initially a subsidiary of JSC Bank of Georgia but was subsequently demerged to form part of GHG), opened its first ambulatory clinic in Tbilisi to capitalise on growth opportunities in the Georgian healthcare services market and diversify its sources of revenue. In 2011, JSC Bank of Georgia decided to focus on the development of synergistic businesses, particularly in the Georgian insurance, healthcare and real estate markets, through the vertical integration of its insurance and healthcare businesses. In March 2012, Bank of Georgia Holdings PLC (as it was known until 20 November 2015, when it changed its name to BGEO Group PLC), became JSC Bank of Georgia's ultimate parent company following a tender offer and its shares were admitted to the premium listing segment of the Official List and to trading on the LSE in February 2012.

In December 2014, JSC Bank of Georgia's parent company, BGEO Group PLC, revised JSC Bank of Georgia's corporate structure, reflecting its ambition to operate as a Georgia-focused banking group with an investment arm. As part of this intra-group reorganisation, BGEO Group PLC's operating subsidiaries were organised into new banking business and investment business segments, the latter comprising the Group.

Following changes in banking regulations in Georgia in line with the NBG's stated intention to regulate banks on a standalone basis, thereby limiting investments in non-banking subsidiaries, and also in line with its business strategy, BGEO Group PLC completed a corporate reorganisation whereby certain investment and financial services assets were demerged from JSC Bank of Georgia and a new intermediate holding company, JSC BGEO

Group, was established as a wholly owned subsidiary of BGEO Group PLC to serve as the Georgian holding company of both the banking business and the investment business segments. JSC BGEO Group's ultimate parent company was renamed BGEO Group PLC to reflect the new structure and strategy.

In November 2015, the BGEO Group completed the successful IPO and premium listing on the LSE, of its healthcare business, GHG.

On 3 July 2017, the Board of BGEO Group PLC announced its intention to demerge the BGEO Group into a London-listed banking business, BoGG, and a London-listed investment business, Georgia Capital PLC. The demerger was completed on 29 May 2018. The Issuer currently holds 19.9% of BoGG.

In December 2019, the Group increased its stake in GHG to 70.6% following the completion of a share exchange facility. On 16 July 2020, a share exchange offer was completed whereby GHG shareholders received Georgia Capital PLC shares in exchange for their GHG shares. Following the exchange offer, the Issuer's equity stake in GHG reached 100% on 28 August 2020. GHG was also delisted from the LSE in August 2020. GHG is now a private portfolio company of the Group. Following this transaction, the Group revised its strategy and changed the classification of its portfolio into listed portfolio companies, large portfolio companies, investment stage portfolio companies and other portfolio companies. See *"—Strategy"* above.

Portfolio Companies

Listed Portfolio Companies

The Group's sole listed portfolio company is its 19.9% equity stake in LSE premium-listed BoGG, a holding company of a leading universal bank in Georgia.

BoGG is a UK incorporated holding company listed on the premium segment of the LSE. BoGG's primary operating subsidiary is JSC Bank of Georgia, which accounted for 97% of BoGG's total equity as at 31 December 2020. The market capitalisation of BoGG as of 31 December 2020 was £600 million.

BoGG operates through the following business segments: (1) RB services; (2) CIB services; and (3) BNB, which provides banking operations in Belarus. JSC Bank of Georgia's market share in Georgia was 34.9% and 38.9% based on total gross loans and total client deposits, respectively, according to statistics published by the NBG as of 31 December 2020, making it the second largest bank in Georgia in terms of gross loans and the largest bank in Georgia in terms of client deposits.

Management believes that recent and potential future growth in the Georgian economy provides opportunities in a number of underdeveloped segments and that BoGG is well positioned to capture growth opportunities in the Georgian corporate and MSME sectors. BoGG aims to deliver on its strategy, targeting ROAE of at least 20% each year, annual growth in its portfolio of loans to customers and finance lease receivables of approximately 15% and an annual dividend payout ratio of between 25% and 40%.

The following tables set forth selected consolidated figures relating to BoGG as at and for the years ended 31 December 2020, 2019 and 2018:

	As of 31 December			
	2020		**2019**	**2018**
	(U.S.$ millions)[(1)]	*(GEL millions)*		
Total assets	6,725.2	22,035.9	18,569.5	14,798.3
Loans to customers and finance lease receivables, net	4,331.3	14,192.1	11,931.3	9,397.7
Client deposits and notes	4,278.9	14,020.2	10,076.7	8,133.9
Total equity	778.2	2,549.9	2,150.9	1,798.3

Note:

(1) Converted into U.S. Dollars for convenience using an exchange rate of GEL 3.2766 per U.S.$ 1.00, being the official Lari/U.S. Dollar exchange rate reported by the NBG on 31 December 2020.

	The year ended 31 December			
	2020		2019	2018
	(U.S.$ millions)[(1)]	*(GEL millions)*		
Profit for the year	90.0	294.9	500.0	378.6

Note:
(1) Converted into U.S. Dollars for convenience using an exchange rate of GEL 3.2766 per U.S.$ 1.00, being the official Lari/US Dollar exchange rate reported by the NBG on 31 December 2020.

According to NBG Basel III standards as applied in Georgia, JSC Bank of Georgia had a Common Equity Tier 1 Capital Adequacy ratio of 10.4%, a Tier 1 Capital Adequacy ratio of 12.4%, and a Total Regulatory Capital Adequacy ratio of 17.6%, as of 31 December 2020.

JSC Bank of Georgia was established on 21 October 1994 as a joint stock company under the laws of Georgia and registered by Krtsanisi-Mtatsminda District Court under number 06/5-07 on 29 November 1995. JSC Bank of Georgia operates under a general banking licence issued by the NBG on 15 December 1994 and the Law of Georgia on the Activities of Commercial Banks dated 23 February 1996. The rights of shareholders of JSC Bank of Georgia are contained in the charter of JSC Bank of Georgia and it is managed in accordance with those articles and with the provisions of Georgian law. The NBG has designated JSC Bank of Georgia as one of three systemically important financial institutions in Georgia.

Retail Banking (RB)

Based on public disclosures by other banks in Georgia, JSC Bank of Georgia believes it has one of the largest distribution networks in Georgia, with 211 retail branches and 960 ATMs as of 31 December 2020 (although the number of branches has decreased since 31 December 2019 due to the closure of Express Banking branches). As of 31 December 2020, JSC Bank of Georgia had a 40.3% market share of deposits from individuals and a 37.7% market share of loans to individuals, according to information published by the NBG. Its RB products and services include retail lending, deposit accounts, ATM services, internet, mobile, telephone and SMS banking, utility bill payments and money transfer services. JSC Bank of Georgia has more than 2.1 million cards in issue and is the exclusive issuer of American Express credit cards in Georgia to 2023 (inclusive). As of 31 December 2020, the Bank had over 2.6 million RB customers, a gross retail loan portfolio of GEL 8,982 million (U.S.$2,741.3 million) and client deposits and notes of retail customers of GEL 7,102 million (U.S.$2,167.5 million). Of JSC Bank of Georgia's client deposits and notes of retail customers, as of 31 December 2020, 31.3% was Lari-denominated and 68.7% was foreign currency-denominated (principally in U.S. Dollars). As of the same date, of JSC Bank of Georgia's client deposits and notes of retail customers, GEL 4,261 million (U.S.$1,300.4 million) were time deposits and GEL 2,841 million (U.S.$867.1 million) were current accounts and demand deposits.

For the years ended 31 December 2020, 2019 and 2018, the RB segment generated profit of GEL 128.6 million (U.S.$39.2 million), GEL 318.6 million, and GEL 258.3 million, respectively, corresponding to 43.6%, 63.7% and 68.2% of JSC Bank of Georgia's profit, respectively.

Corporate and Investment Banking (CIB)

JSC Bank of Georgia has a market share of 37.3% based on total customer deposits of legal entities and 32.0% based on total loans to legal entities as of 31 December 2020, according to information published by the NBG. JSC Bank of Georgia provides corporate lending in addition to offering current and term deposit accounts, account administration and cash management services, payroll services, trade financing and foreign exchange services. As of 31 December 2020, JSC Bank of Georgia had approximately 3,000 CIB customers, a CIB net loan portfolio of GEL 4,662.3 million (U.S.$1,422.9 million) and client deposits and notes of GEL 6,394.7 million (U.S.$1,951.6 million). Of JSC Bank of Georgia's CIB client deposits and notes, as of 31 December 2020, GEL 3,346.0 million (U.S.$1,021.2 million) were Lari-denominated and GEL 3,048.7 million (U.S.$930.4 million) were foreign currency-denominated. As of the same date, of JSC Bank of Georgia's client deposits and notes, GEL 3,322.2 million (U.S.$1,013.9 million) were time deposits and GEL 3,072.5 million (U.S.$937.7 million) were current accounts and demand deposits.

For the years ended 31 December 2020, 2019 and 2018, the CIB segment generated profit of GEL 156.2 million (U.S.$47.7 million), GEL 188.7 million, and GEL 119.1 million, respectively, corresponding to 53.0%, 37.7% and 31.4% of JSC Bank of Georgia's profit, respectively.

Large portfolio companies

The Group's large portfolio companies consist of its healthcare services, retail pharmacy, water utility and insurance businesses.

GHG

GHG holds the healthcare services, retail pharmacy and medical insurance businesses (the latter of which is described below under *"—Insurance (Property & Casualty and Medical)"*). In the year ended 31 December 2020, the healthcare services, retail pharmacy and medical insurance businesses of GHG accounted for 28%, 65% and 7% of GHG's total revenue and 44%, 51% and 5% of EBITDA. 59% of GHG's revenue for the year ended 31 December 2020 was attributable to out-of-pocket payments, with the remaining 19% and 22% being attributable to UHC and other sources, respectively.

GHG's business was founded in 1990, when it was established as an independent insurance provider under the brand name Aldagi, and developed rapidly during the 2000s. In 2006, GHG opened its first ambulatory clinic in Tbilisi and from 2008 to 2012, GHG acquired a total of 23 hospitals and integrated its medical insurance and healthcare businesses. It completed several other acquisitions in the following years. In 2016, GHG acquired JSC GPC, which was then one of the three largest pharmaceutical retailers and wholesalers in Georgia, and JSC ABC Pharmacia, then, in 2017, the fourth largest pharmaceutical retailer and wholesaler in Georgia, launching the retail pharmacy business.

GHG was a subsidiary of Bank of Georgia from 2004 until its initial public offering on the LSE in 2015. Following the demerger in 2018, the remaining 57% stake in GHG was held by the Group. In December 2019, the Group increased its stake to 70.6% following the completion of a share exchange facility. Subsequently, in August 2020, the Group acquired the remainder of GHG that it did not already own via an exchange offer, making GHG a portfolio company of the Group.

The three pillars of GHG's strategy are as follows:

- Operational performance, which encompasses:
    - Utilisation: GHG intends to increase its bed occupancy rate;
    - Optimisation: this includes the disposal of unused assets and the disposal or transformation of low ROIC assets;
    - Efficiency: this entails the automation of service processes and the full roll-out of healthcare information services ("**HIS**") in all of GHG's healthcare facilities across Georgia (as described in further detail below); and
    - Digitalisation: GHG is targeting a fully integrated HIS to help it to manage customers in an integrated manner;
- Financial performance, which encompasses:
    - Cash flow generation via higher earnings, reduced capital requirements and reduced cost of funding; and
    - Capital allocation through deleveraging, minority buyouts, capital returns and investing in new opportunities; and
- Growth pipeline, which encompasses:
    - Business organic growth through a supportive macroeconomic environment, growing healthcare spending, a low base for healthcare and increasing penetration; and

- Growth projects such as medical tourism, lab retail, pharmacies in Armenia, EKIMO, aesthetics, clinical trials and opticians (see *"—Retail pharmacy"* below).

GHG has almost completed the implementation of its HIS across all of its healthcare facilities in Georgia. The HIS includes the following elements:

- Electronic Medical Records ("**EMR**"): After implementing EMR at clinics across GHG's network, which significantly increased patient throughput, in 2020, EMR was also fully implemented across all of GHG's hospitals;

- Inpatient Medical Ordering System: GHG's hospitals have successfully implemented electronic ordering at all 17 of its hospitals, eliminating significant paperwork in inpatient departments;

- Picture Archiving and Communications System ("**PACS**"): All Tbilisi based hospitals and polyclinics, both inpatient and outpatient, were successfully connected to PACS, integrating more than 100 pieces of radiology equipment; and

- Laboratory Information Management System ("**LIMS**"): LIMS has been fully integrated with GHG's inpatient and outpatient EMR, ensuring fast and high-quality cooperation between healthcare facilities and the MegaLab (described below under *"—Healthcare services—MegaLab"*).

Healthcare services. GHG's healthcare services business currently comprises a vertically integrated network of 17 referral hospitals, 34 clinics (including 19 community clinics and 15 polyclinics) and MegaLab, its diagnostics business which it added in December 2018. GHG considers itself to be the market leader in Georgia in each of its businesses. It accounted for approximately 20% of total hospital bed capacity as at 31 December 2020 based on data published by the NCDC.

Hospitals. GHG's 17 referral hospitals are located in Tbilisi and major regional cities. They provide secondary or tertiary level outpatient and inpatient diagnostic, surgical and treatment services. The referral hospitals serve as hubs for patients within a given region. As at 31 December 2020, GHG's hospitals had 2,596 hospital beds and revenue per bed was GEL 89.5 thousand. The bed occupancy rate for 2020 was 53% and the average length of stay was 5.6 days. 25% of revenue from hospitals for the year ended 31 December 2020 was attributable to out-of-pocket payments, with the remaining 70% and 5% being attributable to the UHC and other sources, respectively.

In 2017 and 2018, GHG launched two flagship hospitals, Tbilisi Referral Hospital and Caucasus Medical Centre, completing its hospitals expansion programme announced at the time of GHG's initial public offering. Tbilisi Referral Hospital operates 332 and Caucasus Medical Centre operates 306 newly renovated beds. Both hospitals are located in the capital city and represent the hospitals of choice for high-quality elective medical care country-wide.

On 19 August 2020, GHG signed a sale and purchase agreement to sell a 40% equity interest in a holding company of High Technology Medical Centre University Clinic ("**HTMC**") to Tbilisi State Medical University, which intends to use it as a teaching platform (the "**Sale**"). The total cash consideration for the Sale is U.S.$12 million (GEL 36.8 million). Due to HTMC's shareholding structure (GHG owns 10%, Tbilisi State Medical University owns 40% and 50% is held by an individual shareholder and current CEO of HTMC), GHG has had less control over HTMC's operations. GHG intends to sell the remaining 10% equity interest in the coming months. HTMC had a 13.0% and 9.8% share in the total healthcare business's assets and EBITDA, respectively, in 2019. The Sale is in line with GHG's strategy to divest low-return generating assets. HTMC is one of the lowest return generating assets across GHG's hospital portfolio with an ROIC of 3.4% in 2019. The divestment, therefore, materially improves the healthcare business's ROIC, increasing the healthcare business's 2019 ROIC by 90 basis points on a pro forma basis. GHG intends to use the proceeds from the Sale to reduce its net debt position and improve its leverage ratio, where the cost of GEL-denominated debt is approximately 11.5%.

In March 2020, GHG allocated six hospitals (approximately 600 beds) across Georgia for COVID-19 patients. 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 which are only receiving COVID-19 patients, and ten healthcare facilities as hybrid facilities, receiving both COVID-19 and non-COVID-19 patients, with more than 1,300 beds across the country. The Government fully reimburses costs associated with COVID-19 treatments, and also pays a fixed fee amount per each occupied bed for COVID-19 patient. The facilities have been prepared with properly trained medical teams, isolated wards and fully equipped intensive and critical care units. Infection prevention and communicable disease emergency preparedness programmes and guidelines have been established across GHG's hospitals and clinics. More than 5,000 GHG employees from the hospitals, clinics and pharmacies have been given comprehensive trainings related to COVID-19, including how to prevent the virus spread and manage patients and customer flow. To date, at GHG more than 24,000 participants attended trainings in 30 different modules and protocols.

A number of key new services have been launched such as telemedicine and pharma home delivery service, through the new EKIMO application. For details of EKIMO, which is a telemedicine and pharmaceutical home delivery service, see *"—Retail pharmacy"* below. Enhanced digital channels at clinics are also being provided, with doctors having provided more than 35,000 consultations though the 24-hour available hot lines and remote consultation via social media to more than 5,000 queries to date.

Clinics. GHG's 34 clinics included 19 community clinics and 15 polyclinics. Community clinics are located in regional towns and municipalities and provide outpatient and inpatient diagnostic, basic surgical and treatment services to the local population. Polyclinics are located in Tbilisi and major regional cities and provide basic and full-scale outpatient diagnostic and treatment services. In its highly integrated business model, the clinics are often the first point of interaction for attracting patients. The patients who come to the clinics can be referred to GHG's hospitals for treatment or to its pharmacies to fill their prescriptions, if necessary. Towards the end of 2018, GHG entered the dental market by launching dental clinics within its polyclinics.

As at 31 December 2020, GHG's clinics had 353 community and clinic beds and 518,000 registered patients (with 224,000 of these patients being located in Tbilisi). 12% of revenue from community clinics for the year ended 31 December 2020 was attributable to out-of-pocket payments, with the remaining 85% and 3% being attributable to UHC and other sources, respectively. 51% of revenue from polyclinics for the year ended 31 December 2020 was attributable to out-of-pocket payments, with the remaining 31% and 18% being attributable to UHC and other sources, respectively.

MegaLab. In December 2018, GHG added a diagnostics business under GHG when it opened MegaLab. MegaLab is the largest diagnostics laboratory not only in Georgia but in the entire Caucasus region. It is a multi-disciplinary laboratory, equipped with the latest infrastructure and state-of-the-art technology, covering 7,500 square metres. It provides a full range of accurate, high quality diagnostics services, including basic and complex laboratory tests to the entire population of Georgia. In 2020, MegaLab served 611,000 patients and performed 1,424,000 tests, with an average number of tests per patient of 2.3 and average revenue per test of GEL 10.2.

The diagnostics business is an important new business line for GHG. Through this business, GHG has completed the process of centralising its internal lab demand by collecting samples from its hospitals and polyclinics throughout Georgia. Test results are distributed electronically to each hospital and polyclinic within the GHG businesses through the LIMS, enabling GHG to be more efficient and provide a reliable service to its patients, while keeping test costs low.

In April 2020, the diagnostics business started to engage in testing patients for COVID-19 and has performed over 125,600 COVID-19 tests as of 26 February 2021.

Retail pharmacy. Based on publicly available data of competitors as at 31 December 2020, the Group believes that the retail pharmacy business was the largest pharmaceuticals retailer and wholesaler in terms of both revenue (with an approximately 33% market share). The retail pharmacy business was formed through a series of acquisitions commencing in 2016, as described above under *"—GHG (Healthcare Services and Retail Pharmacy)"*. In 2020, the retail pharmacy business issued (27.6 million bills with an average bill size of GEL 16.8. GHG has 309 pharmacies located across Georgia as well as four pharmacies located in Armenia. GHG operates under two pharmacy brands: GPC, which is targeted at the high-end customer segment; and Pharmadepot for the mass retail segment. The business had an average of 2.3 million customers per month during 2020. 73% of revenue for the year ended 31 December 2020 was retail revenue, with the remaining 27% being wholesale revenue. The retail pharmacy business has been more resilient during the COVID-19 pandemic in comparison with the healthcare services business, as pharmacies have remained open during the lockdown.

GHG launched a new digital consumer health platform, EKIMO, towards the end of 2019. EKIMO combines all components of primary healthcare, including doctors, clinics, laboratories, radiology units, retail pharmacies and medical insurance. The platform is open to any healthcare services provider or health product seller in Georgia and is free of charge for patients and customers. Since its launch, approximately 1,000 doctors from 80 different clinics have joined EKIMO. Approximately 60% of these have been from independent third party clinics. EKIMO provides quick and easy access to the entire health care ecosystem starting from booking, including appointments with doctors, online payments, online consultation and pharmaceuticals deliveries. Since its inception, there have been approximately 140,000 downloads of EKIMO, with approximately 117,000 registered users and approximately 4,000 monthly paying users, with approximately 8,200 doctor consultations and approximately GEL 2.5 million in online pharmaceuticals sales, with an average pharmacy ticket size of approximately GEL 36.

Other growth initiatives include aesthetics and beauty retail. In June 2020, GHG opened its first aesthetics retail branch leveraging its existing Caraps Medline brand, which is concentrated on aesthetics, skincare and a healthy lifestyle. It also entered the beauty retail market through a partnership with the Body Shop, obtaining the right to operate the Body Shop in Georgia for an initial term of ten years beginning in September 2019. GHG has already opened three standalone flagship stores in Tbilisi and has developed the shop-in-shop model in 155 of GHG's pharmacies as at 31 December 2020.

Finally, GHG has been adding pharmacies in Armenia, reaching a total of four pharmacies. These pharmacies entail a relatively low capital commitment of approximately U.S.$50,000 per pharmacy.

Water Utility

The water utility business is operated by GGU, which also owns the majority of the Group's renewable energy business, as described below under *"—Investment Stage Portfolio Companies—Renewable Energy"*. The water utility business supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia. GGU uses a portion of the electricity generated by its renewable energy business for internal consumption to power its water distribution network.

In December 2014, BGEO Group acquired a 25% stake in Georgian Global Utilities Limited for U.S.$26.25 million. In June 2016, it acquired the remaining 75% stake for U.S.$70 million. Effective May 2018, BGEO Group was demerged into BoGG and its investment business, Georgia Capital PLC. Following the demerger, Georgian Global Utilities Limited became a wholly owned subsidiary of the Issuer.

Water Supply and Sanitation Services

GGU supplies potable water and provides wastewater collection and processing services to almost 1.4 million people in Georgia. It is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta. In the Tbilisi and Mtskheta areas, potable water is supplied by GWP, while in the Rustavi area, it is supplied by Rustavi Water LLC. Gardabani Sewage Treatment Plant LLC is a wastewater treatment plant serving the customer bases of water utility business. During the years ended 31 December 2020, 2019 and 2018, GGU sold 165.9 million, 178.3 million and 178.4 million cubic metres of water, respectively.

The following table sets forth certain data regarding the water utility business for the years ended 31 December 2020, 2019 and 2018:

	Year ended 31 December		
	2020	**2019**	**2018**
Water sales *(millions of cubic meters)*............................	165.9	178.3	178.4
Self-produced electricity consumption *(millions of KWh)*	175.2	174.0	193.2
Water loss ratio *(%)*	62.4%	65.1%	67.2%
Capital repair of water network *(km)*..............................	37.6	92.3	121.1
Capital repair of wastewater network *(km)*......................	15.6	21.8	15.7
Number of water failures[(1)]..	9,106	9,345	9,620
Number of wastewater failures	16,394	16,983	17,010
Network failures per kilometres.....................................	6.9	7.1	7.6

Note:

(1) When GGU is notified of a potential failure, its technical team visits the respective site. If no damage is identified, the event is not considered a failure. If the failure is significant, it is classified as a rehabilitation.

Water Supply and Water Treatment Infrastructure. The majority of raw water used by GGU in the provision of water supply and sanitation services to its customers is sourced from the Aragvi River Valley. After the water flows through the Zhinvali HPP (discussed below under *"—HPPs"*), it flows to the Bodorna distribution reservoir through a tunnel that is approximately 9 kilometres in length. From the Bodorna reservoir, the water flows at approximately 12-13 cubic metres per second towards Tbilisi via a 40-kilometre tunnel while water is spilled back to Aragvi River at a rate of approximately 30-35 cubic metres per second. 5-6 cubic metres of water from the 40-kilometre tunnel is delivered and treated at the Ghrmaghele water treatment plant and the remainder is deposited into the Tbilisi water reservoir, which serves as a buffer reservoir.

Surface water from the Aragvi River is processed and treated in natural sand and gravel infiltration areas situated on extended land owned by GGU in the Aragvi River Valley outside Tbilisi. This surface water is subsequently delivered to service reservoirs where it is chlorinated and distributed in the water supply network. Water processed by the Rustavi water infrastructure is sourced entirely from the Khrami River and is treated at the Khrami water treatment plant.

As part of the treatment process, water is chlorinated and, if necessary, coagulated with aluminium sulphate. All water supplied complies with World Health Organisation recommendations and national water quality standards. Water quality is monitored on a daily basis, and regular monitoring procedures are carried out in Tbilisi and its surroundings at 390 points of the water supply network. To assist with this process, GGU operates a chemical micro-biological laboratory located on the premises of the Ghrmaghele water treatment plant in Tbilisi. The laboratory is accredited according to the ISO 17025:2018 (certificate number: CAC-TL-0249) standard. Water quality fully satisfies the standards set out in National Technical Regulations on Drinking Water Quality (Decree No. 58 of the Government dated 15 January 2014).

Once treated and processed, water is distributed via an approximately 3,896-kilometre network of water pipelines. This network consists of main water lines, aqueducts, distribution networks and branches to customers, all of which are operated by GGU. In total, in 2020, the distribution network involved 58 pumping stations, 118 service reservoirs of pure water with a total capacity of approximately 380,900 cubic metres. The most important reservoirs are equipped with level detectors monitored by a central dispatch service.

GGU provides wastewater collection and treatment services to the customer bases of its water utility companies at the Gardabani Sewage Treatment Plant. As part of its post-privatisation obligations, GGU was required to rehabilitate and modernise the wastewater treatment plant, which it completed in 2018.

Customers. GGU supplies the capital city of Tbilisi, as well as the neighbouring cities of Rustavi and Mtskheta, with potable water. GGU's total customer base includes both business and residential consumers. Among its residential customers there are households that are not metered. GGU receives information regarding unmetered customers from a public service database, which enables it to generate bills based on per capita tariff.

The following table sets forth certain data regarding the customer base of the water supply and sanitation services business as at and for the years ended 31 December 2020, 2019 and 2018:

	As at and for the year ended 31 December		
	2020	**2019**	**2018**
Number of business customers	36,996	35,647	33,271
Number of residential customers	584,283	562,456	535,390
Revenue from water supply to business customers *(GEL thousands)*	76,679	93,556	92,691
Revenue from water supply to residential customers *(GEL thousands)*	38,752	39,728	39,585
Charges for connection service *(GEL thousands)*	4,052	3,566	2,741

Cash receipts from water supply to business customers *(GEL thousands)*	78,422	92,379	89,583
Cash receipts from water supply to residential customers *(GEL thousands)*	43,125	37,349	36,722
Cash collection for business customers *(%)*	100.5%	98.7%	97.9%
Cash collection for residential customers *(%)*	107.1%	94.2%	94.2%
New connections	3,473	5,439	5,015

Billing and Collections. Water sales are billed on a monthly basis for both business and residential customers, regardless of whether they are metered or unmetered. All business customers are metered clients. A metering process has been also implemented among GGU's residential customers, although approximately 59.0% of residential customers remain unmetered. Customers who do not have a meter are billed based on the number of individuals registered on the civil register at a particular residence and by the application of the relevant fixed tariff per capita per month.

GGU's receivables collection rates have historically ranged between 93% and 97%. The Georgian water utility sector has historically had relatively low receivable collection rates. Across the Georgian water supply and sanitation services market, collection rates from Georgian households are much lower than those of GGU. This is because water utility companies operating outside of Tbilisi have historically not cut off electricity to residential customers for missed payments, unlike GWP. GWP's collection rate has improved significantly from 2011, due to the changes to the Georgian law, pursuant to which electricity suppliers are entitled to cut off electricity to customers if they do not pay their water bills. As a result, Tbilisi's electricity supplier receives flat monetary compensation from GWP (approximately GEL1.3 million annually since 2011) for assisting in the collection process. Collection rates in 2020 were further supported by the Government's subsidy plan for utility bills during the COVID-19 pandemic.

Sales and Tariffs. GGU earns a regulated return in relation to its water supply and sanitation business, which is based on a tariff-setting methodology adopted by GNERC in August 2017. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, GGU applies a WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets depreciated according to regulatory norms plus capital expenditures it has made. RAB is then multiplied by regulated WACC, providing return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from the presentation in GGU's IFRS financial statements. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology had applied ran from 1 January 2018 to 31 December 2020. The WACC specified for the second regulatory period running from 1 January 2021 to 31 December 2023 is 14.98%, whereas the previously applicable WACC was 15.99%. On 4 January 2021, GGU announced that GNERC had approved new tariffs for GGU's water utility business. The GWP's tariffs in Tbilisi applicable in the three-year regulatory period of 2021-2023 have been increased compared to the previous regulatory period of 2018-2020 from GEL 0.33 to GEL 0.5 (per cubic meter) for metered residential customers, from GEL 3.89 to GEL 4.5 (per capita) for unmetered residential customers, and from GEL 4.4 to GEL 6.5 (per cubic meter) for business customers. The tariff increase translates into annual growth of 38% in allowed water revenues of GWP in the three-year regulatory period effective from 1 January 2021 (corresponding to approximately 36.3% increase in allowed water revenues of GGU's entire water utility business).

Electricity Generation

Historically, GGU operated HPPs with a total installed capacity of 149 MW primarily to power its water distribution network. In July 2020, the Issuer arranged for the transfer of the Mestiachala HPP (which was owned by GRPC through its subsidiary Svaneti Hydro), the Kasleti, Debeda and Akhmeta HPPs (all of which are owned by Hydrolea) and Qartli Wind Farm to GGU. These plants have an aggregate installed capacity of 91 MW and are described below under *"—Investment Stage Portfolio Companies—Renewable Energy"*.

The legacy HPPs which are part of the water utility business are set forth in the table below:

	Type of plant	Commissioning date	Installed capacity	2020 Generation	Annual generation (P50)	PPA price (U.S.$ c per MWh)	PPA coverage	PPA expiration year	2020 generation covered by PPA
Zhinvali......	Hydro (dam)	1985	130.0 MW	206.2 GWh	377 GWh	n.a.	n.a.	n.a.	n.a.
Tetrikhevi ..	Hydro (built on water supply network)	1955	12.4 MW	2.8 GWh	17 GWh	n.a.	n.a.	n.a.	n.a.
Saguramo...	Hydro (built on water supply network)	2016	4.2 MW	18.7 GWh	28 GWh	n.a.	n.a.	n.a.	n.a.
Bodorna	Hydro (built on water supply network)	2018	2.5 MW	3.5 GWh	13 GWh	U.S.$c 6.0	September - April	2028	50.9%
Total			**149 MW**	231.3 **GWh**	**435 GWh**				**0.8%**

ESCO is the counterparty for the Bodorna PPA referred to in the table above. ESCO is the state-owned market operator that is responsible for balancing electricity and guaranteed capacity trading and is a counterparty for all power plants with PPAs.

Zhinvali HPP. The Zhinvali HPP was commissioned in 1986 and has an installed capacity of 130 MW and water storage capacity of approximately 400 million cubic metres in its reservoir. It is the second largest hydropower station constructed on a dam in Georgia. It is the only HPP supplying the water supply and sanitation business. In 2020, 85.9% of net electricity generated by the Zhinvali HPP was used for internal consumption by GGU's water supply and sanitation services business.

Georgian law provides that HPPs constructed before August 2008 with installed capacity equal to or greater than 40 MW, as well as all power plants representing a guaranteed source of capacity, are subject to regulation by GNERC in relation to, among other things, setting electricity sales tariffs. Accordingly, the energy tariffs set by Zhinvali HPP (other than tariffs for electricity sold to third parties after satisfying GWP's internal consumption needs) are regulated. The Zhinvali HPP charges GWP the regulated tariff for its internal consumption, the cost of which is then included in "allowed revenue" under the methodology described under *"—Water Supply and Sanitation—Sales and Tariffs"* and is reimbursed through the water tariff. External sales are mostly conducted by GETC, GGU's electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies, other affiliated HPPs and third parties, and sells it to direct consumers on the free market.

Tetrikhevi HPP. The Tetrikhevi HPP is a small run-of-the-river plant that sources water from the Sioni water reservoir. The installed capacity of the plant is 12.4 MW.

Saguramo HPP. The Saguramo HPP was commissioned in September 2016 and is built on GGU's existing tunnel infrastructure in the Mtskheta Region. The plant also receives water from the Zhinvali water reservoir via the Bodorna-Ghrmaghele water supply tunnel. The Saguramo HPP's installed capacity is 4.2 MW.

Bodorna HPP. The Bodorna HPP is a dam-fed plant that was commissioned in 2018. The Bodorna HPP sources water from the Bodorna Reservoir and its installed capacity is 2.5 MW. For the first ten years after the commencement of power generation, the Bodorna HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at U.S.$ c 6.0 per KWh during the period from September to April (inclusive).

Insurance (Property & Casualty and Medical)

The Group's insurance business comprises a property and casualty insurance business offered under the Aldagi brand name and a medical insurance business operated by GHG.

Property & Casualty. 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, the largest product portfolio and exceptional financial strength. Aldagi's ROAE has averaged approximately 30% during the years from 2014 to 2020 and its net profit has grown at a compound annual growth rate of 15% over the same period. Aldagi has had a payout ratio within the range of 50%-70% since 2014.

The current low level of property and casualty insurance market penetration in Georgia of 0.8%, based on data from the ISSSG, provides significant potential for growth and Management believes that Aldagi is well-equipped to capture these opportunities.

Aldagi primarily offers motor, property, life, liability, agricultural ("**Agro**") and border motor compulsory third party liability ("**MTPL**") insurance policies, which accounted for 29%, 29%, 13%, 16%, 5% and 2% of gross written premiums in 2020, with the remaining 6% attributable to other types of insurance policies.

The Group estimates that Aldagi's market share based on gross written premiums was 28% as of 30 September 2020, based on publicly available data of competitors, and on that basis believes that it has the highest market share for all types of property and casualty insurance other than life insurance. Management believes that motor insurance is the key driver for the property and casualty market, where Aldagi had a market share of 24% according to ISSSG. Aldagi's key competitors are TBC and GPI Holding. The following table sets forth a breakdown of market share for each insurance product offered by Aldagi based on gross written premiums as of 30 September 2020:

	As at 30 September 2020		
	Aldagi	**TBC**	**GPI Holding**
Motor	24%	21%	17%
Property	34%	16%	12%
Credit life	27%	50%	8%
Liability	37%	6%	15%
Other	20%	9%	12%
Agro	34%	9%	34%
Border MTPL	12%	6%	6%

Source: ISSSG.

Aldagi's business is roughly equally divided between personal and commercial business, with 39% of gross written premiums in 2020 attributable to personal business and 58% attributable to commercial business. The remaining 1% and 2% were attributable to state tenders and compulsory insurance, respectively.

Aldagi has a diversified distribution mix, with 53%, 27%, 17% and 3% of gross written premiums in 2020 attributable to the direct channel, partnerships, brokers and fronting, respectively. Aldagi's business has been adversely impacted by COVID-19, with decreases in net premiums across all channels in 2020. All insurance products were affected by the most severe impact was on border MTPL insurance due to travel restrictions implemented in response to COVID-19. Motor insurance was also severely impacted due to curfews and lockdowns resulting in less use of vehicles. Aldagi has nonetheless maintained solid operating results and its solvency ratio increased in 2020. Its solvency ratio was 141% as at 31 December 2020.

Aldagi's strategic focus includes five pillars:

- strengthening customer retention;
- introducing digital insurance products;
- improving the customer experience;
- advancing employee recognition; and
- preparing for compulsory lines such as local MTPL.

Aldagi's key insurance products are described below:

Motor. Aldagi offers motor vehicle insurance with a number of different features, including cover for risks such as road accidents, fire, explosion, vandalism, natural disasters, theft, hijack or robbery. Aldagi had gross written premiums for its motor insurance products of GEL 31 million in 2020 and the Group estimates that its market share was 24% as at 30 September 2020, based on the latest publicly available data of competitors.

Property. Key property insurance products include commercial property, household and machinery breakdown insurance. Property insurance is Aldagi's core product offering for its commercial clients. Aldagi had gross written premiums for its property insurance products of GEL 31 million in 2020 and a market share of 34% as at 30 September 2020, based on the latest publicly available data of competitors.

Life insurance. Aldagi offers credit life insurance products which permit the insured person to choose the amount of the monthly premium and term dates of the policy, which can be 1, 5, 10, 15 or 30 years. Aldagi had gross written premiums for its life insurance products of GEL 14 million in 2020 and a market share of 27% as at 30 September 2020, based on the latest publicly available data of competitors.

Liability insurance. Aldagi's liability insurance products include cover for financial risk, employer's liability, professional indemnity, general third party liability insurance, freight and forward liability insurance, household general third party liability insurance, CMR liability insurance and product liability insurance. Aldagi had gross written premiums for its liability insurance products of GEL 17 million in 2020 and a market share of 37% as at 30 September 2020, based on the latest publicly available data of competitors.

Agro. Aldagi's Agro insurance products comprise insurance against unforeseen risks such as hail, prolonged rain, storms, autumn frosts and for products including cereals, legumes, vegetables, horticultural crops and fruit trees. The Aldagi Agro insurance programme is conducted in conjunction with the MEPA and the Agriculture Projects Management Agency. As part of this programme, in order to stimulate Agro insurance, the Government pays a contribution towards the insurance premiums for farmers and Agro-based industries. Aldagi had gross written premiums for its Agro insurance products of GEL 5 million in 2020 and a market share of 34% as at 30 September 2020, based on the latest publicly available data of competitors.

Border MTPL. On 15 December 2017, the Georgian Parliament adopted the Law on Compulsory Civil Liability Insurance of the Foreign Registered Vehicles Crossing the Georgian Territory which, from 1 March 2018, has provided for compulsory cross-border third party liability motor vehicle insurance. As a result, Aldagi has been growing this product line. Aldagi had gross written premiums for its border MTPL insurance products of GEL 2 million in 2020 and a market share of 12% as at 30 September 2020, based on publicly available data of competitors.

Other. Aldagi offers other types of insurance policies, including cargo, personal accident insurance and livestock insurance, among other policies. Aldagi had gross written premiums for its other insurance products of GEL 7 million in 2020 and a market share of 20% as at 30 September 2020, based on the latest publicly available data of competitors.

Medical Insurance. Through GHG (which is described above under *"—Large portfolio companies—GHG (Healthcare Services and Retail Pharmacy)"*, the Group offers a broad range of comprehensive private medical insurance policies that customer can opt for instead of relying on the coverage provided under the UHC and other state funded healthcare programmes to the Georgian population. The insurance packages offered mainly include corporate packages for large employers. As at 31 December 2020, the business had approximately 174,000 insured and the Group estimates that it had a market share of 25.5%, based on publicly available data of competitors. The medical insurance business had a retention rate of 37.3% within the GHG businesses in 2020 and a loss ratio and renewal rate of 73.0% and 73.4% in 2020. Its solvency ratio was 117.7% as at 31 December 2020. In January 2021, Insurance Company Imedi L won a health insurance tender announced by the Ministry of Internal Affairs ("**MIA**") for all units of MIA, its employees and their family members with the total insurance premium amount of approximately GEL 19.4 million.

Investment stage portfolio companies

The Group's investment stage portfolio companies consist of its renewable energy and education businesses.

Renewable Energy

The majority of the Group's renewable energy assets are owned by GGU, which is described above under *"—Large portfolio companies—Water utility"*. Historically, GGU operated HPPs with a total installed capacity of 149 MW primarily to power its water distribution network. Separately, GGU's parent company, the Issuer, operated a renewable energy business via GRPC, in which it held a stake of 65.59%. In February 2020, the Issuer bought the 34.41% stake in GRPC held by RP Global, thereby becoming the sole shareholder of GRPC. In October 2019, the Issuer, through its then wholly owned subsidiary, Georgia Energy Holding LLC, which was merged into GGU in July 2020, acquired Hydrolea, which owned and operated the Kasleti, Debeda, Darchi and Akhmeta HPPs, and in December 2019, through its subsidiary, Georgian Wind Company LLC, which was later merged into GGU, it acquired Qartli Wind Farm. Subsequently, in July 2020, the Issuer arranged for the transfer of the Mestiachala HPP (which was owned by GRPC through its subsidiary Svaneti Hydro) and the Kasleti, Debeda and Akhmeta HPPs (all of which are owned by Hydrolea) and Qartli Wind Farm to GGU. These plants have an aggregate installed capacity of 91 MW.

The Group also has a pipeline of renewable energy plants, including the Tbilisi and Kaspi wind farms and the Darchi and Zoti HPPs.

The details of the operational plants included in the renewable energy business (i.e. the Mestiachala HPP and Hydrolea (comprising the Kasleti, Debeda and Akhmeta HPPs) and the Qartli Wind Farm) are set forth in the table below:

	Type of plant	**Commissioning date**	**Installed capacity**	**2020 Generation**	**Annual generation (P50)**	**PPA price (U.S.$ c per MWh)**	**PPA coverage**	**PPA expiration year**	**2020 generation covered by PPA**
Mestiachala.....	Hydro (run-of-the-river)	2019	50.0 MW	90.5 GWh	175 GWh	U.S.$ c 5.5	September - April	2034	31.6%
Debeda...........	Hydro (irrigation)	2015	3.2 MW	11.0 GWh	20 GWh	U.S.$ c 5.5	September - April	2023	76.0%
Kasleti............	Hydro (run-of-the-river)	2018	8.1 MW	27.9GWh	35 GWh	U.S.$ c 5.6	September - April	2028	42.8%
Akhmeta	Hydro (irrigation)	2014	9.1 MW	9.1GWh	50 GWh	U.S.$ c 5.5	September - April	2022	71.7%
Qartli Wind Farm...............	Wind (on-shore)	2016	20.7 MW	90.8 GWh	86 GWh	U.S.$ c 6.5	Full year	2029	100.0%
Total			**91 MW**	229.2 **GWh**	**366 GWh**				**63.8%**

ESCO is the counterparty for all PPAs referred to in the table above. ESCO is the state-owned market operator that is responsible for balancing electricity and guaranteed capacity trading and is a counterparty for all power plants with PPAs.

Mestiachala HPP. The Mestiachala HPP is located in Svaneti region and comprises two run-of-the-river power generation units with an aggregate installed capacity of 50 MW. Construction commenced in May 2017 and the 30 MW first phase was completed in April 2019, with the second 20 MW phase being completed in June 2019. The actual cost of construction per MW was approximately U.S$1.2 million, with approximately 70% of the total project cost being financed through long-term debt facility. For the first 15 years after the commencement of power generation, the Mestiachala HPP sells electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.5 per KWh during the period from September to April (inclusive).

In July 2019, the Mestiachala HPP was affected by flooding resulting from a rock avalanche and both generation units were taken offline. Following a rehabilitation process, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity, while the restoration process is ongoing for the 20 MW generation unit. The business interruption, covering the period of July 2019 to July 2020, as well as property damage, was fully agreed with the insurance company and almost wholly settled by the end of 2020. Notwithstanding this payout, the design and permitting processes and construction works may be delayed, which will negatively affect generation and electricity sales.

Debeda HPP. The Debeda HPP was acquired by the Issuer in October 2019 as part of the Hydrolea acquisition and subsequently transferred to GGU in July 2020. It is an HPP built on irrigation infrastructure located in the Kvemo Kartli region that was commissioned in 2015. The installed capacity of the Debeda HPP is 3.2 MW. Until 2023, the Debeda HPP sells electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.5 per KWh during the period from September to April (inclusive).

Kasleti HPP. The Kasleti HPP was acquired by the Issuer in October 2019 as part of the Hydrolea acquisition and subsequently transferred to GGU in July 2020. The Kasleti HPP is a run-of-the-river plant located in the Svaneti region that was commissioned in 2018. The installed capacity of the Kasleti HPP is 8.1 MW. Until 2028, the Kasleti HPP sells electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.6 per KWh during the period from September to April (inclusive).

Akhmeta HPP. The Akhmeta HPP was acquired by the Issuer in October 2019 as part of the Hydrolea acquisition and subsequently transferred to GGU in July 2020. The Akhmeta HPP is built on irrigation infrastructure located in the Kakheti region that was commissioned in 2014. The installed capacity of the Akhmeta HPP is 9.1 MW. Until 2022, the Akhmeta HPP sells electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices of U.S.$ c 5.5 per KWh during the period from September to April (inclusive). Due to planned rehabilitation works, the Akhmeta HPP was taken offline in the first quarter of 2020. The power plant resumed operations in July 2020.

Qartli Wind Farm. In November 2019, the Issuer won a public auction held by Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire a 100% equity interest in the 20.7 MW six-turbine Qartli Wind Farm, an on-shore wind farm located in the Shida Kartli region, for U.S.$14.4 million. The wind farm was subsequently transferred to GGU in July 2020. Qartli Wind Farm is the only operational wind farm in Georgia and has been generating power since late 2016. The PPA between Qartli Wind Farm and ESCO sets the price at U.S.$ c 6.5 per KWh, runs to 2029 and covers 100% of the plant's output throughout the entire year. Pursuant to its PPA with ESCO, while Qartli Wind Farm is obliged to sell electricity to ESCO during the eight months from September to April (inclusive), it is permitted to select an offtaker and market the electricity it generates for the remainder of the year, subject to the restriction that, during the first 13 years of operation, electricity generated by Qartli Wind Farm must be sold exclusively to satisfy the internal Georgian demand.

Pipeline projects. The Group also has a pipeline of renewable energy projects which is expected to have a total installed capacity of 172 MW. The pipeline includes the Tbilisi and Kaspi wind farms and the Darchi and Zoti HPPs.

Education

In 2019, the Group acquired majority stakes in four leading schools with recognisable brand names in the growing private education business:

- BGA, in which it holds a 70% stake, and the BGA-founded British International School of Tbilisi ("**BIST**") are the leading schools in the premium segment of the market. The schools provide Georgian and Cambridge International Education programmes;

- Buckswood International School, in which it owns an 80% stake, falls within the mid-level segment; and

- Green School is a leading player in the affordable education segment. The Group owns an 80% stake in the school and a 90% stake in new schools that will be developed under the Green School brand.

The Group intends to increase the maximum capacity of existing learners in all four schools by expanding the existing campuses and adding new campuses in Tbilisi and the surrounding areas. The following table sets forth certain information regarding the Group's schools as at 31 December 2020:

	BGA and BIST	Buckswood	Green School
Segment	Premium	Mid-level	Affordable
Acquisition deal close date	23 July 2019	29 July 2019	22 August 2019

Stake	70%	80%	80% (90% in new schools under brand)
Current capacity of learners	800	760	1,250
Capacity utilisation	93%	90%	87%

There are currently approximately 60,000 learners in private schools in Georgia, representing 10% of the total school education market. Management expects that the private school market will almost 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 lower average annual spending per K-12 learner, which indicates room for further growth together with globally trending demand for private K-12 education. The education market in Georgia is currently very fragmented with increasing average school size and the number of schools having decreased by 8% over the last 7 years. Currently, the Group believes it is the largest player in the market, with 4.2% market share in terms of learners, while the second largest player has a market share of 2.2%. The Group estimates that only 3% of private schools have 1,000+ learners, while 63% of private schools have fewer than 250 learners. Private learners are consolidated in four cities with a population larger than 100,000: Tbilisi, Batumi, Kutaisi and Rustavi. The Group aims to create a diversified business model combining the premium, mid-level and affordable school segments. The Group aims to implement a partnership model across all schools with the Group holding majority stakes.

Other portfolio companies

The Group's other portfolio companies consist of its housing development, hospitality and commercial real estate, beverages, auto services 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 by Georgia Real Estate, previously known as m^2.

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 U.S.$54.5 million sales value in the three stages as at 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 on-going 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 U.S.$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 by Georgia Real Estate, previously known as m^2.

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 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 exported to 17 countries in 2020. The wine business owns three top class wineries across Kakheti's three wine-making regions and Management believes it 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 estimates that it has a market share of 7.1% in the Georgian wine export market, based on publicly available data of competitors.

The beer business produces beer and lemonade and holds a 10-year exclusive license from Heineken to produce and sell Heineken beer brands in Georgia. The Group estimates that its beer business had a 22.1% market share in 2020, based on publicly available data of competitors. 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 re-launched its brands and improved its product mix, which allowed the business to achieve break-even EBITDA in the second half of 2019 and positive EBITDA in 2020, as well as helped the Group to increase its share of the beer market. The Group also started to export its beer and lemonade brands to the international markets.

Auto Services

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

The Group commenced the construction of periodic technical inspection centres in the second half of 2018 and launched the periodic technical construction business in March 2019 under the name Greenway Georgia ("**GWG**"). As part of the E.U. Association Agreement, Georgia commenced the implementation of a mandatory vehicle inspection programme in several phases, starting from January 2018. In June 2018, GWG won three state tenders to launch and operate 51 PTI lines across Georgia with a 10-year accreditation. 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 in the opinion of Management a market share of 36%, based on publicly available data of competitors.

The Group 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 and with an approximate market share of 1%, which made it the second largest player on the market in the opinion of Management.

Digital services

In May 2019, the Group acquired a 60% stake in the digital services company, Redberry, a leading Georgian digital marketing agency.

Health, Safety and Environmental Matters

Health, safety and environmental issues are governed by a number of laws and guidelines that affect businesses operating in Georgia. Accordingly, the Group is required to comply with a number of health, safety and environmental requirements in each of the sectors in which it operates. In order to comply with these health, safety and environmental requirements, the Group has adopted a number of policies that are used throughout its facilities. See "*Industry*" for further details of the regulatory environment applicable to the Group's portfolio companies.

Intellectual property

The Group's operating subsidiaries operate under the trade names GHG, GGU, Aldagi, Georgia Real Estate and Georgia Beverages. The Group's listed portfolio company operates under the trade names Bank of Georgia. The majority of the Group's trademarks and logos have been registered.

IT systems

Each of the Group's portfolio companies operates its own IT systems, with separate management accounting systems at the parent company level.

Litigation and Other Proceedings

Other than as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of these Listing Particulars which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

Imedi L Litigation

On 16 April 2015, some of the former shareholders of Insurance Company Imedi L filed a claim in the Tbilisi City Court against Insurance Company Aldagi and GHG's subsidiaries, Insurance Company Imedi L and Evex Medical Corporation, all of which are legal successors of Insurance Company Aldagi BCI. Pursuant to a demerger agreement entered into in 2014, the business and assets and liabilities of Insurance Company Aldagi BCI were spun off into three entities: Insurance Company Imedi L acquired the medical and travel insurance (limited to cover for emergency medical treatment) business; Evex Medical Corporation acquired the healthcare services business, and Insurance Company Aldagi continues to operate the property and casualty and pension business. The claim alleges that the 66.0% stake owned by the claimants in the share capital of Insurance Company Imedi L were sold to Insurance Company Aldagi BCI in 2012 under duress at a price below market value, and the claim seeks damages in the amount of U.S.$17.1 million. The hearing was held in the Tbilisi Appellate Court, which ordered reconsideration of the case by the court of first instance, where the respondents initially prevailed. The resolution of the Appellate Court was appealed by both parties to the Supreme Court. The date of the Supreme Court hearing is not set as of the date of these Listing Particulars.

Management believes that the claim is without merit and that the shares in Insurance Company Imedi L were acquired by Insurance Company Aldagi BCI at a fair price on the basis of bona fide agreements. However, if the claim is eventually decided in favour of the claimants, the respondents would be required to pay to the claimants' damages in the amount as determined by the court. No reserves have been created for the Imedi L litigation.

INDUSTRY

Macroeconomic Overview

Unless otherwise noted, all macroeconomic data in this section has been sourced from Geostat.

Georgia is located in the South Caucasus at the crossroads of Western Asia and Eastern Europe, and is bordered to the south by Turkey and Armenia, to the west by the Black Sea, to the southeast by Azerbaijan and to the north by Russia. The population of Georgia was estimated at 3.7 million as of the date of these Listing Particulars, with Tbilisi accounting for slightly more than 30% of the population, or approximately 1.2 million people.

The following chart depicts Georgia's location in the region:

Georgia has been one of the fastest growing countries in Eastern Europe, with real GDP growth averaging 4.8% over the ten years to 2019 (i.e. excluding the impact of the COVID-19 pandemic). Georgia is considered an open market in which to do business. Since becoming a WTO member in 2000, growth-oriented reforms and ongoing economic liberalisation have transformed Georgia into a country that is ranked by the World Bank as one of the easiest places to do business. Georgia also benefits from low rates of bribery and corruption which are comparable to those of the Member States of the European Union, in contrast to the high rates experienced by other economies in the Caucasus region. In 2020, Georgia was ranked in 7th place in the World Bank's Ease of Doing Business survey and in 12th place in the Heritage Foundation's Economic Freedom Index. FDI has averaged 8.5% of GDP over the past ten years.

Georgia's medium-term growth is forecast to be among the highest in the region, despite the challenges brought by the COVID-19 crisis. The IMF expects the Georgia's real GDP to rebound by 4.3% in 2021, following a contraction of 6.1% in 2020, based on preliminary data. The average growth rate for 2022-2025 is forecasted at 5.6%, one of the highest projected growth rates in the region. Moreover, Georgia is expected to be less affected than other tourism-dependent countries. Based on World Bank and IMF data, out of countries with a ratio of tourism receipts to GDP of 20% or higher in 2018, Georgia had the lowest projected contraction rate for 2020. This estimate holds even though the recession was more severe in Georgia than initially forecasted due to a second partial lockdown imposed at the end of November. In addition, the Georgian labour market has been less severely affected in comparison with its peers. For example, in the second quarter of 2020, the unemployment rate increased by only 1 percentage point year-on-year to 18.3%, and fell to 17% in the third quarter of 2020.

Accumulated buffers and international support have also allowed the Government to launch significant measures to combat the COVID-19 pandemic. The Government has provided subsidies for utility bills, basic products and construction materials and loan restructuring has been offered for all businesses. VAT refunds and long-term funding arrangements, as well as additional funding to support businesses have also been offered. This has included a GEL 2 billion credit guarantee scheme. In terms of social support, the Government has offered an income tax waiver for low income citizens and tax deferrals for car importers. Social aid programmes have been introduced for low income families, disabled people, self-employed people and people who have lost their jobs during the pandemic. Pension indexation has applied since January 2021 and GEL 200 transfers have been made for all children below the age of 18. Support to the tourism sector has included loan co-financing, income tax deferrals and property tax exemptions. Support for the agricultural sector has included subsidies for intermediate products, fuels and irrigation; loan and insurance co-financing and direct grants for farmers. The construction industry has been supported through subsidies for mortgage interest payments, Government guarantees for mortgages and additional housing purchases for refugees. In total, economic support and business aid has amounted to GEL 2.1 billion, social aid has amounted to GEL 1.03 billion and anti-pandemic measures have amounted to GEL 0.35 billion. Several measures have been extended for up to six months into 2021, as a new support package was unveiled in November 2020 in parallel with a new wave of restrictions, worth an additional GEL 1.1 billion.

Furthermore, Georgia's low public debt has ensured a strong position to borrow to fight the COVID-19 pandemic (41% of GDP in 2019), with total public debt reaching approximately 59.9% of GDP in 2020. The fiscal deficit has widened to over 9% of GDP in 2020, and is expected by IMF to remain expansionary at 7.6% of GDP in 2021, in order to boost aggregate demand and mitigate the social costs of the pandemic. Consolidation will begin from 2022, as the deficit is intended to be brought under 3% and debt under 60% of GDP within three years in accordance with the fiscal rules specified in the Economic Liberty Act of Georgia.

Sound monetary policy has also played a role in fighting the COVID-19 pandemic. Measures introduced by the NBG have included a reduction in the monetary policy rate by 100 basis points in total to 8%. The NBG also introduced a U.S.$400 million currency swap facility for the financial sector to provide Lari liquidity. For SMEs, it introduced a new liquidity instrument and it also introduced a new swap instrument with the EBRD to secure reliable access to Lari liquidity. In the area of supervision, the NBG reduced the capital conservation buffer requirement for banks from 2.5% of RWAs to 0% and partially lifted Pillar 2 requirements. It also eased payment-to-income ("**PTI**") and LTV ratios requirements for banks which had initially been introduced in January 2019. A grace period was also introduced for loan repayments for a period of three months. Finally, on-site inspections were suspended and a moratorium on new supervisory requirements was announced. The NBG also approached the IMF, IFIs and other donor organisations for additional funding and introduced a new mechanism for foreign exchange interventions ensuring more competition in the foreign exchange market.

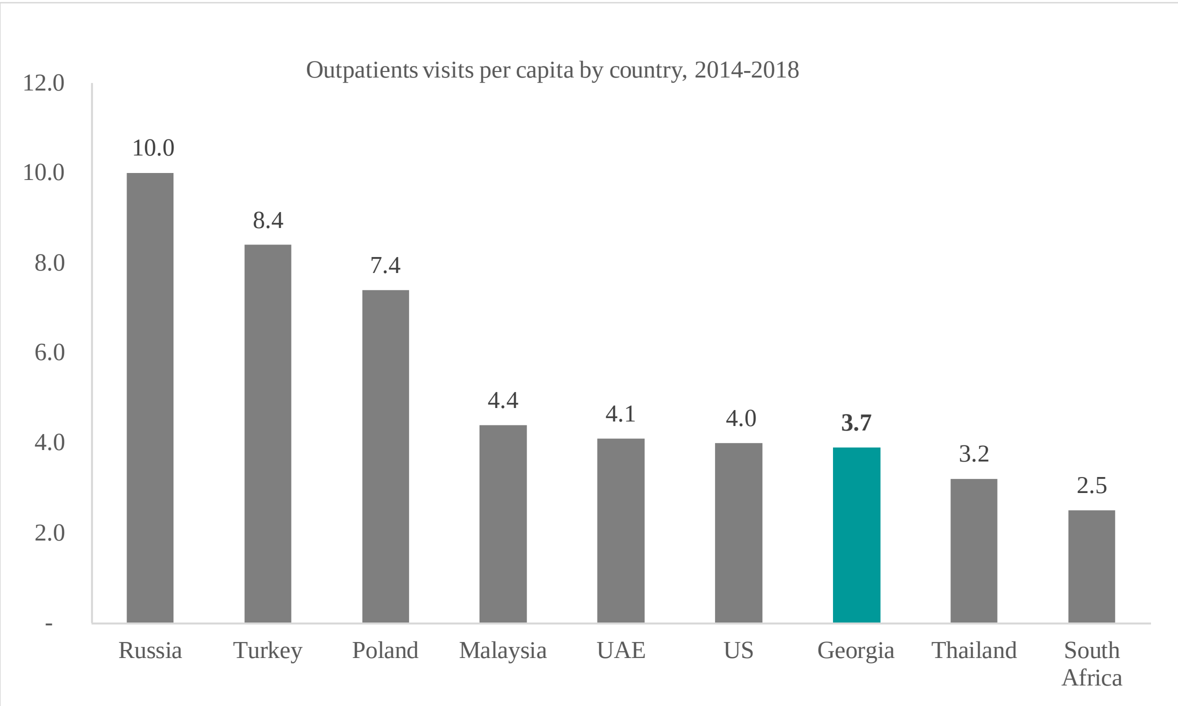
Accumulated buffers, sound policies and resilience to previous shocks create room for further Government support if needed. The NBG has already sold U.S.$953 million to provide liquidity in the foreign exchange market in the period from March to January, including U.S.$873 million in 2020. Inflation has decelerated towards the target by the end of the year, although supply side effects persist and are expected to keep inflation relatively high in 2021. Reserve assets reached a historic high of U.S.$4.1 billion at the end of January 2021 due to external financing. The Lari has also performed more favourably than other regional currencies, for example the Turkish Lira and the Russian Ruble. The current account balance has increased to a deficit of 12% of GDP as of 30 September 2020, but the shortfall in tourism revenues has been partially compensated by other components, such as record high growth in remittances and a U.S.$1 billion cut in the merchandise trade deficit. Remittances have been increasing at double digit rates on a monthly basis since June 2020, reaching a 20.2% growth in the second half of 2020. FDI reached U.S.$719 million in the nine months ended 30 September 2020, down by 24% year-on-year, with the fall due to completing the pipeline project, together with the COVID-19 shock. Notwithstanding the emergency external funding, FDI remains the largest source of financing the current account deficit.

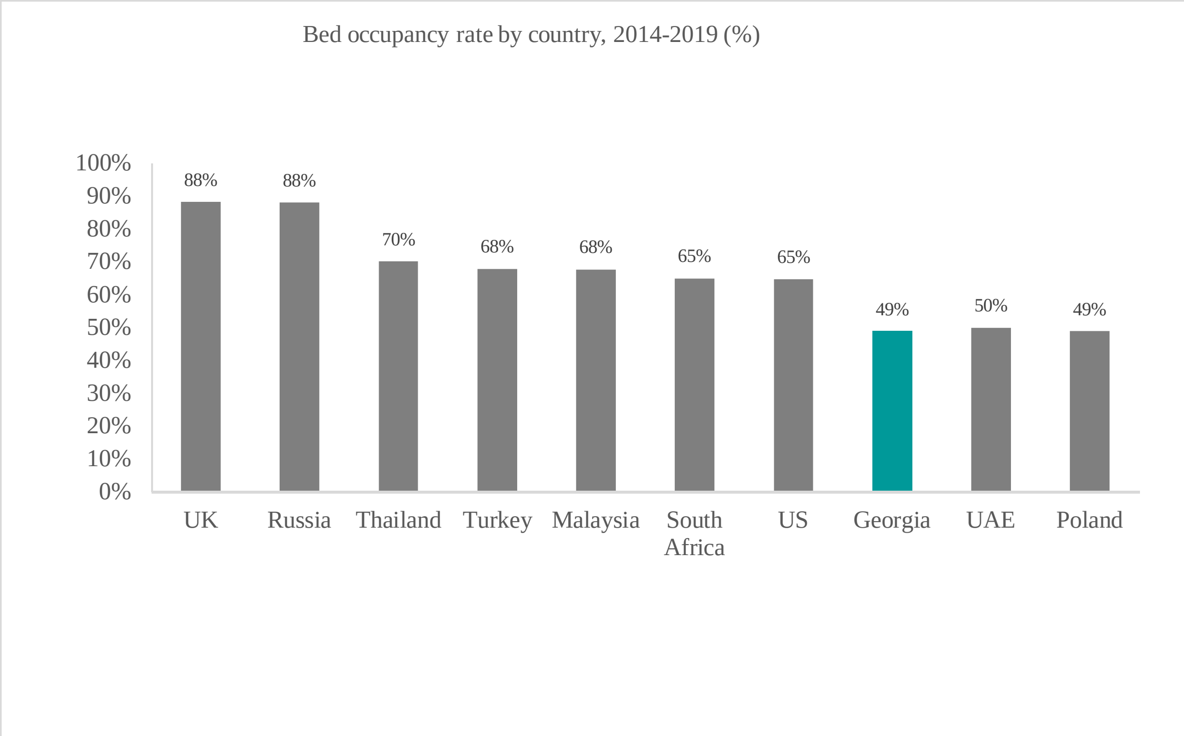
Healthcare Industry

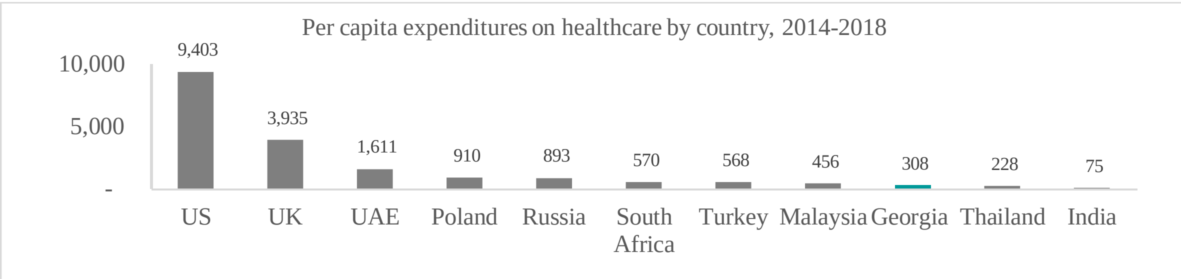
The Georgian healthcare industry has undergone a number of reforms and transformations during the last two decades. The Government has prioritised healthcare and ensured an influx of private investment. The key components of the national healthcare reform were privatisation on a large scale, infrastructure upgrade, sector liberalisation, introduction of the UHC and wider accessibility to healthcare services as the major outcome. Currently, over 75% of the total nationwide hospital bed capacity is new and only approximately 10% is attributable to the public sector.

According to Management estimates based on third party sources, total health expenditure in Georgia during the period 2000-2014 demonstrated one of the fastest growth dynamics among Georgia's peer group of countries (the United States, the United Kingdom, Poland, Turkey, Russia, the United Arab Emirates (the "**UAE**"), South Africa, Malaysia, Thailand and India), with a compound annual growth rate of 11.5%. In relative terms, expressed 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 further increases in healthcare spending since Georgia has one of the lowest per capita expenditures on healthcare among the benchmark countries. According to the NCDC's report in 2018, healthcare spending per capita is currently at a very low base of only U.S.$308, with annual outpatient encounters of 3.7 per capita. According to Galt & Taggart, the hospital bed utilisation rate was only 49% in 2019 in Georgia. All of these indicators are significantly lower than many comparable countries. Management believes that there are strong prospects for growth in healthcare expenditure, driven by both supply and demand. The following tables set forth these indicators for Georgia against the benchmark countries for the period indicated:







Universal Healthcare Programme

UHC, a Government-funded healthcare programme that provides basic healthcare coverage to the entire population, was introduced in March 2013. It eventually replaced the existing two State Insurance Programmes. UHC is an undertaking by the Government to reimburse healthcare providers directly for the delivery of treatment to patients. The programme is subject to certain limits and service coverage exclusions, beyond which the patients have to fund treatment on an out-of-pocket basis or rely on a private medical insurance coverage.

On 5 November 2019, the Government introduced changes to the UHC reimbursement mechanism, effective from 21 November 2019. The changes mainly cover the Tbilisi and Kutaisi regions, which have recently developed an oversupply of beds as a result of addition of a number of small hospitals in recent years. According to the new initiative, the Government has reduced certain tariffs on intensive care and cardiac services to equate them with the tariffs set for the rest of the regions.

Since the introduction of the UHC, its budget more than doubled from GEL 338 million in 2014 to GEL 829 million in 2019 and totals GEL 802 million in 2020, accounting for approximately 53% of total state healthcare expenditure. Elective inpatient services and emergency services constitute the major part of the UHC budget, while outpatient services have a limited coverage. The remainder of the state healthcare budget is allocated to vertical healthcare programmes, such as dialysis and cancer screening and managing COVID-19.

Notwithstanding a significant improvement in the bed occupancy rate, from 22% in 2008 to 49% in 2019, there is still potential for even higher efficiency in order to align Georgia with best practices (which Management considers to be 70%). The improved efficiency should mainly come from market consolidation. From 2015 to 2020, the number of beds in the market increased by 33% (from 10,948 to 14,585).The increase was mainly attributable to the Tbilisi market, where more than 1,800 beds were added in the same period. The Government is developing new legislative initiatives to define hospital types and introduce KPIs for service providers, although progress has been slower than initially anticipated. It is also expected to improve the quality of patient care since only the providers who have enough experience will cater to the population under the UHC. The recent change in UHC may also drive more rapid market consolidation in Tbilisi and Kutaisi, improving service efficiency and quality in the country.

The number of outpatient encounters per capita has increased over the past decade from 2.0 in 2009 to 3.7 in 2019, but remains low compared with the European Union with average encounters of 7.0 in 2019. The outpatient clinic segment remains highly fragmented (with none of GHG's competitors holding a share of the market of greater than 1% and the Group's own market share at approximately 3%) and underdeveloped in Georgia for several reasons. Historically, patients in Georgia have preferred hospitals that are associated with a better reputation and a higher quality of services. The widespread practice of self-treatment and low health awareness have also contributed to a lower number of outpatient visits as compared with developed countries. In the next few years, however, the trend may reverse since the Government increases its focus on this segment, increases administrative oversight on prescriptions and favour primary care, which is expected to provide a boost for the number of outpatient visits.

Pharmaceuticals market overview

The Georgian pharmaceuticals market is highly dependent on imports. The share of locally produced drugs on the market was approximately 12-13% in 2016 compared to only 5% in the early 2000s. There are over 90 importers of pharmaceuticals products in Georgia, but approximately 80% of all imports are attributable to three companies: GEPHA (approximately 34-35% of imports), PSP (approximately 27-28% of imports) and Aversi (approximately 17-18% of imports). Domestic production is represented by over 20 companies and is dominated by two players, with approximately 90% of Georgia'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 and the European Medicines Agency, as well as favourable regimes for setting up pharmacies (0% VAT on medicines, absence of customs duties and no price controls).

In 2016, per capita pharmaceuticals expenditure in Georgia was U.S.$107 (excluding para-pharmacy products), which puts Georgia in the middle among the peer group countries. According to Management estimates based on third party sources, generics accounted for 61% of total market revenues in 2016, which corresponds to the E.U. average (approximately 50%). The market opportunity for generics is still considerable. In leading economies such as Germany and the United Kingdom, generics hold a dominant share of more than 80% (in the reimbursed segment).

The over the counter ("**OTC**") segment in Georgia was dominant 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. A new regulatory priority for MOH is to increase administrative oversight over prescriptions through prioritising the receipt of the data electronically on its online platform.

Medical insurance market overview

Over the past decade, the private medical insurance market has expanded significantly. In 2006, only 40,000 Georgian citizens (approximately 1% of the total population) had a voluntary medical insurance package, typically provided as part of a corporate benefits programme. There were approximately 609,000 private health insurance ("**PHI**") policies in force by 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 remainder (approximately 35,900) are purchased by self-paying individuals. In Georgia, private health insurance is primarily intended to provide value-added services in the form of more extensive coverage or more convenience for the patient.

Diagnostics market overview

The laboratory and diagnostic services market in Georgia is also highly fragmented. Along with large market players, such as Synevo Medical Laboratory, Cito Medical Centre and European Limbach Diagnostic Group, there are multiple smaller service providers.

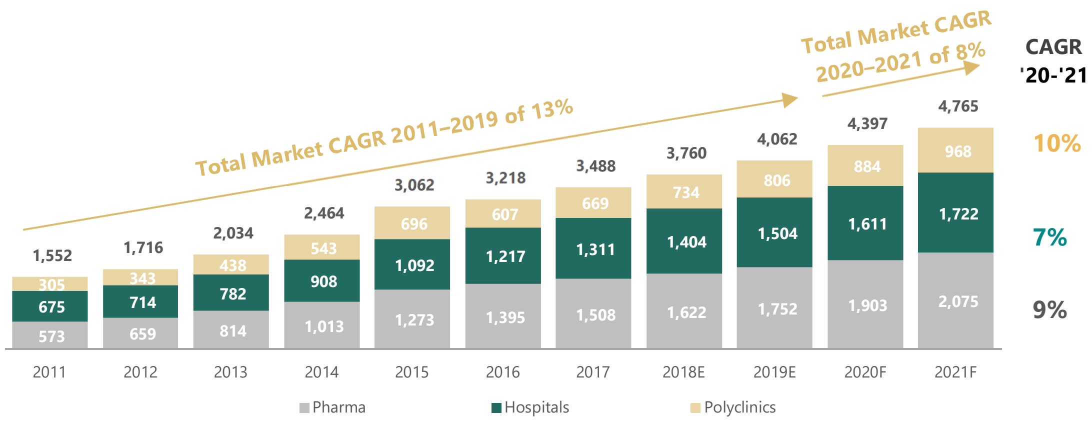
Moreover, almost every polyclinic (outpatient clinic) and referral hospital runs its own lab facility. Despite such an abundance of labs, the Georgian healthcare system, before the opening of MegaLab, suffered from a limited provision or outright shortage of certain laboratory services: there were no dedicated high-quality pathology laboratories in the country, the samples for complex lab tests, such as oncology and molecular lab genetics, were and some are still sent abroad, and there are only a few providers of morphological or bacteriological tests.

MegaLab, the largest diagnostics laboratory not only in Georgia but in the entire Caucasus region, is the first laboratory offering a full set of clinical and pathology tests, some of which are being introduced in the region for the first time.

Healthcare market revenue structure

Healthcare service providers (both state and private) generate revenue from out-of-pocket payments (including fee-for-service and the UHC co-payments), transfers from state healthcare programmes and payments from private medical insurance companies. Pharmaceuticals companies' revenue generation is primarily driven by out-of-pocket retail revenue of the pharmacies, together with wholesale revenues from hospitals, insurance companies and the state. Medical insurance companies depend on revenues from medical insurance policies purchased by employers for their employees and by individuals for their own use. Out of pocket expenditure on healthcare in Georgia still exceeds public financing and private insurance. The share of private expenditure in total healthcare expenditure in Georgia was 60% (out of pocket was 55%) in 2017, the share of Government expenditure was 38% and the remaining 2% came from other sources.

The following chart depicts the evolution of healthcare spending in Georgia for the periods indicated, according to Management estimates based on third party sources:



Outlook and main growth drivers

According to the forecasts by Management estimates based on third party sources, the total healthcare market in Georgia is expected to grow at 8% in 2021. The market is estimated at approximately GEL 4.4 billion in 2020 and forecasted to reach GEL 4.8 billion by 2021. The outpatient clinic segment is forecasted to outpace the total market and grow at 10% in the same period. The main growth drivers are as follows:

Population income growth and rising health awareness

Economic growth in Georgia is expected to outperform most of the developed and CIS countries. While Georgia's real GDP contracted by 6.1% in 2020 due to the COVID-19 impact based on preliminary data, IMF expects the economy to rebound by 4.3% in 2021, with a growth rate for the period 2022 to 2025 forecasted at 5.6%. These are among the highest projected growth rates in the region. Rising population incomes and awareness supported by Government efforts to develop preventive medicine are expected create growth opportunities for the polyclinic segment.

Filling the service gaps - growth of private investment in technology and equipment

While Georgia has achieved remarkable success in certain fields of healthcare, some areas remain underdeveloped and there are a number of service gaps in the country. Many laboratory tests are still performed abroad.

There are two PET/CT scanners in Georgia, while at least four are required to comply with WHO recommendations. There are also shortages of the following equipment: laparoscopic instruments, equipment for interventional endoscopy, including endoscopic retrograde cholangiopancreatography, microwave tissue ablation systems, arthroscopes, choledocoscopes, muscle reinnervation systems, intraoperative ultrasound probes, vacuum machines, Flowtron mechanical compression units, pH metre units, and intraoperative neurophysiology and navigation systems in neurosurgery. Private investment in high-technology equipment should strengthen local capabilities, increase the number of procedures and improve the quality of care.

Growth in the number of outpatient visits

Georgia lags behind most of the developed countries in terms of the number of outpatient visits per capita. This is partially explained by cultural differences (practices of self-treatment, and distrust of outpatient service providers). However, with growing private investment in this segment, expected market consolidation and Government support, the market will see growth in outpatient visits, which will positively impact GHG's polyclinics' revenues.

Growth in hospitalisation rates

Georgia is experiencing significant growth in the hospitalisation rate, which is likely to depend on market consolidation, the pace of introduction of new technologies and development of local skills.

Supportive Government healthcare policies

Since its introduction in March 2013, the UHC has made basic healthcare available to the entire population and is expected to maintain increase in demand for medical care, particularly hospital services. The Government budget on healthcare is expected to grow. For 2020, the total healthcare budget increased by 30% compared to 2019, mainly due to the COVID-19 pandemic.

Growing awareness of the benefits of health insurance among the Georgian population

Growing awareness of the benefits of health insurance may lead to a greater demand for private medical insurance from employers and self-paying customers who seek better quality services, quicker treatment or more advanced procedures than those covered within the UHC framework. However, the new Government initiative introduced in 2017 – excluding individuals with annual income of over GEL 40,000 (approximately 32,000 people) from the UHC coverage and granting only a limited UHC coverage to middle income citizens, i.e. those with an income of over GEL 1,000 per month but under GEL 40,000 per year (approximately 400,000 people) – is intended to make the UHC spending more efficient and may potentially expand the private medical insurance market.

Strong growth in healthcare expenditure

On a per capita basis, healthcare spending remains low compared with certain emerging market peers (such as Malaysia and the UAE) pointing to further growth potential. At the same time, economic growth and rising disposable incomes of Georgian citizens, including those living outside the capital city, should also lead to higher spending on pharma and healthcare services, particularly considering the potential increase in the number of corporate medical insurance plans for employees.

Demographics

Georgia has an ageing population, with an increasing proportion of its citizens aged over 60 (as per the latest UN Population Division data, the share of people aged 60+ in Georgia will increase to 24% by 2025 from 20% in 2015), who will require more frequent, better and prolonged treatments. Increasing incidence of certain lifestyle-related diseases (hypertension, ischemic heart diseases, cerebrovascular diseases, and diabetes) will also boost demand for medical care and medicines. In addition, healthy fertility rates will drive demand for obstetric and childcare services.

Development of medical tourism in the medium to long term

Improving facilities and standards have the potential to develop health tourism by attracting the citizens of the neighbouring countries and, conversely, retaining the Georgians currently seeking treatment overseas in the long run. The country is also highly price competitive compared with other medical tourism destinations and possesses unique natural resources (climate, mineral waters). The number of tourists in Georgia reached a record high of 5.1 million in 2019, an increase of 7% over the previous year. Some potentially attractive segments for medical tourism may be IVF, plastic surgery, ophthalmology, transplantology, orthopaedics and oncology.

Healthcare Business

The healthcare sector in Georgia is subject to numerous regulations, including regulations on the establishment and operation of private healthcare facilities, certification of medical personnel and storage of personal data.

Key Regulatory Authorities

The MOH is the main body overseeing the healthcare system of Georgia and is responsible for the development of regulation, supervision, and implementation of healthcare programmes and policies.

The Medical Regulation Agency issues licences for medical activities and permits for healthcare facilities. It is responsible for certifying medical professionals in medical specialties. The Medical Regulation Agency also investigates patient complaints related to the quality of medical products and services.

The Social Service Agency is responsible for the implementation of a wide range of social programs (UHC and other vertical state programs), including in the areas of healthcare and social welfare.

The NCDC is a government entity whose primary functions include the provision of public healthcare programmes, the supervision and implementation of measures for the prevention of infectious diseases, medical statistics and the management of scientific research grants. The NCDC is obliged to be prepared at all times for the implementation of emergency measures in the event of epidemics.

Licensing of Healthcare Facilities

The Law of Georgia on Licences and Permits and other regulations set out procedures for obtaining and maintaining licenses and permits to operate healthcare facilities. A licence is required for certain medical activities such as emergency medical services, forensic medical examinations, forensic psychiatric examinations, and post-mortem examinations. The licences are issued to and are only valid for the named licensees and cannot be transferred to another legal entity or person.

A permit must be obtained to operate a hospital. No permit is required to operate an ambulatory clinic, unless it provides "high risk" medical activity/service (such as dental services, surgery, gynaecology, ER, venereology, medical radiology, dialysis, infectious disease related services and endoscopy), in which case the operator must notify the Medical Regulation Agency. The permit is issued for a particular facility and remains valid notwithstanding a change in the owner or operator of that facility.

Healthcare facilities are subject to both, periodic and random inspections by the Medical Regulation Agency to ensure their continued compliance with the terms of the relevant license or permit.

Certification of Medical Practitioners

Physicians must hold a medical (practicing) certificate. Nurses must hold a nursing or medical diploma. Physicians usually have general or special certification. Physicians may be certified in one major and/or in one or more sub-specialties.

Certified physicians who committed malpractice will generally have their certificates revoked or temporarily suspended. The Professional Development Council under the MOH is empowered to grant and revoke medical certificates.

Registration of Medical and Pharmaceutical Products

Subject to certain exceptions, pharmaceutical products may only be manufactured, imported, marketed, sold and/or advertised on the territory of Georgia if they have been admitted onto the Georgian market in accordance with the Law of Georgia on Drugs and Pharmaceutical Activity, through registration with the Georgian registry of pharmaceutical products maintained by the Medical Regulation Agency.

Advertising of Pharmaceutical Products

Georgian legislation regulates advertising of medical and pharmaceutical products. The laws of Georgia prohibit advertising of any prescription pharmaceuticals. Advertising of over-the-counter pharmaceuticals requires prior approval of the advertising text by the Medical Regulation Agency. All advertisements (including TV, newspapers or verbal communication) of the over-the-counter pharmaceutical products must contain the relevant warnings.

Confidentiality

Under the Law on the Protection of Personal Data, personal data includes any personal information sufficient to enable the identification of an individual, such as a person's name, address, telephone number or other information that, either alone or in combination with other publicly available information, reveals the individual's identity. Furthermore, health related data is considered as highly sensitive data and is subject to even stricter regulations and confidentiality restrictions. Unless otherwise provided by the law, personal data must be kept confidential and may not be processed without the consent of the person to whom such personal data relates.

In addition, under the Law of Georgia on Healthcare, information on requests for medical assistance, individual's health, diagnoses and any other information received in the course of medical examination or treatment is subject to medical confidentiality. Medical information must be kept confidential at all times, even after patient's death, and may be disclosed only with the consent of an interested person or in the limited circumstances provided by the law.

Environmental Considerations

The healthcare sector is subject to laws, regulations and other legal requirements relating to the protection of the environment, specifically to the management and disposal of hazardous substances and medical waste.

Water Utility

When the Soviet Union collapsed and Georgia gained independence in 1991, the quality of its water supply and wastewater treatment infrastructure was relatively low, with rationed and interrupted supply, frequent disruptions and poor drinking water quality. In the years following independence, the sector continued to suffer from a lack of investment, resulting in further deterioration of service quality. After the Rose Revolution in 2003, the new Government focused on improving these services.

One of the initiatives undertaken by the Government in this area was the privatisation of water companies, including Tbilisi Water Supply Company. In May 2008, GWP, together with Rustavi Water, Mtskheta Water (which was merged into GWP in November 2020) and Gardabani Sewage Treatment Plant, was sold to Multiplex Energy Limited, a British Virgin Islands company limited by shares, which was subsequently renamed Georgian Global Utilities Limited. In May 2008, Georgian Global Utilities Limited took over responsibility for water supply and wastewater treatment services in Tbilisi and the adjacent cities of Rustavi and Mtskheta. Georgian Global Utilities Limited was subject to certain privatisation obligations in connection with its acquisition of the companies referred to above. In 2018, it completed the performance of all such privatisation obligations, which included, among others, the rehabilitation and modernisation of the Gardabani Sewage Treatment Plant and carrying out post-privatisation investments of not less than U.S.$220 million in aggregate. In April 2019, Georgian Global Utilities Limited formally exited from its privatisation agreement with the Government and obtained unencumbered title over its water utility business and assets. In March 2020, as part of the deoffshorisation/redomiciliation process, Georgian Global Utilities Limited was dissolved and replaced by GGU, recently incorporated Georgian holding company of the Group's water utility business and operational renewable energy assets.

The other regions of Georgia were consolidated into three authorities: East Georgia, West Georgia and Adjara. In 2010, further consolidation followed and East and West Georgia were merged into one regional authority, the United Water Supply Company of Georgia. Adjara Tskali and the Batumi Water Company continue to serve the autonomous republic of Adjara. Management believes GGU's water utility business is the largest private water utility company in Georgia, providing water supply and sanitation services to approximately 37% of its population, with the remainder being mostly supplied by state-owned companies. Of the five largest cities, which account for 46.8% of the Georgian population, two (Tbilisi and Rustavi) are fully serviced by GGU's water utility business. Providers of water supply and sanitation services are regulated by the GNERC. Both water supply and sanitation services are subject to price control policies. There are three tariff levels for the two components of water supply and sanitation: water supply and waste water services. Household customers and commercial/industrial customers pay different rates. In addition, household customers' tariffs vary based on whether they are metered or pay on a per capita basis.

Lost water remains the main challenge in the water supply and sanitation sector as a majority of the assets are amortised and require continuous rehabilitation and investment to achieve efficiency. In 2019, 791 million cubic metres of water was extracted for the purpose of providing the customers with drinking water, out of which approximately 68% was lost during the water extraction process. The remaining 32% was provided to customers. The main reason for leakages is the poor condition of infrastructure, which results in a water loss rate that is significantly higher than the average rate in developed countries.

For details of the regulatory regime applicable to the water utility, see *"—Renewable Energy—Regulation"* below.

Renewable Energy

Demand for electricity in Georgia has been growing faster than supply in recent years, which has resulted in a deficit in generation. Increased demand for electricity has been satisfied by imports, which have tripled since 2016 and continued to grow gradually between 2017 and 2020, resulting in Georgia gradually becoming a net electricity importer.

Despite the overall trend, domestic consumption of electricity increased by only 1.4% to reach 12.8 TWh in 2019 and decreased by 4.8% in 2020 to 12.2 TWh. In 2020, this was due to lockdown and related decreased economic activity due to the COVID-19 pandemic. In 2019, this was due to the slowdown in growth due in part to the decrease in residential cryptocurrency mining, which was in turn caused by lower profitability of the cryptocurrency mining business due to global growth in supply of large data centres. Due to the COVID-19 related consumption decrease, electricity imports and thermal generation decreased slightly by 1.0% and 0.7% in 2020, respectively. In 2020, 45.1% of electricity was imported from Azerbaijan, 35.4% was imported from Russia and remaining 19.4% – from Turkey. In 2020 and 2019, the share of hydro generation in the total supply was 64.6% and 66.3%, respectively.

The following table sets forth certain information regarding Georgia's electricity market for the years ended 31 December 2020, 2019 and 2018:

	Year ended 31 December		
	2020	2019	2018
		(GWh)	
Domestic consumption	12,137	12,759	12,577
Abkhazian region	2,552	2,060	1,922
Direct consumers	2,438	2,864	1,794
Distribution companies	7,146	7,835	8,862
Domestic generation	11,160	11,865	12,149
Hydro power plants (HPPs)	8,248	8,940	9,949
Thermal power plants (TPPs)	2,821	2,840	2,115
Wind power plants (WPPs)	91	85	84
Imports	1,610	1,627	1,509
Exports	154	243	589
Trade balance	(1,456)	(1,383)	(920)

Source: ESCO.

Going forward, Management expects demand for electricity to continue to increase following the abatement of the impact of the COVID-19 pandemic. It expects this growth to be driven by high GDP growth, which is strongly correlated with electricity demand. Increasing penetration of domestic appliances, as well as a rapidly growing tourism industry are also expected to contribute to demand for electricity. The number of international tourists to Georgia almost tripled since 2011 and increased by 17% in 2018, although tourism has dropped significantly in 2020 due to the COVID-19 related travel restrictions. Tourism revenues in Georgia fell 83% in 2020, as international travel was severely curtailed. In addition, the penetration level of domestic appliances is relatively low in Georgia compared to its peer countries. Penetration levels are expected to grow as a result of GDP growth, declining prices for appliances and decreasing average household size, resulting in growth in demand for electricity.

Based on the MoESD's approved annual forecasted balance of electricity dated 15 December 2020, 65.6% of total demand for electricity in 2021 will be met by hydro generation, 24.3% by thermal generation, 0.7% by wind generation and 9.4% by imports.

The balancing electricity price in Georgia was U.S.$ c 5.0/KWh in 2020, which represented a 4.2% increase compared to 2019. The increase was mostly driven by decreased generation from cheap electricity sources. In 2020, 24.1% of total electricity supplied to the grid was traded through ESCO, as the market operator, with the remainder having been traded through bilateral contracts.

In Turkey, a key export market for electricity, the average price was U.S.$ c 4.1/KWh in 2020, which represented a 13.9% decrease compared to 2019. In May and June 2020, the main export months for Georgia, average electricity prices in Turkey were U.S.$ c 3.0/KWh and U.S.$ c 4.3/KWh (which represented a 11.0% decrease compared to May 2019 and 5.6% increase compared to June 2019), respectively. Overall, in 2020 electricity exports decreased due to unfavourable hydrological conditions in Georgia, as well as decreased electricity demand in neighbouring countries.

The following table sets forth electricity prices for Georgia and Turkey for the years ended 31 December 2020, 2019 and 2018:

	Year ended 31 December		
	2020	2019	2018
		(U.S.$ c/KWh)	
Balancing electricity price in Georgia	5.0	4.8	5.0
Average price of electricity imports in Georgia	4.0	4.8	5.0
Average price of electricity exports from Georgia	3.8	3.2	3.4

Market clearing price in Turkey..	4.1	4.7	4.8

Source: ESCO, Geostat, NBG, EPIAS.

Energy Generation and Water Supply Regulation

Regulators

GNERC is an independent regulatory body and is not subject to direct supervision from any state authority. GNERC's independence is guaranteed by a legally mandated, self-sufficient revenue stream, funded predominantly by regulatory fees paid by all energy and water utility market participants, which are currently calculated based on a 0.002 coefficient multiplied by total revenue of each regulated entity. This independence is a fundamental requirement for synchronisation with the E.U. energy market and is in line with best practices of energy market regulation.

GNERC has the authority to issue licences for the companies of electricity, natural gas and water supply sectors and to supervise such licensees. GNERC regulates, monitors and controls sales tariffs, service quality, coverage areas and key performance indicators of market participants. GNERC's main goal is to keep a balance between service provider companies and customers in order to maintain the financial sustainability of regulated companies, and at the same time ensure that products and services are affordable to customers. The key regulatory objectives of GNERC include increased transparency and trust among regulated companies and customers, harmonisation of Georgian laws and regulations with the E.U. norms, the enforcement of key performance indicators to measure service quality and the development of new regulations, including in relation to alignment with E.U. standards.

Other regulatory bodies that oversee different aspects of GGU's operations include the MRDI, the MEPA, the MoESD and the NFA. MEPA oversees environmental safety and sustainability aspects of GGU's business. MoESD oversees license-related aspects of the recovery of underground water. MRDI and the Tbilisi Municipality are responsible for channelling the funds and planning infrastructure development. The NFA is authorised to ensure standards of drinking water quality.

Price control

In August 2017, GNERC adopted a new pricing methodology applicable to regulated utilities. The methodology is a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at allowing for a fair return on invested capital and operating expenses utilities must incur for their continued operations. Under the model, in relation to its water supply and sanitation business, GGU's water utility business applies a WACC to its net book value, which represents its RAB, essentially comprising the historical book value of its existing assets plus capital expenditures it has made. RAB is then multiplied by regulated WACC, providing return on assets, to which depreciation and operating expenses are added in order to reach allowed revenue (taking into account any corrections from the previous regulatory period). All calculations are in accordance with GNERC's methodology, which differs from water utility business's IFRS financial statements. The methodology sets tariffs for three-year regulatory periods. The first regulatory period for which this methodology applied ran from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period for water supply sectors was 15.99%. The WACC for the current regulatory period running from 1 January 2021 to 31 December 2023 is set at 14.98%. The WACC applicable to the electricity generation sector was set at 15.39% for the regulatory period from 2021 to 2025 and was set at 16.40% for the previous regulatory period from 2018 to 2020).

On 4 January 2021, GGU announced that GNERC had approved new tariffs for GGU's water utility business for the second regulatory period of 2021-2023. The GWP's tariffs were increased compared to the previous regulatory period of 2018-2020 from GEL 0.33 to GEL 0.5 (per cubic meter) for metered residential customers, from GEL 3.89 to GEL 4.5 (per capita) for unmetered residential customers, and from GEL 4.4 to GEL 6.5 (per cubic meter) for business customers. The tariff increase translates into annual growth of approximately 38% in allowed water revenues of GWP in the three-year regulatory period effective from 1 January 2021, compared to the previous regulatory period (corresponding to approximately 36.3% increase in allowed water revenues for GGU's entire water utility business).

After approving this methodology, GNERC developed supplementary regulations setting forth rules and procedures for all components included in tariffs. It introduced regulatory audit rules that set forth step-by-step procedures for tariff calculations, including guidance regarding eligible and ineligible operating expenses for the purposes of the above calculation. It also introduced investment valuation rules which set out investment plan agreements and appraisal processes and set rules for eligibility of investments for tariff purposes. Finally, its service quality rules set minimum standards for service quality that utility companies must provide. See *"—Service Quality Rules"* below. The new pricing methodology and supplementary regulations adopted by GNERC have increased clarity and transparency regarding tariff setting and returns on investment.

On 2 July 2020, the Government adopted rules for supporting generation and the utilisation of power generated from renewable energy sources. According to the relevant decree, every investor developing a plant with more than 5 MW installed capacity is authorized to use the support mechanism, which includes (a) the support period; and (b) premium tariff. The mechanism does not replace already signed PPAs and will be applicable only for new renewable energy projects. The support period can last for 10 years from the moment of issuing the generation license (if required) or commencing the commercial operation and will apply over an 8-month period (covering January, February, March, April, September, October, November and December) each year. As regards the premium tariff, this amounts to U.S.$0.015 per 1 KWh. Such premium tariff is payable as a surplus on the wholesale (equilibrium) price recorded for the relevant hour in the organised electricity market only if, over the course of the support period, the wholesale (equilibrium) price for 1 KWh of electricity generated by the plant during the support period and sold in the organised electricity market is less than U.S.$0.055. However, if the difference between the wholesale (equilibrium) price recorded for the relevant hour in the organised electricity market, and U.S.$0.055 is less than U.S.$0.015, then the premium tariff shall amount to such difference. The premium tariff is payable in Lari, according to the exchange rate determined by the NBG as of the date of the relevant invoice. The support mechanism shall be implemented by ESCO. Once the WPSO is determined, as provided under the new Energy Law, the support mechanism will be implemented by such WPSO. It is noteworthy that the Government is authorised to elaborate different support mechanisms, depending on the specificities and significance of any specific project.

ESCO

Historically, the Government provided effective incentives to investments in the energy sector via PPAs that the state-owned market operator, ESCO, granted to new HPP operators. These PPAs typically entailed a fixed contract for a specified period for the purchase of electricity during eight months in autumn, winter and early spring from newly constructed HPPs for a fixed price. This policy provided a stable and predictable cash flow for new projects (the prices set by PPAs mostly varied between U.S.$ c 5.0 to U.S.$ c 6.5 per KWh).

The main function of ESCO is the purchase and sale of balancing electricity (capacity) (including medium- and long-term agreements for imports and exports). ESCO has exclusive rights to execute import and export agreements in emergency situations.

Moreover, ESCO defines volumes of balancing electricity, settles with eligible parties for balancing electricity purchased or sold in a given month and sets the balancing electricity price for each month. This balancing electricity price is regarded as the benchmark price on the free market, and trading on the free market often takes place at a specified discount to ESCO's balancing price, usually within the range of 3% to 10%.

From 1 May 2018, customers consuming at least 15 GWh per month were required to register as direct customers. As of 1 May 2019, this requirement became applicable to customers with consumption of at least 5 GWh per month. The intent of this change was to move large industrial customers to the free market while maintaining subsidised electricity prices for residential customers. Following this change, large industrial customers will be required to buy electricity from generation units, traders and importers directly rather than from distribution companies.

From July 2018, the newly established PPP agency addresses investors' requests for PPAs on behalf of the Government and in accordance with regulations and procedures established under the new Law of Georgia on Public and Private Partnership. The PPP agency conducts a cost/benefit analysis and concludes whether the project requires any support from the Government and decides on the support mechanism. In December 2019, the Georgian Parliament adopted the Energy Law, which replaced the Law of Georgia on Electricity and Natural Gas adopted in June 1997. The Energy Law is aimed to reshape the Georgian energy market with the primary objective of achieving harmonisation with the E.U. rules. As part of these amendments, on 16 April 2020, the Government approved the Concept of Electricity Market Model. According to the Concept of Electricity Market Model, the wholesale electricity market will consist of the bilateral electricity market, the day ahead market, the intra-day market and the market for balancing and ancillary services. The key players in the wholesale market are the exchange market operator, generation units, traders, suppliers and transmission system operator. The exchange market operator will operate day ahead, intra-day and bilateral electricity (forward) markets, register exchange market participants and ensure transparent, accessible and trustworthy payment system. There is a separate operator for the balancing market, which will, among other things, define market products and calculate non-balancing prices.

The concept paper also sets additional preconditions for public service obligations, which can be imposed on, among others, generation licence holders. Such obligations should be temporary in nature and can be imposed only after proper consultations with the Government, GNERC, the Energy Community Secretariat and other competent bodies. In case of generation licence holders, a public service obligation can be imposed in the form of a contract for differences (where tariffs are set by GNERC) in accordance with which (a) in case of a positive difference, the generation unit pays the wholesale public service organisation; and (b) in the case of negative difference, the wholesale public service organisation pays the generation unit.

ESCO continues to operate in its current form until 1 July 2021 and registers wholesale market participants, conducts balance electricity and guaranteed capacity trading, as well as other functions currently provided under the law. After 1 July 2021, ESCO will becomes a wholesale public service WPSO and most importantly, will ensure compliance with the guaranteed PPAs executed prior to the enactment of the new Energy Law.

This energy market model may greatly increase volatility in energy prices, especially in summer months where the support mechanism will not be applicable and the prices will be formed based on market supply and demand. In case the electricity supply exceeds demand on the free electricity market, this could negatively affect electricity wholesale price and absent of any alternative markets, could result in decreasing the Group's revenues.

Normative losses

GNERC defines "normative loss" as the permissible loss of potable water or electricity, as the case may be. Losses are calculated in accordance with specially prescribed rules. Normative losses are determined for each utility company separately. A new methodology for calculating normative losses of potable water was adopted by GNERC in December 2017. This methodology distinguishes between production losses, technical losses and losses caused as a result of excessive consumption. When calculating normative losses, the aim is for utility companies to be compensated for any loss suffered. The distinction between types of losses and the relative weighting in compensation levels is intended to trigger incentive mechanisms available for utility companies to reduce amount of non-revenue generating water in the network.

Service Quality Rules

In July 2016, GNERC adopted commercial service quality rules containing service quality standards applicable to all utility companies. These rules were subsequently replaced with revised service quality rules adopted by GNERC in December 2018 and effective from 1 July 2019. The rules are intended to incentivise improvements in overall service quality among utility companies and include standards in relation to the response time for customer complaints, new customer registration requests and phone calls. The rules also require that subscribers are informed about planned supply interruptions through "out of service" notifications via email and/or text (sms) messages. The rules contain a clear framework for handling unplanned service interruptions and new customer connections. Planned interruptions in the case of simple maintenance works shall not exceed 6 hours. For complex maintenance works, the permissible duration of interruption of water supply services is dependent on the number of impacted subscribers and may last from 12 to 48 hours. Information on all interruptions shall be kept in physical as well as electronic form for the duration of three years thereafter. Service standards are divided into two types: (i) general standards; and (ii) guaranteed standards. Certain standards came into force in 2016, while others came into force in 2017, 2019 and 2020. In the event the general standards are breached, GNERC applies certain incentives or fines.

General standards are annual targets and relate to the service of customers as a whole. These standards, among others, include the aforementioned requirements on informing customers of service interruptions, restoring supply to customers whose service is disrupted and the time permitted to answering calls and responding to customer complaints. In relation to breaches of the general standards, each 1% increase/decrease in set milestones shall cause an increase/decrease in the regulatory cost base of 0.01% for the purposes of calculation of the applicable tariff.

Guaranteed standards apply to the service of specific customers. These standards relate, among others, to restoring water supply to customers that were disconnected due to non-payment for services, providing responses to customer applications, inspecting meters at the request of customers, connecting new customers and inspecting the technical quality of supply at the request of a customer. In relation to breaches of the guaranteed standards, the service provider is required to pay compensation to the affected customers for each breach (GEL 5 for individuals and GEL 10 for business customers). Such compensation shall be reflected as credit on the bill of the relevant customer within 10 calendar days of the breach.

In addition, the commercial service quality rules provide for an electronic journal, which is a CRM software tool that must be installed and maintained by all utility companies providing services to customers. All applications (whether in electronic or in written form) of customers and actions taken by service providers must be immediately uploaded to the electronic journal. This requirement has been in force since 1 July 2017.

Since October 2018, GNERC implements mystery customer researches from time to time in order to evaluate utility companies' compliance with the service quality rules, including compliance with certain standards described above. As a result of researches, GNERC identifies noncompliance and requires the regulated companies to provide the action plans for their remedies.

Property and Casualty Insurance Industry (P&C)

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 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 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.

Regulation

The Group's property and casualty insurance business is subject to the general regulatory framework that applies to all other insurance companies in Georgia.

The ISSSG is the state regulator authorised to supervise and regulate insurance companies in Georgia. The ISSSG is responsible for issuing insurance licences and supervising the compliance of licenced operators with the applicable regulatory requirements. The ISSSG operates as a legal entity of public law and is accountable to the Government. The ISSSG is entitled to revoke the insurance licence of any insurance provider on grounds specified by the Law of Georgia on Insurance (the "**Insurance Law**") adopted in May 1997, including on the ground of insolvency of the insurance provider.

The ISSSG requires insurance companies to comply with the following forms of regulation:

- capital adequacy requirements;
- reporting, transparency and accountability;
- "fit and proper" criteria for senior management and significant shareholders (direct and indirect holders of 10% or more of the capital);

- minimum requirements for certain types of insurance contracts (such as non-state pension insurance); and

- principles of dispute resolution with consumers.

Insurance companies must obtain a licence from the ISSSG to carry out insurance activities in Georgia. Three types of licences are available to insurance providers:

- life insurance licences, to provide pension insurance and life assurance (both contributory and refundable);

- non-life insurance licences, to provide all other types of insurance, including medical insurance; and

- reinsurance licences, which are mandatory for providers of reinsurance activities.

Reserve Requirements

Under implementing legislation adopted by the ISSSG, insurance providers must keep insurance reserves (which are offsetting assets to cover future liabilities if they are required to pay out under any insurance policy). Insurance providers that provide non-life insurance and life insurance (other than contributory and refundable life insurance and private pension insurance) must keep a reserve for unearned premium, a reserve for RBNSs and a reserve for IBNRs. Insurance providers that provide contributory and refundable life insurance must keep a life insurance reserve. Insurance providers who provide insurance for private pension liabilities must keep a private pension insurance reserve.

Additional regulations specify the types of assets that can be used as insurance reserves, the structure of such reserves, the conditions for investing these assets and the mandatory ratio between the insurance provider's net undertakings and equity for individual types of insurance products.

Any breach of applicable ratios and regulatory requirements may result in the imposition of sanctions on insurance providers. In addition, insurance providers may not declare or pay dividends or reduce their capital if they are, or would be immediately after such declaration, payment or reduction, in breach of ratios and regulatory requirements applicable to insurance providers.

Regulatory Capital

The minimum share capital requirement for insurance providers is set by ISSSG at GEL 4,200,000 (increasing to GEL 7,200,000 from 31 December 2021). Insurance providers must keep at least 100% of their minimum share capital in cash on deposit with a banking institution licenced in Georgia and free from any encumbrances.

In addition to the minimum share capital requirement, insurance companies are also required to maintain a solvency ratio, calculated as regulatory capital divided by the required solvency capital, in excess of 100%. The ISSSG defines the types of assets that can be used by an insurer to meet its regulatory capital requirements. The required solvency capital is the greater of 18% of premiums written up to GEL 100 million plus 16% of premiums written above GEL 100 million and 26% of claims up to GEL 70 million plus 23% of claims above GEL 70 million. Other adjustments are also made. Premiums for high risk classes of business are increased for the purpose of this calculation and an adjustment is made for reinsurance.

Reporting Requirements

All insurance providers are subject to inspection by ISSSG which may examine an insurance provider's accounts, books, documents and other records and may require its officers and employees to provide any information and documents upon their request. Insurance providers are required to submit annual external audit reports together with their audited annual IFRS financial statements and other financial and statistical reports to ISSSG in the required format on a regular basis.

Corporate Governance

Under the Insurance Law, all directors, members of supervisory boards and significant shareholders of insurance providers must meet the "fit and proper" requirements set by the law. Compliance with this requirement is a precondition for issuing a valid insurance activities licence. In particular, a person may not be appointed as a director or a supervisory board member, or be a significant shareholder, if they: (a) have been declared legally incapable by a court; (b) have been convicted of any grave or especially grave crime including money laundering, terrorism financing and/or any other economic crime; (c) are a first or second ranking heir (such as a spouse, parent, son, daughter or sibling) of a director, or member of a supervisory board, of an insurance company, or a person connected to that member and having a commercial interest; (d) are a director, or a member of the supervisory board, in more than five Georgian companies, or is a director in the same insurance company; (e) do not have relevant education and/or five years' experience; (f) are a director or a member of the supervisory board of another insurance provider (except where this other insurance provider is controlling or controlled by such insurance company); (g) have previously held, either directly or indirectly, 10% or more of the shares in an insurance company, or served as a director or supervisory board member, and during that time, that insurance company was declared bankrupt; or (h) are prohibited from carrying out insurance activities by a court decision. For these purposes, the term "significant shareholder" means any person who holds either directly or indirectly a 10% or more of the authorised or paid up share capital of an insurance company (a "**Significant Interest**").

Pursuant to the Insurance Law, a person who intends to acquire shares in a Georgian insurance provider and who, as a result of the relevant acquisition, would hold, either directly or indirectly, the Significant Interest must obtain prior approval from the ISSSG. Generally, the ISSSG should issue or deny its consent within 10 days from the date of submission of the application. If the ISSSG fails to provide a response within 10 days, consent is deemed to be issued.

A transaction by which a person directly or indirectly acquires the Significant Interest of a Georgian insurance provider without submission of an application to the ISSSG or despite the ISSSG's refusal, is deemed to be null and void.

There are certain reporting obligations related to the ownership of a Significant Interest of a Georgian insurance provider. Pursuant to the Insurance Law, insurance providers are required to publish on their websites information on the legal and beneficial holders of the Significant Interest.

Anti-Money Laundering Legislation

On 30 October 2019, the Georgian Parliament adopted the Law of Georgia on Facilitating Prevention of Money Laundering and Terrorism Financing (the "**AML Law**"). The new AML Law repealed and replaced the Law of Georgia on Facilitating the Elimination of the Legalisation of Illegal Income which was adopted in June 2003. The new law was adopted in line with recommendations of the Financial Action Task Force and Georgia's commitments under the E.U. Association Agreement to implement the Fourth Money Laundering Directive 2015/849 of 20 May 2015 of the European Parliament and of the Council of Europe "On Prevention of the Use of the Financial System for the Purposes of Money Laundering or Terrorist Financing", and to bring the national legislation in line with the Convention of the Council of Europe "On Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism".

The Financial Monitoring Service ("**FMS**") monitors and supervises anti-money laundering measures and issues orders setting out additional measures and reporting requirements. The FMS operates as an independent body under the auspices of the Government. The FMS conducts its activities in close cooperation with MONEYVAL (the anti-money laundering body of the Council of Europe, of which Georgia is a member) and in accordance with the Financial Action Task Force's ("**FATF**") recommendations and EU directives (although Georgia is not a member of FATF or the EU). In addition, following amendments to the Georgian Criminal Code between 2006 and 2008, all material elements of money laundering and terrorist financing offences are provided for by Georgian criminal legislation, including in relation to legal persons.

Under the new AML Law insurance companies and other monitoring entities are required to undertake certain preventive measures when (i) establishing business relations; (ii) carrying out occasional transactions: (a) above GEL 15,000 or its equivalent in any other currency, or (b) that are wire transfers above GEL 3,000 or its equivalent in any other currency; and (iii) the monitoring entity has doubts about the veracity or adequacy of previously obtained customer identification data. Potential preventive measures include identifying customers and verifying customers' identity using reliable independent sources, identifying beneficial owners and taking reasonable measures to verify the identity of beneficial owners, identifying purposes and nature of business relationships, and conducting ongoing due diligence of business relationships. Furthermore, the monitoring entities are required to apply enhanced preventive measures for specific customers, including politically exposed persons and customers from high-risk countries, and activities.

Under the AML Law and applicable FMS regulations, insurance providers are obliged to monitor all suspicious transactions, irrespective of their value, and promptly report suspicious transactions to the FMS. If the FMS receives a report of a transaction that it believes may be related to the laundering of illicit income or financing terrorism, the report must be forwarded to the appropriate departments of the Prosecutor General's Office, the State Security Service of Georgia, the Revenue Service of Georgia and/or the Georgian MIA.

In addition, the ISSSG is also authorised to carry out off-site surveillance and on-site audits of insurance providers' compliance with anti-money laundering regulations. It reports breaches of anti-money laundering regulations to the FMS.

Insolvency, Liquidation and Compulsory Administration of Insurance Companies

The ISSSG is entitled to revoke the insurance licence of any insurance provider on grounds specified by law, including, among others, insolvency and breach of applicable regulatory requirements by the insurance provider. Upon revocation of its licence(s), an insurance provider is liquidated in accordance with the procedure set out in the Insurance Law and its implementing regulations. If, however, the licence is revoked on grounds of insolvency or if it is established during the course of liquidation proceedings that the company is insolvent (when the total book value of its assets is less than the value of its liabilities), then the ISSSG will commence bankruptcy proceedings instead of liquidation proceedings.

ISSSG is authorised to supervise the conduct of the insurance provider's insolvency and liquidation procedures. During the bankruptcy process, claims are settled in the following order of priority: (i) expenses incurred in connection with the appointment of the bankruptcy manager and performance of its obligations, as well as any obligations incurred by the insurance provider following the revocation of its insurance licence; (ii) secured creditors (except for those secured by a tax lien); (iii) claim arising out of life insurance and private pension insurance contracts, the amount of life insurance liabilities for contributory and refundable types of life insurance being the amount of the life insurance reserve; (iv) claims arising out of accident insurance contracts; (v) all other claims arising out of other insurance contracts; (vi) indebtedness to the state budget, including claims secured by tax liens; and (vii) all other claims against the insurance provider and belatedly submitted claims.

If the funds available are insufficient to cover all claims listed in the above categories in full, the claims of each creditor in a given category are paid on pro-rata basis (except for claims under the first category which are payable in full). The claims of creditors in each subsequent category are paid only after satisfaction in full of the claims ranking ahead.

If there is a threat of a breach of applicable regulatory ratios requirements, non-performance of insurance obligations by an insurance provider, or a significant deterioration of its financial standing or the interest of the insured beneficiary, the ISSSG may appoint a compulsory administrator who meets the qualification requirements applicable to the insurance company administrators. With the consent of the ISSSG, the compulsory administrator is authorised to reorganise the insurance provider's corporate structure and transfer all or any part of the insurance provider's assets and liabilities to another legal entity. The compulsory administrator has the authority to take such action as may be required to improve the financial condition of the insurance provider, including by way of the sale of the insurance provider or authorising or suspending payments. The compulsory administrator is also authorised to propose to the ISSSG such changes to the constitution of the insurance provider's senior management as he/she believes are necessary. Compulsory administration terminates upon (i) the expiry of term of the appointment; or (ii) termination of the appointment by ISSSG; or (iii) revocation of the insurance licence.

Education Industry

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. Management believes that 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. Management estimates that 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).

Management believes that 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 spending per learner currently stands at U.S.$650, compared to the OECD average of U.S.$9,000. Total spending as a percentage of GDP was 2.2% compared to the OECD average of 3.1%.

Regulation

Although Georgian law recognises and allows private K-12 schools, their activities are subject to the Law of Georgia on General Education. Specifically, private schools' students and their parents have general rights granted by the law and the Constitution, including the right for education, prohibition against all forms of discrimination, right to information and freedom to freely express their opinions, right to participate in school's management through designated representatives. In addition, the educational sector in general is subject to the supervision of the Ministry of Education, Culture and Sports of Georgia, which has the authority to establish unified nationwide standards of education, approve national educational plan, oversee teachers' qualification criteria and determine and implement rules for authorisation and accreditation of private schools. It is prohibited to provide educational services without authorisation, while accreditation provides for higher standards and it is voluntary.

MANAGEMENT AND EMPLOYEES

Overview

The Issuer's corporate bodies are the General Meeting of Shareholders (the "**GMS**"), the Supervisory Board and the Management Board, each having its own responsibilities and authorities in accordance with Georgian law and the Issuer's charter (the "**Charter**"). The Issuer operates in accordance with Georgian law.

As of the date of these Listing Particulars, Georgia Capital PLC held 100% of equity share capital in the Issuer.

The Issuer's GMS

All shareholders registered on the share register on the record date of the GMS have the right to attend and vote (if applicable) at the meeting. Georgian law provides that holders of preferred shares are not entitled to voting rights at the GMS, unless the Charter or any relevant share issue prospectus allocates voting rights to preferred shareholders. According to the Charter, holders of preferred shares are not entitled to voting rights at the GMS. As of the date of these Listing Particulars, the Issuer has not issued any preferred shares. Shareholders may be represented at the GMS by a proxy. A shareholder holding more than 75.0% of the Issuer's voting shares may pass a resolution without convening a GMS. Such decision will be equivalent to the minutes of the GMS and is considered a resolution of the GMS. In such cases the remaining shareholders (if any) are notified of the resolution. If more than one shareholder owns more than 75.0% of the Issuer's voting shares, convening the GMS is mandatory to pass resolutions.

Under Georgian law and the Charter, shareholders are authorised to pass resolutions, *inter alia*, on the following issues at a GMS:

- approval of amendments to the Charter;
- change of the share capital of the Issuer;
- liquidation of the Issuer;
- any merger, division or transformation of the Issuer into another legal entity;
- full or partial cancellation of pre-emptive rights during an increase of share capital;
- distributions of profits;
- appointment and dismissal of the members of the Supervisory Board and determination of their terms of service and remuneration;
- approval of the reports of the Supervisory Board and the Management Board and control of the activities of their members;
- selection of auditors;
- approval of participation in litigation against the Supervisory Board and the Management Board members, including the appointment of a representative in such litigation;
- acquisition, sale, transfer, exchange (or such related transactions) or encumbrance of the Issuer's assets, with the value exceeding 25.0% of the total assets of the Issuer;
- approval of the annual accounts of the Issuer;
- approval of related party transactions, with a value exceeding 2% of the Issuer's assets; and
- other issues provided by law and the Charter.

According to the Charter, decisions on all other issues are made by the Supervisory Board and the Management Board within their capacities.

Supervisory Board

In accordance with the Charter, it is the responsibility of the Supervisory Board to supervise the Management Board. The Supervisory Board consists of at least three and at most 15 members, each of whom is elected by the GMS. The Supervisory Board members are required to act in the best interests of the Issuer and its business when performing their duties.

The responsibilities of the Supervisory Board, inter alia, include:

- supervising the activities of the Management Board;
- appointing and dismissing the CEO and other directors, concluding and terminating service contracts with them, as well as establishing a code of conduct for the members of the Management Board;
- approving and amending the Issuer's policy and other regulatory requirements;
- inspecting the Issuer's accounts and property, including inspection of conditions of cash desk, securities and assets, personally or with the help of invited experts;
- requesting reports of the Issuer's activities from the Management Board (including information concerning associated companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- convening extraordinary general meetings, if necessary;
- reviewing annual reports and the proposals of the Management Board on profit distribution;
- representing the Issuer in proceedings against the Issuer's CEO and other directors;
- approving the annual budget; and
- making decisions in other cases provided by applicable laws.

The members of the Supervisory Board members are listed below.

Name	Date of birth	Current Position	Date Appointed
David Morrison	5 August 1952	Chairman and Senior Independent Non-Executive Director	7 June 2018
Irakli Gilauri	12 May 1976	Deputy Chairman and Chief Executive	7 June 2018
Kim Bradley	23 February 1955	Independent Non-Executive Director	7 June 2018
Massimo Gesua' sive Salvadori	16 February 1975	Independent Non-Executive Director	7 June 2018
Caroline Brown	14 June 1962	Independent Non-Executive Director	7 June 2018
Jyrki Talvitie	2 April 1966	Independent Non-Executive Director	7 June 2018
Maria Chatti-Gautier	7 October 1958	Independent Non-Executive Director	19 March 2020

Irakli Gilauri was appointed CEO and Chairman of Georgia Capital PLC on 24 February 2018. He also serves as a member on the Nomination and Investment Committees of Georgia Capital PLC. Mr. 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 Chairman of JSC Bank of Georgia from 2015 to 2018, having previously served as CEO of JSC Bank of Georgia since May 2006. Prior to that, he was an EBRD banker. Mr. Gilauri has almost 20 years of experience in banking, investment and finance. Mr. Gilauri was a Non-Executive Director of Georgia Healthcare Group PLC and a member of the Supervisory Board of JSC Georgia Healthcare Group. 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.

David Morrison was appointed as the Senior Independent Non-Executive Director of the Georgia Capital PLC on 24 February 2018. He also serves as the Chairman of Georgia Capital PLC's Audit and Valuation Committee and as a member of Georgia Capital PLC's Investment Committee. Mr. Morrison was a Non-Executive Director of Georgia Healthcare Group PLC and a member of the Supervisory Board of JSC Georgia Healthcare Group. Mr. Morrison previously served as the Senior Independent Non-Executive Director of BGEO Group PLC from October 2011 until May 2018, which included positions as Chairman of Audit Committee and a member of Remuneration and Nomination Committees. 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, initial public offerings 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. 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 now the investment of a portfolio of over U.S.$200 million in endowment capital. In April 2019, David Morrison was named as Georgia's first Environmental Ombudsman. 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.

Kim Bradley was appointed as an Independent Non-Executive Director of Georgia Capital PLC on 24 February 2018. He also serves on the Remuneration and Nomination committees, and as Chairman of the Investment Committee of Georgia Capital PLC. 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 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's 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. 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.

Massimo Gesua' sive Salvadori was appointed as an Independent Non-Executive Director of the Georgia Capital PLC on 24 February 2018. He also serves as a member of its Investment and Audit and Valuation Committees. 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. Dr Gesua' sive Salvadori, a native of Venice, obtained an M.Phil. and a PhD from Oxford University, where he attended St. Antony's College. He graduated with a BSc 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.

Caroline Brown was appointed as an Independent Non-Executive Director of Georgia Capital PLC on 24 February 2018. She also serves as a member of the Investment and Audit and Valuation Committees. Dr. Brown has managed divisions of FTSE100 groups and AIM businesses with international industrial and technology operations and has worked as a corporate finance adviser to governments and corporations with Merrill Lynch, UBS and HSBC. She is a Fellow of the Chartered Institute of Management Accountants and has 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 Luceco PLC and IP Group PLC. 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.

Jyrki Talvitie was appointed as an Independent Non-Executive Director of Georgia Capital PLC on 24 February 2018. He also serves as the Chairman of the Nomination Committee and the Remuneration Committee and as a member of the Investment Committee of Georgia Capital PLC. 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 in charge of Strategic Partners and Investors at Sberbank, one of the largest banks in Russia and previously top 15 in the world. He is also a Member of the Management Board of Magnit, a Russian publicly quoted retailer. 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 10 boards of both public and private companies in Georgia, Finland, Russia, Kazakhstan and Ukraine. 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.

Maria Chatti-Gautier was appointed as an Independent Non-Executive Director of Georgia Capital PLC on 19 March 2020. She also serves as a member of its Investment, Remuneration and Nomination Committees. 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 (previously known as LDA Jupiter). 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. 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.

Management Board

The Management Board is an executive body that is responsible for the day-to-day management of the Issuer (with the exception of those functions reserved to the GMS and the Supervisory Board) and consists of the CEO and not less than two directors. The Management Board is accountable to the shareholders and the Supervisory Board and its members are appointed and dismissed by the Supervisory Board. The Supervisory Board approves the remuneration and other conditions of employment for each member of the Management Board. Certain resolutions of the Management Board are subject to the prior approval of the Supervisory Board.

The Management Board is managed by the CEO, who, together with the Supervisory Board, allocates the responsibilities of the Management Board among its members.

The responsibilities of the Management Board include:

- conducting the Issuer's day-to-day activities;
- reviewing agenda items for the Issuer's GMS or Supervisory Board meetings, obtaining all the necessary information, preparing proposals and draft resolutions;
- drafting and presenting to the Supervisory Board for approval the business plan for the following year (such business plan to include the budget, profit and loss forecast and the Issuer's investments plan);
- ensuring the fulfilment of resolutions passed at the Issuer's GMS and the Supervisory Board;
- developing policies, by-laws and other regulatory documents which are approved by the Supervisory Board and ensure compliance with such policies, by-laws and regulatory documents;
- deciding on the appointment, dismissal, training and remuneration of staff;
- convening extraordinary general meetings; and
- any other issues which may be assigned to the Management Board by the Supervisory Board and/or the Issuer's GMS.

The following activities may be carried out by the Management Board only with the approval of the Supervisory Board:

- the acquisition and disposal of shares in other companies if the amount of such shares exceeds 50.0% of the total equity of such company or the value of the transaction exceeds 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- the acquisition, transfer and encumbrance of real estate and related ownership rights, if such transaction falls outside the scope of routine economic activity of the Issuer and the value of such transaction exceeds 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- the establishment and liquidation of branches;
- investments, the partial or total amount of which exceeds 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- borrowing funds in excess of 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- securing credits and loans, if they fall outside the scope of routine economic activity and are in excess of 2.5% of the Issuer's equity value as at the end of the previous calendar month;
- launching a new type of activity or terminating or suspending the existing type of activity;
- adopting general principles of business strategy and the business plan of the Issuer and approving the annual budget and incurrence of long-term liabilities;
- determination of the remuneration and/or additional benefits for the Issuer's senior management (CEO, other members of the Management Board and any other senior managers so selected by the Supervisory Board);
- the appointment and dismissal of trade representatives;

- the approval of an agreement or contract pursuant to which the expenditure of the Issuer (payable by single or several tranches) exceeds 1.0% of the Issuer's equity value as at the end of the previous calendar month;

- the determination and approval of internal policies and procedures for lending, investing, foreign exchange, assets and liabilities management, asset valuation, their classification and adequate provisioning; and

- other activities that may be prescribed by applicable laws.

The Management Board currently consists of the members below:

Name	Date of birth	Current Position	Date Appointed
Irakli Gilauri	12 May 1976	Chairman and Chief Executive	22 December 2017
Avto Namicheishvili	2 April 1974	Deputy CEO	22 December 2017
Giorgi Alpaidze	26 June 1986	Chief Financial Officer	22 December 2017
Nikoloz Gamkrelidze	2 December 1979	Deputy CEO	25 February 2021

For details regarding Irakli Gilauri, see *"—Supervisory Board"* above.

Avto Namicheishvili is the Deputy CEO of the Issuer. He also serves as a chairman of the Group's water utility, renewable energy and beverages 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 to that, he was a Partner at a leading Georgian law firm. Mr. Namicheishvili has undergraduate degrees in law and international economic relations from Tbilisi State University and holds an LLM in international business law from Central European University, Hungary.

Nikoloz Gamkrelidze is the Deputy CEO of the Issuer. He also serves as CEO of GHG, the holding company of the Group's healthcare services, retail (pharmacy) and medical insurance businesses. Previously he served as deputy CEO (Finance) of BGEO Group PLC. The healthcare business of the Group began with Mr. Gamkrelidze, who started it in 2006, and has successfully led it through a period of significant growth. Mr. Gamkrelidze also served as the CEO of 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. Mr. Gamkrelidze holds an MA in International Healthcare Management from the Imperial College Business School.

Giorgi Alpaidze is the Chief Financial Officer of the Issuer. He was formerly the CFO of BGEO Group. Mr. Alpaidze joined BGEO as Head of the 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. Mr. Alpaidze holds a BBA from the European School of Management in Georgia. He is a Certified Public Accountant in the United States.

Remuneration and Benefits

The aggregate remuneration (including benefits) of the members of the Supervisory Board was approximately U.S.$602,000 for the year ended 31 December 2020. The amount of remuneration paid to members of the Supervisory Board is determined by the GMS.

Loans to Management

There were no net loans issued to members of the Supervisory Board outstanding as of 31 December 2020.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Supervisory Board towards the Issuer and their private interests and/or other duties.

Litigation Statement

As of the date of these Listing Particulars, no member of the Supervisory Board or executive officer for at least the previous five years:

- has any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Employees

As of 31 December 2020, 2019 and 2018, the Group had a total of 20,314, 21,439 and 20,000 employees. The following table sets out the Group's employees by portfolio company as at 31 December 2020:

	As at 31 December		
	2020	**2019**	**2018**
Private portfolio companies	20,270	21,400	19,962
GHG	15,158	15,872	15,923
GGU	2,368	2,478	2,542
Aldagi	401	416	337
Education business	534	518	-
Other businesses	1,809	2,116	1,160
Georgia Capital holding company level	44	39	38
Total employees	**20,314**	**21,439**	**20,000**

The Group places significant emphasis on the professional development of its employees. The Group's employees are offered training opportunities at special training centres and various educational institutions. Middle and high level managers participate in workshops and training sessions outside of Georgia and internal training is conducted by instructors invited from Georgian training centres.

The Issuer does not have any agreements with any employee trade unions. Certain employees of GGU's water utility business are members of a trade union and there is a collective bargaining agreement between GGU and the trade union which was entered into on 22 January 2015 with no expiration date. As at 31 March 2020, approximately 35.5% of GGU's work force was covered by the collective bargaining agreement.

Pensions

Group companies participate in a mandatory pension scheme under the laws of Georgia. The relevant Group company, employee and the Government each contribute an amount equivalent up to 2% (up to a ceiling) of each respective employee's remuneration. Irakli Gilauri, the Executive Director of the Group, has waived his pension contribution.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

As at the date of these Listing Particulars, the Issuer is wholly owned by Georgia Capital PLC.

The following table sets forth the significant shareholders of Georgia Capital PLC:

	As at 31 December 2020	
	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 Ltd	1,894,962	3.95
RWC	1,507,329	3.15
Other shareholders	38,887,167	81.18
Total	**47,903,785**	**100.0**

None of the Georgia Capital PLC's shareholders have voting rights different from any other holders of such shares.

Related party transactions

Save as disclosed in Note 22 to the 2020 Audited Financial Statements and Note 35 of the 2019 Audited Financial Statements, there were no related party transactions entered into by the Issuer or the Group during the years ended 2020, 2019 or 2018 and there were no material related party transactions from the date of such Financial Statements or through the period to the date of these Listing Particulars.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions in the form in which they will be endorsed on the Notes:

The issue of the U.S$65,000,000 6.125% Notes due 2024 (the "**New Notes**" which expression shall include any further notes issued pursuant to Condition 18 (*Further issues*) and forming a single series therewith) will be consolidated and form a single series with the U.S.$300,000,000 6.125% Notes due 2024 (the "**Original Notes**" and the Original Notes together with the New Notes being, the "**Notes**") issued by the Original Issuer (as defined below) on 9 March 2018 (the "**Original Issue Date**") on 16 March 2021.

On 4 May 2018, Joint Stock Company Georgia Capital Group (the "**Substitute Issuer**") merged with Joint Stock Company Georgia Capital as issuer of the Original Notes (the "**Original Issuer**"). Joint Stock Company Georgia Capital Group assumed the rights and obligations of the Original Issuer as part of such merger. On 4 May 2018, Joint Stock Company Georgia Capital Group changed its name to Joint Stock Company Georgia Capital, and such entity is the issuer of the Original Notes and the New Notes (the "**Issuer**"). In these Conditions, except where expressly stated otherwise, a reference to the Issuer includes the Original Issuer.

The issue of the Original Notes was authorised by resolutions of the Board of Directors and the shareholder of the Original Issuer passed on 19 February 2018 and 7 March 2018 and the issue of the New Notes was authorised by resolutions of the Management Board, the Supervisory Board and the shareholder of the Issuer passed on 5 March 2021.

The New Notes are constituted by a second supplemental trust deed (the "**Second Supplemental Trust Deed**") dated 16 March 2021 between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee), which is supplemental to a trust deed dated 9 March 2018 (the "**Original Trust Deed**", which expression includes any such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, including by the First Supplemental Trust Deed (as defined below) and the Second Supplemental Trust Deed) and a first supplemental trust deed dated 17 October 2019 (the "**First Supplemental Trust Deed**"), in each case, between the Issuer and the Trustee (the Original Trust Deed as supplemented by the First Supplemental Trust Deed and the Second Supplemental Trust Deed and as further modified, supplemented and/or restated from time to time, the "**Trust Deed**").

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes.

The New Notes are the subject of an agency agreement dated 9 March 2018 (the "**Original Agency Agreement**") among the Original Issuer, the Substitute Issuer, the Trustee, Citibank N.A., London Branch as the principal paying agent (the "**Principal Paying Agent**") and transfer agent (the "**Transfer Agent**"), and Citigroup Global Markets Europe AG as registrar (the "**Registrar**"), and any other agents named therein, which expressions include any successor principal paying agent, transfer agent and/or registrar appointed from time to time in connection with the Notes) as supplemented by the first supplemental agency agreement dated 16 March 2021 among the Issuer, the Trustee, the Principal Paying Agent, the Transfer Agent and any other agents named therein and as further modified, supplemented and/or restated from time to time (the "**Supplemental Agency Agreement**", and together with the Original Agency Agreement, the "**Agency Agreement**").

Copies of the Trust Deed and of the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (for the time being, at Citigroup Centre, Canada Square, London E14 5LB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Transfer Agent and the Registrar.

The term "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed pursuant to the Agency Agreement from time to time with respect to the Notes. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed, the absence of any such meaning indicating that such term is not applicable to the Notes.

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Notes are issued in registered form, without interest coupons attached, and shall be serially numbered. Notes, whether sold (i) in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or (ii) to QIBs (as defined in the Trust Deed) in reliance on Rule 144A under the U.S. Securities Act, will be issued in the denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered.

2. TRANSFERS OF NOTES

(a) **Transfer**: One or more Notes may be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement (the "**Regulations**"). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current Regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

The Notes constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The Issuer shall ensure that at all times the claims against it under the Notes and the Trust Deed rank at least *pari passu* in right of payment with the claims of all other unsecured and unsubordinated creditors of the Issuer (subject to Condition 4(a)), save for those claims that are preferred by mandatory provisions of applicable law.

4. COVENANTS

(a) **Negative Pledge**: So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not directly or indirectly, create, incur or suffer to exist any Security Interests, other than Permitted Security Interests, on or over any of its assets, now owned or hereafter acquired, securing any Indebtedness or any Guarantee of any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed are secured equally and rateably with such other Indebtedness or Guarantee of Indebtedness or have the benefit of such security or other arrangements, as the case may be, as are satisfactory to the Trustee or are approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) **Continuance of Business, Maintenance of Authorisations and Legal Validity**:

(i) The Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its or their respective corporate existence (except as otherwise permitted by Condition 4(c) (*Mergers and Consolidations*)), and its or their respective business, and the use of all material intellectual property relating to its or their respective business and the Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of all consents, licences, approvals and authorisations necessary in that regard.

(ii) The Issuer shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the laws and regulations of Georgia to enable it lawfully to perform its obligations under the Notes and the Trust Deed and ensure the legality, validity, enforceability or admissibility in evidence in Georgia of the Notes and the Trust Deed.

(c) **Mergers and Consolidations**:

(i) The Issuer shall not, without the prior written consent of the Trustee, (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

(A) immediately after the transaction referred to in (x) or (y) above:

(x) the resulting or surviving person or the transferee (the "**Successor Entity**") shall be the Issuer or, if not the Issuer, the Successor Entity shall expressly assume by a deed supplemental to the Trust Deed in form and substance satisfactory to the Trustee, executed and delivered to the Trustee, all the rights and obligations of the Issuer under the Notes and the Trust Deed; and

(y) the Successor Entity (if not the Issuer) shall retain or succeed to all of the rights and obligations of the Issuer under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

(C) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(ii) The Issuer shall procure that no Material Subsidiary shall, without the prior written consent of the Trustee, (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Material Subsidiaries' properties or assets, unless, in any case:

(A) immediately after the transaction referred to in (x) or (y) above:

(x) such Material Subsidiary shall be the Successor Entity; or

(y) the Successor Entity (if not such Material Subsidiary) shall retain or succeed to all of the rights and obligations of the relevant Material Subsidiary under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

(B) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom; and

(C) the relevant transaction referred to in (x) or (y) above shall not result in a Material Adverse Effect.

(iii) Notwithstanding the foregoing, any Material Subsidiary may consolidate with, merge with or into or convey, transfer or lease, in one transaction or a series of related transactions, all or substantially all of its assets to the Issuer or another Subsidiary of the Issuer (which after such transaction will be deemed to be a Material Subsidiary for purposes hereof).

(iv) In connection with this Condition 4(c) (*Mergers and Consolidations*) the Trustee shall:

(A) be entitled to rely, without further enquiry, on any certificate provided to it by two directors of the Issuer (or, if applicable, the Successor Entity) confirming that the requirements set out in Condition 4(c)(i)(A)(y), Condition 4(c)(i)(B), Condition 4(c)(ii)(A)(y) or Condition 4(c)(ii)(B) are satisfied and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; and/or

(B) have no obligation to determine whether any relevant transaction referred to in Condition 4(c)(i)(A) or Condition 4(c)(ii)(A) shall result in a Material Adverse Effect but shall be entitled either:

(x) to rely, without further enquiry, on any opinion of a Financial Adviser which confirms that, in the opinion of such Financial Adviser, the relevant transaction would not result in a Material Adverse Effect and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; or

(y) to refrain from taking any action or providing any consent to the Issuer in the absence of a direction from the Noteholders (by way of Extraordinary Resolution).

(d) **Disposals**:

(i) Except as otherwise permitted by these Conditions and without prejudice to the provisions of Condition 4(c) (*Mergers and Consolidations*), Condition 4(e) (*Transactions with Affiliates*) and Condition 4(g) (*Restricted Payments*), the Issuer shall not, and shall ensure that none of its Material Subsidiaries will, sell, convey, transfer, lease or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or assets, unless:

(A) each such transaction is on arm's-length terms for Fair Market Value;

(B) with respect to any such transaction providing for a disposal of revenues or assets constituting more than 20% of Total Equity, the Issuer shall, prior to the disposal, provide the Trustee with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value and fair, from a financial point of view, to the Issuer and/or the relevant Subsidiary, as the case may be (such written opinion not being required for any disposal concluded through an initial public offering on a recognised international stock exchange); and

(C) the proceeds thereof are used either (i) to acquire or invest in a business or entity with substantially all of its operations in Georgia; and/or (ii) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital; and/or (iii) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any Capital Stock of the Issuer or, prior to its scheduled maturity or scheduled repayment, any subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time), in the case of (ii) and (iii) above, provided that such action would otherwise comply with Condition 4(g)(Restricted Payments).

(ii) This Condition 4(d) shall not apply to (A) any transaction between the Issuer and any of its wholly-owned Subsidiaries; (B) any sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; or (C) any transaction carried out as part of the Demerger.

(e) **Transactions with Affiliates**:

(i) The Issuer shall not, and shall ensure that none of its Material Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), including inter-company loans, unless the terms of such Affiliate Transaction are (taking into account the standing and credit rating of the relevant Affiliate) no less favourable to the Issuer or such Material Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction for Fair Market Value with a Person that is not an Affiliate of the Issuer or any of its Material Subsidiaries and such terms are in compliance with all applicable laws and regulations.

(ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in excess of 2% of Total Equity, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Trustee a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value and is fair from a financial point of view to the Issuer or the relevant Material Subsidiary, as the case may be.

(iii) The following items, so long as they are in compliance with all applicable laws and regulations, shall not be deemed to be Affiliate Transactions and therefore shall not be subject to the provisions of (i) and (ii) above:

(A) any employment agreement entered into by a member of the Group in the ordinary course of business and consistent with the past practice of such member of the Group;

(B) transactions between or among the Issuer and its Subsidiaries;

(C) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Issuer;

(D) a Restricted Payment permitted to be made pursuant to Condition 4(g) (*Restricted Payments*);

(E) any non-interest bearing loans from any member of the Group to the Holding Company, provided that the aggregate amount outstanding under all such non-interest bearing loans shall not, at any time, exceed the greater of U.S.$20,000,000 or 2.0% of Total Equity; and

(F) any transaction carried out as part of the Demerger.

(f) **Payment of Taxes and Other Claims**: The Issuer shall, and shall ensure that its Material Subsidiaries will, pay or discharge or cause to be paid or discharged, before the same shall become overdue, all Tax, assessments and governmental charges levied or imposed upon or upon the income, profits or property of the Issuer and/or its Material Subsidiaries, provided that neither the Issuer nor any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such Tax, assessment, charge or claim (a) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (b) the amount of which, together with all such other unpaid or undischarged Tax, assessments, charges and claims, does not in the aggregate exceed the greater of U.S.$3,000,000 or 0.2% of the Total Equity.

(g) **Restricted Payments**: The Issuer shall not, (a) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital, other than dividends or distributions payable to the Issuer or any of its Subsidiaries (and, if a Subsidiary is not a wholly-owned Subsidiary of the Issuer, to the other holders of its share capital on a *pro rata* basis); or (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any Capital Stock of the Issuer or, prior to its scheduled maturity or scheduled repayment, any subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time) (any such action in (a) or (b) being, a "**Restricted Payment**"), if:

(i) at the time of such payment an Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom;

(ii)

(A) up to and including the financial year in which the Change in Accounting Treatment occurs, such Restricted Payment, when aggregated with all other Restricted Payments previously made on or after 1 January 2017 (including, for the avoidance of doubt, any payment made on or after 1 January 2017, but prior to the Original Issue Date, which, if made on or after the Original Issue Date, would have been a Restricted Payment) and excluding the Share Buyback, exceeds 60% of the sum of the consolidated net profit of the Issuer and gains from sales of interests in existing subsidiaries, each determined by reference to the most recent Group Financial Information and (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 1 January 2017 and ending on the last day of the immediately preceding annual or semi-annual financial period, provided, however, that the Issuer may make Restricted Payments, without limitation as to the amount thereof, if it maintains cash and Temporary Investments in an amount at least equal to the sum of U.S.$100,000,000 plus (without duplication) the Interest Coverage Amount but only if immediately after making such Restricted Payment Net Debt is no greater than 45% of Total Equity;

(B) for the financial year following the financial year in which the Change in Accounting Treatment occurs, such Restricted Payment, when aggregated with all other Restricted Payments previously made on or after 1 January 2017 (including, for the avoidance of doubt, any payment made on or after 1 January 2017, but prior to the Original Issue Date, which, if made on or after the Original Issue Date, would have been a Restricted Payment) and excluding the Share Buyback, exceeds the sum of:

(I) 60% of the sum of the consolidated net profit of the Issuer and gains from sales of interests in existing subsidiaries, each determined by reference to the most recent Group Financial Information and (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 1 January 2017 and ending on the last day of the year preceding the year in which the Change in Accounting Treatment occurred;

(II) 50% of the net profit of the Issuer for the financial year in which the Change in Accounting Treatment occurred; and

(III) 50% of net profit of the Issuer for the semi-annual period following the year in which the Change in Accounting Treatment occurred,

provided, however, that the Issuer may make Restricted Payments, without limitation as to the amount thereof, if it maintains cash and Temporary Investments in an amount at least equal to the sum of U.S.$100,000,000 plus (without duplication) the Interest Coverage Amount but only if immediately after making such Restricted Payment Net Debt is no greater than 45% of Total Equity; and

(C) for all financial periods beginning after the end of the financial year following the financial year in which the Change in Accounting Treatment occurs, such Restricted Payment, when aggregated with all other Restricted Payments previously made on or after 1 January 2017 (including, for the avoidance of doubt, any payment made on or after 1 January 2017, but prior to the Original Issue Date, which, if made on or after the Original Issue Date, would have been a Restricted Payment) and excluding the Share Buyback, exceeds the sum of:

(I) 60% of the sum of the consolidated net profit of the Issuer and gains from sales of interests in existing subsidiaries, each determined by reference to the most recent Group Financial Information and (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 1 January 2017 and ending on the last day of the year preceding the year in which the Change in Accounting Treatment occurred;

(II) 50% of the net profit of the Issuer for the financial year in which the Change in Accounting Treatment occurred; and

(III) 50% of the average net profit of the Issuer for the last four semi-annual periods (where the most recent period is a semi-annual period) or two annual periods (where the most recent period is an annual period) periods, determined by reference to the Group Financial Information and (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning after the end of the financial year in which the Change in Accounting Treatment occurs and ending on the last day of the immediately preceding annual or semi-annual financial period,

provided, however, that the Issuer may make Restricted Payments, without limitation as to the amount thereof, if it maintains cash and Temporary Investments in an amount at least equal to the sum of U.S.$100,000,000 plus (without duplication) the Interest Coverage Amount but only if immediately after making such Restricted Payment Net Debt is no greater than 45% of Total Equity; or

(iii) such Restricted Payment would cause or result in a breach of one or more of the covenants contained in Condition 4(n) (*Financial Covenants*) or otherwise result in a Material Adverse Effect,

save that the payment of Permitted Share Plan Contributions (as defined below) shall not be considered to be a Restricted Payment for the purposes of this Condition 4(g).

"**Permitted Share Plan Contributions**" means payment of contributions to acquire shares to satisfy existing and future awards under employee share plans to members of the Group's management and employees (including members of the board of directors and employees of the Group's ultimate parent company after the Demerger) in the amount of up to greater of U.S.$20,000,000 or 2% of Total Equity in any given calendar year (the "**Maximum Permitted Annual Share Plan Contribution**") plus, to the extent that the Issuer makes contributions below the Maximum Permitted Annual Share Plan Contribution in any year from 1 January 2018 (a "**Shortfall Amount**"), the aggregate amount of all such Shortfall Amounts (if any) on a cumulative basis. For the avoidance of doubt, the Issuer shall not be permitted to apply the Shortfall Amount in respect of any year more than once.

(h) **No Limitations on Dividends from Material Subsidiaries**:

(i) The Issuer shall procure and ensure that none of its Material Subsidiaries (for the avoidance of doubt, for the purposes of this Condition 4(h) (*No Limitations on Dividends from Material Subsidiaries*) only, as defined in paragraph (b) of the definition thereof) shall create, assume or otherwise permit to subsist or become effective any encumbrance or restriction on the ability of such Subsidiaries to:

(A) pay any dividends or make any other payment or distribution on or in respect of its shares; or

(B) make payments in respect of any Indebtedness owed to the Issuer or any other Subsidiary.

(ii) The provisions of this Condition 4(h) (*No Limitations on Dividends from Material Subsidiaries*) will not prohibit:

(A) solely with respect to Condition 4(h)(i)(A), any such encumbrance or restriction, which is limited to the payment of dividends or other payments or distributions in any period in an amount up to 50% of the relevant Material Subsidiary's net profit determined by reference to the most recent Group Financial Information for such period; or

(B) any such encumbrance or restriction with respect to an entity that becomes a Material Subsidiary after the Original Issue Date pursuant to an agreement, which was entered into prior to the date on which such Subsidiary becomes a Material Subsidiary (to the extent such encumbrance or restriction was not put in place in anticipation of such entity becoming a Material Subsidiary) and which remains in effect on such date;

(C) any such encumbrance or restriction that is as a result of applicable law or regulation; or

(D) any such encumbrance or restriction that is already in existence as at the Original Issue Date.

(i) **Limitation on Indebtedness**:

(i) The Issuer shall not create, incur, assume or otherwise become liable in respect of any Indebtedness, unless, after giving effect to the incurrence of such Indebtedness and the application of the proceeds thereof:

(A) Net Debt is no greater than 45% of Total Equity; and

(B) no Event of Default or Potential Event of Default would occur or be continuing.

(ii) This Condition 4(i) shall not restrict the incurrence of any Indebtedness pursuant to, or as a result of, any Repo transaction, provided that any such Indebtedness shall not exceed 5% of Total Equity.

(j) **Financial Information:**

(i) The Issuer hereby undertakes that it will deliver to the Trustee, within 120 days after the end of each of its financial years, copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied with corresponding financial statements for the preceding period and together with the audit report of the Auditors thereon.

(ii) The Issuer hereby undertakes that it will deliver to the Trustee within 90 days after the end of the second quarter of each of its financial years, copies of the Issuer's unaudited consolidated financial statements for the six month period then ended, prepared in accordance with IFRS consistently applied with corresponding financial statements for the preceding period and together with the review report of the Auditors thereon (if any).

(iii) The Issuer hereby undertakes that it will deliver to the Trustee, at the same time as it delivers any financial information required under paragraphs (i) and (ii) above, and at such other times upon request by the Trustee, a Net Debt Covenant Compliance Certificate upon which the Trustee may rely without inquiry and shall suffer no liability for so doing.

(iv) The Issuer hereby undertakes that it will deliver to the Trustee, upon request and without delay, such additional information regarding the financial position or the business of the Issuer, any of its Subsidiaries and/or the Group as the Trustee may request.

(k) **Maintenance of Property**: The Issuer will, and shall procure that its Material Subsidiaries will, cause all property used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgement of the Issuer or any such Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times.

(l) **Maintenance of Insurance**: The Issuer shall, and shall procure that its Material Subsidiaries shall, keep those of their properties which are of an insurable nature insured with insurers, believed by the Issuer or such Material Subsidiary to be of good standing, against loss or damage to the extent that property of similar character is usually so insured by corporations in the same jurisdictions similarly situated and owning like properties in the same jurisdiction.

(m) **Compliance with Applicable Laws**: The Issuer shall, and shall procure that each of its Material Subsidiaries shall, at all times comply, in all material respects, with all provisions of applicable laws, including directives of governmental authorities and regulations.

(n) **Financial and Regulatory Covenants**:

(i) The Issuer shall, and shall procure that each Material Subsidiary shall (except as otherwise specifically provided or agreed by the Trustee) at all times comply with any and all prudential norms or other regulations applicable to it under relevant industry regulations and standards, except to the extent that failure to comply could not be reasonably expected to have a Material Adverse Effect.

(ii) The Issuer shall, at all times, maintain an amount in cash and Temporary Investments at least equal to the Interest Coverage Amount.

(o) **Change of Business**: The Issuer shall not, and shall procure that no Material Subsidiary shall, make any material change to the general nature of the business of the Issuer, the relevant Material Subsidiary or the Group, as the case may be, from that carried on at the Original Issue Date.

(p) **Role of the Trustee:** Notwithstanding anything to the contrary contained in these Conditions:

(i) at no time shall the Trustee have any obligation to determine whether any relevant transaction, event, breach, disposal or payment would result in, or could be reasonably expected to cause or to have caused, a Material Adverse Effect and, at all times, the Trustee shall be entitled:

(A) to rely, without further enquiry, on any opinion of a Financial Adviser which confirms that, in the opinion of such Financial Adviser, the relevant transaction, event, breach, disposal or payment would result in, or could be reasonably expected to cause or have caused, a Material Adverse Effect and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing; and/or

(B) to refrain from taking any action or providing any consent to the Issuer in relation to any relevant transaction, event, breach, disposal or payment under this Condition 4 in the absence of a direction from the Noteholders (by way of Extraordinary Resolution);

(ii) the Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by any two directors of the Issuer and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any losses or liabilities that may be occasioned by it or any other person acting on such certificate;

(iii) the Trustee shall be entitled to rely, without further enquiry, on any written opinion from the Auditors or from an Independent Appraiser delivered to the Trustee and, where the Trustee so relies, it shall suffer no liability to any Noteholder or any other relevant person for so doing and

(iv) at no time shall the Trustee have any obligation to review any information provided to it under Condition 4(j) (*Financial Information*) or to perform any calculations in relation to figures provided in such financial statements or to monitor whether the Issuer or any of its Subsidiaries has complied or is complying with the provisions of this Condition 4 and, in the absence of express written notice to the contrary, shall be entitled to assume that the Issuer and each of its relevant Subsidiaries has complied in full with its obligations under this Condition 4 (*Covenants*).

5. INTEREST

Each Note bears interest at the rate of 6.125% *per annum* payable semi-annually in arrear on 9 March and 9 September in each year (each an "**Interest Payment Date**"), commencing on the Original Issue Date (in the case of the Original Notes) and 9 March 2021 in respect of the New Notes. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Original Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

6. REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Redemption for Taxation and Other Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Georgia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Original Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by two members of the Issuer's Management Board stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders.

(c) **Optional Redemption at Make Whole**: At any time prior to the Maturity Date, the Issuer may, at its option, on giving not less than 25 nor more than 60 days' irrevocable notice (the "**Call Option Notice**") to the Trustee and the Noteholders redeem the Notes in whole but not in part, at the price which shall be the following:

(i) the aggregate principal amount of the outstanding Notes; ***plus***

(ii) interest and any additional amounts or other amounts that may be due thereon (if any) accrued but unpaid to but excluding the date on which the call option is to be settled (the "**Call Settlement Date**"); *plus*

(iii) the Make Whole Premium.

The Call Option Notice shall specify the Call Settlement Date.

(d) **Purchase**: The Issuer and its Subsidiaries (as defined in the Trust Deed) may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or whether any required threshold for Noteholder directions or instructions has been met for the purposes of Condition 12(a) (*Meetings of Noteholders*) or Condition 13 (*Enforcement*) or the relevant provisions of the Trust Deed.

(e) **Cancellation**: All Certificates representing Notes purchased by or on behalf of the Issuer (provided the aggregate principal amount of such Notes is not less than U.S.$1,000,000) may be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest and principal on each Note shall be made by transfer to an account maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Appointment of Agents**: The Principal Paying Agent, the Registrar, and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Agent, the Registrar, or any Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(d) **Delay in Payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(e) **Non-Business Days**: If any date for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Georgia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

(a) **Other connection**: by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Georgia other than the mere holding of the Note; or

(b) **Exemption**: by or on behalf of a holder who is able to avoid such taxes, duties, assessments or governmental charges in respect of such Note by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or

(c) **Surrender more than 30 days after the Relevant Date**: more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of this Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of this Condition 8) any law implementing an intergovernmental approach thereto.

In these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender; and any reference to principal or interest shall be deemed to include any premium which may be payable by the Issuer under Condition 6.

9. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or pre-funded and/or secured to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at 100% of their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: the Issuer fails to pay the principal of, any interest or any other sum due on any of the Notes or due pursuant to the Trust Deed when due and such failure to pay is not remedied within five days of the due date for payment; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations (other than those in Condition 9(a)) in the Notes or the Trust Deed which default is incapable of remedy or, in the opinion of the Trustee, if it is capable of remedy, it is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Default**: (i) any other present or future Indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any Material Subsidiary fails to pay when due any amount payable by it under any present or future Guarantee for, or in respect of, any Indebtedness; ***provided that*** the aggregate amount of the relevant Indebtedness and Guarantees in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent in any other currency; or

(d) **Insolvency**:

(i) the occurrence of any of the following events: (A) the Issuer or any Material Subsidiary seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidation commission, temporary administration or a similar officer; (B) the presentation or filing of a petition in respect of the Issuer or any Material Subsidiary in any court or arbitration forum or before any Agency alleging its bankruptcy, insolvency, dissolution or liquidation or adoption of any resolution by any Agency in respect of any of the foregoing, except, in the case of any presentation or filing of a petition, where such presentation or filing is (x) initiated by any Person which is not a member of the Group or a Holding Company of any member of the Group; and (y) discharged or dismissed within 60 days from the date of presentation or filing; (C) the institution of supervision, temporary administration, external management, liquidation, rehabilitation or bankruptcy management to the Issuer or any Material Subsidiary; (D) the convening of a meeting of creditors of the Issuer or any Material Subsidiary for the purposes of considering an amicable settlement; or (E) any extra-judicial liquidation or analogous act in respect of the Issuer or any Material Subsidiary by any Agency in or of Georgia; or

(ii) the Issuer or any Material Subsidiary: (A) fails or is unable to pay its debts generally as they become due; or (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property; or (C) an Agency or court of competent jurisdiction declares the Issuer to be insolvent or bankrupt or enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Issuer or any Material Subsidiary or any part of their respective property; or

(iii) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer; or

(e) **Unsatisfied Judgments, Governmental or Court Actions**: the aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against the Issuer or any Material Subsidiary exceeds U.S.$25,000,000 or the equivalent thereof in any other currency or currencies, or any such unsatisfied judgment, decree or order results in (a) the management of the Issuer or any Material Subsidiary being wholly or partially displaced or the authority of the Issuer or any Material Subsidiary in the conduct of its business being wholly or partially curtailed or (b) all or a majority of the issued shares of the Issuer or any Material Subsidiary or the whole or any part (the book value of which is 20% or more of the Total Equity) of the revenues or assets of the Issuer or such Material Subsidiary, as the case may be, which are being seized, nationalised, expropriated or compulsorily acquired; or

(f) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Condition 9(d) (*Insolvency*) or Condition 9(e) (*Unsatisfied Judgments, Governmental or Court Actions*); or

(g) **Execution and Distress**: any execution or distress is levied against, or an encumbrancer takes possession of or sells, the whole or any material part of, the property, undertaking, revenues or assets of the Issuer or any Material Subsidiary; or

(h) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, decree, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its material rights and perform and comply with its payment obligations under the Notes and the Trust Deed, its obligations under Condition 4 (*Covenants*) and its other material obligations under the Notes, the Trust Deed or the Agency Agreement, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Trust Deed and the Agency Agreement admissible in evidence in the courts of England is not taken, fulfilled or done; or

(i) **Validity and Illegality**: the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Issuer or the Issuer denies any of its obligations under the Notes, the Trust Deed or the Agency Agreement or it is, or will become, unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Agency Agreement or any of such obligations becomes unenforceable or ceases to be legal, valid and binding.

The Issuer has undertaken in the Trust Deed that it will promptly upon becoming aware of the same inform the Trustee of the occurrence of any Event of Default or event or circumstance that would, with the giving of notice, lapse of time and/or issue of a certificate, become an Event of Default (a "**Potential Event of Default**").

The Issuer has also undertaken in the Trust Deed that it shall, within 14 days of its annual audited financial statements being made available to its members, within 14 days of each Interest Payment Date and also within 14 days of any request by the Trustee, send to the Trustee a certificate of the Issuer signed by any two of its directors confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate, no Event of Default or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it and that, during the period from and including the Certification Date of the last such certificate or (if none) the date of the Trust Deed, the Issuer has complied with all its obligations contained in these Conditions and the Trust Deed (including Condition 4 (*Covenants*) or (if such is not the case) specifying the respects in which it has not complied.

The Trustee shall be entitled to rely conclusively upon such certificates and shall not be liable to any person by reason thereof.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification or abrogation of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes, inter alia, consideration of the following proposals: (i) to change any date fixed for payment of principal or interest in respect of the Notes; (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes; (iii) to alter the method of calculating the amount of any payment in respect of the Notes (except where such alteration is, in the opinion of the Trustee, bound to result in an increase) or the date for any such payment; (iv) to change the amount of principal and interest payable in respect of the Notes; (v) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other entity; (vi) to change the currency of payments under the Notes; (vii) to change the quorum requirements relating to Noteholders' meetings or the majority required to pass an Extraordinary Resolution; (viii) to alter the governing law of the Conditions or the Trust Deed; or, (ix) without prejudice to the rights under Condition 12(b) (*Modification of the Trust Deed and Waiver*) below, change the definition of "Events of Default" under these Conditions, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Notes outstanding will for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed, Waiver and Determination**: The Trustee may agree with the Issuer, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or may determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such provided that, in any such case, it is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation, waiver or determination shall be binding on the Noteholders and, if the Trustee so requires, such modification, authorization, waiver or determination shall be notified to the Noteholders as soon as practicable.

(c) **Substitution**: The Trust Deed contains provisions permitting the Trustee to agree with the Issuer, subject to the conditions provided for in the Trust Deed (including that the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution) and to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of any Subsidiary of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree with the Issuer, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Under the Trust Deed, the Trustee may agree or require the Issuer to use all reasonable endeavours to procure the substitution as principal debtor under the Trust Deed and the Notes of a company incorporated in some other jurisdiction in the event of the Issuer becoming subject to any form of tax on its income or payments in respect of the Notes, and provided that such substitution shall not at the time of substitution result in a downgrading of any rating assigned to the Notes.

(d) **Entitlement of the Trustee**: In connection with the exercise of its trusts, powers, authorities, discretions and other functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the general interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) and, in particular but without limitation, the Trustee shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 (*Taxation*).

13. ENFORCEMENT

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings and/or other steps or action unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for it to be paid its costs and expenses in priority to the claims of the Noteholders and for its relief from responsibility and liability towards the Issuer and Noteholders, including *inter alia* (i) provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any auditors, independent appraiser, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

15. NOTICES

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. DEFINITIONS

Expressions used in these Conditions shall have the following meanings:

"**Affiliate**" of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any other Person described in (a);

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Associate**" of any specified Person (the "**first Person**") means any other Person (the "**second Person**") of which the first Person owns directly or indirectly between 20 and 50% of the capital, Voting Stock or other right of ownership;

"**Banking Business**" means JSC Bank of Georgia and JSC BG Financial;

"**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including in foreign exchange and foreign currency deposits) in New York City, London and Tbilisi and, in the case of presentation or surrender of a Certificate, in the place of the specified office of the Registrar or relevant Agent, to whom the relevant Certificate is presented or surrendered;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or other interests in the nature of any equity interest (or any equivalent of any of the foregoing (however designated)) of, in or in relation to the share capital, equity and/or corporate stock of a Person, in each of the foregoing cases whether now outstanding or hereafter issued;

"**Change in Accounting Treatment**" means the Group's adoption of the exception from the consolidation guidelines contained in IFRS 10 "Consolidated Financial Statements" for a parent entity that meets the definition of an "investment entity" notified to holders in accordance with Condition 15 (*Notices*). For purposes of these Conditions, the Change in Accounting Treatment shall be deemed to have occurred on 31 December 2019;

“**Demerger**” means the series of transactions whereby, amongst other steps:

(a) the Issuer lent US$50,000,000 to JSC BGEO Group on arm's length terms and JSC BGEO Group repaid the loan to the Issuer in accordance with the terms of the loan;

(b) the Substitute Issuer was inserted above the Issuer as the new holding company of the Issuer;

(c) the Issuer was merged into the Substitute Issuer;

(d) Bank of Georgia Group PLC was inserted above BGEO Group as the new holding company of BGEO Group pursuant to a court approved scheme of arrangement;

(e) the Substitute Issuer was transferred to Bank of Georgia Group PLC and Bank of Georgia Group PLC transferred the Substitute Issuer to Georgia Capital PLC;

(f) Bank of Georgia Group PLC issued 19.9% of its then issued share capital to the Substitute Issuer in exchange for the transfer by the Issuer of 19.9% of the Banking Business to Bank of Georgia Group PLC; and

(g) Georgia Capital PLC shares were admitted to the Official List and trading on the London Stock Exchange, and any transactions incidental thereto;

"**Fair Market Value**" of a transaction means the value that would be obtained in an arm's-length commercial transaction between an informed and willing seller (under no undue pressure or compulsion to sell) and an informed and willing buyer (under no undue pressure or compulsion to buy). A report of the Auditors of the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on the Noteholders;

"**Financial Adviser**" means an independent credit or financial services institution of international repute and appropriate expertise appointed by the Issuer and approved by the Trustee. The Trustee shall be entitled to approve (and shall suffer no liability for so approving) such credit or financial services institution if it has received a certificate from the Issuer (signed by two directors of the Issuer) stating that, in the Issuer's opinion (having made reasonable enquiries), such credit or financial services institution (a) has the necessary expertise to perform the role of Financial Advisor, (b) is of international repute and (c) is independent;

"**Group**" means the Issuer and its Subsidiaries, from time to time, taken as a whole;

"**Group Financial Information**" means:

(a) the combined historical financial information of the investment business of BGEO Group PLC as of and for the years ended 31 December 2015, 2016 and 2017 prepared in accordance with IFRS except for the application of certain conventions set out in the Annexure to SIR 2000 as it applies to the preparation of combined financial information and reported on by EY; and

(b) from 1 January 2018, the consolidated financial statements of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Holding Company**" means any Person who (a) directly or indirectly controls the affairs and policies of the Issuer or (b) owns directly or indirectly more than 50% of the capital, Voting Stock or other right of ownership of the Issuer and "**control**", as used in this definition, means the power to direct the management and the policies of the Issuer, whether through the ownership of share capital, by contract or otherwise;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**IFRS Fiscal Period**" means any fiscal period for which the Issuer or a Material Subsidiary, as the case may be, has produced Group Financial Information, which have either been audited or reviewed (or for the year ended 31 December 2017 only, reported on) by the Auditors;

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), excluding any letters of credit, guarantees, or other similar instruments issued in the ordinary course of its insurance business;

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services;

(e) all capitalised lease obligations of such Person;

(f) all indebtedness of other Persons secured by Security Interests granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest annual financial statements (calculated in accordance with IFRS) of the Person granting the Security Interest) of such Person, whether or not such indebtedness is assumed by such Person;

(g) all indebtedness of other Persons guaranteed or indemnified by such Person, to the extent such indebtedness is guaranteed or indemnified by such Person;

(h) any amount raised pursuant to any issue of Capital Stock which is expressed to be redeemable;

(i) any amount raised by acceptance under any acceptance credit facility;

(j) to the extent not otherwise included in the foregoing, net obligations under any currency or interest rate hedging agreements; and

(k) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing,

and the amount of indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation;

"**Independent Appraiser**" means an investment banking firm or third party expert in the matter to be determined of international standing selected by the Issuer and approved by the Trustee, provided that the Issuer has confirmed to the Trustee in writing that such firm or third party appraiser is not an Affiliate of the Issuer;

"**Interest Coverage Amount**" means, as at any date, the amount of interest accrued and due and payable on the Notes on the next Interest Payment Date;

"**Listed Associate**" means an Associate the shares of which are, as at the end of the most recent IFRS Fiscal Period, listed and/or admitted to trading on a recognised international stock exchange or (except for purposes of Condition 4(i)(i)) the Georgian Stock Exchange;

"**Listed Subsidiary**" means a Subsidiary the shares of which are, as at the end of the most recent IFRS Fiscal Period, listed and/or admitted to trading on a recognised international stock exchange or (except for purposes of Condition 4(i)(i)) the Georgian Stock Exchange;

"**Make Whole Premium**" means, with respect to a Note at any time, the excess of (a) the outstanding aggregate principal amount of the Notes at the Call Settlement Date, plus any required interest payments that would otherwise be due to be paid on such Notes from the Call Settlement Date through to the Maturity Date calculated using a discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (b) the outstanding aggregate principal amount of the Notes at the Call Settlement Date, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances, the value of the Make Premium will be equal to zero;

"**Material Adverse Effect**" means a material adverse change in, or material adverse effect on, (a) the business, properties, condition (financial or otherwise), results of operations or prospects of the Issuer or the Group, (b) the Issuer's ability to perform its obligations under the Notes or the Trust Deed or (c) the validity or enforceability of Notes or the Trust Deed;

"**Material Subsidiary**" means, other than any Listed Subsidiary, any Subsidiary of the Issuer:

(a) the Issuer's investments in which determined by reference to the most recent Group Financial Information comprise more than 20% of Total Equity; or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction);

other than, for purposes of Condition 4 only (irrespective of the revenues or assets of such Subsidiary, respectively, as a percentage of consolidated revenues or total consolidated assets of the Group), but not otherwise, any Listed Subsidiary (other than, for the purposes of Condition 4(i)(i), a Subsidiary listed or admitted to trading on the Georgian Stock Exchange);

"**Maturity Date**" means 9 March 2024;

"**NBG**" means the National Bank of Georgia;

"**Net Debt**" means the resulting amount calculated (without duplication) as follows:

(a) amounts owed to credit institutions, ***plus***

(b) debt securities issued, ***less***

(c) cash and cash equivalents, ***less***

(d) amounts due from credit institutions, ***less***

(e) debt investment securities to the extent comprising Temporary Investments,

in each case, of the Issuer on a stand-alone basis determined by reference to the Issuer's most recent Group Financial Information;

"**Net Debt Covenant Compliance Certificate**" means (i) a certificate of the Issuer, signed by two directors of the Issuer, in form and substance satisfactory to the Trustee, setting out the Issuer's calculation of the amounts of Total Equity and Net Debt and the required ratio, and showing, in each case, the component parts thereof, accompanied by an independent assurance report (in the event the certificate is prepared with reference to audited financial information) or an agreed upon procedures report (in the event the certificate is prepared with reference to unaudited financial information) signed by the Issuer's auditors confirming the Issuer's calculations and its compliance with paragraph (i) of Condition 4(i) (*Limitation on Indebtedness*));

"**Original Issue Date**" means 9 March 2018;

"**Permitted Security Interests**" means:

(a) Security Interests in existence on the Closing Date;

(b) Security Interests granted by any Subsidiary in favour of the Issuer or any wholly-owned Subsidiary of the Issuer;

(c) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary of the Issuer or becomes a Subsidiary of the Issuer, provided that such Security Interests (i) were not created in contemplation of such merger or consolidation or event; and (ii) do not extend to any assets or property of the Issuer or any Subsidiary of the Issuer (other than those of the Person acquired and its Subsidiaries (if any));

(d) Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Subsidiary of the Issuer, provided that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(e) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(f) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo transaction;

(g) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market relating to the establishment of margin deposits and similar arrangements in connection with interest rate and foreign currency hedging operations;

(h) any Security Interests arising by operation of law and in the ordinary course of business including tax and other non-consensual Security Interests; and

(i) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (j), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed the greater of U.S.$100,000,000 or 2% of Total Equity, determined by reference to the most recent Group Financial Information;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or Agency or any other entity, whether or not having separate legal personality;

"**Potential Event of Default**" means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9, become an Event of Default;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term "securities" means any Capital Stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any public or private company, any government or Agency or instrumentality thereof or any supranational, international or multinational organisation;

"**Restricted Payment**" has the meaning given to it in Condition 4(g);

"**Security Interest**" means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

"**Share Buyback**" means the buyback and cancellation of shares of the Issuer's ultimate parent company following the Demerger in an amount of up to U.S.$50,000,000 pursuant to its capital return policy;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**") (a) whose affairs and policies the first Person directly or indirectly controls or (b) of which the first Person owns directly or indirectly more than 50% of the capital, Voting Stock or other right of ownership and "**Control**", as used in this definition, means the power to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise, "**Controlled**" being construed accordingly;

"**Temporary Investments**" means any of the following:

(a) any investment in direct obligations of a member of the European Union, the United States or any agency thereof or obligations guaranteed by a member of the European Union or the United States or any agency thereof;

(b) any investment in demand and time deposit accounts, certificates of deposit and money market deposits with a maturity of one year or less from the date of acquisition thereof issued by a bank or trust company which is organised under the laws of a member of the European Union or the United States or any state thereof and outstanding debt rated "A" (or such similar equivalent rating) or higher by at least one internationally recognised rating agency;

(c) any investment in repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraph (a) above entered into with a bank meeting the qualifications described in paragraph (b) above;

(d) any investment in commercial paper issued by a corporation (other than an Affiliate of the Issuer) organised and in existence under the laws of a member of the European Union or the United States with a rating at the time as at which any investment therein is made of "P1" / "A1" (or such similar equivalent rating or higher) by at least one internationally recognised rating agency;

(e) any investment in securities issued or fully guaranteed by any state, commonwealth or territory of a member of the European Union or the United States, or by any political subdivision or taxing authority thereof, and rated at least "A" (or such similar equivalent rating) or higher by at least one internationally recognised rating agency;

(f) any investment in demand and time deposit accounts, certificates of deposit and money market deposits with a maturity of one year or less from the date of acquisition thereof issued by any Georgian bank having a rating from at least two internationally recognised rating agencies that is at least equivalent to that of B1 (Moody's) or B+ (Standard & Poor's);

(g) any investment in internationally issued and placed securities issued by or guaranteed by the government of Georgia or the NBG up to a limit of U.S.$50,000,000 at any time; and

(h) any investment in money market funds that invest substantially all their assets in securities of the types described in paragraphs (a) through (g) above;

"**Total Equity**" means (A) at all relevant times and for all accounting periods following the Change in Accounting Treatment total assets less total liabilities as presented in the Issuer's financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and (B) prior to the Change in Accounting Treatment, the shareholders' equity of the Issuer, determined by reference to the most recent Group Financial Information, less the shareholders' equity of each Listed Subsidiary and Listed Associate determined by reference to the consolidated or standalone (as the case may be) balance sheet of such Listed Subsidiary and Listed Associate prepared in accordance with IFRS to the extent attributable to the Issuer, plus the higher of (a) the market capitalisation of each Listed Subsidiary and Listed Associate as published on the website of the relevant stock exchange on which the shares of such Listed Subsidiary and Listed Associate are listed and/or admitted to trading to the extent attributable to the Issuer, or (b) the shareholders' equity of each Listed Subsidiary attributable to the Issuer or carrying value of each Listed Associate, as the case may be, determined by reference to the consolidated or standalone (as the case may be) balance sheet of such Listed Subsidiary and Listed Associate prepared in accordance with IFRS, in each case (for all relevant purposes of this definition of Total Equity) as at the end of the most recent IFRS Fiscal Period;

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used; and

"**Voting Stock**" means, in relation to any Person, Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions of the Notes in all respects (or in all respects except the issue price, issue date and/or first payment of interest on such securities) and so that such further issue is consolidated and forms a single series with the Notes or upon such other terms as the Issuer may determine at the time of their issue. References in these conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the Notes constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

19. GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**: Any dispute which may arise out of or in connection with the Trust Deed or the Notes (including any claim, dispute or difference as to (i) the existence of the Notes, (ii) termination or validity of the Trust Deed or the Notes, (iii) any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes, (iv) the consequences of the nullity of the Trust Deed or the Notes, or (v) this Condition 19(b)) (each, a "**Dispute**") shall be finally settled by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition 19(b), which Rules shall be deemed incorporated into this Condition 19(b). The number of arbitrators shall be three. Each party shall appoint one arbitrator in the Request for Arbitration or the Response, as the case may be. The third arbitrator, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators. If such nomination is not made within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated or either party fails to nominate an arbitrator in the Request for Arbitration or Response, as applicable, then such nomination shall be chosen by the LCIA court. The seat of arbitration shall be London, England and the language of arbitration shall be English. The arbitrators shall have power to award on a provisional basis any relief that they would have power to grant on a final award. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) **Waiver of immunity**: To the extent that the Issuer or any of its assets has (on the date of issue of the Notes), or thereafter may acquire, any right to immunity from set-off, legal proceedings, attachment prior to judgement, other attachment or execution of judgement on the grounds of sovereignty or otherwise, the Issuer hereby irrevocably waives any such right to immunity and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any proceedings.

(d) **Agent for Service of Process**: The Issuer irrevocably appoints Georgia Capital PLC, at 84 Brook Street, London W1K 5EH, United Kingdom as its agent in England to receive service of process in any proceedings in England. If for any reason such agent shall cease to be such agent for service of process, the Issuer shall appoint a new agent for service of process in England and deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

1. INITIAL ISSUE OF CERTIFICATES

The New Regulation S Notes shall be represented by a permanent New Regulation S Global Certificate, in fully registered form without interest coupons, deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg.

The New Rule 144A Notes shall be represented by a permanent New Rule 144A Global Certificate, in fully registered form without interest coupons, deposited with Citibank N.A. as custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Upon the registration of the New Regulation S Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the New Regulation S Global Certificate to the common depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of New Notes equal to the nominal amount thereof for which it has subscribed and paid as represented by the New Regulation S Global Certificate.

Upon the registration of the New Rule 144A Global Certificate in the name of Cede & Co. as nominee of DTC and delivery of the New Rule 144A Global Certificate to the custodian for DTC, DTC will credit each subscriber with a nominal amount of New Notes equal to the nominal amount thereof for which it has subscribed and paid as represented by the New Rule 144A Global Certificate.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a New Note represented by a New Global Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of the New Global Certificate and in relation to all other rights arising under the New Global Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the New Notes for so long as the New Notes are represented by the New Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the New Global Certificate in respect of each amount so paid.

3. EXCHANGE FOR DEFINITIVE CERTIFICATES

The following will apply in respect of transfers of New Notes held in DTC, Euroclear or Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the New Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the New Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of New Notes represented by the New Global Certificate pursuant to Condition 2(b) (*Delivery of New Certificates*) may only be made in part:

(i) if the New Global Certificate is held by or on behalf of DTC, Euroclear or Clearstream, Luxembourg and such clearing system notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such New Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC; or

(ii) if the Issuer would suffer a material disadvantage in respect of the New Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 (*Taxation*) which would not be suffered were the New Notes in definitive form and a note to such effect signed by two members of the Issuer's Management Board is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders, of its intention to exchange the New Global Certificate for Definitive Certificates on or after the Exchange Date specified in the notice.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent is located.

4. AMENDMENT TO CONDITIONS

The New Global Certificate contains provisions that apply to the New Notes that it represents, some of which modify the effect of the Terms and Conditions of the New Notes set out in these Listing Particulars. The following is an overview of certain of those provisions:

4.1 Payments

All payments in respect of New Notes represented by a New Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

4.2 Meetings

For the purposes of any meeting of Noteholders, the holder of the New Notes represented by the New Global Certificates shall (unless the New Global Certificate represents only one New Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the New Notes.

4.3 Trustee's Powers

In considering the interests of Noteholders while the New Global Certificates are held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the New Global Certificate and may consider such interests as if such accountholders were the holders of the New Notes represented by the New Global Certificate.

5. TRUSTEE'S POWERS

Subject as provided in the Trust Deed, each person who is for the time being shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg as entitled to a particular principal amount of the New Notes represented by the New Global Certificates (in which regard any certificate or other document issued by DTC, Euroclear or Clearstream, Luxembourg as to the principal amount of such New Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such New Notes for all purposes other than with respect to payments of principal and interest on the New Notes for which purpose the registered holder of this New Global Certificate shall be deemed to be the holder of such principal amount of the New Notes in accordance with and subject to the terms of this New Global Certificate and the Trust Deed.

For so long as all of the New Notes are represented by the New Global Certificate and the New Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or DTC, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or DTC (as the case may be) for communication to the relative accountholders provided that all requirements of any relevant stock exchange have been complied with. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg or DTC (as the case may be) as aforesaid.

Whilst any New Notes held by a Noteholder are represented by the New Global Certificate, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, may approve for this purpose.

TAXATION

The following is a general description of certain material United States Federal, EU, and Georgian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in the United States, the United Kingdom, the EU and Georgia or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law in effect on the date of these Listing Particulars and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Certain Material United States Federal Income Tax Considerations

The following is a general overview of certain U.S. federal income tax consequences arising from the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below). This overview deals only with initial purchasers of the Notes at the "issue price" (the first price at which a substantial amount of the Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of the Notes by particular investors (including consequences under the alternative minimum tax), and does not address state, local, non-U.S. or other tax laws. This overview also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions, conversion transactions or other integrated transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad, investors whose functional currency is not the U.S. Dollar, U.S. Holders who are required to include certain items of revenue in income no later than when such item is taken into account in their financial statements, U.S. Holders who hold their Notes through non-U.S. intermediaries, or holders that own (directly, indirectly, or by attribution) 10 per cent or more of the vote of value of the Issuer's stock).

As used herein, the term U.S. Holder means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This overview is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE OVERVIEW OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING,

OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

It is expected, and this summary assumes, that the issue price of the Notes will equal their stated principal amount. Generally the Notes will be treated as issued a *de minimis* amount of original issue discount if the excess of the Notes' principal amount over their issue price is less than 0.25 per cent. of the principal amount multiplied by the number of complete years to maturity.

Therefore, interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. There are complex limitations on a U.S. Holder's ability to claim foreign tax credits. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Sale, Retirement, Redemption or Other Taxable Disposition of the Notes

A U.S. Holder will generally recognise gain or loss on the sale, retirement, redemption or other taxable disposition of a Note equal to the difference between the amount realised on the sale, retirement, redemption or other taxable disposition, and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will generally be its US Dollar cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognised by a U.S. Holder on the sale, retirement, redemption or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations.

If a Georgian tax is withheld on the sale, retirement or other taxable disposition of a Note, the amount realised by a U.S. Holder will include the gross amount of the proceeds of that sale or other disposition before deduction of the Georgian tax withheld. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any Georgian income taxes withheld by the Issuer. Gain or loss realised by a U.S. Holder on the sale, retirement or other taxable disposition of a Note generally will be U.S. source income for U.S. foreign tax credit purposes. Therefore, in the case of a gain from the disposition of a Note that is subject to Georgian tax, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any Georgian tax imposed on the sale or disposition. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex. Prospective purchasers should consult their tax advisers as to the foreign tax credit or foreign tax deduction implications of the sale, retirement, redemption or other taxable disposition of the Notes.

Substitution of Issuer

As described under "*Terms and Conditions of the Notes—Condition 12(c) (Substitution)*" herein, a Subsidiary of the Issuer may substitute for the Issuer as principal debtor under the Trust Deed and the Notes. Such substitution may be treated for U.S. federal income tax purposes as a deemed disposition of the Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a substitution of the Issuer.

Backup Withholding and Information Reporting

Non-exempt U.S. Holders are subject to information reporting requirements with respect to proceeds of the sale, redemption or other disposition of the Notes if the principal, interest, or proceeds are paid within the United States or through certain financial intermediaries. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders (including corporations) are exempt from backup withholding.

Backup withholding is not an additional tax. Any backup withholding from a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the Internal Revenue Service.

Reporting With Respect to Foreign Financial Assets

Certain U.S. persons that own "specified foreign financial assets", including securities issued by any foreign person either directly or indirectly or through certain foreign financial institutions, may be required to report their ownership of such assets on Internal Revenue Service Form 8938. The Notes are expected to constitute reportable "specified foreign financial assets" unless they are held in an account at certain financial institutions. Substantial penalties may be imposed, and the period of limitations on the assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply with these reporting requirements. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Notes.

Georgian Taxation

The analysis below is a general overview of certain Georgian tax implications related to the Notes prepared in accordance with Georgian tax legislation as of the date of these Listing Particulars. As with other areas of Georgian legislation, tax law and practice in Georgia is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that changes may be made in the law or in the current interpretation of the law or current practice, including changes that could have a retroactive effect. Accordingly, it is possible that payments to be made to the Noteholders could become subject to taxation in Georgia, or that rates currently in effect with respect to such payments could be increased, in ways that cannot be anticipated as of the date of these Listing Particulars. Each prospective purchaser of Notes should also consider any further tax implications that may be relevant to it under the laws and regulations of other countries in connection with its purchase, holding and sale of Notes.

Withholding Tax on Interest

Payments of interest on Notes will be exempt from withholding tax and such payments of interest shall not be subject to further taxation for Noteholders (whether they are individuals (physical persons) or legal entities). See *"Risk Factors—Macroeconomic and Political Risks Related to Georgia—Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies"*.

Enforceability of Tax Gross-up under the Terms and Conditions of the Notes

Pursuant to Condition 8 (*Taxation*), in the case of withholding or deduction of any taxes (subject to certain customary exceptions) in respect of any payment on the Notes, the Issuer is required to increase the amount of the relevant payment by such amount as would result in the receipt by the relevant Noteholder of the amount which would have been received by it had no such withholding or deduction been required. The Tax Code neither prohibits nor permits the inclusion of tax gross-up clauses (such as that set out in Condition 8 (*Taxation*)) in agreements or instruments made by Georgian companies. In practice, however, such gross-up provisions are widely respected by the tax authorities in Georgia.

Taxation of Sale of Notes by Non-Resident Legal Entity Noteholders

Non-resident legal entities will be assessed profit tax on the difference between the initial purchase and subsequent sale price and the relevant non-resident entity will be under an obligation to properly report and pay such profit tax to the Georgian tax authorities. If the sale is carried out through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax at a 10% rate or at a 15% rate if the seller is registered in an offshore jurisdiction. The applicability of Georgian profit tax may be affected by a double tax treaty between Georgia and the country of residency of the selling entity.

Taxation of Sale of Notes by Non-Resident Individual Noteholders

Individuals in Georgia are subject to income tax at a current rate of 20%, with the tax base being calculated after permitted deductions. For the non-resident individuals the income tax will be assessed on the difference between the initial purchase and subsequent sale price. A relevant non-resident individual will be under an obligation to properly report and pay such income tax to the Georgian tax authorities. If the sale is done through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax at a 10% rate or at a 15% rate if the seller is registered in an offshore jurisdiction. The applicability of Georgian income tax may be affected by a double tax treaty between Georgia and the country of residency of the seller individual.

Certain exemptions may also be available to individual Noteholders if such individuals maintain ownership of Notes for more than two calendar years.

Taxation of Sale of Notes by Resident Individual Noteholders

Georgian resident individual Noteholders will become liable to pay income tax at 20% upon the disposal of the Notes. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company and the seller is not registered as a taxpayer in Georgia, such brokerage company may be responsible for withholding the applicable tax. Certain exemptions may be available to Georgian resident individual Noteholders if such individuals maintain ownership of Notes for more than two calendar years.

Taxation of Sale of Notes by Resident Legal Entity Noteholders

Georgian resident legal entities (except commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers, until 1 January 2023) will be subject to a 15% corporate profit tax on any gain (the difference between initial purchase and subsequent sale price) received from the disposal of the Notes after they distribute profit.

Until 1 January 2023, the gain received from the sale of the Notes (i.e., the difference between the initial purchase price and subsequent sale price of the Notes) by commercial banks, credit unions, insurance companies, microfinance organisations and persons registered as loan issuers will be included in their gross taxable income and after the permitted deductions will be subject to profit tax at the rate of 15%.

See "*Risk Factors—Macroeconomic and Political Risks Related to Georgia—Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Group and there may be changes in current tax laws and policies*".

Value Added Tax

Sales (supply) of the Notes are exempt from Value Added Tax in Georgia.

Other Considerations

The Tax Code expressly provides for ability of the tax inspection to re-examine the transaction price indicated by the respective parties, subject to certain procedural requirements.

The proposed financial transactions tax (the "FTT").

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). Estonia has, however, since stated that it will not participate.

The Commission's Proposal has broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Commission Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is the subject of the dealings is issued in a participating Member State. The FTT proposal, however, remains subject to negotiation between participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may also decide to participate in the FTT.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

TRANSFER RESTRICTIONS

Rule 144A Securities

Each purchaser of Rule 144A Notes, by purchasing such Notes, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(a) It is (i) a QIB; (ii) acquiring the Notes for its own account or for the account of one or more QIBs; (iii) not acquiring the Notes with a view to further distribute such Notes; and (iv) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(b) It understands that such Notes have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or otherwise transferred except (i) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (ii) in reliance on Rule 144A to a person that the holder and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of another QIB; (iii) in an offshore transaction in accordance with Regulation S; (iv) pursuant to Rule 144 under the U.S. Securities Act (if available); or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

(c) It acknowledges that the Notes offered and sold hereby in the manner set forth in paragraph (a) are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Notes.

(d) It understands that any offer, sale, pledge or other transfer of such Notes made other than in compliance with the above-stated restrictions may not be recognised by the Issuer.

(e) It understands that such Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **U.S. SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT (**RULE 144A**) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A **QIB**) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (**REGULATION S**) OR (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THIS NOTE.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH

ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE TRUST DEED.

(f) It agrees that it will give each person to whom it transfers any Notes notice of any restrictions on transfer of such Notes.

(g) If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account. The Issuer, the Registrar, the Lead Manager and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(h) It understands that the Notes offered in reliance on Rule l44A will be represented by the Rule 144A Global Certificate. Before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(i) Prospective purchasers are hereby notified that the sellers of the Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Securities

Each purchaser of Regulation S Notes, by purchasing such Notes, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(a) It understands that such Notes have not been and will not be registered under the U.S. Securities Act, and such Notes are being offered and sold in accordance with Regulation S.

(b) It or any person on whose behalf it is acting is, or at the time such Notes are purchased will be, the beneficial owner of such Notes and (i) it is purchasing such Notes in an offshore transaction (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(c) It will not offer, sell, pledge or otherwise transfer Notes, except in accordance with the U.S. Securities Act and any applicable securities laws of any state of the United States.

(d) The Issuer, the Registrar, the Lead Manager and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a Subscription Agreement dated 12 March 2021, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for all of the New Notes at the issue price of 100% (plus 7 days of accrued interest). The Issuer has agreed that it will pay a management and underwriting commission and selling concession to the Lead Manager pursuant to separate arrangements as to fees in relation to the issue of the New Notes, as set out in a letter to the Lead Manager. The Subscription Agreement entitles the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer.

General

No action has been or will be taken in any jurisdiction by the Lead Manager or the Issuer that would permit a public offering of the New Notes, or possession or distribution of any other offering materials relating to the New Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Lead Manager has agreed that it will comply to the best of its knowledge and belief with all applicable laws and regulations in each jurisdiction in which it offers or sells any New Notes or distributes or publishes these Listing Particulars or any such other material.

Prohibition of Sales to European Economic Area Retail Investors

The Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression ***retail investor*** means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

   (ii) a customer within the meaning of Directive (EU) (2016/97) (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression ***offer*** includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Notes to be offered so as to enable an investor to decide to purchase or subscribe the New Notes.

In relation to member states of the EEA, there may be further rules and regulations of such country or jurisdiction within the EEA relating to the offering of the New Notes or distribution or publication of this these Listing Particulars or any other offering material or advertisement; persons into whose possession these Listing Particulars comes should inform themselves about and observe any restrictions on the distribution of these Listing Particulars and the offer of the New Notes applicable in such EEA Member State.

Prohibition of sales to UK Retail Investors

The Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

   (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

   (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Notes to be offered so as to enable an investor to decide to purchase or subscribe for the New Notes.

United States

The New Notes have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States except in certain transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any New Notes within the United States, except as permitted by the Subscription Agreement. The New Notes are being offered and sold by the Lead Manager outside the United States in accordance with Regulation S.

The Subscription Agreement provides that the Lead Manager may offer and sell the New Notes within the United States to QIBs in reliance on Rule 144A. Any offers and sales by the Lead Manager in the United States will be conducted by broker-dealers registered with the SEC.

In addition, until 40 days after the commencement of the offering, an offer or sale of New Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act.

Georgia

The Lead Manager has represented and agreed that the New Notes shall not be advertised, marketed, offered or sold in the territory of Georgia in a public offering without a prior or simultaneous delivery/publication of a final prospectus approved by the NBG in accordance with the Securities Market Law. A "public offering" is defined as an offer to sell securities directly or indirectly on behalf of an issuer or other person to at least 100 persons or to an unspecified number of persons. Offering and sale of the New Notes to sophisticated investors (as defined in the Securities Market Law) only, however, will not constitute a public offering.

In the event, however, that the New Notes are placed/listed on Euronext Dublin, which is a "recognised stock exchange of the foreign country", the Notes may be offered in Georgia in a public offering without the approval of these Listing Particulars by the NBG, provided that the NBG is notified about the public offering of the New Notes in accordance with Georgian law and the ISIN of the New Notes, as well as evidence of listing of the Notes on Euronext Dublin and the Listing Particulars, together with the Georgian translation of the *"Overview of the Offering"* section of the Listing Particulars (both of which should also be made publicly available in accordance with Georgian law), is provided to the satisfaction of the NBG in advance of the offering in Georgia.

Without limitation of any of the foregoing, the Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable provisions of Georgian law with respect to anything done by it in relation to the New Notes in, from or otherwise involving Georgia.

Other UK regulatory restrictions

In the United Kingdom, these Listing Particulars may be distributed only to and may be directed only at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) high net worth entities falling within Article 49(2) (a) to (d) of the Order; or (c) other persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). Neither these Listing Particulars nor any other offering material have been submitted to the clearance procedures of the Financial Conduct Authority in the United Kingdom. The New Notes may not be offered or sold to persons in the United Kingdom except to "qualified investors" as referenced in section 86 of the FSMA.

The Lead Manager has represented and agreed that:

i. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

ii. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Notes in, from or otherwise involving the United Kingdom.

Other Relationships

The Lead Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager or its affiliates from time to time have provided in the past, and may provide in the future investment banking financial advisory and/or commercial banking services to, the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Lead Manager and its affiliates may receive allocations of the New Notes. The Lead Manager (or its affiliates) may be a lender and/or agent bank and/or security agent under existing lending arrangements with the Issuer, in connection with which the Lead Manager may receive customary fees and commissions for these roles. The Lead Manager and its affiliates may, in the future, act as hedge counterparties to the Issuer consistent with their customary risk management policies. Typically, the Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the New Notes. Any such short positions could adversely affect future trading prices of the Notes. The Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. Application has been made to Euronext Dublin for the New Notes to be admitted to the Official List and trading on its Global Exchange Market, through the Listing Agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the New Notes and is not itself seeking admission to the Official List or trading on the Global Exchange Market.

2. It is expected that the listing of the New Notes on Euronext Dublin and the admission of the New Notes to trading on Euronext Dublin's Global Exchange Market for listed securities will take place on or about16 March 2021, subject to the issuance of the New Global Notes.

3. EY LLC is the auditor of the Issuer. EY LLC is included in the register of the Georgian Federation of Professional Accountants and Auditors with the right to perform statutory and non-statutory audits. Its registered office is 44 Kote Abkhazi street, 0105 Tbilisi, Georgia.

4. The Issuer has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the New Notes. The issue of the New Notes was authorised by the resolution of the Supervisory Board passed on 5 March 2021, the resolution of the Management Board passed on 5 March 2021 and the shareholder's resolutions passed on 5 March 2021.

5. The issue of the Original Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 19 February 2018 and 7 March 2018 and shareholder's resolution passed on 19 February 2018 and 7 March 2018.

6. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2020 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2020.

7. In the previous 12 months, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, a significant effect on the Issuer and/or the Group's financial position or profitability.

8. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg for the Regulation S Notes and DTC for the Rule 144A Notes. The Common Code, ISIN, CUSIP, CFI and FISN, as applicable, for the Regulation S Notes and the Rule 144A Notes are as follows:

   - FISN: JOINT STOCK COM/6.125EUR NT FM WC
   - CFI: DBFNGR
   - ***Regulation S Notes:***
   - ISIN: XS1778929478
   - Common Code: 177892947
   - ***Rule 144A Notes:***
   - ISIN: US373143AA49
   - Common Code: 178546554
   - CUSIP: 373143AA4

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041, United States.

9. For as long as the Notes are listed on the Official List and admitted to trading on the Global Exchange Market physical copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of these Listing Particulars until the Notes mature at the offices of the Issuer:

   (a) The Trust Deed (which includes the form of the Global Certificates and the Definitive Certificates), the First Supplemental Trust Deed and the Second Supplemental Trust Deed;

(b) The Agency Agreement (including the first supplemental agency agreement);

(c) the Issuer's Charter;

(d) the Financial Statements; and

(e) a copy of these Listing Particulars together with any supplement to these Listing Particulars or any further Listing Particulars.

These Listing Particulars will also be published on the website of Euronext Dublin at: http://www.ise.ie/.

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JSC Georgia Capital and Subsidiaries
Consolidated Financial Statements

31 December 2020

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Independent auditor's report

To the Shareholder and Supervisory Board of JSC Georgia Capital

Opinion

We have audited the consolidated financial statements of JSC Georgia Capital (hereinafter, the "Company") and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of private investments Under the investment entity basis of accounting, the Company measures its investments in subsidiaries at fair value through profit or loss. Equity investments at fair value, including investments in subsidiaries, comprise the most significant part of the Group's total assets as at 31 December 2020. Majority those equity investments are private, without observable prices from an active market available as at the reporting date. Management engaged independent specialists to assist in valuation of private investments in healthcare services, retail (pharmacy), insurance, water utility, hospitality and commercial real estate businesses.	We involved our valuation specialists to assist us in performing our audit procedures. We obtained an understanding of management's processes and controls for determining the fair valuation of private investments. We compared the Company's valuation methodology to IFRS 13, *Fair Value Measurement*, (IFRS 13) requirements. We sought explanations from management where there were judgments applied in its application of the IFRS 13 requirements. We formed a range for the key assumptions used in the valuation of private investments, including the discount rates, valuation multiples and the long-term growth rates, with reference to the relevant industry and market valuation considerations. Where appropriate, we derived a range of fair values for private investments using our assumptions and other qualitative risk factors. We compared those ranges with the fair values determined by management.

Key audit matter	How our audit addressed the key audit matter
Owing to the unquoted and illiquid nature of the private investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management, in particular in respect of the selection of an appropriate valuation method, determination of peer group and applicable earnings multiples, calculation of discount rates and the estimation of future cash flows, could lead to the incorrect valuation of the unquoted investment portfolio. In turn, this could have a material impact on the value of equity investments at fair value in the consolidated statement of financial position as at 31 December 2020, and the gains or losses on investments at fair value in the consolidated income statement for the year then ended, which made it a key audit matter. Information related to private investments is disclosed in notes 4, 10 and 20 to the consolidated financial statements.	We compared key inputs used in the valuation models, such as EBITDA, net asset and net debt, to the underlying accounting records provided by the investee companies. We assessed the selection of the comparable companies used in the calculation of the earnings multiples. We analysed the adjustments made to earnings, if any, and/or multiples and assessed the rationale and supporting evidence for the adjustments made. We evaluated the selection of weighting applied to earnings multiples of the comparable companies by independently estimating our own range of multiples. We assessed the discount rates applied in valuations performed using income method by performing corroborative calculations. We discussed with the management the key assumptions applied to calculate future cash flows and terminal value and corroborated this to supporting evidence. We performed procedures to evaluate mathematical accuracy of the valuation models. We engaged our real estate valuation specialists to assist us in our analysis of the valuation of the real estate assets in the hospitality and commercial real estate business which form the basis of the net asset value at which this particular business is valued. We assessed the property valuation report which covered a sample of properties, prepared by external property appraiser and discussed it with the management and the appraiser to understand the key assumptions underpinning the valuation and changes in the Georgian real estate market, including COVID-19 implications.

Key audit matter	How our audit addressed the key audit matter
	We evaluated competence, capabilities and objectivity of management's specialists. We obtained an understanding of the work of management's specialists. We analysed the key assumptions and methodologies applied in the valuation of the investments valued with the involvement of management's experts. We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 13.

Other information included in the Group's 2020 Management Report

Other information consists of the information included in the Group's 2020 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit and Valuation Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Valuation Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Valuation Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Valuation Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Valuation Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Alexey Loza.

Alexey Loza

On behalf of EY LLC

Tbilisi, Georgia

3 March 2021

CONSOLIDATED 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	6	117,026	117,215
Amounts due from credit institutions	7	42,655	-
Marketable securities	8	13,416	62,493
Accounts receivable		117	1,176
Prepayments		588	384
Loans issued	9	108,983	151,884
Property and equipment		449	580
Intangible assets		99	122
Other assets		6,023	6,520
Equity investments at fair value	10	2,907,688	2,251,465
Total assets		**3,197,044**	**2,591,839**
Liabilities			
Accounts payable		531	1,284
Debt securities issued	12	980,932	825,952
Other liabilities		2,291	6,406
Total liabilities		**983,754**	**833,642**
Equity	13		
Share capital		13,391	12,400
Additional paid-in capital		634,271	499,369
Treasury shares		(940)	(961)
Other reserves		(744)	-
Retained earnings		1,567,312	1,247,389
Total equity		**2,213,290**	**1,758,197**
Total liabilities and equity		**3,197,044**	**2,591,839**

Signed and authorised for release on behalf of the Management by:

Irakli Gilauri — Chief Executive Officer

Giorgi Alpaidze — Chief Financial Officer

3 March 2021

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*2020*
Gains/(losses) on investments at fair value	10	451,233
Listed Equity Investments		*(261,524)*
Private Investments		*712,757*
Dividend income	10	29,870
Other interest income		14,964
Interest income at effective interest rate method		5,004
Net losses from investment securities measured at fair value through profit or loss		(553)
Net realised losses from investment securities measured at fair value through other comprehensive income		(1,667)
Other income		412
Gross investment profit		**499,263**
Administrative expenses	15	(4,685)
Salaries and other employee benefits	15	(19,140)
Depreciation and amortisation		(548)
Interest expense		(61,521)
Profit before provisions, Foreign exchange and non-recurring items		**413,369**
Expected credit losses	16	(114)
Net foreign currency loss		(89,943)
Non-recurring expense	17	(3,389)
Profit before income taxes		**319,923**
Income tax		-
Profit for the year		**319,923**

The accompanying notes on pages 9 to 60 are an integral part of these consolidated 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	14	**590,413**
Salaries and other employee benefits	15	(174,762)
Administrative expenses	15	(112,669)
Other operating expenses		(11,457)
Expected credit loss / impairment charge on financial assets	16	(11,474)
Impairment charge on insurance premium receivables, other assets and provisions	16	(1,078)
		(311,440)
EBITDA		**278,973**
Share in profit of associates		357
Dividend income	10	24,953
Depreciation and amortisation		(110,075)
Net foreign currency loss		(41,792)
Net gains from investment securities measured at fair value through profit or loss		1,654
Net realised gains from investment securities measured at fair value through other comprehensive income		1,187
Interest income at effective interest rate method		30,658
Interest expense		(150,370)
Net operating income before non-recurring items		**35,545**
Net non-recurring items	17	(8,235)
Gain from change in investment entity status	2	588,828
Profit before income tax expense		**616,138**
Income tax expense	11	(4,633)
Profit for the year		**611,505**
Total profit attributable to:		
– the shareholder of JSC Georgia Capital		576,501
– non-controlling interests		35,004
		611,505

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*2020*	*2019*
Profit for the year		**319,923**	**611,505**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Income from currency translation differences		-	9,962
Changes in the fair value of debt instruments at FVOCI		(2,217)	2,694
Realised loss / (gain) on financial assets measured at FVOCI reclassified to the consolidated income statement		1,667	(1,187)
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI		(194)	(172)
Reclassification of other reserves to PL due to Change in investment entity status		-	(26,864)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(744)**	**(15,567)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property and equipment		-	3,474
Changes in fair value of equity instruments designated at FVOCI		-	140,441
Reclassification of other reserves to retained earnings due to Change in investment entity status		-	108,265
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	**252,180**
Other comprehensive (loss) / income for the year, net of tax		**(744)**	**236,613**
Total comprehensive income for the year		**319,179**	**848,118**
Total comprehensive income attributable to:			
– the shareholder of JSC Georgia Capital		319,179	811,275
– non-controlling interests		-	36,843
		319,179	**848,118**

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Thousands of Georgian Lari)

	Attributable to the shareholder of Georgia Capital							
	Share capital	Additional paid-in capital	Treasury Shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
31 December 2018	**11,526**	**498,781**	**(584)**	**497,350**	**90,534**	**1,097,607**	**329,005**	**1,426,612**
Profit for the year	-	-	-	-	576,501	576,501	35,004	611,505
Other comprehensive income for the year	-	-	-	234,774	-	234,774	1,839	236,613
Total comprehensive income for the year	**-**	**-**	**-**	**234,774**	**576,501**	**811,275**	**36,843**	**848,118**
Issue of share capital (Note 13)**	1,253	138,503	-	-	-	139,756	-	139,756
Increase in equity arising from share-based payments (Note 18)	-	24,616	-	-	-	24,616	6,585	31,201
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)
Capital reduction (Note 13)	(379)	(79,705)	(305)	-	-	(80,389)	-	(80,389)
Purchase of treasury shares	-	(82,826)	(72)	-	-	(82,898)	-	(82,898)
Change in investment entity status	-	-	-	(688,720)	580,443	(108,277)	(277,809)	(386,086)
31 December 2019	**12,400**	**499,369**	**(961)**	**-**	**1,247,389**	**1,758,197**	**-**	**1,758,197**

** During 2019 Georgia Healthcare Group PLC, Group's subsidiary, announced dividend out of which GEL 2,873 was paid dividends to it minority shareholders. In addition, JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of 8,297 GEL.*
*** On December 18 2019 GCAP PLC, 100% shareholder of JSC GCAP, contributed 17,892,911 existing GHG shares into the equity of JSC GCAP, in return of 1,025,680 newly issued GCAP shares. Group's interest in GHG increased to 70.6%. Acquisition of non-controlling interest in existing subsidiaries is mostly attributable to this transaction.*

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*
31 December 2019	**12,400**	**499,369**	**(961)**	**-**	**1,247,389**	**1,758,197**
Profit for the year	-	-	-	-	319,923	319,923
Other comprehensive loss for the year	-	-	-	(744)	-	(744)
Total comprehensive profit for the year	**-**	**-**	**-**	**(744)**	**319,923**	**319,179**
Issue of share capital (Note 13)	1,290	136,975	-	-	-	138,265
Increase in equity arising from share-based payments (Note 18)	-	18,461	-	-	-	18,461
Capital reduction (Note 13)	(299)	(22,047)	-	-	-	(22,346)
Transaction costs recognized directly in equity	-	(596)	-	-	-	(596)
Sale of treasury shares	-	6,310	26	-	-	6,336
Contributions under share-based payment plan (Note 13)	-	(4,201)	(5)	-	-	(4,206)
31 December 2020	**13,391**	**634,271**	**(940)**	**(744)**	**1,567,312**	**2,213,290**

** During 2020 the parent company, GCAP PLC, received GEL 22,346 in the form of capital redemption from JSC GCAP, of which 21,180 was paid in cash.*

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	31 December 2020	31 December 2019
Cash flows from operating activities			
Revenue received		-	1,386,928
Cost of goods sold paid		-	(896,818)
Net other income received		-	7,207
Salaries and other employee benefits paid		(7,094)	(148,790)
General, administrative and operating expenses paid		(5,370)	(106,769)
Interest income received		11,590	23,349
Net change in operating assets and liabilities		(409)	(93)
Net cash flows (used in)/from operating activities before income tax		**(1,283)**	**265,014**
Income tax paid		-	(4,082)
Net Cash flow (used in)/from operating activities		**(1,283)**	**260,932**
Cash flows used in investing activities			
Net placement of amounts due from credit institutions		(42,354)	(16,240)
Loans issued		(9,002)	(95,108)
Loans repaid		76,309	209,762
Acquisition of subsidiaries, net of cash acquired		-	(160,348)
Increase of investments in subsidiaries	10	(57,148)	-
Repayment of remaining holdback amounts from previous year acquisitions		-	(5,876)
Purchase of marketable securities		(30,527)	(81,970)
Proceeds from sale and redemption of marketable securities		82,540	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	10	29,870	24,953
Other investing activities		(529)	-
Change in investment entity status		-	(131,520)
Net cash flows from/(used in) investing activities		**49,159**	**(455,185)**

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*31 December 2020*	*31 December 2019*
Cash flows from financing activities			
Proceeds from borrowings	12	-	660,400
Repayment of borrowings	12	-	(416,682)
Proceeds from debt securities issued	12	29,830	247,053
Redemption and buyback of debt securities issued	12	-	(106,713)
Other purchases of treasury shares	13	(21,180)	(80,389)
Dividends paid		-	(11,405)
Interest paid		(53,012)	(148,790)
Contributions under share-based payment plan		(6,680)	(59,180)
Increase in share capital of subsidiaries		-	6,216
Purchase of additional interest in existing subsidiaries		-	(1,615)
Transaction costs incurred in relation to share issuance		(596)	-
Cash payments for principal portion of lease liability		(395)	(21,087)
Cash payments for interest portion of the lease liability		(35)	(6,665)
Net cash (used in)/from financing activities		**(52,068)**	**61,143**
Effect of exchange rates changes on cash and cash equivalents		4,012	(3,024)
Effect of change in expected credit losses for cash and cash equivalents		(9)	-
Net decrease in cash and cash equivalents		**(189)**	**(136,134)**
Cash and cash equivalents, beginning of the year	6	**117,215**	**253,349**
Cash and cash equivalents, end of the year	6	**117,026**	**117,215**

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

1. Principal Activities

JSC Georgia Capital ("Georgia Capital") 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.

Georgia Capital's registered legal address is Kazbegi street 3-5, Tbilisi Georgia.

JSC Georgia Capital was established on 6 August 2015 as a joint stock company (JSC) under the laws of Georgia. As of 31 December 2020 and 31 December 2019, the Group's ultimate 100% owner was Georgia Capital PLC, a company incorporated in England and listed on the London Stock Exchange.

2. Basis of Preparation

General

The consolidated financial statements of JSC Georgia Capital have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

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 financial statements are presented in thousands of Georgian Lari ("GEL"), 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.

Financial impact of the change in investment entity status, gain of GEL 588,828, was recorded in 2019. Further details on financial impact of change in investment entity status and underlying significant judgments are provided in notes 3, 4 and 20, respectively.

2. Bases of Preparation (continued)

Going concern

The Board of Directors of Georgia Capital has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the consolidated 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 ability to continue as a going concern for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

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

Liquidity needs of Georgia Capital during the Going Concern review period mainly comprises of coupon payments on JSC GCAP Eurobonds and operating costs of running the holding company. The liquidity outlook also assumes dividend income from the defensive businesses of the group (healthcare, pharmacy, renewable business, water utility and insurance) and small capital allocations in Investment stage companies (Renewable Energy and Education). Management have performed a further assessment which demonstrates that, even in a stressed scenario which assumes no dividend inflows and postponement of the loan repayments from the portfolio businesses that have been most significantly negatively affected by the COVID-19 whilst retaining forecast capital allocations, the existing cash and highly liquid debt and equity investment securities will be sufficient to cover the expected cash outflows of JSC GCAP for the Going Concern review period. Further, Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with exception to an 18 million euro financial guarantee issued to a portfolio company, where the management has assessed the probability of guarantee exercise as remote and has included it in the overall assessment accordingly(note 22). Finally, Georgia Capital does not have a primary mandate to deploy funds or divest assets within a specific time frame.

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

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates

The direct and indirect subsidiaries and associates of JSC Georgia Capital as at 31 December 2020 and 31 December 2019 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 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	–
⇒ 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 Real Estate 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	–
⇒ 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	–

(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*
⇒ 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
⇒ 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
⇒ 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
⇒ Craf 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	–

(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
⇒ 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	–
⇒ 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.*

3. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Change in basis of accounting

IFRS 10 Consolidated Financial Statements

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, with the difference of GEL 588,828 recognized in profit or loss for the period.

Fair value measurement

The Group measures financial instruments, such as debt securities owned, equity investments, derivatives, investments in subsidiaries (starting from 31 December 2019) and non-financial assets such as investment properties at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 20.

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.

3. Summary of significant accounting policies (continued)

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (cash and cash equivalents, amounts due from credit institutions)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- 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 (investment 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 and amounts due from credit institutions.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under debt securities owned.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include subsidiaries, associates and joint ventures measured at fair value through profit or loss, financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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 investments in subsidiaries and associates.

Investment in subsidiaries: in accordance with the exception under IFRS 10, the Group does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Group's investment activities. The Group measures unconsolidated subsidiaries (including loans to subsidiaries) at FVPL.

Investment in associates: In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Group does not account for its investments in associates using the equity method. Instead, the Group measures its investments in associates at FVPL.

Loans to subsidiaries are measured at FVPL in accordance with IFRS 9 as the loans are held within a business model with the objective other than held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets

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.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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 consolidated profit or loss.

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.

3. Summary of Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities (continued)

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, including financial guarantees, are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Liability under guarantee is measured at the higher of 1) The amount of loss allowance determined in accordance with the impairment requirements of IFRS 9; and 2) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with IFRS 15.The premium received is recognized in the income statement on a straight-line basis over the life of the guarantee.

Debt securities issued

Debt securities issued are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, debt securities issued are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when borrowings are derecognised as well as through the amortisation process.

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 consolidated 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 consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Employees (including senior executives) of the Group receive share-based remuneration, whereby they render services and receive equity instruments of Georgia Capital PLC ('equity settled transactions') as consideration for the services provided.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Share-based payment transactions (continued)

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.
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

When the Group purchases shares of Georgia Capital or Georgia Capital PLC, 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 additional paid in capital.

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

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.

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 and banks. 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.

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 financial statements are presented in Georgian Lari, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. 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

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Business combinations and goodwill (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Investments in associates and joint ventures (continued)

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.

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.

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of such asset. All other borrowing costs are expensed in the year in which they occur.

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.

(Thousands of Georgian Lari)

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 derecognized 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 (IAS 17, applied until 1 January 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Leases (IAS 17, applied until 1 January 2019) (continued)

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease.

Operating lease payments are recognised as an operating expense in the statement of profit or loss 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 of 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.

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.

(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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

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.

Income and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense is recognised:

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Income and expense recognition (continued)

Insurance income and expense (continued)

- 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.

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Income and expense recognition (continued)

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.

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Income and expense recognition (continued)

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.

EBITDA

The Group separately presents EBITDA on the face of the consolidated 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.

3. Summary of Significant Accounting Policies (continued)

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:

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 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 financial statements of the Group.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

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 financial statements.

4. Significant Accounting Judgements and Estimates

In the process of applying the Group's accounting policies, the management board use their judgment and make estimates in determining the amounts recognised in the consolidated financial statements. The most significant judgments 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 (an investment entity on its own) holds a single investment in JSC Georgia Capital, 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.

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.

The Group continues to consolidate GCMF LLC, which is not itself an investment entity and whose main purpose and activities are providing securities trading services that relate to the Group's investment activities.

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 20. 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 20

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 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:

Large 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 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 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.

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present NAV statement roll-forward decomposed by the Group's operating segments as at and for the year ended 31 December 2020:

	31 December 2019	*1.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	**(493,039)**	**-**	**(57,684)**	**(5,716)**	**29,870**	**-**	**(24,373)**	**(143,456)**	**(694,398)**
Net Asset Value	**1,760,044**	**479,485**	**136,981**	**(5,716)**	**-**	**-**	**(24,373)**	**(133,131)**	**2,213,290**

1.Value Creation – measures annual shareholder return on each portfolio company for Georgia Capital. It is the aggregation of a) change in beginning and ending fair values, b) dividend income during the 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 13.; 2b. Buybacks – represent buybacks made in order to satisfy share compensation of executives; 2c.Dividends – represent dividends received from portfolio companies by JSC GCAP; 2d. GHG Delisting – delisting and transfer of GHG to private portfolio sub-segment; 3.Operating Expenses – holding company operating expenses; 4.Liquidity Management/FX/Other – holding company movements related to liquidity management, foreign exchange movement, non-recurring and other.

(Thousands of Georgian Lari)

5. Segment Information (continued)

Reconciliation to IFRS FS:

	31 December 2020			31 December 2019		
	JSC Georgia Capital	***Reclassifications/adjustments****	***NAV Statement***	***JSC Georgia Capital***	***Reclassifications/adjustments****	***NAV Statement***
Cash and cash equivalents	117,026	(117,026)	-	117,215	(117,215)	-
Amounts due from credit institutions	42,655	(42,655)	-	-	-	-
Marketable securities	13,416	(13,416)	-	62,493	(62,493)	-
Accounts receivable	117	(117)	-	1,176	(1,176)	-
Prepayments	588	(588)	-	384	(384)	-
Loans issued	108,983	(108,983)	-	151,884	(151,884)	-
Property and equipment	449	(449)	-	580	(580)	-
Intangible assets	99	(99)	-	122	(122)	-
Other assets, net	6,023	(6,023)	-	6,520	(6,520)	-
Equity investments at fair value	2,907,688	-	2,907,688	2,251,465	1,618	2,253,083
Total assets	**3,197,044**	**(289,356)**	**2,907,688**	**2,591,839**	**(338,756)**	**2,253,083**
Accounts payable	531	(531)	-	1,284	(1,284)	-
Debt securities issued	980,932	(980,932)	-	825,952	(825,952)	-
Other liabilities	2,291	(2,291)	-	6,406	(6,406)	-
Total liabilities	**983,754**	**(983,754)**	**-**	**833,642**	**(833,642)**	**-**
Net Debt	-	(694,398)	(694,398)	-	(493,039)	(493,039)
Total equity/NAV	**2,213,290**	**-**	**2,213,290**	**1,758,197**	**1,847**	**1,760,044**

*** Reclassification and adjustments to aggregated balances to arrive at NAV specific presentation, such as aggregating GCAP net debt; capitalization of project development related expenses.*

(Thousands of Georgian Lari)

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:

	Listed Portfolio Companies	*Private Portfolio Companies*			*Corporate Center*	*Adjustments**	*Total*
		Large	*Investment Stage*	*Other*			
(Losses)/gains on investments at fair value	(261,524)	834,602	93,803	(217,266)	-	1,618	451,233
Listed Equity Investments	*(261,524)*	-	-	-	-	-	*(261,524)*
Private Investments	-	*834,602*	*93,803*	*(217,266)*	-	*1,618*	*712,757*
Dividend income	-	24,943	4,927	-	-	-	29,870
Interest income	-	-	-	-	19,968	-	19,968
Net losses from investment securities measured at FVPL	-	-	-	-	(553)	-	(553)
Net realised losses from investment securities measured at FVOCI	-	-	-	-	(1,667)	-	(1,667)
Other income	-	-	-	-	412	-	412
Gross investment (loss) / profit	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**18,160**	**1,618**	**499,263**
Administrative expenses	-	-	-	-	(4,685)	-	(4,685)
Salaries and other employee benefits	-	-	-	-	(19,140)	-	(19,140)
Depreciation and amortisation	-	-	-	-	(548)	-	(548)
Interest expense	-	-	-	-	(61,521)	-	(61,521)
(Loss)/profit before provisions, foreign exchange and non-recurring items	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(67,734)**	**1,618**	**413,369**
Provision	-	-	-	-	(114)	-	(114)
Net foreign currency loss	-	-	-	-	(89,943)	-	(89,943)
Non-recurring expense	-	-	-	-	(3,389)	-	(3,389)
(Loss)/profit before income taxes	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(161,180)**	**1,618**	**319,923**
Income tax	-	-	-	-	-	-	-
(Loss)/profit for the period	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(161,180)**	**1,618**	**319,923**

** Write-off of capitalized project development related expenses.*

(Thousands of Georgian Lari)

6. Cash and Cash Equivalents

	31 December 2020	31 December 2019
Current accounts with financial institutions	105,185	114,698
Time deposits with financial institutions with maturities of up to 90 days	11,851	2,518
Cash and cash equivalents	**117,036**	**117,216**
Allowance (Note 16)	(10)	(1)
Cash and cash equivalents, Net	**117,026**	**117,215**

7. Amounts Due from Credit Institutions

	31 December 2020	31 December 2019
Time deposits with maturities of more than 90 days	42,989	-
Amounts due from credit institutions, Gross	**42,989**	**-**
Allowance (Note 16)	(334)	-
Amounts due from credit institutions, Net	**42,655**	**-**

8. Marketable Securities

	31 December 2020	31 December 2019
Internationally listed marketable securities (FVPL)	12,649	25,657
Internationally listed marketable securities (FVOCI)	112	13,118
Locally listed marketable securities (FVPL)	655	1,324
Locally listed marketable securities (FVOCI)	-	22,394
Equity Investments at Fair Value	**13,416**	**62,493**

As at 31 December 2020 Marketable securities consist of internationally and locally listed debt financial instruments GEL 13,416 (31 December 2019: GEL 58,339) and equity financial instruments of GEL nil (31 December 2019: 4,154).

9. Loans Issued

	31 December 2020	31 December 2019
Loans to subsidiaries (FVPL)	108,983	117,506
3rd party loans (amortized cost)	-	34,412
Loans issued	**108,983**	**151,918**
Allowance (Note 16)	-	(34)
Loans issued, Net	**108,983**	**151,884**

As at 31 December 2020 and Loans to subsidiaries are denominated in GEL and USD (2019: GEL and USD), carry interest rates from 9% to 16% (2019: 9% to 12%), with average remaining terms of maturity of 2 years (2019: 2 years).

As at 31 December 2019, 3rd party loans are denominated USD, carry interest rate of 9%, with average remaining terms of maturity of 3 months.

(Thousands of Georgian Lari)

10. Equity Investments at Fair Value

	31 December 2019	Value Change	Dividends	Total gains / (Losses) on investments at fair value	GHG Delisting	Investments*	Other**	31 December 2020
Listed Portfolio Companies	**1,027,814**	**(261,524)**	**-**	**(261,524)**	**(372,997)**	**138,265**	**-**	**531,558**
GHG	*430,079*	*(195,347)*	-	*(195,347)*	*(372,997)*	*138,265*	-	-
BoG	*597,735*	*(66,177)*	-	*(66,177)*	-	-	-	*531,558*
Private Portfolio Companies	**1,223,651**	**742,627**	**(29,870)**	**712,757**	**372,997**	**56,400**	**10,325**	**2,376,130**
Large Portfolio Companies	**648,893**	**859,545**	**(24,943)**	**834,602**	**372,997**	**-**	**1,745**	**1,858,237**
Healthcare Services	-	*393,797*	-	*393,797*	*177,859*	-	-	*571,656*
Retail (Pharmacy)	-	*374,322*	-	*374,322*	*178,423*	-	-	*552,745*
Water utility	*483,970*	*433*	*(15,000)*	*(14,567)*	-	-	*1,745*	*471,148*
Insurance (P&C and Medical)	*164,923*	*90,993*	*(9,943)*	*81,050*	*16,715*	-	-	*262,688*
Of which, P&C Insurance	*164,923*	*42,826*	*(9,943)*	*32,883*	-	-	-	*197,806*
Of which, Health Insurance	-	*48,167*	-	*48,167*	*16,715*	-	-	*64,882*
Investment Stage Portfolio Companies	**163,116**	**98,764**	**(4,927)**	**93,837**	**-**	**44,501**	**1,510**	**302,964**
Renewable Energy	*106,800*	*62,169*	*(4,927)*	*57,242*	-	*44,350*	*1,510*	*209,902*
Education	*56,316*	*36,595*	-	*36,595*	-	*151*	-	*93,062*
Other Portfolio Companies	**411,642**	**(215,682)**	**-**	**(215,682)**	**-**	**11,899**	**7,070**	**214,929**
Equity investments at fair value	**2,251,465**	**481,103**	**(29,870)**	**451,233**	**-**	**194,665**	**10,325**	**2,907,688**

* Capital injections in portfolio companies made by JSC GCAP (cash contribution of GEL 57,148), with the exception of investment in GHG PLC made by GCAP PLC, which was further contributed to the equity of JSC GCAP (note 13).
** Other investments in portfolio companies

Investment in Banking business, Bank of Georgia Group PLC, has been designated at fair value through OCI in the Group's annual consolidated financial statements for the year ended 31 December 2019. In the first half of 2020, the Group signed total return swap agreement with its 100% owned subsidiary, resulting in a derecognition of the investment in Bank of Georgia Group PLC. Later in the period, the total return swap agreement was terminated by the parties. As the result of the termination, investment in Bank of Georgia Group PLC was newly recognized in the consolidated statement of financial position and classified as financial asset at fair value through profit or loss at initial recognition.

11. Taxation

The corporate income tax (expense) credit for the year ended 31 December 2019 comprises:

	2019
Current income tax benefit (expense)	(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 is 15% 2019 (2018: 15%).

Corporate income tax is charged on the dividend distributions (note 3). In 2020, the Group did not distribute any dividends and thus no income tax was recognized for the year ended 31 December 2020.

(Thousands of Georgian Lari)

11. Taxation (continued)

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	**616,138**
Average tax rate	15%
Theoretical income tax expense at average tax rate	**(92,421)**
Non-taxable income	88,225
Correction of prior year declarations	(376)
Unrecognised deferred tax asset	(61)
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 substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

12. Debt Securities Issued

Debt securities issued comprise:

	31 December 2020	*31 December 2019*
USD denominated Eurobonds	980,932	825,952
Debt securities issued	**980,932**	**825,952**

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

During 2020 JSC Georgia Capital reissued own Eurobonds held in treasury for total consideration of GEL 29,830.

Changes in liabilities arising from financing activities

	Borrowings	**Debt securities**	**Lease liabilities**
Carrying amount at 1 January 2019	**764,355**	**916,401**	**-**
IFRS 16 transition effect	-	-	83,993
Foreign currency translation	37,151	56,649	4,209
Cash proceeds	660,400	247,053	-
Cash repayments	(416,682)	(106,713)	(21,087)
Acquisition of subsidiaries	125,353	-	1,595
Other	(7,483)	(144)*	34,989
Change in investment entity status	(1,163,094)	(287,294)	(103,069)
Carrying amount at 31 December 2019	**-**	**825,952**	**630**
Foreign currency translation	-	116,736	71
Cash proceeds	-	29,830	-
Cash repayments	-	-	(430)
Other	-	8,414*	2
Carrying amount at 31 December 2020	**-**	**980,932**	**273**

** Other movement for debt securities represents change in accrued interest*

(Thousands of Georgian Lari)

13. Equity

Share capital

As at 31 December 2020 issued share capital comprised 13,390,989 authorised common shares (2019: 12,399,944), of which 13,390,989 were fully paid (2019: 12,399,944). Each share has a nominal value of one Georgian Lari. Shares issued and outstanding as at 31 December 2020 are described below:

	Number of shares Ordinary	*Amount*
31 December 2018	**11,526,000**	**11,526**
Issue of share capital	1,252,680	1,253
Capital Reduction	(378,736)	(379)
31 December 2019	**12,399,944**	**12,400**
Issue of share capital	1,289,962	1,290
Capital Reduction	(298,917)	(299)
31 December 2020	**13,390,989**	**13,391**

Issue of Share Capital

On 8 July 2020, 22 July 2020 and 2 September 2020 JSC GCAP issued 1,039,084, 147,220 and 103,658 shares respectively (in aggregate 1,289,962 shares), with aggregate par value of GEL 1,290, in exchange for contribution of 38,670,406 shares in GHG with total fair value of GEL 138,265, made by the Parent. As the result of transaction, JSC GCAP interest in GHG increased to 100%, the Group's equity increased by GEL 138,265 and equity investment in GHG increased by same amount (note 10). The difference of GEL 136,975 between the par value of ordinary shares issued in connection with that transaction and the fair value of GHG shares acquired was recognized as additional paid-in capital.

Capital Reduction

During 2020 JSC GCAP bought back from its Parent 298,917 own shares for total consideration of GEL 22,346 (of which cash consideration amounted to GEL 21,180). All of the repurchased ordinary shares were cancelled. GEL 22,047 difference between GEL 299 par value of the acquired shares and the consideration transferred was recognized as deduction from additional paid-in capital.

Treasury Shares

Treasury shares consist of GEL 837 (2019: 837) JSC Georgia Capital shares and GEL 103 (2019: 124) shares of Georgia Capital PLC (shareholder) repurchased as a result of management compensation scheme, which are considered as treasury shares for the Group.

In 2020, the Group acquired treasury shares in connection to its share-based compensation plans for total consideration of GEL 4,206.

Nature and purpose of other reserves

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

Unrealised gains (losses) on debt and equity investments at fair value
This reserve records fair value changes on debt and equity investments at fair value through other comprehensive income.

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

Movements in other reserves during the year ended 31 December 2020 and 31 December 2019 are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

14. Gross Profit

	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**

(Thousands of Georgian Lari)

14. Gross Profit (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**

14. Gross Profit (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 m^2 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**

(Thousands of Georgian Lari)

14. Gross Profit (continued)

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.

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.

15. Salaries and Other Employee Benefits, and General and Administrative Expenses

	2020	*2019*
Equity compensation plan costs	(12,035)	(23,687)
Salaries and bonuses	(7,105)	(147,891)
Pension costs	-	(3,184)
Salaries and other employee benefits	**(19,140)**	**(174,762)**

(Thousands of Georgian Lari)

15. Salaries and Other Employee Benefits, and General and Administrative Expenses (continued)

General and administrative expenses	***2020***	***2019***
Marketing and advertising	-	(21,800)
Legal and other professional services	(2,290)	(17,433)
Insurance	(933)	(701)
Operating taxes	(282)	(10,951)
Travel expenses	(123)	(3,258)
Corporate hospitality and entertainment	(116)	(3,566)
Repair and maintenance	(114)	(5,783)
Personnel training and recruitment	(88)	(740)
Office supplies	(82)	(11,636)
Communication	(77)	(3,445)
Security	(29)	(1,702)
Occupancy and rent	(17)	(4,972)
Banking services	(13)	(3,189)
Utility expenses	-	(6,547)
Customer service fee	-	(1,697)
Other	(521)	(15,249)
General and administrative expenses	**(4,685)**	**(112,669)**

16. Impairment of accounts receivable, other assets and provisions

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

	Cash and cash equivalents 2020	***Amounts due from credit institutions 2020***	***Marketable Securities 2020***	***Loans issued 2020***	***Total 2020***
At 1 January	**1**	**-**	**195**	**34**	**230**
(Reversal) Charge	9	334	(195)	(34)	114
At 31 December	**10**	**334**	**-**	**-**	**344**

	Cash and cash equivalents 2019	***Marketable Securities 2019***	***Accounts receivable 2019***	***Loans issued 2019***	***Total 2019***
At 1 January	**1**	**309**	**21,713**	**414**	**22,437**
(Reversal) Charge	-	(172)	12,026	(380)	11,474
Recoveries	-	-	(220)	-	(220)
Write-offs	-	-	(2,506)	-	(2,506)
Change in investment entity status	-	58	(31,013)	-	(30,955)
At 31 December	**1**	**195**	**-**	**34**	**230**

For other debt financial assets, the ECL is based on the 12-month ECL since there has not been a significant increase in credit risk since origination.

Increase in impairment charge in 2019 is mainly attributable to the increased gross balance of receivables of healthcare and utility businesses.

The Group recognized expected credit loss on insurance premium receivables and provisions in the amount of GEL 1,078 in 2019.

(Thousands of Georgian Lari)

17. Net Non-recurring Items

Net non-recurring expense for the year ended 31 December 2020 comprised:

	2020
Key management personnel termination benefits (note 22)	(3,389)
Net non-recurring items	**(3,389)**

Net non-recurring expense for the year ended 31 December 2019 comprised:

	2019
Termination benefits	(4,397)
Prepayments write-off	(3,019)
Net loss on flood of Mestiachala	(1,068)
Other	249
Net non-recurring items	**(8,235)**

18. 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 1,650,000 ordinary shares of Georgia Capital PLC. 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 JSC Georgia Capital's management share-based compensation is in scope of IFRS 2 in its financial statements. In the tables below, 2020 information includes management's compensation at Georgia Capital JSC and 2019 information includes Group's executives' compensation.

In addition to Executives' Equity Compensation Plan, the Group grants shares of the parent to the employees of the Group.

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	**1,951,400**	**2,294,556**
Granted during the year	224,200	343,638
Forfeited during the year	(110,429)	(239,000)
Vested during the year	(266,136)	(111,000)
Change in investment entity status	-	(336,794)
Shares outstanding at 31 December	**1,799,035**	**1,951,400**

(Thousands of Georgian Lari)

18. Share-based Payments (continued)

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2020 was 3 years (2019: 4 years).

The weighted average fair value of shares granted during the year was GEL 29.6 (2019: GEL 38.2). The weighted average fair value of shares forfeited and vested was GEL 23.2 (2019: 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	18,461	31,201
Expense arising from equity-settled transactions	15,000	26,549

Expense arising from equity-settled transactions in the amount of GEL 2,965 (2019: GEL 2,862) was recognised in net non-recurring expenses related to termination of employment agreement of the executive.

19. Risk Management

Introduction

Risk is inherent in the Group'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 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.

All non-executive Board members of Georgia Capital PLC are also members of Supervisory Board of JSC Georgia Capital. JSC Georgia Capital established Audit and Valuation, Investment and Remuneration Committees with the same terms of reference and the same members as those of Georgia Capital PLC. As such, all relevant decisions of Audit and Valuation, Investment and Remuneration Committees of Georgia Capital PLC apply to the Group.

Risk management structure

Audit and Valuation Committee

The Audit and Valuation Committee of Georgia Capital 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.

19. Risk Management (continued)

Introduction (continued)

Risk management structure (continued)

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 oversights 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 Group's asset, liability and risk management activities, policies and procedures. The Management Board comprises of senior manager of GCAP PLC and JSC GCAP. In order to effectively implement the risk management system, the Board of Directors delegate individual risk management functions to the Management Board, which in turn assigns specific functions to the various decision-making and execution bodies within the portfolio entities of JSC Georgia Capital.

Internal Audit

The Internal Audit Department of Georgia Capital 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, the Group uses 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 will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group 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.

(Thousands of Georgian Lari)

19. Risk Management (continued)

Credit risk (continued)

Liquid financial instruments

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group'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 Group'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	111,983	5,043	-	99,589	9,842	7,784
Amounts due from credit institutions	9,997	32,658	-	-	-	-
Marketable securities	3,964	8,797	655	29,713	22,589	6,037
Loans issued	-	-	108,983	34,378	-	117,506
Other assets	-	-	5,769	-	-	3,395
Total	**125,944**	**46,498**	**115,407**	**163,680**	**32,431**	**134,721**

* Non graded Other assets represents receivable from guarantee issued to a portfolio company, with nominal amount of GEL 74,431 as at 31 December 2020 (2019: GEL 59,376), refer to note 22.

Credit quality per class of financial assets

The credit quality of financial assets is also managed by the Group based on the number of overdue days. None of the Group's financial assets are past due as at 31 December 2020 and 2019.

No significant increase in credit risk since initial recognition occurred in respect of the Group's financial assets as at 31 December 2020 and 2019.

The Group does not have a grading system to evaluate credit quality of neither past due nor impaired assets. Maximum exposure to credit risk is limited to carrying value of respective financial assets and to notional amount of guarantees issued.

Liquidity risk

Liquidity risk is the risk that the Group 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 US$ 50 million liquid asset buffer at Georgian parent company level, where liquid assets are 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 JSC Georgia Capital 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.

(Thousands of Georgian Lari)

19. Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group'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***
Debt securities issued	30,064	30,064	1,131,987	-	1,192,115
Accounts payable	531	-	-	-	531
Financial guarantees	74,431	-	-	-	74,431
Other financial liabilities	81	2,127	106	-	2,314
Total undiscounted financial liabilities	**105,107**	**32,191**	**1,132,093**	**-**	**1,269,391**

Financial liabilities **31 December 2019**	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Debt securities issued	25,404	25,404	1,007,330	-	1,058,138
Accounts payable	1,284	-	-	-	1,284
Financial guarantees	59,376	-	-	-	59,376
Other financial liabilities	80	2,875	1,157	-	4,112
Total undiscounted financial liabilities	**86,144**	**28,279**	**1,008,487**	**-**	**1,122,910**

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 has exposure to market risks. The Group structures the levels of market risk it accepts through a Group market risk policy that determines what constitutes market risk for the Group.

Currency risk

The Group is 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 tables below indicate the currencies to which the Group had significant exposure at 31 December 2020 and 31 December 2019 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the twelve months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	***Change in currency rate in %***	***Effect on profit before tax***	***Change in currency rate in %***	***Effect on profit before tax***
	2020		***2019***	
EUR	+ 15.1%	1,706	+ 7.9%	(2,293)
GBP	+ 16.1%	-	+ 10.2%	706
USD	+ 13.0%	(94,540)	+ 6.4%	(35,413)

(Thousands of Georgian Lari)

19. 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. The Group 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 Group's portfolio investments is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that 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 made a number of developments 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 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 largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, 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, same as equity attributable to the shareholder of JSC Georgia Capital as at 31 December 2020 in the amount of GEL 2,213,290 (2019: GEL 1,758,197). Net Asset Value (NAV) statement, which 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. 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 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 it's 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 shareholder's requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants if any. To maintain or adjust the capital structure, the Group may adjust the amount of outstanding equity.

(Thousands of Georgian Lari)

20. 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				
Marketable securities	4,986	8,430	-	13,416
Equity investments at fair value	531,558	-	2,376,130	2,907,688
Loans issued	-	-	108,983	108,983
Assets for which fair values are disclosed				
Cash and cash equivalents	-	117,026	-	117,026
Amounts due from credit institutions	-	42,655	-	42,655
Accounts receivable	-	-	117	117
Liabilities for which fair values are disclosed				
Debt securities issued	-	1,001,956	-	1,001,956
Lease liabilities	-	264	-	264

31 December 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Marketable securities	10,376	52,117	-	62,493
Equity investments at fair value	1,027,814	-	1,223,651	2,251,465
Loans issued	-	-	117,506	117,506
Other assets	-	1,918	469	2,387
Other derivative financial assets	-	1,918	-	1,918
Call option	-	-	469	469
Assets for which fair values are disclosed				
Cash and cash equivalents	-	117,215	-	117,215
Accounts receivable	-	-	1,176	1,176
Loans issued	-	-	35,020	35,020
Liabilities for which fair values are disclosed				
Debt securities issued	-	829,726	-	829,726
Lease liabilities	-	634	-	634

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.

20. Fair Value Measurement (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.

Equity Investments in Private Portfolio Companies

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

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

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

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

Fair value of equity 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 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 as a generally accepted method. Earnings are adjusted where appropriate for exceptional, one-off or non-recurring items.

a. Valuation based on enterprise value

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

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

20. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Listed Peer Group Multiples (continued)

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

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

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

b. Equity fair value valuation

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

The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is allocated between Georgia Capital and other shareholders of the portfolio company, if any. Fair valuation of equity using peer multiples can be used for businesses within financial sector (e.g. insurance companies).

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.

Net Asset Value

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

Price of recent investment

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

Validation

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

- Listed peer group multiples – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to respective metrics of the investment being valued depending on the industry of the company. The Company develops fair value range based on these techniques and analyse whether fair value estimated above falls within this range.

(Thousands of Georgian Lari)

20. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Validation (continued)

- Discounted cash flow (DCF) – The discounted cash flow valuation method is used to determine fair value of equity investment. Based on DCF, the Company might make upward or downward adjustment to the value of valuation target as derived from primary valuation method. If fair value estimated using discounted cash flow analysis significantly differs from the fair value estimate derived using primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.

Valuation process for Level 3 valuations

Georgia Capital's Management Board proposes fair value to be placed at each reporting date to the Audit and Valuation Committee. 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 is assessed externally by 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. 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-10.0x] 1.2x-4.7x [2.4x] [90%-100%] [0.9x]	*214,929*

(Thousands of Georgian Lari)

20. Fair Value Measurement (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	6.6x-15.4x [10.0x-10.4x]	*411,642*
		EV/Sales multiple	1.3x-3.9x [2.2x]	
		Cashflow probability	[70%-100%]	
		NAV multiple	[1x]	

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

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

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

(Thousands of Georgian Lari)

20. Fair Value Measurement (continued)

Description of significant unobservable inputs to level 3 valuations (continued)

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%).

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated historical financial information. The table does not include the fair values of non-financial assets and non-financial liabilities, or fair values of other smaller financials assets and financial liabilities, fair values of which are materially close to their carrying values.

	Carrying value 31 December 2020	*Fair value 31 December 2020*	*Unrecognised gain (loss) 31 December 2020*	*Carrying value 31 December 2019*	*Fair value 31 December 2019*	*Unrecognised gain (loss) 31 December 2019*
Financial assets						
Cash and cash equivalents	117,026	117,026	-	117,215	117,215	-
Amounts due from credit institutions	42,655	42,655	-	-	-	-
Loans Issued	-	-	-	34,378	35,020	642
Financial liabilities						
Lease liabilities	273	264	9	630	634	(4)
Debt securities issued	980,932	1,001,956	(21,024)	825,952	829,726	(3,774)
Total unrecognised change in unrealised fair value			**(21,015)**			**(3,136)**

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 31 December 2019	*PL movement* realized*	*PL movement* unrealized*	*Investments*	*Other changes***	*Derecognition*	*Loans issued*	*Loans repaid*	*At 31 December 2020*
Level 3 financial assets									
Call option	469	-	120	-	-	(589)	-	-	-
Loans issued	117,506	5,366	20,615	-	(5,366)	-	9,002	(38,140)	108,983
Equity investments at fair value	1,223,651	29,870	1,085,754	56,400	(19,545)	-	-	-	2,376,130

** PL movement represents gain on revaluation of call option, interest income and foreign exchange gain on loans issued and fair value loss and dividend income on investments at fair value.*
*** Other changes for loans issued represent interest repayment and for equity investments at fair value – dividends and other investments (note 10).*

(Thousands of Georgian Lari)

21. 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			*31 December 2019*		
	Less than 1 Year	***More than 1 Year***	***Total***	***Less than 1 Year***	***More than 1 Year***	***Total***
Cash and cash equivalents	117,026	-	117,026	117,215	-	117,215
Amounts due from credit institutions	42,655	-	42,655	-	-	-
Marketable securities*	13,416	-	13,416	62,493	-	62,493
Accounts receivable	117	-	117	1,176	-	1,176
Prepayments	588	-	588	384	-	384
Loans issued	2,457	106,526	108,983	75,363	76,521	151,884
Property and equipment	-	449	449	-	580	580
Intangible assets	-	99	99	-	122	122
Other assets	86	5,937	6,023	2,076	4,444	6,520
Equity investments at fair value	-	2,907,688	2,907,688	-	2,251,465	2,251,465
Total assets	**176,345**	**3,020,699**	**3,197,044**	**258,707**	**2,333,132**	**2,591,839**
Accounts Payable	531	-	531	1,284	-	1,284
Debt securities issued	18,769	962,163	980,932	15,860	810,092	825,952
Other liabilities	2,155	136	2,291	5,485	921	6,406
Total liabilities	**21,455**	**962,299**	**983,754**	**22,629**	**811,013**	**833,642**
Net	**154,890**	**2,058,400**	**2,213,290**	**236,078**	**1,522,119**	**1,758,197**

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

(Thousands of Georgian Lari)

22. Related Party Disclosures

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

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

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

	31 December 2020		*31 December 2019*	
	Management*	***Subsidiaries*****	***Management****	***Subsidiaries*****
Assets				
Marketable securities	-	1,343	-	22,393
Prepayments	-	457	-	103
Loans issued	-	108,983	-	117,506
Other assets	-	5,769	-	5,313
	-	**116,552**	**-**	**145,315**
Liabilities				
Accounts Payable	-	-	-	125
Debt securities issued	4,915	-	6,051	-
Financial guarantees provided (notional value)	-	74,431	-	59,376
Other liabilities	-	88	-	2,474
	4,915	**74,519**	**6,051**	**61,975**

	31 December 2020		*31 December 2019*	
	Management*	***Subsidiaries*****	***Management****	***Joint Ventures and Associates******
Income and expenses				
Dividend income	-	29,870	-	-
Administrative expenses	-	(933)	-	-
Net foreign currency (loss)	-	(1,919)	-	-
Interest income	-	12,873	-	199
Interest expense	(296)	(19)	(390)	-
	(296)	**39,872**	**(390)**	**199**

** Management of JSC Georgia Capital consist of 3 executives and 6 members of supervisory board (2019: 4 executives and 6 members of supervisory board).*
*** Subsidiaries comprise of investees of JSC Georgia Capital.*
**** As at 31 December 2019, one of the Group's subsidiaries, JSC Georgia Real Estate (formerly JSC m2 Real Estate) has loans issued to a joint venture and associate. Interest income on loan issued is GEL 199.*

Compensation of key management personnel comprised the following:

	31 December 2020	**31 December 2020**
Salaries and other benefits	(2,618)	(1,275)
Share-based payments compensation	(10,242)	(6,134)
Non-recurring expense*	(3,389)	-
Total key management compensation	**(16,249)**	**(7,409)**

*The amount represents termination benefit of one of the Company's key management personnel.

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 31 December 2020 was 9 (2019: 10).

JSC Georgia Capital and Subsidiaries
Consolidated Financial Statements

31 December 2019

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Independent auditor's report

To the Shareholder and the Supervisory Board of JSC Georgia Capital

Opinion

We have audited the consolidated financial statements of JSC Georgia Capital (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed it
Change to an investment entity basis of accounting	
The Company determined that it met the IFRS 10 Consolidated Financial Statements (IFRS 10) investment entity criteria on 31 December 2019. Accordingly, it deconsolidated all of its subsidiaries and instead recognised them at their fair value as at 31 December 2019. The difference between the net assets of the deconsolidated subsidiaries and their fair value was recognised as a gain from the change in investment entity status in the consolidated income statement. Substantial level of judgment applied by management in assessing whether the Company meets the investment entity criteria under IFRS 10 and at what point in time the Company became an investment entity, as well as significant effect of change to an investment entity basis of accounting on the consolidated financial statements made it a key audit matter. The disclosures related to change to an investment entity basis of accounting are presented in notes 2, 3 and 4 to the consolidated financial statements.	We involved our internal valuation specialists and IFRS subject matter experts in our procedures. We examined the Company's assessment whether it meets the investment entity criteria under IFRS 10. We assessed whether the Company has substantially all the features of an investment entity evident in practice by considering its policies and practices related to fair value measurement and reporting. We inspected internal management reporting to assess whether the management measures and evaluates performance of substantially all of its investments on a fair value basis, and performed respective inquiries to the members of the Audit and Valuation Committee and executive management of the Group. We reviewed the Company's valuation policy and rulebook and assessed whether they comply with the requirements of IFRS 13 Fair Value Measurement (IFRS 13). We considered whether the Board's approval of the valuation policy, rulebook and the updated terms of reference of the Audit and Valuation Committee on 31 December 2019 was the trigger point which meant that the Company met all of the IFRS 10 investment entity criteria. We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 10 and IFRS 12 Disclosure of Interests in Other Entities.

Key audit matter	How our audit addressed it
Valuation of private investments	
Following change to an investment entity basis of accounting, the Company measures its investments in subsidiaries at fair value through profit or loss. Equity investments at fair value, including investments in subsidiaries, comprise the most significant part of the Group's total assets as at 31 December 2019. Majority those equity investments are private, without observable prices from an active market available as at the reporting date. Owing to the unquoted and illiquid nature of the private investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management, in particular in respect of the selection of an appropriate valuation method, determination of peer group and applicable earnings multiples, calculation of discount rates and the estimation of future cash flows, could lead to the incorrect valuation of the unquoted investment portfolio. In turn, this could have a material impact on the value of equity investments at fair value in the consolidated statement of financial position as at 31 December 2019, and the gain from change in investment entity status in the consolidated income statement for the year then ended, which made it a key audit matter. Information related to private investments is disclosed in notes 4, 11 and 33 to the consolidated financial statements.	We obtained an understanding of management's processes and controls for determining the fair valuation of private investments. We involved valuation specialists to assist us in performing our audit procedures. We compared the Company's valuation methodology to IFRS 13 requirements. We assessed the suitability of the comparable companies used in the calculation of the earnings multiples. We assessed whether any significant changes occurred from the acquisition to the reporting date for the recently acquired companies that would warrant change in valuation of such investments as compared to the recent purchase price. We evaluated the selection of weighting applied to earnings multiples of the comparable companies. We assessed the discount rates applied in valuations performed using income method. We compared key inputs in the valuation models, such as EBITDA, net asset and net debt, to the underlying accounting records. We performed procedures to evaluate mathematical accuracy of the valuation models. We formed a range for the key assumptions used in the valuation of private investments. Where appropriate, we derived a range of fair values for private investments using our assumptions and other qualitative risk factors. We compared those ranges with the fair values determined by the management. We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 10 and IFRS 13.

Key audit matter	How our audit addressed it
Effect of the COVID-19 pandemic on the consolidated financial statements	
The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. There is a significant degree of uncertainty about the further spread of the virus and the state of the world economy. The Company's cash and liquid funds comprise cash at banks, listed debt securities and loans issued to portfolio investments. The outbreak of COVID-19 has resulted in some equity investees suspending dividend payments and may affect the ability of Company's investments to make capital distributions and pay back loans due. This in turn would affect the Company's ability to make capital allocations to its portfolio investments and service its debt. The disclosures related to the effect of COVID-19 outbreak on the Group are presented in note 36 to the consolidated financial statements.	We obtained the base case cash flow and liquidity forecasts covering the full viability assessment period until 31 December 2022 and the single worst case scenario prepared by management and assessed the inputs and key assumptions used in the forecasts. We assessed the credit quality and liquidity of the underlying cash and liquid funds at 31 December 2019 with reference to the business model and the financial position of the counterparties in case of loans granted to the equity investees and the credit ratings of debt securities. We performed an independent stress testing to assess whether the liquidity headroom calculations are reasonable. We screened the local media and public announcements made by the Government of Georgia to assess the severity of COVID-19 pandemic in the country and the Government's ability and intentions to support the local economy. We considered the financial position of Bank of Georgia and the COVID-19 related disclosures presented in its annual report for the year ended 31 December 2019, given that Bank of Georgia is the largest quoted investment in the Company's portfolio and also a depository of the majority of the Company's cash.
Revenue recognition	
Recognition of revenue across various businesses within the Group was a key audit matter due to the significance of revenue to the consolidated financial statements, the degree of management judgment involved in the determination of transition of control to customers as well as the complexity and judgmental nature of estimation process and assumptions used when measuring progress towards satisfaction of performance obligation satisfied over time.	We obtained an understanding of the revenue recognition process across different revenue streams covering majority of the Group's businesses: healthcare and pharmaceutical, real estate, utility and energy, insurance, auto service and beverages. We evaluated the relevant controls in the revenue cycle by assessing the design and tested the operational effectiveness of key controls across the major revenue streams.

Key audit matter	How our audit addressed it
The disclosures related to the recognition of revenue are presented in note 27 to the consolidated financial statements.	We discussed key contractual arrangements with the management and inspected relevant documentation, where applicable, and assessed revenue recognition policies. We tested a sample of revenue transactions (including those around the reporting date) by tracing them to supporting documentation. We recalculated and assessed the inputs present in the manual adjustments posted by management at year end, including consignment sales adjustment at the beverages business; completion rates at the real estate (housing development) business; as well as those used in the adjustment to long-term treatments in the healthcare business and in the water utility business. For the insurance businesses, we recalculated the multi-year adjustment and traced the inputs such as premium amount, commencement, expiry and cancellation dates to underlying accounting records. Within the healthcare business, we assessed revenue adjustment for the corrections and rebates through recalculation with reference to the historical corrections and rebates rate. We ran correlation analysis between the cash receipts during the year and the revenue recorded in the consolidated income statement on beverages and pharmaceutical revenue streams. We analysed unusual trends in revenue in water utility business.
Valuation of investment properties	
Investment property valuations are inherently uncertain and subject to an estimation process, particularly due to the fact that the Group's properties are located in Georgia, where the market for such assets is relatively illiquid.	We tested the accuracy of the underlying property database by tracing the location and total area of the sample of properties to the Georgian public registry.

Key audit matter	How our audit addressed it
The measurement of investment property and investment property under construction at fair value was one of the matters of most significance in our audit because of the significance of the balances of investment property and investment property under construction to the fair valuation of the Group's commercial and hospitality business, and the complexity and judgmental nature of estimation processes and assumptions used. Notes 4, 14 and 33 to the consolidated financial statements disclose the information about investment properties.	We involved our real estate specialists to assist us in evaluating the Group's valuations of investment properties, including the following: • assessment of the competence, professional qualifications and objectivity of the external valuers involved by the Group; • through examining the valuation reports and discussion with management and the valuers, obtaining an understanding of the objectives and scope of the valuers' work, the methods and assumptions that they had used and the conclusions that they had reached in relation to a sample of investment properties; • evaluation of the methods and assumptions used in the valuation reports, including consideration as to whether there was contrary market intelligence that had not been taken into account in the valuers' analyses. We recalculated the results of the valuations recognized in the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Building a better working world

Responsibilities of management and the Audit and Valuation Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Valuation Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Valuation Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Valuation Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Valuation Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Marchello Gelashvili.

Marchello Gelashvili

On behalf of EY LLC

Tbilisi, Georgia

11 April 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Thousands of Georgian Lari)

	Notes	*31 December 2019*	*31 December 2018 (restated)**	*1 January 2018 (restated)**
Assets				
Cash and cash equivalents	7	117,215	253,349	346,239
Amounts due from credit institutions	8	-	40,299	38,141
Marketable securities	9	62,493	71,824	31,907
Accounts receivable	12	1,176	170,228	21,507
Insurance premiums receivable		-	57,801	30,855
Inventories	13	-	276,230	76,713
Investment properties	14	-	151,232	159,989
Prepayments		384	117,818	87,760
Income tax assets	19	-	2,405	1,374
Property and equipment	15	580	1,573,624	551,339
Loans issued	10	151,884	150,300	101
Goodwill	17	-	142,095	21,935
Intangible assets	17	122	51,471	5,143
Other assets	18	6,520	101,162	69,769
Equity investments at fair value	11	2,251,465	457,495	1,153
Assets of disposal group held for sale		-	-	1,148,584
Total assets		**2,591,839**	**3,617,333**	**2,592,509**
Liabilities				
Accounts payable	24	1,284	143,114	42,987
Insurance contracts liabilities	20	-	68,207	46,403
Income tax liabilities	19	-	1,119	860
Deferred income	23	-	62,345	73,489
Borrowings	21	-	764,355	650,734
Debt securities issued	22	825,952	916,401	77,835
Other liabilities	18	6,406	235,180	63,206
Liabilities of disposal group held for sale		-	-	619,029
Total liabilities		**833,642**	**2,190,721**	**1,574,543**
Equity	26			
Share capital		12,400	11,526	10,000
Additional paid-in capital		499,369	498,781	466,187
Treasury shares		(961)	(584)	-
Other reserves		-	497,350	171,076
Retained earnings		1,247,389	90,534	76,354
Total equity attributable to the shareholder of JSC Georgia Capital		**1,758,197**	**1,097,607**	**723,617**
Non-controlling interests		-	329,005	294,349
Total equity		**1,758,197**	**1,426,612**	**1,017,966**
Total liabilities and equity		**2,591,839**	**3,617,333**	**2,592,509**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy as described in Note 3.*

Signed and authorised for release on behalf of the Management by:

Irakli Gilauri — Chief Executive Officer

Giorgi Alpaidze — Chief Financial Officer

10 April 2020

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	2019	2018 (restated)*
Revenue		1,473,437	1,282,995
Cost of sales		(883,024)	(789,884)
Gross profit	27	**590,413**	**493,111**
Salaries and other employee benefits	28	(174,762)	(135,824)
Administrative expenses	28	(112,669)	(105,740)
Other operating expenses		(11,457)	(11,225)
Expected credit loss / impairment charge on financial assets	29	(11,474)	(10,610)
Impairment charge on insurance premium receivables, other assets and provisions	29	(1,078)	(2,179)
		(311,440)	**(265,578)**
EBITDA		**278,973**	**227,533**
Share in profit of associates		357	247
Dividend income	9	24,953	23,875
Depreciation and amortisation		(110,075)	(66,449)
Net foreign currency loss		(41,792)	(37,658)
Net gains from investment securities measured at FVPL		1,654	-
Net realised gains from investment securities measured at FVOCI		1,187	-
Interest income at EIR method		30,658	23,237
Interest expense		(150,370)	(96,895)
Net operating income before non-recurring items		**35,545**	**73,890**
Net non-recurring items	30	(8,235)	(29,486)
Gain from change in investment entity status	3	588,828	-
Profit before income tax expense		**616,138**	**44,404**
Income tax expense	19	(4,633)	(3,606)
Profit for the year		**611,505**	**40,798**
Total profit attributable to:			
– the shareholder of JSC Georgia Capital		576,501	14,391
– non-controlling interests		35,004	26,407
		611,505	**40,798**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3.*

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	2019	2018 (restated)*
Profit for the year		**611,505**	**40,798**
Other comprehensive income			
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:			
Income from currency translation differences		9,962	9,252
Changes in the fair value of debt instruments at FVOCI		2,694	(1,207)
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)	117
Reclassification of other reserves to PL due to Change in investment entity status		(26,864)	-
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods		**(15,567)**	**8,162**
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property and equipment	15	3,474	-
Changes in fair value of equity instruments designated at FVOCI	26	140,441	(248,505)
Reclassification of other reserves to retained earnings due to Change in investment entity status		108,265	-
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**252,180**	**(248,505)**
Other comprehensive income/(loss) for the year, net of tax		**236,613**	**(240,343)**
Total comprehensive income / (loss) for the year		**848,118**	**(199,545)**
Total comprehensive income / (loss) attributable to:			
– the shareholder of JSC Georgia Capital		811,275	(226,928)
– non-controlling interests		36,843	27,383
		848,118	**(199,545)**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy as described in Note 3.*

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Thousands of Georgian Lari)

	Attributable to the shareholder of JSC Georgia Capital							
	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total Equity*
31 December 2017	**10,000**	**466,187**	**-**	**171,254**	**197,222**	**844,663**	**297,565**	**1,142,228**
Effect of adoption of IFRS 9	-	-	-	192	(10,808)	(10,616)	(3,216)	(13,832)
Effect of change in accounting policy (Note 3, (a))*	-	-	-	(370)	(3,450)	(3,820)	-	(3,820)
Effect of change in accounting policy (Note 3, (b))*	-	-	-	-	(106,610)	(106,610)	-	(106,610)
1 January 2018 (restated)*	**10,000**	**466,187**	**-**	**171,076**	**76,354**	**723,617**	**294,349**	**1,017,966**
Profit for the year (restated)*	-	-	-	-	14,391	14,391	26,407	40,798
Other comprehensive (loss) income for the year	-	-	-	(241,319)	-	(241,319)	976	(240,343)
Total comprehensive loss	**-**	**-**	**-**	**(241,319)**	**14,391**	**(226,928)**	**27,383**	**(199,545)**
Issue of share capital (Note 26)	1,526	127,844	-	577,913	-	707,283	-	707,283
Increase in equity arising from share-based payments (Note 31)	-	32,282	-	-	-	32,282	6,062	38,344
Dilution of interests in subsidiaries	-	-	-	2,760	-	2,760	(2,760)	-
Increase in share capital of subsidiaries**	-	-	-	-	-	-	23,348	23,348
Acquisition of non-controlling interests in existing subsidiaries****	-	-	-	(13,080)	-	(13,080)	(8,629)	(21,709)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	44	44
Dividends paid by subsidiaries***	-	-	-	-	(211)	(211)	(10,792)	(11,003)
Other purchases of treasury shares (Note 26)	-	(63,936)	(532)	-	-	(64,468)	-	(64,468)
Contributions under share-based payment plan	-	(63,596)	(52)	-	-	(63,648)	-	(63,648)
31 December 2018 (restated)*	**11,526**	**498,781**	**(584)**	**497,350**	**90,534**	**1,097,607**	**329,005**	**1,426,612**

**Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3 ((a) borrowing costs and (b) infrastructure assets).*
*** The minority shareholder of the Group in JSC Georgian Renewable Power Company contributed GEL 23,348 to the equity in 2018.*
**** JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of GEL 10,792.*
***** GEL (6,446) change in non-controlling interest is related to deemed acquisition of NCI arising from share acquisition put option issued in 2017 to non-controlling shareholders of "GEPHA".*

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Attributable to the shareholder of JSC Georgia Capital							
	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total Equity*
31 December 2018 (restated)*	**11,526**	**498,781**	**(584)**	**497,350**	**90,534**	**1,097,607**	**329,005**	**1,426,612**
Profit for the year	-	-	-	-	576,501	576,501	35,004	611,505
Other comprehensive income for the year	-	-	-	234,774	-	234,774	1,839	236,613
Total comprehensive income for the year	**-**	**-**	**-**	**234,774**	**576,501**	**811,275**	**36,843**	**848,118**
Issue of share capital (Note 26)***	1,253	138,503	-	-	-	139,756	-	139,756
Increase in equity arising from share-based payments (Note 31)	-	24,616	-	-	-	24,616	6,585	31,201
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 (Note 5)	-	-	-	-	-	-	6,976	6,976
Dividends paid by subsidiaries **	-	-	-	-	(89)	(89)	(11,170)	(11,259)
Capital reduction(Note 26)	(379)	(79,705)	(305)	-	-	(80,389)	-	(80,389)
Purchase of treasury shares	-	(82,826)	(72)	-	-	(82,898)	-	(82,898)
Change in investment entity status (Note 3)	-	-	-	(688,720)	580,443	(108,277)	(277,809)	(386,086)
31 December 2019	**12,400**	**499,369**	**(961)**	**-**	**1,247,389**	**1,758,197**	**-**	**1,758,197**

**Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3 ((a) borrowing costs and (b) infrastructure assets).*
*** During 2019 Georgia Healthcare Group PLC, Group's subsidiary, announced dividend out of which GEL 2,873 was paid dividends to it minority shareholders. In addition, JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of 8,297 GEL.*
****On December 18 2019 GCAP PLC, 100% shareholder of JSC GCAP, contributed 17,892,911 existing GHG shares into the equity of JSC GCAP, in return of 1,025,680 newly issued GCAP shares. Group's interest in GHG increased to 70.6%. Acquisition of non-controlling interest in existing subsidiaries is mostly attributable to this transaction. For details refer to note 26.*

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	2019	2018
Cash flows from operating activities			
Revenue received		1,386,928	1,196,852
Cost of goods sold paid		(896,818)	(818,201)
General, administrative and operating expenses paid		(106,769)	(109,173)
Salaries and other employee benefits paid		(148,790)	(107,566)
Net other income received / (expense paid)		7,207	(1,936)
Interest received		23,349	22,253
Net change in operating assets and liabilities		(93)	(2,324)
Net cash flows from operating activities before income tax		**265,014**	**179,905**
Income tax paid		(4,082)	(2,423)
Net Cash flow from operating activities		**260,932**	**177,482**
Net withdrawals of amounts due from credit institutions		(16,240)	14,586
Loans repaid / (issued)		114,654	(135,785)
Acquisition of subsidiaries, net of cash acquired	5	(160,348)	(25,339)
Repayment of remaining holdback amounts from previous year acquisitions		(5,876)	(14,820)
Purchase of marketable securities		(81,970)	(62,297)
Proceeds from sale and redemption of marketable securities		125,534	28,780
Purchase of investments in associates	2	(10,822)	-
Proceeds from sale of investment properties	14	860	2,566
Purchase and construction of investment properties	14	(13,430)	(20,397)
Proceeds from sale of property and equipment and intangible assets		11,162	1,496
Purchase of property and equipment		(283,402)	(378,928)
Purchase of intangible assets		(28,740)	(23,919)
Dividends received		24,953	23,875
Change in investment entity status	3	(131,520)	-
Net cash flows used in investing activities		**(455,185)**	**(590,182)**

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	2019	2018
Cash flows from financing activities			
Proceeds from borrowings	19	660,400	247,574
Repayment of borrowings	19	(416,682)	(393,981)
Proceeds from debt securities issued	19	247,053	747,184
Redemption and buyback of debt securities issued	19	(106,713)	(80,747)
Other purchases of treasury shares	26	(80,389)	(64,468)
Dividends paid by subsidiaries to non-controlling shareholders		(11,405)	(10,012)
Interest paid		(148,790)	(96,312)
Contributions under share-based payment plan		(59,180)	(66,701)
Increase in share capital of subsidiaries		6,216	2,675
Purchase of additional interest in existing subsidiaries		(1,615)	(5,719)
Cash payments for principal portion of lease liability	14	(21,087)	-
Cash payments for interest portion of the lease liability	14	(6,665)	-
Net cash from financing activities		**61,143**	**279,493**
Effect of exchange rates changes on cash and cash equivalents		(3,024)	(8,524)
Effect of change in expected credit losses for cash and cash equivalents		-	1
Net decrease in cash and cash equivalents		**(136,134)**	**(141,730)**
Cash and cash equivalents, beginning of the year	7	**253,349**	**346,239**
Cash and cash equivalents of disposal group held for sale, beginning of the year		**-**	**48,840**
Cash and cash equivalents of disposal group held for sale, end of the year		**-**	**-**
Cash and cash equivalents, end of the year	7	**117,215**	**253,349**

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

(Thousands of Georgian Lari)

1. Principal Activities

JSC Georgia Capital ("Georgia Capital") makes up a group of companies (the "Group"), focused on investing in and developing businesses in Georgia. The Group principally operates in utility and renewable energy, property and casualty insurance, housing development, hospitality and commercial - property construction and development, wine and beer production, education, digital, auto service businesses through privately held subsidiaries and healthcare, pharmaceutical and medical insurance business through London Stock Exchange premium-listed Georgian Healthcare Group PLC. In addition to its subsidiaries, the Group has a significant investment in London Stock Exchange premium listed Bank of Georgia Group PLC.

Georgia Capital's registered legal address is Kazbegi street 3-5, Tbilisi Georgia.

JSC Georgia Capital was established on 6 August 2015 as a joint stock company (JSC) under the laws of Georgia. As of 31 December 2019 and 31 December 2018, the Group's ultimate 100% owner was Georgia Capital PLC, a company incorporated in England and listed on the London Stock Exchange.

2. Basis of Preparation

General

The consolidated financial statements of JSC Georgia Capital have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

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 financial statements are presented in thousands of Georgian Lari ("GEL"), 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.

According to IFRS 10, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.

Given the above, these financial statements consolidate the Group's subsidiaries up to 31 December 2019. As of that date, the subsidiaries have been de-consolidated, and recognised as investments in subsidiaries at their fair value as at 31 December 2019.

Further details on financial impact of change in investment entity status and underlying significant judgments are provided in notes 3, 4 and 33, respectively.

2. Bases of Preparation (continued)

Going concern

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

Basis of consolidation (policy applied up to 31 December 2019)

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

(Thousands of Georgian Lari)

2. Bases of Preparation (continued)

Subsidiaries and associates

The Consolidated Financial Statements as at 31 December 2019 include the following subsidiaries and associates:

Subsidiaries	*Proportion of voting rights and ordinary share capital held 31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ JSC Georgia Real Estate (formerly JSC m2 Real Estate)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	27/9/2006	–
⇒ m2 Group, LLC (formerly m2 Residential, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
⇒ m2 Development, LLC	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	12/12/2019	–
⇒ Optima ISANI, LLC	100.00%	Georgia	14 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
⇒ Tamarashvili 13, LLC	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
⇒ m2 at Hippodrome, LLC	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
⇒ m2 Skyline, LLC	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	23/7/2015	–
⇒ m2 at Kazbegi, LLC	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
⇒ m2 at Tamarashvili, LLC	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
⇒ m2 at Nutsubidze, LLC	100.00%	Georgia	71 Vaja Pshavela Ave., 0186	Real estate	21/5/2013	–
⇒ M Square Park, LLC	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
⇒ Optima Saburtalo, LLC	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
⇒ m2 at Chavchavadze LLC	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
⇒ Land, LLC	100.00%	Georgia	Between university and Kavtaradze st.,Tbilisi	Real estate	3/10/2014	–
⇒ Optima, LLC (formerly m2 at Vake, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	3/8/2016	–
⇒ BK Construction, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	18/5/2017	2/6/2017
⇒ BK Production, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	27/6/2019	–
⇒ Georgia Real Estate Management Group, LLC (formerly m2 Hospitality, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
⇒ Amber Group, LLC	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Hospitality	10/12/2019	–
⇒ Kakheti Wine and Spa, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	23/04/2018	–
⇒ Gudauri Lodge, LLC (formerly m2 at Gudauri, LLC)	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	24/04/2018	–
⇒ m2 Mtatsminda, LLC (former Kass 1, LLC)	100.00%	Georgia	22 Zaal Dumbadze st., Tbilisi	Hospitality	16/10/2014	26/12/2017
⇒ m2 Svaneti, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	14/11/2018	–
⇒ m2 Hatsvali, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	17/4/2019	–
⇒ m2 Resort,LLC	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 (formerly m2 Commercial Assets, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Property management	4/10/2018	–
⇒ Vere Real Estate, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	4/3/2010	6/8/2018
⇒ Caucasus Autohouse, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	29/3/2011	–
⇒ Georgia Hotels Management Group, LLC	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	16/12/2019	–
⇒ m2, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	12/2/2014	–
⇒ m2 Kutaisi, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 at Melikishvili, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 Zugdidi, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	7/11/2018	–
⇒ Georgia Hospitality Management Group, LLC	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Real estate	22/8/2018	–
⇒ JSC Georgian Renewable Power Company	65.59%	Georgia	79 David Agmashenebeli Ave, 0102, Tbilisi	Renewable Energy	15/9/2015	–
⇒ JSC Geohydro	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
⇒ JSC Svaneti Hydro	100.00%	Georgia	29a, Gagarin Street, Tbilisi 0160	Renewable Energy	6/12/2013	–
⇒ JSC Zoti Hydro	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	20/8/2015	–
⇒ JSC Caucasian Wind Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	14/9/2016	–
⇒ JSC Caucasian Solar Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	27/10/2016	–
⇒ Bakhvi 2, LLC	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	22/10/2015	8/23/2019
⇒ JSC A Group	100.00%	Georgia	1, Berbuki str., Saburatlo, Tbilisi	Various	20/9/2018	–
⇒ JSC Insurance Company Aldagi	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	31/7/2014	–
⇒ JSC Insurance Company Tao	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	22/8/2007	21/1/2015
⇒ Aliance, LLC	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	3/1/2000	30/4/2012
⇒ Auto Way LLC	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	9/8/2004	30/4/2012
⇒ Insurance Informational Bureau, LLC	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2007	–
⇒ JSC Carfest (former JSC Uno Leasing)	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
⇒ JSC Greenway Georgia	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
⇒ GreenWash, LLC	100.00%	Georgia	6, University str., Vake, Tbilisi	Car Wash	31/8/2018	–

(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 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ Georgia Healthcare Group PLC	70.63%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
⇒ JSC Georgia Healthcare Group	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	29/4/2015	–
⇒ JSC Insurance Company Imedi L	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
⇒ JSC GEPHA	67.00%	Georgia	142, A. Beliashvili str, Tbilisi	Pharmacy and Distribution	19/10/1995	4/5/2016
⇒ JSC ABC Pharamcia (Armenia)	100.00%	Armenia	Kievyan Str. 2/8, Erevan, Armenia	Pharmacy and Distribution	28/12/2013	6/1/2017
⇒ ABC Pharmalogistics, LLC	100.00%	Georgia	Peikrebi str. 14a, Tbilisi, Georgia	Pharmacy and Distribution	24/2/2004	6/1/2017
⇒ JSC Evex Hospitals	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/8/2014	1/8/2014
⇒ EVEX-Logistics, LLC	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	13/2/2015	–
⇒ New Clinic, LLC	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	3/1/2017	20/7/2017
⇒ Caucasus Medical Center, LLC	99.80%	Georgia	23, P. Kavtaradze Str., Tbilisi	Healthcare	12/1/2012	30/6/2015
⇒ JSC Pediatry	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%	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%	Georgia	A Djavakhishvili str. 83A, Kutaisi, Georgia	Healthcare	15/10/2004	29/11/2011
⇒ NCLE Evex Learning Centre	100.00%	Georgia	#83A, Javakhishvili street, Tbilisi	Other	20/12/2013	20/12/2013
⇒ Emergency Service, LLC	85.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	18/6/2013	3/1/2015
⇒ GNCo	50.00%	Georgia	Chavchavadze ave. N 16, Tbilisi	Healthcare	4/6/2001	5/8/2015
⇒ High Technology Medical Center, LLC	100.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	16/4/1999	5/8/2015
⇒ LLC Nefrology Development Clinic Centre	80.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	28/9/2010	5/8/2015
⇒ JSC Evex Clinics	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/4/2019	–
⇒ Tskaltubo Regional Hospital, LLC	67.00%	Georgia	16 Eristavi street, Tskhaltubo	Healthcare	29/9/1999	29/11/2011
⇒ LLC Aliance Med	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	7/7/2015	20/7/2017
⇒ JSC Polyclinic Vere	97.80%	Georgia	18-20 Kiacheli str.,Tbilisi	Healthcare	22/11/2013	25/12/2017
⇒ New Dent, LLC	75.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Healthcare	24/12/2018	–
⇒ JSC Mega-Lab	92.00%	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	6/6/2017	–
⇒ JSC Patgeo	100.00%	Georgia	Mukhiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	1/8/2016
⇒ JSC Vabaco	67.00%	Georgia	Bochorishvili str. 37, Tbilisi, Georgia	Software Development	9/9/2013	28/9/2018
⇒ Georgian Global Utilities, LLC	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%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	25/06/1997	31/12/2014
⇒ Rustavi Water, LLC	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
⇒ Gardabani Sewage Treatment, LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/12/1999	31/12/2014
⇒ Mtskheta Water, LLC	100.00%	Georgia	Aghmashenebeli St., Mtskheta	Utilities	1/9/1999	31/12/2014
⇒ Georgian Engineering and Management Company (GEMC), LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/03/2011	31/12/2014
⇒ JSC Saguramo Energy	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	11/12/2008	31/12/2014
⇒ JSC Georgian Beverages	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
⇒ JSC Georgian Beverages Holding	86.81%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Investment	17/12/2019	–
⇒ JSC Teliani Valley	100.00%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
⇒ Teliani Trading (Ukraine), LLC	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
⇒ Georgia Logistics and Distribution, LLC	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
⇒ Le Caucase, LLC	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
⇒ Kupa, LLC	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
⇒ Global Beer Georgia, LLC	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
⇒ Kindzmarauli Marani, LLC	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
⇒ Alaverdi, LLC	100.00%	Georgia	Chumlaki, Gurjaani Region, Georgia	Winery	8/4/2008	19/8/2019
⇒ Global Coffee Georgia, LLC	100.00%	Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
⇒ New Coffee Company, LLC	100.00%	Georgia	Tskneti Highway, №16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017
⇒ Genuine Brewing Company, LLC	100.00%	Georgia	7 Kotetishvili st, Tbilisi, 0108	Beer Production and Distribution	7/6/2011	7/2/2018
⇒ Craf and Draft, LLC	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Beer Production	20/2/2019	–
⇒ JSC Artisan Wine and Drinks	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Wine distribution	26/8/2019	–

(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 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ Amboli, LLC	80.00%	Georgia	24, Leonidze st, Rustavi, Georgia	Car Services	13/8/2004	25/6/2019
⇒ Redberry, LLC	60.00%	Georgia	9, Tashkenti st, Tbilisi, Georgia	Digital Services	29/8/2014	1/5/2019
⇒ Lunchoba, LLC	100.00%	Georgia	22 Nutsubidze IV Micro-district, Tbilisi	Catering Services	8/10/2018	–
⇒ GCMF, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Excess liquidity management company	2/5/2019	–
⇒ Georgian Energy Trading Company (GETC), LLC	100.00%	Georgia	15 Aleksandre Kazbegi Ave, Tbilisi, 0160	Renewable Energy Sales	23/4/2019	–
⇒ Georgian Wind Company, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	18/6/2019	–
⇒ Qartli Wind Farm, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	10/9/2012	30/12/2019
⇒ Georgia Energy Holding, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	26/9/2019	–
⇒ Racha Hydro, LLC	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	31/10/2019	–
⇒ Hydrolea, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/7/2012	28/10/2019
⇒ Geoenergy, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	26/1/2012	28/10/2019
⇒ Hydro Georgia, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	8/5/2012	28/10/2019
⇒ Darchi, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
⇒ Hydro S, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/1/2019	28/10/2019
⇒ Kasleti 2, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
⇒ Georgia Geothermal Company LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	16/12/2019	–
⇒ Tbilisi Green School, LLC	80.00%	Georgia	Didube-Chughureti / Dighomi massive IV, Building 5A, Apartment 35	Education	7/6/2011	22/8/2019
⇒ Georgia Education Group, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	16/7/2019	–
⇒ Green School, LLC	90.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	21/10/2019	–
⇒ British Georgian Academy, LLC	70.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2006	23/7/2019
⇒ NNLE British International School of Tbilisi	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2015	–
⇒ British International School of Tbilisi LLC	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	5/9/2019	–
⇒ Buckswood International School - Tbilisi, LLC	80.00%	Georgia	2, Dolidze str, Tbilisi	Education	24/8/2005	29/7/2019
⇒ JSC Liberty Consumer	75.10%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
⇒ JSC Intertour	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006

Associates	Proportion of voting rights and ordinary share capital held 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%	Georgia	15, Kipshidze str, Tbilisi, Georgia	Production	6/3/2015	30/10/2019
JSC Isani Parki	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 10,823*

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates (continued)

The Consolidated Financial Statements as at 31 December 2018 include the following subsidiaries and associates:

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ JSC m2 Real Estate	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	27/9/2006	–
⇒ m2 Residential, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	17/8/2015	–
⇒ Optima ISANI, LLC	100.00%	Georgia	16 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
⇒ Tamarashvili 13, LLC	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
⇒ m2 at Hippodrome, LLC	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
⇒ m2 Skyline, LLC	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	23/7/2015	–
⇒ m2 at Kazbegi, LLC	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
⇒ m2 at Tamarashvili, LLC	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
⇒ m2 at Nutsubidze, LLC	100.00%	Georgia	71 Vaja Pshavela Ave., 0186	Real estate	21/5/2013	–
⇒ M Square Park, LLC	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
⇒ Optima Saburtalo, LLC	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
⇒ m2 at Vake, LLC	100.00%	Georgia	50 I. Chavchavadze ave., Tbilisi	Real estate	3/8/2016	–
⇒ m2 Hospitality, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	17/8/2015	–
⇒ m2, LLC (formerly JSC m2)	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	12/2/2014	–
⇒ m2 Kutaisi, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 at Melikishvili, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ Kass 1, LLC	67.00%	Georgia	20 Merab Kostava st., Tbilisi	Real estate	16/10/2014	27/12/2017
⇒ Kakheti Wine and Spa, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	23/04/2018	–
⇒ m2 at Gudauri, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	24/04/2018	–
⇒ m2 Zugdidi, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	7/11/2018	–
⇒ m2 Svaneti, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	14/11/2018	–
⇒ m2 at Chavchavadze LLC	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
⇒ m2 Commercial Properties LLC	100.00%	Georgia	80 Chavchavadze Ave., Tbilisi	Real estate	11/6/2014	–
⇒ Caucasus Autohouse, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	29/3/2011	–
⇒ Land, LLC	100.00%	Georgia	Between university and Kavtaradze st.,Tbilisi	Real estate	3/10/2014	–
⇒ BK Construction, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	18/5/2017	2/6/2017
⇒ m2 Commercial Assets, LLC	100.00%	Georgia	Tbilisi, Chavchavadze ave. 29	Real estate	4/10/2018	–
⇒ Melikishvili Business Center, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	4/12/2018	–
⇒ Georgia Hospitality Management Group, LLC	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Real estate	22/8/2018	
⇒ JSC Georgian Renewable Power Company	65.00%	Georgia	79 David Agmashenebeli Ave, 0102, Tbilisi	Renewable Energy	14/9/2015	–
⇒ JSC Geohydro	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
⇒ JSC Svaneti Hydro	100.00%	Georgia	29a, Gagarin Street, Tbilisi 0160	Renewable Energy	6/12/2013	–
⇒ JSC Zoti Hydro	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	20/8/2015	–
⇒ JSC Caucasian Wind Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	14/9/2016	–
⇒ JSC Caucasian Solar Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	27/10/2016	–
⇒ JSC A Group	100.00%	Georgia	1, Berbuki str., Saburatlo, Tbilisi	Various	20/9/2018	–
⇒ JSC Insurance Company Aldagi	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	31/7/2014	–
⇒ JSC Insurance Company Tao	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	22/8/2007	21/1/2015
⇒ Aliance, LLC	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	3/1/2000	30/4/2012
⇒ Auto Way LLC (formerly known as Green Way, LLC)	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	9/8/2004	30/4/2012
⇒ Insurance Informational Bureau, LLC	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2007	–
⇒ JSC Uno Leasing (formerly known as JSC AMF)	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
⇒ JSC Greenway Georgia (formerly known as Premium Residence, LLC)	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
⇒ GreenWash, LLC	100.00%	Georgia	6, University str., Vake, Tbilisi	Car Wash	31/8/2018	–
⇒ Georgia Healthcare Group PLC	57.05%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
⇒ JSC Georgia Healthcare Group	100.00%	Georgia	40 Vazha-Pshavela Ave., Tbilisi	Healthcare	29/4/2015	–
⇒ JSC Insurance Company Imedi L	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
⇒ JSC GEPHA	67.00%	Georgia	Old Tbilisi, Sanapiro str. #6, Tbilisi	Healthcare	19/10/1995	4/5/2016
⇒ JSC ABC Pharamcia (Armenia)	100.00%	Armenia	Kievnaia sts. #2/8, 2/10, Erevan	Pharmaceutical	28/4/2013	6/1/2017
⇒ ABC Pharmalogistics, LLC	100.00%	Georgia	Sanapiro Str.#6, Tbilisi	Pharmaceutical	24/2/2004	6/1/2017

(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 2018*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ JSC Medical Corporation EVEX	100.00%	Georgia	40 Vazha-Pshavela Ave., Tbilisi	Healthcare	31/7/2014	–
⇒ JSC Kutaisi County Treatment and Diagnostic Center for Mothers and Children	66.70%	Georgia	85 Djavakhishvili street, Kutaisi, 4600	Medical services	5/5/2003	29/11/2011
⇒ Academician Z. Tskhakaia National Center of Intervention Medicine of Western Georgia, LLC	66.70%	Georgia	83 A Djavakhishvili street, Kutaisi	Medical services	15/10/2004	12/9/2011
⇒ Tskaltubo Regional Hospital, LLC	66.70%	Georgia	16 Eristavi street, Tskhaltubo	Medical services	29/9/1999	12/9/2011
⇒ Patgeo, LLC	100.00%	Georgia	Gldani Nadzaladevi district, Mukhiani, II mcr. District, Building #22, 1a, Tbilisi	Medical services	13/10/2010	27/9/2016
⇒ GN KO, LLC	50.00%	Georgia	Chavchavadze ave. N 16, Tbilisi	Medical services	6/4/2001	5/8/2015
⇒ High Technology Medical Center, LLC	100.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare Service	16/4/1999	5/8/2015
⇒ Geolab, LLC	-	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare Service	3/5/2011	5/8/2015
⇒ Nephrology Development Clinic Center, LLC	80.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare Service	28/9/2010	5/8/2015
⇒ Catastrophe Medicine Pediatric Center, LLC	100.00%	Georgia	U. Chkeidze str. N 10, Tbilisi	Medical services	18/6/2013	5/8/2015
⇒ JSC Pediatria	76.00%	Georgia	1, t. Chkheidze str., Didube-Chugureti District, Tbilisi	Medical services	5/9/2003	5/7/2016
⇒ Emergency Service, LLC	100.00%	Georgia	#2, D. Uznadze st., Tbilisi	Medical services	28/7/2009	6/1/2016
⇒ JSC Poti Central Hospital (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Guria str. 171, Poti	Medical services	29/10/2014	1/1/2016
⇒ Deka, LLC	97.20%	Georgia	23, P. Kavtaradze Str., Tbilisi	Medical services	12/1/2012	11/6/2015
⇒ EVEX-Logistics, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	2/2/2015	–
⇒ EVEX Collection, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	25/3/2016	–
⇒ Unimed Achara, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	29/6/2010	1/5/2012
⇒ Unimedi Samtskhe, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	29/6/2010	1/5/2012
⇒ Unimedi Kakheti, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	20 Chavchvadze ave Tbilisi	Medical services	29/6/2010	1/5/2012
⇒ M. Iashvili Children's Central Hospital, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	2/6 Lubliana Street, Tbilisi	Medical Service	3/5/2011	19/2/2014
⇒ Institute of Pediatrics, Alergology and Rheumatology Centre, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	5 Lubliana Street 5, Tbilisi	Medical Service	6/3/2000	19/2/2014
⇒ Iv Bokeria Tbilisi Referral Hospital (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Kindzmarauli I turn, N1 , Isan-Samgori, Tbilisi	Medical Service	16/3/2017	–
⇒ JSC Kutaisi St. Nicholas Surgical and Oncological Hospital (merged with JSC Medical Corporation Evex)	96.87%	Georgia	9 Paolo Iashvili street, Kutaisi	Medical services	3/11/2000	20/5/2008
⇒ Referral Centre of Pathology, LLC	100.00%	Georgia	40 Vazha-Pshavela Ave., Tbilisi	Medical services	29/12/2014	–
⇒ EVEX Learning Center	100.00%	Georgia	#83A, Javakhishvili street, Tbilisi	Education	20/12/2013	–
⇒ JSC Mega-Lab	100.00%	Georgia	23 Kavtaradze str., Tbilisi	Medical services	6/6/2017	–
⇒ New Clinic, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	1/3/2013	26/7/2017
⇒ Alliance Medi, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	7/7/2015	26/7/2017
⇒ Medical Center Alimedi, LLC	-	Georgia	17 R. Tabukashvili str., Tbilisi	Medical services	27/9/2003	8/11/2017
⇒ JSC Polyclinic Vere	97.80%	Georgia	18-20 Kiacheli str.,Tbilisi	Medical services	22/11/2017	25/12/2017
⇒ New Dent, LLC	75.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	24/12/2017	–
⇒ JSC Vabaco	67.00%	Georgia	37. Bochorishvili Str. Saburtalo district, Tbilisi	Software Developer	3/9/2013	28/9/2018
⇒ Georgian Global Utilities, LLC	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%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	25/06/1997	31/12/2014
⇒ Rustavi Water, LLC	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
⇒ Gardabani Sewage Treatment, LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/12/1999	31/12/2014
⇒ Mtskheta Water, LLC	100.00%	Georgia	Aghmashenebeli St., Mtskheta	Utilities	1/9/1999	31/12/2014
⇒ Georgian Engineering and Management Company (GEMC), LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/03/2011	31/12/2014
⇒ JSC Saguramo Energy	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	11/12/2008	31/12/2014

(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 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ JSC Teliani Valley	77.62%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
⇒ Georgia Logistics and Distribution, LLC (Formerly known as Teliani Trading (Georgia), LLC)	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
⇒ Teliani Trading (Ukraine), LLC	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
⇒ Le Caucase, LLC	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
⇒ Kupa, LLC	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
⇒ Global Beer Georgia, LLC	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
⇒ Global Coffee Georgia, LLC		Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
⇒ New Coffee Company, LLC		Georgia	Tskneti Highway, №16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017
⇒ Genuine Brewing Company, LLC	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
⇒ JSC Georgian beverages	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Oak Barrel Production	7/6/2016	–
⇒ Kindzmarauli Marani, LLC	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
⇒ JSC Liberty Consumer	75.10%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
⇒ JSC Intertour	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006
⇒ JSC Prime Fitness	100.00%	Georgia	78 Chavchavadze Ave, Tbilisi, 0162	Fitness centre	7/3/2006	–

Associates	Proportion of voting rights and ordinary share capital held 31 December 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
#5 Clinic hospital, LLC	35.00%	Georgia	Temka XI M/D, Q.1, Tbilisi, Georgia	Healthcare	16/9/1999	8/2/2016
JSC Isani Parki	6.00%	Georgia	Kakheti Highway, Isani, Tbilisi	Real estate	18/12/2017	–

(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 financial statements:

Change in basis of accounting

IFRS 10 Consolidated Financial Statements

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.

Prospective application of IFRS 10 investment entity accounting requirements resulted in the following changes to the balance sheet as of December 31, 2019:

	Before change in investment entity status	***Effect - change in investment entity status***	***After change in investment entity status***
Assets			
Cash and cash equivalents	248,735	(131,520)	117,215
Amounts due from credit institutions	63,126	(63,126)	-
Marketable securities	42,509	19,984	62,493
Accounts receivable	210,133	(208,957)	1,176
Insurance premiums receivable	63,425	(63,425)	-
Inventories	323,515	(323,515)	-
Investment properties	184,744	(184,744)	-
Prepayments	94,157	(93,773)	384
Income tax assets	2,760	(2,760)	-
Property and equipment	2,027,284	(2,026,704)	580
Loans issued	41,192	110,692	151,884
Goodwill	197,281	(197,281)	-
Intangible assets	75,232	(75,110)	122
Other assets	248,689	(242,169)	6,520
Equity investments at fair value	601,957	1,649,508	2,251,465
Total assets	**4,424,739**	**(1,832,900)**	**2,591,839**
Liabilities			
Accounts payable	176,685	(175,401)	1,284
Insurance contracts liabilities	71,645	(71,645)	-
Income tax liabilities	2,033	(2,033)	-
Deferred income	77,521	(77,521)	-
Borrowings	1,163,094	(1,163,094)	-
Debt securities issued	1,113,246	(287,294)	825,952
Other liabilities	346,473	(340,067)	6,406
Total liabilities	**2,950,697**	**(2,117,055)**	**833,642**
Equity			
Share capital	12,400	-	12,400
Additional paid-in capital	499,369	-	499,369
Treasury shares	(961)	-	(961)
Other reserves	607,354	(607,354)	-
Retained earnings	78,071	1,169,318	1,247,389
Total equity attributable to the shareholder of JSC Georgia Capital	**1,196,233**	**561,964**	**1,758,197**
Non-controlling interests	277,809	(277,809)	-
Total equity	**1,474,042**	**284,155**	**1,758,197**
Total liabilities and equity	**4,424,739**	**(1,832,900)**	**2,591,839**

Change in equity attributable to the shareholder of JSC Georgia Capital	**561,964**
Reserves reclassified to profit or loss	26,864
-Revaluation of investment securities, net of tax	*681*
-Gains / (losses) from currency translation differences	*26,183*
Gain from change in investment entity status	**588,828**

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (policy applied up to 31 December 2019)

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.

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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.

3. Summary of significant accounting policies (continued)

Investments in associates and joint ventures (policy applied up to 31 December 2019) (continued)

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.

Fair value measurement

The Group measures financial instruments, such as debt securities owned, equity investments, derivatives, investments in subsidiaries (starting from 31 December 2019) and non-financial assets such as investment properties at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 33.

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.

3. Summary of significant accounting policies (continued)

Non-current assets held for sale and discontinued operations (policy applied up to 31 December 2019)

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.

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.

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.

3. Summary of Significant Accounting Policies (continued)

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (equity and debt instruments)

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, trade receivables, amounts due from credit institutions.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under debt securities owned.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments and listed equity investment in Bank of Georgia Group PLC under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include subsidiaries, associates and joint ventures measured at fair value through profit or loss, financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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 investments in subsidiaries and associates.

Investment in subsidiaries: in accordance with the exception under IFRS 10, the Group does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Group's investment activities. The Group has no consolidated subsidiaries. The Group measures unconsolidated subsidiaries (including loans to subsidiaries) at FVPL.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Investment in associates: In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Group does not account for its investments in associates using the equity method. Instead, the Group measures its investments in associates at FVPL.

Loans to subsidiaries are measured at FVPL in accordance with IFRS 9 as the loans are held within a business model with the objective other than held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets

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).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 consolidated profit or loss.

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

3. Summary of Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

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, borrowings including bank overdrafts and debt securities issued.

Borrowings and debt securities issued

Borrowings and debt securities issued are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings and debt securities issued are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when borrowings are derecognised as well as through the amortisation process.

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of such asset. All other borrowing costs are expensed in the year in which they occur.

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.

3. Summary of Significant Accounting Policies (continued)

Insurance and reinsurance receivables (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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.

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Investment properties (policy applied up to 31 December 2019) (continued)

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 derecognized 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 (policy applied up to 31 December 2019)

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 (IAS 17, applied until 1 January 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

3. Summary of Significant Accounting Policies (continued)

Leases (IAS 17, applied until 1 January 2019) (continued)

Group as a lessee (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease.

Operating lease payments are recognised as an operating expense in the statement of profit or loss 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 of 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.

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.

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Leases (IFRS 16, applied since 1 January 2019) (continued)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

3. Summary of Significant Accounting Policies (continued)

Goodwill impairment (policy applied up to 31 December 2019) (continued)

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.

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 consolidated 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 consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Employees (including senior executives) of the Group receive share-based remuneration, whereby they render services and receive equity instruments of Georgia Capital PLC ('equity settled transactions') as consideration for the services provided.

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.

Equity-settled transactions (continued)

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.
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.

3. Summary of Significant Accounting Policies (continued)

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

When the Group purchases shares of Georgia Capital or Georgia Capital PLC, 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 additional paid in capital.

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.

Income and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense is recognised:

Dividend income

Dividend revenue is recognised when the Group's 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.

Insurance income and expense (policy applied up to 31 December 2019)

- 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.

3. Summary of Significant Accounting Policies (continued)

Income and expense recognition (continued)

Income and expense recognition healthcare and pharma revenue (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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.

3. Summary of Significant Accounting Policies (continued)

Income and expense recognition (continued)

Real estate revenue (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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.

3. Summary of Significant Accounting Policies (continued)

Income and expense recognition (continued)

Education revenue (policy applied up to 31 December 2019)

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 (policy applied up to 31 December 2019)

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.

EBITDA

The Group separately presents EBITDA on the face of the consolidated 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.

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.

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 financial statements are presented in Georgian Lari, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. 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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Functional, presentation currencies and foreign currency translation (continued)

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 2019 and 31 December 2018 were as follows:

	Lari to GBP	*Lari to USD*	*Lari to EUR*
31 December 2019	3.7593	2.8677	3.2095
31 December 2018	3.3955	2.6766	3.0701

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Georgian Lari at the rate of exchange ruling at the reporting date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the rate at the reporting date.

Adoption of new or revised standards and interpretations

The nature and the effect of these changes are disclosed below:

IFRS 16 Leases

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/decrease) is as follows:

	1 January 2019
Assets	
Right-of-use assets (presented in other assets)	93,053
Property and equipment	(8,799)
Prepayments	(261)
Total assets	**83,993**
Liabilities	
Income tax liabilities	-
Lease liabilities (presented in other liabilities)	83,993
Total liabilities	**83,993**

The adoption had no impact on shareholder equity.

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land, building, vehicles and other equipment. Before the adoption of IFRS 16, when a lease was determined to be economically similar to purchasing the underlying asset, the lease was classified as a finance lease and reported on a company's balance sheet. All other leases were classified as operating leases and not reported on a company's balance sheet (they were 'off balance sheet leases'). Off balance sheet leases were accounted for similarly to service contracts, with the company reporting a rental expense in the income statement. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets as described below. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

(b) Leases previously accounted for as operating leases

The group recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. A right-of-use asset was recognised at the date of initial application for leases previously classified as an operating lease applying IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group also applied the available practical expedients wherein it:

•Used a single discount rate to a portfolio of leases with reasonably similar characteristics

•Relied on its assessment of whether leases are onerous immediately before the date of initial application

•Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	1 January 2019
Liabilities	
Operating lease commitments as at 31 December 2018	129,940
Weighted average incremental borrowing rate as at 1 January 2019	6.74%
Discounted operating lease commitments as at 1 January 2019	90,978
Less:	
Commitments relating to short-term leases	1,624
Commitments relating to leases of low-value assets	3,075
Lease payments relating to renewal and termination periods not included in operating lease commitments as at 31 December 2018	10,962
Add:	
Commitments relating to leases previously classified as finance leases	8,676
Lease liabilities as at 1 January 2019	**83,993**

IAS 23 Borrowing costs

Up until reporting period ended 31 December 2018, the Group's accounting policy was to capitalize borrowing costs to cost of inventory represented by residential apartments. In March 2019, IFRS Interpretations Committee adopted the final agenda decision in relation to recognition of borrowing costs in arrangements to sell properties (units in a building) where the property is transferred to customer over time under IFRS 15. According to the agenda decision, capitalization of borrowing costs under to cost of sold or unsold units would not be appropriate under IAS 23. As the result of new interpretation arising from the IFRS Interpretations Committee decision, starting from interim reporting period ended 30 June 2019, the Group changed its existing accounting policy retrospectively and ceased capitalization of borrowing costs to cost of inventory property represented by residential apartments from the moment when such properties become ready for sale.

Infrastructure assets

In the second half of 2019, the Group changed its accounting policy with respect to infrastructure assets category of property, plant and equipment. The Group now applies the cost model, where infrastructure assets are carried at cost less accumulated depreciation and any accumulated impairment. Prior to this change in policy, the Group applied the revaluation model, where infrastructure assets were carried at the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group believes that cost model provides more reliable and more meaningful presentation for investors since (1) it enhances comparability for the investors as the application of cost model is a market practice across utility industry (2) it more closely aligns the accounting with the business activities around these asset categories.

The change of accounting policy has been accounted for retrospectively and resulted in GEL 106,296 reduction in net property and equipment on 1 January 2018. In line with IAS 36 requirements, the Group revisited composition of its cash generating units (CGUs) for the purpose of performing impairment test of infrastructure assets as at the transition date. In applying the impairment requirements under the cost model, the Group identified separate water and energy CGUs, which were previously treated as a single CGU and asset category under the revaluation model. Under revaluation model, excess of fair value over historical cost in the energy CGU compensated for the respective downside effect in water utility CGU. As a result of change in accounting policy to cost model, fair value surplus existing in the energy CGU was no longer eligible for recognition, while the accumulated deficit of value in use of the water CGU below its historical cost resulted in reduction of property and equipment at 1 January 2018.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

Retrospective application effect: Borrowing costs (a) and infrastructure assets (b)

Changes in accounting policy has been applied retrospectively by restating each of the affected consolidated financial statement line items for the prior periods, as follows:

Consolidated statement of financial position as at 31 December 2018	As previously reported	Change in accounting policy	As restated	Note
Inventory	278,615	(2,385)	276,230	(a)
Property and equipment	1,671,917	(98,293)	1,573,624	(b)
Intangible assets	51,634	(163)	51,471	(b)
Deferred revenue	62,059	286	62,345	(a)
Equity	1,198,734	(101,127)	1,097,607	(a),(b)

Consolidated statement of financial position as at 1 January 2018	As previously reported	Change in accounting policy	As restated	Note
Inventory	80,110	(3,397)	76,713	(a)
Property and equipment	657,635	(106,296)	551,339	(b)
Intangible assets	5,457	(314)	5,143	(b)
Deferred revenue	73,066	423	73,489	(a)
Equity	834,047	(110,430)	723,617	(a),(b)

Consolidated income statement for the year ended 31 December 2018	As previously reported	Change in accounting policy	As restated	Note
Revenue	1,282,866	129	1,282,995	(a)
Cost of sales	(796,191)	6,307	(789,884)	(a)
Gross profit	**486,675**	**6,436**	**493,111**	(a)
Other operating expenses	(11,601)	376	(11,225)	(b)
EBITDA	**220,721**	**6,812**	**227,533**	(a),(b)
Depreciation and amortisation	(74,155)	7,706	(66,449)	(b)
Interest expense	(91,619)	(5,276)	(96,895)	(a),(b)
Net profit	**31,556**	**9,242**	**40,798**	(a),(b)

Consolidated statement of other comprehensive income for the year ended 31 December 2018	As previously reported	Change in accounting policy	As restated	Note
Income from currency translation differences	9,191	61	9,252	(a)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**8,101**	**61**	**8,162**	(a)
Other comprehensive loss for the year, net of tax	**(240,404)**	**61**	**(240,343)**	(a)
Total comprehensive loss for the year	**(208,848)**	**9,303**	**(199,545)**	(a),(b)

Change in accounting policy affected the result of change in investment entity status (note 3), as reduction of net carrying value of infrastructure assets increased the gain on their deemed disposal. This effect arises from the different requirements of IFRS to account for changes in accounting policy retrospectively and for change in investment entity status, on a prospective basis.

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

The following Interpretations and amendments did not have any impact on the financial statements of the Group:

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28: Long-term interests in associates and joint ventures

Standards issued but not yet effective

Up to the date of approval of the consolidated 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 IFRS 3: Definition of a Business

Amendments to IAS 1 and IAS 8: Definition of Material

These amendments have no impact on the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes

Group does not expect any effect on its consolidated financial statements.

4. Significant Accounting Judgements and Estimates

In the process of applying the Group's accounting policies, the management board use their judgment and make estimates in determining the amounts recognised in the consolidated financial statements. The most significant judgments 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
- 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 greenfield and/or developed businesses and bolt-on acquisitions for its private portfolio companies, with a target to acquire businesses at low multiples as compared to their frontier and emerging market peers, uses its robust corporate governance and strong ability to access capital and management to help the portfolio companies institutionalize their governance and grow into mature, independent, companies, obtains dividend inflows from its mature investments and once the businesses are developed, identifies the next best owners for such businesses and exits the investment ideally at a higher multiple (vs entry multiple) to monetise on capital appreciation gains.

The Group reports to its investors via quarterly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Group's annual reports. The Group has a clearly documented exit strategy for all of its investments.

The Board has also concluded that the Group meets the additional characteristics of an investment entity, in that it has more than one investment; the Group's ownership interests are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

Georgia Capital PLC (an investment entity on its own) holds a single investment in JSC Georgia Capital, 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.

Until 2019, Georgia Capital did not measure and evaluate its equity investments in portfolio companies at fair value and therefore did not meet investment entity definition. In 2019, Georgia Capital management started to measure investments in portfolio companies at fair value and evaluating their performance on a fair value basis, such fair values are estimated internally and are disclosed to investors in management accounts. During 2019, management finalised a robust process for measuring fair values of private portfolio companies and implemented rigorous controls. As a final step, on 31 December 2019, Georgia Capital finalised corporate governance oversight over valuation process and as a result, started meeting investment entity definition on 31 December 2019.

The Group continues to consolidate GCMF LLC, which is not itself an investment entity and whose main purpose and activities are providing securities trading services that relate to the Group's investment activities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Significant Accounting Judgements and Estimates (continued)

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 33 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. Detailed valuation process is disclosed in note 33.

Determining the lease term of contracts with renewal and termination options – Group as lessee (applied up to 31 December 2019)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms and under some of its leases to terminate the lease agreements. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

Measurement of fair value of investment properties (applied up to 31 December 2019)

The fair value of investment properties is determined by independent professionally qualified appraisers. Fair value is determined using a combination of the internal capitalization method (also known as discounted future cash flow method) and the sales comparison method.

The Group performs valuation of its investment properties with a sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Results of this valuation are presented in note 14, while valuation inputs and techniques are presented in note 33. The Group's properties are specialized in nature and spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium sized properties, valuation of large and unique properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

(Thousands of Georgian Lari)

5. Business Combinations

Acquisitions during the year ended 31 December 2019

Acquisition of Redberry

On 7th of May 2019 the Group acquired 60% share capital in digital services company, Redberry LLC.

Provisionally estimated net assets of Redberry LLC at acquisition date comprised GEL 399. Consideration comprised of GEL 1,222. Additional GEL 7,568 capital has been injected for digital start-up development and the amount is taken into account in NCI calculations.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	134
Accounts receivable	290
Property and equipment	101
Right-of-use assets	288
Intangible assets	39
Other assets	12
	864
Lease liabilities	447
Accounts payable	7
Other liabilities	11
	465
Total identifiable net assets	**399**
Non-controlling interests	3,187
Goodwill arising on business combination	4,010
Purchase consideration	**1,222**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(1,222)
Cash acquired with the subsidiary	134
Net cash outflow	**(1,088)**

The acquisition enables the Group to have a platform for investments in the digital business. Management considers that the purchases will have a positive impact on the value of the Group's business.

Since the acquisition, company has recorded total of GEL 2,690 and GEL 389 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,474,378 and GEL 611,664 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Amboli

In June 2019, Georgia Capital acquired an 80% equity interest in Amboli LLC, car service provider.

Provisionally estimated net assets of Amboli LLC at acquisition date comprised negative GEL 708. Consideration comprised of GEL 3,434.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	102
Accounts receivable[1]	117
Inventories	1,436
Property and equipment	1,006
Right-of-use assets	1,104
Intangible assets	91
Prepayments	640
	4,496
Borrowings	3,315
Lease liabilities	1,148
Accounts payable	721
Other liabilities	20
	5,204
Total identifiable net assets	**(708)**
Non-controlling interests	(141)
Goodwill arising on business combination	4,001
Purchase consideration [2]	**3,434**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(2,800)
Cash acquired with the subsidiary	102
Net cash outflow	**(2,698)**

The Group decided to increase its presence in the auto services markets by acquiring the company. Management considers that the purchases will have a positive impact on the value of the Group's business.

Since the acquisition, company has recorded total of GEL 5,078 of revenue. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,475,711 and GEL 610,905 respectively.

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

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

[1] The fair value of the receivables amounted to GEL 117. The gross amount of receivables is GEL 219.
[2] Purchase consideration comprises of GEL 3,434, which consists of cash payment of GEL 2,800 and holdback amount with a fair value of GEL 634.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of private schools

In June-July 2019 Georgia Capital signed SPAs with private schools: British Georgian Academy ("BGA") to acquire 70% equity stake, Buckswood International School – Tbilisi LLC to acquire 80% equity stake and Tbilisi Green School ("Green School") to acquire 80% equity stake.
Provisionally estimated net assets of education businesses at acquisition date comprised GEL 5,752 Total consideration comprised of GEL 40,245.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	5,397
Accounts receivable[1]	523
Inventories	197
Property and equipment	34,723
Right-of-use assets	3,268
Intangible assets	55
Prepayments	1,534
Other assets	610
	46,307
Borrowings	20,934
Accounts payable	2,140
Deferred income	14,896
Other liabilities	2,585
	40,555
Total identifiable net assets	**5,752**
Non-controlling interests	3,228
Goodwill arising on business combination	37,721
Purchase consideration [2]	**40,245**

The net cash outflow on acquisitions was as follows:

	31 December 2019
Cash paid	(39,588)
Cash acquired with the subsidiary	5,397
Net cash outflow	**(34,191)**

The acquisitions are in line with the Group's business model combining premium, mid-level and affordable school segments. Management considers that the purchases will have a positive impact on the value of the Group's business.

Since the acquisition, education business has recorded total of GEL 12,083 and GEL 2,938 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,485,863 and GEL 612,189 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce, premises and experienced management that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets.

[1] The fair value of the receivables amounted to GEL 523. The gross amount of receivables is GEL 998.
[2] Purchase consideration comprises of GEL 40,245, which consists of cash payment of GEL 39,588 and holdback amount with a fair value of GEL 657.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Alaverdi

On 20 August 2019 the wine business of Georgia Capital acquired 100% equity interest in Alaverdi LTD, producer of exquisite Georgian wines and spirits. The acquisition was carried out through locally established special purpose vehicle (SPV). The control over Alaverdi is obtained without having direct controlling equity interest, through loan and management agreements signed with SPV, which provide Georgia Capital with the power, exposure to variability of returns and the ability to use the power to affect the returns of Alaverdi.

Provisionally estimated net assets of Alaverdi LTD at acquisition date comprised GEL 25,619 Total consideration comprised of GEL 33,286.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	223
Accounts receivable[1]	315
Inventories	7,567
Property and equipment	19,713
Prepayments	140
Other assets	1,671
	29,629
Borrowings	2,910
Accounts payable	527
Other liabilities	573
	4,010
Total identifiable net assets	**25,619**
Goodwill arising on business combination	7,667
Purchase consideration	**33,286**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(33,286)
Cash acquired with the subsidiary	223
Net cash outflow	**(33,063)**

Alaverdi owns vineyards and free land plot in Kakheti region, available for immediate vineyard development. The acquisition of Alaverdi is in line with Georgia Capital's strategy to reach a vineyard base of 1,000 hectares.

Since the acquisition, Alaverdi LTD has recorded total of GEL 3,111 and GEL 809 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,480,668 and GEL 611,235 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce, premises and experienced management that is expected to generate future economic benefits.

[1] The fair value of the receivables amounted to GEL 315. The gross amount of receivables is GEL 315.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Hydrolea

On 29 October 2019 the renewable energy business of Georgia Capital acquired 100% equity interest in Hydrolea LTD, operator of three Hydro Power Plants with aggregate 21 MW installed capacity.

Provisionally estimated net assets of Hydrolea LTD at acquisition date comprised GEL 65,252. Total consideration comprised of GEL 65,252.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	3,137
Amounts due from credit institutions, net	250
Accounts receivable[1]	1,266
Inventories	52
Property and equipment	107,980
Intangible assets	17
Other assets	1,129
	113,831
Borrowings	47,882
Accounts payable	316
Other liabilities	381
	48,579
Total identifiable net assets	**65,252**
Purchase consideration [2]	**65,252**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(59,600)
Cash acquired with the subsidiary	3,137
Net cash outflow	**(56,463)**

Since the acquisition, Hydrolea LTD has recorded total of GEL 1,394 and GEL 1,372 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,481,579 and GEL 607,566 respectively.

[1] The fair value of the receivables amounted to GEL 1,266. The gross amount of receivables is GEL 1,266.
[2] Purchase consideration comprises of GEL 65,262, which consists of cash payment of GEL 59,600 and holdback amount with a fair value of GEL 5,652.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Litera

On 4 December 2019 the Hospitality and Commercial Real Estate business of Georgia Capital acquired 50% share of JSC Litera. JSC Litera was established in December 2019 and operates in food and beverage business. The control over Litera is obtained without having more than 50% equity interest, through shareholder agreement signed with minority shareholder.

Provisionally estimated net assets of JSC Litera at acquisition date comprised GEL 175. Total consideration comprised of GEL 1,295 cash payment, which has been fully paid as at reporting date. Concurrently with the acquisition, the Group made injection to share capital of JSC Litera in the amount of USD 415 (GEL 1,190) without changing the Group's ownership percentage. The cash injection was deemed to be linked to the acquisition transaction and contributed to the estimation of acquisition-date non-controlling interest.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	-
Property and equipment	175
	175
Other liabilities	-
	-
Total identifiable net assets	**175**
Non-controlling interests	702
Goodwill arising on business combination	1,822
Purchase consideration	**1,295**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(1,295)
Cash acquired with the subsidiary	-
Net cash outflow	**(1,295)**

Since the acquisition, JSC Litera has recorded immaterial revenue. If the combination had taken place at the beginning of the period, the Group's revenue and profits would not have been materially different.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce, premises and experienced management that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Qartli Wind Farm

On 30 December 2019 the renewable energy business of Georgia Capital acquired 100% equity interest in Qartli Wind Farm LLC.

Provisionally estimated net assets of Qartli Wind Farm LLC at acquisition date comprised GEL 41,322. Total consideration comprised of GEL 41,322.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	9,772
Amounts due from credit institutions, net	6,337
Accounts receivable[1]	1,271
Property and equipment	74,578
Other assets	306
	92,264
Borrowings	50,312
Accounts Payable	630
	50,942
Total identifiable net assets	**41,322**
Purchase consideration	**41,322**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(41,322)
Cash acquired with the subsidiary	9,772
Net cash outflow	**(31,550)**

Since the acquisition, Qartli Wind Farm LLC has not recorded any revenue or profit. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,489,944 and GEL 613,846 respectively.

[1] The fair value of the receivables amounted to GEL 1,271. The gross amount of receivables is GEL 1,271.

(Thousands of Georgian Lari)

6. Segment Information

At 31 December 2019 three new segments were added to the Group's reportable segments: Education, Auto Service and Digital Service.
For management purposes, the Group is organised into the following operating segments based on the industries as follows:

Healthcare	- Georgia Healthcare Group - principally providing wide-scale healthcare, health insurance and pharmaceutical services to clients and insured individuals;
Housing Development	- Principally developing, constructing and selling residential apartments and providing land development services to third parties;
Hospitality and Commercial	- Developing and leasing rent-earning commercial assets and developing hotels across Georgia;
Water Utility	- Principally supplying water and providing a wastewater service;
Renewable Energy	- Principally developing renewable energy power plants and supplying electricity;
P&C Insurance	- Principally providing wide-scale property and casualty insurance services to corporate and individual clients;
Beverage	- Principally producing and distributing wine, beer and soft beverages;
Education	- Principally providing education for learners from Preschool to 12th grade (K-12);
Auto Services	- Principally providing auto and technical inspection services to corporate and individual clients;
Digital	- Principally providing tech-based marketing solutions to large Georgian corporate and government agencies;
Other	- Comprises of early stage business and feasibility costs incurred in pipeline projects;
Corporate Centre	- Comprising of JSC Georgia Capital

Management monitors the operating results 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.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue for the year ended 31 December 2019 and 2018.

As at 31 December 2019 and the for the periods following the change in investment entity status (refer to note 3) the management of Georgia Capital will no longer monitor and use consolidated financial information going forward and will solely focus on fair value information for performance evaluation and decision-making. In line with updated management view the change also applied to the presentation of segment information as at 31 December 2019 and 2018, as outlined in the tables below:

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the year ended 31 December 2019:

	Healthcare	*Water Utility*	*Housing development*	*P&C insurance*	*Renewable energy*	*Hospitality and Commercial*	*Beverage*	*Auto Services*	*Digital*	*Education*	*Other*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	976,329	168,457	117,741	64,631	16,171	37,588	125,092	19,610	2,700	12,125	-	521	(67,528)	1,473,437
Cost of sales	(650,191)	(41,868)	(101,946)	(31,311)	(108)	(7,627)	(80,349)	(9,799)	(2,142)	(680)	-	-	42,997	(883,024)
Gross profit	**326,138**	**126,589**	**15,795**	**33,320**	**16,063**	**29,961**	**44,743**	**9,811**	**558**	**11,445**	**-**	**521**	**(24,531)**	**590,413**
Operating expenses and impairment	(150,955)	(31,739)	(19,260)	(17,589)	(2,974)	(5,216)	(42,315)	(7,417)	(396)	(7,593)	(2,107)	(25,772)	1,893	(311,440)
EBITDA	**175,183**	**94,850**	**(3,465)**	**15,731**	**13,089**	**24,745**	**2,428**	**2,394**	**162**	**3,852**	**(2,107)**	**(25,251)**	**(22,638)**	**278,973**
Dividend income	-	-	-	-	-	-	-	-	-	-	-	122,221	(97,268)	24,953
Interest income	1,628	1,981	280	7,640	277	557	13	24	304	33	-	39,030	(21,109)	30,658
Interest expense	(48,034)	(26,046)	(7,966)	(208)	(7,872)	(7,929)	(12,869)	(5,454)	(18)	(490)	-	(55,071)	21,587	(150,370)
Gain from change in investment entity status	-	-	-	-	-	-	-	-	-	-	-	588,828	-	588,828
Profit / (loss) for the year	**61,550**	**35,470**	**(16,796)**	**18,280**	**3,629**	**15,822**	**(30,683)**	**(6,729)**	**389**	**2,730**	**(2,112)**	**655,463**	**(125,508)**	**611,505**
Assets and liabilities														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	117,215	-	117,215
Amounts due from credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt investment securities	-	-	-	-	-	-	-	-	-	-	-	62,493	-	62,493
Equity investments at fair value	430,079	483,970	43,853	164,923	106,800	245,558	87,120	25,757	8,790	56,316	564	597,735	-	2,251,465
Total assets	**430,079**	**483,970**	**43,853**	**164,923**	**106,800**	**245,558**	**87,120**	**25,757**	**8,790**	**56,316**	**564**	**938,109**	**-**	**2,591,839**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	825,952	-	825,952
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**833,642**	**-**	**833,642**
Net Asset Value	**430,079**	**483,970**	**43,853**	**164,923**	**106,800**	**245,558**	**87,120**	**25,757**	**8,790**	**56,316**	**564**	**104,467**	**-**	**1,758,197**

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the year ended 31 December 2018:

	Healthcare	*Water Utility*	*Housing development*	*P&C insurance*	*Renewable energy*	*Hospitality and Commercial*	*Beverage*	*Other*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	861,337	149,128	137,901	59,271	-	38,461	76,499	-	-	(39,602)	1,282,995
Cost of sales	(574,866)	(36,920)	(111,004)	(25,748)	-	(4,085)	(46,980)	-	-	9,719	(789,884)
Gross profit	**286,471**	**112,208**	**26,897**	**33,523**	**-**	**34,376**	**29,519**	**-**	**-**	**(29,883)**	**493,111**
Operating expenses and impairment	(154,448)	(29,051)	(11,583)	(15,453)	(789)	(2,841)	(35,734)	(1,395)	(15,223)	939	(265,578)
EBITDA	**132,023**	**83,157**	**15,314**	**18,070**	**(789)**	**31,535**	**(6,215)**	**(1,395)**	**(15,223)**	**(28,944)**	**227,533**
Dividend income	-	-	-	-	-	-	-	-	72,504	(48,629)	23,875
Interest income	1,139	568	320	3,539	149	197	132	-	39,549	(22,356)	23,237
Interest expense	(39,314)	(14,248)	(6,749)	-	-	(2,815)	(7,263)	(42)	(44,711)	18,247	(96,895)
Profit / (loss) for the year	**53,235**	**40,700**	**1,307**	**17,082**	**(816)**	**26,395**	**(28,916)**	**(1,326)**	**17,342**	**(84,205)**	**40,798**
Assets and liabilities											
Cash and cash equivalents	36,154	13,713	8,830	11,104	8,388	26,275	9,953	229	138,703	-	253,349
Amounts due from credit institutions	11,808	936	1,633	23,456	-	2,341	125	-	-	-	40,299
Debt investment securities	1,285	-	-	4,408	-	-	-	-	92,974	(26,843)	71,824
Equity investments at fair value	-	-	512	-	-	45	-	-	457,495	(557)	457,495
Total assets	**1,239,104**	**548,518**	**247,352**	**145,866**	**169,304**	**294,834**	**205,277**	**48,654**	**1,020,017**	**(301,593)**	**3,617,333**
Borrowings	296,817	290,266	59,312	-	70,711	113,933	118,147	38,095	-	(222,926)	764,355
Debt securities issued	93,573	29,980	67,697	-	-	19,609	-	-	732,519	(26,977)	916,401
Total liabilities	**665,490**	**376,488**	**183,238**	**89,632**	**75,144**	**134,994**	**149,107**	**42,721**	**734,843**	**(260,936)**	**2,190,721**
Total equity attributable to shareholders of the Group	**295,689**	**172,030**	**64,114**	**56,234**	**61,181**	**149,079**	**44,082**	**5,933**	**285,174**	**(35,909)**	**1,097,607**

(Thousands of Georgian Lari)

7. Cash and Cash Equivalents

	31 December 2019	*31 December 2018*
Cash on hand	-	2,577
Current accounts with financial institutions	114,698	223,960
Time deposits with financial institutions with maturities of up to 90 days	2,518	26,813
Cash and cash equivalents, Gross	**117,216**	**253,350**
Allowance (Note 29)	(1)	(1)
Cash and cash equivalents, Net	**117,215**	**253,349**

8. Amounts Due from Credit Institutions

	31 December 2019	*31 December 2018*
Time deposits with maturities of more than 90 days	-	35,924
Deposits pledged as security for open commitments	-	4,375
Amounts due from credit institutions, Gross	**-**	**40,299**
Allowance (Note 29)	-	-
Amounts due from credit institutions, Net	**-**	**40,299**

9. Marketable Securities

	31 December 2019	*31 December 2018*
Internationally listed marketable securities	38,775	67,933
Locally listed marketable securities	23,718	3,891
Marketable securities	**62,493**	**71,824**

As at 31 December 2019 Marketable securities consist of internationally and locally listed debt financial instruments GEL 58,339 (2018: GEL 71,824) and equity financial instruments GEL 4,154 (2018: nil).

10. Loans Issued

	31 December 2019	*31 December 2018*
Loans to subsidiaries (FVPL)	117,506	-
3rd party loans (FVPL)	-	1,038
3rd party loans (amortized cost)	34,412	149,676
Loans issued	**151,918**	**150,714**
Allowance (Note 29)	(34)	(414)
Loans issued, Net	**151,884**	**150,300**

As at 31 December 2019, Loans to subsidiaries are denominated in GEL and USD, carry interest rates from 9% to 12%, with average remaining terms of maturity of 2 years.

As at 31 December 2019, 3rd party loans are denominated USD (2018: USD), carry interest rate of 9% (2018: from 9% to 15%), with average remaining terms of maturity of 3 months (2018: 6 years).

(Thousands of Georgian Lari)

11. Equity Investments at Fair Value

	31 December 2019
Equity investments at fair value	2,251,465
Of which listed investments	***1,027,814***
GHG	*430,079*
BOG	*597,735*
Of which private investments:	***1,223,651***
Late stage	***692,746***
Water utility	*483,970*
Housing Development	*43,853*
P&C insurance	*164,923*
Early Stage	***439,478***
Renewable energy	*106,800*
Hospitality & Commercial RE	*245,558*
Beverages	*87,120*
Pipeline	***91,427***
Education	*56,316*
Auto service	*25,757*
Digital services	*8,790*
Other	*564*
Total equity investments at fair value	***2,251,465***
-Of which equity investments at FVOCI	*597,735*
-Of which equity investments at FVPL	*1,653,730*

Equity investments at fair value include equity instruments designated at fair value through OCI GEL 597,737 as at 31 December 2019 (2018: GEL 457,495), representing 19.9% interest of Bank of Georgia Group PLC. This investment was irrevocably designated at fair value through OCI as the Group considers this investment to be strategic in nature, in addition, the Group does not hold the shares for the purpose of short-term capital appreciation. In 2019 the Group recognized dividend income in the amount of GEL 24,953 from this investment (2018: 23,875). Refer to Note 33 for details on fair value measurements of equity investments.

12. Accounts Receivable

	31 December 2019	***31 December 2018***
Healthcare services	-	115,150
Water supply services	-	23,965
Sales of pharmaceuticals	-	21,024
Beverage sales	-	18,235
Connection services	-	4,317
Electric power sales	-	700
Installation of water meters	-	94
Other receivables	1,176	8,456
Accounts receivable, Gross	**1,176**	**191,941**
Allowance (Note 29)	-	(21,713)
Accounts receivable, Net	**1,176**	**170,228**

Accounts receivable balance includes contract assets from sales to customers GEL 2,586 as at 31 December 2018. For more details, please refer to note 27.

(Thousands of Georgian Lari)

13. Inventories

	31 December 2019	*31 December 2018*
Healthcare and pharma inventory	-	146,164
Real estate inventory	-	96,979
Other inventory	-	33,087
Inventory	**-**	**276,230**

The Group performed inventory net realisable value test and charged impairment in the amount of GEL nil as at 31 December 2019 (2018: GEL 179).

14. Investment Properties

	31 December 2019	*31 December 2018*
At 1 January	**151,232**	**159,989**
Additions*	13,430	27,626
Disposals	(860)	(2,461)
Net gains from revaluation of investment property	8,265	6,895
Transfers from / (to) property and equipment and other assets**	723	(48,971)
Currency translation differences	11,954	8,154
Change in investment entity status	(184,744)	-
At 31 December	**-**	**151,232**

**** Non-cash additions comprised GEL nil as at 31 December 2019 (2018: 1,145)***
***** Comprised of GEL 8,635 transfer from property ands equipment (2018: transfers to property and equipment GEL 8,930), GEL 7,912 transfer to other assets - inventories (2018: GEL 40,041).***

Investment properties are stated at fair value except for those investment properties under construction for which fair value is not reliably measurable (with carrying value of nil as at 31 December 2019 (2018: 43,676). Fair value represents the price that would be received in exchange for an asset in an arm's length transaction between market participants at the measurement date. As at 31 October 2019 the valuation of the properties has been performed by accredited independent valuers. Refer to Note 33 for details on fair value measurements of investment properties as at 31 December 2018.

The Group pledges some of its investment property as collateral for its borrowings. The carrying amount of investment property pledged as at 31 December 2018 was GEL 1,132.

(Thousands of Georgian Lari)

15. Property and Equipment

The movements in property and equipment during the year ended 31 December 2019 were as follows:

	Office buildings	*Hotels*	*Hospitals & clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost									
31 December 2018 (restated)*	**195,653**	**24,360**	**433,159**	**248,941**	**430,267**	**101,116**	**278,838**	**114,639**	**1,826,973**
Transfer to right-of-use assets at adoption of IFRS 16 (Note 3)	-	-	(8,799)	-	-	-	-	-	(8,799)
1 January 2019	**195,653**	**24,360**	**424,360**	**248,941**	**430,267**	**101,116**	**278,838**	**114,639**	**1,818,174**
Additions	20,856	439	4,943	182,006	56,259	7,239	23,983	33,304	329,029
Business combinations, Note 5	37,001	-	-	522	182,558	-	3,673	14,522	238,276
Disposals	(8,664)	-	-	(297)	-	(66)	(985)	(3,368)	(13,380)
Transfers	35,237	-	-	(250,180)	210,341	(71)	(762)	5,435	-
Transfers (to) / from investment properties	(12,700)	-	-	3,761	-	-	-	304	(8,635)
Transfers to from other assets*	5,041	-	-	-	-	-	-	-	5,041
Write off**	-	-	-	-	(39,011)	-	-	-	(39,011)
Revaluation	3,474	-	-	-	-	-	-	-	3,474
Currency translation differences	502	2,763	-	4,106	15,617	-	232	923	24,143
Change in investment entity status	(276,400)	(27,562)	(429,303)	(188,859)	(856,031)	(108,218)	(304,448)	(165,473)	(2,356,294)
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**531**	**286**	**817**
Accumulated impairment									
31 December 2018 (restated)*	**105**	**-**	**(4)**	**1,766**	**104,530**	**-**	**23**	**(7)**	**106,413**
Disposals	-	-	-	-	-	-	-	5	5
Currency translation differences	-	-	-	-	3	-	1	-	4
Change in investment entity status	(105)	-	4	(1,766)	(104,533)	-	(24)	2	(106,422)
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation									
31 December 2018 (restated)*	**6,463**	**162**	**10,753**	**-**	**36,036**	**10,805**	**60,125**	**22,592**	**146,936**
Depreciation charge	2,297	217	2,377	-	23,353	8,850	28,544	14,007	79,645
Currency translation differences	26	87	-	-	1,218	868	123	12	2,334
Transfers	-	-	-	-	-	-	(18)	18	-
Write off**	-	-	-	-	(1,653)	-	-	-	(1,653)
Disposals	(292)	-	-	-	(525)	(105)	(826)	(2,109)	(3,857)
Change in investment entity status	(8,494)	(466)	(13,130)	-	(58,429)	(20,418)	(87,792)	(34,439)	(223,168)
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**156**	**81**	**237**
Net book value:									
31 December 2018 (restated)*	**189,085**	**24,198**	**422,410**	**247,175**	**289,701**	**90,311**	**218,690**	**92,054**	**1,573,624**
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**375**	**205**	**580**

Comprised GEL 4,693 transfer from inventory and GEL 8,451 transfer to right-of-use assets.

*****In July 2019 a mudflow in Mestia in the Valley of Mestiachala caused damage to Mestiachala 1 and 2 Hydro Power Plants and the surrounding infrastructure. Mestiachala HPPs are owned by the Group's Renewable Energy segment, operated by Georgian Renewable Power Company, LLC. As a result the NBV of damaged infrastructure assets written off was GEL 37,358. Respective non-recurring expense of GEL 37,357 was recognized in the Group's 2019 financial statements. The expense amount was offset with the income recognized as a result of reimbursement of damage from a reinsurance contract concluded by JSC Aldagi (Group's P&C segment) in the amount of GEL 36,707.***

(Thousands of Georgian Lari)

15. Property and Equipment (continued)

The movements in property and equipment during the year ended 31 December 2018 were as follows:

	Office buildings	*Hotels*	*Hospitals & Clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost									
1 January 2018 (restated)*	**136,784**	**-**	**-**	**142,801**	**275,669**	**91,023**	**13,949**	**41,614**	**701,840**
Additions	10,213	2,991	22,209	274,101	12,582	5,726	62,174	20,659	410,655
Business combinations	6,639	-	-	-	-	15,303	5,632	4,042	31,616
Disposals	(833)	-	-	-	297	(70)	(297)	(382)	(1,285)
Transfers	19,107	-	(6,624)	(153,275)	141,719	(10,866)	(1,170)	11,109	-
Transfers (to) / from investment properties	8,572	19,837	-	(19,840)	-	-	-	-	8,569
Transfers from inventory	223	-	-	228	-	-	172	-	623
Transfer to assets of disposal group held for sale	14,939	-	417,574	325	-	-	198,315	37,297	668,450
Currency translation differences	9	1,532	-	4,601	-	-	63	300	6,505
31 December 2018 (restated)*	**195,653**	**24,360**	**433,159**	**248,941**	**430,267**	**101,116**	**278,838**	**114,639**	**1,826,973**
Accumulated impairment									
31 December 2017	**390**	**-**	**-**	**-**	**-**	**-**	**23**	**1**	**414**
Effect of change in accounting policy (Note 3, (b))*	-	**-**	**-**	3,849	102,447	**-**	**-**	-	106,296
1 January 2018 (restated)*	**390**	**-**	**-**	**3,849**	**102,447**	**-**	**23**	**1**	**106,710**
Reversal	(15)	**-**	**-**	-	-	-	-	-	(15)
Disposals	-	**-**	**-**	-	-	-	-	(8)	(8)
Transfers	-	-	-	(2,083)	2,083	-	-	-	-
Transfer from assets of disposal group held for sale	-	**-**	(4)	-	-	-	-	-	(4)
Transfers to investment properties	(271)	**-**	**-**	-	-	-	-	-	(271)
Currency translation differences	1	**-**	**-**	-	-	-	-	-	1
31 December 2018 (restated)*	**105**	**-**	**(4)**	**1,766**	**104,530**	**-**	**23**	**(7)**	**106,413**
Accumulated depreciation				**-**					
1 January 2018 (restated)*	**5,249**	**-**	**-**	**-**	**23,084**	**3,887**	**6,314**	**5,257**	**43,791**
Depreciation charge	1,460	162	5,192	-	12,883	7,490	23,674	10,684	61,545
Currency translation differences	(229)	-	-	-	(1)	47	191	29	37
Transfers	(70)	-	-	-	(5)	(613)	352	336	-
Transfers to investment properties	(90)	-	-	-	-	-	-	-	(90)
Transfer from assets of disposal group held for sale	327	-	5,561	-	-	-	29,771	6,316	41,975
Disposals	(184)	-	-	-	75	(6)	(177)	(30)	(322)
31 December 2018 (restated)*	**6,463**	**162**	**10,753**	**-**	**36,036**	**10,805**	**60,125**	**22,592**	**146,936**
Net book value:									
1 January 2018 (restated)*	**131,145**	**-**	**-**	**138,952**	**150,138**	**87,136**	**7,612**	**36,356**	**551,339**
31 December 2018 (restated)*	189,085	24,198	422,410	247,175	289,701	90,311	218,690	92,054	1,573,624

**Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3 ((b) infrastructure assets).*

The Group pledges its property as collateral for its borrowings. The carrying amount of the pledged property as at 31 December 2019 was nil (31 December 2018: GEL 662,034).

(Thousands of Georgian Lari)

16. Leases

Group as a lessee

The Group has lease contracts for various items of land, building, vehicles and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. Some lease contracts include extension and termination options and variable lease payments, which are further discussed below. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

Gross Balance	***Land***	***Buildings***	***Vehicles***	***Other equipment***	***Total***
At 1 January 2019	**2,687**	**90,188**	**178**	**-**	**93,053**
Additions	1,325	25,402	163	-	26,890
Business combination (Note 5)	348	4,245	57	10	4,660
Disposals	-	(2,218)	-	-	(2,218)
Transfers from (to) PPE	(348)	-	-	-	(348)
Currency translation differences	38	186	-	-	224
Change in investment entity status	(4,050)	(117,206)	(57)	(10)	(121,323)
At 31 December 2019	**-**	**597**	**341**	**-**	**938**
Accumulated Depreciation					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Additions	314	22,552	98	1	22,965
Disposals	-	(783)	-	-	(783)
Currency translation differences	-	13	-	-	13
Change in investment entity status	(314)	(21,517)	(5)	(1)	(21,837)
At 31 December 2019	**-**	**265**	**93**	**-**	**358**
Net Book Value:					
Balance at 1 January 2019	**2,687**	**90,188**	**178**	**-**	**93,053**
Balance at 31 December 2019	**-**	**332**	**248**	**-**	**580**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019
At 1 January 2019	**83,993**
Additions	34,989
Business combination (Note 5)	1,595
Interest expense on lease liabilities	6,665
Payments of principal portion of lease liabilities	(21,087)
Payments of interest portion of lease liabilities	(6,665)
Foreign exchange rate movements	4,209
Change in investment entity status	(103,069)
At 31 December 2019	**630**

Right-of-use assets and lease liabilities are included in other assets and other liabilities respectively in the Consolidated Statement of Financial Position. For the breakdown of other assets and liabilities refer to note 18.

The following are the amounts recognised in profit or loss:

	2019
Depreciation expense of right-of-use assets	(22,182)
Interest expense on lease liabilities	(6,665)
Expense relating to short-term leases (included in administrative expenses)	(534)
Expense relating to leases of low-value assets (included in administrative expenses)	(130)
Variable lease payments (included in administrative expenses)	(4,427)
Total amount recognised in profit or loss	**(33,938)**

Total lease payments including low-value and short-term leases during the year was GEL 32,842.

(Thousands of Georgian Lari)

16. Leases (continued)

Group as a lessor

The Group has entered into operating leases of certain investment properties. Rental income recognised by the Group during the year is GEL 8,903 (2018: GEL 5,467). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	31 December 2018
Not later than 1 year	5,243
Later than 1 year but not later than 5 years	11,531
Later than 5 years	9,090
Total	**25,864**

Most of the Group's leases as at 31 December 2018 were priced in USD and had lease term varying from 3 moths to 10 years (average term: 4 years).

17. Goodwill and Intangible Assets

Movements in goodwill during the years ended 31 December 2019 and 31 December 2018, were as follows:

	31 December 2019	*31 December 2018*
Cost		
1 January	**146,787**	**26,627**
Business combinations	55,221	5,362
Transfer from/(to) assets of disposal group held for sale	-	114,798
Currency translation differences	(35)	-
Change in investment entity status	(201,973)	-
At 31 December	**-**	**146,787**
Accumulated impairment		
1 January	**4,692**	**4,692**
Change in investment entity status	(4,692)	**-**
At 31 December	**-**	**4,692**
Net book value:		
1 January	**142,095**	**21,935**
At 31 December	**-**	**142,095**

Impairment test for goodwill as at 31 December 2018

Goodwill acquired through business combinations have been allocated to five individual cash-generating units, for impairment testing: Property & Casualty Insurance, Beverage, Pharmacy, Healthcare and Health Insurance.

The carrying amount of goodwill allocated to each of the cash generating units ("CGU") is as follows:

	31 December 2018
P&C Insurance	15,454
Beverage	11,843
Pharmacy	77,755
Healthcare	33,581
Health Insurance	3,462
Total	**142,095**

(Thousands of Georgian Lari)

17. Goodwill and Intangible Assets (continued)

Impairment test for goodwill (continued)

The recoverable amount of the healthcare services operating segment exceeds its carrying amount by GEL253,595 using the discount rate of 12.7%. The discount rate that brings value in use of healthcare services segment equal to its carrying value is 15.21%.

Key assumptions used in value in use calculations

The recoverable amounts of the CGUs have been determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management covering from a one to three-year period. Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year periods covered in financial budgets. For the purposes of the impairment test, a 3% permanent growth rate has been assumed when assessing the future operating cash flows of the CGU.

The following rates were used by the Group for P&C Insurance, Beverage, Pharmacy, Healthcare and Health Insurance:

	P&C Insurance	Beverage	Pharmacy	Healthcare	Health Insurance
	2018, %	2018, %	2018, %	2018, %	2018, %
Discount rate	15.6%	15.3%	14.4%	12.7%	14.3%

Discount rates

Discount rates reflect management's estimate of return required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using pre-tax weighted average cost of capital ("WACC").

For the Healthcare CGU, the following additional assumptions were made over the first three-year period of the business plan:

- Further synergies from healthcare businesses will increase cost efficiency and further improve operating leverage;
- Growth of other healthcare business lines through an increased market demand and economic growth.

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2018. Possible change was taken as +/-1% in discount rate and growth rate.

Increase in intangible assets during 2018 is mostly attributable to reclassifications from assets held for sale and acquisitions of intangible assets presented in the consolidated statement of cash flows.

(Thousands of Georgian Lari)

18. Other Assets and Liabilities

Other assets comprise:

	31 December 2019	*31 December 2018*
Pension fund assets	-	18,796
Reinsurance assets	-	18,240
Operating tax assets	-	38,028
Call option	-	16,969
Investments in associates	-	3,124
Operating lease receivable	-	742
Other derivative financial assets	1,918	661
Right-of-use assets*	580	-
Other	4,022	4,602
Other assets	**6,520**	**101,162**

Other liabilities comprise:

	31 December 2019	*31 December 2018*
Other taxes payable	-	22,701
Accruals	1,851	55,623
Amounts payable for share acquisitions**	1,355	92,126
Other insurance liabilities	-	19,707
Pension fund liabilities	-	18,932
Lease liabilities*	630	8,746
Dividends payable to non-controlling shareholders	-	991
Derivative financial liabilities	-	715
Provisions	-	525
Other	2,570	15,114
Other liabilities	**6,406**	**235,180**

**For Right-of-use assets and Lease liabilities movement refer to note 16.*
***2018 amount payable for share acquisitions comprise payables for healthcare and wine business acquisitions.*

19. Taxation

The corporate income tax (expense) credit comprises:

	2019	*2018 (restated)**
Current income tax expense	(4,548)	(3,924)
Deferred income tax (expense)/credit	(85)	318
Income tax (expense)	**(4,633)**	**(3,606)**
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 is 15% 2019 (2018: 15%).

(Thousands of Georgian Lari)

19. Taxation (continued)

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2019 and 31 December 2018 a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2019	*2018 (restated)**
Profit before income tax expense*	**616,138**	**44,404**
Average tax rate	15%	15%
Theoretical income tax expense at average tax rate	**(92,421)**	**(6,661)**
Non-taxable income	88,225	3,142
Correction of prior year declarations	(376)	(19)
Unrecognised deferred tax asset	(61)	(68)
Income tax (expense) benefit	**(4,633)**	**(3,606)**

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 substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

As at 31 December 2018 income tax assets and liabilities consist of the following:

	31 December 2018
Current income tax assets	1,078
Deferred income tax assets	1,327
Income tax assets	**2,405**
Current income tax liabilities	1,119
Income tax liabilities	**1,119**

Deferred tax assets and liabilities as at 31 December 2018 are as follows:

	31 December 2018
Tax effect of deductible temporary differences:	
Tax credits carried forward	21,048
Insurance premiums receivables	688
Other assets and liabilities	639
Deferred tax assets	**22,375**
Investments in subsidiaries	21,048
Deferred tax liabilities	**21,048**
Net deferred tax asset recognized in consolidated statement of financial position	**1,327**

(Thousands of Georgian Lari)

20. Insurance Contract Liabilities and Reinsurance Assets

	2019			2018		
	Insurance contract liabilities 2019	*Reinsurance assets 2019*	*Net 2019*	*Insurance contract liabilities 2018*	*Reinsurance assets 2018*	*Net 2018*
At 1 January	**68,207**	**(18,240)**	**49,967**	**46,403**	**(20,671)**	**25,732**
Premiums written during the year	159,857	(22,517)	137,340	135,595	(29,252)	106,343
Premiums earned during the year	(156,674)	24,792	(131,882)	(133,965)	27,235	(106,730)
Claims incurred during the year	85,218	(8,226)	76,992	65,728	(7,195)	58,533
Claims paid during the year	(84,963)	10,347	(74,616)	(66,507)	11,643	(54,864)
Transfer from assets and liabilities of disposal group held for sale	-	-	-	20,953	-	20,953
Change in investment entity status	(71,645)	13,844	(57,801)	-	-	-
At 31 December	**-**	**-**	**-**	**68,207**	**(18,240)**	**49,967**

21. Borrowings

Borrowings comprise:

	31 December 2019	*31 December 2018*
Borrowings from local financial institutions	-	306,340
Borrowings from international financial institutions	-	451,984
Other borrowings	-	6,031
Borrowings	**-**	**764,355**

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

As at 31 December 2018, borrowings from local financial institutions are denominated in GEL, EUR and USD, carry interest rates from 5% to 12%, with average remaining terms of maturity of 4 years.

As at 31 December 2018, borrowings from international financial institutions are denominated in GEL, EUR and USD, carry interest rates from 1.63% to 12.25%, with average remaining terms of maturity of 8 years.

As at 31 December 2018, other borrowings are denominated in GEL and EUR, carry interest rated from 12% to 13%, with average remaining terms of maturity of 3 months.

During 2018 total amount of interest paid comprised GEL 96,312.

Material non-cash transactions

In 2019 year the Group incurred borrowings costs with total amount GEL 10,260 (2018: GEL 24,816) of which GEL nil (2018: GEL 6,018) has been capitalized as a part of investment property, GEL 4,261 (2018: GEL 3,153) was capitalized as a part of inventory property, GEL 5,678 (2018: GEL 15,450) was capitalized as part of property and equipment and GEL 321 (2018: GEL 195) was capitalized as part of intangible assets.

(Thousands of Georgian Lari)

21. Borrowings (continued)

Changes in liabilities arising from financing activities

	Borrowings	Debt securities	Lease liabilities
Carrying amount at 1 January 2018	**650,734**	**77,835**	**-**
Foreign currency translation	(7,335)	63,497	-
Cash proceeds	247,574	747,184	-
Cash repayments	(393,981)	(80,747)	-
Transfer from/to liabilities of disposal group held for sale	267,010	93,493	-
Acquisition of subsidiaries	14,560	-	-
Other	(14,207)	15,139	-
Carrying amount at 31 December 2018	**764,355**	**916,401**	**-**
IFRS 16 transition effect	-	-	83,993
Foreign currency translation	37,151	56,649	4,209
Cash proceeds	660,400	247,053	-
Cash repayments	(416,682)	(106,713)	(21,087)
Acquisition of subsidiaries (Note 5)	125,353	-	1,595
Other*	(7,483)	(144)	34,989
Change in investment entity status (Note 3)	(1,163,094)	(287,294)	(103,069)
Carrying amount at 31 December 2019	**-**	**825,952**	**630**

*Other movement for lease liabilities represents amounts recognized at conclusion of the new lease contracts during the year.

22. Debt Securities Issued

Debt securities issued comprise:

	31 December 2019	*31 December 2018*
USD denominated Eurobonds issued by Georgia Capital	825,952	732,519
USD denominated local bonds issued by m2	-	85,663
GEL denominated local bonds issued by GHG	-	84,858
GEL denominated local bonds issued by GGU	-	13,361
Debt securities issued	**825,952**	**916,401**

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

23. Deferred Income

	31 December 2019	*31 December 2018*
Advances received for connection services	-	27,249
Advances received for sale of apartments	-	19,846
Advances received for sale of pharmaceuticals	-	4,867
Other	-	10,383
Deferred income	**-**	**62,345**

(Thousands of Georgian Lari)

24. Accounts Payable

	31 December 2019	*31 December 2018*
Trade payables	-	139,879
Other payables	1,284	3,235
	1,284	**143,114**

As at 31 December 2018, most of trade payables represent amounts due to suppliers in healthcare, water utility, housing development, commercial and beverage segments. Trade payables are usually short-term, denominated mostly in GEL and USD and do not carry interest.

25. Commitments and Contingencies

Legal

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

Commitments and contingencies

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

	31 December 2018
Operating lease commitments	
Not later than 1 year	23,383
Later than 1 year but not later than 5 years	75,147
Later than 5 years	31,410
	129,940
Capital expenditure commitments	**10,341**
Total Commitments	**140,281**

As at 31 December 2018 capital expenditure commitments represent the commitment for purchase of property and capital repairs GEL 9,624 and software and other intangible assets GEL 717.

(Thousands of Georgian Lari)

26. Equity

Share capital

As at 31 December 2019 issued share capital comprised 12,399,944 authorised common shares (31 December 2018: 11,526,000), of which 12,399,944 were fully paid (2018: 11,526,000). Each share has a nominal value of one Georgian Lari. Shares issued and outstanding as at 31 December 2019 are described below:

	Number of shares Ordinary	*Amount*
1 January 2018	**10,000,000**	**10,000**
Issue of share capital	1,526,000	1,526
31 December 2018	**11,526,000**	**11,526**
Issue of share capital	1,252,680	1,253
Capital reduction	(378,736)	(379)
31 December 2019	**12,399,944**	**12,400**

Issue of Share Capital

On 28 June 2019 and 18 December 2019 JSC GCAP issued 226,756 and 1,025,924 shares in the amount of GEL 26,900 and GEL 112,856 respectively. First share issuance is related to settlement of payable arising from transfer of treasury shares from 100% shareholder of JSC GCAP to Company's executive management compensation trust.

On 18 December 2019 GCAP PLC, 100% shareholder of JSC GCAP, contributed 17,892,911 existing GHG shares into the equity of JSC GCAP, in return of 1,025,680 newly issued GCAP shares. Group's interest in GHG increased to 70.6%. As a result of this transaction, the Group's capital increased by GEL 112,856, non-controlling interest decreased by GEL 70,819, unrealized loss from acquisition of non-controlling interest in existing subsidiary comprised GEL 42,037.

Capital Reduction

During the year JSC GCAP bought back from its Parent 683,834 own shares for total cash consideration of GEL 80,389, of which 378,736 ordinary shares were cancelled and 305,098 were placed in Company's treasury.

Treasury Shares

Treasury shares consist of GEL 837 (2018: 282) JSC Georgia Capital shares and GEL 124 (2018: 37) shares of Georgia Capital PLC (shareholder) repurchased as a result of management compensation scheme, which are considered as treasury shares for the Group.

Nature and purpose of other reserves

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

Unrealised gains (losses) on debt and equity investments at fair value
This reserve records fair value changes on debt and equity investments at fair value through other comprehensive income.

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

Movements in other reserves during the year ended 31 December 2019 and 31 December 2018 are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

26. Equity (continued)

Non-controlling interest

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

	2018
Total assets	1,222,503
Total Liabilities	665,487
Non-controlling interest	287,016
Revenue	861,337
Profit for the year	53,237
Total comprehensive income for the year	53,237
Net decrease in cash and cash equivalents	12,687
Profit attributable to non-controlling interest	33,142

27. Gross Profit

	2019	*2018 (restated)**
Pharma revenue	570,836	501,090
Healthcare revenue	315,042	291,069
Utility and energy revenue	162,962	139,290
Net insurance premiums earned	131,882	106,730
Beverage revenue	124,705	76,358
Real estate revenue	97,780	142,147
Auto service revenue	19,540	-
Education revenue	12,083	-
Digital services revenue	2,324	-
Other income	36,283	26,311
Revenue	**1,473,437**	**1,282,995**
Cost of pharma services	(424,814)	(386,153)
Cost of healthcare	(176,753)	(154,452)
Cost of utility and energy	(41,121)	(36,274)
Net insurance claims incurred	(76,992)	(58,533)
Cost of beverage	(80,283)	(46,879)
Cost of real estate	(70,441)	(107,593)
Cost of auto service	(9,799)	-
Cost of education	(679)	-
Cost of digital services	(2,142)	-
Cost of sales	**(883,024)**	**(789,884)**
Gross profit	**590,413**	**493,111**

(Thousands of Georgian Lari)

27. Gross Profit (continued)

Gross Healthcare and Pharma Profit

	2019	*2018*
Revenue from government programmes	221,397	200,652
Revenue from free flow (non-insured retail individuals)	84,299	78,500
Revenue from insurance companies	9,346	11,917
Healthcare revenue	**315,042**	**291,069**
Retail	430,312	378,398
Wholesale	140,524	122,692
Pharma revenue	**570,836**	**501,090**
Healthcare and pharma revenue	**885,878**	**792,159**
Direct salary expenses	(112,321)	(105,440)
Healthcare direct materials	(48,189)	(34,012)
Expenses on medical service providers	(3,280)	(3,226)
Other direct expenses	(12,963)	(11,774)
Cost of healthcare	**(176,753)**	**(154,452)**
Retail	(309,213)	(275,887)
Wholesale	(115,601)	(110,266)
Cost of pharma services	**(424,814)**	**(386,153)**
Cost of healthcare and pharma services	**(601,567)**	**(540,605)**
Gross healthcare and pharma profit	**284,311**	**251,554**

Gross Utility and Energy Profit

	2019	*2018*
Revenue from water supply	131,608	130,238
Revenue from electric power sales	31,354	9,052
Utility and energy revenue	**162,962**	**139,290**
Cost of water supply	(33,102)	(33,663)
Cost of electric power sales	(8,019)	(2,611)
Cost of utility and energy	**(41,121)**	**(36,274)**
Gross utility and energy profit	**121,841**	**103,016**

Gross Insurance Profit

	2019	*2018*
Gross health insurance premiums earned	73,981	54,040
Gross P&C insurance premiums earned	82,693	79,925
Total gross premiums earned on insurance contracts	156,674	133,965
Reinsurers' share of gross earned premiums on health insurance contracts	(2,552)	(3,020)
Reinsurers' share of gross earned premiums on P&C insurance contracts	(22,240)	(24,215)
Reinsurers' share of gross earned premiums on insurance contracts	(24,792)	(27,235)
Net insurance premiums earned	**131,882**	**106,730**
Gross health insurance claims incurred	(47,697)	(37,096)
Gross P&C insurance claims incurred	(37,521)	(28,632)
Gross insurance claims incurred	(85,218)	(65,728)
Reinsurers' share of gross health insurance claims incurred	558	4,311
Reinsurers' share of gross P&C insurance claims incurred	7,668	2,884
Reinsurers' share of gross insurance claims incurred	8,226	7,195
Net insurance claims incurred	**(76,992)**	**(58,533)**
Gross insurance profit	**54,890**	**48,197**

(Thousands of Georgian Lari)

27. Gross Profit (continued)

Gross Beverage Profit

	2019	*2018*
Revenue from beer sales	49,668	27,395
Revenue from wine sales	42,216	27,020
Revenue from distribution of imported goods	19,569	14,065
Change in net realizable value of agricultural produce after harvest	2,899	2,875
Other beverage revenue	10,353	5,003
Beverage revenue	**124,705**	**76,358**
Cost of beer	(32,803)	(17,848)
Cost of wine	(23,553)	(15,188)
Cost of distribution	(15,894)	(10,625)
Cost of other beverage revenue	(8,033)	(3,218)
Cost of beverage	**(80,283)**	**(46,879)**
Gross beverage profit	**44,422**	**29,479**

Gross Real Estate Profit

	2019	*2018 (restated)**
Revenue from apartment sale	52,022	96,052
Revenue from construction services	21,835	27,864
Income from operating leases	9,416	6,454
Revaluation of m^2 investment property	7,498	6,626
Revenue from hospitality services	7,009	5,151
Real estate revenue	**97,780**	**142,147**
Cost of apartments sold	(43,513)	(79,962)
Cost of construction services	(19,412)	(23,637)
Cost of operating leases	(2,445)	(879)
Cost of hospitality services	(5,071)	(3,115)
Cost of real estate	**(70,441)**	**(107,593)**
Gross real estate profit	**27,339**	**34,554**

(Thousands of Georgian Lari)

27. Gross Profit (continued)

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

	2019	2018
Real estate revenue:		
Net gain from revaluation of investment property	7,498	6,626
Income from operating leases	9,416	6,454
	16,914	**13,080**
Beverage revenue:		
Change in net realizable value of agricultural produce after harvest	2,899	2,875
	2,899	**2,875**
Net insurance premiums earned	**131,882**	**106,730**
Other income		
Revenue from BI insurance*	9,933	-
Gain from call option	6,619	6,863
Payables derecognised	1,021	3,881
Litigation reserve reversal	-	817
Loss from sale of PPE and IP	589	262
Net gains (losses) from revaluation of investment property	767	269
	170,624	**134,777**

** 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 (2018: GEL 124,333). Inventory recognised as an expense during the period comprised GEL 55,307 (2018: GEL 185,512)

28. Salaries and Other Employee Benefits, and General and Administrative Expenses

	2019	2018
Salaries and bonuses	(147,891)	(120,570)
Equity compensation plan costs	(23,687)	(14,341)
Pension costs	(3,184)	(913)
Salaries and other employee benefits	**(174,762)**	**(135,824)**

General and administrative expenses

	2019	2018
Marketing and advertising	(21,800)	(17,278)
Legal and other professional services	(17,433)	(12,544)
Office supplies	(11,636)	(7,800)
Operating taxes	(10,951)	(10,275)
Utility expenses	(6,547)	(3,824)
Repair and maintenance	(5,783)	(4,974)
Occupancy and rent	(4,972)	(23,115)
Corporate hospitality and entertainment	(3,566)	(2,576)
Communication	(3,445)	(2,842)
Travel expenses	(3,258)	(2,430)
Banking services	(3,189)	(2,835)
Security	(1,702)	(1,348)
Customer service fee	(1,697)	(1,710)
Personnel training and recruitment	(740)	(1,829)
Other	(15,950)	(10,360)
General and administrative expenses	**(112,669)**	**(105,740)**

(Thousands of Georgian Lari)

28. Salaries and Other Employee Benefits, and General and Administrative Expenses (continued)

Auditor's remuneration

Remuneration of the Group's auditors is included within legal and other professional services expenses above and for the years ended 31 December 2019 and 2018 comprises (net of VAT):

	2019	*2018*
Fees for the audit of the Group's annual financial statements for the year ended 31 December	374	37
Expenditures for other assurance services, including statutory audits of subsidiaries	3,608	2,709
Expenditures for other professional services	-	951
	3,982	**3,698**

The figures shown in the above table relate to fees paid to EY LLC 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 179 (2018: nil) and in respect of other services of the Group were GEL 26 (2018: GEL 131), net of VAT.

Fees for other professional services in 2018 mostly include fees related to corporate finance services that are presented in non-recurring expenses. Refer to note 30.

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

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

	Insurance premiums receivable 2019	*Provisions 2019*	*Total 2019*
At 1 January	**8,285**	**525**	**8,810**
Charge	958	120	1,078
Write-offs	(24)	-	(24)
Currency translation differences	333	-	333
Change in investment entity status	(9,552)	(645)	(10,197)
At 31 December	**-**	**-**	**-**

	Insurance premiums receivable 2018	*Other assets 2018*	*Provisions 2018*	*Total 2018*
At 1 January	**4,243**	**22**	**3,103**	**7,368**
Charge	1,898	50	231	2,179
Transfer from assets of disposal group held for sale	1,787	-	-	1,787
Recoveries	242	-	(1,302)	(1,060)
Reversal	-	-	(1,353)	(1,353)
Write-offs	8	(72)	(154)	(218)
Currency translation differences	107	-	-	107
At 31 December	**8,285**	**-**	**525**	**8,810**

(Thousands of Georgian Lari)

29. Impairment of insurance premiums receivable, accounts receivable, other assets and provisions (continued)

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

	Cash and cash equivalents 2019	*Amounts due from credit institutions 2019*	*Marketable securities 2019*	*Accounts receivable 2019*	*Loans issued 2019*	*Total 2019*
At 31 December	**1**	**-**	**309**	**21,713**	**414**	**22,437**
(Reversal) Charge	-	-	(172)	12,026	(380)	11,474
Recoveries	-	-	-	(220)	-	(220)
Write-offs	-	-	-	(2,506)	-	(2,506)
Change in investment entity status	-	-	58	(31,013)	-	(30,955)
At 31 December	**1**	**-**	**195**	**-**	**34**	**230**

	Cash and cash equivalents 2018	*Amounts due from credit institutions 2018*	*Marketable securities 2018*	*Accounts receivable 2018*	*Loans issued 2018*	*Total 2018*
At 31 December	-	-	-	4,003	-	4,003
IFRS 9 Effect	2	-	192	13,830	-	14,024
At 1 January	**2**	**-**	**192**	**17,833**	**-**	**18,027**
(Reversal) Charge	(1)	-	117	10,080	414	10,610
Write-offs	-	-	-	(9,479)	-	(9,479)
Transfer from assets of disposal group held for sale	-	-	-	3,415	-	3,415
Currency translation difference	-	-	-	(136)	-	(136)
At 31 December	**1**	**-**	**309**	**21,713**	**414**	**22,437**

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

Increase in impairment charge in 2019 and 2018 is mainly attributable to the increased gross balance of receivables of healthcare and utility businesses.

(Thousands of Georgian Lari)

30. Net Non-recurring Items

Net non-recurring expense for the year ended 31 December 2019 comprised:

	2019
Termination benefits	(4,397)
Prepayments write-off	(3,019)
Net loss on flood of Mestiachala	(1,068)
Other	249
Net non-recurring items	**(8,235)**

Net non-recurring expense for the year ended 31 December 2018 comprised:

	2018
Share based payment acceleration effect	(20,303)
College construction	(2,422)
Reorganization costs	(2,070)
Loan prepayment fee and derecognition losses	(1,325)
Demerger fees	(1,080)
Charity expenses	(783)
Other	(1,503)
	(29,486)

31. Share-based Payments

Executives' Equity Compensation Plan

Prior to demerger, senior executives of BGEO Group, providing services to Georgia Capital, were compensated with shares of BGEO. Upon demerger, old service contracts with BGEO were terminated and new contracts were signed with Georgia Capital. Any share-based payment expense related to BGEO's share plan was accelerated and recognized in income statement as of the termination date of service agreements as non-recurring expense, for more details refer to note 30.

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 1,650,000 ordinary shares of Georgia Capital PLC. 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.

In 2018 the Group set up Executive Equity Compensation Trustee – Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Group's Executives' Equity Compensation Plan ("EECP"). In 2019 the Trustee has repurchased 2,087,337 (2018: 1,191,127) shares.

(Thousands of Georgian Lari)

31. Share-based Payments (continued)

There were no cancellations or modifications to the awards in 2019 or 2018 except for BGEO share awards described above.

In addition to Executives' Equity Compensation Plan, the Group grants shares of the parent to the employees of the Group.

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:

	2019	*2018*
Shares outstanding at 1 January	**2,294,556**	**-**
Granted during the year	343,638	2,294,556
Forfeited during the year	(239,000)	-
Vested during the year	(111,000)	-
Shares outstanding at 31 December	**2,288,194**	**2,294,556**

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2019 was 4 years (2018: 5.4 years).
The weighted average fair value of shares granted during the year was GEL 38.2 (2018: GEL 33.4). The weighted average fair value of shares forfeited and vested was 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:

	2019	*2018*
Increase in equity arising from equity-settled share-based payments	31,201	38,344
Expense arising from equity-settled transactions	26,549	34,644

Expense arising from equity-settled transactions in the amount of GEL 2,862 (2018: GEL 20,303, related to demerger of Group) was recognised in net non-recurring expenses related to termination of employment agreement of the executive in 2019.

32. Risk Management

Introduction

Risk is inherent in the Group'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 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.

All non-executive Board members of Georgia Capital PLC are also members of Supervisory Board of JSC Georgia Capital. JSC Georgia Capital established Audit and Valuation, Investment and Remuneration Committees with the same terms of reference and the same members as those of Georgia Capital PLC. As such, all relevant decisions of Audit and Valuation, Investment and Remuneration Committees of Georgia Capital PLC apply to the Group.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Risk management structure

Audit and Valuation Committee

The Audit and Valuation Committee of Georgia Capital 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 oversights 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 Group's asset, liability and risk management activities, policies and procedures. In order to effectively implement the risk management system, the Board of Directors delegate individual risk management functions to each of the various decision-making and execution bodies within the Group.

Internal Audit

The Internal Audit Department of Georgia Capital 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, the Group uses 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.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group 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. Also the Group establishes and regularly monitors credit terms by types of debtors, which is a proactive tool for managing the credit risk.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service and ageing of receivables. Counterparty limits are established by the use of a credit terms. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type, etc). The calculation reflects reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in different geographical areas and industries.

Liquid financial instruments

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group'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 Group invests only on quoted debt securities with low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds. The Group recognised reversal of provision for expected credit losses on its debt instruments at fair value through OCI in the amount of GEL 172 in 2019 (2018: charge of GEL 117).

The table below demonstrates the Group's financial assets credit risk profile by external rating grades:

	31 December 2019			*31 December 2018*		
	BB+ to BB-	***B+ to B-***	***Not graded***	***BB+ to BB-***	***B+ to B-***	***Not graded***
Cash and cash equivalents	99,589	9,842	7,784	226,261	23,940	3,148
Amounts due from credit institutions	-	-	-	24,776	15,354	169
Marketable securities	29,713	22,589	6,037	70,668	1,156	-
Loans issued	34,378	-	117,506	133,416	-	16,884
Other assets*	-	-	3,395	-	-	-
Total	**163,680**	**32,431**	**134,721**	**455,121**	**40,450**	**20,201**

*Non graded Other assets represents receivable from guarantee issued to one of the Group's subsidiaries Global Beer Georgia LLC (subsidiary owned through Beverage segment), with nominal amount of GEL 59,376 as at 31 December 2019.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is also managed by the Group based on the number of overdue days. The table below shows the credit quality by class of asset in the statement of financial position.

31 December 2019	Notes	Neither past due nor impaired	Past due or impaired	Total
Loans issued	10	151,884	-	151,884
Accounts receivable	12	1,176	-	1,176
Marketable securities	9	62,493	-	62,493
Other derivative financial assets	18	1,918	-	1,918
Total		**217,471**	**-**	**217,471**

31 December 2018	Notes	Neither past due nor impaired	Past due or impaired	Total
Amounts due from credit institutions	8	40,299	-	40,299
Loans issued	10	150,300	-	150,300
Accounts receivable	12	127,682	42,546	170,228
Insurance premiums receivable		56,955	846	57,801
Marketable securities	9	71,824	-	71,824
Other derivative financial assets	18	661	-	661
Total		**447,721**	**43,392**	**491,113**

No significant increase in credit risk since initial recognition occurred in respect of the Group's financial assets as at 31 December 2019 and 2018.
Included in past due but not impaired category are the receivables and financial assets that are overdue for not more than 30 days or are overdue more than 30 days but have not been impaired due to objective reasons. Otherwise those receivables and financial assets that are overdue for more than 30 days are considered as impaired.

The Group does not have a grading system to evaluate credit quality of neither past due nor impaired assets. Maximum exposure to credit risk is limited to carrying value of respective financial assets and to notional amount of guarantees issued.

Liquidity risk

Liquidity risk is the risk that the Group 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 US$ 50 million liquid asset buffer at Georgian parent company level, where liquid assets are 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. 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.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group'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 2019**	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Debt securities issued	25,404	25,404	1,007,330	-	1,058,138
Accounts payable	1,284	-	-	-	1,284
Financial guarantees	59,376	-	-	-	59,376
Other financial liabilities	80	2,875	1,157	-	4,112
Total undiscounted financial liabilities	**86,144**	**28,279**	**1,008,4875**	**-**	**1,122,910**

Financial liabilities **31 December 2018**	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Borrowings	54,945	149,118	519,690	274,900	998,653
Debt securities issued	5,358	122,556	333,500	757,335	1,218,749
Accounts payable	129,028	3,734	10,351	-	143,113
Other financial liabilities	66,788	17,756	94,384	-	178,928
Total undiscounted financial liabilities	**256,119**	**293,164**	**957,925**	**1,032,235**	**2,539,443**

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 has exposure to market risks. The Group structures the levels of market risk it accepts through a Group market risk policy that determines what constitutes market risk for the Group.

Currency risk

The Group is 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 tables below indicate the currencies to which the Group had significant exposure at 31 December 2019 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian Lari, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the twelve months. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	***Change in currency rate in %***	***Effect on profit before tax***	***Change in currency rate in %***	***Effect on profit before tax***
	2019		***2018***	
EUR	7.9%	(2,293)	9.9%	(23,283)
GBP	10.2%	706	10.8%	69
USD	6.4%	(35,413)	7.1%	(23,594)

(Thousands of Georgian Lari)

32. 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. The Group 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 Group's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that 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 made a number of developments 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 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 largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Insurance risk (policy applied up to 31 December 2019)

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid that are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Group establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

The Group primarily uses its loss ratio and its combined ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Combined ratio is sum of loss ratio and expense ratio. Expense ratio is defined as insurance related operating expenses excluding interest expense divided by net insurance revenue. The Group's loss ratios and combined ratios were as follows:

	P&C Insurance	***Health Insurance***
	2018, %	***2018, %***
Loss ratio	38%	77%
Combined ratio	75%	94%

The Group's concentration of general technical provisions by type of contract as of 31 December 2018 is as follows: healthcare GEL 19,154, motor GEL 17,417, property GEL 5,830, liability GEL 2,625, cargo GEL 1,142, life GEL 1,625 and other GEL 2,174.

(Thousands of Georgian Lari)

32. Risk Management (continued)

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, same as equity attributable to the shareholder of JSC Georgia Capital as at 31 December 2019 in the amount of GEL 1,758,195. Net Asset Value (NAV) statement, which 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. 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 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 it's 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 shareholder's requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants if any. To maintain or adjust the capital structure, the Group may adjust the amount of outstanding equity.

Some operations of the Group are subject to local regulatory requirements within the jurisdiction where it operates, currently Georgia only. Such regulations prescribe approval and monitoring of certain activities. They also impose certain restrictive provisions for the insurance arm, such as insurance capital adequacy and the minimal insurance liquidity requirement, to minimize the risk of default and insolvency and to meet unforeseen liabilities as they arise. During the year ended 31 December 2019 the Group complied with all of regulatory requirements as well as insurance capital and insurance liquidity regulations, in full.

(Thousands of Georgian Lari)

33. 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 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Marketable securities	10,376	52,117	-	62,493
Equity investments at fair value	1,027,814	-	1,223,651	2,251,465
Loans issued	-	-	117,506	117,506
Other assets	-	1,918	469	2,387
Other derivative financial assets	-	*1,918*	-	1,918
Call option	-	-	*469*	*469*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	117,215	-	117,215
Accounts receivable	-	-	1,176	1,176
Assets for which fair values are disclosed				
Loans issued	-	-	35,020	35,020
Liabilities for which fair values are disclosed				
Debt securities issued	-	829,726	-	829,726
Lease liabilities	-	634	-	634

31 December 2018 (restated)*	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	151,232	151,232
Land	-	-	*49,128*	*49,128*
Residential properties	-	-	*14,196*	*14,196*
Non-residential properties	-	-	*87,908*	*87,908*
Marketable securities	27,010	44,814	-	71,824
Equity investments at fair value	457,495	-	-	457,495
Loans issued	-	-	1,038	1,038
Other assets	-	-	17,630	17,630
Other derivative financial assets	-	-	*661*	*661*
Call option	-	-	*16,969*	*16,969*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	253,349	-	253,349
Amounts due from credit institutions	-	40,299	-	40,299
Accounts receivable	-	-	170,228	170,228
Loans issued	-	-	162,862	162,862
Liabilities measured at fair value				
Other liabilities	-	-	715	715
Derivative financial liabilities	-	-	*715*	*715*
Liabilities for which fair values are disclosed				
Borrowings	-	506,711	254,056	760,767
Debt securities issued	-	678,973	184,551	863,524

(Thousands of Georgian Lari)

33. 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.

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.

Equity Investments in Private Portfolio Companies

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

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

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

Listed Peer Group Multiples

The preferred method for valuing equity investments in private portfolio companies is comparison with the multiples of comparable listed companies. This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses which are profitable and for which we 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 and risk profiles. Certain peer-group companies can be more heavily weighted if their characteristics are closer to those of the company being valued than are those of the other companies in peer group.

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Valuation techniques (continued)

Listed Peer Group Multiples (continued)

Generally, last 12-month earnings will be used for the purposes of valuation. Earnings can be adjusted for extraordinary or non-recurring items.

a. Valuation based on enterprise value

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

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

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

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

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

b. Equity fair value valuation

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

The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued.Fair valuation of equity using peer multiples can be used for businesses within financial sector (e.g. insurance companies).

Discounted cash flow

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

Net Asset Value

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

Price of recent investment

The price of a recent investment, if 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 must be given to the current facts and circumstances, including, but not limited to, changes in the market or changes in the performance of the investee company. The valuer should assess at each measurement date whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value.

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Valuation techniques (continued)

Validation

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

- Listed peer group multiples – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to respective metrics of the investment being valued. We develop fair value range based on these techniques and analyse whether fair value estimated above falls within this range.
- Discounted cash flow (DCF) – Discounted cash flow valuation method is used to determine fair value of equity investment. Under discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and internally-developed discounting rate of return. Based on DCF, we 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 value to be placed at each reporting date to the Audit and Valuation Committee. 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 is assessed internally in accordance with Georgia Capital's valuation methodology by Valuation Workgroup.

Description of significant unobservable inputs to level 3 valuations

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

Description	***Valuation technique***	***Unobservable input***	***Range [weighted average]***	***Fair value***
Loans Issued	DCF	Discount rate	9%-12%	*117,506*
Call Option	Binomial option valuation method	EBITDA growth rate	1%-7% [5%]	*469*
Equity investments at fair value				
Late stage				*692,746*
Water utility	EV/EBITDA	EV/EBITDA multiple of peers	7.9x-11.0x [8.8x]*	*483,970*
Housing Development	DCF	Cashflow probability Revenue per sq.meter Cost per sq.meter	70%-100% 1,832 - 4,511 1,333 - 3,563	*43,853*
P&C insurance	P/E	P/E multiple of peers	6.6x-12.3x [9.0x]*	*164,923*
Early stage				*439,478*
Renewable energy	Recent transaction price	Recent transaction price	n/a	*106,800*
Hospitality & Commercial RE	NAV	Multiple	1x	*245,558*
Beverages	EV/EBITDA / EV/Sales	EV/EBITDA / EV/Sales multiple of peers	8.6x-13.8x [10.0x]* 1.3x-3.9x [2.2x]*	*87,120*
Pipeline				*91,427*
Education	*Recent transaction price*	*Recent transaction price*	*n/a*	*56,316*
Auto service	EV/EBITDA	EV/EBITDA multiple of peers	6.6x-15.4x [10.4x]*	*25,757*
Digital services	*Recent transaction price*	*Recent transaction price*	*n/a*	*8,790*
Other	*Recent transaction price*	*Recent transaction price*	*n/a*	*564*

**amounts in [brackets] are the weighted multiples used in valuation*

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

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 by 5%, which is considered by the Group to be within a range of reasonably possible alternatives based on the earnings multiples used across peers.

If the interest rate for each individual loan issued to subsidiaries as at 31 December 2019 decreased by 20%, the amount of loans issued would have decreased by GEL 609 or 0.5%. If the interest rates increased by 20% then loans issued would have increased by GEL 617 or 0.5%.

If the peer multiple used to value each unquoted investment valued on an earnings multiple basis as at 31 December 2019 decreased by 5%, value of equity investments at fair value would decrease by 62 million or 8%. If the multiple increased by 5% then the equity investments at fair value would increase by GEL 62 million or 8%.

If WACC used to value each unquoted investment valued using DCF decreased by 5%, the value of equity investments at fair value would increase by GEL 2 million or 4%. If the WACC increased by 5% then the equity investments at fair value would decrease by GEL 2 million or 4%.

If the multiple used to value each unquoted investment valued on NAV and recent transaction price basis as at 31 December 2019 decreased by 5%, value of equity investments at fair value would decrease by GEL 21 million or 5%. If the multiple increased by 5% then the equity investments at fair value would increase by GEL 21 million or 5%.

Methodology applied before 31 December 2019

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

Derivative financial instruments

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

Derivative financial instruments include call option representing an option on acquisition of remaining 33% equity interest in JSC GEPHA from non-controlling interests in 2022 based on pre-determined EBITDA multiple (6.0 times EBITDA) of JSC Gepha. The Group has applied binomial model for option valuation. Major unobservable input for call option valuation represents volatility of price of the underlying 33% minority share of equity, which was estimated based on actual volatility of parent company's market capitalisation from 1 January 2013 till 31 December 2017 period, which equalled 34.7%. If in 2018 the volatility was 10% higher, fair value of call option would increase by GEL 2,533, if volatility was 10% lower call option value would decrease by GEL 2,770. The Group recognised GEL 6,619 (2018: GEL 6,863) unrealised gains on the call option during the year ended 31 December 2018 within other income, included in revenue in consolidated income statement.

Investment securities

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

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Fair value hierarchy

Movements in level 3 financial instruments measured at fair value (applied before 31 December 2019)

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 2018	Reclassification of securities	Transfer from AHS	Gain on revaluation	Origination	At 31 December 2018	Gain on revaluation	Interest income	Investment entity classification	At 31 December 2019
Level 3 financial assets										
Equity securities at FVOCI	1,153	(1,153)	-	-	-	-	-	-	-	-
Call option	-	-	10,106	6,863	-	16,969	7,088	-	(23,588)	469
Loans issued	-	-	-	-	1,038	1,038	-	183	116,285	117,506
Equity investments at fair value	-	-	-	-	-	-	-	-	1,223,651	1,223,651

All investment properties are level 3. Reconciliations of their opening and closing amounts are provided in Notes 14 and 15 respectively.

Description of significant unobservable inputs to valuations of non-financial assets

The following tables show descriptions of significant unobservable inputs to level 3 valuations of investment properties and revalued properties and equipment:

	2018	Valuation technique	Significant unobservable inputs	Range (weighted average)
Investment property	**151,232**			
Land	49,128	Market approach	Price per square metre	14 - 3,127 (1,162)
Residential properties	14,196	Market approach	Price per square metre	1,496 - 6,077 (4,413)
Non-residential properties	**87,908**			
	32,461	Market approach	Price per square metre	165 - 27,883 (5,089)
	55,447	Income approach	Capitalization rate	8% - 10% (9%)
			Occupancy rate	80% - 90% (85%)

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Fair value hierarchy (continued)

Description of significant unobservable inputs to valuations of non-financial assets (continued)

All other parameters held constant, increase (decrease) in the rent rate per square meter, price per square meter and occupancy rate or decrease (increase) in the capitalization rate would result in increase (decrease) in fair value.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated historical financial information. The table does not include the fair values of non-financial assets and non-financial liabilities, or fair values of other smaller financials assets and financial liabilities, fair values of which are materially close to their carrying values.

	Carrying value 2019	*Fair value 2019*	*Unrecognised gain (loss) 2019*	*Carrying value 2018*	*Fair value 2018*	*Unrecognised gain (loss) 2018*
Financial assets						
Cash and cash equivalents	117,215	117,215	-	253,349	253,349	-
Amounts due from credit institutions	-	-	-	40,299	40,299	-
Loans issued	34,378	35,020	642	150,300	163,900	13,600
Financial liabilities						
Lease liabilities	630	634	(4)	8,746	8,767	(21)
Borrowings	-	-	-	764,355	760,767	3,588
Debt securities issued	825,952	829,726	(3,774)	916,401	863,524	52,877
Total unrecognised change in unrealised fair value			**(3,136)**			**70,044**

(Thousands of Georgian Lari)

34. 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 2019			31 December 2018 (restated)*		
	Less than 1 Year	More than 1 Year	Total	Less than 1 Year	More than 1 Year	Total
Cash and cash equivalents	117,215	-	117,215	253,349	-	253,349
Amounts due from credit institutions	-	-	-	29,884	10,415	40,299
Marketable securities*	62,493	-	62,493	71,824	-	71,824
Equity investments at fair value*	-	2,251,465	2,251,465	457,495	-	457,495
Accounts receivable	1,176	-	1,176	153,106	17,122	170,228
Insurance premiums receivable	-	-	-	57,801	-	57,801
Inventories	-	-	-	211,868	64,362	276,230
Investment properties	-	-	-	-	151,232	151,232
Prepayments	384	-	384	62,333	55,485	117,818
Income tax assets	-	-	-	1,021	1,384	2,405
Property and equipment	-	580	580	-	1,573,624	1,573,624
Loans issued	75,363	76,521	151,884	9,438	140,862	150,300
Goodwill	-	-	-	-	142,095	142,095
Intangible assets	-	122	122	-	51,471	51,471
Other assets	5,471	1,049	6,520	71,069	30,093	101,162
Total assets	**262,102**	**2,329,737**	**2,591,839**	**1,379,188**	**2,238,145**	**3,617,333**
Accounts payable	1,284	-	1,284	135,826	7,288	143,114
Insurance contracts liabilities	-	-	-	60,555	7,652	68,207
Income tax liabilities	-	-	-	1,119	-	1,119
Deferred income	-	-	-	35,163	27,182	62,345
Borrowings	-	-	-	157,629	606,726	764,355
Debt securities issued	15,860	810,092	825,952	86,089	830,312	916,401
Other liabilities	5,485	921	6,406	128,044	107,136	235,180
Total liabilities	**22,629**	**811,013**	**833,642**	**604,425**	**1,586,296**	**2,190,721**
Net	**239,473**	**1,518,724**	**1,758,197**	**774,763**	**651,849**	**1,426,612**

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

(Thousands of Georgian Lari)

35. Related Party Disclosures

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

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

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

	31 December 2019			*31 December 2018*		
	Management ***	***Joint Ventures and Associates***	***Subsidiaries *******	***Management ******	***Entities under common control*****	***Joint Ventures and Associates***
Assets						
Marketable securities	-	-	22,393	-	-	-
Prepayments	-	-	103	-	-	-
Loans issued*	-	-	117,506	-	-	1,038
Other assets	-	-	5,313	-	-	-
	-	**-**	**145,315**	**-**	**-**	**1,038**
Liabilities						
Accounts Payable	-	-	125	-	-	-
Debt securities issued	6,051	-	-	2,596	-	-
Financial guarantees provided (notional value)	-	-	59,376			
Other liabilities	-	-	2,474	-	-	-
	6,051	**-**	**61,975**	**2,596**	**-**	**-**

	2019			*2018*		
	Management ***	***Joint Ventures and Associates***	***Subsidiaries *******	***Management ******	***Entities under common control*****	***Joint Ventures and Associates***
Income and expenses						
Gross profit	-	-	-	-	1,998	-
Salaries and other employee benefits	-	-	-	-	(428)	-
Administrative expenses	-	-	-	-	(527)	-
Net foreign currency (loss)	-	-	-	-	(675)	-
Interest income	-	199	-	-	4,482	73
Interest expense	(390)	-	-	-	(5,038)	-
	(390)	**199**	**-**	**-**	**(188)**	**73**

** During the year ended 31 December 2018 and prior to demerger, JSC Georgia Capital issued a loan to the former parent JSC BGEO Group in the amount of GEL133,830. Since as at 31 December 2018 (post demerger) JSC BGEO Group does not represent a related party, this loan is not disclosed in the above table. As at 31 December 2019, one of the Group's subsidiaries, JSC Georgia Real Estate (formerly JSC m2 Real Estate) has loans issued to a joint venture and associate. Interest income on loan issued is GEL 199 (2018: GEL 73).*
***Entities under common control comprise of BGEO Group PLC's Banking Business subsidiaries.*
**** Management of JSC Georgia Capital consist of 5 executives and 6 members of supervisory board.*
*****Comprise of subsidiaries of JSC Georgia Capital. Refer to note 2.*

(Thousands of Georgian Lari)

35. Related Party Disclosures (continued)

Compensation of key management personnel comprised the following:

	2019	2018
Salaries and other benefits	2,034	1,731
Share-based payments compensation	12,401	17,854
Total key management compensation	**14,435**	**19,585**

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 31). The number of key management personnel at 31 December 2019 was 10 (31 December 2018: 11).

36. Events after the Reporting Period

Buyout of the minority shareholder in Renewable Energy

On February 25, 2020 the Group bought out 34.4% stake minority shareholder, RP Global, in Georgian Renewable Power Company LLC. As part of the buyout, Georgia Capital will pay a fixed cash consideration of GEL 39 million. An additional deferred adjustable consideration of up to GEL 12.6 million may be payable if actual market electricity sales prices are higher during 2023-2025 than the Group's current internal forecasts.

Change in fair value of listed quoted and unquoted investments

As at 8 April 2020, fair value of listed equity investments has declined by 29.8% (or GEL 306,438) compared to 31 December 2019 in light of COVID-19 pandemic impact on stock markets. The fair value of our unquoted portfolio investments may have increased or decreased since 31 December 2019. The valuations depend on market multiples and outlook and the direct exposure to the impact of COVID-19 of each particular portfolio investment.

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