

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial advisor, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent financial advisor if you are in a territory outside the United Kingdom.

This document, which comprises a prospectus (the *Prospectus*) relating to the New GCAP Shares has been prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority (the *FCA*) made under section 73A of the Financial Services and Markets Act 2000 (the *FSMA*), has been approved by the FCA in accordance with section 85 of the FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

The Prospectus has been approved by the FCA (as competent authority under Regulation (EU) 2017/1129) as a prospectus prepared in accordance with the Prospectus Regulation Rules made under section 73A of the FSMA. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

Unless an exemption under relevant securities laws is available, the New GCAP Shares are not being, and may not be, offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in, into or from any Restricted Jurisdiction, including the United States or to, or for the account or benefit of, any resident of any Restricted Jurisdiction. The New GCAP Shares are expected to be issued in reliance upon one or more exemptions from the registration requirements of the US Securities Act (as defined below). None of the securities referred to in this document have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

The existing GCAP Shares are currently listed on the premium listing segment of the Official List maintained by the FCA (the *Official List*) and traded on the London Stock Exchange's main market for listed securities. Applications have been made to the FCA for the New GCAP Shares to be admitted to the premium listing segment of the UK Official List and to the London Stock Exchange for the New GCAP Shares to be admitted to trading on its main market for listed securities.

It is expected that Admission will become effective, and that dealings on the London Stock Exchange in the New GCAP Shares will commence, at 8.00 a.m. on the Effective Date which, subject to the satisfaction of certain conditions, is expected to occur at 8.00 a.m. on 30 July 2020. No application will be made for the New GCAP Shares to be admitted to listing or dealt with on any other exchange. The New GCAP Shares will, when issued, rank *pari passu* in all respects with the existing GCAP Shares.

The GCAP Directors, whose names appear in Part 3 (*Directors, Secretary, Registered and Head Office and Advisors*) of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the GCAP Directors and the Company, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors are advised to examine all the risks that might be relevant in connection with the value of an investment in the New GCAP Shares. Prospective investors should read the entire document and, in particular, Part 1 (*Risk Factors*) for a discussion of certain factors that should be considered in connection with an investment in the Company, the Group, the GCAP Shares and the New GCAP Shares.



Georgia Capital PLC

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 10852406)

Proposed issue of up to 7,734,082 new ordinary shares in Georgia Capital PLC in connection with its Recommended Final Share Exchange Offer for Georgia Healthcare Group PLC and application for admission of up to 7,734,082 new ordinary shares in Georgia Capital PLC to the premium listing segment of the UK Official List and to trading on the London Stock Exchange

Sponsor and Financial Advisor
Numis Securities Limited

Prospective investors should only rely on the information contained in this Prospectus, the Offer Document and the Circular and the documents (or parts thereof) incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this Prospectus, the Offer Document and the Circular and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the GCAP Directors or the Sponsor. In particular, the contents of the Company's and GHG's websites, other than those parts incorporated by reference (see Part 17 (*Documentation Incorporated by Reference*)), do not form part of this document and investors should not rely on them.

Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus, neither the delivery of this document nor Admission, under any circumstances, create any implication that there has been no change in the business or affairs of the Georgia Capital Group since the date of this document or that the information in it is correct as of any time after the date of this document. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Numis Securities Limited (*Numis*) is authorised in the United Kingdom by the Prudential Regulation Authority (the *PRA*) and regulated by the PRA and the FCA in the United Kingdom. Numis is acting exclusively for Georgia Capital PLC and no one else in connection with the Offer, Admission and this Prospectus, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer, Admission or this Prospectus and will not be responsible to anyone other than Georgia Capital PLC for providing the protections afforded to its clients, or for providing advice, in relation to the Offer, Admission or this Prospectus or any other transaction, arrangement or matter referred to in this Prospectus.

Numis and any of its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Numis does not accept any responsibility whatsoever for, or make any representation or warranty, express or implied, as to the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New GCAP Shares or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Numis accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

Recipients of this Prospectus are authorised solely to use it for the purpose of considering the terms of the Offer and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering the terms of the Offer or an investment in the New GCAP Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

Prior to making any decision as to whether to accept the terms of the Offer and acquire the New GCAP Shares, the GHG Shareholders, as prospective investors in the Company, should read this Prospectus in its entirety, together with the Offer Document. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

Prospective investors also acknowledge that (a) they have not relied on Numis or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision, and (b) they have relied only on the information contained in this Prospectus and the documents (or parts thereof) incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised.

Persons who come into possession of this document should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements, and pay any issue, transfer or other taxes due, in relation to the distribution of this document and the Offer. Any failure to comply with such restrictions or requirements, and pay any issue, transfer or other taxes due, may constitute a violation of the securities laws of any such jurisdiction.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN

SOLICITOR, INDEPENDENT FINANCIAL ADVISOR OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

NEITHER THE COMPANY, NUMIS NOR ANY OF THEIR RESPECTIVE REPRESENTATIVES IS MAKING ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OF THE NEW GCAP SHARES REGARDING THE LEGALITY OF AN INVESTMENT IN THE NEW GCAP SHARES BY SUCH PROSPECTIVE INVESTOR UNDER THE LAWS APPLICABLE TO SUCH PROSPECTIVE INVESTOR.

THIS PROSPECTUS DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO SELL OR ISSUE, OR ANY SOLICITATION OF ANY OFFER TO PURCHASE OR SUBSCRIBE FOR, ANY SECURITIES BY ANY PERSON IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

Notice to overseas shareholders

The release, publication or distribution of this Prospectus and the issue of the New GCAP Shares pursuant to the Offer in certain jurisdictions may be restricted by law. No action has been or will be taken to permit the possession, issue or distribution of this Prospectus in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such requirements by any person. Unless an exemption under relevant securities laws is available, the Offer is not being, and will not be, made available, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or by any facility of a national state or other securities exchange of any Restricted Jurisdiction, and no person may vote in respect of the Offer by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.

Accordingly, copies of this Prospectus and all documents relating to the Offer are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving this document (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this Prospectus and/or any other related document to a jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of such jurisdiction.

Unless otherwise determined by GCAP or required by the City Code, and permitted by applicable law and regulation, the Offer will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws in that jurisdiction and no person may accept the Offer by any use, means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction including the United States or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.

Accordingly, copies of this Prospectus and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction.

The availability of the Offer to GHG Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.

Further details in relation to GHG Shareholders in overseas jurisdictions are contained in the Offer Document.

Notice relating to the United States of America

This Prospectus is not intended to, and does not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of

any vote or approval in any jurisdiction pursuant to the offer or otherwise. The Offer will be made solely through the Offer Document or, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted. Any acceptance or other response to the Offer should be made only on the basis of the information in the Offer Document.

The Offer relates to the shares of an English company and is subject to UK procedural and disclosure requirements that are different from certain of those of the US. Any financial statements or other financial information included in this document may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. It may be difficult for US holders of shares to enforce their rights and any claims they may have arising under the US federal securities laws in connection with the Offer, since GCAP and GHG are located in countries other than the US, and some or all of their officers and directors may be residents of countries other than the United States. US holders of shares in GCAP or GHG may not be able to sue GCAP, GHG or their respective officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel GCAP, GHG and their respective affiliates to subject themselves to the jurisdiction or judgment of a US court.

The New GCAP Shares have not been and will not be registered under the relevant federal laws or laws of any state, province or territory of the United States (including the US Securities Act of 1933, as amended (the *US Securities Act*)) or any Restricted Jurisdiction or under any securities laws of any state or other jurisdiction of the United States or any Restricted Jurisdiction and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within any Restricted Jurisdiction or the United States except pursuant to an applicable exemption from, or in a transaction not subject to the registration requirements of, the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States or any Restricted Jurisdiction. Accordingly, this document does not constitute an offer to sell, or solicitation of an offer to buy or to take up entitlements to New GCAP Shares in the United States (unless an exemption from registration under the US Securities Act is available) or in any Restricted Jurisdiction (subject to certain exceptions). The New GCAP Shares may at the sole discretion of the Company be made available by the Company in the United States to qualified institutional buyers (as defined in Rule 144A under the US Securities Act) (*QIBs* or *Eligible US Holders*) in transactions that are exempt from the registration requirements of the US Securities Act. Any recipient of New GCAP Shares pursuant to such transactions will be required to make such acknowledgements and representations to and agreements with the Company, as the Company may require, to establish that they are Eligible US Holders.

In addition, until 40 days after the commencement of the Offer, an offer, sale or transfer of the New GCAP Shares within the United States by a dealer (whether or not participating in the Acquisition) may violate the registration requirements of the US Securities Act if such offer, sale or transfer is made otherwise than in accordance with Rule 144A or another exemption from registration under the US Securities Act.

None of the New GCAP Shares, this document, the Offer Document, the Circular or any other offering document has been approved or disapproved by the Securities and Exchange Commission of the United States (the *SEC*), any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or endorsed the merits of the Offer. Any representation to the contrary is a criminal offence in the United States.

It is intended that the Offer will be implemented by way of a takeover offer within the meaning of the Companies Act. No document relating to the Offer will be posted into the US, but a “QIB” (as such term is defined below) may be permitted to participate in the Offer upon establishing its eligibility to receive New GCAP Shares by completing an “QIB Letter” and returning any required supporting documentation, as set out in the Offer Document. The Offer will qualify for “Tier II” exemptions from the tender offer rules included in Regulation 14E under the US Exchange Act. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those applicable under US domestic tender offer procedures and law. A person who receives New GCAP Shares pursuant to the Offer may not resell such securities without registration under the US Securities Act or without an applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act).

This Prospectus does not constitute a public offer of securities for sale in the US or a public offer to acquire or exchange securities in the US. Securities may not be offered or sold in the US absent registration or an exemption from registration. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the US or any other country in which such offer may not be made other than (i) in accordance with the US

Securities Act, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements. In particular, New GCAP Shares will only be made available in the United States to QIBs in transactions that are exempt from the registration requirements of the US Securities Act. Such shareholders will be required to make such acknowledgements and representations to, and agreements with, GCAP as GCAP may require to establish that they are entitled to receive New GCAP Shares.

Nothing in this document shall be deemed an acknowledgement that any SEC filing is required or that an offer requiring registration under the US Securities Act may ever occur in connection with the Offer. The New GCAP Shares have not been, and will not be, registered under the securities laws of any state or jurisdiction in the United States and, accordingly, will only be issued to the extent that exemptions from the registration or qualification requirements of state “blue sky” securities laws are available or such registration or qualification requirements have been complied with.

Each US holder of GHG Shares is urged to consult his, her or its independent professional adviser immediately regarding the tax consequences of the Offer and the holding of New GCAP Shares.

CONTENTS

PART		PAGE
	Summary.....	7
PART 1	Risk Factors	14
PART 2	Presentation of Financial and Other Information.....	40
PART 3	Directors, Secretary, Registered and Head Office and Advisors	44
PART 4	Expected Timetable of Principal Events	45
PART 5	Indicative Offer Statistics.....	46
PART 6	Industry Overview	47
PART 7	Information on Georgia Capital.....	58
PART 8	Information on Georgia Healthcare Group	105
PART 9	Terms and Conditions of the Offer	112
PART 10	Directors, Senior Managers and Corporate Governance.....	122
PART 11	Capitalisation and Indebtedness.....	128
PART 12	Historical Financial Information of Georgia Capital	130
PART 13	Historical Financial Information of Georgia Healthcare Group	131
PART 14	Unaudited Pro Forma Financial Information and Accountants Report.....	133
PART 15	Taxation.....	136
PART 16	Additional Information	141
PART 17	Documentation Incorporated by Reference	171
PART 18	Definitions and Glossary.....	173

SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-D (A.1 – D.2). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A—INTRODUCTION AND WARNINGS

A.1.1 Name and international securities identifier number (ISIN) of the securities

Pursuant to the Offer, Georgia Capital intends to issue 7,734,082 new ordinary shares (the *New GCAP Shares*). The New GCAP Shares will represent approximately 16.15% of the expected issued ordinary share capital of Georgia Capital immediately following Completion. The Shares will be registered with ISIN number GB00BF4HYV08 and SEDOL number BF4HYV0 and trade under the symbol “CGEO”.

A.1.2 Identity and contact details of the issuer, including its Legal Entity Identifier (LEI)

The registered office and principal place of business of Georgia Capital PLC (the *Company* or *Georgia Capital* or *GCAP* and, including its subsidiaries and subsidiary undertakings from time to time, the *Group* or *Georgia Capital Group*) is at 84 Brook Street, London, W1K 5EH, United Kingdom. GCAP’s telephone number is +44 (0) 203 178 4052 and its legal entity identifier (*LEI*) number is 213800Q65T5GNBOW7H65.

A.1.3 Identity and contact details of the competent authority approving the prospectus

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129, with its head office at 12 Endeavour Square, London, E20 1JN, and telephone number: +44 (0)20 7066 1000, in accordance with Regulation (EU) 2017/1129. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer that is, or of the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

A.1.4 Date of approval of the prospectus

This Prospectus was approved on 11 June 2020.

A.1.5 Warning

This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to the prospectus (the *Prospectus*).

Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. The investor could lose all or part of their invested capital in the New GCAP Shares. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

SECTION B—KEY INFORMATION ON THE ISSUER

B.1 Who is the issuer of the securities?

B.1.1 Domicile, legal form, LEI, jurisdiction of incorporation and country of operation

Georgia Capital is a public limited company with registered number 10852406, incorporated on 5 July 2017 as BGEO Investments Limited. Georgia Capital subsequently changed its name on 13 December 2017 to Georgia Capital Limited. On 8 February 2018 Georgia Capital was re-registered as a public company limited by shares and renamed Georgia Capital PLC. Its registered office situated in England and Wales. Georgia Capital operates under the Companies Act 2006. Georgia Capital’s LEI number is 213800Q65T5GNBOW7H65.

B.1.2 Principal activities

Georgia Capital is a platform for buying, building, developing and selling businesses in Georgia. GCAP capitalises on the fast-growing Georgian economy across the last decade through its robust corporate governance, having access to capital and strong management. Georgia Capital seeks to capture growth opportunities in the sectors in which it currently operates and drive the development of new structurally attractive, high-growth businesses in Georgia, which it intends to add either by acquiring businesses in their early development stage or by establishing greenfield businesses, often consolidating fragmented or underdeveloped markets. Georgia Capital actively manages its portfolio companies to maturity, setting the strategy and business plan of each business and driving its execution. Once Georgia Capital has successfully developed a business, the Group acts as an advisor for the management of mature companies and actively manages its portfolio to determine each company’s optimal owner. Georgia Capital will normally seek to monetise its investment either through trade

sale, initial public offering or fund structure over a five to 10 year period from initial investment. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

Georgia Capital currently manages nine private businesses:

Private Late Stage Portfolio Companies

- Water Utility
- Housing Development
- Property and Casualty Insurance (P&C Insurance)

Private Early Stage Portfolio Companies

- Renewable Energy
- Hospitality and Commercial Real Estate
- Beverages
- Education

Pipeline Portfolio Companies

- Auto Service
- Digital Services

Listed Portfolio Companies

- Georgia Healthcare Group PLC
- Bank of Georgia Group PLC

B.1.3 *Major shareholders*

In so far as is known to the Directors, the following are the interests (within the meaning of Part 22 of the Act) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of GCAP immediately following Completion:

Shareholders	As at 8 June 2020		Immediately following the Offer becoming effective⁽¹⁾	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
M&G Investment Management Ltd	2,908,374	7.24	2,908,374	6.07
Schroder Investment Management	1,911,567	4.76	1,911,567	3.99
Norges Bank.....	1,768,549	4.40	1,768,549	3.69
The Vanguard Group, Inc.	1,356,655	3.38	1,356,655	2.83
Standard Life Aberdeen plc.....	1,213,253	3.02	1,213,253	2.53

Notes:

(1) Figures are calculated assuming that (i) interests of the Principal Shareholders as at close of business on 8 June 2020 do not change and no other GCAP Shares are issued until Admission and (ii) the maximum number of New GCAP Shares are issued in connection with the Offer.

The Shares owned by the Principal Shareholders rank *pari passu* with the other Shares in all respects.

B.1.4 *Key managing directors*

The Group's Chief Executive Officer is Irakli Gilauri, born in 1976, Deputy CEO is Avto Namicheishvili, born in 1974, and its Chief Financial Officer is Giorgi Alpaidze, born in 1986.

B.1.5 *Identity of the statutory auditors*

The auditors of GCAP for the period covered by the historical financial information set out in this Prospectus are Ernst & Young LLP (*EY*). EY is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, and EY's registered address is at 1 More London Place, London, SE1 2AF.

B.2 *What is the key financial information regarding the issuer?*

Selected financial information of GCAP

The tables below set out GCAP's summary financial information for the periods indicated, as reported in accordance with International Financial Reporting Standards as adopted by the European Union (*IFRS*). The audited consolidated financial information for GCAP as at and for each of the years ended 31 December 2018 and 2019 has been extracted without material adjustment from GCAP's Annual Report and Financial Statements for 2019.

Consolidated income statement

	Year ended 31 December	
	<i>(GEL thousand)</i>	
	2018	2019
Revenue.....	1,282,995	1,473,437
Cost of sales.....	(789,884)	(883,024)
Gross profit	493,111	590,413
Salaries and other employee benefits.....	(137,068)	(177,000)
Administrative expenses.....	(107,526)	(116,911)
Other operating expenses.....	(11,225)	(11,464)
Expected credit loss/impairment charge on financial assets.....	(10,610)	(11,474)
Impairment charge on insurance premium receivables, other assets and provisions.....	(2,179)	(1,078)
	(268,608)	(317,927)
EBITDA	224,503	272,486
Share in profit of associates.....	247	357
Dividend income.....	23,875	24,953
Depreciation and amortisation.....	(66,449)	(110,075)
Net foreign currency loss.....	(37,546)	(41,663)
Net gains from investment securities measures at FVPL.....	—	1,654
Net realised gains from investment securities measured at FVOCI.....	—	1,187
Interest income at EIR method.....	23,275	30,672
Interest expense.....	(96,895)	(150,370)
Net operating income before non-recurring items	71,010	29,201
Net non-recurring items.....	(41,251)	(9,130)
Gain from change in investment entity status.....	—	588,828
Profit before income tax expenses	29,759	608,899
Income tax expense.....	(3,606)	(4,633)
Profit for the period	26,153	604,266

Consolidated balance sheet

	As at 31 December	
	<i>(GEL thousand)</i>	
	2018	2019
Assets		
Cash and cash equivalents.....	256,930	1,243
Amounts due from credit institutions.....	40,299	—
Marketable securities.....	71,824	—
Accounts receivable.....	170,228	—
Insurance premiums receivable.....	57,801	—
Inventories.....	276,230	—
Investment properties.....	151,232	—
Prepayments.....	117,909	234
Income tax assets.....	2,405	—
Property and equipment.....	1,573,624	—
Goodwill.....	142,095	—
Intangible assets.....	51,471	—
Other assets.....	251,462	—
Equity investments at fair value.....	457,495	1,758,197
Total assets	3,621,005	1,759,674
Liabilities		
Accounts payable.....	143,114	—
Insurance contracts liabilities.....	68,207	—
Income tax liabilities.....	1,119	—
Deferred income.....	62,345	—
Borrowings.....	764,355	—
Debt securities issued.....	916,401	—
Other liabilities.....	235,771	7,653
Total liabilities	2,191,312	7,653
Net assets	1,429,693	1,752,021

Summary consolidated cash flow statement

	Year ended 31 December	
	<i>(GEL thousand)</i>	
	2018	2019
Net cash generated from/(used in) operations.....	163,502	256,291
Net cash generated from/(used in) investing activities.....	(590,182)	(572,400)
Net cash generated from/(used in) financing activities.....	296,946	63,716
Effect of exchange rates changes on cash and cash equivalents.....	(8,416)	(3,294)
Net increase/(decrease) in cash and cash equivalents.....	(138,149)	(255,687)
Cash and cash equivalents at the beginning of the period.....	346,239	256,930
Cash and cash equivalents of disposal group held for sale at the beginning of the period.....	48,840	—
Cash and cash equivalents at the end of the period.....	256,930	1,243

Selected financial information of GHG

The tables below set out GHG's summary financial information for the periods indicated, as reported in accordance with IFRS. The audited consolidated financial information for GHG as at and for each of the years ended 31 December 2018 and 2019 has been extracted without material adjustment from GHG's Annual Report and Financial Statements for 2019.

Consolidated income statement

	Year ended 31 December		
	<i>(GEL thousand)</i>		
	2017	2018	2019
Healthcare services revenue.....	253,612	291,069	315,042
Revenue from pharma.....	438,358	501,090	570,836
Net insurance premiums earned.....	53,741	54,147	74,680
Revenue.....	745,711	846,306	960,558
Cost of healthcare services.....	(139,726)	(155,926)	(178,239)
Cost of sales of pharmaceuticals.....	(339,460)	(386,152)	(424,814)
Cost of insurance services and agents' commissions.....	(38,526)	(35,627)	(49,940)
Costs of services.....	(517,712)	(577,705)	(652,993)
Gross profit.....	227,999	268,601	307,565
Other operating income.....	21,483	18,120	18,930
Salaries and other employee benefits.....	(75,430)	(84,509)	(94,510)
General and administrative expenses.....	(48,618)	(54,436)	(41,991)
Impairment of healthcare services, insurance premiums and other receivables.....	(4,175)	(4,448)	(4,322)
Other operating expenses.....	(13,111)	(11,054)	(10,132)
	(141,334)	(154,447)	(150,955)
EBITDA.....	108,148	132,274	175,540
Depreciation and amortization.....	(25,704)	(33,883)	(54,972)
Interest income.....	2,111	1,139	1,628
Interest expense.....	(27,543)	(39,315)	(48,034)
Net losses from foreign currencies and cost of currency derivatives.....	(5,906)	(4,173)	(9,973)
Net non-recurring expense.....	(4,780)	(2,187)	(1,053)
Profit before income tax expense.....	46,326	53,855	63,136
Income tax expense.....	(77)	(616)	(1,586)
Non-recurring deferred tax expense.....	(309)	—	—
Profit for the year.....	45,940	53,239	61,550

Consolidated balance sheet

	As at 31 December		
	(GEL thousand)		
	2017	2018	2019
Assets			
Cash and cash equivalents	48,840	36,154	18,417
Amounts due from credit institutions	14,768	11,807	13,588
Insurance premiums receivable	20,233	23,643	26,892
Receivables from healthcare services.....	100,944	106,841	130,212
Receivables from sales of pharmaceuticals	19,798	20,440	17,508
Inventory	131,849	146,164	174,462
Prepayments.....	30,354	13,064	12,289
Current income tax assets	2,026	1,007	757
Investment in associate.....	2,745	3,124	3,481
Property and equipment	642,859	672,841	671,658
Right of use assets.....	—	8,799	84,115
Goodwill and other intangible assets	143,674	152,298	162,247
Other assets.....	22,748	27,927	35,581
Total assets.....	1,180,838	1,224,109	1,351,207
Liabilities			
Accruals for employee compensation	21,944	26,615	27,464
Insurance contract liabilities.....	20,953	22,544	25,489
Accounts payable.....	105,963	105,092	128,700
Current income tax liabilities	72	41	973
Lease liabilities	8,834	8,676	90,791
Payables for share acquisitions	98,258	91,474	96,449
Borrowings.....	267,010	296,817	269,434
Debt securities issued	93,493	93,573	94,151
Other liabilities	15,911	20,643	15,482
Total liabilities.....	632,438	665,475	748,933
Net assets	548,400	558,634	602,274

Summary consolidated cash flow statement

	Year ended 31 December		
	(GEL thousand)		
	2017	2018	2019
Net cash generated from/(used in) operations	58,239	99,580	146,521
Net cash generated from/(used in) investing activities.....	(128,748)	(85,347)	(47,947)
Net cash generated from/(used in) financing activities	96,647	(26,917)	(114,376)
Effect of exchange rates changes on cash and cash equivalents	(537)	(2)	(1,935)
Net increase/(decrease) in cash and cash equivalents.....	25,601	(12,686)	(17,737)
Cash and cash equivalents at the beginning of the period.....	23,239	48,840	36,154
Cash and cash equivalents at the end of the period	48,840	36,154	18,417

Pro forma financial information

The unaudited *pro forma* financial information set out below has been prepared to illustrate the effect of the proposed Offer on the statement of net assets of GCAP as if it had occurred on 31 December 2019.

In GEL thousand

	Georgia Capital PLC as at 31 December 2019	Adjustments		Pro-forma as at 31 December 2019
		Acquisition of GHG shares as at 31 December 2019	Fees	
Cash and cash equivalents.....	1,243	—	—	1,243
Prepayments	234	—	—	234
Equity investments at fair value.....	1,758,197	122,913	—	1,881,110
Total assets.....	1,759,674	122,913	—	1,882,587
Other liabilities.....	7,653	—	7,916	15,569
Total liabilities	7,653	—	7,916	15,569
Net Assets.....	1,752,021	122,913	(7,916)	1,867,018

B.3 *What are the key risks that are specific to the issuer?*

- The Group is subject to risks associated with doing business in Georgia, including political and consequently governmental instability in Georgia, uncertainties of the judicial system in Georgia and regional tensions and disruptions in neighbouring markets which all could have a negative effect on Georgia's economy.
- Market conditions may adversely impact the Group's operating results and its ability to execute its investment strategy.
- Pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns, such as the outbreak of COVID-19, together with any measures aimed at mitigating a further expansion thereof, such as restrictions on travel, imposition of quarantines, prolonged closures of workplaces, or curfews or other social distancing measures, may have a material adverse effect on the global economy and international financial markets in general and on the markets in which the Group operates in particular.
- The water utility business operates in a highly regulated environment and changes in laws, government policy and regulations can significantly affect its operations and financial performance.
- Climate conditions, natural hazards, and the contamination of water, either from man-made sources or from naturally-occurring compounds may, result in the interruption of service and/or exposure of humans to hazardous substances.
- The Georgian property and casualty insurance market is highly competitive and Aldagi might not be able to compete with its competitors' pricing policies or price its insurance products correctly.
- The Renewable Energy business may encounter certain risks in relation to its acquisitions and certain of its operations have a limited operating history and may not perform as management expects.
- The Hospitality and the Commercial Real Estate business face significant competition and are sensitive to economic conditions in Georgia.
- GHG operates across the healthcare ecosystem and is subject to a complex spectrum of laws, regulations and codes.
- Inadequate record-keeping or documentation of medical matters and patient data could lead to medical or administrative errors and regulatory breaches, which could impact GHG's financial performance.
- The recent outbreak of COVID-19 may lead to significant disruption and stretch the resources of the Georgian healthcare system.
- Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment.
- The implementation of the Offer is subject to the satisfaction or waiver, where applicable, of a number of conditions.

SECTION C—KEY INFORMATION ON THE SECURITIES

C.1 *What are the main features of the securities?*

C.1.1 *Type, class and ISIN*

When admitted to trading, the Shares will be registered with ISIN number GB00BF4HYV08 and SEDOL number BF4HYV0 and trade under the symbol "CGEO".

C.1.2 *Currency, denomination, par value, number of securities issued and duration*

The currency of the issue is United Kingdom pounds sterling.

As at the 5 June 2020 (being the Latest Practicable Date), the issued share capital of GCAP is £401,698, comprising 40,169,775 Shares of one pence each, (all of which were fully paid or credited as fully paid). Immediately following completion of the Offer, the issued share capital of GCAP is expected to be £479,039 comprising 47,903,857 Shares of one pence each (all of which will be fully paid or credited as fully paid).

C.1.3 *Rights attaching to the Shares*

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of GCAP.

On a show of hands every holder of Shares in the capital of GCAP (each, a **GCAP Shareholder**) who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share.

Except as provided by the rights and restrictions attached to any class of shares, GCAP Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

C.1.4 *Rank of securities in the issuer's capital structure in the event of insolvency*

The Shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law.

C.1.5 *Restrictions on transfer*

There are no restrictions on the free transferability of the Shares.

C.1.6 *Dividend or payout policy*

GCAP does not pay dividends. GCAP does not currently intend to change this policy following completion of the Offer.

C.2 *Where will the securities be traded?*

The existing GCAP Shares are currently listed on the premium listing segment of the Official List maintained by the FCA (the *Official List*) and traded on the London Stock Exchange's main market for listed securities. Application will be made to the FCA for the New GCAP Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

C.3 *What are the key risks that are specific to the securities?*

- The price of the Shares are subject to significant fluctuations due to the volatility of the stock market in general and a variety of other factors, some of which are beyond the Group's control.
- Any future equity issues by the Company could have an adverse effect on the market price of the Shares and could dilute ownership.

<p>SECTION D— KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE ADMISSION TO TRADING ON A REGULATED MARKET</p>

D.1 *Under which conditions and timetable can I invest in this security?*

Not applicable.

D.2 *Why is this prospectus being produced?*

On 19 May 2020, the Company announced its proposed recommended share exchange offer to be made by GCAP for the entire issued or to be issued share capital of GHG not already owned by GCAP (the *Final Share Exchange Offer* or *Offer*). Under the terms of the Offer, GHG Shareholders will receive 1 GCAP share for every 5 GHG Shares held.

This document has been prepared in connection with the Offer and the application for admission of the New GCAP Shares to the premium listing segment of the UK Official List and to trading on the London Stock Exchange's main market for securities. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in GCAP.

PART 1

Risk Factors

An investment in the New GCAP Shares is subject to significant risks. Prior to investing in the New GCAP Shares, prospective investors should carefully consider all of the information in this Prospectus and, in particular, the risks described below before deciding to invest in the New GCAP Shares. The following describes the material risks that could affect GCAP, GHG, and the Group, and the value of the GCAP Shares. Additionally, some risks may be unknown to GCAP and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect GCAP's, GHG's and the Group's business, financial condition, results of operations and prospects. The market price of the GCAP Shares could decline due to any of these risks and GCAP Shareholders may lose all or part of their investment. This Prospectus also contains forward-looking statements that involve risks and uncertainties, including those described under "Information Regarding Forward-Looking Statements" elsewhere in this Prospectus. GCAP's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by GCAP described below and elsewhere in this Prospectus.

The risks described below are not an exhaustive list or explanation of all risks that investors may face when making an investment in the GCAP Shares. To the extent the description in this section relates to government or macroeconomic data, such information has been extracted from official government publications or other third-party sources and has not been independently verified by GCAP.

None of the statements made in this Part 1 (Risk Factors) in any way constitutes a qualification of the working capital statement contained in paragraph 17 (Working capital) of Part 16 (Additional Information) of this Prospectus.

Risks Relating to the Group

The Group is subject to risks associated with doing business in Georgia.

The Group's operations are primarily located in, and most of its revenue is sourced from, Georgia. 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 gross domestic product (**GDP**), inflation, interest and currency exchange rates, as well as unemployment, personal income, tourist numbers and the financial situation of companies, can have a material impact on customer demand for its products and services.

Real GDP growth in Georgia was 4.8% in both 2017 and 2018, and 5.1% in 2019, according to the Legal Entity of Public Law National Statistics Office of Georgia (**Geostat**). This growth was supported by the strong 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**). However, going forward, global growth is expected to be severely impacted by the COVID-19 outbreak, with shrinking demand and damaged global supply chains. Georgia's growth is also vulnerable to COVID-19 related shocks. In particular, tourism revenues, which comprise a substantial portion of Georgia's GDP, are expected to be severely affected, with remittances and merchandise exports as well as foreign capital inflows also being adversely affected. This is expected to result in an adverse effect on the liquidity and financial condition of customers in Georgia. Market turmoil and economic deterioration and political instability in Georgia may cause consumer spending to decline and have a material adverse effect on Georgia's growth prospects. Due to the high degree of dollarisation of the Georgian economy, the purchasing power of Georgian companies and individuals may be affected by currency fluctuations and, in particular, the depreciation of the Lari against the US dollar and the Euro. Uncertain and volatile global and regional economic conditions, such as the unpredictability of US 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% and 13.2% of Georgia's total exports and approximately 10.2% and 10.8% of Georgia's total imports in 2018 and 2019, respectively, according to Geostat. Following a recession and depreciation in 2015 and 2016, the Russian Rouble rebounded in 2017

against the US dollar. In 2018, the Russian Rouble depreciated again against the US 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 17.3%, 16.1% and 17.8% of total imports in 2017, 2018 and 2019, respectively, according to figures published by Geostat. Turkey's economy grew by 7.5% in 2017, 2.8% in 2018, and 0.9% in 2019. Adverse economic conditions in Turkey are a potential obstacle to the growth of the Georgian economy. Azerbaijan and Armenia accounted for 9.9% and 7.7% of Georgia's total exports in 2017, respectively, and 15.0% and 8.3% and 13.2% and 10.9% of total exports in 2018 and 2019, respectively. Following its devaluation by 49.7% against the US 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 devalued by 14.9% against the US dollar in the period between 1 October 2014 and 27 February 2015, but depreciated in 2020 due to the COVID-19 related shock.

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. 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 escalation of the oil price war and 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 in turn could adversely affect the Group's business, financial condition, results of operations or prospects.

For further risks in relation to Georgia, see also "*Macroeconomic and political risks related to Georgia*".

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

As part of its current business strategy, the Group aims to achieve an internal rate of return (*IRR*) of at least 25% from its investments. The Group invests capital in mostly fragmented and underdeveloped markets in Georgia and develops businesses that it believes will generate at least a 25% IRR 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, 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 and bad execution timing. The valuation of investments can be volatile in line with the 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 for 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 or prospects.

Risks related to pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns, in particular with regard to COVID-19.

Pandemics, epidemics, outbreaks of infectious diseases or any other serious public health concerns, such as the outbreak of COVID-19, together with any measures aimed at mitigating a further expansion thereof, such as restrictions on travel, imposition of quarantines, prolonged closures of workplaces, or curfews or other social distancing measures, may have a material adverse effect on the global economy and

international financial markets in general and on the markets in which the Group operates in particular. The implications of such outbreaks depend on a number of factors, such as the duration and spread of the respective outbreak as well as the timing, suitability and effectiveness of measures imposed by authorities, the availability of resources, including human, material, infrastructure and financial (e.g., governmental stimulus packages and/or measures introduced by central banks) required to implement effective responses to the respective situation at the international, national and regional level as well as the level of civil compliance with such measures. There is no guarantee that such measures, or a combination thereof, are effective means to combat such an outbreak and the implications resulting therefrom, which may result in an increase of credit risk, liquidity risk and operational risk for the Group and, ultimately, have material adverse effects on the operating results of the Group and its business and financial situation.

The Georgian economy may be affected by adverse developments in the global economy arising from the outbreak of COVID-19. It was reported, as of 28 May 2020, that almost 4.6 million people have been infected globally and over 350,000 deaths have resulted from COVID-19 infection. Almost all countries have implemented travel restrictions and/or advised against travel. Fully effective vaccines have yet to be developed and there can be no assurance that an effective vaccine will be discovered or commercially manufactured. It is expected that the COVID-19 outbreak will have a severe impact on global macroeconomic conditions, with the International Monetary Fund (*IMF*) having cut its global GDP growth forecast for 2020 from 3.0% in October to -3.0% in response to the crisis. This may in turn adversely affect the Georgian economy, which is expected to experience a 4% decline in GDP year-on-year in 2020, according to the IMF.

The Georgian economy may also be affected by adverse developments in local Georgian infection rates and the public health policy response. As of 28 May 2020, Georgia has confirmed 738 recorded cases of COVID-19 and 12 deaths. On 21 March 2020, the Georgian government declared a state of emergency that ended on 22 May 2020, leading to stricter containment measures, such as quarantining municipalities with local outbreaks, stricter restriction on movements for the individuals aged 70 or above and a mandatory curfew requiring the population to stay indoors from 9pm to 6am. The government has also lifted the penalty on mandatory car inspections during the emergency period. The state of emergency led to decreased economic activity in Georgia and the temporary closure of many businesses and operations in Georgia. The Group's auto service business in particular was negatively affected by the lockdown, including due to the temporary suspension of mandatory car inspections. Other than auto service, the Group's businesses that are most exposed to the lockdown and a slow re-opening are hospitality and possibly beer, but the range of possible outcomes remains wide. For more information, see "*The Hospitality and the Commercial Real Estate businesses are sensitive to economic conditions in Georgia*" and "*Local market conditions and significant competition may adversely impact the Group's beer business's operating results*" below. Additionally, the spread of COVID-19 in Georgia may create a spike in healthcare demand, as well as presenting operational risks for GHG. For more information, see "*The recent outbreak of COVID-19 may lead to significant disruption and stretch the resources of the Georgian healthcare system*" below.

A downturn in tourism and/or the greater economy could have a material adverse effect on the Group, as, for example, the Group's Hospitality and Commercial Real Estate Business is dependent on the flow of tourists visiting Georgia. For more information, see "*The Hospitality and the Commercial Real Estate businesses are sensitive to economic conditions in Georgia*" below. 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. For more information, see "*Downturns in the residential and commercial real estate market may result in illiquidity in the property market*" below. In January 2020, Georgia suspended direct air traffic between Georgia and China and Georgia and Iran. On 3 March 2020, Georgia banned inbound foreigners who had transited via China or Iran in the last 14 days and introduced medical screening for travellers who had been in South Korea, Italy and Japan in the past 21 days. On 12 March 2020 and 14 March 2020, Georgia extended medical screening for travellers from Spain, Germany, Austria and France, and Switzerland, Norway and Denmark, respectively. On 14 March 2020, Georgia and Azerbaijan and Georgia and Armenia closed their borders for the movement of people for ten days, other than for the return of the citizens of each country to their country of origin. On 16 March 2020, Georgia and Russia also closed their borders for the movement of people. Business activity has begun gradual recovery since 27 April 2020, as the six-stage lockdown exit plan has been brought forward due to favourable epidemiological developments, and largely all economic activity is expected to have resumed by mid-June. Georgia plans to open doors for domestic tourism from 15 June 2020 and international tourism from 1 July 2020.

As a result, the global and local impact of the ongoing COVID-19 outbreak, as well as its implications for Georgia's economy and the lockdown in Georgia, could have a material adverse effect on the Group's business, financial condition, results or operations or prospects.

The Group depends on its 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 to continue to retain, motivate and attract qualified and experienced management personnel is vital to its business. There can be no assurance that the Group 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 personnel, could adversely affect the Group's business, financial condition, results of operations or prospects.

Risks Relating to the Group's Water Utility Business (24.0% of portfolio as of 31 March 2020)

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

The water utility business is subject to the laws of Georgia and to regulation by GNERC, the Ministry of Regional Development and Infrastructure (*MRDI*), the Ministry of Environmental Protection and Agriculture (*MEPA*), the Ministry of Economy and Sustainable Development (*MoESD*) and the National Food Agency (the *NEA*). These laws and regulations affect many aspects of the business and, in many respects, determine the manner in which it conducts its business. As a provider of water supply and sanitation services and an owner and operator of renewable energy power plants, the water utility business is subject to extensive governmental and various environmental and health and safety laws and 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 company's business in ways that cannot be predicted.

The business 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. The businesses 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 the companies or other sanctions, in addition to negative publicity and significant damage to their reputation. 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, Water Utility business 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.

The business 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 Water Utility business's and/or the Group's business, financial condition, results of operations or prospects.

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

Water Utility business 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 hydro power plant (*HPP*), being the only power plant owned by the business with an installed capacity above 40 MW (in June 2017, the Georgian Law 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, the business is affected by the tariff pricing decisions of the Georgian National Energy and Water Supply Regulatory Commission (*GNERC*).

The business'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 preventing sudden increases in utility prices and overinvestment while allowing for a fair return on capital and operating expenses utilities must incur for their continued operations. Under the model, Water Utility business 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). The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period is 15.99%, whereas the previously applicable WACC was 13.54%.

Water Utility business's only regulated HPP, the Zhinvali HPP charges Georgian Water and Power LLC (**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. External sales are made by Georgian Energy Trading Company LLC (**GETC**), Water Utility business's electricity trading arm, which consolidates all internally generated electricity from its companies and sells it to direct consumers on the free market.

As a result of the application of the above methodology, the business 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 first regulatory period on 31 December 2020 in a manner that is adverse to the Company, although GNERC is expected to use this methodology going forward. Furthermore, upon demonstration of proper justification, GNERC may in the future amend tariffs in a manner that could be adverse to the business, or may change the conditions of access to such regulated tariffs. Any adverse changes in regulated tariffs could have a material adverse effect on Water Utility business and/or the Group's business, financial condition, results of operations or prospects.

Climate conditions, natural hazards, and the contamination of water, either from man-made sources or from naturally-occurring compounds may, result in the interruption of service and/or exposure of humans to hazardous substances.

The amount of water in the Zhinvali Reservoir, Water Utility'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 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 the company because sourcing water from the Natakhtari and Mukhrani water conduits requires more electricity.

In addition to drought conditions, natural disasters such as earthquakes and landslides can disrupt the company'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, the company would be required to incur additional expenses to manage the resulting disruption to its operations. Any adverse weather conditions, whether as a result of climate change or otherwise, could have a material adverse effect on Water Utility business's results of operations and financial condition.

The Zhinvali Reservoir may become subject to contamination from naturally occurring compounds as well as pollution resulting from man-made sources. Although the company 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 the business 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. Since the company 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, Water Utility business 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 the company'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, the business's and/or the Group's business, financial condition, results of operations or prospects could be materially adversely affected.

Water Utility business 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. Water Utility business has been investing in its water supply network, including in order to fulfil its privatisation obligation to invest an amount of not less than US\$220 million in aggregate during the post-privatisation period. As a result, the business has been able to reduce its water loss ratio, which was 65.1%, 67.2% and 71.4% in 2019, 2018 and 2017, respectively. Water Utility business 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 company's management). Self-produced electricity consumption was 174.0 million kWh, 193.2 million kWh and 239.4 million kWh in 2019, 2018 and 2017, respectively. The business is continuing to invest in its water supply network, having incurred GEL31.6 million, GEL43.4 million and GEL45.0 million in capital expenditure related to network infrastructure development (which includes capital expenditure related to the rehabilitation of the amortised water pipeline network as well as the development of new water supply systems) in 2019, 2018 and 2017, respectively. There can be no assurance, however, that the company 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 the business 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 the company 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 the business will achieve the objectives it intends in connection with its capital expenditure. In particular, Water Utility business 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. If the company's capital expenditure programme does not achieve the stated objectives, the business's and/or the Group's business, financial condition, results of operations or prospects could be materially adversely affected.

Risks Relating to the Group's Housing Development Business (2.2% of portfolio as of 31 March 2020)

The Group's Housing Development business is geographically concentrated in Tbilisi and sensitive to economic conditions in Georgia.

The Group's Housing Development business is geographically concentrated in Tbilisi. Most of Georgia Real Estate's residential customers are concentrated in the "midscale" segment, which is highly sensitive to economic conditions. Worsening economic conditions may have a material adverse effect on sales of newly built residential properties in Tbilisi, which could have a material adverse effect on the Housing Development business's and/or the Group's business, financial condition, results of operations or prospects. In order to complete sales in such conditions, the business may have to reduce its current selling prices. As Housing Development sales are not geographically diversified, a reduction in sales in Tbilisi would not be compensated for by sales in other regions of Georgia.

Downturns in the residential and commercial real estate market may result in illiquidity in the property market.

Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions in Georgia may also result in illiquidity in the property market and a decline in the value of Georgia Real Estate's property portfolio. Currently, it is expected that the COVID-19 outbreak will have delayed negative effect on property valuation, although, the long term most pessimistic scenario predicts that real estate prices may fall to the same extent as in 2008-2009 crises, which dropped by 34% in US dollars. Also, increasing preference of holding liquid assets and aversion to taking the long-term financial liabilities adversely affects the development sector. The effect may in turn be exacerbated by devaluation of the GEL. Furthermore, the buyers of apartments developed by Housing Development are highly dependent on mortgages to finance their purchases. If the banks stop offering mortgage loans to prospective buyers of these properties, or if there is a deterioration in economic conditions in Georgia, potential buyers of properties constructed by Housing Development Business may not be able to obtain mortgage loans, which could lead to a decline in residential sales performance and negatively affect Georgia Real Estate's financial results. Lower sales could also impact the liquidity position of Georgia Real Estate and could require Georgia Real Estate to pursue alternative sources of funds to complete its future development projects, which in turn could adversely affect the Group's business, financial condition, results of operations or prospects.

The Group's Housing Development business construction projects are partly dependent on third party funding.

Although the Group's Housing Development business funds part of the cost of building and developing properties through pre-sales of units that are under construction and off-plan sales of units before it starts construction, it also relies on both the parent company JSC Georgia Capital's additionally raised capital and third-party funding, including corporate bonds to finance certain of its projects. There can be no assurance that funding for projects will continue to be available, over the longer term, on commercially acceptable terms, particularly if there is a decline in property prices in Georgia. If third party funding is not available on commercially acceptable terms or at all, Georgia Real Estate would need to find alternative sources of funding or may not be able to initiate new projects for development, which could adversely affect the Group's business, financial condition, results of operations or prospects.

The Group's Housing Development business faces significant competition.

Georgia Real Estate faces significant competition in the residential real estate market in Georgia. The Georgian residential property market is dominated by local developers with a smaller number of foreign investors such as Maqro (Turkey), Dirsi (Azerbaijan), Hualing (China), Dona Group (Israel) and Archi Group (Georgia). The Georgian property market is fragmented, and the Real Estate Business mainly competes with smaller players with a small number of properties in their portfolio. Competition is based on price per square metre, reputation of the developer, availability of turnkey offerings, rent, amenities and property management and maintenance services. Competition may increase among real estate companies, including as a result of consolidation alliances or new entrants which could result in competitors having greater resources than Georgia Real Estate or other competitive advantages. Increased competition could adversely impact Georgia Real Estate's residential real estate sales leading to a potential reduction of sales prices which could have a material adverse effect on the Group's Housing Development and/or the Group's business, financial condition, results of operations or prospects.

Georgia Real Estate is subject to risks inherent in the Georgian real estate development industry and the general risks associated with construction and development.

Projects carried out by Georgia Real Estate are subject to general risks associated with construction and development. These include: cost overruns due to design flaws; the inability to obtain, or delays in obtaining, permits required for zoning, land-use, building, architecture, and other governmental permits and authorisations, which could result in increased costs and delays in completion, delays in reaching the expected occupancy levels, or could require Georgia Real Estate to abandon a project entirely; increased material, labour or other costs, which could make completion of a given project unprofitable; the inability to complete construction and leasing of a property on schedule; and the company may face the risks related to the customer's financing regulations, as from November 2018 National Bank of Georgia has gradually introduced number of new regulations against over-indebtedness of households. Moreover, there may be new regulations from NBG in the future, affecting the potential customers of the company who want to take out mortgage loans. Any regulation restricting commercial banks from issuing mortgages to customers may adversely affect the financial position of the company. If Georgia Real Estate is unable to construct or develop its real estate projects within budget, on schedule or at all, this could have an adverse impact on Georgia Real Estate's brand perception and lead to a decline in Georgia Real Estate's property portfolio, which in turn could adversely affect the Group's business, financial condition, results of operations or prospects.

Additionally, Georgia Real Estate is primarily engaged in developing residential and commercial properties for sale and rental. Real estate property investments are subject to varying degrees of risk which affect the level of income from the value of properties including: changes in the Georgian economic climate; local conditions, such as a surplus of similar properties or a reduction in demand; occupancy rates and the ability to collect rent from tenants; laws and regulations; and acts of nature such as earthquakes, floods and other extreme weather events that may damage property.

Risks Relating to the Group's Property and Casualty (P&C) Insurance Business (7.8% of portfolio as of 31 March 2020)

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 claim 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 are incorrect or do not reflect actual market changes then Aldagi may underprice its insurance products and may need to increase insurance reserves for its property and casualty insurance business, which could adversely affect the Group's business, financial condition, results of operations or prospects.

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 contractual treaty limits and will not accept risks above the company's risk retention rate, the percentage of risk that Aldagi will cover, as per the treaty for each business line. Aldagi's risk 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 risk retention, new business lines may be withheld until appropriate reinsurance can be found, which could adversely affect the Group's business, financial condition, results of operations or 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 GEL4,200,000, 100% of which must be retained in cash on deposit with a banking institution licenced in Georgia and free from any encumbrances. Insurance companies are also required to maintain a solvency ratio, calculated as regulatory capital divided by required solvency capital, in excess of 100%. Whilst Aldagi has consistently maintained its required solvency ratio above 100%, and, as of 31 December 2019, had a solvency ratio of 119% based on the regulatory capital (calculated as total capital less certain qualifying assets) and solvency capital of GEL13.5 million and GEL11.4 million respectively. Capital requirements are subject to change, and such changes may have a significant impact on Aldagi's business, financial condition and results of operations. The minimum share capital requirements will increase to GEL7,200,000 from 31 December 2020. As at the date of this Prospectus, the Company expects that Aldagi will continue to fully comply with all known regulatory requirements on an ongoing basis; however, if it failed to do so the Insurance State Supervisory Service of Georgia could withdraw Aldagi's licence to continue operating its business. See Part 7 (*Information on Georgia Capital—The Group's late stage private portfolio companies—Property and Casualty Insurance Business—Regulation of the Property and Casualty Insurance Business—Regulatory Capital*).

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 GEL18.4 million and GEL4.4 million in 2017, GEL13.6 million and GEL5.1 million in 2018, and GEL65.1 million and GEL8.3 million in 2019, respectively. By contrast the number of claims was 17,435 in 2017, 17,320 in 2018 and 18,663 in 2019. 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 and have a material adverse effect on Aldagi's business, which in turn could adversely affect the Group's business, financial condition, results of operations or prospects.

Risks Relating to the Group's Renewable Energy Business (8.4% of portfolio as of 31 March 2020)

Climate conditions, the availability of water and wind and natural hazards can affect the Renewable Energy business's ability to generate electricity from its power plants.

Adverse weather conditions can affect the Group's Renewable Energy business. In drought conditions, the level of electricity produced by HPPs for sale to third parties may be lower, which would result in lower revenue. In addition, due to its acquisition of the Qartli Wind Farm, the Group's Renewable Energy business 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 the company to halt its turbines.

In July 2019, the Mestiachala HPP was affected by flooding resulting from a rock avalanche and both generation units were taken offline. Following the rehabilitation, the 30MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity. As for the 20MW generation unit, surveys are ongoing for the restoration design which will be submitted to the relevant government authorities for the purpose of obtaining construction permit. The recommissioning of 20MW unit is planned by the second half of 2021. The restoration budget is expected to be covered from insurance proceeds. Business interruption of 2019 has already been officially agreed with the insurance company. Insurance proceeds will also cover business interruption for the period of up to July 2020 (12 months' period in total). However, there is a risk that the design and permitting process, as well as subsequent construction works are delayed, which would negatively affect generation and electricity sales of the Renewable Energy business.

Finally, the Renewable Energy business projects electricity generation on the basis of normal weather representing a long-term historical average. While the company also 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 this impact or accurately predict future weather conditions. To the extent climate change causes changes in temperature, variability in precipitation and wind patterns or rising sea levels or exacerbates the intensity or frequency of extreme weather events, this could negatively impact the business. Any adverse weather conditions, whether as a result of climate change or otherwise, could have a material adverse effect on the business's and/or the Group's business, financial condition, results of operations or prospects.

The Renewable Energy business is exposed to the risk of fluctuations in electricity prices, which can be volatile.

With the exception of the Qartli Wind Farm (for which the PPA applies for the entire year), the PPAs to which the Renewable Energy business's operational power plants are party, apply only for the period from September to April, with electricity generated during the period from May to August being sold at market prices. Pursuant to its PPA with Electricity Market Operator (*ESCO*), while the Qartli Wind Farm is obliged to sell electricity to ESCO during the winter months (December to February), it is permitted to select its offtaker and market the electricity it generates for the remainder of the year, depending on the attractiveness of other selling opportunities. As a result of these arrangements, the business 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. Georgian electricity prices have historically been relatively stable, with the balancing electricity selling price reported by ESCO being GELTetri 13.5 per kWh in 2019, compared to GELTetri 12.9, GELTetri 12.7, GELTetri 11.0, GELTetri 13.1, GELTetri 10.0, GELTetri 8.9 and GELTetri 8.7 in 2018, 2017, 2016, 2015, 2014, 2013 and 2012, 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.

To the extent the business 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 US\$ 4.7 per kWh in 2019, compared to US\$ 4.8, US\$ 4.6, US\$ 4.8, US\$ 5.2, US\$ 7.6, US\$ 8.2 and US\$ 8.7 in 2018, 2017, 2016, 2015, 2014, 2013 and 2012, respectively.

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

The Renewable Energy business may encounter certain risks in relation to its acquisitions and certain of its operations have a limited operating history and may not perform as management expects.

The Renewable Energy business is subject to certain risks in connection with the acquisitions it undertakes, including the following:

- unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions;
- significant unexpected liabilities or contingencies arising from the acquisitions, for which the business is not fully indemnified;
- potential disruptions to business's ongoing business caused by its senior management's focus on the acquired companies; and
- performance of acquired assets may not meet the company's expectations or plans.

In October 2019, Georgia Capital announced the acquisition of Hydrolea Ltd through its wholly owned subsidiary, Georgia Energy Holding LLC, which owned three HPPs with an aggregate installed capacity of 21MW. In November 2019, Georgia Capital won a public auction held by Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire the six-turbine Qartli Wind Farm. If the Renewable Energy business encounters any of the above risks in relation to these acquisitions or any other acquisitions it may undertake in the future, the business's and/or the Group's business, financial condition, results of operations or prospects could be materially adversely affected.

The Renewable Energy business may not be able to implement its energy production facility development plans on time or at all.

The Group's Renewable Energy business is investing in additional capacity for electricity generation through the development of HPPs, as well as wind power sources.

Weather conditions influence company's ability to execute its renewable energy development projects. Flooding is predominately a concern for the business's HPP projects whereas icy conditions have a greater impact on its wind power projects. Flooding and icy conditions can lead to significantly higher static and dynamic loads on exposed infrastructure and delays to construction work.

Most of the projects under development are located in areas of high altitude and require complex construction techniques in order for work to be properly executed. The business is required to engage contractors with expertise in working in high altitude environments and the associated logistical and technical challenges, which may result in delays to construction and increased costs.

The Renewable Energy business chooses the locations of its renewable projects based on technical and financial criteria, and grid connection may not be available on such sites. Although the Georgian transmission system operator aims to ensure timely availability of the grid for newly constructed projects, there may be a risk of delay in the commissioning process. Further, the renewable projects the company constructs have a range of social and environmental, technical and contractual implications. The business is required to comply with Environmental, Social, Health and Safety (**ESHS**) guidelines on all projects under development. ESHS guidelines must be complied with at all stages of construction and the business engages independent site supervision companies and consultants to oversee this. Although the ESHS guidelines prescribe specific actions in respect of social, environmental and technical requirements, there is a risk that such actions are not properly executed, which may lead to penalties under environmental permits and delays to the completion of certain of the company's renewable energy projects.

If the Renewable Energy business is unable to construct, develop or implement, or experiences unanticipated difficulties or delays in constructing, developing or implementing, the HPPs and the other renewable energy projects, this could have a negative effect on its energy production facility development plans and results of operations. Moreover, the HPPs and the other renewable energy projects are financed through a combination of equity and external debt on a project finance basis. If the business experiences difficulties or delays in developing or implementing its projects, it might not recover the equity contributed to finance the HPPs and other renewable projects, which could adversely affect the business's and/or the Group's business, financial condition, results of operations or prospects.

Risks Relating to the Group’s Hospitality and Commercial Real Estate Business (12.1% of portfolio as of 31 March 2020)

The Hospitality and the Commercial Real Estate businesses are sensitive to economic conditions in Georgia.

The Group’s Hospitality business is dependent on the flow of tourists visiting Georgia; therefore, the Tourism sector is one of the most vulnerable to COVID-19 related shocks. Tourism revenues, which comprise a substantial portion of Georgia’s GDP, are expected to be severely affected, with an immediate negative impact on hotels and restaurants. The decline is expected to reach its peak in the second quarter, followed by a gradual recovery. A similar trend is expected for outbound tourism. Worsening economic conditions, as well as a decline in the number of tourists visiting Georgia, will result in a reduction of demand for hotel rooms in Tbilisi and other regions of Georgia, which will adversely affect the occupancy and average daily rates of hotel rooms at Georgia Real Estate’s hotels in 2020 and possibly beyond, and as a result impact the growth, development and results of the Group’s Hospitality business. Further, market conditions may result in temporary or permanent reductions in the value of the company’s hospitality and commercial real estate portfolio. The Covid-19 outbreak is also expected to have adverse effect on commercial real estate, mainly driven by the reduced demand for space and a reduced turnover of tenants, as well as depreciation of the GEL. Any of the above could adversely affect the Group’s business, financial condition, results of operations or prospects.

The Hospitality and Commercial Real Estate businesses projects are partly dependent on third party funding.

The Hospitality and Commercial Real Estate businesses rely on both the parent company JSC Georgia Capital’s additionally raised capital and third party funding, including corporate bonds to finance certain of its projects. There can be no assurance that funding for projects will continue to be available, over the longer term, on commercially acceptable terms, particularly if there is a decline in property prices in Georgia. If third party funding is not available on commercially acceptable terms or at all, Georgia Real Estate would need to find alternative sources of funding or may not be able to initiate new projects for development, which could adversely affect the Group’s business, financial condition, results of operations or prospects.

The Hospitality and Commercial Real Estate businesses face significant competition.

Georgia Real Estate faces competition in the Georgian hospitality market. As the number of tourists visiting Georgia has significantly increased, new participants have entered the market, and Georgia Real Estate’s existing competitors are actively developing their businesses. For example, in the upscale chain hotel segment, there are 1,575 additional rooms in the pipeline for 2020 through 2022, compared to current capacity of 1,004. Notably 372 rooms (in Sheraton Metechi Palace and Wyndham Grand) were added to the upscale stock in 2019, with another 440 (in Pullman and Marriot Autograph Collection) scheduled to start operation from 2020.

The midscale segment, which tends to be more affordable for tourists due to Georgia’s low-spending neighbours dominating its tourist visitor mix, is also expected to double by 2022, with 13 more hotels entering the market with a combined 1,974 rooms (as compared to 1,455 rooms currently). Increased competition could lead to a lower average daily rate (the average realised room rental per day) which, with stabilising levels of occupancy, could have a material adverse effect on the Group’s Hospitality business and financial performance, and, in turn, the Group’s business, financial condition, results of operations or prospects. The company expects to compete with other investors, managers and owners of properties when seeking tenants. Some of the properties of the company’s competitors may be newer or better located. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the company. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them. The existence of competing managers and owners could have a material adverse effect on the company’s ability to lease space and on the rents the company is able to charge and could materially adversely affect the business, financial condition, results of operations or prospects of the Group’s Hospitality and Commercial Real Estate businesses and/or the Group.

Risks relating to the Group’s Beverage Business (4.2% of portfolio as of 31 March 2020)

Georgian Beverages’ wine exports are concentrated in a small number of countries, particularly Russia and Ukraine.

Georgian Beverages’ export sales constituted approximately 78% of its total wine sales in 2019 and were concentrated within a small number of countries, particularly Russia and Ukraine, which accounted for 28%

and 37% of total exports, respectively, in 2019. To reduce its overall concentration and dependence on Russia and Ukraine, Georgian Beverages' management is actively seeking new export opportunities in China and the US, among other countries. Although Georgian Beverages' wine sales to the US and China increased by 61% and 44%, respectively, year-on-year in 2019 and reached 1% and 6%, respectively, of total exports, management may be unable to successfully mitigate the risk of over-concentration, which could adversely affect the Group's business, financial condition, results of operations or prospects.

Local market conditions and significant competition may adversely impact the Group's beer business's operating results.

Although Georgian Beverages has been importing and distributing beer since 2006, it only began brewing beer in 2017. There are high barriers of entry into the Georgian beer market, which include the high levels of capital expenditure required to build breweries, distribution capabilities and successful marketing campaigns. As a result, there were no new major market entrants between 2012 and 2019. The three main producers are Efes-Georgia (with a 32% market share), Georgian-Beer Company (with a 27% market share) and Georgian Beverages' beer business subsidiary Global Beer Georgia (with a 20% market share). Each of Georgian Beverages' main competitors has strong flagship brands, experience in the Georgian market, international affiliations and the ability to quickly react to market developments. Should the Group find it is unable to compete effectively, it could have a material adverse effect on the beer business's and/or the Group's business, financial condition, results of operations or prospects.

The beer business is also sensitive to the volatility of the local markets and foreign currency exchange rates, because its main raw and packaging materials are purchased in foreign currency. The COVID-19 outbreak is expected to adversely affect the beer consumption, especially in the event of a prolonged lockdown, as beer consumption significantly depends on HoReCa sales channels. Depreciation of the national currency would negatively impact the business's operating margins and, consequently, its financial outcomes. In addition, there is a risk that trade expenses as a percentage of revenue might increase, if retail outlets are consolidated on the market.

Risks relating to the Group's Education business (3.1% of portfolio as of 31 March 2020)

The Group's Education business may face challenges recruiting and maintaining the quality workforce needed for scaling up the business.

Qualified academic personnel are the most important factor for the Group's Education business operations. The Education business faces two risks in this regard: (1) with significant expansion plans to reach approximately 27,000 learners before 2025 and existing scarcity of qualified personnel on the market, the Education business may find it challenging to recruit enough high quality teachers and (2) by scaling up, the Education business has an increased demand for teachers in Georgia, which, in turn, might lead to an increase in salary levels. Additionally, if the government increases teacher salaries in public schools, this might put additional pressure on salary costs for private sector. 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 the Group will be successful in obtaining enough teachers at a reasonably salary, which could, in turn, have a material adverse effect on the Education business's and/or the Group's business, financial condition, results of operations or 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 capitalize on business opportunities. Risks in this area include: (a) cost overruns, such as exceeding the budgeted cost for Greenfields; (b) missing the timeline for a project due to, *inter alia*, delays in receiving the permits from governmental agencies and delays in construction processes, resulting in reputational damage or delayed admission of learners; and (c) creating an oversupply on the market due to the Group's rapid expansion plan potentially creating more capacity compared to the demand, resulting in low utilization rates and returns.

Although the Education business growth is phased out and the business is closely monitoring expenditures associated with the expansion, any of the above-mentioned risks could have a material adverse effect on the Education business's and/or the Group's business, financial condition, results of operations or prospects.

Risks relating to the Group's Auto Service Business (0.8% of portfolio as of 31 March 2020)

Business conditions and adverse economic conditions, including changes in government regulation and taxation, could negatively impact markets.

The profitability of the Group's Auto Service businesses is influenced by the economic environment in Georgia and could be adversely affected by a stagnation, or worsening of, general economic conditions. Factors such as unemployment levels, interest rates, inflation, action taken by the government relating to taxation of engine emissions, road usage or fuel for vehicles and the availability and cost of credit could significantly affect the market for the PTI, secondary car trading and auto parts and service businesses. An adverse movement in any one or a combination of these factors could materially adversely affect the Group's Auto Service business and/or the Group's business, financial condition, results of operations or prospects.

The Group's periodic technical inspection business (PTI) is subject to regulation and annual accreditation, including environmental, health and safety laws, regulations and standards, and non-compliance may result in investigations which would adversely affect the business.

The Group's PTI business is subject to regulatory compliance risk, which can arise from a failure to comply fully with applicable law, including regulation, codes and standards issued by Georgian Government by Resolution N511 that regulate the PTI process within technical inspection centres. The PTI business is also required to comply with various health and safety laws, including the provision of safe premises and physical locations, safe equipment and processes, risk assessment and control of health and safety risks. Non-compliance can lead to fines and/or cessation of accreditation, which could lead to the cessation of PTI business activities and reputational damage to the Group. Increases or changes in the regulatory constraints on the business could require alteration of business practices and could have a material adverse effect on the Group's Auto Service business and/or the Group's business, financial condition, results of operations or prospects.

The automotive industry is subject to a number of competitive factors, which could affect the ability of the Group's Auto Service business (Amboli) to increase or maintain its market share.

Unlike the PTI market, the auto service parts and services market in Georgia is highly fragmented and competitive. The Group competes with other service and repair shops, for which the principal competitive factors are price, utilisation of customer databases, familiarity with a range of auto part brands and the quality of customer service.

Price is the most important competitive factor in the auto parts and services market. To the extent that Amboli does not match or remain within a reasonable competitive margin of competitors' pricing, or if competitive pressures lead Amboli to match any of the competitors' downward pricing while not being able to reduce operating costs, margins and results of operations could be materially and adversely affected, which could have a material adverse effect on the Group's Auto Service business and/or the Group's business, financial condition, results of operations or prospects.

Risks relating to Georgia Healthcare Group

Prior to completion of the Offer, the Group holds 70.6% of GHG's share capital. The shares of GHG are listed on the London Stock Exchange. Although the Group has not been involved in the day-to-day management of GHG, and the Group's holding in GHG has been held as a liquid, tradable asset which could be monetised over time, the value of the Group's investment has been dependent on the financial results, business prospects and market perception of GHG, which, in turn, remain subject to risks inherent in the business of these entities.

Following completion of the Offer, if the Offer is successful, the Group will no longer face the following risks solely as a consequence of the market value of its investment in GHG, as described above, as GHG will have been integrated into the rest of the Group as a managed investment. As a managed investment, the Group will have greater visibility and control over the day-to-day management of GHG, and therefore, greater involvement in the management of risks relating to GHG and GHG's financial results and prospects. However, the potential impact of the risks related to GHG on the Group will not be materially different following completion of the Offer given that the Group's consolidated financial information included GHG for the years ended 31 December 2018 and 2019.

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

GHG operates in an evolving regulatory environment and cannot predict what regulatory changes will be introduced in the future or their effect. GHG's healthcare service business includes a network of different hospitals and a nationwide chain of clinics, each of which must comply with extensive requirements across a spectrum of laws, regulations and codes. GHG's pharmacy and distribution and medical insurance businesses must also comply with a similar range of requirements.

Since 2007, there have been a number of reforms and profound transformations in the Georgia healthcare equipment market aimed at achieving higher standards of care, modernisation of equipment and facilities, wider access to healthcare and lower healthcare costs.

The Georgian government may also enhance the coverage it provides through the Universal Healthcare Programme (***UHC***) and it may introduce new licencing or accreditation requirements or quality standards for healthcare providers. There are periodic changes to applicable regulations, including the UHC. The UHC tariffs may change from time to time. For example, on 5 November 2019, the Georgian Government introduced changes to the Universal Healthcare Programme reimbursement mechanism, effective from 21 November 2019. The changes cover mainly the Tbilisi and Kutaisi regions, which have developed an oversupply of beds as a result of the 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 tariffs set for the rest of the regions. The change could adversely affect GHG revenues. Regulatory authorities (such as the Social Services Agency and the state agency for supervision of medical activities, drug agency and Insurance State Supervision Service of Georgia) conduct periodic inspections of GHG in order to determine compliance with relevant regulatory requirements and have imposed penalties for errors and non-compliance in the past.

Non-compliance with applicable laws, regulations, codes, authority of regulatory requirements, including those specific to tax, insurance, pharma, diagnostics, healthcare and UHC, or the settling of disputes or lawsuits, could lead to financial detriment, penalties, increased costs of operations, censure, regulatory investigation and reputational impact, any of which could have a material adverse effect on GHG's business, financial condition, and results of operations or 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 Georgian government and a small number of private insurance providers. As a result, GHG's ability to obtain favourable prices 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 Georgian government under the UHC may be delayed whilst the private insurance GHG works with may experience financial difficulties and fail or fail to pay the claims GHG submits to them, for healthcare services provided to patients covered by their services. Reduction of prices or increased time taken to pay, including delayed payment under the UHC, would affect the revenues, receivables outstanding and profitability of GHG. This, or any of the above, which could adversely affect GHG's business, financial condition, results of operations or prospects.

Additionally, GHG might not be able to predict in full the evolution of the Georgian government's policy in respect of the state funding of healthcare and, in particular, changes to the UHC and any consequent effect on GHG's business.

GHG operates in a competitive industry.

GHG competes with other private and state providers of healthcare services across Georgia and 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. 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, and results of operations or prospects.

The recent outbreak of COVID-19 may lead to significant disruption and stretch the resources of the Georgian healthcare system.

The spread of COVID-19 may create a spike in healthcare demand in Georgia, as well as create new regulatory, operational, financial and reputational risks. The increased flow of infected patients may become uncontrollable, and although GHG is not currently treating patients affected by COVID-19, if the disease is not contained and quickly spreads widely, GHG's facilities could be utilised and could be overwhelmed. As at the date of this Prospectus, some of GHG's hospitals are on standby in anticipation of a possible need to treat COVID-19 patients and have therefore postponed or cancelled elective procedures. Further, if these hospitals are not properly disinfected, they could become transmitters of the disease, which could exacerbate the spread of COVID-19 and further overwhelm GHG's hospitals.

High demand for medical services and equipment may also create deficiencies in GHG's supply chain of medical equipment and supplies, which could both increase the mortality rate of GHG's patients and accelerate the virus's spread. The healthcare business in general will likely suffer less than other sectors, but postponements or cancellations of elective procedures, for example, are likely to have a significant negative impact on the business. While there will be some offsetting factors, GHG expects the overall impact of the pandemic on its financial performance to be negative.

As COVID-19 spreads, GHG's doctors and nurses could be on the front line of treatment, which could be a risk to their health and create labour shortages. Should COVID-19 overwhelm GHG's hospitals or the healthcare system in Georgia or create labour shortages in the healthcare system, it could have a material adverse effect on GHG's business, financial condition, and results of operations or prospects.

GHG is involved in contractual and other disputes and litigation.

Healthcare providers such as GHG can be the subject 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 risk incurring substantial damages or amounts in judgments or settlements, 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 any judgment or settlement, all of which could adversely affect GHG's business, financial condition, results of operations or prospects. GHG's patients may contract serious infections or communicable diseases at its facilities because of the risks typically closely 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 significantly reduce the treatment and care capacity of GHG's medical facilities in the short-, medium- and long-term. 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 hospitals which could adversely affect GHG's business, financial condition, results of operations or prospects.

Inadequate record-keeping or documentation of medical matters and patient data could lead to medical or administrative errors and regulatory breaches, which could impact GHG's financial performance.

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.

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, and results of operations or 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 (AMR).

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 in the short-, medium- and long-term as well as lead to legal claims for damages. In addition to claims for damages, 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 it 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 by contributing to the outbreak of COVID-19, GHG's business, financial condition, and results of operations or prospects could be materially affected. For more information on how GHG has been affected by COVID-19, see "*The recent outbreak of COVID-19 may lead to significant disruption and stretch the resources of the Georgian healthcare system*" above.

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 AMR, 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, and results of operations or 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 the number, efforts, ability and experience of the doctors 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 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, including 2019, and requires human resources with the skills and experience to service it 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 depends, in part, on GHG's ability to recruit, train and retain an appropriate number of highly skilled physicians, nurses, technicians 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 efficient and diverse healthcare services and sophisticated treatments and retain and attract new patients, as well as its business and results of operations, may be adversely affected.

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 the pharmaceutical business acquired in the previous years. GHG's information systems are essential to a number of critical areas of GHG's business operations, 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 the GHG's systems could materially adversely affect GHG's business and/or delay the collection of revenue.

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 about their patients and customers, and, given the nature of healthcare services, GHG must be particularly vigilant to guard 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.

Improper access or information misappropriation may also lead to insider trading or other illegal actions by employees or others. Software or network disruption may also cause GHG to experience lost revenue, failed customer transactions or non-timely submission of mandatory or other reports. Non-recurring operational risks include incurring loss or unexpected expenses from system failure, human error, fraud or other unexpected events. Any of the above could lead to disruption of GHG's business and operations, affect patient and customer loyalty, subject GHG to governmental investigation, litigation, damages, penalties and/or reputational damage, any of which could have a material adverse effect on its business, financial condition, and results of operations or prospects.

GHG might not be able to price its insurance products correctly.

GHG makes assumptions about a number of factors in determining the pricing of its medical insurance products and setting its insurance reserves. If these assumptions are incorrect or do not reflect actual market changes then GHG may under-price its insurance products and may need to increase insurance reserves for its medical insurance business. This could adversely affect GHG's business, financial condition, and results of operation or prospectus.

The failure to maintain the quality of services 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, is unable to execute its on-going medical capital expenditure plan or experiences a high rate of mortality or medical malpractice suits, its brand 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, either of which could have a material adverse effect on GHG's business, financial condition, results of operations or prospects.

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

Technological advances in the medical field continue to evolve rapidly. In order to compete with other healthcare providers for patients, as well as attract consultant doctors and recruit and retain medical staff, GHG must continually assess its equipment needs at its facilities and upgrade equipment as a result of technological improvements. 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 represent significant capital expenditure. If GHG is unable to purchase new technology, medical practitioners would be unable to provide required services. This could lead to a decline of revenue, as patients would 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 earlier-than-planned redundancy of equipment and result in asset impairment charges. Any of these outcomes could have a material adverse effect on the business, financial condition, results of operations or prospects.

GHG is subject to antitrust regulations, the violation of which would 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 investigation by the Competition Agency of Georgia. GHG could face penalties if it is found to be abusing its dominant position in the Georgia market and/or engaging 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 prior approval from the Competition Agency of Georgia prior to proceeding with any future acquisitions. Any penalties imposed by the Competition Agency of Georgia or delays to acquisitions could have a material adverse effect on GHG's business, financial condition and results of operations or prospects.

Risks Relating to the Company's Banking Investment

The Group may not be able to monetise its holdings in Bank of Georgia Group PLC.

The Group holds 19.9% of the share capital of Bank of Georgia Group PLC (**BOG**). The shares of BOG are listed on the London Stock Exchange. The Group is not involved in the day-to-day management of BOG, and the Group's holding in BOG is held as a liquid, tradable asset which could be monetised over time. The value of the Group's investment is dependent on the financial results, business prospects and market perception of BOG, which, in turn, remain subject to risks inherent in BOG's business, as described in "Risks relating to the Bank of Georgia Group PLC" below.

The Group's holding in BOG is held as a liquid investment on its balance sheet that could be readily convertible into cash so that such assets could be monetised at an appropriate time.

The Group's holding in BOG is subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. The value of the Group's holding may fluctuate, sometimes materially, in response to the activities of the individual companies or because of general market and economic conditions or other events. In the event of a material reduction in the share price of BOG, the Group may not be able to monetise its holding in this asset at a sufficiently attractive price or at all, which could adversely affect the Group's business, financial condition, results of operations or prospects.

Risks relating to Bank of Georgia Group PLC

BOG is a Georgia-based banking group which provides retail banking and corporate banking services, with ancillary business lines including investment (wealth) management, leasing (**GLC**), investment banking, payment businesses and BNB (which provides banking operations in Belarus). BOG strives to benefit from the underpenetrated banking sector in Georgia, in particular through providing best in class services in retail banking.

The banking business of BOG is subject to risks inherent with the provision of retail banking and corporate banking services in Georgia, any of which could materially impact the value of the Group's holding in BOG, including the following:

- BOG's operations are primarily located in, and most of its revenue is sourced from, Georgia. Macroeconomic factors relating to Georgia, such as changes in GDP, inflation and interest rates, may have a material impact on the quality of BOG's loan portfolio, loan losses, margins, and customer demand for its products and services. Uncertain and volatile global economic conditions, particularly in relation to the COVID-19 outbreak, could have substantial political and macroeconomic ramifications globally, which could impact the Georgian economy and BOG, as a result impacting the value of Group's holding in BOG.
- The social distancing measures implemented by countries around the world to slow the spread of COVID-19 could result in a global recession and financial crisis. As economic activity is drastically reduced for several months, many businesses could be forced to close, leading to an increase in unemployment. As businesses and unemployed workers no longer have the income to pay their outstanding debts, the number of defaults could significantly increase, which would have adverse impact on BOG and respectively, the value of Group's holding in BOG.
- The Georgian economy is well-diversified, and there is no significant dependency on a single country. However, it is dependent on economies of the region, in particular Russia, Turkey, Azerbaijan and Armenia, which are key trading partners. There has been ongoing geopolitical tension, political and economic instability and military conflict in the region, which may have an adverse effect on BOG's business and financial position, which in turn could affect the value of Group's holding in BOG.

- In 2019, the Lari depreciated against the US dollar by 7.1%, after depreciating by 3.3% in 2018. The volatility of the Lari against the US dollar may adversely affect the quality of BOG's loan portfolio, as well as increase the cost of credit risk and expected credit loss/impairment provisions. The creditworthiness of BOG's customers may be adversely affected by the depreciation of the Lari against the US dollar, which could result in them having difficulty repaying their loans. The depreciation of the Lari may also adversely affect the value of BOG's customers' collateral. As at 31 December 2019, approximately 81.1% and 43.7% of BOG's net corporate and investment banking and retail banking loans, respectively, were denominated in foreign currency, while 7.2% of retail banking gross loans and 39.8% of corporate and investment banking gross loans issued in foreign currency had no or minimal exposure to foreign currency risk. BOG's cost of credit risk was 0.9% in 2019 compared with 1.6% in 2018.
- The quality of BOG's loan portfolio may deteriorate due to external factors beyond the BOG's 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 rapid expansion of its loan portfolio. During 2019, BOG's cost of credit risk ratio was 0.9%, as compared with 1.6% in 2018. Expected credit loss/impairment charges and, in turn, BOG's cost of credit risk could increase if a single large borrower defaults or a material concentration of smaller borrowers default. As at 31 December 2019, 2018 and 2017, the BOG's non-performing loans accounted for 2.1%, 3.3% and 3.8% of gross loans to customers and finance lease receivables, respectively.
- BOG's corporate and investment banking loan portfolio is concentrated with its top ten corporate and investment banking borrowers, which accounted for 9.9% of loans to customers and finance lease receivables (gross of allowances for impairment) as at 31 December 2019, as compared with 9.8% at 31 December 2018 and 10.7% at 31 December 2017. If such borrowers were to enter into further loan arrangements with BOG, its credit and general counterparty risk would increase with respect to those counterparties and could result in deterioration of BOG's loan portfolio quality, which could impact the value of Group's holding in BOG as well.
- The collateral values that BOG holds against the loans may decline, which may have an adverse effect on its business and financial position. As at 31 December 2019, BOG held collateral against gross loans covering 86.9% of its total gross loans to customers and finance lease receivables. Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions in the industries in which the BOG'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. In addition, declining or unstable prices of collateral in Georgia may make it difficult for BOG to accurately value collateral it holds. If the fair value of the collateral that BOG holds declines significantly in the future, it could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans past due more than 90 days. Further changes to laws or regulations may impair the value of such collateral.
- BOG's banking operations must comply with capital adequacy and other regulatory ratios set by the regulator, the NBS, including reserve requirements and mandatory financial ratios. BOG's ability to comply with existing or amended NBS requirements may be affected by a number of factors, including those outside of its control, such as an increase in the BOG's risk-weighted assets, its ability to raise capital, losses resulting from deterioration in its asset quality and/or a reduction in income levels and/or an increase in expenses, decline in the value of the Bank's securities portfolio, as well as weakening of global and Georgian economies. Failure to comply with regulations, would have an adverse impact on BOG and respectively, the value of Group's holding in BOG.
- Although BOG expects to have sufficient funding over the next 18 months and beyond to execute its strategy and to have sufficient liquidity over the next 18 months and beyond, liquidity risk is nevertheless 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.
- BOG's current liquidity may be affected by unfavourable financial market conditions. If assets held by BOG in order to provide liquidity become illiquid or their value drops substantially, BOG may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available on the Georgian inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that other

funding sources may be more expensive and less flexible. In addition, BOG's ability to access such external funding sources depends on the level of credit lines available to it, and this, in turn, is dependent on its financial and credit condition, as well as general market liquidity.

- In terms of current and short-term liquidity, BOG is exposed to the risk of unexpected, rapid withdrawal of deposits by its customers in large volumes. Circumstances in which customers are more likely to withdraw deposits in large volumes rapidly include, among others, a severe economic downturn, a loss in consumer confidence, an erosion of trust in financial institutions or a period of social, economic or political instability. If a substantial portion of customers rapidly or unexpectedly withdraw their demand or term deposits or do not roll over their term deposits upon maturity, this could have a material adverse effect on BOG's business and financial condition and as a result, impact the value of Group's holding in BOG.
- Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. 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 BOG, Georgia, or state interventions or debt restructurings in a relevant industry) could affect the price or availability of funding for BOG.
- BOG is highly dependent on the proper functioning of its risk management, internal controls and systems, and internal processes including those related to data protection, IT and information security in order to manage these threats. Although BOG's operations have not been materially affected by a cyber-security threat, such threats continue to increase globally. The external threat profile is continuously changing, and the Group expect threats to continue to increase. Should BOG fail to prevent a material cyber-security breach, it could have a material adverse effect on BOG's reputation, business and financial condition, which in turn, could affect the value of Group's holding in BOG.
- BOG operates in an evolving regulatory environment and is subject to regulatory oversight with changes to regulations being difficult to predict. Therefore, its retail banking business, corporate banking business and BNB are subject to changes in regulation imposed by various regulatory bodies. BOG cannot predict what regulatory changes will be introduced in the future or their effect. In addition, BOG is also subject to significant regulation and governmental supervision. If regulations change or BOG expands its businesses, BOG may become subject to additional rules and regulations at a national, international or supranational level, which may impact operations. There can be no assurance that the current regulatory environment in which it operates will not be subject to significant change in the future, including as a result of a change in government in Georgia or that BOG will be able to comply with any or all resulting regulations which could have a material adverse effect on BOG, and as a result on the value of the Group's holding in BOG.
- BOG may be adversely affected if it fails to mitigate the risk of its products and services being used to facilitate a financial crime. Over the past few years, as BOG's operations have expanded, it has seen an increase in electronic crimes, including fraud, although losses have not been significant. Money laundering and terrorism financing risks, which BOG has measures in place to guard against, continue to evolve globally. BOG continues to face stringent regulatory and supervisory requirements related to the fight against money laundering and terrorism financing. Failure to comply with these requirements may lead to enforcement action by the regulator, which can result in a pecuniary penalty and negatively impact BOG reputation, which in turn would negatively impact the value of Group's holding in BOG.
- The loss of key personnel or the failure to attract, develop or retain skilled or qualified employees could negatively impact BOG. BOG depends on the capabilities and performance of its key personnel, including its executive officers and employees. As there is a limited pool of potential officers and employees with the relevant expertise that can be recruited in Georgia, BOG's ability to continue to retain, motivate and attract qualified and experienced management and personnel is vital to its business. There can be no assurance that BOG will be able to successfully recruit and retain the necessary qualified personnel to staff its business. The loss or diminution in the services of members of BOG's senior management team or an inability to recruit, train or retrain necessary personnel could negatively impact BOG's ability to implement its strategy which could have a material adverse effect on BOG, and as a result on the value of the Group's holding in the BOG.

Macroeconomic and Political Risks Related to Georgia

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 EU and NATO may exacerbate tensions between Georgia and Russia. Developments, such as the introduction of a free trade regime between Georgia and the EU in September 2014, and the visa-free travel in the EU 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 EU against Russia continue and there is uncertainty as to how and when the conflict between Russia and Ukraine will be resolved.

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 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 Syrian have recently escalated, with Syrian troops being backed by Russia.

There are additional risks associated with investing in emerging markets such as Georgia.

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world, as evident from the scale of capital outflows observed during the COVID-19 pandemic.

In addition, international investors may react to events, disavouring an entire region or class of investment, a phenomenon known as "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following the 1998 Russian financial crisis, the 2008-2009 global financial crisis and recent regional turbulence due to lower oil prices, and it may be affected by similar events in the future.

Increased volatility in global financial markets and lower capital flows to emerging market economies worldwide, weakness in global trade, elevated geopolitical risks, highly volatile and large and sustained declines in commodity prices, wide-ranging spill overs from Russia's recession, and the slowdown of the global and Chinese economies due to, among other things, the outbreak of COVID-19 and the rebalancing of China's economy may have an adverse effect on Georgia's economy. Financial and/or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable.

Political and consequently 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 Georgian government committed to switching to a fully proportional electoral system for the 2020 elections, instead of the 2024 elections. This commitment was later reconsidered, 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 (***MPs***) would be selected through a majoritarian system, while the remaining 120 MPs would be selected through proportional representation with electoral threshold for proportional elections fixed at 1% of the votes. Although a political consensus was reached, relevant constitutional amendments were suspended after the Georgian government declared a state of emergency on 21 March 2020 in relation to the spread of COVID-19. Given that amending the constitution is a lengthy process requiring public discussions and the current constitution restricts such discussions during a state of emergency, risks remain concerning the adoption of relevant legislation. Any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

Parliamentary elections are scheduled to be held in Georgia by October 2020 to elect 150 MPs. The outcome of the elections cannot be predicted and there can be no assurance that there will not be instability following the elections if, for example, a government is unable to be formed.

The uncertainties of 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 is still developing an adequate legal framework with several fundamental civil, criminal, tax, administrative and commercial laws recently becoming effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in their application, including their 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 commercial and corporate law than in certain other countries, particularly in Europe 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.

There may be challenges associated with legislative harmonisation of the Georgian regulatory environment with the EU driven by the Deep and Comprehensive Free Trade Area (the DCFTA).

On 27 June 2014, Georgia entered into the EU Association Agreement and established the DCFTA (effective since 1 September 2014) with the EU, which envisages bilateral trade liberalisation with the EU with effect from 1 July 2016. The implementation of the EU Association Agreement is expected to create new business opportunities, although it may pose challenges for businesses, households and the state. The implementation of the EU Association Agreement and the DCFTA may require Georgia to conform to EU

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 EU norms and practices since it became a member of the World Trade Organisation in 2000. Some of the recent changes in regulation include the 2013 amendments to the labour code to bring Georgian labour regulations closer to commitments under the EU 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 courts, prohibited dismissal without clear cause, and guaranteed basic working conditions. The amendments also strengthened the 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 Resolution Framework, widely known as the framework under the BRRD and, in January 2020, the Derivatives Law came into force. These legislative developments were consistent with Georgia's commitments under the EU Association Agreement to align its legislation with the relevant EU 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 EU General Data Protection Regulation (Regulation (EU) 2016/67).

Other changes may be expected in governmental policy, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the EU 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 EU 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. The Group expects that there will be further changes, although it cannot predict the extent to which it might be affected by, or able to comply with, any such changes.

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 not been in force in Georgia for significant periods 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, such as the imposition of liens over Group assets.

Moreover, such tax laws are subject to changes and amendments, which can result in unusual 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 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 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 provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While the Directors believe 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 of government. See “—*Political and consequently 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 to all entities apart from certain financial institutions, including banks and insurance businesses (the changes have been applicable to financial institutions, including banks and insurance businesses, from 1 January 2019). On 12 June 2018, an amendment to the corporate taxation model applicable to financial institutions, including banks and insurance businesses, became effective. The change provided for a zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings. These changes will take effect 1 January 2023, instead of 1 January 2019, as previously specified. There can be no assurance, however, as to whether these amendments will ultimately come into force, particularly if there is a change in the Government.

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 trading turnover in the Lari-US dollar and Lari-Euro markets (including activities of the NBG) amounted to US\$48.8 billion and €28.7 billion in 2019, respectively, as compared to US\$32.0 billion and €11.4 billion, respectively, in 2018, and US\$24.9 billion and €6.9 billion, respectively, in 2017. Excluding activities of the NBG, the total volume of trading turnover in the Lari-US dollar market amounted to US\$48.5 billion in 2019, as compared to US\$31.8 billion in 2018, and US\$24.8 billion in 2017 (the NBG was not active in the Euro market). According to the NBG, it had US\$3.5 billion in gross official reserves as at December 2019, as compared to US\$3.3 billion as at December 2018 and US\$3.0 billion as at December 2017. 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 corporate customers and, in turn, a material adverse effect on the Group's business, financial condition and results of operations.

In addition, any lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari-US 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, the Lari depreciated 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 US 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-US dollar exchange rate was 2.5922 as at 31 December 2017, 2.6766 as at 31 December 2018, 2.8677 as of 31 December 2019 and 3.1901 as at 28 May 2020. The Lari depreciated significantly in March 2020 as a result of the ongoing COVID-19 outbreak, which resulted in a sharp market reaction due to projected capital outflows and deterioration in the outlook for traditional sources of foreign exchange inflows such as tourism revenues, remittances and merchandise exports. The NBG sold US\$160 million in March through May 2020 to ease pressure on the local currency and has committed to remaining active in providing foreign currency liquidity and curbing Lari depreciation expectations that might threaten inflation. Although foreign currency reserves provide adequate cover in the short term, 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 end-of-period Consumer Price Index, was 6.7%, 1.5% and 7.0% in 2017, 2018 and 2019, respectively. There is no guarantee that the Georgian economy will not be further affected by domestic or global changes 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 the Group. 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, which could, in turn, have a material adverse effect on its business, financial condition and results of operations.

The Group's financial position and trading results may be adversely affected by fluctuations in exchange rates, interest rates or the rate of inflation.

The Group has no control over changes in foreign currency exchange rates, or inflation and interest rates. In the normal course of business, many transactions are carried out by the Group's businesses in currencies other than their reporting currency, leading to transactional foreign exchange risk, although this is not material for the Group overall. Significant fluctuations in the value of currencies in which it operates, in interest rates or in rates of inflation may adversely impact the Group's financial position and results of operations.

It is the Group's policy that foreign currency transaction exposures that are material at an individual operating unit level are hedged using appropriate instruments such as forward foreign exchange contracts. The Group does not currently hedge translational impact on the income statements of portfolio companies. While the Group attempts to manage transactional and balance sheet translation risks associated with currency exchange rate fluctuations through its hedging and funding policies, fluctuations in the value of currencies in which it operates may nevertheless adversely impact the Group financial position and results of operations. Where appropriate, the Group manages its interest rate exposures using interest rate swap agreements or other instruments.

Risks Relating to the Offer

The implementation of the Offer is subject to the satisfaction or waiver, where applicable, of a number of conditions.

Implementation of the Offer is subject to, among other things, the approval of the Offer by GCAP Shareholders, approvals being obtained from the FCA and the London Stock Exchange in relation to Admission and there having been no material adverse change or deterioration in the business, assets, financial or trading position or profit or prospects of GHG.

Whilst GCAP is confident that all conditions to the Offer can be satisfied or waived, as applicable, there can be no guarantee that the conditions will be met in a timely way or waived, as applicable, on terms acceptable to both GCAP and GHG, or at all or can be met only after undue diversion of financial resources or management time and attention. If this were the case, completion of the Offer may be delayed (which would prolong the period of uncertainty for GCAP and may result in additional costs to its business), or may not complete, each of which could have a material adverse effect on the business, results of operations, financial condition, or prospects of the Group.

Risks Relating to the Shares

The price of the Shares may be volatile.

The price of the Shares is subject to significant fluctuations due to the volatility of the stock market in general and a variety of other factors, some of which are beyond the Group's control, including the other risks relating to an investment in the Company described in this section. The fluctuations could result from national and global economic and financial conditions, the market's response to the Offer, market perceptions of the Group, including its ability to manage its existing debt facilities and raise new capital, regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group and/or its competitors and liquidity of financial markets. Furthermore, the operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares.

Substantial future sales by Shareholders could impact the market price of the Shares.

The Company cannot predict what effect, if any, future sales of Shares by Shareholders, or the availability or perception of such future sales, will have on the market price of the Shares. Sales of substantial amounts of Shares by Shareholders in the public market following the Offer, or the perception or any announcement that such sales could occur, could adversely affect the market price of the Shares and may make it more difficult for investors to sell their Shares at a time and price which they deem appropriate, or at all.

Any future equity issues by the Company could have an adverse effect on the market price of the Shares and could dilute ownership.

Other than the proposed issue of shares pursuant to the Offer, the Company has no current plans for an offering of its shares. However, it is possible that the Company may decide to issue additional shares in the future and if shareholders did not take up such offer or were not eligible to participate, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their shares would

represent of the total share capital of the Company would be reduced accordingly. A future equity issue, or significant sale of Shares by major shareholders, could have a material adverse effect on the market price of Shares as a whole.

Any change in current tax law or practice could adversely affect holders of Shares.

Statements in this document concerning the taxation of holders of Shares are based on current UK and US tax law and practice as of the date of this document, each of which is subject to change, possibly with retrospective effect.

The taxation of an investment in Shares depends on the individual circumstances of the Shareholder and the summary of the UK and US taxation treatment of an investment in the Shares set out in Part 15 (*Taxation*) of this document is intended as a general guide only. It does not address the specific tax position of every investor and only deals with rules of UK and US taxation of general application. Therefore, any investors who are in any doubt as to their tax position regarding the Shares and any investors subject to tax in any other jurisdiction should consult their own independent tax advisers. Note, for example, that dividends received in respect of New GCAP Shares may be subject to tax in the investor's jurisdiction of tax residence, which may reduce the after-tax income received by the investor from its New GCAP Shares.

Holders of Shares in the United States and other overseas jurisdictions may not be able to participate in any future equity offerings of the Company.

The Companies Act provides for pre-emption rights to be granted to Shareholders, unless such rights are disapplied by shareholder resolution. However, US shareholders may not be entitled to exercise these rights unless the rights, and the Shares issued pursuant to such rights, are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Whilst the Company has no current intention to seek such registration and would evaluate, at the time of any rights issue, whether the offer would qualify for an exemption, as well as the indirect benefits to the Company of enabling US shareholders to exercise rights and any other factors it considers to be appropriate at the time, prior to making a decision on whether to utilise an exemption, if available, from the registration requirements of the Securities Act. Similar issues may arise in relation to other overseas jurisdictions.

The ability of Overseas Shareholders to bring actions or enforce judgments against the Company or its Directors may be limited.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Shares are governed by English law and by the Company Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

PART 2

Presentation of Financial and Other Information

General

No person has been authorised to give any information or to make any representations other than those contained in this document, Offer Document and the Circular in connection with the Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors and Numis. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Section 87G of the FSMA and PR 3.4.1 of the Prospectus Regulation Rules, neither the delivery of this document nor of the issue of New GCAP Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of GHG since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Any Shareholder or prospective investor should consult his or her own lawyer, financial advisor or tax adviser for legal, financial or tax advice in relation to any action in respect of the Shares.

None of the Company, the Directors or Numis is making any representation to any Shareholder or prospective purchaser of the New GCAP Shares regarding the legality of an investment by such Shareholder or investor.

Apart from the responsibilities and liabilities, if any, which may be imposed on Numis by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Numis accepts no responsibility whatsoever for, or makes any representation or warranty, express or implied, as to, the contents of this document or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, GHG, the Shares, the Offer, and/or Admission and nothing in this document will be relied upon as a promise or representation in this respect, whether or not to the past or future.

Numis accordingly disclaims all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of GCAP, the GCAP Directors, Numis or any of their affiliates or representatives that any recipient of this Prospectus should vote in favour of the Offer. Prior to making any decision as to whether to vote in favour of the Offer, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination, analysis and enquiry of GCAP and the terms of the Offer and this Prospectus, including the merits and risks involved.

Without limitation, the contents of the websites of the GCAP, GHG (or any other websites, including the content of any website accessible from hyperlinks on the websites of the GCAP and/or GHG), other than those parts incorporated by reference (see Part 17 (*Documentation Incorporated by Reference*)), do not form part of this document.

Presentation of financial information

The financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (*IFRS*). The significant IFRS accounting policies applied in the financial information of GCAP are applied consistently in the financial information in this Prospectus.

GCAP's consolidated historical financial information incorporated by reference in Part 12 (*Historical Financial Information of Georgia Capital*) of this Prospectus has been prepared in accordance with IFRS. The basis of preparation and significant accounting policies are set out within Notes 2 and 3 of GCAP's consolidated historical financial information.

Financial information of Georgia Capital

GCAP's financial year runs from 1 January to 31 December. The financial information for GCAP is incorporated by reference in Part 12 (*Historical Financial Information of Georgia Capital*).

None of the financial information used in this Prospectus has been audited in accordance with auditing standards generally accepted in the United States of America (*US GAAS*) or auditing standards of the Public Company Accounting Oversight Board (United States) (*PCAOB*). In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the financial information in Part 12 (*Historical Financial Information of Georgia Capital*) and the implications of differences between the auditing standards noted herein.

Financial information of Georgia Healthcare Group

GHG's financial year runs from 1 January to 31 December. The financial information for GHG is incorporated by reference in Part 13 (*Historical Financial Information of Georgia Healthcare Group*).

GHG's financial year runs from 1 January to 31 December. None of the financial information used in this Prospectus has been audited in accordance with US GAAS or auditing standards of PCAOB. In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the financial information in Part 13 (*Historical Financial Information of Georgia Healthcare Group*) and the implications of differences between the auditing standards noted herein.

Pro forma financial information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustments from the unaudited *pro forma* financial information contained in Part 14 (*Unaudited Pro Forma Financial Information and Accountants Report*) of this document. The unaudited *pro forma* information contained in Part 14 (*Unaudited Pro Forma Financial Information and Accountants Report*) of this document is based on the historical financial information of GCAP and GHG contained in Part 12 (*Historical Financial Information of Georgia Capital*) and Part 13 (*Historical Financial Information of Georgia Healthcare Group*) of this document, respectively. The *pro forma* statement of net assets is presented in GEL thousand, the functional currency of GCAP and GHG. The unaudited *pro forma* income statement has not been prepared because the Offer would have no material impact on the *pro forma* income statement of GCAP, since the income statement of GHG is already fully consolidated into the GCAP's consolidated income statement for the year ended 31 December 2019 and the professional fees and expenses related to the Offer are accounted for as a deduction from equity. The unaudited *pro forma* statement of net assets has been prepared to illustrate the effect on the net assets of GCAP as if the proposed Offer had taken place on 31 December 2019.

The unaudited *pro forma* statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent GCAP's actual financial position or results. The *pro forma* financial information has been prepared under IFRS and on the basis set out in Part 14 (*Unaudited Pro Forma Financial Information and Accountants Report*) of this document and in accordance with Annex 20 of the PR Regulation. The *pro forma* financial information is stated on the basis of the accounting policies of Georgia Capital PLC.

In addition to the matters noted above, the unaudited *pro forma* financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Offer.

Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including, EBITDA. Earnings before interest, taxes, depreciation and amortisation (*EBITDA*) is a financial measure and is derived from the Historical Financial Information of the Group. Information regarding these measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare GCAP's performance with that of other companies and should not be considered

in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to “sterling”, “pounds sterling”, “GBP”, “£”, “pence” or “penny” are to the lawful currency of the United Kingdom. All references to the “GEL” are to the lawful currency of Georgia. All references to the “euro” or “€” are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to the “US dollars”, “US\$” or “US\$c” are to the lawful currency of the United States.

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors’ estimates, using underlying data from independent third parties. GCAP obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications.

GCAP confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as GCAP is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. While the Directors believe the third-party information included herein to be reliable, neither GCAP nor the Financial Advisor has independently verified such third-party information. Where third-party information has been used in this Prospectus, the source of such information has been identified.

Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 18 (*Definitions and Glossary*).

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of GCAP since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond GCAP’s control and all of which are based on the Directors’ current beliefs and expectations about future events. Forward-looking statements are sometimes 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”, “anticipates” or “targets” or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or GCAP concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of GCAP and the industry in which it operates. In particular, the statements under the headings “Summary”, “Risk Factors”, “Information on Georgia Capital”, “Information on Georgia Healthcare Group” and “Terms and Conditions of the Offer” regarding GCAP’s and GHG’s strategy, targets and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing GCAP. 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 this Prospectus speak only as of the date of this Prospectus. GCAP, the Directors and Numis expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, or the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.

The statements above related to forward-looking statements should not be construed as a qualification of the working capital statement contained in paragraph 17 (*Working capital*) of Part 16 (*Additional Information*) of this Prospectus.

Notice to GHG Shareholders in the United States and in Other Restricted Jurisdictions

There will be no public offer of the New GCAP Shares in the US.

Except pursuant to an applicable exemption, each of this document, the Offer Document and the Form of Acceptance does not constitute an offer of the New GCAP Shares to any person with a registered address, or who is resident or located, in the US or any other Restricted Jurisdiction. The New GCAP Shares have not been, and will not be, registered under the US Securities Act or any state securities laws in the United States or under the relevant laws of any other Restricted Jurisdiction or of any state, province or territory of any other Restricted Jurisdiction, and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into, in or within the US or any other Restricted Jurisdiction except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of such jurisdiction.

Each person to whom the New GCAP Shares are distributed, offered or sold inside the US will be deemed by its acceptance of the New GCAP Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the New GCAP Shares, that it is an Eligible US Holder acquiring the New GCAP Shares for its own account or for the account of an Eligible US Holder.

The New GCAP Shares will be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act. Resales of New GCAP Shares may only be made (i) outside the US in offshore transactions in reliance on Regulation S or (ii) within the US to investors that are Eligible US Holders. The Company will require the provision of a letter by investors in the US and any transferees in the US containing representations as to status under the US Securities Act. The Company will refuse to issue or transfer New GCAP Shares to investors that do not meet the foregoing requirements.

PART 3

Directors, Secretary, Registered and Head Office and Advisors

Directors of Georgia Capital	Irakli Gilauri (<i>Chairman and Chief Executive Officer</i>) David Morrison (<i>Senior Independent Non-Executive Director</i>) Kim Bradley (<i>Independent Non-Executive Director</i>) Massimo Gesuà sive Salvadori (<i>Independent Non-Executive Director</i>) Caroline Brown (<i>Independent Non-Executive Director</i>) Jyrki Talvitie (<i>Independent Non-Executive Director</i>) Maria Chatti-Gautier (<i>Independent Non-Executive Director</i>)
Company Secretary	Link Company Matters Limited 6th Floor 65 Gresham Street London EC2V 7NQ
Registered and head office of Georgia Capital	84 Brook Street London W1K 5EH
Financial Advisor and Sponsor to Georgia Capital	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
English legal advisers to Georgia Capital	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
English legal advisers to the Financial Advisor and Sponsor	Norton Rose Fulbright 3 More London Riverside London SE1 2AQ
Auditors and Reporting Accountants to Georgia Capital	Ernst & Young LLP 1 More London Place London, SE1 2AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZY

PART 4

Expected Timetable of Principal Events

Expected timetable of principal events

Event	Time and Date
Prospectus and Circular published	11 June 2020
Date of circulation of Offer Document	11 June 2020
First Closing Date	2 July 2020
Latest time and date for receipt of proxy appointment and voting instructions for GCAP General Meeting	11:00 a.m. on 2 July 2020 ⁽²⁾
GCAP General Meeting held	11:00 a.m. on 6 July 2020
Last date on which Offer may be declared or become wholly unconditional (unless extended)	23 July 2020
Admission and commencement of dealings of New GCAP Shares on the London Stock Exchange	30 July 2020 ⁽⁴⁾
CREST accounts of Offer Shareholders credited with New GCAP Shares.	As soon as possible after Admission ⁽⁴⁾
Latest date for CREST accounts to be credited with any cash due in relation to sale of fractional entitlements	14 days after Admission ⁽⁴⁾
Latest date for despatch of share certificates for New GCAP Shares and cheques for the cash due in relation to the sale of fractional entitlements for those Offer Shareholders who do not hold their GHG Shares in CREST	14 days after Admission ⁽⁴⁾

All times are UK times. Each of the times and dates in the above timetable is subject to change without further notice.

Notes:

- (1) The dates and times given are indicative only and are based on current expectations and may be subject to change.
- (2) Only persons entered in the register of members of GCAP at 6:00 p.m. on 2 July 2020 or, in the event that the meeting is adjourned, 6.00 p.m. on the date which is two working days prior to the reconvened meeting, shall be entitled to attend, speak and vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting or adjourned meeting.
- (3) To commence at the time fixed.
- (4) The date 30 July 2020 and each of the subsequent dates set out in the timetable will depend, among other things, on the date on which: (i) the Conditions to the Offer are satisfied or, if capable of waiver, waived. Delisting of GHG Shares will become effective no earlier than the date that is 20 business days after GCAP has announced that it has received sufficient acceptances from independent GHG Shareholders that represent a majority of the voting rights attaching to the GHG Shares held by independent shareholders on 19 May 2020, being more than 19,181,285 GHG Shares held by independent shareholders of GHG.

PART 5

Indicative Offer Statistics

Indicative Offer statistics

Consideration to be paid for each GHG Offer Share	1 New GCAP Share for every 5 GHG Shares held
Number of GCAP Shares in issue as at 5 June 2020 (being the Latest Practicable Date)	40,169,775
Number of GCAP Shares to be issued pursuant to the Offer	7,734,082
New GCAP Shares as a percentage of the GCAP ordinary share capital in issue immediately following Admission ⁽¹⁾	approximately 16.15% ⁽¹⁾
Number of GCAP Shares in issue immediately following issue of Offer consideration	47,903,857 ⁽²⁾

When admitted to trading, the New GCAP Shares will be registered with ISIN number GB00BF4HYV08 and SEDOL number BF4HYV0, and trade under the symbol “CGEO”.

Notes:

(1) Based on GCAP’s issued share capital as at the Latest Practicable Date.

(2) On the assumption that no further GCAP Shares are issued between 5 June 2020 (being the Latest Practicable Date) and Admission.

PART 6

Industry Overview

The following information relating to the Group's industry, competition, regulatory and legal frameworks has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as GCAP is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this Part 6 (Industry Overview) in conjunction with the more detailed information contained in this Prospectus including Part 1 (Risk Factors) and Part 7 (Information on Georgia Capital) and Part 8 (Information on Georgia Healthcare Group).

Macroeconomic Overview

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 1 January 2020, with Tbilisi accounting for 31% of the population, or 1.2 million people.



Georgia is an open and resilient emerging market and its ambition to transform itself into a “Regional Hub Economy” has already produced tangible results via strengthened trade integration and diversification. The Directors believe that this, coupled with a business-friendly environment and policies aimed at further diversifying the economy, support investments and boost growth.

The following table sets out Georgia's sovereign rating, according to Fitch, as compared to its peers:

Country	Country Rating	Fitch Rating Outlook
Armenia	BB-	Negative
Azerbaijan	BB+	Negative
Belarus	B	Stable
Czech Republic	AA-	Stable
Georgia	BB	Negative
Kazakhstan	BBB	Stable
Turkey	BB-	Stable

Georgia's sovereign ratings improved during 2019: in February 2019, Fitch upgraded the sovereign credit rating of Georgia from "BB-" to "BB" and maintained a stable outlook; in September 2019, Moody's reaffirmed the "Ba2" rating and stable outlook; and in October 2019, Standard & Poor's upgraded the rating to "BB" and maintained a stable outlook. Resilience to negative external shocks, robust economic growth, shrinking current account (CA) deficit, increasing reserves and decreasing path of general Government debt were the main factors for the rating upgrades. However, Fitch downgraded the outlook to Negative in April 2020, citing the COVID-19 shock impact on the fiscal and external sectors.

One of the fastest growing economies in the region

Georgia delivered positive results in 2019. For example, it ranked second in "Starting a Business" and seventh in "Ease of Doing Business", according to the latest World Bank "Doing Business" publication. Based on preliminary data from Geostat, the economy grew by 5.1% in 2019, with net exports playing a crucial role in strong performance which was also supported by domestic demand from both the private and public sector. Merchandise exports increased by more than 12% year-on-year in 2019, while imports were cut by 1%. Following the second-ever positive current account balance in the third quarter of 2019 (after the third quarter of 2018), the CA deficit shrank to a historic low of 5.1% of GDP in 2019. The consolidated budget overall balance (GFSM 2001) was reported by the Georgian Ministry of Finance (**MoF**) at -2.7% in 2019, in line with the fiscal rule. Government savings, *i.e.* the consolidated budget operating balance, remained almost unchanged in 2019 at GEL2.1 billion, while capital expenditures, *i.e.* acquisition of non-financial assets, reached a historic high of GEL3.6 billion, a 32% growth.

Georgia is already an established tourism destination. Tourism is an important sector of the Georgian economy and is the fastest growing industry and a major source of foreign currency inflows. The number of international travellers to Georgia increased on average 15% from 2012 to 2019. Despite the tensions and economic slowdown in Georgia's major trading countries, the number of international visitors increased significantly to 7.7 million and brought in nearly US\$3.3 billion in 2019, according to the Georgian National Tourism Administration (**GNTA**). The outlook for the sector in 2020 is not attractive due to the COVID-19 outbreak and, *inter alia*, travel restrictions and countries' lockdowns. However, after the COVID-19 related healthcare crisis is addressed and travel restrictions ease, tourism revenue is expected to start to recover from its low base, as Georgia strives to position itself as a safe destination country, owing to a low number of both infections and deaths due to COVID-19.

In November 2019, Geostat introduced the SNA 2008 methodology, which revised the national accounts data. This reflected both methodological changes and improved sources, leading to an 8.6% increase in 2018 nominal GDP and an average 6.2% increase in 2010 through 2018. According to new data, the contribution of services in real GDP growth is even higher, making it by far the largest component. Average inflation in 2019 was 4.9%, above the 3% target, according to Geostat. This was mainly caused by inflationary expectations due to sustained nominal effective exchange rate (**NEER**) depreciation that fed into inflation through the exchange rate channel, following a one-off increase in the excise tax rate that also contributed to higher inflation. NBG responded by raising the monetary policy rate by 250 basis points to 9% in September through December and declared that the policy stance will continue to be tightened until inflationary expectations are alleviated. As the COVID-19 shock hits the economy, inflation in 2020 will be determined by the relative strength of transmission from the exchange rate and demand channels. NBG, expecting inflation to decelerate in the medium run as falling demand catches up and compensates for supply restrictions, lowered the policy rate to 8.5% in April and announced gradual switching to looser monetary policy. NEER was down by 8% year-on-year and the real effective exchange rate (**REER**) was down by 5% year-on-year at the end of 2019.

COVID-19 Response

In terms of a COVID-19 control response, Georgia has taken effective steps to contain the pandemic. For example, the Georgian government suspended direct flights from China on 28 January 2020 and from Iran and other hotspots in February. From February 2020, travellers have been checked, travelling histories have been reviewed and people coming from abroad have been quarantined to avoid spreading the virus. Schools have been closed since and social distancing measures were initiated since the first three cases were confirmed in Georgia on 29 February 2020. On 21 March 2020, the Georgian government declared a state of emergency, which led to stricter containment measures, such as quarantining municipalities with local outbreaks, stricter restriction on movements for the individuals aged 70 or above and a mandatory curfew requiring the population to stay indoors from 9pm to 6am. Decisive steps to contain pandemic were effective, resulting in the lowest number of confirmed COVID-19 cases (738) in the region, with just 12 deaths as of 28 May 2020.

Economically, Georgia has been affected by concurrent demand and supply shocks since the outbreak of COVID-19. Uncertainty and social distancing have significantly constrained domestic demand, while isolation and fear of contagion has shut down external demand for goods and services, especially in hotels, restaurants, trade, transport, entertainment and other sectors. Lost jobs have reduced disposable income in Georgia, and uncertainty has caused households to increase savings and reduce consumption, further amplifying the demand side shock. Additionally, quarantine and self-isolation have created problems for business continuity, and reduced investment appetite has led businesses to produce less. Recession expectations have significantly increased the country risk premium, the cost of foreign capital and capital outflows from regional countries, while the oil price drop has further increased pressure on the GEL. Capital outflows from regional countries and depreciation expectations led GEL to depreciate by 11.3% during the year by 28 May 2020. In response, NBG sold US\$160 million in March-May 2020 in order to ease pressure on GEL in the short run and declared an active participation policy to prevent liquidity shortages in both national and foreign currency markets. NBG has taken decisive steps by easing non-price credit conditions to promote lending. To support the financial system, NBG has released capital and liquidity buffers to ensure liquidity and financial resilience of the country. In addition to the standardized refinancing loans, NBG has introduced swap operations to support liquidity for banks and for microfinance organisations.

The Georgian government managed to attract approximately US\$1.5 billion from donor organisations such as the IMF, World Bank, Asian Development Bank, EBRD, EIB, KfW and AFD to help Georgia withstand COVID-19 related shocks. In addition, approximately US\$1.5 billion has been made available so that the banking sector can address COVID-19 related shocks and ensure a fast recovery, as well as support long-term sustainable growth. On 24 April 2020, the Georgian government announced a GEL3.5 billion package to address the crises, which included social aid, economic support and healthcare boosting. The package includes suspension of property and income taxes for companies operating in the tourism industry, provision of interest subsidy to small and medium sized hotels, acceleration of VAT refunds, increased capital expenditure, payment of utility services for the low-income households, unemployment benefits, subsidisation of prices for nine products (sugar, wheat, buckwheat, beans, rice, pasta, sunflower oil, pasta and milk powder) and construction materials, income tax exemptions for hired employees with a salary up to GEL750, one-off transfers to the self-employed, additional aid for families that are under a social score threshold or with three or more children, as well as disabled people, pension indexation from January 2021, credit guarantee schemes, agriculture grants and relaxing upper limits on financing through the program “Produce in Georgia”. Moreover, special support packages have been unveiled in support of the tourism, agriculture and real estate sectors, comprising income tax deferrals and property tax suspension for the tourism sector, loan co-financing for the tourism and agriculture sectors, direct subsidies and grants for farmers, mortgage interest rate subsidies, guarantees and insurances for the real estate sector and sharp acceleration of government demand for housing intended for refugees. The government plans to direct additional funds to address increased health care expenditure. Commercial Banks have also suspended loan payments for retail loans.

Growth in 2020 is expected to be negatively affected by the COVID-19-related shock, with both external and domestic demand shrinking significantly. According to the IMF, real GDP is expected to decline by 4.0% year-on-year in 2020, with a 4.0% year-on-year recovery in 2021. As uncertainty remains higher than usual, forecasts from different international organisations diverge significantly. For example, the Asian Development Bank forecasts 0% year-on-year GDP growth in 2020, rebounding by 4.5% year-on-year in 2021. Halted tourism revenues, declining remittances and reduced trade are expected to lead the CA deficit to widen to approximately 11% of GDP in 2020, according to the IMF. Additionally, reduced investment sentiment and accelerating risk-aversion might reduce private capital flows. Financing needs are estimated to be US\$1.6 billion in 2020 through 2021, which are expected to be financed by the IMF and other donors. Authorities are committed to fiscal consolidation once the shock is over.

Economic and Structural Reforms

Georgia has carried out a number of important economic and structural improvements since 2003. As a result, corruption has decreased, productivity has been enhanced and the economy has been diversified – enabling the country to withstand the global financial crisis and recent external shocks.

Georgia is consistently highly ranked in governance and business indicators. Georgia, with a ranking of seventh in the “Ease of Doing Business” ranking by the World Bank, has implemented a total of 47 reforms in the past 15 years and is characterised as a top-performing economy in the region in which to start a business. Furthermore, Georgia is ranked 12th out of 180 countries by the Index of Economic Freedom, measured by the Heritage Foundation in 2020, and 27th out of 200 countries in Trace International’s 2019

Matrix of Business Bribery Risk. Georgia is on par with the European Union (*EU*) member states and ranked top in the Eastern Europe and Central Asia Region Corruption Perception Index by Transparency International in 2019.

Georgia's Economic Liberty Act, effective since January 2014, aims to ensure the continuation of a credible fiscal framework for Georgia by capping the fiscal deficit at 3% of Gross Domestic Product (*GDP*) and public debt at 60% of GDP. The Economic Liberty Act also requires electorates' approval through a nationwide referendum for imposing new taxes and raising existing tax rates, subject to certain exceptions. Furthermore, as of January 2017, corporate income tax for non-banking and noninsurance corporations is now only applicable to distributed profits; undistributed profits, which are reinvested or retained, are exempted. Georgia has one of the friendliest tax regimes according to World Bank's "Doing Business" 2020 publication, having slashed the number of taxes from 21 in 2004 to just six currently.

The ongoing US\$285 million three-year IMF Extended Fund Facility (*EFF*) programme for Georgia has reduced economic vulnerabilities and promoted more inclusive growth. Due to the COVID-19 outbreak the Georgian government has reached an agreement for extending the program and additional financial resources equating to approximately US\$450 million (155% of the quota), from which approximately US\$200 million will be directed to the Ministry of Finance to address budget needs. This agreement has already been approved by the IMF executive board and the first tranche has been disbursed. Additional resources will support macroeconomic measures, financial health and Balance of Payment needs. The IMF fully supports the Government's reform programme focusing on: improving education, investing in infrastructure, making public administration more efficient and further developing the business environment to boost the private sector as a growth engine.

A growth-oriented Georgian Government programme 2019-2020 focuses on structural reforms, education and large infrastructure projects to promote Georgia as a transit and tourism hub, and to enhance long-term growth. A new pension law was adopted in 2018 enhancing long-term fiscal sustainability, supporting capital market development, increasing the percentage of a worker's pre-retirement income that is paid out by pension programmes upon retirement ("replacement rate"), narrowing the CA deficit and raising potential output. The Government is focused on addressing the shortcomings in employment benefit schemes, further cutting non-essential expenditures, consolidating public sector institutions, making social and healthcare spending more targeted, advancing privatisation schemes and increasing capital expenditure efficiency. Within the responsible lending framework, the National Bank of Georgia (*NBG*) took macroprudential measures in order to decrease household indebtedness and enhance financial stability, as well as strengthening regulation supporting the financial system resilience to currency fluctuations and foreign exchange-induced credit risks.

International Relations and Free Trade Agreements

There have been significant changes in Georgia's export structure and destination markets in recent years; however, Georgia has not yet tapped into international markets. Georgia's exports performance is contributed to by its commodity structure, dominated by used car re-exports and resource-based metals and minerals, while employment-generating processed product exports remain secondary. One of the biggest changes in destination markets has been a reorientation from the Russian market after the 2005 embargo, as the embargo forced Georgian producers to redirect exports to other Commonwealth of Independent States (*CIS*) countries, the EU and the Middle East. Exports to Russia picked up again in 2013 as Russia reopened its borders to Georgian products. Since 2013, Georgia's developed logistics and transport infrastructure has helped to shore up opportunities for new re-export commodities, including copper and pharmaceuticals. Given these trends, the Directors believe that it is likely that re-exports will continue to fuel Georgia's export growth, supported by government policies which aim at further enhancing the platform for current and potential trade partners. Access to new large markets, such as the EU, China and Hong Kong, could increase market penetration and there is also scope for diversifying agricultural exports. Georgia's existing free trade deals (with the EU, CIS, EFTA, Turkey, China and Hong Kong) and the prospective free trade agreement with India, as well as an agreement with Israel, imminently offers significant upside potential for Georgia's exports.

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

Georgia's free trade agreement (*FTA*) with China, effective from January 2018, and its FTA with Hong Kong, effective from February 2019, increases opportunities to further accelerate exporting markets and attract investors by offering a business-friendly environment, strong corporate governance standards and access to a market of 2.8 billion customers. In 2019, China was the third largest consumer of Georgian wine, after Russia and Ukraine, and the sixth largest consumer of Georgia's exports overall. Georgia is participating in the "One Belt One Road Initiative", China's global development strategy, which the Directors expect to have positive spill overs into the Georgian economy and the region overall. The number of countries now engaged in the initiative stands at nearly 70 and may reach 100 or more, while cumulative investment in the corridor could reach US\$1 trillion over the next ten years, according to the International Monetary Fund (*IMF*).

While remaining committed to EU integration, Georgia also aims to stabilise relations with Russia, with the latter lifting its embargo on Georgian products in 2013. However, Russia banned direct flights to Georgia from 8 July 2019 amid rising political tensions after a Russian MP chaired a scheduled assembly in the Parliament of Georgia. The flight ban resulted in a slowdown, but not a reversal, of the booming trend in the tourism industry in Georgia, supported by a 20% growth in tourism revenues from the EU in 2019, according to NBG. Although the flight ban is believed to be temporary, it is still in effect as at the date of this Prospectus.

Potential to become a regional hub

The Directors believe that a business-friendly environment, recognised as having the best governance in the region; well-developed infrastructure; stable energy supply; flexible labour legislation; a stable and profitable banking sector; strategic geography connecting European, landlocked Central Asian and Middle East countries; and preferential trading agreements, support Georgia to become a regional hub economy.

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

Georgia's business-friendly environment, coupled with its sustainable growth prospects, attracted on average 10% of GDP Foreign Direct Investment (*FDI*) over the past decade, according to Geostat. These capital flows boosted productivity and accelerated growth. Public infrastructure projects were also instrumental in driving growth, as well as better realising the country's potential in logistics, transport and tourism. Faced with low domestic savings, FDI is an important source of financing growth in Georgia, as well as a reliable source of current account deficit funding. In 2019, according to preliminary data from Geostat, total FDI amounted to US\$1.3 billion, up 0.2% year-on-year. The slower FDI growth was offset by a substantial increase in foreign portfolio investments, totalling US\$726 million in 2019, 3.5 times higher year-on-year. Major sectors attracting FDI in 2019 were finance (20.6% of the total), energy (15.3%) and hotels and restaurants (12.4%). Importantly, the share of reinvestment by foreign companies in total FDI increased to 48.3% in 2019, compared to 34.6% in 2018. Increasing the share of reinvestment indicates investors' trust in Georgia's growth model and the success of the profit tax reform introduced in 2017. The Directors expect that planned investment and infrastructure programmes, a rising number of FTAs and a business-friendly environment will further support FDI inflows once the COVID-19 pandemic has ended.

Individual sector overview

Banking

Overview

The banking sector has been one of the faster growing sectors of the Georgian economy, with the banking sector's assets growth rate of 16.2% (10-year CAGR) far outstripping the nominal GDP growth rate for the same period. The banking sector is entirely privately-owned and quite concentrated, with the two largest banks accounting for 75% of total assets at the end of 2019. Despite tensions and financial market turbulences in the region, prudent regulation has resulted in stability and resilience of the financial sector. The average capital adequacy ratio was 19.5% (regulatory capital to risk-weighted assets, Basel III), non-performing loans (NPL) stood at 1.9%, the Liquidity Coverage Ratio was 133.3% and the sector's profitability remained robust at 20.3% return on equity at the end of 2019.

Within the responsible lending framework, NBG tightened regulations for loans issued to individuals. Since September 2018, effective interest rate on loans have been capped at 50%. Since January 2019, loan-to-value and payment-to-income ratios have been subject to maximum norms. In line with de-dollarisation mechanisms, mortgage loans below GEL200,000 are only allowed in national currency (the cap was previously GEL100,000).

Outlook and Main Growth Drivers

The Company believes that the Georgian banking sector is sound, with low non-performing loans, solid profitability ratios and adequate reserve and capital buffers have been accumulated for years. In order to reduce the negative impact on the economy from COVID-19, the NBG developed its plan in full compliance with the IMF, European Central Bank and other financial authorities. For more information, see “*Macroeconomic Overview—COVID-19 Response*” above.

The Company believes that the medium-term outlook for the sector is positive, as sound macro policies and a business-friendly environment should ensure a relatively faster economic recovery, with the GDP growth rate returning to its potential and economic activity rebounding once the COVID-19 related shock subsides.

Healthcare

Overview

The Georgian healthcare industry experienced important transformations over the last few decades. In order to address high private healthcare costs and basic healthcare coverage the population of Georgia, UHC was introduced in 2013 and replaced the previous state-funded medical insurance plans. New initiatives regarding the reimbursement and differentiating coverage of UHC was adopted in 2017. Currently, on average, 60% of healthcare spending is funded by the private sector. According to the System on National Accounts (*SNA*) 2008, the Georgian healthcare market has shown solid growth in recent years, with the health and social work sector increasing revenues by 15.2% year-on-year to GEL1.9 billion, with over 71,000 people employed and the average salary growing 13.1% in 2019.

On 5 November 2019, the Georgian 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 the 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 tariffs set for the rest of the regions.

Outlook and Main Growth Drivers

Despite the COVID-19 related shock, the medium term outlook for the healthcare sector is positive, as increasing disposable income and supportive government healthcare help domestic consumption to increase. Growth of overnight visitors, in line with significant improvement in healthcare service quality, will support Georgia in becoming a medical tourism hub in the Caucasus region and further boost the service export growth.

Pharma

Overview

The pharmaceutical market in Georgia is highly concentrated, with three major players holding approximately 75% of the market share. Medicaments and pharmaceutical products have significantly contributed to trade turnover. Trade of medicaments put up in measured doses is a significant source of income. Imports of medicaments was the fourth largest commodity group, amounting to US\$355 million (3.9% of total imports), while re-export of medicaments was the fifth largest export commodity group, amounting to US\$172 million (4.6% of total exports) in 2019, according to Geostat.

Outlook and Main Growth Drivers

Although the pharmaceutical market might be negatively affected by the COVID-19 outbreak, the Company believes that the medium-term outlook is positive, as an aging population, increasing disposable income, improving healthcare system and expanding medical tourism should support wholesale and retail trade of pharmaceutical products in the coming years.

Water Supply and Sanitation (WSS)

Overview

Georgia is a country rich in hydro resources; however, approximately 34% of the country's population still has no proper access to centralised WSS services. The Georgian government is committed to providing 100% of the population with access to WSS services by 2020 and is actively working on upgrading WSS infrastructure. Lost water remains the main challenge in the WSS sector, as a majority of the assets are amortised and require continuous rehabilitation and investment to achieve efficiency. In 2019, the sector increased its revenues by GEL327 million, up by 11.6% year-on-year, just under 1% of GDP, according to SNA 2008. Harmonisation with EU policies following the signing of the EU Association Agreement has contributed to the increasing reliability of WSS service provision and improvement of service standards for utility customers, as well as the stability of utility operations. Unlike other utility segments (electricity and gas), the water utility sector in Georgia is mainly state-owned, with GGU representing the only private player on the market (natural monopoly, servicing more than one-third of the population) with substantial room for growth.

Outlook and Main Growth Drivers

The WSS sector in Georgia has the potential to utilise efficiency gains by reducing water loss. Economic growth paired with transparent and fair price control policies create a favourable environment for investors and international lenders to enter the sector and capitalise on stable revenue streams. Changes in water tariff calculation methodology incentivise companies to invest in the sector.

Energy

Overview

Georgia has a developed, stable and competitively-priced energy sector. The country has overcome frequent shortages of electricity and gas supply, which were prevalent a decade ago, by renovating and updating energy infrastructure (including guaranteed capacity sources), improving transmission infrastructure and increasingly diversifying its natural gas and electricity importing markets. Economic growth, paired with a transparent and investor-friendly environment, attracts foreign investment in the sector. The energy sector was the second highest contributor to FDI in 2019, with a share of 15.3% (12.7% in 2007 through 2019), according to Geostat.

Renewable Power Generation

In 2014, the EU and Georgia signed an Association Agreement, and Georgia became a full contracting party member of the Energy Community, an international organisation aimed at creating an integrated pan-European energy market. Further, the Electricity Law of Georgia was amended in June 2017, deregulating all HPPs below 40MW and gradually moving the large industrial consumers out of the regulated pricing scheme to the free market. During the following phase of deregulation, effective from May 2019, big industrial customers with monthly electricity consumption of at least 5GWh were required to register as direct customers, increasing the deregulated market share of total electricity demand from, according to Company estimates, approximately 6% to approximately 20%. On the back of gradual market deregulation, the Directors expect that direct consumers will constitute approximately 40 to 50% of the total demand in Georgia and will have to secure electricity from generating companies directly or from traders, which will enable the development of a stable deregulated electricity market. Electricity consumption has been growing significantly for the last decade, on average by 5.7% (CAGR for 2009-2018), in line with overall economic development (and especially pronounced in electricity intensive sectors such as tourism, hotel, restaurant, catering and construction), according to the Electricity Market Operator ESCO. Georgia has historically been a net exporter of electricity; however, due to sustained consumption growth, this trend has changed, and Georgia recently became more import-dependent. To support consumption growth, which the Company forecasts at approximately 5% for the next decade, the government is promoting development and construction of domestic renewable capacities through investor-friendly policies and different offtake arrangements. JSC Georgian State Electrosystem, the transmission system operator, has already rolled out a comprehensive plan to improve the transmission capacity over the next decade, with a planned investment of approximately EUR 900 million and an additional integration capacity of 4,000MW. Steps are also being taken towards diversification of electricity supply mix, with the emphasis on development of wind and solar photovoltaic systems (*PV*).

Outlook and Main Growth Drivers

According to *ESCO*, energy consumption has grown at a 5.7% CAGR in last 10 years and is expected to further grow by at least a CAGR of 5% over the next 10 to 15 years on the back of the following key drivers:

- High tourism growth combined with high GDP growth, with pronounced growth in electricity-heavy sectors.
- Increasing penetration of domestic appliances, with accelerating imports of electricity-intensive conventional domestic devices.
- Increasing number of installed residential and industrial air conditioning systems on the back of decreasing unit prices, expected to result in at least 5x growth in penetration level over the next decade.

Property and Casualty Insurance (P&C)

Overview

The Georgian P&C insurance sector has more than doubled in size between 2009 and 2018, according to the Insurance State Supervision Service of Georgia. According to the Insurance State Supervision Service of Georgia, the total value of attracted premiums increased by 15% year-on-year to GEL625 million in 2019. Net profits were GEL22.6 million, down 43% year-on-year. Total value of property & casualty gross written premiums has increased from GEL113 million in 2009 to GEL382 million in 2019, an increase of 238%. Health insurance remained the largest sector, with a premium of GEL234 million, up 8% year-on-year, according to the Insurance State Supervision Service of Georgia. Compulsory Border Motor Third Party Liability (*MTPL*) insurance has become effective from March 2018. Furthermore, the Company believes that a new law requiring a mandatory local MTPL for all vehicles registered in Georgia will kick in and significantly boost the CASCO insurance market (with only 7% existing penetration).

There are 17 insurance companies operating in Georgia. The largest six insurance providers in Georgia account for approximately 80% of the market share in P&C insurance. The Georgian insurance market benefits from a proven track record, experienced personnel, attractive terms of insurance coverage, ease of policy purchase, ease of claim reimbursement, and the quality of contractual (preferred) service providers, which provide incumbents in the industry with a competitive advantage over potential new entrants.

Outlook and Main Growth Drivers

The Company believes that the Georgian insurance industry has significant potential for further growth. Insurance penetration as a whole (including health insurance) in Georgia is lower (1.2%) than in most neighbouring countries of the CIS and in most EU countries, varying from 2.2% in Bulgaria to 9.6% in the United Kingdom. As significantly underpenetrated insurance market (0.7% penetration in the property and casualty insurance market) compared to peer countries, supportive Government policies (expected introduction of compulsory local third-party liability motor vehicle insurance), and growing consumer awareness will further accelerate the growth, which is expected to provide significant opportunities for established companies that seek to increase their relative market share.

Real Estate

Georgia has an active real estate market. In 2019, real estate activities accounted for 11.5% of GDP, amounting to GEL5 billion, up 12.9% year-on-year, according to SNA 2008.

Residential Property

The average household size in Georgia is 3.3 people per household, which is appreciably higher than the EU average of 2.3, according to the United Nations survey in 2017. Households with two to four people make up 58% of total households, according to the 2014 Georgia census. According to Geostat, home ownership is the dominant tenure structure, with 92% of householders owning their homes. From 2014, NBG introduced GEL denominated mortgage loans with variable interest rates linked to NBG's refinancing rate, which increased access to finance and boosted the mortgage market. In 2019, following new lending regulations that led to bringing demand forward last year, the number of new mortgage contracts was approximately 34,300, down 12.5% year-on-year. The value of these mortgages was GEL2.4 billion, down 26% year-on-year, according to NBG.

Commercial Property

According to Geostat, trade has the highest share of the country's GDP (14.4%), with the gross value added by the wholesale and retail trade sector increasing 15.5% year-on-year to GEL6.2 billion in 2019 according to SNA 2008. According to Galt & Taggart, office real estate is almost entirely concentrated in Tbilisi, with around one million sq.m. in 2019, and is almost equally distributed between owner-occupied and leasable offices. Leasable space further combines traditional (28%) and modern office stock (22%). Modern office stock GLA was estimated at 215,000 sq.m. in 2019. As a result of lack of modern office stock, Tbilisi has one of the highest prime office rents among the CEE cities. Prime yield in Tbilisi stands at 11.7% vs a 7.1% average in peer cities.

Hotels

The number of overnight visitors was 5.1 million in 2019, up 6.8% year-on-year, with tourism revenues totalling US\$3.3 billion, up 1.4% year-on-year, according to GNTA. Slowed growth in the sector (overnight visitors in 2018 grew by 16.9% year-on-year) is mainly driven by decelerated growth in the number of overnight tourists from Russia, due to suspended direct flights to Georgia, and Iran, as a result of imposed sanctions and worsened economic conditions. The accommodation and food service sector contributed to GDP with GEL2.1 billion in 2019, up over 15% year-on-year, according to SNA 2008. Increased interest from upper scale segment towards the country with high spender visitors, such as EU tourists tripling in 2015 through 2019 (reaching approximately 450 thousand), has further increase the average spending per visit, enhancing the value of the sector. Tbilisi is the most popular destination for tourists in Georgia. Based on Galt & Taggart's research, accommodation in Tbilisi has almost doubled during 2015 through 2019, reaching over 10,000 rooms. The hotel market is dominated by international chains, accounting for 24% of the capital's room stock, with international upscale and midscale chains enjoying similar occupancy rates and prices to Western European cities. The average daily rate (*ADR*) was US\$153 in international upscale brands in 2019, with occupancy reaching 62%. As for international midscale brands, the ADR was US\$108 and occupancy totalled 65%, according to Galt & Taggart.

Outlook and Main Growth Drivers

Larger housing sizes, Georgia's attitude towards home ownership, ongoing urbanisation and increasing disposable income should mean the real estate sector continues to grow in the coming years. Further additional demand for housing stock is expected to be generated from aging stock in need of replacement. Tbilisi residential market is dominated by old soviet-type apartment blocks, with approximately 255,000 apartments (78% of total) constructed before 1991 according to Galt & Taggart. Tightened construction permit issuance related to the enactment of Tbilisi Master Plan will affect the issuance of permits, reducing the supply of stock; however, shortage of stock, along with recently enacted resolution #41 (safety and quality standard, increasing the cost of construction), are expected to further increase prices of the residential properties (particularly affecting city centre, suburban developments remaining affordable).

The Georgian office market share of owner-occupied stock has been significant compared to major regional business cities, such as Budapest (16%, according to BRF) and Warsaw (12%, according to Knight Frank). As a long-term outlook, the increase in market is expected to affect mainly leasable supply, leaving owner-occupied stock relatively flat.

COVID-19 significantly challenges the 2020 outlook for hotels, but the sector is expected to continue to grow in the medium term. Moreover, the government support packages for the tourism and real estate sectors is expected to soften the impact in the short run.

Beverages

Wine Production and Distribution

The world's oldest wine was found in 8,000 historic jars in Georgia, meaning the country is the very first wine producer in the world. The most popular indigenous grape varieties are Saperavi (red) and Rkatsiteli (white), which produce some of Georgia's most recognised wines, such as Kindzmarauli, Mukuzani and Tsinandali. Georgian wineries focus mostly on export markets. In 2019, up to 93 million bottles of wine (0.75 litres) were exported into 53 countries, up 9% year-on-year, with export bottles sold reaching a 14-year high, according to the National Wine Agency. In terms of value, wine exports totalled US\$238 million, up 17% year-on-year. Wine exports increased in markets of strategic importance: Poland (up 17%), USA (up 46%) and UK (up 59%), according to the National Wine Agency. After the Russian embargo in 2006, Georgia started to diversify its export markets. Today, Georgia ranks number 15 in terms of wine export, globally, according to TradeMap. Georgian exports wine in the upper price segment above US\$2.5 per bottle

(+8% year-on-year), similar to wines from New Zealand. The Company estimates that Georgia's local market represents up to 5% of the export market and is driven mainly by tourism.

Outlook and Main Growth Drivers

Outlook for Georgian wine is positive due to increasing tourist arrivals and changes to local consumer tastes for domestic bottled wine. Varieties of unique Georgian wine and increasing export potential due to FTAs will further accelerate growth. While the global wine market has been stable since 2013, Georgian wine exports have been increasing at 12% CAGR over the same period. The drivers for growth have been a stable growing demand from post-Soviet countries (accounting for more than 80% of export share), and a sharp demand increase from other countries. For example, Georgia's export to its top 5 post-Soviet export partners (Russia, Kazakhstan, Ukraine, Latvia, Belarus) has been increasing at 11% CAGR, while Georgia's export to global top 5 wine importers (the US, the UK, Germany, China, Canada) has been increasing at 34% CAGR). As the share of the latter countries increase in total export volume, Georgia's price per bottle will increase at a greater rate than volume increase. However, in the short-run, it is reasonable to assume that Georgian wine export may not increase at historic growth rates, given the oil-shock that adversely affects emerging markets currencies and the outbreak of COVID-19.

Beer Production and Distribution

Georgian breweries sell beverages mostly on the domestic market, and more than 90% of the demand is locally brewed, according to Revenue Service. The market remains competitive with four main players (holding 92% market share, according to Company estimates), all of which have some sort of partnership with international breweries:

- 1) **EFES Georgia** – 32% market share. Owned by Anadolu Efes. Strategy focuses on maintaining leadership in local beer market and exporting traditional lemonade.
- 2) **Georgian Beer Company** – 27% market share. Licensed brewery of Bavaria. Owned by local shareholders. Strategy focuses on developing non-beer segment and supporting vertical integration by owning and expanding a supermarket chain.
- 3) **Global Beer Georgia** – 20% market share. Licensed partner of Heineken. Majority owned by the Group. Strategy focuses on developing superior brand equity and positioning as a premium brewery.
- 4) **Argo** – 12% market share. Royal Swinkels Family Brewers (Bavaria) recently acquired 40% of the brewery from local shareholders. Acquisition did not assume the license to brew Bavaria, which is currently held by Georgian Beer Company. Strategy focuses on achieving scale by selling beer at lowest prices.

Since 2015, when beer excise taxation was last amended, the market has been steadily increasing. In 2019, Georgia's beer market was over 107.5 million litres (+11% year-on-year), according to Revenue Service. The main drivers for growth were new brand launches and KEG (draft beer) sales. However, the market remains mostly PET-driven, as 53% of beer sales comes from this packaging type, which is the cheapest retail price per litre for customers, according to Revenue Service. Nevertheless, the share of PET consumption has been shrinking in favour of KEG beer. Demand for imported beer has been decreasing after local breweries gained licenses to brew international brands, like Heineken. In line with the demand shift to more expensive beer segments, the market value growth has been greater than that of volume. The high excise tax regime has reduced the price gap between economy and more premium beer segments. In addition, local breweries have been launching international brands in PET packaging, which allowed customers to afford more premium beer. These events, supported by increases in disposable income, have premiumised the beer market. Another trend is that new launches gain fewer incremental share. The Company believes that customers have become less experimental and more loyal and as a result, brand equity is becoming increasingly important.

Outlook and Main Growth Drivers

Based on 2018 population data, per capita beer consumption was 29 litres per year. The current low base of beer consumption per capita compared to European peer countries is a further indicator of the potential for market growth. Beer consumption is expected to increase in line with increased disposable income, growing size of beer-consuming population and new export market opportunities in the medium term. The COVID-19 outbreak is expected to hinder growth in the short-run as on-trade sales channels take the hardest hit. However, an increase in demand in draft-shops and off-trade sales channels is anticipated.

Education

Overview

Education is a key sector for boosting Georgia's long-term potential output. In order to decrease the skills mismatch and boost labour productivity, the Georgian government is reforming general, higher and vocational education and is committed to adopting a 6% of GDP floor on education spending effective from 2022. Currently, the Government's share in the sector is high and only approximately 10% of learners are in private schools, according to the Ministry of Education of Georgia. Even though Government spending has been increasing year-on-year for more than 10 years, spending as a percentage of GDP is still low compared to developed countries. Georgia has a high participation rate, at 99% in primary, 94% in lower secondary and 84% in upper secondary educational institutions, according to the Ministry of Education of Georgia. However, the outcomes of the international assessment tests show that the quality of education in the country is low.

Outlook and Main Growth Drivers

Sector outlook is positive, as there is room for consolidation and for increasing education quality through higher private sector participation, utilising economies of scale.

Auto Service

Overview

The auto service industry is a significant part of the Georgian economy and posted an impressive 14.8% CAGR over 2010 through 2018, reaching around GEL2.9 billion in 2018. The industry covers the following sub-sectors: vehicle sales (sale of local secondary, imported secondary and imported new vehicles); automobile consumables and spare parts; automobile servicing and repair; periodic technical inspection services; and auto insurance. Sale of automobiles is the largest sub-sector in Georgia by turnover, accounting for 61% of the total market in 2018, followed by auto parts (30%), auto insurance (4%), auto servicing (3%) and periodic technical inspection (2%) (source: Geostat, Insurance State Supervision Service of Georgia). Cars are the second largest export and import product in Georgia.

Imports have been growing on average by 5% (CAGR for 2010 through 2018). The US is the largest import market for Georgia (67% in terms of quantity of 63,000 units in 2018 and 47% of total US\$597 million, according to Geostat). The average price of imported cars almost doubled in 2018 to US\$9.5 thousand from US\$5.4 thousand in 2016, according to Geostat. It is a highly fragmented market, with car importers being represented by two large companies, many small companies, as well as individuals, (54% market share by quantity). Local car trade of secondary vehicles is a completely unorganised p2p market.

The auto parts and service industry is also a highly fragmented market, where the leading player controls approximately 28% of the market. The rest of the market is dominated by small, owner-operated lower-end service shops on bazaar that conduct a large proportion of informal activity, distorting official business sector statistics. Both consumable & spare parts and maintenance & repair markets are feeders of each other and have common drivers of disposable income and number of vehicles. Average spending per vehicle has been growing at an 11% CAGR, reaching around GEL1,000 per capita in 2018, according to Geostat.

As part of the Georgia-EU Association Agreement, Georgia has implemented a mandatory technical inspection programme in several phases starting from 2018. Prices are set at GEL60 and GEL100 for light and heavy vehicles, respectively, and the market is closed for new entrants until 2029. There are 41 players on the market servicing vehicles across Georgia.

Outlook and Main Growth Drivers

Georgia's auto park continues to grow steadily, reaching 1.4 million vehicles in 2019, up 4.1% year-on-year on the back of increased passenger cars, according to the MoF. However, the fleet is very outdated, with more than 81% of the total vehicles older than 12 years. Georgia lags behind developed countries by number of private passenger cars per capita (only 279 on a per 1,000 capita basis), showing room for further growth, according to the Georgian Ministry of Internal Affairs and Geostat. With environmental, safety issues and auto park renewal in mind, the Georgian government carried out various initiatives in 2017 and 2018, including increasing excise taxes on cars and fuel in 2017, and rolling out a mandatory vehicle inspection programme. The outbreak of COVID-19 might negatively affect the sector, but the medium-term outlook for the industry is positive, due to rising household income and mandatory technical inspection gradually forcing drivers to move to newer cars while simultaneously raising demand for auto parts and repair services.

PART 7

Information on Georgia Capital

This Part 7 (Information on Georgia Capital) contains forward looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward looking statements as a result of such risks and uncertainties. Investors should read Part 1 (Risk Factors) of this document for a discussion of the risks and uncertainties related to these statements.

Overview

Georgia Capital PLC (*Georgia Capital*”, the *Company*” or *GCAP*) is a platform for buying, building, developing and selling businesses in Georgia. Georgia Capital has capitalised on the fast-growing Georgian economy over the last decade through its robust corporate governance, access to capital and strong management. Georgia Capital seeks to capture growth opportunities in the sectors in which it currently operates and drive the development of new structurally attractive, high-growth businesses in Georgia, which it intends to add either by acquiring businesses in their early development stage or by establishing greenfield businesses, often consolidating fragmented or underdeveloped markets. Georgia Capital actively manages its portfolio companies to maturity, setting the strategy and business plan of each business and driving its execution. Once Georgia Capital has successfully developed a business, the Group acts as an advisor for the management of mature companies and actively manages its portfolio to determine each company’s optimal owner. Georgia Capital will normally seek to monetise its investment either through trade sale, initial public offering or fund structure over a five to ten year period from initial investment. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

Georgia Capital currently manages nine private businesses:

Private Late Stage Portfolio

- Water Utility (24.0% of portfolio as of 31 March 2020) is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to up to 1.4 million residents representing more than one-third of Georgia’s population and up to 36,000 legal entities. Water Utility also operates hydro power plants (*HPPs*) with total installed capacity of 149 megawatts (*MW*). On average, half of generated power is used by the business for water supply purposes at regulated electricity tariff, while the excess amount is sold to third parties.
- Housing Development (2.2% of portfolio as of 31 March 2020) is a leading real estate developer in the US\$1.6 billion Georgian real estate market with three business lines: a) a residential development arm targeting mass-market customers by offering affordable, high-quality and comfortable housing; b) a construction arm engaging in construction contracts for other businesses as well as third parties and c) franchise platform for development of third-party land plots with fee sharing arrangements. The business has also recently started a new distressed asset management arm in order to develop distressed development projects.
- Property and Casualty Insurance (P&C Insurance) (7.8% of portfolio as of 31 March 2020) is a leading player in the local property and casualty insurance market with a 29% market share based on gross earned premiums as of 31 December 2019. P&C Insurance offers a wide range of insurance products to Georgian corporates and retail through five business lines: motor, property, credit life, liability and other insurance services.

Private Early Stage Portfolio

- Renewable Energy (8.4% of portfolio as of 31 March 2020) is a platform for development of hydro power plants and wind power plants across Georgia. Following the buyout of the 34.4% minority shareholder on 25 February 2020, Georgia Capital’s renewable energy business consists of its wholly-owned 50 MW Mestiachala HPPs and wholly-owned Hydrolea HPPs and Qartli wind farm (with 41 MW installed capacity in aggregate). In addition, the business has a pipeline of approximately 350 MW renewable energy projects in the medium term.

- Hospitality and Commercial Real Estate (12.1% of portfolio as of 31 March 2020) is comprised of: a) rent-earning commercial assets with targeted 10% yield and b) a hotel development business across Georgia targeting more than 1,000 rooms. The hotel development business has confirmed 1,222 rooms, of which 273 are operational and 949 are in the pipeline. The targeted hotel portfolio comprises approximately 630 internationally branded hotel rooms and approximately 592 hotels rooms under the business's own brands developed by Amber Group. However, in light of the COVID-19 outbreak, two operational hotels are closed and rented to the government for quarantine, constructions of new hotels have been put on hold until there is more certainty regarding the effects of COVID-19 on the business landscape and the Georgian economy.
- Beverages (4.2% of portfolio as of 31 March 2020) combines three business lines: a wine business, a beer business and a distribution business. The wine business produces and sells wine locally and exports to 17 countries. The beer business produces and sells beer and carbonated soft drinks mainly locally and owns a 5-year exclusive license from Heineken (with a 5-year automatic prolongation provision) to produce and sell Heineken (effective from 2015) beer brands in Georgia. The beer business has the leading beer portfolio in terms of brand equity in Georgia.
- Education (3.1% of portfolio as of 31 March 2020) – Georgia Capital has identified opportunities in what is currently a very fragmented private K-12 (from kindergarten to 12th grade) school education market and plans to build a diversified business model combining premium, mid-level and affordable K-12 school segments. The education business currently combines three school partnerships across premium, mid-level and affordable segments that provide a pathway to the targeted 27,000 learners by 2025.

Pipeline Portfolio

- Auto Service (0.8% of portfolio as of 31 March 2020) – The auto services industry is currently a very fragmented market with approximately GEL2.8 billion annual revenues. Georgia Capital aims to build a diversified business model with a digital platform combining different auto-related services: car services and parts, secondary car trading, car insurance and periodic technical inspection (PTI).
- Digital Services (0.5% of portfolio as of 31 March 2020) – Georgia Capital has entered the digital sector by acquiring a 60% equity stake in Redberry, a leading Georgian digital marketing agency. The acquisition of this attractive service business complements the Group's existing portfolio as well as provides an opportunity to enhance digital capabilities across its portfolio companies.

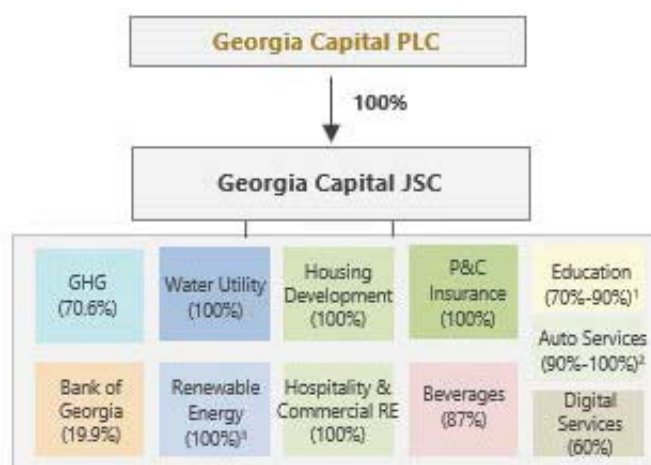
In addition to the private businesses, Georgia Capital has two public investments in companies focused on investing in Georgia, both being listed on the premium segment of the London Stock Exchange, with (i) a 70.6% equity stake, prior to the Offer, in Georgia Healthcare Group PLC (**Georgia Healthcare Group** or **GHG**), a UK incorporated holding company of the largest healthcare services provider, pharmaceuticals retailer and wholesaler and medical insurance provider in Georgia and (ii) a 19.9% equity stake in Bank of Georgia Group PLC, a leading universal bank in Georgia. The stake in Bank of Georgia Group PLC is held as a listed investment and is considered by the Directors to be a liquid, tradeable asset on the Group's balance sheet that could be readily converted into cash as and when the Company decides to monetise the asset. The holding does not form part of the Group's long-term revenue-generating business portfolio. Following completion of the Offer, the Company's stake in GHG will be categorised under its Private Late Stage Portfolio companies. For a summary description of the business activities of BOG see “—*Summary of Listed Portfolio Companies.*”

The following table details the evolution of the Group's total net asset value from each of its business segments as of the dates indicated:

	As at 31 March	As at 31 December	
	2020	2019	2018
	<i>(thousands of GEL)</i>		
Listed Portfolio Companies			
GHG.....	295,455	430,079	520,332
BOG.....	364,612	597,735	457,495
Total Listed Portfolio Value.....	660,067	1,027,814	977,827
Private Portfolio Companies			
Late Stage.....	613,323	692,746	628,326
Water Utility.....	432,301	483,970	431,017
Housing Development.....	39,921	43,853	66,785
P&C Insurance.....	141,101	164,923	130,524
Early Stage.....	500,884	495,794	278,359
Renewable Energy.....	151,150	106,800	61,182
Hospitality & Commercial Real Estate.....	218,623	245,558	149,079
Beverages.....	74,795	87,120	61,027
Education.....	56,316	56,316	7,071
Pipeline.....	25,470	35,111	(1,138)
Auto Service.....	15,052	25,757	(1,326)
Digital Services.....	8,790	8,790	—
Other.....	1,628	564	188
Total private portfolio value.....	1,139,677	1,223,651	905,547
Total Portfolio value.....	1,799,744	2,251,465	1,883,374

Corporate Structure

The following simplified diagram illustrates the Group's structure as at the date of this Prospectus:



- (1) Different ownership across premium mid-level and affordable schools.
- (2) 100% ownership in periodic technical inspection centres business and 90% ownership in Amboli.
- (3) Following the buyout of the 34.4% minority shareholder in GRPC on 25 February 2020, Renewable Energy consists of wholly-owned hydro and wind power plants with 91MW installed capacity in aggregate.

Competitive Strengths

The Directors believe that the Group's ability to attract and develop talent, management expertise and access to local and international capital markets, combined with a limited competing pool of potential purchasers for large, domestic acquisitions in Georgia, positions it very well to create value by acquiring high quality

assets at attractive valuation levels and growing high return-on-capital operations. The Group's Directors and senior management have a proven track record of creating value through successful business development and investments, institutionalising high-performance management processes, market consolidation and successful exits. In particular, the Directors believe that the Group benefits from the following competitive strengths:

- ***The Group is the only group of its size and scale focused on investing in and developing businesses in Georgia and is uniquely positioned to benefit from the continued growth and further diversification of the Georgian economy, giving investors a ground floor opportunity.*** The Group is the only group focused on investing in and developing businesses in Georgia and has interests in high-growth businesses in industry sectors that are expected to benefit from the ongoing growth and further diversification of the Georgian economy. 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 will be hit by the COVID-19 related shock, with both external and domestic demand expected to shrink significantly, the Directors believe that, assuming growth resumes following COVID-19 related shocks, continued growth in the Georgian economy will drive business growth and consumer demand in the segments in which the Group currently operates (water utility, real estate, property and casualty and healthcare insurance products, renewable energy, education, beverages, auto services and digital services). Such a favourable economic environment is also expected to provide further investment opportunities for the Group, which has extensive experience in unlocking value through opportunistic acquisitions, consolidating fragmented sectors of the Georgian economy, and a hands-on approach to managing subsidiary companies. This approach is supported by proven access to capital as a result of a strong track record of raising finance in both local and international capital markets and relationships with key international financial institutions and the Group's ability to monetise its liquid listed investment in BOG and mature late stage businesses.
- ***Experienced management with a strong track record and deep understanding of the local market.*** The Group's senior management team is highly experienced, and all of its members have previously served as members of BGEO Group management team that helped grow that business by approximately 33 times in asset size between 2005 and 2017, which it believes was a result of its strength in growing businesses organically, as well as successful acquisitions and the Group's sector consolidation capabilities. This growth was achieved while maintaining an emphasis on asset quality and conservative risk management policies and increasing its total market share, measured by total assets, from 17.8% as at 31 December 2005 to 34.4% as at 31 December 2017 in the banking business; diversified its business via a number of strategic acquisitions; established itself as a borrower in the international markets and money markets; attracted new institutional equity investors (at the level of its parent company and its then healthcare subsidiary, GHG); and strengthened its transparency and corporate governance policies and procedures. This team has a successful track record of achieving strong investment returns. For example, this team oversaw the successful initial public offering of GHG in November 2015, which achieved 121% IRR at IPO. All of the Group's businesses are headed by strong management teams. Georgia Capital Management leverages its successful management experience of BGEO Group and believes that these factors, together with its strong understanding of the Georgian market, will allow it to respond rapidly and positively to market developments and opportunities.
- ***The Group's access to capital.*** 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. Georgian capital markets are not yet fully developed, and relatively little wealth has been accumulated locally. As a result, corporates have limited options to raise local capital and domestic commercial banks remain their primary source of funding. By comparison, JSC Georgia Capital, throughout its pre-demerger membership of the BGEO Group, has more than ten years of international capital markets experience. Management, including its track record at the predecessor company BGEO prior to the 2018 demerger, has raised approximately US\$0.5 billion in equity on the London Stock Exchange and has carried out five Eurobond issuances which, in aggregate, raised approximately US\$1.5 billion. In addition, Management has raised more than US\$3 billion from the international financial institutions (*IFIs*) (including EBRD and IFC). Furthermore, as a listed company, Georgia Capital PLC has the ability to use its stock as acquisition currency. Further, as The Directors believe that the Group's Investment in BOG is readily convertible into cash, the Group could access further capital by pursuing an appropriate method of monetising this asset.

- **360-degree analysis when evaluating capital returns, new acquisitions opportunities or divestments.** Georgia Capital remains disciplined for its capital allocation decisions. The Group's key principle is to buy assets at affordable prices and to remain very disciplined in this regard. Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria. To evaluate new acquisition opportunities Georgia Capital has developed a 360-degree analysis framework. Before investing, Georgia Capital assesses a) the level of discount GCAP buys an asset/company in relation to listed peers, b) the level of discount Georgia Capital is trading to its NAV and c) the level of discount the Group's listed portfolio companies are trading to their fair value. The Group intends to buy assets/companies at a higher discount to their listed peers than Georgia Capital's fair value discount. Buybacks are actively considered as an investment opportunity subject to rigorous analyses. The US\$45 million share buyback programme, commenced in June 2018, was completed in August 2019. The programme bought back 3,336,843 shares, of which 2,650,375 shares were cancelled and 686,468 shares were transferred to the management trust. In addition, in August 2019, Georgia Capital initiated a US\$20 million share purchase programme for the management trust. The management trust programme has repurchased 1,550,084 as at 21 May 2020. Georgia Capital allocates capital such that it does not depend on premature sales of listed investments. Clear, company-specific exit paths are set prior to making an investment decision. In February 2020, Georgia Capital strengthened its management team and created a new role of Chief Exit Strategy Officer. The Chief Exit Strategy Officer is responsible for overseeing the establishment of structured exit processes for the portfolio companies, as Georgia Capital is now starting to engage in the active price discovery of portfolio assets held. In addition, Georgia Capital announced a new strategic priority on its investor day on 27 June 2019 to become a third-party money manager, targeting to raise approximately US\$200 million through upcoming funds.
- **Shareholder aligned remuneration policy.** The Company's remuneration policy is aligned with its long-term development strategy and the value creation interests of its shareholders. Management has a track record of structuring compensation and incentives to align management interests with those of shareholders. The Company's executive director is solely remunerated by way of long-term deferred shares and receives no cash compensation. In addition, the Company's remuneration policy stipulates that the salaries of the Company's senior managers are heavily weighted towards deferred share remuneration and does not allow discretionary bonuses for senior managers to be paid in cash. Georgia Capital management's compensation is paid in long-vested (6-year) shares only, with no cash component. The management teams of each of the Company's key portfolio companies are paid in phantom shares of their respective companies. Management has a track record of raising the skills of Portfolio Company managers, driving cash generation, in a manner consistent with value-creating growth. There are no additional management or performance fees expected to be charged to shareholders in excess of the above-mentioned management remuneration (See *Part XIX: "Additional Information — Directors' Terms of Employment"*).
- **Efficient cost structure.** The Group's management team receives total remuneration, which is heavily weighted towards share-based compensation. Approximately two thirds of the Company'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. Georgia Capital has a small headcount with approximately 40 employees at the holding company level. The Directors believe 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 way.
- **Transparency and robust corporate governance.** JSC Georgia Capital'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 UK Listing Authority Listing Rules and Disclosure Guidance and Transparency Rules since November 2006, when the Bank became the first Georgian entity to list its global depositary receipts (*GDRs*) on the London Stock Exchange. 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 London Stock Exchange's main market for listed securities. The Company continues to maintain these high standards of governance and transparency since the 29 May 2018 demerger, when Georgia Capital was admitted to trading to the premium segment on the London Stock Exchange's

main market for listed securities. Georgia Capital's strong Board is comprised mainly of independent directors with extensive international experience. The 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 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 key elements of the Group's business strategy are set out below:

- The Group plans to continue to take advantage of the significant investment opportunities in the fast-developing Georgian corporate sector through the development of its existing businesses and by pursuing attractive investment opportunities, leveraging its superior access to capital, experienced management team and strong sector consolidation experience. By virtue of its ability to access capital, the Group is uniquely positioned to seize such opportunities by deploying capital to acquire controlling stakes in companies and sectors that have the potential to deliver substantial returns over time. The Group seeks to foster the development of independent businesses with robust corporate governance and management teams, with a view to divestment over the longer term, typically within five to ten years, by way of an initial public offering, strategic/trade sale or other appropriate exit.
- The Group does not have a primary mandate to deploy funds or divest assets within a specific time-frame. As such, it can focus on shareholder returns, optimising entry and exit timing, and on opportunities which meet the Group's investment return and growth criteria. Further, the Group believes that Georgia's fast-growing economy will provide ample opportunities to target attractive new investments in a number of underdeveloped sectors.

See "*—The Group's Water Utility Business—Strategy*", "*—The Group's Housing Development Business—Strategy*", "*—The Group's P&C Insurance Business—Strategy*", "*—The Group's Renewable Energy Business—Strategy*", "*—The Group's Hospitality and Commercial Real Estate Business—Strategy*", "*—The Group's Beverage Business—Strategy*", "*—The Group's Education Business—Strategy*", "*—The Group's Auto Services Business —Strategy*" below for a discussion of Georgia Capital's strategy for each of its current core businesses.

The Group's approach to investing and managing companies

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

- *Highly disciplined entry approach.* The Georgian economy entered into a period of significant development and growth approximately fifteen years ago and different sectors and businesses are therefore at an early stage of formation. Access to capital and management personnel is limited and as a result, Georgia Capital can pursue attractive investment opportunities and acquire assets on relatively attractive terms with a view to consolidating fragmented and underdeveloped sectors of the economy, particularly targeting high-multiple service industries. The Group believes that in the long-run Georgia will become a service hub of the region. Since the Group is under no time pressure to invest, it takes a selective and opportunistic approach to new investments. The Group's key principle is to buy assets at affordable prices and to remain very disciplined in this regard. To evaluate new acquisition opportunities Georgia Capital has developed a 360-degree analysis framework.
- *Entering a new industry with a small ticket size.* Another core principle of the Group's investment philosophy is to be very mindful about the size of the potential investments in new industries. Georgia Capital typically starts with a small ticket size and tests and develops a management track record before stepping up the investment.

- *Exit options are set prior to making an investment decision.* A low investment entry point becomes even more important in a small frontier economy, with limited exit opportunities. The Group targets to have two potential liquidity events for each of its assets:
 - the first exit: when entering a new industry Georgia Capital intends to develop and grow portfolio companies. The Group's key focus areas at the portfolio company level are the ability to grow operating cash and to make efficient capex investments by targeting an appropriate level of ROIC. Once the business reaches its late stage of development, the Group expects to pursue its first exit route, which envisages dividend flows for GCAP; and
 - the second exit: as businesses mature, Georgia Capital normally seeks to monetise its investment either through initial public offering, trade sale, fund or other appropriate exit option, typically within five to ten years from initial investment.
- *Cash generation.* Cash generation at both Georgia Capital and portfolio company level is a key success factor for Georgia Capital.
- *Active management of businesses.* Georgia Capital sets the strategy and business plan of each business it acquires or establishes and then actively manages their implementation, particularly at the early stages of development. Georgia Capital applies a hands-on management approach to the private portfolio companies at early stages of their development and acts as an advisor for the management of the more mature companies.
- *Management development.* As the availability of management personnel is limited, by developing top talent in Georgia the Group can add value for the Company's shareholders. Investing time in growing and developing management continues to be critical for the success of the Group's strategy.
- *Good corporate governance.* The Company believes that robust corporate governance is a source of value creation for its shareholders. The Company believes that alignment of the interests of shareholders and management by awarding long-term deferred share awards to the Group's senior executives enhances value creation.
- *Liquidity is important.* In order for the Group's strategy to succeed, the Group must be disciplined in unlocking the value of companies in which it invests and which it manages. In particular, it is crucial to set an exit strategy prior to making an investment. The Group considers various types of exit options, including initial public offerings, trade sales or other appropriate exits.

History and Development

JSC Georgia Capital was the investment arm of BGEO Group PLC prior to its demerger from the Group 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. Since 2004, JSC Bank of Georgia has grown more than 30 times in asset size, diversified its revenue streams, made several acquisitions in line with its strategy, established itself as a borrower in the international markets, attracted several new institutional equity investors, increased its transparency and strengthened its corporate governance policies and procedures. In November 2006, JSC Bank of Georgia completed its initial public offering of GDRs, becoming the first Georgian company to list GDRs on the London Stock Exchange, 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 London Stock Exchange in February 2012.

In December 2014, JSC Bank of Georgia's parent company, BGEO Group PLC, introduced its new 4x20% strategy and 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 Georgia Capital.

Following changes in banking regulation 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 new 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 London Stock Exchange, 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, BOG and a London-listed investment business, GCAP. The demerger was completed on 29 May 2018. The Company currently holds 19.9% of BOG and following the demerger and for such time as the Company together with its Concert Parties holds greater than 9.9%, it will exercise its voting rights in accordance with the votes cast by all other shareholders on all shareholder votes at any general meeting.

Regulation

There is no specific Georgian regulatory regime that applies to the Company, other than general tax, anti-monopoly and other regulations of general application. However, the Company's subsidiaries might be subject to clearance procedures from the Georgian anti-monopoly authorities as and when they make acquisitions, depending on their respective market share, and there may be requirements to obtain approvals for acquisitions of large stakes in target companies in certain sectors. In addition, certain of the Company's principal subsidiaries operate in highly regulated sectors.

See "*Regulation of the Water Supply and Sanitation (WSS) Sector*", "*Regulation of the Real Estate Sector*", "*Regulation of the Property and Casualty Insurance Sector*" and "*Regulation of the Beverage Sector*" below for a discussion of the regulatory regime that applies to each of the Company's Portfolio Companies.

Recent Developments

On 21 February 2020 Ia Gabunia was promoted to a newly created role of Chief Exit Strategy Officer at Georgia Capital. Ia became a member of the top management team at Georgia Capital and will oversee the establishment of institutionalised exit processes from the Group's portfolio companies, as starting from 2020 Georgia Capital intends to engage in active price discovery of assets held.

On 24 February 2020 Georgia Capital completed the buyout of the 34.4% minority shareholder, RP Global, in Georgian Renewable Power Company (*GRPC*). As part of the buyout, Georgia Capital paid a fixed cash consideration of US\$13.8 million, of which US\$11.8 million was total equity contributions received from RP Global, as well as an additional consideration for RP Global's technical assistance during the last six years. An additional deferred adjustable consideration of up to US\$4.5 million may be payable if actual market electricity sales prices are higher during 2023-2025 than the Group's current internal forecasts. Following the buyout, Georgia Capital's renewable energy business consists of its wholly-owned 50 MW Mestiachala HPPs and the wholly-owned Hydrolea HPPs and Qartli wind farm (with 41 MW installed capacity in aggregate). In addition, the business has a pipeline of 350 MW renewable energy projects in the medium term.

On 16 March 2020, Bank of Georgia announced the deferment of any dividend decision until the full economic impact of the COVID-19 pandemic is better understood. When BOG announced its 2019 preliminary results on 13 February 2020, it reiterated its strategic targets based on at least 20% return on average equity, and approximately 15% growth of its loan book. In addition, the directors of BOG announced its intention to recommend, at the 2020 Annual General Meeting, an annual dividend for 2019 of GEL2.67 per share payable in British Pounds Sterling at the prevailing rate. Given the current level of uncertainty with regard to the global impact of COVID-19, and the potential length of time of that impact, the directors of BOG will keep these issues under review in the light of developments over the next few months. In the meantime, the Board of Directors has decided not to recommend a dividend to shareholders at the 2020 Annual General Meeting, at this stage. When the full economic impact of the COVID-19 pandemic is better understood, the directors of BOG will consider the appropriate level.

On 18 March 2020, GHG announced the deferment of any dividend decision until the full economic impact of the COVID-19 pandemic is better understood. Given the current level of uncertainty with regard to the global impact of COVID-19, and the potential length of time of that impact GHG is also reconsidering its capital expenditure projects and at this time is prioritising only those that are important to current business' operations. In the meantime, while the full economic impact of the COVID-19 pandemic is better understood, and as announced by the company on 18 March 2020, the directors of GHG decided not to recommend a dividend to shareholders at the 2020 Annual General Meeting at this stage (an intention to recommend a dividend had been previously announced in the 2019 preliminary results, on 24 February 2020). When the full economic impact of the COVID-19 pandemic is better understood, the directors of GHG will consider the appropriate level of any future dividend payments.

On 15 April 2020, GCAP and GHG announced that they were in discussions with respect to an all share offer by GCAP for the entire issued or to be issued share capital of GHG not already owned by GCAP, to be implemented by way of a takeover offer. On 19 May 2019, the Company announced its intention to make a recommended share exchange offer for the entire issued or to be issued share capital of GHG not already owned by GCAP pursuant to Rule 2.7 of the City Code on Takeovers and Mergers. Under the recommended share exchange offer, GHG Shareholders will receive 1 share in GCAP for every 5 shares of GHG held

On 19 May 2020, Georgia Capital issued its trading update for the first quarter 2020. The impact and magnitude of the COVID-19 is still very difficult to estimate. Most of GCAP's portfolio, however, is largely concentrated in structurally important, defensive sectors. GCAP's equity (GEL) was down 35.2% in the first quarter of 2020 (GEL1.1 billion as at 31 March 2020 as compared to GEL1.8 billion as at 31 December 2019), mainly impacted by reduced share prices of BOG and GHG (reduction of GEL368 million in fair value of listed investments). Despite solid operating performance during the first quarter of 2020, valuations also decreased across GCAP's private businesses by GEL85 million. GCAP's equity was further impacted by GEL depreciation against USD by 14.5%, resulting in foreign exchange loss of GEL92 million on GCAP's net debt.

The Group's listed portfolio companies

GHG

The Company holds a 70.6% stake in GHG. For further details on GHG, see Part 8 (*Information on Georgia Healthcare Group*).

BOG

JSC Bank of Georgia (the **Bank**), a systemically important and leading universal Georgian bank, is the core entity of BOG. It offers a) retail banking and payment services; b) corporate and investment banking and wealth management operations in Georgia and c) banking operations in Belarus (**BNB**). BOG also offers ancillary services, such as leasing, through Georgia Leasing Company limited (**GLC**). The Bank's market share in Georgia was 36.3%, 34.9%, 36.3% and 29.8% based on total assets, total gross loans, total client deposits and notes and total equity, respectively, according to statistics published by the NBS as of 31 December 2019. Diversified revenue sources, a growing loan book, improved asset quality, efficient cost performance and fee income growth are the main drivers of the exceptional results in terms of BOG's profitability. In retail banking, BOG runs a client-centric and solutions-based digital multi-brand offering with the aim to reach the entire spectrum of retail customers through its emerging, mass retail and affluent segments. In addition, BOG serves micro, small and medium-sized enterprises (**MSME**) through two respectively dedicated segments under the retail banking business. In corporate and investment banking, BOG has successfully achieved its risk deconcentration and loan portfolio repositioning targets at the end of 2017 and successfully continues its corporate loan book growth, as well as increasing the share of fee and commission income in the medium term. BOG is well positioned to benefit from the superior growth of the Georgian economy through both its retail banking and corporate and investment banking services and aims to deliver on its growth strategy with strong capital and liquidity positions. BOG aims to deliver on its strategy, targeting a return on average equity (**ROAE**) of at least 20%, annual growth of its loan book by 15% and robust capital management by aiming to maintain at least a 200bps buffer for CET1 and Tier 1 capital ratios over minimum regulatory requirements and maintaining regular dividend payouts between 25-40%.

The following tables set forth selected combined figures relating to BOG as of the dates and for the periods specified:

	As of 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Total assets.....	18,569,497	14,798,303
Loans to customers and finance lease receivables, net.....	11,931,262	9,397,747
Client deposits and notes	10,076,735	8,133,853
Total equity	2,150,908	1,798,273
Profit for the year	499,951	378,642

Overview of BOG's Main Lines

- Retail Banking.** BOG is the leader in retail banking in Georgia in terms of its distribution network, serving more than 2.5 million customers, with 267 retail branches, 933 ATMs and 3,217 express pay terminals (self-service) as at 31 December 2019. As of 31 December 2019, the Bank had a 40.3% market share based on deposits from individuals and a 38.8% market share in retail loans (based on loans to individuals), according to information published by the NBG. BOG's management believes that it offers the most comprehensive range of financial products in the Georgian retail market. Through its client-centric, multi-brand strategy, the Bank reaches the entire spectrum of retail customers. BOG's retail banking products and services include retail lending, deposit accounts, ATM services, internet, telephone and SMS banking, utility bill payments and money transfer services. In addition, the Bank serves micro, small and medium-sized enterprises (MSME) through two respectively dedicated segments under the retail banking business. By the end of 2019, BOG's MSME client base grew to 220,603 customers. For the years ended 31 December 2019 and 31 December 2018, BOG's retail banking business generated profit of GEL319 million and GEL258 million, respectively, corresponding to 64% and 68% of BOG's total profit for the respective periods.
- Corporate Investment Banking (CIB).** With approximately 2,700 clients by the end of 2019, BOG's Corporate and Investment Banking is a leading provider of corporate banking solutions in Georgia, with a market share of 30.9% based on total customer deposits (based on deposits from legal entities) and 31.0% based on total corporate loans (based on loans to legal entities) as of 31 December 2019, according to information published by the NBG. The Bank provides corporate lending and finance leasing, in addition to offering current and deposit accounts, account administration and cash management services, payroll services, trade financing and foreign exchange services. BOG's investment management arm consists of BOG's brokerage firm, Galt & Taggart, which is a leading provider of investment banking and investment management services in Georgia and offers corporate advisory, private equity and brokerage services under one brand. Accommodating 1,557 local and international clients from 77 countries worldwide, BOG's wealth management business provides private banking services to high-net worth individual clients and offers investment management products internationally through representative offices and subsidiaries in Eastern Europe, the Middle East and the UK. For the years ended 31 December 2019 and 31 December 2018, BOG's corporate investment banking generated profit of GEL189 million and GEL119 million, respectively, corresponding to 38% and 31% of BOG's total profit for the respective periods.
- Belarusky Narodny Bank (BNB).** Through BNB, its 99.98% owned subsidiary, BOG provides individual and business banking services to small and medium-sized enterprises (*SME*) and middle-income retail banking customers in Belarus. For the year ended 31 December 2019 and 31 December 2018, BNB generated profit of GEL14 million and GEL11 million, respectively, corresponding to 3% and 3% of BOG's total profit for the respective periods.

The Group's late stage private portfolio companies

The Water Utility Business

Overview

The Group's Water Utility business is 100% owned through Georgia Global Utilities (**GGU**). The Water Utility business is a regulated monopoly in Tbilisi and the surrounding area, providing water and wastewater supply services to approximately 1.4 million residents and approximately 36,000 legal entities. The Water Utility also operates hydro power plants with total installed capacity of 149 MW. On average, half of the generated power is used by the business for water supply purposes at a regulated electricity tariff, while the rest is sold to third parties.

The following table sets out the breakdown of the Water Utility's total revenue between its main business lines for the periods indicated:

	For the year ended 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Total revenue	166,781	147,551
<i>Of which:</i>		
Water supply.....	131,608	130,238
Electricity sales.....	25,230	9,052
Other revenue.....	9,943	8,261

The Water Utility's Competitive Strengths

The Company believes that the Water Utility benefits from the following competitive strengths:

- **Monopoly position through asset ownership of the water and wastewater infrastructure in Georgia's capital city of Tbilisi and surrounding areas.** The Water Utility business is a natural monopoly in the capital city of Tbilisi and the surrounding area, including the cities of Rustavi and Mtskheta. Being the largest private water utility company in Georgia, it provides water supply and sanitation services to approximately 35% of its population, with the remainder being 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 the Water Utility business.
- **Most profitable player in Georgia's water supply and sanitation services market.** The Water Utility business is the most profitable player in Georgia's water supply and sanitation market. State-owned water utilities are heavily subsidised by the government and their services are subject to frequent interruptions, rationing and poor quality. By contrast, the business has made significant investments in its infrastructure, which have significantly improved quality of service. In addition, across the Georgian water supply and sanitation services market, the water loss ratio is on average approximately 70% and collection rates from Georgian households are much lower than those of the company. By contrast, the business's water losses were 65.1% in 2019 and are on a declining trend, having decreased from 67.2% in 2018 and 71.4% in 2017. In addition, the Water Utility business enjoys relatively high collection rates, which have averaged approximately 96.5% across its business during the past several years. Collection rates were 98.4%, 97.9% and 96.5% for business customers and 94.2%, 94.2% and 93.6% for residential customers in 2019, 2018 and 2017, respectively.
- **Self-sufficiency in electricity supply for the water supply and sanitation business.** The Water Utility business is self-sufficient in terms of electricity supply via the Zhinvali HPP, which was historically operated primarily for the purpose of powering its water distribution network. Self-produced electricity consumption from the Zhinvali HPP was 174 kilowatt-hours (**kWh**) in 2019, out of a total of 351.6 kWh of electricity generated. Self-sufficiency in energy supply is important in terms of the overall efficiency of water supply and sanitation business, since energy costs are typically the most significant marginal costs for water supply companies.
- **Strong revenue visibility due to regulatory regime.** The business has strong revenue visibility across its water supply and sanitation business due to the regulatory regime applicable to this business. In 2017, Georgian National Energy and Water Supply Regulatory Commission (**GNERC**) approved a hybrid incentive-based and cost-plus tariff calculation model. This model is aimed at preventing

sudden increases in utility prices and overinvestment while allowing for a fair return on capital and operating expenses utilities must incur for their continued operations. The new tariff defines a three-year regulatory period. The first regulatory period for which this methodology has applied runs from 1 January 2018 to 31 December 2020. The new regime is intended to result in the gradual unification of residential and business tariffs, whereas historically business tariffs were approximately 13 times higher than residential tariffs, effectively subsidising residential customers. While the new regime has resulted in a 0.4% decrease in tariffs for water and sewage services for business customers, this has been more than compensated by a 23.7% increase in such tariffs for unmetered and metered residential customers, in each case based on the 2018 to 2020 regulatory period compared to the period from 2010 to 2017. In addition, pursuant to recent changes in legislation, GNERC will only be permitted to set different tariffs for business and residential customers until 1 January 2027, following which water tariffs will be the same for both types of customers, unless the deadline is further postponed.

The Water Utility's Strategy

The Water Utility business is aiming to continue to achieve efficiencies across its water supply and sanitation services businesses in order to continue to reduce internal energy consumption. It is specifically targeting operating efficiencies in high elevation areas, which are the costliest to supply water to, whereas water losses in lower elevation areas do not result in significantly higher costs. In the highest elevation areas, the business has introduced a metering programme and rehabilitation works. Efficiency improvements are expected to continue to contribute to decreases in self-produced electricity consumption, which has decreased at a compound annual rate of 10.8%, from 309 million kWh in 2014 to 174 million kWh in 2019. This frees up electricity generated by HPPs for third-party electricity sales, which is in turn expected to contribute to increased cash flows, particularly in light of electricity market deregulation.

Water supply and sanitation services

Water sales are the Water Utility's most significant revenue stream and represent 79% of the business's total revenue in 2019. The Water Utility 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 area, potable water is supplied by GWP, while in the Rustavi and Mtskheta areas, it is supplied by Rustavi Water LLC and Mtskheta Water LLC, respectively. Gardabani Sewage Treatment Plant LLC is a wastewater treatment plant serving the customer bases of water utility customers. During the years ended 31 December 2019, 2018 and 2017, the company sold 178.5 million, 179.8 million and 173.8 million cubic metres of water, respectively.

Water Supply and Water Treatment Infrastructure

The majority of raw water used by the business 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, 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 Ghmaghele 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 the Water Utility business 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.

Once treated and processed, water is distributed via an approximately 3,150 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 the Water Utility business. In total, in 2019 the distribution network in Tbilisi involved 47 pumping stations, 101 service reservoirs of pure water with a total capacity of approximately 338,300 cubic metres. The most important reservoirs are equipped with level detectors monitored by a central dispatch service.

The company provides wastewater collection and treatment services to the customer bases of water utility customers in Georgia at the Gardabani wastewater treatment plant. As part of its post-privatisation obligations, the business was required to rehabilitate and modernise the wastewater treatment plant, which it completed in 2018.

The following table sets out a breakdown of the Water Utility’s water revenue by customer type for the periods indicated:

	For the year ended 31 December	
	2019	2018
Legal entities.....	91,880	90,653
Households.....	39,728	39,585
Total revenue from water sales	131,608	130,238

Water sales are billed on a monthly basis for both legal entities and households, regardless of whether they are metered or unmetered. All legal entities are metered clients. A metering process has been also implemented among GGU’s residential customers, although approximately 60% 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.

In order to minimise lost revenue from water theft by clients, GGU has a monitoring and investigation team. A client inspection is performed in the following cases:

- Call centre information: if a call centre receives information that a specific customer is stealing water, the investigations team inspects the customer to ascertain whether the information received is accurate;
- Database review: old and new bills for the same customers are regularly compared; if a significant discrepancy is observed, the investigations team visits the site and inspects the metering machine and water pipe infrastructure; and
- Peer review: bills of similar entities are compared regularly; if material differences in terms of water usage are identified, the investigations team undertakes an inspection of the customer.

The following table sets out the number of the Water Utility’s household and legal entity customers between 31 December 2018 and 31 December 2019:

	For the year ended 31 December	
	2019	2018
Number of households	562,456	535,390
Number of legal entities.....	35,647	33,271

Source: *Internal Company data.*

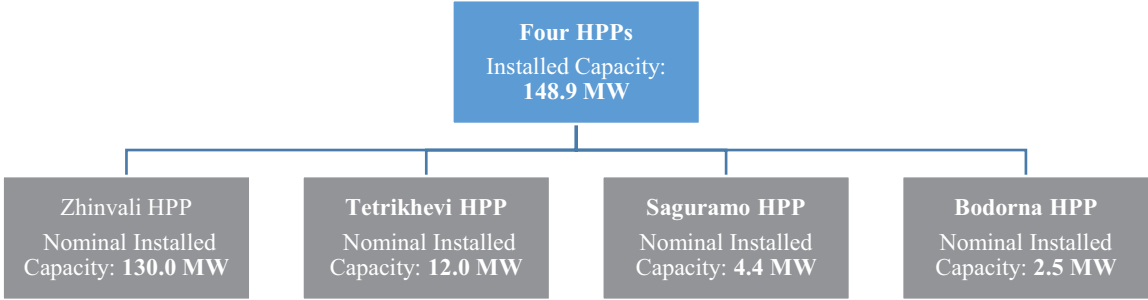
Owing to the installation of new meters and the renovation of old meters in recent years, the Water Utility improved its accuracy in measuring water consumption and revenue from legal entities increased in both years. The increase in revenue from households during the same period is mainly due to updates to information about the number of residents for a given household, which has resulted in more efficient revenue collection.

The Water Utility’s receivables collection rates have historically ranged between 94% 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 the business. 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 law, pursuant to which electricity suppliers are required 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 the Water Utility business (approximately GEL1.3 million annually since 2011) for assisting in the collection process. Following these changes, the Water Utility business’ collection rates improved and have remained at approximately 96.5%.

Electricity Sales

Revenue generated from electricity sales totalled GEL25 million (or 15.1% of total revenue) in 2019. The Water Utility owned four hydropower stations with a total capacity of 149 MW and average net electricity generation of 338 gigawatt-hours (*GWh*) per year from 1 January 2018 to 31 December 2019. 2019 self-produced electricity consumption was 174 GWh, meaning that the Water Utility has both self-sufficient power for water transportation and benefits from additional revenue from third-party electricity sales. In recent years, the Water Utility’s efforts to increase efficiency in using electricity as part of its water distribution network have also contributed to increased electricity sales and the business plans further efficiency improvements.

The following diagram illustrates the Water Utility’s power generation capacity by own HPPs as of 31 December 2019:



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 2019, 55.6% 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 are regulated. The Zhinvali HPP charges GWP the regulated tariff for its internal consumption, the cost of which is then included in “allowed revenue” and is reimbursed through the water tariff. External sales are made by GETC, GGU’s electricity trading arm, which consolidates all internally generated electricity from GGU-owned companies 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 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 4.4 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 US\$ 6.0 per kWh during the period from September to April (inclusive).

Electricity Balance

	2019	2018
	<i>(kWh)</i>	
Set on grid.....	351,609,736	323,847,388
Consumption of self-produced electricity.....	174,016,335	193,214,503
<i>Year-on-year changes of consumption.....</i>	<i>-9.9%</i>	<i>-19.3%</i>
Third Party Sales.....	177,593,401	130,632,885

Capital Expenditure

The Water Utility's capital expenditure primarily comprises expenditures for network infrastructure development, incidents repair, expenditure on water treatment plants, pumping stations and reservoirs, infrastructure capital repairs and new equipment, its metering programme and new customer connections. In addition, the business incurred capital expenditure in connection with the rehabilitation and modernisation of the Gardabani wastewater treatment plant, which was one of its post-privatisation obligations.

- *Network infrastructure development.* The network infrastructure development programme is divided into two categories: (i) rehabilitation of the amortised water pipeline network where the failure rate and operational expenses are highest and (ii) development of new water supply systems within Tbilisi's new and developing boundaries. This programme contributes to lower water loss ratios and lower failure rates, driving lower operational expenses and self-produced electricity consumption. The programme also delivers increased water supply reliability and efficient use of its infrastructure.
- *Metering programme.* The metering programme can be divided into two main categories: (i) metering of households and (ii) metering of legal entities. The metering programme facilitates accurate accounting of consumed water by customers, leading to water and self-produced energy consumption savings for households and increased revenue from both households and legal entities.
- *Water Utility is focused on metering customers in high elevation zones,* where electricity consumption required to deliver one cubic meter of water to the customer far exceeds the electricity need to do deliver the same amount of water for customers in lower elevation zones. The metering programme is also focused on customers with unusually high consumption.
- *Connection of new customers.* This programme entails connecting new customers to the business's water and wastewater infrastructure, primarily in suburban areas outside of Tbilisi as well as within several large developments within Tbilisi's new boundaries. The cost of connecting new customers is passed on to such customers.

During the year ended 31 December 2019 the Water Utility business spent approximately GEL91 million across all types of capital expenditures.

Regulation of the Utility Sector

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 market participants, which are currently calculated based on a 0.002 coefficient multiplied by total revenue of each regulatory entity. This independence is a fundamental requirement for synchronisation with the EU energy market and is in line with best practices of energy market regulation.

GNERC regulates, monitors and controls sales tariffs, service quality, coverage areas and key performance indicators of market participants. GNERC's main goal is to maintain 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 EU norms, the enforcement of key performance indicators to measure service quality and the development of new regulations, including in relation to alignment with EU standards.

Other regulatory bodies that oversee different aspects of GGU's operations include the Ministry of Regional Development and Infrastructure (*MRDI*), the Ministry of Environmental Protection and Agriculture (*MEPA*), the Ministry of Economy and Sustainable Development (*MoESD*) and the National Food Agency (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 preventing sudden increases in utility prices and overinvestment while allowing for a fair return on 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 regulatory asset base (*RAB*), essentially comprising the 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 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 runs from 1 January 2018 to 31 December 2020. The WACC specified for the first regulatory period is 15.99%, whereas the previously applicable WACC was 13.54%.

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 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. Following these rules, there is greater clarity and transparency regarding tariff setting and returns on investment.

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 (effective from 31 August 2016) containing service quality standards applicable to all utility companies. These rules were subsequently replaced with Service Quality Rules adopted by GNERC in December 2018 (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 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 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. In the event of breach of standards, the utility companies become subject to certain fines and penalties that are prescribed by Service Quality Rules.

Housing Development Business

Overview

The Group's Housing Development business is 100% owned through Georgia Real Estate (formerly m²). For over nearly a decade, Georgia Real Estate has, through its m² brand, established itself as one of the most recognisable and trustworthy residential housing businesses in the country. As a residential real estate developer, Georgia Real Estate targets mass-market customers by introducing high-quality and comfortable living standards in Georgia and making them affordable through its well-established branch network and sales force. Georgia Real Estate has sold 2,855 apartments with 358,000 square metres (*sq.m.*) gross buildable area worth US\$251 million since 2010 in 10 successfully completed projects. Over the last seven years, the business distributed US\$55.1 million dividends, of which US\$47.8 million represents commercial spaces (ground floors) in the completed residential projects. In addition to residential development, Georgia Real Estate focuses on franchising its brand and uses its platform to develop third-party land plots. The business also started to develop a distressed asset management arm in 2019.

The following table sets out the revenue split between Housing Development's two main business lines, revaluation of investment property and other income in the past two years:

	For the years ended 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Total revenue	74,267	129,610
<i>Of which:</i>		
Revenue from sale of apartments.....	52,022	96,052
Revenue from construction services	21,835	27,864
Revaluation of investment property	—	5,524
Other income	410	170

Housing Development's Competitive Strengths

The Company believes that Housing Development benefits from the following competitive strengths:

- **Georgia Real Estate has a proven track record of sales and benefits from high brand awareness in Georgia.** As a result of Georgia Real Estate's proven track record of timely project completion, turn-key apartment developments and reputation for cost-effective, energy-efficient developments, Georgia Real Estate has a loyal customer base and 92% brand awareness among real estate developers in Georgia, according to TNS research conducted in 2016. Georgia Real Estate also benefits from well-developed sales and communication channels and has a vertically-integrated product offering that can deliver projects from development and construction through to sales and provide property management services.
- **Georgia Real Estate has a cost advantage through the vertical integration of its construction, project management and sales platforms.** Owing to its vertical integration, Georgia Real Estate has control over the largest part of a development's cost base, which enables Georgia Real Estate to achieve construction and project development efficiencies. This cost advantage has translated into an ability to offer highly competitive products to its customers, as well as IRRs of between 27% and 329% on completed projects.
- **Georgia Real Estate has a well-diversified funding base and enjoys fast track access to financing from its track record of successfully prepaying debt funding raised from various international financial institutions.** Georgia Real Estate has raised, and prepaid in full, debt from FMO and IFC. Georgia Real Estate has also been active in local fixed income instruments and has issued US dollar-denominated bonds in the local market. Since its establishment in 2011, Georgia Real Estate has raised approximately US\$140 million of debt financing including third party funding from local and international institutions and corporate bonds.

Housing Development's Strategy

- **Residential developments.** Georgia Real Estate's development services include design management, sales of apartments and commercial property, construction and property management after completion. Digomi is the major on-going in-house project of Housing Development. The Digomi project, which

will add around 2,200 apartments to Housing Development’s portfolio, will be developed in three stages. The construction and development of approximately 132,000 sq.m. residential and approximately 35,000 sq.m. commercial spaces will be completed by the end of 2023. Georgia Real Estate started apartment pre-sales from February 2019 for stage one and has pre-sold 16,980 sq.m. with US\$17.9 million sales value as of 31 December 2019, representing approximately 77% of the total sellable area. Apartment pre-sales for the second stage of the Digomi project started in December 2019, further increasing its inventory levels by 47,167 sq.m. total sellable area. Georgia Real Estate plans to utilise its existing land plots within three to four years and, in parallel, start developing third-party land plots under franchise agreements. However, the business might also engage in opportunistic acquisitions of land.

- **Franchising real estate development in Georgia.** Georgia Real Estate focuses on franchising its well-established brand to develop third-party land plots and generate fee income. Georgia Real Estate will capitalise on its strong brand name, pricing power, experience in sales, excellent execution track record and access to finance. In 2019, a masterplan brief was approved for the largest franchise deal, where approximately 2,500 apartments are expected to be delivered in 5 years.
- **Construction management.** In 2017, Georgia Real Estate acquired BK Construction LLC, a local real estate construction company, with the aim to bring the construction works in-house and achieve cost and project development efficiencies. Georgia Real Estate continues to fully utilise the benefits of this vertical integration and boost fee income generation from franchise deals and third-party constructions.

Residential developments

In the residential property market, Georgia Real Estate targets mass market customers by offering affordable, high quality and comfortable housing. Georgia Real Estate primarily focuses on “mixed use” developments with large residential components. Georgia Real Estate has a land bank with a book value of GEL1,552 thousands as of 31 December 2019, as compared to GEL8,722 thousands as of 31 December 2018 and GEL58,373 thousands as of 31 December 2017. As of 31 December 2019, Georgia Real Estate has completed sales of 2,855 apartments generating total revenue of US\$251 million in ten separate development projects since 2010. According to the market research the size of the residential market in Tbilisi including transactions only for apartments is estimated at US\$1.61 billion.

The following table sets out certain information on these residential projects as of 31 December 2019:

Project	No. of units	Apartments sold/total	Pre-sales⁽¹⁾	Start date	Completion	Sales (US\$ million)	Land book values
Completed:							
Chubinashvili St.....	123	123/123	91%	Sep-10	Aug-12	9.9	0.9
Tamarashvili St.....	525	525/525	96%	May-12	Jun-14	48.9	5.4
Nutsubidze St.....	221	221/221	88%	Dec-13	Sep-15	17.4	2.2
Kazbegi St.....	295	295/295	90%	Dec-13	Feb-16	27.2	3.6
Tamarashvili St. II.....	270	270/270	76%	Jul-14	Jun-16	24.3	2.7
Moscow avenue.....	238	238/238	69%	Sep-14	Jun-16	12.3	1.6
Skyline.....	19	19/19	53%	Dec-15	Dec-17	5.4	3.1
Kartozia St.....	801	801/801	99%	Nov-15	Nov-18	61.1	5.8
Kazbegi St. II.....	301	300/301	90%	Jun-16	Jun-19	33.0	4.3
Chavchavadze avenue ..	82	82/82	94%	Oct-16	Nov-18	10.9	3.3
Under construction:							
Melikishvili avenue	16	16/16	100%	Sep-17	Apr-20	4.4	0.8
m3 Saburtalo, Stage I...	391	301/391	77%	Jul-19	Sep-21	18.0	2.5
m3 Saburtalo, Stage II..	660	54/660	8%	Jan-20	May-22	3.4	5.7

Source: *Internal company data.*

Notes:

(1) Pre-sales are sales before project completion.

In addition, Georgia Real Estate is currently designing and planning to develop the following residential projects:

- In the second half of 2019, the memorandum of cooperation was signed between Tbilisi Municipality and Georgia Real Estate. Within the framework of this document, Georgia Real Estate will resume the construction of unfinished projects of “Sveti” defaulted construction company. For the purpose of completing the construction, Georgia Real Estate will finish three suspended projects of “Sveti” located

in Tbilisi. All three projects currently comprise 30 residential blocks. The construction of the projects is set to be completed within three years after being granted with the relevant permit, and nearly 2,500 families affected by the defaulted construction company will receive residential apartments.

- Georgia Real Estate plans to build developments on all of its existing land bank assets and start developing land owned by third parties. The business has signed its largest ever franchise agreement as part of its “asset light” strategy. Georgia Real Estate will construct and develop a residential complex under the m² brand name on a third-party land plot located on Tbilisi airport highway in a densely populated Tbilisi suburb. The residential complex development will be carried out in six phases over the course of four to five years.

As of 31 December 2019, local banks provided mortgage loans in an aggregate amount of US\$128 million to buyers of Georgia Real Estate’s residential properties, which represents 46% of Georgia Real Estate’s total residential property sales revenue. The remaining 54% of Georgia Real Estate’s total residential property sales revenue was received in cash from purchasers of Georgia Real Estate’s residential properties.

Georgia Real Estate mainly relies on pre-sales of its properties (and aims to sell approximately 20-30% of the units off-plan) and has used loans from IFIs and listed bonds to fund its developments. In December 2011, Georgia Real Estate procured US\$20 million in funding from FMO to proceed with a development project which was completed in 2014. In May 2013, IFC, a member of the World Bank Group, with the support of the Government of Canada, agreed to provide Georgia Real Estate with a revolving loan of up to US\$14.0 million (including up to US\$4.0 million from the IFC-Canada Climate Change Programme) to support green housing construction and job creation in Georgia. The facility has helped Georgia Real Estate to develop energy-efficient, affordable and quality housing projects in Georgia. As of 31 December 2019, both loans have been successfully prepaid. In October 2016, Georgia Real Estate successfully issued US\$25.0 million of debt securities that were admitted to listing on the Georgian Stock Exchange. Between 2016 and 2018, Georgia Real Estate raised US\$30 million in funding from IFC under two loan agreements which are successfully prepaid as well. In 2019, the company has successfully placed US\$35 million bonds into the local market refinancing of existing US\$25 million local bonds issued in 2016.

Regulation of the Real Estate Sector

Overview

Obtaining building permits for new development projects and commissioning a building after construction is completed are regulated activities in Georgia.

Obtaining a building permit for a new project generally involves four stages:

Land zoning parameter submissions

The Architectural Bureau of Tbilisi City Hall will provide density and footprint parameters, as well as a minimum green area requirement. This document also may contain other specific requirements if the site is located in a historic part of the city, is part of a recreational area or is adjacent to a major transport artery. The main documents to be submitted consist of land title documents, a cadastral map and pictures of the site.

Architectural project (full set of drawings) submissions

At the second stage an architectural design is submitted. All major parameters, including gross floor area and net sellable area or net leasable area must be submitted for review as well as a detailed description of the building’s physical appearance and facade material. This stage does not require providing either a soil survey or any construction documentation. The mandatory documentation includes: a topographic survey, a master plan, layouts, sections, facades and a rendering of the proposed building.

Construction permit issuance

Typically, the second and third stages can be processed within one application. In addition to the documents required previously, the applicant needs to provide a soil survey, an independent engineer’s report, and a construction site organisation map and time schedule. On completion of this stage, a building permit will be provided.

Commissioning

The last stage of the process is the commissioning of the building itself. A commissioning order is issued by Tbilisi City Hall after an audit of the building. A special committee is then appointed to review and monitor the completed project for compliance with the initial project parameters.

Property and Casualty Insurance Business

Overview

The Group's Property and Casualty Insurance (P&C Insurance) business is 100% owned through Aldagi. Aldagi is the leader in property and casualty insurance (excluding health insurance) in Georgia with a market share of 67% based on insurance industry profit and 29% based on gross premiums earned in the Georgian property and casualty sector (excluding health insurance) for the year ended 31 December 2019 according to the Insurance State Supervision Service of Georgia. Aldagi benefits from diverse income streams including insurance revenue, interest income, fees and commission income and other operating income. For the year ended 31 December 2019, Aldagi's products generated net revenue of GEL60.5 million and gross insurance profit of GEL33.3 million for the year ended 31 December 2019. Aldagi provides insurance services to retail and corporate clients.

The following table details the split of Aldagi's revenue from its main client products.

	For the years ended 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Total net insurance premiums earned	60,453	55,710
<i>Of which:</i>		
Motor	28,870	26,882
Property.....	7,504	6,965
Credit Life.....	11,820	10,370
Liability.....	5,496	5,788
Other (Agro, Cargo).....	6,763	5,705

Aldagi's Competitive Strengths

The Company believes that Aldagi benefits from the following competitive strengths:

- **Aldagi is well placed to take advantage of the developing insurance market in Georgia.** When gross written premiums are compared against GDP the Georgian property and casualty market had a penetration rate of 0.7% in 2018 and 0.6% in 2017 and 2016 according to the Insurance State Supervision Service of Georgia. Aldagi's leadership position in the property and casualty insurance market in Georgia, with a 29% market share, means that it is well positioned to benefit from anticipated growth in this sector. This is bolstered by the pre-eminence of Aldagi's client base in Georgia, that includes major financial institutions, construction companies, pipeline operators, water, utility and renewable energy businesses, residential and commercial property developers, well-known food and hospitality franchises operating in Georgia. The motor insurance segment has great potential to increase, as only 7% of registered cars are insured on the local market. Compulsory Border Motor Third-Party Liability insurance (**MTPL**) for foreign-registered vehicles has become effective from March 2018, thus completing the first phase of compulsory vehicle insurance in Georgia. The Company expects that the second phase of this project, compulsory local MTPL, will lead to increased sales of motor third-party liability and motor vehicle insurance policies (both mandatory and voluntary), products in which Aldagi already benefits from a 22.8% and 26.1% market share, respectively, according to the Insurance State Supervision Service of Georgia.
- **Aldagi benefits from its experienced management team who understand the complexity of emerging market demands and respond quickly to them.** The expertise of Aldagi's management team has led to a track record of increasing market share and superior returns as evidenced by a ROAE of 30.4% for 2019. Pursuing solid underwriting practices and rigorous claims reimbursement procedures enables Aldagi to maintain a stable loss and combined ratios which amounted to 41.6% and 82.1%, respectively, for 2019.

- ***Aldagi has established diverse sales channels enabling it to reach the majority of the Georgian population and Georgia's businesses.*** As at 31 December 2019, Aldagi's sales network included 132 full-time sales personnel and 603 sales agents. Further, Aldagi had partnerships with 16 auto dealerships and 21 brokers, banks and microfinance organisations. The diversity of these sales channels has enabled Aldagi to grow its retail customer base by 9% from 96,463 clients in 2018 to 104,664 clients in 2019.
- ***Aldagi's class risk management practices and procedures are industry leading.*** Aldagi has employed the head of the Georgian Actuarial Association as an advisor to its CEO. Furthermore, to manage its exposure to risk Aldagi has established partnerships with reinsurers in approximately 40 countries worldwide. The majority of Aldagi's reinsurers have ratings of A and A+, including Chubb European Group Limited, Allianz Global, Everest, Catlin, China re, Trans re and Hannover re. Moreover, Aldagi has implemented a robust claims reimbursement process with the aim of ensuring that potentially fraudulent claims are detected as early as possible. This approach has allowed Aldagi to maintain a healthy combined ratio of 75.2% in 2017, 75.5% in 2018, and 82.1% in 2019.

Aldagi's Strategy

Aldagi targets a combined ratio within the range of 80% to 85%, to maintain ROAE of more than 30% and to maintain a dividend payout ratio of more than 60% in the medium term. Aldagi aims to achieve this by strategically focusing on each of its three main business lines and the core aims set out below:

- ***Growing revenue from retail customers.*** The level of insurance penetration within the retail segment is very low. Compulsory Border Motor Third-Party Liability insurance has become effective from March 2018. Furthermore, a new law requiring a mandatory local MTPL for all vehicles registered in Georgia is expected to kick in and significantly boost retail market. The introduction of compulsory local third-party liability motor vehicle insurance is expected to lead to an increase in sales of mandatory and voluntary motor vehicle insurance policies. In addition to supportive governmental policies, Aldagi expects to grow its retail segment concentration by developing simple products for mass retail. Through the digitalisation of its processes, Aldagi intends to solidify its position as a market leader in digital insurance by increasing the percentage of retail sales conducted online to approximately 20% of total retail sales, increasing the percentage of motor claims processed remotely to 25% of total motor claims and enhancing the number of Aldagi web-mobile users.
- ***Growing revenue from the SME segment.*** The level of insurance penetration in the SME segment is negligible. Aldagi's strategy is to focus the attention of its experienced retail sales force (in addition to the corporate sales department) towards entering this underpenetrated segment, and separate SME sales division was established by the end of 2019 as a part of this strategy. Aldagi intends to develop tailored insurance products that will be offered both through digital portals created especially for SMEs and Aldagi's direct distribution channel of sales managers and captive agents.
- ***Growing revenue from large corporates.*** Although the level of insurance penetration within the corporate segment is relatively high when compared to the retail and SME segments, The Company believes that a combination of favourable Georgian macroeconomic conditions, a good investment climate, stable economic growth and an increase in infrastructure projects is expected to further increase consumer demand for insurance products.

Products

Overview

Aldagi organises its insurance business by the types of products it offers and serves both retail and corporate customers. Aldagi participates primarily in the Georgian motor vehicle, property, credit life, and liability insurance markets and also participates in other markets offering cargo and agricultural (*Agro*) insurance. Within these markets Aldagi has chosen to concentrate on motor vehicle insurance due to its low penetration level (only 7% of registered vehicles in Georgia are insured). On 15 December 2017, the Parliament of Georgia adopted the Law of Compulsory Civil Liability Insurance of Foreign Registered Vehicles Crossing the Georgian Territory which, from 1 March 2018, provides for compulsory cross-border third party liability motor vehicle insurance. Moreover, on 28 December 2017, the Georgian Government introduced mandatory third-party liability insurance for operators of hotels, petrol stations and trade centres (shopping malls), which took full effect from 1 March 2018. Effective from 1 January 2019, compulsory personal accident insurance was introduced as part of amendment to Law of Georgia on Occupational Health and Safety. As a result of these changes, Aldagi's management expects to further boost both the

mandatory and voluntary motor vehicle insurance market, and third-party liability insurance market. In addition, in an effort to deconcentrate its portfolio, Aldagi has begun to focus on property insurance.

Further, Aldagi is planning to expand into the retail mass market by offering simple and affordable products such as livestock insurance (approximately 30,000 policies written in 2019, up 33.6% y-o-y) via multi-channel distributions outlets. Aldagi has already entered the under-penetrated regional markets of Georgia with these products, resulting in the sale of more than 12,000 Agro insurance policies during 2019 (up 57.5% y-o-y).

Aldagi manages its customer relationships (sales, service and renewals) through its sales department, the Customer Relationship Management Unit (which covers both retail and corporate sales departments) and its extensive network of captive sales agents. Aldagi aims to deliver a straightforward service and good customer outcomes. Aldagi emphasises a customer-centric culture and staff are incentivised not only on the basis of sales, but also by performance indicators linked to customer feedback.

Motor vehicle insurance

For the year ended 31 December 2019, Aldagi's combined retail and corporate market share in motor insurance was 25% by earned gross premiums, according to the Insurance State Supervision Service of Georgia. This represents 27,183 active retail motor insurance clients and 1,322 active corporate clients. Aldagi's core retail product offerings are motor insurance and third-party liability motor insurance, which together constituted 47% of Aldagi's total retail revenue and 48% of Aldagi's total corporate revenue as of 31 December 2019. Aldagi's motor vehicle insurance is offered with a number of different features including cover for risks such as road accidents, fire, explosion, vandalism, natural disasters, theft, hijack or robbery as well as third-party liability cover insurance and driver and passenger accident insurance.

Property insurance

For the year ended 31 December 2019, Aldagi's combined retail and corporate market share in property insurance was 36% by earned gross premiums, according to the Insurance State Supervision Service of Georgia. This consisted of 11,049 active retail clients and 993 active corporate clients. Key products within the property segment are commercial property, household property, contractors all risk and machinery breakdown insurance. Property insurance is Aldagi's core product offering for its corporate clients which constituted 20% of Aldagi's total corporate revenue in 2019. By comparison, property insurance constituted 8% of Aldagi's total retail revenue in the same period. Aldagi is also looking to explore offering home insurance to a greater proportion of the holders of its existing 144,445 active retail customer policies.

Credit life insurance

For the year ended 31 December 2019, Aldagi's combined retail and corporate market share in credit life insurance was 29% by earned gross premiums, according to the Insurance State Supervision Service of Georgia. Credit life insurance clients constituted 32% of Aldagi's total retail revenue as of 31 December 2019 and 20% of Aldagi's total revenues as of 31 December 2019. Aldagi is also considering offering credit life assurance to a greater proportion of its existing 104,664 active retail customers. The number of Aldagi's credit life assurance active retail customer policies increased by 334% to approximately 1,000 as of 31 December 2019 from approximately 200 as of 31 December 2018.

Liability insurance

For the year ended 31 December 2019, Aldagi's combined retail and corporate market share in liability insurance was 35% by earned gross premiums, according to the Insurance State Supervision Service of Georgia. This accounts for 794 active retail clients and 984 active corporate clients. Liability insurance policies constituted 13% of Aldagi's total corporate revenue as of 31 December 2019. Aldagi's liability insurance products include cover for financial risk, employer's liability, professional indemnity, general third-party liability insurance, freight and forward liability (*FFL*) insurance, household general third-party liability insurance, CMR liability insurance, product liability insurance.

Other (Agro, Cargo, Personal accident) insurance

In 2019, Agro insurance policies constituted 4% of Aldagi's total retail revenue. Aldagi has a 44% market share in Agro insurance in Georgia, according to internal estimates. The number of Aldagi's Agro retail customer policies increased by 58% to 12,311 as of 31 December 2019 from 7,788 as of 31 December 2018. 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 program is conducted in conjunction with the Ministry of Agriculture and the Agriculture Projects Management Agency. As part of this program, in order to stimulate Agro insurance, the government pays a contribution towards the insurance premiums for farmers and Agro-based industries.

Aldagi's combined retail and corporate market share in cargo insurance was 36% by earned gross premiums, according to the Insurance State Supervision Service of Georgia. This accounted for 30 active retail policies and 642 active corporate policies. Cargo insurance policies constituted 11% of Aldagi's total corporate revenue as of 31 December 2019. Even though the number of Aldagi's cargo customer policies decreased from 841 as of 31 December 2018 to 672 as of 31 December 2019, total revenue from cargo business line increased by 18.8% year-on-year.

Effective from 1 January 2019, compulsory personal accident insurance was introduced as part of amendment to Law of Georgia on Occupational Health and Safety, earning revenue of GEL0.6 million for the year ended 31 December 2019, compared to GEL0.1 million earned for the year ended 31 December 2018. Total insurance policies written in this product line were 26,889 in 2019, compared to 4,442 policies written in 2018.

Brands and marketing

In the retail space, Aldagi focuses on product development and an in-depth analysis of customer trends to attract new customers, manage sales and build brand awareness. Aldagi's extensive sales channels are also complementary to its branding and marketing efforts. Aldagi's product development department identifies specific target audiences by sorting them into groups based on criteria such as consumer needs and social status and then aligning them with Aldagi's services.

In addition, the product development department also manages the digital design process, using digital tools to increase brand awareness. This process also aims to facilitate awareness of the Georgian insurance sector as a whole, which continues to be underdeveloped in the mass retail market. Aldagi plans to harness this approach and use it to develop online customer profiles for both retail and corporate clients that would enable customers to manage renewals, invoice add-on products and monitor the settlement process in relation to their specific claim or claims.

Customers and Customer Retention

Aldagi had 108,181 active clients (of which 104,664 were retail clients and 3,517 were corporate clients) as of 31 December 2019. This compares with 96,463 active retail clients and 3,111 active corporate clients as of 31 December 2018. Aldagi's continued growth in its number of active policies is a result of a number of factors, including a strong agency network, developing distribution channels, innovative product development focused on the needs of retail and corporate customers alike, and the ability to recognise and respond quickly to changing client needs.

Aldagi values customer retention. Its retail customer retention rate increased from 59% in the year ended 31 December 2018 to 64% in the year ended 31 December 2019, which it achieved through its overall customer service proposition and use of sophisticated pricing and communication strategies such as tailor-made offers, no-claim bonuses, loyalty schemes, discount fuel cards, car washes, periodic technical inspection vouchers and gift cards for different supermarkets. Aldagi had a corporate customer retention rate of 84% both in the years ended 31 December 2019 and 2018. The Company believes that, as with its retail customers, this strong corporate customer retention rate is the result of its overall customer service proposition and use of sophisticated pricing and communication strategies. Aldagi's ability to retain its existing customers on renewal is influenced by its financial strength, experienced sales staff, premium service and loyalty schemes. Aldagi continues to improve the sophistication of its pricing on renewal, enhancing its data-centric approach and improving its infrastructure and systems to simplify the ability of Aldagi to modify the price paid by its corporate and retail customers by adjusting its broking commission, either upward or downward, so that price competitiveness is optimised.

Pricing and analytics

As at 31 December 2019, Aldagi had a dedicated pricing team of four full-time employees. Aldagi believes that a key to its success has been a data-driven approach to pricing. Customer information is translated into rating variables that are used to refine and improve its pricing methodologies. Aldagi applies daily price and competitiveness tracking across all segment categories. Additionally, Aldagi uses a range of statistical predictive assessments, a defined timetable to refresh and rebuild models, embedded peer review and a model review committee. Aldagi's agile pricing capability allows it to make prompt changes to its

methodologies, enabling it to quickly adapt in response to changes in the market. Aldagi has been able to refine its pricing methodologies by applying a database of customer and quote information and its proprietary technologies.

All insurance policies are underwritten by Aldagi. After a customer requests a quote, whether from Aldagi or through a direct distribution channel, the customer's details are automatically forwarded to the chief underwriter. The chief underwriter decides whether the risk should be insured or not and if so, whether it should be retained by Aldagi (whereby an insurance company agrees to accept all of the risk), placed under treaty or reinsured on a facultative basis. Complex or large risks are referred to the board of the underwriting department for approval.

If a risk is retained by Aldagi or placed under a treaty, Aldagi will issue a quote (sometimes in cooperation with treaty reinsurers). Where appropriate, counter-fraud testing is applied. The line underwriter studies the risk using external credit ratings and other non-traditional pricing data, taking into account the structure of the existing portfolio, the customer's insurance history, market situation, actuarial considerations and other factors. The underwriter then generates an underwriting rate which is intended to generate a reasonable profit per policy but remain competitive in the market. This process is generally completed within a day.

If a risk is to be reinsured, all details are provided to the reinsurer, who develops the technical net rate. Aldagi then applies an increase or discount within certain limits to the quotation using a range of sophisticated pricing technologies and a data-driven assessment of customer value, price elasticity and other factors to optimise income per policy. If the customer chooses to purchase the insurance at the quoted price, Aldagi collects the full policy price from the customer and passes the net premium (the technical net rate) on to the facultative reinsurers.

Aldagi's Underwriting function

Aldagi's underwriting process consists of the following key functions:

- *Fraud detection:* Aldagi believes that the most effective counter-fraud systems run throughout the operation, from the point of quotation to analysis of claims. Aldagi has invested in proprietary systems to validate the risks presented by customers.
- *Risk pricing:* Aldagi uses state of the art risk pricing tools to regularly review the adequacy of its price level at both the book and segment level. These tools take into account the mix of business written, company loss trends, market loss trends, company actions and market actions. Aldagi believes that it has created a market leading pricing scheme by combining the use of sophisticated statistical tools with extensive market knowledge and rapid execution, which have resulted in a higher conversion for rate decreases, and lower estimated cost of claims incurred per exposure.
- *Reinsurance:* Aldagi employs both proportional (quota share) and non-proportional (excess of loss) structures in order to maximise return on equity, provide balance sheet protection and minimise volatility of profits.
- *Claims handling:* The claims handling department has two core objectives, (i) delivering straightforward quality service to Aldagi's customers following an incident and (ii) minimising payments to third parties through efficient, pro-active case management.
- *Reserving:* Aldagi conducts quarterly reserve reviews at a product and peril level. These reviews are conducted utilising accepted actuarial procedures. In addition, Aldagi validates its claims reserves through an independent third-party actuarial opinion every six months.

Aldagi exclusively underwrites policies sold through its retail function. Under the broking relationship, Aldagi pays a broking commission on each customer contract which it applies to the underwriting net rate. The retail department also receives a performance commission in accordance with the performance of the value added services it provides to the underwriting team against certain key metrics.

Aldagi generates underwriting revenue from: (i) net earned premiums from insurance policies underwritten by the underwriting department (consisting of gross earned premiums received less reinsurance); (ii) investment income (consisting of income and gains from the Aldagi's investment portfolio) and (iii) profit commission, (consisting of performance-based payments from reinsurers based on contractual performance targets). Underwriting contributed GEL31.8 million of gross profit in the year ended 31 December 2019.

The underwriting department is staffed with 18 individuals who perform actuarial, underwriting and reinsurance claims functions, as of 31 December 2019.

Investment portfolio

Aldagi makes investments to generate income from the capital it is required to hold. Aldagi management believes that these are stable, low-risk investments. Aldagi carefully balances the risk-return trade-off in the portfolio and adopts a cautious approach to ensure compliance with Georgian guidelines, with a primary focus on maintaining capital. In order to ensure the diversification of Aldagi's investment portfolio and compliance with regulatory capital requirements, the majority of the Aldagi's investments are in investment grade corporate bonds, cash and cash equivalents and absolute return funds. To the extent Aldagi experiences gains and losses in its investments, such gains and losses impact Aldagi by generating more or less investment income. Changes in the valuation Aldagi's investments also impact its results, as it is required to regularly conduct valuations and write up or down the value of its assets under applicable accounting rules, with such changes in valuation flowing through Aldagi's consolidated statement of profit or loss and consolidated statement of comprehensive income.

Reinsurance

Aldagi's results are impacted by the availability and pricing of reinsurance. Aldagi's proportional and non-proportional quota share reinsurance increases its underwriting capacity and reduces its capital requirements relative to the business it underwrites. The main requirements for the selection, conclusion and maintenance of reinsurance contracts are outlined in Aldagi's reinsurance policy. Aldagi's reinsurance policy is designed to ensure the contingent growth of the company's portfolio, taking account of the risk appetite of each business line. The policy sets out Aldagi's criteria for eligible reinsurers, internal procedures for selecting reinsurance providers, the requirements that must be met by any reinsurance contracts Aldagi enters into and its registration, reporting and monitoring requirements of Aldagi. The reinsurance policy is subject to permanent monitoring, optimisation and revision.

Claims department

The frequency, severity and the number of claimants per claim made against Aldagi's insurance policies impacts its results. Risk selection and pricing primarily influence the frequency of the claims received, and to some extent, the severity. However, it is the role of the claims department and counter-fraud unit to ensure that customer claims are paid fairly and that third-party claims are validated and mitigated to the extent possible.

Aldagi also invests in the training of its employees to enable them to be effective in helping its customers and increase their efficiency in handling claims. Aldagi's employees are highly trained and its mobile group managers are able to inspect sites where accidents have occurred soon after they have happened. This enables mobile group users to give Aldagi's clients detailed instruction on what further documents and actions are required. For claims of a particularly complex nature, Aldagi contacts foreign independent claims adjusters who can determine the cause of the loss, the cost of repairs, the extent to which such loss is within the client's insurance coverage, and the amount of reimbursement.

Aldagi operates in a competitive environment. Aldagi tries to differentiate its business by offering innovative services. Aldagi's customers benefit from remote claim settlement process, which guarantees immediate claim assessment by respective employees and minimum time required to settle the claim. Approximately 20% of total motor claims were settled remotely during the year ended 31 December 2019. Aldagi uses data-driven analytics and quality assurance procedures to ensure that claims are constantly handled in a proactive manner by experienced claim handlers.

Capital and risk management

Internal audit function

Aldagi's internal audit function is an independent unit that reports to the Supervisory Board of Aldagi. The internal audit function assesses potential risks to Aldagi's business and the adequacy of internal controls implemented to mitigate such risks. Further, the internal audit assesses the reliability of financial information, recommends improvements to Aldagi's processes, and ensures that Aldagi's resources are safeguarded. The internal audit function operates on a risk-based approach where higher risk processes are given higher importance. Any potential risks are evaluated and internal quality controls are implemented. The internal audit may audit any Aldagi process and access any information deemed necessary. All Aldagi employees are required to cooperate with the internal audit. If any wrongdoing is detected, the internal auditor may identify the responsible employee and discuss the penalty with management. Any findings or subsequent recommendations are presented to relevant members of management.

Regulatory Capital

Aldagi's compliance with regulatory capital and solvency requirements is overseen by the internal audit function. To maintain its non-life and life insurance licences, Aldagi must maintain a minimum share capital of GEL4,200,000 for life insurance, GEL4,200,000 for mandatory third-party liability insurance, surety bonds and credit liability insurance, GEL3,400,000 for other non-life insurance and GEL4,200,000 for reinsurance, 100% of which must be retained in cash on deposit with a banking institution licenced in Georgia and free from any encumbrances. Bank confirmation letters are submitted to the Insurance State Supervisory Service of Georgia (the **ISSSG**) on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement. Aldagi has at all times maintained the required minimum capital requirements, solvency ratio and all other regulatory requirements imposed by the ISSSG. As at 31 December 2019, Aldagi had GEL13.5 million in regulatory capital reserves and its solvency ratio was 119% (on the basis of a total solvency capital requirement of GEL11.4 million). For more information regarding the solvency and capital requirements applicable to Aldagi see “—*Regulation of the Property and Casualty Insurance Sector—Additional Regulations Applicable to Insurance Businesses—Reserve Requirements*” and “—*Regulation of the Property and Casualty Insurance Sector—Additional Regulations Applicable to Insurance Business—Regulatory capital*” below.

Fraud prevention and detection

External fraud detection forms part of Aldagi's insurance claims regulation procedure. The claims management division carefully analyses details of reported accidents to identify signs of fraud. If there is sufficient evidence the legal division gets involved to take further action. In addition, to address the recent issue of increasing numbers of external fraud cases in the motor insurance sector, Aldagi's operational risks management unit within the operations department was tasked with designing additional preventive controls to cope with potential fraud. The unit identifies key indicators (red flags) such as credit scores, vehicle history, personal driving record, overstated sums insured, and insurance claims history.

Regulation of the Property and Casualty Insurance Sector

Overview

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

Key Regulatory Authority

Insurance State Supervisory Service of Georgia 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 Georgian 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.

Regulated Activities in the Insurance Industry

The ISSSG requires insurance companies in Georgia 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 of the company);
- minimum requirements for certain types of insurance contracts (such as non-state pension insurance); and
- principles of dispute resolution with consumers.

Licensing of insurance companies

Insurance companies must obtain a licence from 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.

Additional Regulations Applicable to Insurance Businesses

Reserve Requirements

Under implementing legislation adopted by the ISSSG, insurance providers must keep insurance reserves (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 separate reserves for (i) unearned premium (**UPR**), (ii) reported, but not settled claims (**RBNS**) and (iii) incurred, but not reported claims (**IBNR**). 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 product.

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 currently set by ISSSG at GEL4,200,000 for life insurance, GEL4,200,000 for mandatory third-party liability insurance, surety bonds and credit liability insurance, GEL3,400,000 for other non-life insurance and 4,200,000 for reinsurance licence. The minimum share capital requirements for non-life insurance licence holders will increase to GEL7,200,000 from 31 December 2020. Insurance providers must keep 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 (i) 18% of premium written up to GEL100 million plus 16% of premiums above GEL100 million and (ii) 26% of claims up to GEL70 million plus 23% of claims above GEL70 million. Other adjustments are also made, such as premiums for high risk classes of business and adjustments 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 such persons: (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 the 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 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, a Significant Interest must obtain prior approval from the ISSSG. Generally, the ISSSG will 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 a 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 may be required to submit to the ISSSG information on the legal and beneficial holders of a Significant Interest.

See also Part 16 (*Additional Information—Articles of Association*) for related provisions in the Articles of Association.

Anti-Money Laundering Legislation

The Law of Georgia on Facilitating the Elimination of the Legalisation of Illegal Income (the *AML Law*), imposes controls over the movement of funds within Georgia. 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 Georgian 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 AML Law and applicable FMS regulations, insurance providers are obliged to monitor all suspicious transactions, irrespective of their value, and certain types of transactions listed in the AML Law and the relevant regulation if the value of such transaction or group of linked transactions exceeds GEL30,000 (or the foreign currency equivalent) and report such 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 and the Georgian Ministry of Internal Affairs.

In addition, the ISSSG is also authorised to carry out 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 (where the total book value of its assets is less than the value of its liabilities), then the ISSSG will commence bankruptcy 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 of 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.

The Group's early stage private portfolio companies

Renewable Energy Business

Overview

The renewable energy business is a platform for developing hydro and wind power plants across Georgia. In 2014, JSC Georgia Capital collaborated with RP Global (an Austrian company with 30 years' experience in developing, building, owning and operating renewable power plants, globally) to develop and build a portfolio of renewable energy projects in new locations in Georgia to enhance the country's existing energy infrastructure. As part of this joint venture, Georgia Capital started to develop and implement a diversified renewable power portfolio in Georgia, split between the two main renewable technologies of hydro and wind. The renewable energy business has identified several project opportunities and aims to develop approximately 350 MW capacity in the mid-term in addition to the existing wholly-owned Mestiachala HPPs (with 50 MW installed capacity), Hydrolea HPPs (with 21 MW installed capacity), Qartli wind farm (with 21 MW installed capacity) and 149 MW installed capacity of the Water Utility business. The operational renewable energy projects (Mestiachala HPPs, Hydrolea HPPs and Qartli wind farm) are wholly owned and managed through GGU and the remaining pipeline projects are wholly owned through Georgian Renewable Power Company. The business targets on average 70:30 debt to equity leverage ratio at renewable projects.

The following table sets out the Renewable Energy projects overview. The projects under construction and under feasibility stages were put on hold in light of the COVID-19 outbreak until there is more certainty regarding the effects of COVID-19 on the business landscape and the Georgian economy.

Greenfield projects	MWs	Cost per MW (US\$ million)	Gross generation (GWh)	Gross capacity factor	PPA tenor (years)	PPA tariff (US\$/ kWh)	Current stage
Mestiachala HPPs.....	50	1.2	174	39.8%	15	5.5	Operational
Zoti HPPs	46	1.3	173	43.0%	15	5.1	Under Construction
Bakhvi 2 HPP.....	36	1.3	136	43.2%	15	5.5	Feasibility
Racha HPPs.....	38	1.5	169	50.8%	—	—	Feasibility
Wind Tbilisi.....	54	1.3	191	40.3%	10	6.5	Development
Wind Kaspi.....	54	1.3	195	41.2%	10	6.5	Development
Wind (other)	99	1.4	340	39.2%	10	6.5	Feasibility
Darchi HPP.....	19	1.4	89	53.3%	10	5.6	Feasibility
Acquisitions in 2019							
Hydrolea HPPs.....	21	1.8	105	58.5%	8-10	5.6	Operational
Qartli Wind Farm	21	1.4	85	47.1%	13	6.5	Operational
Total.....	438		1,657				

Overview of operational HPPs

Mestiachala HPP. The Mestiachala HPP is located in the Svaneti region and comprises two run-of-the-river power generation units with an aggregate installed capacity of 50 MW (the two generation units are considered to be separate for purposes of the regulatory regime, pursuant to which plants with an installed capacity of less than 40 MW are deregulated). 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 cost of construction was approximately US\$1.2 million per MW, with approximately 70% of the total project cost being financed through long-term debt facilities. For the first 15 years after the commencement of power generation, the Mestiachala HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices 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 rehabilitation, the 30 MW generation unit was recommissioned in December 2019 and it remains operational at the originally planned capacity. As for the 20 MW generation unit, surveys are ongoing for the restoration design which will be submitted to the relevant government authorities for the purpose of obtaining a construction permit. The recommissioning of the 20 MW unit is planned by the second half of 2021. The restoration budget is expected to be covered from insurance proceeds. Business interruption of 2019 has already been officially agreed with the insurance company. Insurance proceeds will also cover business interruption for the period up to July 2020 (12-month period in total).

Hydrolea HPPs

Debeda HPP. The Debeda HPP was acquired by Georgia Capital in October 2019 as part of the Hydrolea acquisition. It is an HPP built on irrigation infrastructure located in the Kvemo Kartli region that was commissioned in 2016. The installed capacity of the Debeda HPP is 3.2 MW. Until 2024, the Debeda HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices during the period from September to April (inclusive).

Kasleti 2 HPP. The Kasleti 2 HPP was acquired by Georgia Capital in October 2019 as part of the Hydrolea acquisition. The Kasleti 2 HPP is a run-of-the-river plant located in the Svaneti region that was commissioned in 2018. The installed capacity of the Kasleti 2 HPP is 8 MW. Until 2028, the Kasleti 2 HPP will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices during the period from September to April (inclusive).

Akhmeta HPP. The Akhmeta HPP was acquired by Georgia Capital in October 2019 as part of the Hydrolea acquisition. 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 will sell electricity at market prices during the period from May to August and pursuant to a PPA with ESCO at fixed prices during the period from September to April (inclusive).

Qartli Wind Farm. In November 2019, Georgia Capital won a public auction held by the Georgian Energy Development Fund and Georgian Oil and Gas Corporation to acquire 100% of the six-turbine Qartli Wind Farm, an on-shore wind farm located in the Shida Kartli region, for US\$14.4 million. The Qartli Wind Farm is the only operational wind farm in Georgia and has been generating power since late 2016. The PPA between the Qartli Wind Farm and ESCO runs to 2030 and covers 100% of the plant's output throughout the entire year. However, while the Qartli Wind Farm is obliged to sell electricity to ESCO during the winter months (December to February), it is permitted to choose its off-taker and market for the remainder of the year, depending on the attractiveness of other selling opportunities.

Renewable Energy's Competitive Strengths

The Company believes that Renewable Energy benefits from the following competitive strengths:

Stable cash flows with strong revenue visibility due to significant PPA coverage and low maintenance capital expenditure requirements. The renewable energy business has stable cash flows due to the high visibility of its revenue base as well as its relatively low maintenance capital expenditure requirements. All operational HPPs sell the electricity they generate pursuant to PPAs with ESCO as the off-taker. With the exception of the Qartli Wind Farm (for which the PPA applies for the entire year), these PPAs apply only for the period from September to April (inclusive). For the period from May to August, electricity generated by these plants is sold at market prices. The PPAs to which the Renewable Energy business is party contain fixed pricing, providing it with significant revenue predictability.

The maintenance capital expenditure requirements for renewable energy power plants is low. This is due in part to the fact that most maintenance activities, including full operations and maintenance coverage from suppliers for the Qartli Wind Farm, and all relevant maintenance activities for the HPPs, are already included in operating expenses. In addition, HPPs are considered to be 100-year assets and very low levels of maintenance are required in the first 30 years of operation. A special maintenance fund is also included in operating expenses for the HPPs, whereby the business sets aside approximately US\$100,000 per year for each project in the event that capital expenditure will be required in 10 to 15 years.

Exposure to favourable electricity market dynamics. The renewable energy business has exposure to favourable electricity market dynamics, with a deficit in generation resulting from growing electricity demand. Increased demand for electricity has been satisfied by imports, which have tripled during the past three years, resulting in Georgia gradually becoming a net electricity importer.

The Company expects demand for electricity to continue to increase, driven by GDP growth, which is strongly correlated with electricity demand. A rapidly growing tourism industry is also expected to contribute to demand for electricity. The number of international tourist arrivals to Georgia has almost tripled since 2011 and increased by 17% in 2018. The Company expects continued growth in the number of tourists over the next several years, although this may be tempered by the ongoing COVID-19 outbreak. 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.

Favourable regulatory regime, with deregulation providing further opportunities. On 27 June 2014, Georgia entered into the EU Association Agreement and established the Deep and Comprehensive Free Trade Areas (***DCFTA***) (effective since 1 September 2014) with the EU. As part of this process, Georgia has introduced reforms in the electricity markets. One of the key initiatives of these reforms was the introduction of a new model for setting prices for regulated utilities. In addition, in June 2017, the Georgian Law on Electricity and Natural Gas was amended, deregulating all HPPs with an installed capacity below 40 MW and gradually moving large industrial customers from a regulated pricing scheme to market pricing. As a result, from 1 May 2019, customers with consumption of at least 5 GWh per month are required to register as direct customers. This followed deregulation from 1 May 2018 in relation to customers consuming at least 15 GWh per month. The intent of these changes was to move large industrial customers to the free market while maintaining subsidised electricity prices for residential customers. Overall, the Company believes that energy market deregulation will positively affect electricity sales prices and market liquidity.

Favourable foreign exchange position. The renewable energy business has a favourable 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. This effectively provides the business with a hedge against Lari depreciation, which is particularly valuable given recent fluctuations in the U.S. Dollar/Lari exchange rate.

Renewable Energy's Strategy

The renewable energy business strategy is to capitalise on favourable market conditions achieved as a result of gradual market deregulation. The renewable energy business aims to establish a renewable energy platform of 440 MW operating capacity over the medium term through development of greenfield projects, coupled with acquisitions of existing hydro and wind assets in Georgia. As a result, the renewable energy business would become one of the largest players on Georgian deregulated electricity market. The commissioned plants are party to PPAs with ESCO as the offtaker for the period from September to April (inclusive) and sell electricity at market rates outside this period (with the exception of the Qartli Wind Farm, for which the PPA applies for the entire year). Due to the favourable electricity market dynamics, the Company believes that renewable energy's increasing portfolio of unregulated renewable energy assets will provide additional opportunities for revenue and cash flow growth.

Regulation of the renewable energy sector

ESCO

The Georgian government historically effectively provided incentives to new power plants 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 US\$5.0 to US\$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 are required to register as direct customers. From 1 May 2019, this requirement has applied 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 generators, traders and importers directly rather than from distribution companies.

From July 2018, the newly established PPP agency on behalf of the Government addresses investors' requests for PPAs in accordance with regulations and procedures established under the new PPP law. The PPP agency conducts a cost/benefit analysis and concludes whether the project requires any support from the Government and decides on the mechanism of support. In December 2019, the Georgian Parliament adopted the Energy Law, which replaced the Law 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 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, 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 electricity market operator, generation units, traders, suppliers and transmission system operator. The electricity market operator will operate day ahead, intra-day and bilateral electricity (forward) markets, register market participants and ensure transparent, accessible and trustworthy payment system. There is a separate operator for 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, *inter alia*, 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 becomes wholesale public service provider and most importantly, will ensure compliance with the guaranteed power purchase agreements executed prior to the enactment of the new Energy Law.

Harmonisation with EU Law

The EU liberalised its electricity market by introducing Directive 96/92/EC on the common rules for the internal electricity market in the 1990s, Directive 2003/54/EC enabling suppliers to enter EU member countries and Directive 2009/72/EC, commonly known as the 3rd Energy Package, which established common rules for the generation, transmission, distribution and supply of electricity in the EU. The 3rd Energy Package directive includes the following rules:

- All customers should have access to electricity regardless of the supplier's member state, as long as the supplier follows applicable trading and balancing rules;
- Customers must be able to switch suppliers;
- Electricity projects should strive to be energy-efficient by providing energy management services, developing innovative pricing mechanisms, and introducing intelligent metering systems and smart grids;

- A single point of contact shall provide consumers with all the necessary information regarding their rights, current legislation, and the dispute settlement means available to them in the event of a dispute with their electricity supplier;
- The energy ombudsman or a similar consumer body should be established to ensure the efficient treatment of complaints and out-of-court settlements.

On 27 June 2014, Georgia entered into the EU Association Agreement and established the DCFTA (effective since 1 September 2014) with the EU. As part of this process, Georgia has introduced reforms in the water supply and sanitation services and electricity markets to bring them in line with the 3rd Energy Package. On 14 October 2016, Georgia signed the Protocol on the Accession of Georgia to the Energy Community Treaty which took effect on 21 April 2017. The Protocol of the Accession of Georgia to the Energy Community Treaty and the EU/Georgia Association Agreement provides for harmonisation of the Georgian legislation with EU requirement, aiming to establish a competitive market in the energy sector. Under the EU Association Agreement and the Accession Protocol, Georgia has agreed to implement the following directives and regulations in the electricity sector:

- EU Directive 2009/72/EC, which defines transmission systems operators (*TSOs*) as grid owners and proposes an unbundling of that ownership by separating the assets of the TSOs or transforming them into independent systems operators (*ISOs*), if it is part of a vertically integrated structure. Under that directive, Georgia was required to include a public service obligation to customers to ensure a regular supply of electricity and to nominate a “supplier of last resort”;
- Regulation 714/2009 on the conditions for access to the network for cross-border exchanges of electricity between Georgia and EU member states, which is possible with the involvement of Turkey as an intermediary trading partner;
- Directive 2005/89/EC, which obligates states to safeguard the security of continuous electricity supply and infrastructure investment, take measures to facilitate a stable investment climate, ensure sufficient transmission and generation reserve capacity and establish liquid wholesale markets and opportunities for cross-border cooperation in relation to the security of electricity supply, among other requirements;
- Directive 2009/28/EC, which obliges member states to open their power grids to energy from renewable sources, including via priority grid access (priority dispatch);
- Directive 2012/27/EU on energy efficiency and Directive 2010/31/EU on the energy performance of buildings, which are aimed at improving energy efficiency; and
- Directive 2008/92/EC, which seeks to improve the transparency of gas and electricity prices and the terms of sale to industrial end-users.

In 2017 and 2018, Georgia introduced new legislation and regulations concerning the utilities market, including the following rules (some of which are discussed above):

- From 1 May 2018, consumers of at least 15 GWh per month have been required to register as direct customers. With effect from 1 May 2019, the criteria for direct customers were amended to define direct customers as customers of 5 GWh per month and meeting additional criteria defined by the Government;
- Power plants with installed capacity of less than 40 MW have been deregulated since 2018;
- From September to May, wholesale electricity prices paid on electricity purchased from small capacity power plants by ESCO will be equivalent to the lowest of the upper price limits set for regulated HPPs by the regulator;
- Distribution companies are given certain grace periods and conditions to create digital maps of their distribution grids and to integrate Supervisory Control and Data Acquisition (*SCADA*) elements in their accounting processes;
- Tariffs for regulated generation, dispatch, transmission and distribution companies will be based on three-year development plans developed by those service companies.

The Energy Law was adopted on 20 December 2019, which repealed and replaced the Law of Georgia on Electricity and Natural Gas adopted in June 1997. The Energy Law lays down the foundation to reform 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. The changes introduced by the new energy law contains, among others, the following provisions:

- Ensuring supplier switching and a supplier of last resort (nominated by the government);
- Unbundling of TSOs and distribution system operators in electricity and natural gas sectors;
- Introducing the goals of increased energy efficiency and decreased carbon emissions based on Georgia’s environmental, economic and social security policy;
- Integration of smart technologies into the electricity market;
- Promotion of renewable energy;
- Supporting cross-border electricity trade to increase competition and diversification;
- Deregulating electricity prices;
- Implementing measures related to the security and reliability of electricity supply;
- Protecting consumer rights and increasing affordability of electricity;
- Introducing a public service obligation for distribution companies;
- Abolishing cross subsidies among vertically integrated companies.

The Energy Law maintained and upheld electricity generation licences issued prior to its enactment. The water supply licence holders are required to apply to GNERC for an updated authorisation by 27 February 2020.

The changes in relation to deregulation, unbundling, and supplier switching will support the establishment of market-based electricity supply prices. However, prices for electricity generated by some plants will continue to be set by GNERC. The new energy model also lays the groundwork for an electricity trading mechanism. It allows the Georgian government to launch a bilateral electricity market, a day-ahead market, a day-in market, and a market for balancing and ancillary services.

Currently, ESCO is trading balancing electricity (including imports), as described above under “—ESCO”. This model of the market is not harmonised with EU practices of free electricity markets. A new electricity trading mechanism will eventually replace the existing model with a free electricity market. There has been no final consensus reached about the model of the new electricity market.

Law on Renewable Energy Sources

In December 2019, the Georgian Parliament adopted the Law of Georgia on Promotion of the Production and Use of Energy from Renewable Sources establishing a legal framework for the promotion, facilitation and utilisation of energy from renewable sources. Renewable energy is energy derived from renewable non-fossil sources, including wind, solar, hydropower, biomass, aerothermal, geothermal, hydrothermal and ocean energy, gas derived from the decomposition of organic material in landfills, wastewater treatment plants and biogas.

The law sets national targets for the overall share of energy from renewable energy sources in total energy consumption. According to the law, by 2030 Georgia should increase its share of renewable energy in total energy consumption from 29.5% (the share of renewables in 2019) to 35%. At the same time, by 2030 the share of energy generated from renewable sources for all transport vehicles shall be at least 10% of all energy consumed by transport vehicles in Georgia. Total energy consumption in addition to electricity consumption includes consumption of natural gas, petroleum products (gasoline and diesel), coal and biofuels. In order to achieve the target, by the end of 2020 the government must develop a national 10-year action plan detailing activities, deadlines, responsible persons, budget and sources of funding.

The law allows for the introduction of incentive mechanisms. Incentives can be implemented in a variety of ways, including: tax reliefs, direct price support schemes, fixed and variable premium payments, including, *inter alia*, feed-in tariffs, contracts for differences, green certificates and auctions. The government was given a one-year deadline for approval of the precise list of incentives and implementation conditions.

Hospitality and Commercial Real Estate Business

Overview

The Group's Hospitality and Commercial Real Estate Business is 100% owned through Georgia Real Estate (former m²) and is comprised of: (a) rent-earning commercial assets with targeted 10% yield and (b) hotel development business across Georgia with more than 1,000 targeted rooms. The hotel development business has already confirmed 1,222 rooms, of which, 273 are operational and 949 are in pipeline. The targeted hotel portfolio comprises approximately 630 internationally branded hotel rooms and approximately 592 hotels rooms developed by the business under its own Amber Group brand. However, in light of COVID-19 outbreak two operational hotels are closed and rented to the government for quarantine, constructions of new hotels are put on hold until there is more certainty regarding the effects of COVID-19 on the business landscape and the Georgian economy.

The following table sets out the revenue split between Hospitality and Commercial Real Estate's two main business lines and revaluation of investment property in the past two years:

	For the years ended 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Total revenue	22,558	11,273
<i>Of which:</i>		
Revenue from operating lease.....	8,051	5,020
Revenue from hospitality services	7,009	5,151
Revaluation of investment property	7,498	1,102

Hospitality and Commercial Real Estate's Competitive Strengths

The Company believes that Hospitality and Commercial Real Estate benefits from the following competitive strengths:

- **Hospitality and Commercial Real Estate has a cost advantage through the vertical integration of its construction and project management.** Owing to its vertical integration, the business has control over the largest part of a development's cost base, which enables the business to achieve construction and project development efficiencies.
- **Internationally branded hotel portfolio.** The business develops five international brand hotels. Four are under the Ramada Encore Hotels chain and one is under the Kempinski Hotels chain. It brings the business the advantage of being easily recognizable both locally in Georgia and in the world.
- **High-quality commercial portfolio in prime locations.** Geographically, the issuer's commercial properties are mainly concentrated in Tbilisi across prime locations. For example, the Group's Melikishvili Business Centre is a high-quality office building in Tbilisi.

Hospitality and Commercial Real Estate's Strategy

- **Hospitality business.** The tourism sector in Georgia has demonstrated significant growth and the country has the potential to place itself on the world map as a high-quality tourist destination. To capitalise on growing tourism activities in the country, the hospitality business plans to increase its presence in the hospitality sector and reach a total combined room count of more than 1,000 rooms. The hospitality business aims to have a geographically well diversified, mostly 3-star and 4-star hotel portfolio, to tap unpenetrated markets in Georgia. The business currently has one operational and two pipeline hotels in the capital city, and one operational and seven pipeline hotels located across different regions of Georgia. The targeted hotel portfolio comprises approximately 630 internationally branded hotel rooms and approximately 592 hotels rooms under the business's own brands, developed by the Amber Group. However, in light of COVID-19, the business strategy is currently under review until there is more certainty regarding the effects of COVID-19 on the business landscape and the Georgian economy.

The hospitality business launched its first 3-star Ramada Encore hotel in Tbilisi in March 2018 under a development agreement with Wyndham. The hospitality business launched its second operational hotel in Gudauri, the leading ski resort of the Caucasus region, on 13 December 2019 and added 121

luxury rooms to the operating hotel room portfolio under the “GUDAURI LODGE” brand. The business has five hotel projects under construction with a combined expected 460 rooms. Additionally, there are four hotels in the design stage with an expected 489 rooms in aggregate.

The total capital needed to complete the construction and development of the hotels in the current pipeline is estimated at US\$76.9 million. The hospitality business targets a 70:30 debt to equity leverage ratio at hotels after hotel opening and 50:50 during construction stage. The business aims to earn on average approximately 14% US dollar ROIC.

- **Commercial Real Estate.** Georgia Real Estate manages a commercial real estate asset portfolio, which it accumulated through its developments under the housing development business, as well as opportunistic investments. Georgia Real Estate will continue growing its commercial asset portfolio through enhancing the income-generating assets by incorporating commercial elements in its residential developments and opportunistically acquiring and/or developing high street retail, commercial and office space. In addition to rental income, these assets can also deliver capital appreciation. The business targets a 10% yield and a 90% occupancy on rent-earning commercial assets. The business earned an annual gross yield of 9.5% on US\$44.9 million commercial assets portfolio with an 87.1% occupancy rate during 2019.

Hospitality portfolio

The following table sets out an overview of hospitality projects. The hotels under construction and under design stages have been put on hold in light of COVID-19 outbreak until there is more certainty regarding the effects of COVID-19 on the business landscape and the Georgian economy.

Hotel	Location	Rooms	Current Stage	Total Cost (US\$ million)
Ramada Encore Kazbegi, Tbilisi	Capital city	152	Operational	12.1
GUDAURI LODGE	Region	121	Operational	16.0
Ramada Melikishvili, Tbilisi.....	Capital city	125	Construction	13.5
Kempinski, Tbilisi.....	Capital city	99	Construction	26.4
Seti Square in Mestia, Svaneti.....	Region	52	Construction	4.9
Ramada Kutaisi	Region	124	Construction	9.4
Kakheti Wine & Spa.....	Region	60	Construction	12.8
Shovi, Racha.....	Region	109	Design	5.6
Mestia, Svaneti	Region	140	Design	11.7
Telavi	Region	110	Design	15.6
Zugdidi	Region	130	Design	13.7
Total		1,222		141.7

Ramada Encore Kazbegi

The hospitality business launched its first 3-star Ramada Encore hotel in Tbilisi in March 2018 under a development agreement with Wyndham. The 152-room internationally branded hotel, located on Kazbegi Avenue, features meeting spaces and the restaurant – Black Lion Hub. The hotel average daily rate (*ADR*) and occupancy rate during 2019 were US\$62 and 54%, respectively.

Kempinski

Kempinski Hotels has signed a management agreement with Georgia Real Estate for a luxury hotel development in Tbilisi, Georgia. The hotel, which is under construction, consists of 99 rooms. Positioning the hotel as a culinary hub both for locals and tourists, the facilities will include a range of exclusive gastronomic experiences. Built into the neighbouring mountain, the hotel will invite guests to discover the best of wines from Georgia, as well as featuring views of Tbilisi old town.

Ramada Melikishvili

Ramada Melikishvili is a 4-star internationally branded hotel located in the centre of Tbilisi and is expected to cater to the needs of business travellers. The 125-room hotel will include a conference hall and a restaurant offering a broad range of exclusive gastronomic experiences.

Ramada Kutaisi

The 124-room under-construction Ramada is conveniently located in Kutaisi. The supply of hotel rooms is low in Kutaisi, while Kutaisi international airport serves low-cost airlines, creating significant room for business growth.

Wyndham Zugdidi

The 130-room hotel is located in Zugdidi, Samegrelo. The city with ancient history is distinguished by its beautiful nature and important cultural monuments.

Gudauri Lodge

Gudauri Lodge ski-in/ski-out hotel is located in Gudauri, the largest and highest ski resort in Georgia. It offers views of the mountain and a celebrity chef's Georgian restaurant with a large selection of local wines. The 121-room hotel was recently opened in December 2019.

Seti Square, Svaneti

Svaneti Seti Square hotel will be located in Mestia Centre, Svaneti. Mestia is the main regional centre of upper Svaneti, 1,500 meters above sea level. It is the starting point for most trips to Svaneti. New ski resorts Hatsvali and Tetnuldi attract winter sports lovers to the area. Guests can enjoy local cuisine in the on-site restaurant. The 52-room hotel will feature a conference hall, pool and spa centre and other entertainment areas for visitors.

Kakheti Wine & Spa

Kakheti Wine & Spa is located in Kakheti which is considered to be the cradle of the Georgian winemaking. The Kakheti Region is one of the most popular travel destinations in Georgia. The 60-room hotel, designed by celebrity Italian architect and designer Architetto Michele De Lucchi, will offer a wine cellar.

Shovi

The hotel will be located in Shovi, balneological-climatic resort in Racha, 1,520 meters above sea level. The hotel will have 109 rooms and restaurant offering a broad range of traditional dishes.

Mestia, Svaneti

The 140-room hotel will be located in Mestia, Svaneti. Mestia is the main regional centre of Upper Svaneti 1,500 meters above sea level.

Telavi

The 110-room hotel will be located in Telavi, the administrative and economic centre of Kakheti, Georgia's winemaking region. The hotel will offer a wine cellar, where guests will have an opportunity to try Georgia's most famous and historical wine collection.

Commercial property

Georgia Real Estate makes opportunistic investments in the commercial property market and manages a diversified portfolio of properties that generate rental income. These include mainly high street properties with some industrial and office space. Georgia Real Estate generated an annual yield of 9.5% on its portfolio of leased commercial property in 2019 (compared with 9.9% in 2018). It targets an annual yield of 10%. In addition to generating rental income, these assets can also deliver capital appreciation. Georgia Real Estate has developed its current portfolio of commercial properties by retaining the ground floor areas of its residential developments which it leases out as commercial space and by opportunistically acquiring other commercial sites. It aims to build in prime locations, attract good tenants and negotiate favourable leases. According to Galt & Taggart research, rental yields of commercial properties in the capital city of Tbilisi remain relatively high at approximately 9% per annum.

In December 2018, Hospitality & Commercial Real Estate placed US\$30 million bonds into the local market backed by the rental income stream from commercial properties. The bonds were issued at par with 3-year tenor and an annual coupon rate of 7.5%, payable quarterly. The proceeds are used to finance hotel developments.

Regulation of the Hospitality and Commercial Real Estate Sector

Hotel and commercial spaces should provide protection and security to tenants, guests and hotel staff. There is a legal requirement to manage any fire risk and provide all staff, guests and visitors with an evacuation plan. Each hotel must contain comprehensive hotel fire safety systems, such as fire alarms and fire sprinkler systems that are equipped to react swiftly and efficiently. Hotel management is expected to organize hotel fire evacuation procedures and an ordered and timely evacuation in such circumstances. They need to prepare hotel fire evacuation procedures and fire escape diagrams that are visibly displayed throughout the building. According to the legislation, each hotel is obliged to make an internal inspection of the above-mentioned regulations twice a year and prepare respective acts on inspection results. Furthermore, compliance with regulations is inspected by the legal entity of Public law – “112” or by the alternative company on a periodic basis.

Beverages Business

The Group’s Beverages business is 87% owned through Georgian Beverages. Georgian Beverages is a leading beverage producer and distributor in Georgia. It has three major business lines:

- The production and sale of wine. Georgian Beverages has three wineries in East Georgia and distributes its own wine in Georgia as well as exporting to 17 countries. During 2019, the wine business exported approximately 4.5 million bottles of wine.
- Georgian Beverages launched local mainstream beer and lemonade production in June and August 2017, respectively. The beer business launched four new brands in the first half of 2019, followed by the launch of Heineken in July 2019. The beer business sold 214,882 hectolitres (*HL*) of beer in Georgia in 2019.
- The distribution of its own beverages and third-party brands within Georgia.

The following table sets out the split of consolidated revenue between Georgian Beverages’ two main business lines for the periods indicated:

	For the years ended 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Total revenue	124,705	76,358
<i>Of which:</i>		
Revenue from wine sales	42,216	27,020
Revenue from beer sales	49,668	27,395
Revenue from distribution of imported goods.....	19,569	14,065
Revenue from lemonade and coffee sales.....	10,353	5,003
Change in net realisable value of agricultural produce after harvest.....	2,899	2,875

Beverages business’s Competitive Strengths

The Company believes that Georgian Beverages benefits from the following competitive strengths:

- ***The existing extensive domestic and international distribution network.*** As at 31 December 2019, Georgian Beverages had one of the widest distribution franchises in Georgia, covering up to 12,000 through 15,000 sales points per year, depending on seasonality, and strong export channels to 17 countries including all countries of the former Soviet Union, Poland, USA, Canada and China. This enables Georgian Beverages to accelerate the growth of its distribution portfolio and achieve distribution cost efficiencies.
- ***Georgian Beverages has a strong management team with a proven track record of growth.*** The current Georgian Beverages management team has built a strong sales franchise and has established itself as a leading Georgian distributor in the wine and sparkling wine segment by achieving a market share of approximately 25% in premium hotels, restaurants and cafes and a modern trade segment based on bottled wine sales in 2019 (market share is a management estimate).

- **Georgian Beverages’ ten-year exclusive partnership and support agreement with Heineken Group and advanced brewery facilities.** As a result of its successful sales track record of imported Heineken beer, Georgian Beverages secured a five-year exclusivity licence (with a 5-year automatic prolongation clause) with Heineken in May 2015 which Georgian Beverages has an option to extend for a further five years and began mainstream beer production in June 2017. The beer business’s brewery is equipped with advanced technologies, which meet the highest standards of beer production and has the capacity to double its current levels of production with a low amount of capital investments. After successful consecutive trial brews for Heineken, the business received the license to brew Heineken at the end of June 2019 and launched locally brewed Heineken in July 2019.

Beverages business’s Strategy

The key elements of Georgian Beverages’ business strategy are set out below:

- **Diversification of wine exports.** The wine business intends to access a bigger share of export markets, by benefiting from favourable export dynamics of Georgian wine, improving positions in traditional markets and entering untapped strategic markets. The business is re-branding and optimising its wine portfolio to better focus on EU, US and Asian markets. The business, in partnership with Georgia’s artisan winemakers, started to export a limited collection of unique wines in 2020. The business will be mostly focusing on big markets like US and China, where it has already grown wine bottle sales by 61% and 44%, respectively, in 2019 from a very low base, with significant growth potential in future.
- **Cost optimisation at the wine business.** The wine business aims to cultivate and purchase vineyards to minimise reliance on purchased grapes and have a significant cost advantage to produce wine with mostly self-harvested grapes. The vineyards have approximately five to seven years payback period with expected approximately 25% to 30% return on invested capital. Further, the business also aims to enhance own storage and production capacity. During 2018 through 2019 the business acquired two wineries in line with its cost optimisation strategy. Following the acquisition of Kindzmarauli Marani in May 2018, and acquisition of Alaverdi winery in August 2019, the wine business’s vineyard base increased from 86 hectares of vineyards to its current 704 hectares of vineyards. The business also has an additional 135 hectares of free land available for immediate vineyard development. The acquisition of Alaverdi also tripled the wine business’s production capacity in bottles from 9.4 million wine bottles to 28.4 million wine bottles per annum, providing substantial relief in planned capital expenditures for the next few years.
- **The beer business aims to capture growth opportunities in both the local and export beverages markets through premiumisation strategy.** The business started to tap the international markets in 2019, by exporting its mainstream beer and carbonated soft drink brands. Currently the business has the strongest portfolio in terms of brand equity, which is its key competitive advantage and value creation driver. The beer business plans to increase its market share up to 30% by 2022.

Wine business

Georgian Beverages currently sells approximately 4.4 million bottles of wine per annum. The following table sets out the total bottles of wine sold between 2018 and 2019:

Bottles of wine sold (in millions)

2018	4.3
2019	5.9

The majority of wine produced by Georgian Beverages, approximately 78%, in the year ended 31 December 2019 was exported globally to 17 countries. The following table sets out the revenue split between domestic wine sales and export sales:

	For the years ended 31 December	
	2019	2018
	<i>(millions of GEL)</i>	
Total wine sales revenue	42.2	27.0
<i>Of which:</i>		
Domestic sales	10.4	10.0
Export sales.....	31.8	17.0

Georgian Beverages’ three wineries are located in Telavi, Kvareli and Gurjaani in the eastern part of Georgia, the latter two being acquired in May 2018 and August 2019. The winery is equipped with advanced Italian grape processing equipment that enables Georgian Beverages to produce still wine, sparkling wine, grappa (known locally as chacha) and brandy in full compliance with European wine-making standards. Georgian Beverages produces a variety of wine products under the following brands: Teliani Valley, Teluri, Glekhuri, Samtavro, Old Gruzia, Mtavruli and Le Caucase. Georgian Beverages’s brands have been recognised by a number of international wine festivals, including the Concours Mondial de Bruxelles, IWC, IWSC, and Decanter.

Beer business

The beer business has a 20% market share as of 31 December 2019 and has the leading beer portfolio in terms of brand equity, led by local champions and Heineken-licensed brands. In the beginning of 2019, the beer portfolio included only three brands: ICY – flagship mainstream beer brand, imported Heineken – a leader in the premium segment, and Black Lion – a leading Georgian craft beer producer, acquired in 2018. During the first five months of 2019, the beer business launched new brands and focused on producing quality beverages: in March the business acquired a prominent Georgian beverages brand – Kazbegi (Georgia’s oldest beer brand, brewed since 1881, for a total consideration of US\$3.65 million), followed by the launch of Kazbegi beer and carbonated soft drinks in April; Krusovice, Amstel and local light beer, Kayaki, three upper-mainstream segment beer brands, were also fully launched during May. After successful consecutive trial brews for Heineken, the business received the license to produce Heineken at the end of June 2019 and launched locally brewed Heineken in July 2019. Starting from the second half of 2019, the beer business benefited from full scale launch of new brands. Meanwhile the business also started to tap the international markets, by exporting its mainstream beer and carbonated soft drink brands mainly in China and CIS Countries.

The beer business’s brewery is located in Tsilkani, approximately 15 kilometres from Tbilisi. The location was selected because of the ecologically clean surroundings and quality of the local spring water. Beer is produced in accordance with the terms of an agreement with Heineken that grants Georgian Beverages exclusive production and distribution rights in Georgia and the agreement to source Heineken in Armenia and Azerbaijan upon the Heineken Group’s request. The brewery is equipped with modern and efficient European brewery and bottling technology and installed under Heineken’s direct supervision. The brewery has four bottling lines (for cans, plastic (PET) bottles, kegs, and glass bottles).

The brewery controls end-to-end business, including sourcing, storing, brewing and bottling of beer and carbonated soft drinks in accordance with the highest standards, proven by a broad range of qualitative parameters. The brewery uses Heineken’s Quality Management Standards and compulsory sample tests. Georgian beverages executes complex quality controls on each stage of production.

Regulation of the Beverage Sector

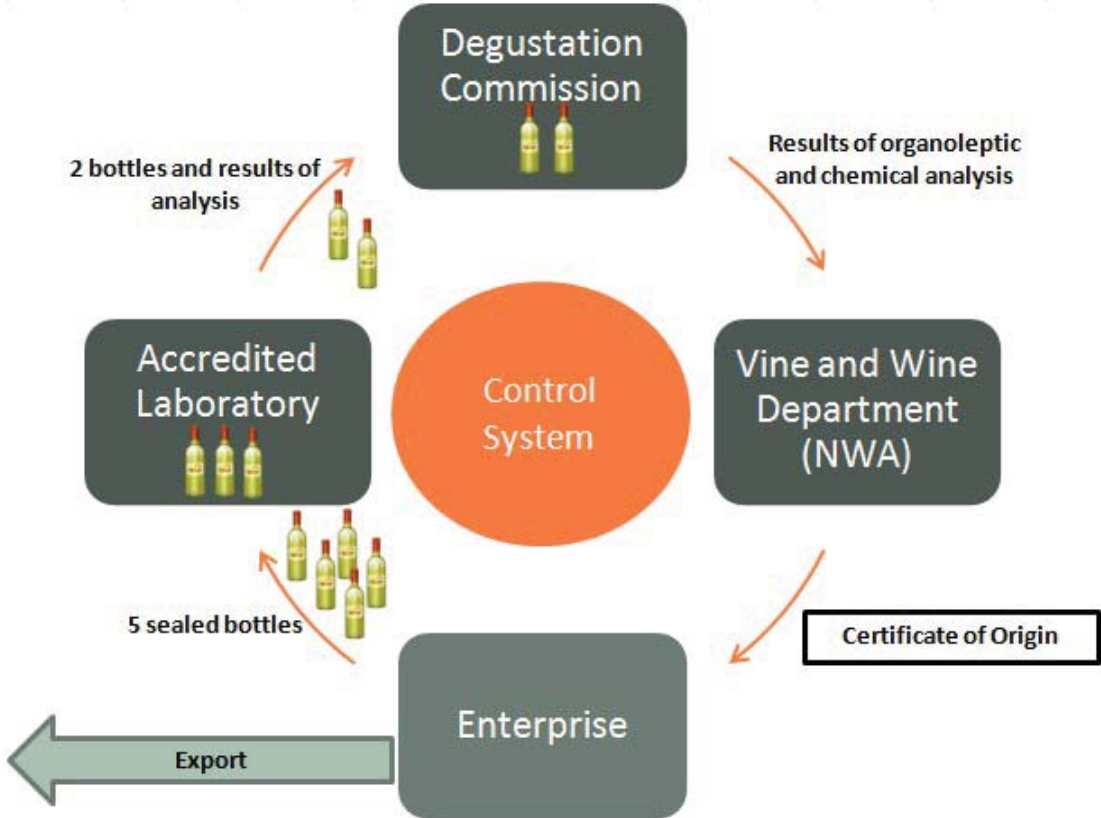
Overview of wine sector

The National Wine Agency (*NWA*) forms part of the Ministry of Agriculture and is the government department dedicated to establishing a well-regulated wine industry. The NWA regulates wine production and ensures that producers comply with production standards. The agency monitors quality and supports the development of viticulture and winemaking, regulating activities ranging from the breeding of vine grafts and vineyard planning to grape processing, wine production and sales. The agency is also responsible for

overseeing the certification and labelling of quality wines and grants rights to use a registered protected designation of origin (*PDO*).

Key Legislation in wine sector

The Law on Appellations of Origin and Geographical Indications (*GI*) was adopted in Georgia in June 1999. The law seeks to ensure that production is of the highest quality by setting out basic manufacturing procedures and product registration requirements based on GI. This protects the market against counterfeit and low-quality products.



Source: Ministry of Agriculture of Georgia

As at 31 December 2019, Georgia had 20 PDOs: 15 in Kakheti, 2 in Racha-Lechkhumi, 2 in Kartli and 1 Imereti. PDO wines are subject to strict control procedures and are regulated from initial grape production to the export stage. Georgia is taking further significant steps to protect its wines with intellectual property. The National Intellectual Property Centre of Georgia and the Wine Association aim to promote a competitive market for Georgian wine and look to protect the Georgian wine industry from counterfeiting both in the country and abroad.

Beer Sector

The Government sets the excise tax amount per percentage point of alcohol in beer. Currently, excise tax stands at 0.12 GEL per one percentage point of alcohol in a one litre of beer.

Education Business

Overview

The Group’s education business now combines partnerships with majority stakes in three high quality schools across premium, mid-level and affordable education segments:

- Premium segment is represented by British-Georgian Academy (*BGA*) & British International School of Tbilisi (*BIST*) (70% equity stake), which provide Georgian and Cambridge International Education programmes. Both BGA and BIST are the leading schools in the premium segment with a current capacity of 800 learners and a target capacity of 3,200 learners, current capacity utilization of 95% and market share of 1.7% in Tbilisi private education market.

- Buckswood International School (80% equity stake) is well-positioned in the mid-level segment with current capacity of 760 learners and a target capacity of 2,980 learners, current capacity utilization of 90% and market share of 1.7% in Tbilisi private education market.
- Green School (80%-90% equity stake), a leading player in the affordable education segment with current capacity of 1,250 learners and a target capacity of 5,000 learners, current capacity utilization of 90% and market share of 2.6% in Tbilisi private education market.

Total current capacity of the partner schools is 2,810 (6% market share in Tbilisi private schools), while target capacity for the current partners for 2023 is 11,180 learners. The current combined capacity utilization is 92%.

The following table sets out the split of revenue between three main segments of education business:

	For the year ended 31 December 2019	
	<i>(thousands of GEL)</i>	<i>mix</i>
Total revenue	12,083	100%
<i>Of which:</i>		
Premium segment ⁽¹⁾	7,717	64%
Mid-level segment ⁽²⁾	2,798	23%
Affordable segment ⁽³⁾	1,568	13%

Notes:

(1) Revenue since acquisition on 23 July 2019.

(2) Revenue since acquisition on 29 July 2019.

(3) Revenue since acquisition on 22 August 2019.

Education business's Competitive Strengths

The Company believes the Education business benefits from the following competitive strengths:

- ***Strong management team.*** Through partnership agreements the education business onboarded strong management teams with experience in the K-12 education sector. The management teams have an exceptional track record of growth and of creating leading schools with very strong brands in across their respective segments.
- ***Highly qualified academic staff.*** The management teams across the segments have a rigorous selection process for academic staff recruitment. Additionally, numerous trainings are organized in order to improve their professional skills and increase the education quality at schools. Consequently, all of the schools have highly skilled teachers who play an extremely important role in the success of each school. Expansion of the business will allow institutionalization of the teacher training and recruitment processes and support quality maintenance and enhancement across the schools.
- ***Strong and predictable cash generation.*** The existing schools are cash generative with high cash collection and cash conversion rates. With high learner retention rates at quality schools, cash flow lock in has a long duration of 13 to 16 years. Premium and midscale schools collect the majority of tuition fees (a substantial part of which are USD or GBP denominated) four to six months before the start of the academic year. As for the cash outflows, capital expenditures after initial investment are low relative to revenue and most of the operating expenses are predictable and flexible in the short-term.
- ***Diversified portfolio.*** The schools have a wide range of product offerings (Georgian curriculum, highly ranked COBIS's accredited curriculum) across different price categories: premium, midscale and affordable. In case of economic volatility, the Group has a strong position to capture shifts in the demand thus minimising the potential losses.
- ***High efficiency in infrastructure development planning.*** The education business works with highly qualified architects with international experience in the field to make sure that campuses are planned efficiently to reach cost optimization and to create safe and productive environment for learners and teachers.

Education business's Strategy

The key elements of the education business strategy are set out below:

- The education business plans to reach a capacity of 27,000 learners and generate GEL70 million EBITDA by 2025 through greenfield developments, partnerships and mergers and acquisitions.
- Georgia Capital plans to scale up its partner school capacities to 11,180 learners by 2023 by expanding existing campuses and adding new ones (premium segment – 3,200 learners, mid-level – 2,980 and affordable – 5,000 learners).
- The Group's involvement will be limited to board membership level: strategy setting, hiring key people – appointing the CFO, oversight of CAPEX spending.
- Due to the COVID-19 pandemic, expansion plans are postponed for several months, although the long-term vision and goals of the business remain the same.

Regulation of the Education Sector

Overview

All private schools undergo mandatory accreditation process. Existing guidelines for accreditation include (a) the document of the national goals for general education, (b) the national curriculum and (c) the normative acts of the general educational institutions established by the Ministry of Education and Science of Georgia. Authorisation process is conducted by National Centre for Education Quality Enhancement (*NCEQE*) operating under the Ministry of Education and Science of Georgia. International curriculum providers have the opportunity to receive accreditation in Georgia through submitting the rationale for the accreditation and descriptive documentation to NCEQE. The government provides GEL300 per learner to private schools by way of an annual voucher. The government does not regulate fees in the private education sector.

Key Legislation

A private school, as a legal entity established in the relevant organisational-legal form, is an entrepreneurial entity that carries out its activities in accordance with the Law of Georgia on General Education (2005.04.08 # 1330). The legislation of Georgia in the field of general education includes the Constitution of Georgia, the Constitutional Agreement, international agreements, the Law of Georgia on General Education and other laws and by-laws.

The Group's pipeline private businesses

Auto Service Business

Overview

Group's Auto Service Business comprises of the following services and companies: periodic technical inspection (PTI) run by Greenway, car insurance run by Aldagi (discussed separately under "*P&C Insurance*"). Car services and parts run by Amboli and secondary car trading run by Carfest are in the pipeline and still under development phases.

Periodic Technical Inspection (PTI)

As part of the Georgia-EU Association Agreement, Georgia started implementation of mandatory vehicle inspection programme in several phases starting from January 2018. In July 2018, Greenway (GWG) won a state tender to launch and operate 51 periodic technical inspection lines across Georgia with a 10-year licence. Technical inspection prices are set at GEL60 and GEL100 for light vehicles and heavy vehicles, respectively. GWG is the only player on the market with support from an international partner, Applus+, a Spain-headquartered worldwide leader in testing, inspection and certification services with a market presence in more than 70 countries. GWG finalized construction of 26 centres (10 locations in the capital city and 16 regional locations) and became fully operational from March 2019. GWG invested GEL48 million to commence its operations, of which, GEL5 million was equity capital provided by Georgia Capital and the rest was financed by borrowings from a local financial institution.

GWG recorded revenue and EBITDA of GEL14.5 million and GEL2.6 million, respectively, as of 31 December 2019. More than 340,000 cars were serviced, of which more than 245,000 were primary checks. Within one years from operation, GWG managed to capture 36% market share in Georgia (48%, in Tbilisi and 26% in Regions).

In supplement to its PTI services, Greenway launched a car wash service business under the brand of Greenwash offering clients easy, eco-friendly and comfortable manual wash services next to its technical inspection centres.

By the end of 2019 GWG became a member of CITA – international motor vehicle inspection committee. CITA plays an influential role in the development and implementation of policies for safe and sustainable road usage by providing its members with best practice recommendations through research, seminars, trainings and forums enabling members to exchange information, experience and expertise related to vehicle compliance. GWG is the only player in the market with full membership in CITA.

Car services and parts

Georgia Capital acquired an 80% interest in Amboli at the end of June 2019, increasing its shareholding to 90% in February 2020. Amboli is an importer, distributor, wholesaler and retailer of car consumables and spare parts and with approximately 1% market share, is the second largest player on the market. Since acquisition, in addition to 4 existing express-branches, where Amboli offers its customers fast consumables and spare parts, 6 more branches were opened, 1 in Tbilisi and 5 regionally.

Secondary car trading

By the end of 2019, Auto Service entered the car import market, where annually approximately 63,000 secondary vehicles are imported. During 2019, the business imported 190 cars.

Auto Service business's Strategy

- The Group's aim is to create a car ecosystem combining different car-related services. By combining several areas of expertise and exploiting synergies between the businesses, customers will be able to receive a full range of car services through a digital platform that will give the auto service business a unique competitive advantage.
- The car service and parts industry in Georgia is a highly fragmented market where the leading player controls approximately 28% of the market and is perceived as a more high-end service provider. The rest of the market is dominated by small, owner-operated lower-end service shops. Currently there is no single distinguished player on the market addressing the needs of mid-end customers with quality services in an amiable environment. Amboli will be positioning its brand to address this gap in the car service and parts industry in Georgia.
- The Group intends to increase its footprint in the car service and parts industry in the coming years through further developing its express branch network and building medium and universal service centres, offering a full package of car repair services to both retail customers and large corporate fleets.
- There are approximately 1,700 entities (the vast majority of them are dealers) importing vehicles in Georgia. All of the importers are offering only buying and transportation services, while the Group's auto service business is targeting to offer all necessary car services, making car buying experience exceptional for the clients both on import and local trade market. A new online marketplace will provide customers with an easy-to-use experience when buying or selling their car with the capability of a fully online experience.
- Each business will generate independent profits but will also support the Group's strategic ambition to become the first-choice brand when it comes to buying, selling or owning a car.

Risk management

Greenway's internal controls are managed by a quality control department which is under the supervision of the CEO of the company. The department assesses potential risks of the business, develops various procedures (including anti-corruption and anti-bribery policies) to mitigate such risks, implements controls and procedures within different departments and further monitors their compliance. The quality control department is also in charge of monitoring the company's compliance with regulations, codes and standards issued by the government relating to the technical inspection process in centres.

The qualification and education of technical department employees is of the highest importance to the company in order to maintain a competitive advantage over other inspection centres, provide its customers with the highest quality service and to be in compliance with regulations set out by the government. A training centre within the company has been set up for continuous professional development. Each employee

undergoes a 120-hour training program covering all legislative and procedural material. The training centre is staffed by professional internal technical trainers who themselves received intensive training in Spain by international partner company Applus+.

Regulation of the PTI Sector

Authorization and accreditation of technical inspection activity is issued by the National Accreditation Centre – a body of the Ministry of Economy and Sustainable Development of Georgia. Accreditation is issued for a four-year period; however all centres are subject to annual inspection. The National Accreditation Centre inspects technical inspection centres against compliance with technical requirements of Resolution N511 set out by the government of Georgia in relation to the competence of employed technical inspectors, the physical condition and infrastructure of inspection centres and respective equipment, and various other technical requirements. If it identifies breaches of these requirements, in addition to financial fines, the National Accreditation Centre can retract its accreditation and suspend a company’s PTI activities.

By the end of 2018 Greenway had received accreditation from the National Accreditation Centre and undergoes additional annual inspections. No breaches with any of the above listed requirements has been identified.

Employment, Regulatory and Related Matters

Health, Safety and Environmental Matters

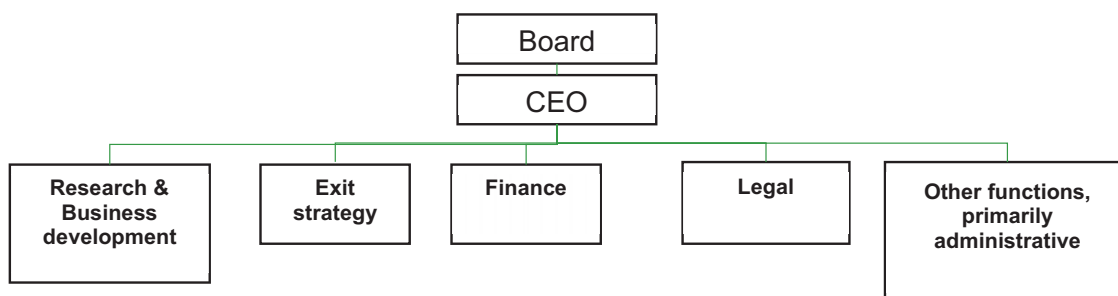
Health, safety and environmental issues are governed by a number of laws and guidelines that affect businesses operating in Georgia. Accordingly, the Group is required to comply with a number of health, safety and environmental requirements in each of the sectors in which it operates. In order to comply with these health, safety and environmental requirements, the Group has adopted a number of policies that are used throughout its facilities.

People and Infrastructure

The following table details the average number of the Group’s full-time employees during the years ended 31 December 2018 and 2019 across holding companies and the Group’s private businesses:

	Year Ended 31 December	
	2019	2018
Georgia Capital.....	40	38
GHG.....	15,875	15,923
GGU.....	2,478	2,542
Georgia Real Estate.....	551	343
Aldagi.....	416	337
Georgia Beverages.....	1,011	817
Education business.....	518	—
Auto Service business.....	471	—
Digital services.....	86	—
TOTAL.....	21,446	20,000

As at the date of this Prospectus, the Group has a core management team of 5 individuals. An organisational chart detailing the Group's management team structure is set out below:



None of the Group's employees are covered by a collective bargaining agreement or represented by a labour organisation. To date, the Group has not experienced a labour-related work stoppage. The Group considers its relations with its employees to be good.

Employee compensation

The compensation structure for Group staff (other than directors, key executives, insurance sales staff and underwriters) consists primarily of salaries, benefits packages and insurance coverage. Remuneration is negotiated on an individual basis within a framework of pre-set criteria, depending on the specific job category in the sector in which the employee works.

All administrative personnel receive fixed pay and may be eligible to receive an annual bonus, subject to annual profit and the employee's performance. Salaries are paid monthly.

For directors and key executives, the compensation package is composed of a monthly salary, deferred share salary and share based compensation based on achieving annual goals.

Intellectual property

The Group's private portfolio companies operate under the trade names GWP, Aldagi, Georgia Real Estate (former m²) and Teliani Valley. The Group's listed portfolio companies operate under the trade names GHG and Bank of Georgia. The majority of the Group's trademarks and logos have been registered.

IT systems

Each of the Group's businesses operates its own IT systems, with a separate management accounting system at the parent company.

Property

As of 31 December 2019, the total net book value of the investment property owned by the Group on a consolidated basis was GEL185 million (US\$64 million).

Georgia Real Estate has investment property with a book value of GEL400 million (US\$140 million) as of 31 December 2019, with the capacity to build approximately 1,809 apartments (in addition to 3,246 apartments in those development projects that have been completed or are under development).

Litigation and Other Proceedings

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this prospectus which may have, or have had in the recent past, significant effects on the Company 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 the 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 66.0% shares 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 US\$17.1 million. The hearing was held at Appellate Court which ordered reconsideration of the case by the first instance court, where the respondents have initially prevailed. The resolution of the Appellate Court was appealed by the respondents at the Supreme Court. The date of the Supreme Court hearing is not set as of the date of this Prospectus.

The Directors believe that the claim is without merit and 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.

PART 8

Information on Georgia Healthcare Group

Investors should read this Part 8 (Information on Georgia Healthcare Group) in conjunction with the more detailed information contained in this Prospectus including Part 1 (Risk Factors) and Part 6 (Industry Overview). Where stated, financial information in this Part 8 (Information on Georgia Healthcare Group) of this document has been extracted from Part 13 (Selected Financial Information of Georgia Healthcare Group).

Overview

Georgia Healthcare Group PLC (*Georgia Healthcare Group* or *GHG*) is the largest and the only fully integrated healthcare services provider in the fast-growing, predominantly privately-owned Georgian healthcare ecosystem with an aggregate annual market value of approximately GEL3.8 billion. GHG comprises five business lines: hospitals, clinics, pharmacy and distribution, medical insurance and diagnostics. Each business line has its own chief operating officer reporting to the GHG CEO, pursuing value creation through revenue growth, EPS growth and asset productivity (ROIC). GHG targets the population of the entire country and beyond through its vertically integrated network of 18 referral hospitals, 34 clinics, 296 pharmacies and the largest diagnostics laboratory in Georgia, as at 31 December 2019. GHG is the market leader in the country on each operating segment as at 31 December 2019: the largest healthcare services provider accounting for more than 23% of total hospital bed capacity; the largest pharmaceuticals retailer and wholesaler in terms of both, revenue (approximately 32% market share) and number of bills issued (28.8 million); the largest medical insurer with a 32% market share based on the third quarter of 2019 net insurance premiums and with approximately 236,000 insured individuals, according to the Insurance State Supervision Service of Georgia.

The following table details the evolution of GHG's gross profit for the periods indicated:

	Year ended 31 December	
	2019	2018
	<i>(thousands of GEL)</i>	
Gross profit	307,565	268,601
<i>Of which:</i>		
Gross hospitals profit.....	119,745	111,060
Gross clinics profit.....	19,908	16,321
Gross pharmacy and distribution profit.....	156,855	132,206
Gross insurance profit.....	11,248	9,685
Gross diagnostics profit.....	1,253	535

Strengths of Georgia Healthcare Group

- *The market leading healthcare services provider, with a reputation for delivering high quality care in a market with significant barriers to entry.* GHG operates the largest healthcare provider network in Georgia based on bed capacity (according to the National Centre for Disease Control and Public Health, *NCDC*), the largest pharmaceutical retailer and wholesaler based on sales (according to the Group's internal estimates) and the largest medical insurance business based on revenue (according to the Insurance State Supervision Service Agency of Georgia).
- *Well positioned to take advantage of the expected long term macroeconomic and structural growth drivers that are favourably influencing the Georgian healthcare services market* including: a favourable macroeconomic environment in Georgia, the rapid growth of the Georgian healthcare services market, an ageing population, the increasing incidence of lifestyle-related diseases and supportive government policy. Georgia, with low per capita expenditure on healthcare – US\$308, and with only 3.7 outpatient encounters per capita annually (according to *NCDC Statistical Yearbook of Georgia 2018*), has a vast potential for further growth.
- *An integrated, synergistic business model that allows GHG access to a larger patient population and to manage utilisation effectively.* The Company believes that GHG's vertically integrated network of referral hospitals, community hospitals and polyclinics, as well as insurance and pharmacies, enhances

GHG's ability to capture a greater share of the growing Georgian healthcare services market. Insurance activities provide a steady revenue stream for GHG's polyclinics and pharmacies and around 0.8 million loyal customers in the pharmacy business provides an advantage of cross-selling.

- *A model with significant cost benefits from economies of scale and a well invested asset base.* With 18 referral hospitals; 19 community hospitals; 15 polyclinics; 296 pharmacies; centralised functions including one diagnostics laboratory; and the widest geographic coverage in Georgia (as at 31 December 2019), GHG's hospitals and clinics businesses provides substantial benefits derived from economies of scale. GHG also represents the largest purchaser of pharmaceutical products in Georgia.
- *A leading service quality focused franchise.* The Company believes that GHG's focus on quality differentiates GHG from its competitors within Georgia. GHG's scale, reputation, focus on quality and in-house training help to attract the best available medical personnel.
- *Strong and experienced management and a track record of growth.* GHG's board of directors and senior management team includes individuals with in-depth knowledge of the local market and extensive experience in relevant fields including healthcare entrepreneurship and management, strategy and legal advisory, national healthcare policy setting, healthcare research analysis, financial services and advisory. The management has demonstrated strong track record with an increased market share by beds from under 1% in 2009 to 23% in 2019; by building a modern infrastructure and entering the pharmacy and distribution market in 2016, where GHG holds approximately 32% market share currently.
- *Transparency and robust corporate governance.* GHG has a culture of transparency and has been complying with the obligations applicable to it under the UK Listing Authority Listing Rules and Disclosure Guidance and Transparency Rules since November 2006, when BGEO Group PLC became the first Georgian entity to list its global depository receipts (**GDRs**) on the London Stock Exchange. GHG has been institutionalising healthcare industry with strong corporate governance, standardised processes, improving safety and quality by progressive implementation of the Joint Commission International (**JCI**) benchmarked standards and operating own personnel training centre.

Strategy of Georgia Healthcare Group

GHG is the only integrated healthcare provider in the region with extraordinary visibility and presence in the entire Georgian healthcare ecosystem. Extracting value from this integration through leveraging on the existing infrastructure, people, competencies and client base, and managing customers on an integrated level will be the main goal for GHG in the coming years. In particular, it will focus on the strategic goals to achieve:

- *double digit revenue CAGR over next five years*
- *mid-teen EBITDA CAGR over next five years*
- *15-17% ROIC in the medium to long term*

GHG's management plans to achieve the strategic goals based on the improved cash flow generation and disciplined capital allocation strategy, which mainly focuses on balance sheet deleveraging, exercising value accretive minority buyouts and allocating resources to high ROIC-generating investments, together with the following:

- To achieve long-term growth GHG plans to capitalise on the main advantage of its business model – ability to manage customers on an integrated level. Enhancing digital channels and developing a fully cohesive health information system (the **HIS**) helps GHG manage operations more efficiently and deliver better care to its customers.
- Having completed intensive three-year capital expenditure programme, GHG's management is now focusing on improving its operational and financial performance and delivering strong growth by developing new projects and benefiting from the organic growth of its businesses. Going beyond the core of its current operations and shaping new markets in the GHG's related services and products, such as beauty, aesthetics, lab retail and clinical trials, will enable it to deliver significant growth momentum over the next few years.
- From the operational performance perspective, GHG is focusing on improving the capacity utilisation of healthcare facilities, exercising various asset optimisation measures, such as disposal or transformation of unused and low ROIC-generating assets, driving efficiency across healthcare facilities through service process automatization and the full roll-out of HIS.

- a clinical perspective, GHG continues to grow a new generation of doctors and nurses, while building robust clinical quality management processes. Its medium-term goals remain knowledge and expertise advancement through education and professional development of physicians and nurses. Quality assurance through the introduction and improvement of various activities and processes at a larger scale within healthcare facilities remains a top priority for GHG.
- In March 2020, the COVID-19 impact changed many short-term business priorities, and GHG's near-term focus has shifted to supporting the country's healthcare system to effectively manage the situation and maintain the health of the Georgian population. At the same time, GHG has prepared for economic downturn, for which it is well positioned. GHG has reconsidered its planned levels of capital expenditure and for the moment is prioritising those projects that are important to current business operations.
- GHG considers digital health a significant strategic opportunity. As part of its response to COVID-19, GHG has expedited a number of new digital services, which include the launch of a telemedicine and online pharmacy home delivery service in March 2020.

History and Development

GHG's business was founded in 1990 and developed particularly rapidly in the 2000s. Over that period GHG has differentiated itself by its centralised approach. GHG believes that it was the first group to centralise the management of healthcare services in Georgia by organising healthcare facilities in regional clusters and a referral hierarchy, to manage a number of hospitals as a single business with centralised administrative and support functions and capitalise on the synergies between the delivery of insurance and healthcare services. Although GHG was a subsidiary of Bank of Georgia from 2004 until its IPO in 2015, GHG's healthcare services and medical insurance businesses have operated independently of Bank of Georgia since their inception.

The following table sets out GHG's major development milestones since the inception of the business in 1990:

1990	<ul style="list-style-type: none"> ● Established as an independent insurance provider under the brand name Aldagi and grown this business through a series of mergers and acquisitions.
2006	<ul style="list-style-type: none"> ● Opened first ambulatory clinic in Tbilisi to capitalise on the growth opportunities in the Georgian healthcare services market and diversify our sources of revenue.
2008-2012	<ul style="list-style-type: none"> ● Integrated GHG's rapidly growing medical insurance and healthcare services businesses and completed multiple acquisitions and opened new healthcare facilities. ● 2008-2011: acquired a total of 13 hospitals. In GHG's largest acquisition during this period, concluded in the fourth quarter of 2011, GHG acquired 11 facilities in western Georgia from a group called Block Georgia. Among these facilities were two referral hospitals in Kutaisi, Georgia's second largest city, and a regional hospital in Zugdidi, another important western Georgian city. ● 2012: acquired Insurance Company Imedi L, then Georgia's third largest insurance and healthcare company, which added ten new hospitals to GHG's healthcare facilities in western Georgia. Opened six new hospitals through organic development during the same period.
2013	<ul style="list-style-type: none"> ● Opened of a further four new hospitals and an ambulatory clinic. ● Acquired Caraps Medline, a specialty hospital in Tbilisi with a 60-bed capacity.
2014	<ul style="list-style-type: none"> ● Acquired Avante Hospital Management Group in February, the second largest healthcare provider in Georgia by number of beds (after GHG), which owned and operated a chain of four hospitals in Tbilisi and Batumi with an aggregate 578-bed capacity, including leading paediatric and maternity care hospitals. ● In May, acquired Sunstone Medical LLC, which owned an under-developed hospital in East Tbilisi that had not been operational for several years. GHG renovated the Tbilisi Referral Hospital, which fully opened in December 2017 with a total of 332 beds, in order to access the East Tbilisi healthcare services market and referrals from East Georgia. ● Acquired Traumatology, a 60 bed referral hospital with expertise in traumatology located in the western part of Tbilisi, in order to increase GHG's market share and bed capacity in Tbilisi.

- 2015**
- Acquired a 95% equity interest in Deka in June. Deka owns a hospital with a potential 350 bed capacity located on 2.4 hectares of land in a prime location in Tbilisi. GHG undertook a substantial renovation of this hospital during the course of 2015 and early 2016.
 - Acquired a 50% equity interest in and control of GNCo in August. GNCo is a holding company that owns 100% of HTMC Hospital, a major and well-established 450 bed referral hospital in Tbilisi, which is also the single largest hospital in Georgia, providing a wide range of inpatient and outpatient services, including the largest department of oncology radiotherapy in Georgia.
 - In November 2015, GHG had a successful IPO and premium listing on the London Stock Exchange.
 - Launched two new ambulatory clusters and added an Express Ambulatory Clinic to its existing ambulatory cluster in Tbilisi, Gldagni, in December.
- 2016**
- Acquired the remaining 33.3% minority shareholding of Iashvili Referral Hospital in February, expanding its portfolio to 44 healthcare facilities with a total of 2,588 beds.
 - Acquired a 100% equity stake in JSC GPC, then one of the top three pharmaceutical retailers and wholesalers in Georgia, and JSC GPC's 35% equity stake in Temka referral hospital, in March.
 - Opened a new ambulatory clinic; and launched three new ambulatory clusters.
 - In November, acquired a 67% equity stake in JSC ABC Pharmacia, then the fourth largest pharmaceutical retailer and wholesaler in Georgia, to merge into its existing pharma business, GPC, to become JSC Georgian Pharmacy.
- 2017**
- Completed its renovation of the 332-bed Sunstone referral hospital, in April.
 - Acquired 100% share capital of Khashuri and Qareli community hospitals from IC Group, increasing the number of community hospitals in the Group to 22, with 555 beds in total, in July, in order to expand its presence across underrepresented regions of Georgia.
 - Acquired the international private label brand Attirance, which specialises in natural cosmetics and personal care products with more than 400 of its own unique products/recipes, in October.
 - Launched an inpatient department at West Georgia Oncology Centre, as part of the Kutaisi Regional Referral Hospital, in November.
 - Opened three new polyclinics.
- 2018**
- Won a tender process to acquire the Georgian Ministry of Internal Affairs, then the country's largest insurance client by number of insured, as a client for its insurance business, in March.
 - In July, announced that its healthcare services business has recently launched a new Home Care service in Tbilisi, the first company in the Georgian healthcare market to offer this service in an organised way.
 - In December, announced the completion of the construction of its Mega Laboratory, the largest diagnostics laboratory in Georgia as well as in the entire Caucasus region.
 - Announced its entry into the Georgian dental market by launching dental clinics within the Group's polyclinics, in December.
- 2019**
- Signed a partnership agreement with the Association of Leading Israeli Medical Professors, under which the association member professors will provide their service at GHG's healthcare facilities, for Georgian as well as for international patients, in March.
 - In June, GEPHA, a pharmacy and distribution subsidiary of GHG, sold land to M2, a commercial real estate business and a wholly owned subsidiary of GCAP. The contract was on a commercial basis and on standard arms-length terms.
 - In July, signed a cooperation agreement with one of the country's leading maternity houses, JSC David Davarashvili Clinic. Under the cooperation agreement the well-known JSC David Davarashvili Clinic, providing maternity and gynaecology services, leased a 2,400 sq.m space at GHG's referral hospital, Iashvili Tertiary Referral Hospital.

- Signed a franchise agreement with the Body Shop International Limited, a leading British cosmetics brand, skin care and perfume company, in October, to obtain the right to operate The Body Shop in Georgia for an initial term of 10 years. GHG planned to operate the shop in shop model in 50 GPC pharmacies, gradually increasing the number to 100 over the next few years.

Recent Developments

In February 2020, JSC GEPHA, a pharmacy and distribution subsidiary of GHG, signed an agreement with m2, a commercial real estate business and wholly owned subsidiary of GCAP, for m2 to build and rent out a warehouse to GEPHA, on an arm's length basis.

GHG entered into a US\$25 million loan on 11 May 2020, with a maturity date of 25 April 2022, with the European Bank for Reconstruction and Development to fund potential working capital and operational expenditure requirements in the context of GHG's participation in Georgia's response to the COVID-19 pandemic.

The impact of COVID-19 has been different in each of the GHG Group's businesses. In the Hospitals and Clinics businesses the most significant impact has been a meaningful reduction in patient footfall, both in terms of lower emergency treatment requirements, and the cancellation and/or postponement of many elective procedures during the lockdown. This reduction led to utilisation levels falling to between 35% and 40% during April, although there have been some early signs of a pick-up in treatments and utilisation rates in May, as the country started gradually to lift lock-down restrictions. The Pharmacy and Distribution business has been more resilient throughout the pandemic, as GHG's pharmacies remained open throughout Georgia's initial economic lockdown and delivered a small increase in quarter on quarter sales. In the Medical Insurance business, the main impact of the last few months has been a reduction in loss ratios. As a result, in the first quarter of 2020, GHG's equity (GEL) was down 2.7% (GEL588 million as at 31 March 2020 as compared to GEL602 million as at 31 December 2019). Profit / (loss) before income tax expense was down GEL25 million as compared to the first quarter of 2019, with GHG reporting a loss of GEL8 million in the first quarter of 2020 and a profit of GEL17 million in the first quarter of 2019.

Georgia Healthcare Group's business

Hospitals

GHG is the largest healthcare services provider in the country, with 21% market share by referral beds. The business operates 18 referral hospitals, 16 of which are general hospitals and two are speciality hospitals, with a total of 2,967 beds. These hospitals are located in Tbilisi and major regional cities and provide secondary or tertiary-level outpatient and inpatient diagnostic, surgical and treatment services. Hospitals generated GEL289 million net revenue in the year ended 31 December 2019, comprising 28% of GHG's total revenue and 49% of GHG's total EBITDA. Of this amount, 32% was generated from private medical insurance companies and out-of-pocket payments by individual customers and 68% was generated from state-funded healthcare programmes.

Clinics

GHG's clinics business incorporates 15 polyclinics and 19 community clinics. 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. By adding approximately 47,000 patients in 2019, the business became the market leader with 193,000 registered patients in Tbilisi polyclinics. By the end of 2018, GHG also entered the dental market and started to launch dental clinics within its polyclinics. Clinics generated GEL44 million net revenue in the year ended 31 December 2019, comprising 4% of GHG's total revenue and 6% of GHG's total EBITDA.

Pharmacy and distribution

GHG is the largest pharmaceuticals retailer and wholesaler in Georgia, with approximately 32% market share by revenue as of 31 December 2019. GHG has two pharmacy brands: GPC for the higher-end customer segment and Pharmadepot for the mass retail segment. GHG's 296 pharmacies are located in Tbilisi and other major regional cities. Pharmaceutical products generated GEL615 million revenue in the year ended 31 December 2019, comprising 59% of GHG's total revenue and 42% of GHG's total EBITDA.

Medical insurance

GHG is the largest medical insurance provider in Georgia offering a variety of medical insurance products via a wide distribution network. GHG had approximately 236,000 medical insurance customers as at 31 December 2019. Medical insurance generated GEL75million of total revenue in the year ended 31 December 2019 comprising 8% of GHG's total revenue and an insignificant percentage of GHG's EBITDA. All of this revenue was generated by private medical insurance customers.

Diagnostics

GHG operates largest diagnostics laboratory in Georgia and Caucasus region. In addition to basic laboratory tests, the new laboratory allows GHG to offer complex tests for oncology and molecular lab, some of which have never been available in Georgia. Medical insurance generated GEL5million of total revenue in the year ended 31 December 2019 (first year of its operations) comprising 1% of GHG's total revenue and an insignificant percentage of GHG's EBITDA.

Employment, Regulatory and Related Matters

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, GHG 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, GHG has adopted a number of policies that are used throughout its facilities.

The collection, storage and disposal of medical waste by medical institutions is regulated. Every medical institution is responsible for collecting, sorting and storing medical waste and it must adopt appropriate internal policies. GHG has entered into agreements with third-party providers who provide us with waste containers and are responsible for the transportation and disposal of this waste while we are responsible for collecting, sorting, and storing it before collection.

People and Infrastructure

The following table details the average number of GHG's full time employees during the years ended 31 December 2018 and 2019:

	Year Ended 31 December	
	2019	2018
Polyclinics and Community Clinics	2,977	2,898
Physicians	1,466	1,427
Nurses	486	473
Other	1,025	998
Hospitals	8,881	8,646
Physicians	2,523	2,456
Nurses	2,855	2,779
Other	3,503	3,410
Pharma and distribution	4,159	4,035
Pharmacists	2,284	2,132
Other	1,875	1,903
Diagnostics/ Lab	157	96
Insurance	348	321
Sales	44	47
Other	304	274
IT and development	107	50
UK office	3	3
Head office	54	13
TOTAL	15,875	15,923
Tbilisi.....	8,993	8,983
Georgia regions.....	6,881	6,939
UK.....	3	3

None of GHG's employees are covered by a collective bargaining agreement or represented by a labour organisation. To date, GHG has not experienced a labour-related work stoppage. GHG considers its relations with its employees to be good.

Intellectual property

GHG operates under the trade names GHG. GHG's hospitals and ambulatory clinics operate under the trade name Evex Medical Corporation and certain similar symbols to designate the individual clinic names. The majority of the GHG's trademarks and logos have been registered.

IT systems

GHG is reliant on IT for several key aspects of its medical operations. It has custom, purpose-built software packages, divided into clinical and back-office systems. The clinical IT systems involve patient registration, medical records, treatment history, medical history, laboratory testing, radiology requests, invoicing and variable payroll calculations. The back-office systems cover accounting, data centres and associated back-ups, information security, and disaster recovery technologies.

During 2019, GHG recently undertook two software initiatives. First, in the sphere of electronic medical records (*EMR*), GHG launched a comprehensive EMR system in all of its polyclinics and community clinics, substituting 100% of the paperwork. An electronic medical ordering system in all referral hospitals (representing c.60% of full EMR functionality) was successfully implemented. GHG will continue to roll-out of EMR in all its hospitals in 2020. Second, at the end of 2019, GHG launched an innovative new digital consumer health platform *EKIMO*. Version 1.0 already consolidates the entire vertical spectrum of primary care in the country (primary care doctors and clinics, diagnostics, pharmacies, medical insurance and more), and is open to any local healthcare provider. With this initiative GHG is well on the way to achieving its mission of building and providing a consolidated, patient-centric customer journey for the country's entire healthcare ecosystem, thereby improving the quality of healthcare and the value proposition for GHG's patients and customers.

Property

As of 31 December 2019, GHG manages 18 referral hospitals, 15 polyclinics, 19 community clinics, 298 pharmacies and 1 mega laboratory. GHG owns all of its referral hospitals, community clinics, pharmacies and its mega laboratory. 7 of the 15 polyclinics are leased and not owned by GHG.

Litigation and Other Proceedings

Save as disclosed in Part 7 (*Information on Georgia Capital—Employment and Regulatory and Related Matters—Litigation and Other Proceedings—Imedi L Litigation*), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this prospectus which may have, or have had in the recent past, significant effects on the GHG's financial position or profitability.

PART 9

Terms and Conditions of the Offer

Introduction

On 19 May 2020, the board of directors of GCAP and the Independent Directors of GHG announced that they had reached agreement on the terms of a recommended share exchange offer to be made by GCAP for the entire issued or to be issued share capital of GHG not already directly or indirectly owned by GCAP (the *Offer*). Further details of the Offer are set out below.

Summary of the terms of the Offer

Under the terms of the Offer, which will be subject to the Conditions (as summarised below in the section titled “*Structure of the Offer*” in this Part 9 (*Terms and Conditions of the Offer*)) and to the full terms and conditions to be set out in the Offer Document, each holder of GHG Shares (*GHG Shareholder*) will be entitled to receive:

1 New GCAP Share for every 5 GHG Shares

Immediately following Completion, GCAP Shareholders will own approximately 83.85% and GHG Shareholders will own approximately 16.15% of the enlarged issued share capital of GCAP (based on the existing issued share capital of GCAP and the existing issued share capital of GHG, in each case as at 5 June, 2020, being the Latest Practicable Date). As a result, the voting rights of Existing GCAP Shareholders will be diluted, such that the Existing GCAP Shareholders would, immediately after the Effective Date, hold voting rights of approximately 83.85% of the total voting rights that they had held immediately prior to completion. Please see the section titled “*Dilution*” of this Part 9 (*Terms and Conditions of the Offer*) for details of how the dilution statistics are calculated.

The boards of GCAP and GHG have agreed to retain their current dividend policies for the period prior to Completion.

The New GCAP Shares will be issued as fully paid and will rank equally in all respects with the GCAP Shares in issue at the time the New GCAP Shares are issued pursuant to the Offer and will be entitled to receive any dividends and/or other distributions declared, made or paid, or any other return of capital (whether by reduction of share capital, share premium account or otherwise) made by GCAP in respect of the GCAP Shares with a record date falling after the Effective Date. Applications will be made to the FCA for the New GCAP Shares to be admitted to the premium listing segment of the Official List and to be admitted to trading on the London Stock Exchange’s Main Market for listed securities.

Dividend policy

If, after 19 May 2020, any dividend and/or other distribution and/or other return of capital is declared, paid or made or becomes payable in respect of GHG Shares, GCAP reserves the right to reduce the consideration payable under the terms of the Offer at such date by an amount up to the amount of such dividend and/or distribution and/or return of capital. If any such dividend and/or distribution and/or return of capital occurs, any reference in this document to the consideration payable under the Offer will be deemed to be a reference to the consideration as so reduced.

Background to and reasons for the Offer

On 17 December 2019 GCAP acquired 17,892,911 GCAP Shares as a result of GCAP’s exchange offer of 1 GCAP share for every 5 GHG Shares held at that time (the *Exchange Offer*). Shareholders in GHG holding in aggregate 40,894,166 GHG Shares submitted their shares for exchange in the Exchange Offer but were scaled back by 56.25% in order to avoid an adverse impact on GHG’s public listing and index eligibility.

As a result of the Exchange Offer, and GCAP’s prior holding of GHG Shares, GCAP currently holds 93,011,414 GHG Shares representing approximately 70.63% of the existing issued ordinary share capital of GHG.

The Offer represents a clear vote of confidence in GHG, its management and its strategy, and will create a larger combined entity with enhanced share liquidity and better access to capital. It will allow GHG Shareholders to migrate with minimal share price disruption to a significantly more liquid stock while retaining exposure to GHG and the Georgian healthcare sector.

The Offer further diversifies GCAP's private portfolio and sources for dividend inflows by adding at least three new businesses (hospitals, retail pharmacy and medical insurance and outpatient) to its portfolio of private assets, and is expected to result in savings in operating expenses for GHG, stemming from annual premium market listing related expenses, while also further enhancing management's focus on business activities.

The Offer would allow the enlarged group to explore potential economies of scale and cross selling synergies across GHG's and GCAP's insurance businesses and would bring a management team with a proven track record in delivering attractive returns, continued revenue growth and demonstrated ability to execute to the enlarged group.

If successful, the Offer is expected to be credit positive for GCAP driven by the increase of its stake in one of its strongest, free cash-flow generative, portfolio assets and decreased market value leverage against GCAP's portfolio value. The addition of GHG's strong, highly predictable free cash flows will be a source of dividends for GCAP supporting further investments and the greater financial flexibility of an enlarged GCAP will also increase the ability of the Georgia Capital Group to capitalise on and expand the pipeline of new investment opportunities.

The Offer represents a premium of (a) 10.01% based on the volume weighted average prices of GHG and GCAP for the three-month period ended on 5 June 2020 (being the Latest Practicable Date prior to the publication of this Prospectus) and (b) 14.28% based on the volume weighted average prices of GHG and GCAP for the six-month period ended on 5 June 2020 (being the Latest Practicable Date prior to the publication of this Prospectus).

Intentions of Georgia Capital for the Georgia Healthcare Group business, employees and pension schemes ***Strategic plans for the Combined Group***

GHG is the only integrated healthcare provider in the region with excellent visibility of and presence in the entire Georgian healthcare ecosystem. Through a focus on continuously improving the quality of care and services for patients and customers in Georgia, it has developed into the leading provider touching more than one million Georgians per annum, enabling access to affordable quality care. It has been playing a vital role in Georgia's healthcare system – both when it comes to providing universal health coverage, and when dedicated resources and expertise are required in response to crises, most recently, the COVID-19 pandemic. Crystallising value from this position through leveraging on the existing infrastructure, people, competencies and client base, and managing customers on an integrated level will be the main goal for GHG in the coming years.

Prior to the Offer, GHG's management had disclosed that GHG plans to create shareholder value and achieve its strategic goals thanks to its improved cash flow generation and disciplined capital allocation strategy, which mainly focuses on balance sheet deleveraging, exercising value accretive minority buyouts and allocating resources to high ROIC-generating investments. The company has a proven track record of delivering its key objectives.

In addition to this, to achieve its long-term growth, GHG has been capitalising on the main advantage of its business model – the unique ability to manage customers on an integrated level. Enhancing digital channels and developing a fully cohesive health information system (the *HIS*) helps GHG deliver better care to its customers and manage quality and operations.

Having completed an intensive three-year capital expenditure programme, GHG's management planned to focus on improving its operational, quality and financial performance and delivering profitable growth by developing new projects and benefiting from the organic growth of its existing businesses. From an operational performance perspective, GHG has been focusing on improving the capacity utilisation of healthcare facilities, exercising various asset optimisation measures, such as the disposal or transformation of unused and low ROIC-generating assets, driving efficiency across healthcare facilities through service process automation and the full roll-out of HIS.

GCAP has a strong track record of supporting and developing the companies in which it invests, and has a portfolio oversight approach that enables investee companies to grow with ready access to investment capital and high standards of governance and transparency. GCAP has no intention to make changes to the operations and strategy of GHG, in particular as further described below:

- GCAP has no intention to make changes to GHG's strategic plans described above.

- GCAP does not intend to make changes to GHG Group’s management teams, which have demonstrated excellent track record and ability to execute over recent years.
- GCAP has no intention to make changes to the locations of GHG’s places of business, including the location of its headquarters and headquarter functions.
- GCAP does not intend to make changes to GHG’s business lines, operations and functions. GHG’s management will continue to develop new projects as described above as well as focus on the organic growth of its businesses. GHG’s management will continue to focus on improving the quality, operational capacity utilisation of healthcare facilities, exercising various asset portfolio optimisation measures, such as the disposal or transformation of unused and low ROIC-generating assets, driving efficiency across healthcare facilities through service process automation and the full roll-out of HIS.
- GCAP has no intention to make changes to the continued employment of the employees and management of the GHG Group, including any material changes in the conditions of employment or the balance of the skills and functions of the employees and management. GHG continues to grow a new generation of doctors and nurses, while building robust clinical quality management processes. Its medium-term goals remain knowledge and expertise advancement through education and professional development of physicians and nurses.
- GCAP has no intention to make changes to the existing employer contributions into GHG’s employee pension schemes (including with regard to current arrangements for the funding of any scheme deficit), the accrual of benefits for existing members, and the admission of new members.
- GCAP does not plan to redeploy GHG’s fixed assets other than as outlined above as part of GHG’s existing strategy.
- Owing to the nature of its business, GHG does not conduct significant research and development activities but, to the extent any such activities are currently undertaken, GCAP does not expect to make any changes.

The Offer is not expected to impact the existing management or employees of the Georgia Capital Group, or locations of the Georgia Capital Group’s places of business (including the headquarters and headquarter functions).

GCAP does not propose to enter into any incentivisation arrangements with any members of GHG management who are interested in GHG Shares.

Structure of the Offer

Conditions and further terms of the Offer

The Offer is subject to the following conditions (***Conditions***):

- (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 1.00 p.m. (London time) on the first closing date of the Offer (or such later time(s) and/or date(s) as GCAP may, subject to the rules of the Code, decide) in respect of more than 50% in nominal value of the GHG Shares held by independent shareholders of GHG, being more than 19,181,285 GHG Shares held by the independent shareholders of GHG on 19 May 2020, provided that this condition will not be satisfied unless GCAP and/or any of its wholly-owned subsidiaries shall have acquired or agreed to acquire pursuant to the Offer such GHG Shares including for this purpose (to the extent, if any, required by the Panel) any voting rights attaching to GHG Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription rights or conversion rights or otherwise. For the purpose of this condition:
 - (i) GHG Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue; and
 - (ii) valid acceptances shall be deemed to have been received in respect of GHG Shares which are treated for the purposes of the Companies Act as having been acquired or contracted to be acquired by GCAP by virtue of acceptances of the Offer; and
 - (iii) the expression “independent shareholders” shall be construed in accordance with the Listing Rules and shall mean independent shareholders as at 19 May 2020;

- (b) the GCAP Resolutions to approve and implement the Offer being duly passed at a general meeting of GCAP (or at any adjournment of that meeting);
- (c) (i) the FCA having acknowledged to GCAP or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New GCAP Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (*listing conditions*)) admission will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and (ii) the London Stock Exchange having acknowledged to GCAP or its agent (and such acknowledgement not having been withdrawn) that the New GCAP Shares will be admitted to trading on the London Stock Exchange's main market for listed securities;
- (d) no Third Party (as defined below) having intervened and there not continuing to be outstanding any statute, regulation or order of any Third Party in each case which is or is likely to be material in the context of the Wider Georgia Capital Group or Wider Georgia Healthcare Group or the Offer which would or might reasonably be expected to:
 - (i) make the Offer, its implementation or the acquisition or proposed acquisition by GCAP or any member of the Wider Georgia Capital Group of any shares or other securities in, or control or management of, GHG or any member of the Wider Georgia Healthcare Group void, illegal or unenforceable in any jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit, restrict or delay the same or impose additional conditions or obligations with respect to the Offer or such acquisition, or otherwise impede, challenge or interfere with the Offer or such acquisition, or require amendment to the terms of the Offer or the acquisition or proposed acquisition of any GHG Shares or the acquisition of control or management of GHG or the Wider Georgia Healthcare Group by GCAP or any member of the Georgia Capital Group;
 - (ii) limit or delay, or impose any limitations on, the ability of any member of the Wider Georgia Capital Group or any member of the Wider Georgia Healthcare Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider Georgia Healthcare Group or any member of the Wider Georgia Capital Group;
 - (iii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Georgia Capital Group of any shares or other securities in GHG;
 - (iv) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Georgia Capital Group or by any member of the Wider Georgia Healthcare Group of all or any portion of their respective businesses, assets or properties or limit the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof;
 - (v) except pursuant to Part 28 of the Companies Act, require any member of the Wider Georgia Capital Group or of the Wider Georgia Healthcare Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of either group owned by any third party;
 - (vi) limit the ability of any member of the Wider Georgia Capital Group or of the Wider Georgia Healthcare Group to conduct or integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Georgia Capital Group or of the Wider Georgia Healthcare Group;
 - (vii) result in any member of the Wider Georgia Healthcare Group or the Wider Georgia Capital Group ceasing to be able to carry on business under any name under which it presently does so; or
 - (viii) otherwise adversely affect any or all of the business, assets, profits, financial or trading position or prospects of any member of the Wider Georgia Healthcare Group or of the Wider Georgia Capital Group,

and all applicable waiting and other time periods during which any Third Party could intervene under the laws of any relevant jurisdiction having expired, lapsed or been terminated;

- (e) since 31 December 2019 and except as Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider Georgia Healthcare Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject or any circumstance, which, in each case as a consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, GHG or any other member of the Wider Georgia Healthcare Group by any member of the Wider Georgia Capital Group or otherwise, could or might reasonably be expected to result in, in each case to an extent which is material in the context of the Wider Georgia Healthcare Group taken as a whole or the Wider Georgia Capital Group taken as a whole:
- (i) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider Georgia Healthcare Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated maturity date or repayment date or the ability of any member of the Wider Georgia Healthcare Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
 - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Georgia Healthcare Group or any such mortgage, charge or other security interest (wherever created, arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Georgia Healthcare Group thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or any obligation or liability arising thereunder;
 - (iv) any asset or interest of any member of the Wider Georgia Healthcare Group being or falling to be disposed of or charged or ceasing to be available to any member of the Wider Georgia Healthcare Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Georgia Healthcare Group otherwise than in the ordinary course of business;
 - (v) any member of the Wider Georgia Healthcare Group ceasing to be able to carry on business under any name under which it presently does so;
 - (vi) the creation of liabilities (actual or contingent) by any member of the Wider Georgia Healthcare Group other than in the ordinary course of business;
 - (vii) the rights, liabilities, obligations or interests of any member of the Wider Georgia Healthcare Group under any such arrangement, agreement, licence, permit, franchise or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated or adversely modified or affected; or
 - (viii) the financial or trading position or the prospects or the value of any member of the Wider Georgia Healthcare Group being prejudiced or adversely affected,
- and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, would be reasonably likely to result in any of the events or circumstances which are referred to in paragraphs (i) to (viii) of this condition (e);
- (f) since 31 December 2019 and except as Disclosed no member of the Wider Georgia Healthcare Group having:
- (i) issued or agreed to issue, or authorised the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold any shares out of treasury, other than as between GHG and wholly-owned subsidiaries of GHG;
 - (ii) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital;
 - (iii) recommended, declared, paid or made any dividend or other distribution whether payable in cash or otherwise or made any bonus issue (other than to GHG or a wholly-owned subsidiary of GHG);

- (iv) made or authorised any change in its loan capital to an extent which is material in the context of the Wider Georgia Healthcare Group as a whole;
- (v) (other than any acquisition or disposal in the ordinary course of business or a transaction between GHG and a wholly-owned subsidiary of GHG or between such wholly-owned subsidiaries) merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged, charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same;
- (vi) issued or authorised the issue of, or made any change in or to, any debentures or (except in the ordinary course of business or except as between GHG and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) incurred or increased any indebtedness or liability (actual or contingent);
- (vii) entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
 - (A) is of a long term, onerous or unusual nature or magnitude or which could involve an obligation of such nature or magnitude; or
 - (B) could restrict the business of any member of the Wider Georgia Healthcare Group in a way which is material in the context of the Wider Georgia Healthcare Group; or
 - (C) is other than in the ordinary course of business,
- (viii) entered into, implemented, effected or authorised any merger, demerger, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement in respect of itself or another member of the Wider Georgia Healthcare Group;
- (ix) entered into or varied the terms of, any contract, agreement or arrangement with any of the directors or senior executives of any member of the Wider Georgia Healthcare Group;
- (x) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction;
- (xi) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xii) waived or compromised any claim, otherwise than in the ordinary course of business;
- (xiii) made any alteration to its memorandum or articles of association;
- (xiv) made or agreed or consented to (other than as may be agreed with GCAP in connection with the Offer):
 - (A) any change:
 - (I) to the terms of the trust deeds constituting the pension scheme(s) established for its directors, employees or their dependants; or
 - (II) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder; or
 - (III) the basis on which qualification for, or accrual or entitlement to such benefits or pensions are calculated or determined; or
 - (IV) the basis upon which the liabilities (including pensions) or such pension schemes are funded, valued or made, or
 - (B) any change to the trustees including the appointment of a trust corporation;
- (xv) (other than as may be agreed with GCAP in connection with the Offer) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider Georgia Healthcare Group; or

- (xvi) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this condition (f);
- (g) since 31 December 2019 and except as Disclosed:
 - (i) there having been no adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects of any member of the Wider Georgia Healthcare Group to an extent which is material to the Wider Georgia Healthcare Group take as a whole or in the context of the Offer;
 - (ii) no contingent or other liability of any member of the Wider Georgia Healthcare Group having arisen or become apparent or increased to an extent which is material to the Wider Georgia Healthcare Group take as a whole or in the context of the Offer;
 - (iii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Georgia Healthcare Group is or may become a party (whether as plaintiff, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider Georgia Healthcare Group to an extent which is material to the Wider Georgia Healthcare Group take as a whole or in the context of the Offer;
 - (iv) (other than as a result of the Offer) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Wider Georgia Healthcare Group;
 - (v) other than with the consent of GCAP, no action having been taken or proposed by any member of the Wider Georgia Healthcare Group, or having been approved by GHG Shareholders or consented to by the Panel, which falls or would fall within or under Rule 21.1 of the Code or which otherwise is or would be materially inconsistent with the implementation by GCAP of the Offer on the basis contemplated as at the date of this document; and
 - (vi) no member of the Wider Georgia Healthcare Group having conducted its business in breach of any applicable laws and regulations;
- (h) Save as Disclosed, GCAP not having discovered:
 - (i) that any financial or business or other information concerning the Wider Georgia Healthcare Group disclosed at any time by or on behalf of any member of the Wider Georgia Healthcare Group, whether publicly, to any member of the Wider Georgia Capital Group or to any of their advisers or otherwise, is misleading or contains any misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which was not subsequently corrected before 19 May 2020 by disclosure either publicly or otherwise to GCAP or its professional advisers;
 - (ii) that any member of the Wider Georgia Healthcare Group is subject to any liability (actual or contingent) which is not Disclosed; or
 - (iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider Georgia Healthcare Group;
- (i) Save as Disclosed, GCAP not having discovered:
 - (i) that any past or present member of the Wider Georgia Healthcare Group has not complied with any applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any case, would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Georgia Healthcare Group;

- (ii) that there is, or is likely to be, any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the Wider Georgia Healthcare Group or any other property or any controlled waters under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority or third party or otherwise; or
- (iii) that circumstances exist whereby a person or class of persons would be likely to have a claim in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any past or present member of the Wider Georgia Healthcare Group.

For the purpose of these Conditions:

- (j) **Third Party** means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority (including any national or supranational antitrust or merger control authority), court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including, for the avoidance of doubt, the Panel; and
- (k) a Third Party shall be regarded as having *intervened* if it has decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything and “intervene” shall be construed accordingly;

Authorisations means authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, provisions and approvals, in each case, of a Third Party.

Waiver and invocation of the conditions

GCAP reserves the right in its sole discretion to waive (in whole or in part) all or any of the above Conditions, except Conditions (a), (b) and (c) in this Part 9 (*Terms and Conditions of the Offer—Structure of the Offer—Conditions and further terms of the Offer*), which cannot be waived. Each of the Conditions must be fulfilled, be determined by GCAP to be or remain satisfied or (if capable of waiver) be waived by midnight on the 21st day after the later of the First Closing Date of the Offer and the date on which Condition (a) in this Part 9 (*Terms and Conditions of the Offer—Structure of the Offer—Conditions and further terms of the Offer*) is fulfilled (or in each case such later date as GCAP may, with the consent of the Panel, decide), failing which the Offer will lapse.

GCAP shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions by a date earlier than the latest date specified above for the fulfilment of that Condition, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any Condition may not be capable of fulfilment.

The Offer will lapse if:

- (i) the acquisition of GHG by GCAP is referred to the Chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013; or
- (ii) the European Commission either initiates proceedings under Article 6(1)I of Council Regulation (EC) No. 139/2004 (the **Regulation**) or makes a referral to a competent authority of the United Kingdom under Article 9(1) of the Regulation and there is then a reference to the Chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013,

in each case before the later of 1.00 p.m. (London time) on the First Closing Date of the Offer and the date when the Offer becomes or is declared unconditional as to acceptances.

If the Offer lapses it will cease to be capable of further acceptance. GHG Shareholders who have accepted the Offer and GCAP shall then cease to be bound by acceptances delivered on or before the date on which the Offer lapses.

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

Under Rule 13.5 of the Code, GCAP may not invoke a condition to the Offer so as to cause the Offer not to proceed, to lapse or be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to GCAP in the context of the Offer. Condition (a) (Acceptance Condition) is not subject to this provision of the Code.

Irrevocable undertakings and other Offer related arrangements

Irrevocable undertakings

GCAP has received irrevocable undertakings to accept the Offer (including from the Independent Directors of GHG) in respect of 4,155,200 GHG Shares, representing approximately 3.16% of the existing issued ordinary share capital of GHG.

The undertakings include undertakings to accept the Offer from:

- the Independent Directors of GHG are in respect of their entire holdings amounting to 518,170 GHG Shares, representing approximately 0.39% of GHG's existing issued ordinary share capital;
- the other directors of GHG: Irakli Gilauri and David Morrison, in respect of their entire holdings, amounting to 297,149 GHG Shares, representing approximately 0.23% of the existing issued ordinary share capital of GHG; and
- the following members of GHG's senior management team: Irakli Gogia, Giorgi Mindiashvili, Enriko Beridze and Misha Abramidze in respect of their entire holdings, amounting to 1,128,432 GHG Shares, representing approximately 0.86% of the existing issued ordinary share capital of GHG.

These undertakings will cease to be binding only if the Offer lapses or is withdrawn or the Offer Document is not posted in accordance with the Code and remain binding in the event that a higher competing offer for GHG is made.

An undertaking to accept the Offer, should it become wholly unconditional, has been provided by the Trustee in respect of 2,211,449 GHG Shares held by the Trust (as adjusted under the ordinary course of operation of the Trust) representing approximately 1.68% of the existing issued ordinary share capital of GHG. This undertaking will cease to be binding only if the Offer lapses or is withdrawn or the Offer Document is not posted in accordance with the Code and remains binding in the event that a higher competing offer for GHG is made.

Therefore, GCAP has received irrevocable undertakings to accept the Offer in respect of an aggregate of 4,155,200 GHG Shares representing approximately 3.16% of GHG's issued ordinary share capital.

Confidentiality agreement

On 1 May 2020 GCAP and GHG entered into the Confidentiality Agreement which set out the terms on which the parties may share the confidential information in relation to the Offer. The Confidentiality Agreement imposes standard obligations upon the parties to use the disclosed confidential information exclusively for the purpose for which it is disclosed, to keep the disclosed information confidential and secure it from unauthorised access by the third parties.

Dilution

Assuming the issue of up to 7,734,082 New GCAP Shares pursuant to the Offer, immediately following Admission, the Existing GCAP Shareholders are expected to hold 40,169,775 GCAP Shares, representing approximately 83.85% of the total number of GCAP Shares in issue at that time (assuming no further GCAP shares are issued between 5 June 2020 (being the Latest Practicable Date) and Admission)).

Georgia Capital shareholder approval

The Offer constitutes a Class 1 transaction for GCAP for the purposes of the Listing Rules. Accordingly, the Offer is conditional on the approval of GCAP's shareholders at the GCAP General Meeting.

GCAP's directors consider the Offer to be in the best interests of GCAP and its shareholders as a whole and unanimously recommend that GCAP's shareholders vote in favour of the GCAP Resolutions proposed at the GCAP General Meeting, as all GCAP directors who hold GCAP Shares intend to do in respect of their own holdings of, in aggregate, 818,963 GCAP Shares representing approximately 2.04% of the existing issued ordinary share capital of GCAP on 5 June 2020, being the Latest Practicable Date.

GCAP has sent to GCAP Shareholders on or around the date of this document the GCAP Circular summarising the background to and reasons for the Offer which includes a notice convening the GCAP General Meeting. The Offer is conditional on, among other things, the GCAP Resolutions being passed by the requisite majority of GCAP Shareholders at the GCAP General Meeting. The GCAP General Meeting will be held on 6 July 2020.

GCAP's directors have received financial advice from Numis in relation to the Offer. In providing its advice, Numis has relied upon the commercial assessments of GCAP's directors.

Numis has given and not withdrawn its consent to the inclusion in this document of reference to its advice to GCAP's directors in the form and context in which they appear.

Overseas shareholders

The release, publication or distribution of the Offer Document and/or any other documentation in relation to the Offer in or into or from jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable legal or regulatory requirements.

The Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of the US or any other Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction (except, in the case of the US, from Eligible US Holders who have satisfied GCAP (acting in its sole discretion) of their eligibility to participate in the Offer through the return of a "QIB Letter" and any required supporting documentation, in a form acceptable to GCAP). Accordingly, copies of this document will not be and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction or any jurisdiction where to do so would violate the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from the US or any other Restricted Jurisdiction.

PART 10

Directors, Senior Managers and Corporate Governance

The Georgia Capital Directors

The following table lists the names, positions and ages of the Directors of GCAP.

Name	Date of birth	Position
Irakli Gilauri	05/12/1976	Chairman and Chief Executive Officer
David Morrison	08/05/1952	Senior Independent Non-Executive Director
Kim Bradley	23/02/1955	Independent Non-Executive Director
Massimo Gesua' sive Salvadori	16/02/1975	Independent Non-Executive Director
Caroline Brown	14/06/1962	Independent Non-Executive Director
Jyrki Talvitie	04/02/1966	Independent Non-Executive Director
Maria Chatti-Gautier.....	07/10/1958	Independent Non-Executive Director

Irakli Gilauri (Chairman and Chief Executive Officer)

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

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 the Bank from 2015 to 2018, having previously served as CEO of the Bank since May 2006. Prior, he was an EBRD (European Bank for Reconstruction and Development) banker. Mr. Gilauri has up to 20 years of experience in banking, investment and finance. He is a Non-Executive Director of Georgia Healthcare Group PLC and a member of the Supervisory Board of JSC Georgia Healthcare. He also sits on the Supervisory Board of JSC Georgia Capital.

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 (Senior independent Non-Executive Director)

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

Mr. Morrison is a Non-Executive Director of Georgia Healthcare Group PLC and a member of the Supervisory Board of JSC Georgia Healthcare. He sits on the Supervisory Board of JSC Georgia Capital. 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, IPOs and mergers and acquisitions. Mr. Morrison is the author of several publications on securities law-related topics and was recognised as a leading lawyer in Germany and France. 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 two 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 US\$125 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 (Independent Non-Executive Director)

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

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' 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 (Independent Non-Executive Director)

Massimo Gesua' sive Salvadori was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves as a member of the Company's Investment and Audit and Valuation Committees and is a member of the Supervisory Board of JSC Georgia Capital.

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 (Independent Non-Executive Director)

Caroline Brown was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. She also serves as a member of the Investment and Audit and Valuation Committees and is a member of the Supervisory Board of JSC Georgia Capital.

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 15 years. Dr. Brown currently serves as the Chair of NAHL Group PLC, and as an independent Non-Executive Director on the boards of London-quoted companies, Luceco plc and IP Group plc. Dr. Brown also serves as a Trustee of the Raspberry Pi Foundation.

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 (Independent Non-Executive Director)

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

Mr. Talvitie has worked in the financial industry for 28 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 (Independent Non-Executive Director)

Maria Chatti-Gautier was appointed as an Independent Non-Executive Director of the Company on 19 March 2020. She also serves as a member of the Company’s Investment, Remuneration and Nomination Committees and is a member of the Supervisory Board of JSC Georgia Capital.

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. She spent most of her career (15 years) at Natixis Private Equity, before moving to Oddo Private Equity and Drake Star Partners (previously known as LDA Jupiter). 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. 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.

Key Senior Managers

Georgia Capital’s Senior Managers are as follows:

Name	Date of birth	Position
Irakli Gilauri	05/12/1976	Chairman and Chief Executive Officer
Avto Namicheishvili	02/04/1974	Deputy CEO JSC Georgia Capital
Giorgi Alpaidze	26/06/1986	Chief Financial Officer JSC Georgia Capital

Irakli Gilauri (Chairman and Chief Executive Officer)

See “—The Georgia Capital Directors” above for Irakli’s biography.

Avto Namicheishvili (Deputy CEO)

Avto Namicheishvili was appointed as a Deputy CEO of JSC Georgia Capital on 7 August 2015. He also serves as a chairman of the Group’s water utility, renewable energy and beverages businesses.

Formerly Mr. Namicheishvili was BGEO Group General Counsel between 2015 and 2018. 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. Before joining the Bank, Mr. Namicheishvili was a partner at Begiashvili & Co. Limited, a leading Georgian law firm, where he acted as external legal adviser for the Bank from 2004.

Mr. Namicheishvili has undergraduate degrees in law and international economic relations from Tbilisi State University and holds an LLM in international business law from the Central European University in Hungary.

Giorgi Alpaidze (Chief Financial Officer)

Giorgi Alpaidze was appointed as Chief Financial Officer of JSC Georgia Capital on 22 December 2017.

Formerly Mr. Alpaidze was appointed as chief financial officer of JSC BGEO Group in September 2017, prior to which he served as head of the BGEO Group's Finance, Funding and Investor Relations teams. Mr. Alpaidze has extensive international experience in banking, accounting and finance. He joined the JSC BGEO Group in August 2016 from Ernst & Young LLP's Greater New York City's assurance practice, where he was a senior manager serving Ernst & Young's financial services clients. Mr. Alpaidze started his career at Ernst & Young Georgia in 2005 and moved to Ernst & Young's United States practice in 2010.

Mr. Alpaidze is a US Certified Public Accountant and received his undergraduate degree in Business Administration from the European School of Management in Georgia.

Corporate Governance

UK Corporate Governance Code

The GCAP Board is committed to the highest standards of corporate governance. As of the date of this Prospectus, the GCAP Board complies with the UK Corporate Governance Code (the ***Governance Code***) with two exceptions. Provision 9 of the Code states that the roles of the chair and chief executive should not be exercised by the same person. The GCAP Board believes that Irakli Gilauri is suitable for the combined role and further that the combined chair and CEO role is appropriate for GCAP. As stated in the GCAP Annual Report and Accounts 2019 (and explained in more detail therein on its pages 124-125) the main reasons for this conclusion are as follows: (i) GCAP is unusual as a listed company because it is managed first and foremost as a holding company focussed on investing in and developing businesses, with the result that it holds and operates a highly diversified group of companies; (ii) the Board is almost entirely independent and is highly experienced; (iii) the role of the investment committee in GCAP is outsized and the committee is led by an independent director; (iv) the group's key financial metric, NAV, is set by the audit and valuation committee; and (v) the non-executive directors exercise key secondary oversight of the private portfolio business.

Second, provision 32 of the Code states that the appointee to chair the remuneration committee should have served on a remuneration committee for at least 12 months. On 16 January 2019, Jyrki Talvitie was appointed chair of the remuneration committee as he was the most suitable candidate, he had 10 months' experience on the committee at that date.

As envisaged by the Governance Code, the GCAP Board has established an audit and valuation committee, a nomination committee and a remuneration committee and has also established a separate investment committee. If the need should arise, the GCAP Board may set up additional committees as appropriate.

The Governance Code recommends that, in the case of a FTSE 350 company, at least half the board of directors, excluding the chair, should comprise non-executive directors determined by the board to be independent, taking into account relationships or circumstances which may impair, or could appear to impair, the director's independence. The GCAP Board considers that GCAP complies with the requirements of the Governance Code in this respect.

Audit and valuation committee

The Company's audit and valuation committee has responsibility for, amongst other matters: (i) recommending the financial statements to the Board and for reviewing the Company's financial reporting and accounting policies, including formal announcements and trading statements relating to the Company's financial performance; (ii) the relationship with the internal and external auditors and for assessing the role and effectiveness of the internal audit function; (iii) reviewing the Company's procedures for detecting, monitoring and managing the risk of fraud; (iv) recommending to the Board the appointment, re appointment and removal of the external auditors; (v) reviewing the nature, scope and results of the annual external audit; (vi) approving the audit fee and on an annual basis assessing the effectiveness and independence of the external auditors; (vii) keeping under review the Company's internal controls and systems for assessing and mitigating financial and non-financial risk; (viii) ensuring that the valuation policy complies with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company and (ix) being responsible for reviewing half-yearly and annual valuations of the Company's portfolio investments prepared and presented to it by the Management Board and reviewing valuation policies and procedures at least annually.

The audit and valuation committee is chaired by David Morrison and its other members are Massimo Gesua' sive Salvadori and Caroline Brown, all of whom are considered by the GCAP Board to be independent. The Governance Code recommends that all members of the audit and valuation committee be independent non-executive directors, and that one such member has recent and relevant financial experience. The GCAP Board considers that GCAP complies with the requirements of the Governance Code in this respect.

Nomination committee

The nomination committee is constituted to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board. The committee is required to give consideration to succession planning for directors and other senior executives; and make recommendations for new appointments of executive and non-executive directors and on the membership of board committees to the Board. The committee also oversees the annual review of board effectiveness.

The nomination committee is chaired by Jyrki Talvitie and its other members are Irakli Gilauri, Kim Bradley and Maria Chatti-Gautier, all of whom, except Irakli Gilauri, are considered by the GCAP Board to be independent. The Governance Code recommends that a majority of the nomination committee be independent non-executive directors. The GCAP Board considers that GCAP complies with the requirements of the Governance Code in this respect.

Remuneration committee

The remuneration committee is constituted to determine and make recommendations to the Board regarding the framework or broad policy for the remuneration of the Company's CEO and senior management. The remuneration committee also oversees any major changes in the Group's employee benefits structures. The remuneration committee is also required to produce a report of the Group's remuneration policy and practices to be included in the Company's annual report and ensure each year that the report is put to shareholders for an advisory vote.

The remuneration committee is chaired by Jyrki Talvitie and its other members are Kim Bradley and Maria Chatti-Gautier, all of whom are considered by the GCAP Board to be independent. The Governance Code recommends that all members of the remuneration committee be independent non-executive directors. The GCAP Board considers that GCAP complies with the requirements of the Governance Code in this respect.

Investment committee

The investment committee is constituted to determine and make recommendations to the Board regarding investment policy and strategy and to consider, assess and monitor investment opportunities. It will review major transactions, recommendations of the Executive Committee and ensure the Group has in place an appropriate risk framework and that management has the appropriate plans and controls in place to manage the investment risk framework.

The investment committee is chaired by Kim Bradley and its other members are Irakli Gilauri, David Morrison, Massimo Gesua' sive Salvadori, Caroline Brown, Jyrki Talvitie and Maria Chatti-Gautier, all of whom, except Irakli Gilauri, are considered by the GCAP Board to be independent.

Share dealing code

GCAP has adopted a code of share dealing code in relation to the Shares which is based on the requirements of the Market Abuse Regulation. The code applies to the Directors and other relevant employees of GCAP.

Inside Information Disclosure Policy

The Company has adopted an Inside Information Disclosure Policy. The policy is designed to prevent market abuse, insider dealing and other similar offences by ensuring the timely identification and escalation of inside information as well as co-ordinating the announcement of inside information using appropriate information services. The policy applies to all members of the Group and their respective directors, officers and employees.

Conflicts of interest

In the event of a conflict of interest arising for Irakli Gilauri and/or David Morrison in respect of their directorships of GCAP and GHG, they follow approved conflict procedures, including being recused from the relevant part or all of a meeting of the Board. There are no other potential conflicts of interest between any duties owed by the Directors or Senior Managers to GCAP and their private interests or other duties.

PART 11

Capitalisation and Indebtedness

Capitalisation and indebtedness of Georgia Capital

The capitalisation and indebtedness information set out below has been extracted without material adjustment from the GCAP's unaudited management accounting records as at 31 March 2020

	As at 31 March 2020
	<i>((GEL thousand))</i>
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
	—
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
	—
Shareholder's equity	
Share capital	1,320
Legal reserve	—
Other reserves ⁽¹⁾	108,685
	110,005
Total	110,005

(1) This line represents additional paid in capital

Save for the Offer which increased the GCAP's shareholders' equity by GEL 123 million, there have been no material changes in the GCAP's capitalisation position since 31 March 2020.

The following table sets out GCAP's net financial funds as at 31 March 2020.

	31 March 2020
	<i>(GEL thousand)</i>
Cash	
Cash equivalent.....	2,228
Trading Securities	—
	<hr/>
Liquidity	2,228
	<hr/>
Current financial receivable	—
Current bank debt	—
Current position of non-current debt.....	—
Other financial debt	—
	<hr/>
Current finance debt	—
	<hr/>
Net current financial indebtedness	2,228
	<hr/>
Non-current bank loans	—
Bond issued.....	—
Other non-current loans	—
	<hr/>
Non-current financial indebtedness	—
	<hr/>
Net financial funds	2,228
	<hr/> <hr/>

Other than the guarantee of the Euro 18.5 million syndicated loan agreement for Global Beer Georgia LLC (see paragraph 13.1.18.10 (*Global Beer Georgia Loan Agreements with BOG and TBC*) of Part 16 (*Additional Information*)), GCAP has no indirect and contingent indebtedness.

There have been no material changes in the GCAP's indebtedness position since 31 March 2020.

PART 12

Historical Financial Information of Georgia Capital

The following documents, which have been filed with the FCA and are available for inspection in accordance with paragraph 22 (*Documents available for inspection*) of Part 16 (*Additional Information*) of this Prospectus, contain financial information which is relevant to the Offer:

- GCAP's 2019 Annual Report and Financial Statements, which include GCAP's audited financial statements for the year ended 31 December 2019 (*GCAP's 2019 Annual Report and Financial Statements*).

Information incorporated by reference

The information set out in the table below is incorporated by reference into, and forms part of, this Prospectus, for purposes of the Prospectus Regulation Rules. Only those parts of the documents identified below which are specifically referred to below are incorporated by reference into, and form part of, this Prospectus.

GCAP's 2019 Annual Report and Financial Statements

([https://georgiacapital.ge/sites/default/files/2020-04/GCAP Annual Report 2019.pdf](https://georgiacapital.ge/sites/default/files/2020-04/GCAP%20Annual%20Report%202019.pdf))

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Georgia Capital PLC only	169 – 178
Consolidated Statement of Financial Position	179
Consolidated Income Statement	180
Consolidated Statement of Comprehensive Income	181
Consolidated Statement of Changes in Equity	182 – 183
Consolidated Statement of Cash Flows	184
Notes to the Georgia Capital Group Financial Statements.....	188 – 252

PART 13

Historical Financial Information of Georgia Healthcare Group

The following documents, which have been filed with the FCA and are available for inspection in accordance with paragraph 22 (*Documents available for inspection*) of Part 16 (*Additional Information*) of this Prospectus, contain financial information which is relevant to the Offer:

- GHG's 2019 Annual Report and Financial Statements, which include GHG's audited financial statements for the year ended 31 December 2019 (*GHG's 2019 Annual Report and Financial Statements*);
- GHG's 2018 Annual Report and Financial Statements, which include GHG's audited financial statements for the year ended 31 December 2018 (*GHG's 2018 Annual Report and Financial Statements*); and
- GHG's 2017 Annual Report and Financial Statements, which include GHG's audited financial statements for the year ended 31 December 2017 (*GHG's 2017 Annual Report and Financial Statements*).

Information incorporated by reference

The information set out in the table below is incorporated by reference into, and forms part of, this Prospectus, for purposes of the Prospectus Regulation Rules. Only those parts of the documents identified below which are specifically referred to below are incorporated by reference into, and form part of, this Prospectus.

GHG's 2019 Annual Report and Financial Statements

([http://ghg.com.ge/uploads/files/GHG PLC Annual Report and Accounts 2019.pdf](http://ghg.com.ge/uploads/files/GHG%20PLC%20Annual%20Report%20and%20Accounts%202019.pdf))

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Georgia Healthcare Group PLC only	121
Consolidated Statement of Financial Position	132
Consolidated Statement of Comprehensive Income	133
Consolidated Statement of Changes in Equity	134
Consolidated Statement of Cash Flows	135
Notes to the Georgia Capital Group Financial Statements.....	136 – 179

GHG's 2018 Annual Report and Financial Statements

([http://ghg.com.ge/uploads/files/GHC 30655 Annual Report 2018 web.pdf](http://ghg.com.ge/uploads/files/GHC%2030655%20Annual%20Report%202018%20web.pdf))

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Georgia Healthcare Group PLC only	113
Consolidated Statement of Financial Position	124
Consolidated Statement of Comprehensive Income	125
Consolidated Statement of Changes in Equity	126
Consolidated Statement of Cash Flows	127
Notes to the Georgia Capital Group Financial Statements.....	128 – 175

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor’s Report to the members of Georgia Healthcare Group PLC only	108
Consolidated Statement of Financial Position	119
Consolidated Statement of Comprehensive Income	120
Consolidated Statement of Changes in Equity	121
Consolidated Statement of Cash Flows	122
Notes to the Georgia Capital Group Financial Statements.....	123 – 177

PART 14

Unaudited Pro Forma Financial Information and Accountants Report

Section A – Unaudited Pro Forma Financial Information

The unaudited *pro forma* financial information set out below has been prepared to illustrate the effect of the proposed Offer on the statement of net assets of GCAP as if it had occurred on 31 December 2019. The Offer has no material impact on the *pro forma* income statement of GCAP, since the income statement of GHG is already fully consolidated into the GCAP's consolidated income statement for the year ended 31 December 2019 and the professional fees and expenses related to the Offer are accounted for as a deduction from equity. The unaudited *pro forma* statement of net assets has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

This *pro forma* financial information is unaudited and is produced for illustrative purposes only; by its nature it addresses a hypothetical situation and therefore does not represent GCAP's actual financial position or the results of the Offer nor is it indicative of the results that may, or may not, be expected to be achieved in the future. It has been prepared in accordance with IFRS accounting policies adopted in GCAP's financial statements for the year ended 31 December 2019, on the basis of the notes below and in accordance with the requirements of sections 1 and 2 of Annex 20 to the Prospectus Regulation Rules.

The *Pro Forma* Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

GCAP Shareholders should read the whole of this document and not rely solely on the unaudited *pro forma* financial information in this Part 14 (*Unaudited Pro Forma* Financial Information and Accountants Report). Ernst & Young LLP's report on the unaudited *pro forma* financial information is set out in Section B of this Part 14 (*Unaudited Pro Forma* Financial Information and Accountants Report).

In GEL thousand

		Adjustments		
Georgia Capital PLC as at 31 December 2019 (note 1)	Acquisition of GHG shares as at 31 December 2019 (note 2)	Fees (note 3)	Pro-forma as at 31 December 2019 (note 4)	
Cash and cash equivalents	1,243	—	—	1,243
Prepayments.....	234	—	—	234
Equity investments at fair value.....	1,758,197	122,913	—	1,881,110
Total assets	1,759,674	122,913	—	1,882,587
Other liabilities	7,653	—	7,916	15,569
Total liabilities	7,653	—	7,916	15,569
Net Assets	1,752,021	122,913	(7,916)	1,867,018

Notes:

- (1) GCAP's net assets information as at 31 December 2019 has been extracted, without material adjustment, from the GCAP's audited financial statements for the year ended 31 December 2019, set out in GCAP's 2019 Annual Report and Financial Statements.
- (2) This *pro forma* adjustment reflects the acquisition of 38,670,406 GHG Shares as a result of GCAP's recommended final exchange offer of 1 GCAP share for every 5 GHG Shares. The adjustment of GEL 122,913 thousand to *Equity investments at fair value* represents the fair value of the stake in GHG valued at the Latest Practicable Date.
- (3) This *pro forma* adjustment reflects the impact of the estimated professional fees and expenses related to the Offer of GEL 7,916 thousand on the 31 December 2019 net assets.
- (4) No adjustment has been made to reflect the changes in the financial position or trading results of GCAP since 31 December 2019 and GHG since 31 December 2019

Section B – Accountants’ report on the Unaudited Pro Forma Financial Information

The Directors
Georgia Capital PLC
84 Brook Street
London W1K 5EH

11 June 2020

Dear Sir or Madam

We report on the *pro forma* financial information (the ***Pro Forma Financial Information***) set out in Part 14 of the prospectus dated 11 June 2020 (the ***Prospectus***), which has been prepared on the basis described in the notes 1 to 4, for illustrative purposes only, to provide information about how the acquisition of the share capital of Georgia Healthcare Group PLC not already owned by Georgia Capital PLC (***GCAP***) might have affected the financial information presented on the basis of the accounting policies adopted by GCAP in preparing the financial statements for the period ended 31 December 2019. This report is required by Section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 3 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of GCAP to prepare the *Pro Forma* Financial Information in accordance with Sections 1 and 2 of Annex 20 of Commission Delegated Regulation (EU) 2019/980.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the *Pro Forma* Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro Forma* Financial Information with the directors of GCAP.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro Forma* Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of GCAP.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the *Pro Forma* Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of GCAP.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 3 of Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

Ernst & Young LLP

PART 15

Taxation

The tax legislation of England and Wales and the tax legislation of the jurisdiction of prospective investors may have an impact on the income received from the Shares.

UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to GCAP Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK, who hold their Shares as an investment (other than where a tax exemption applies, for example where the Shares are held in an individual savings account (*ISA*) or pension arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of GCAP Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their Shares in connection with employment, dealers in securities, insurance companies, collective investment schemes, charities, exempt pension funds, temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

(a) *Taxation of dividends*

(i) *Withholding tax*

GCAP is not required to withhold UK tax when paying a dividend.

(ii) *UK resident individual GCAP Shareholders*

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax for the first £2,000 of non-exempt dividend income in any tax year (the “nil rate band”) and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes “dividend income” includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from GCAP will not be liable to UK tax on the dividend to the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5% to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other non-exempt dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder’s income. In addition, dividends within the nil rate band which would otherwise have fallen within the basic or higher rate bands will use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

(iii) *UK resident corporate GCAP Shareholders*

It is likely that most dividends paid on the Shares to UK resident corporate GCAP Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

(b) Taxation of disposals

A disposal or deemed disposal of Shares by a GCAP Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

A disposal by a GCAP Shareholder who is an individual within the charge to UK capital gains tax will, subject to the availability to the GCAP Shareholder of any exemptions, reliefs and/or allowable losses, be subject to tax on any chargeable gain to the extent that (taking account of any other non-exempt gains accruing to the Shareholder in the same tax year) that chargeable gain exceeds the annual exempt amount of £12,300 for the 2020/2021 tax year.

To the extent that (taking account of any other non-exempt gains received by the GCAP Shareholder in the same tax year) any chargeable gain exceeds the annual exempt amount, where an individual GCAP Shareholder is subject to income tax at the basic rate such chargeable gain will be subject to capital gains tax at a rate of 10% to the extent it does not exceed the unused part of the GCAP Shareholder's basic rate income tax band. Where an individual Shareholder is subject to income tax at the basic rate but any chargeable gain exceeds the unused part of their basic rate income tax band (taking account of other non-exempt gains accruing to the GCAP Shareholder in the same tax year), such excess is chargeable to capital gains tax at the rate of 20%. For individual Shareholders who are higher or additional rate taxpayers, any chargeable gain will, subject to any available exemption or relief, be chargeable to capital gains tax at a rate of 20%.

Any chargeable gain on a disposal of Shares by a GCAP Shareholder within the charge to UK corporation tax will, subject to the availability to the GCAP Shareholder of any exemptions, reliefs and/or allowable losses, be subject to corporation tax at the current rate of 19%.

(c) Stamp Duty and Stamp Duty Reserve Tax (SDRT)

(i) The Offer

The issue of Shares direct to persons acquiring Shares pursuant to the terms of the Offer will not generally give rise to stamp duty or SDRT (although see the comments at paragraph (iii) below).

(ii) Subsequent transfers

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5.00) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Paperless transfers of Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made (or deemed to be made) for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise. The exemption for transfers where the consideration is less than £1,000 is not generally available in respect of paperless transfers.

In cases where Shares are transferred to a connected company (or its nominee), stamp duty or SDRT may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the Shares.

(iii) Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service. SDRT or stamp duty may be charged at a rate of 1.5% on such issue or transfer (with subsequent transfers within the

clearance service or transfers of depositary receipts then being free from stamp duty or SDRT). HMRC accept that this charge is in breach of EU law so far as it applies to new issues of shares or transfers that are an integral part of a capital raising, and it was confirmed in the Autumn 2017 Budget that the Government intend to continue this approach following Brexit. HMRC's published view is that the 1.5% SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement, although this has been disputed. Further litigation indicates that certain transfers of legal title to clearance services in connection with listing, but not integral to a new issue, are also not chargeable. **In view of the continuing uncertainty, specific professional advice should be sought before incurring a 1.5% stamp duty or stamp duty reserve tax charge in any circumstances.**

The statements under the heading "Stamp Duty and Stamp Duty Reserve Tax (SDRT)" in this paragraph (c) relating to stamp duty and SDRT apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

(d) *Inheritance Tax*

The Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets, by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold shares, bringing them within the charge to inheritance tax. GCAP Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Shares through such a company or a trust arrangement.

Certain US Federal Income Tax Considerations

The following discussion is a general summary based on present law of certain US federal income tax consequences of the ownership and disposition of New GCAP Shares. This discussion applies only to US Holders (as defined below) that will hold New GCAP Shares as capital assets and use the US dollar as their functional currency. The discussion is a general summary; it is not a substitute for tax advice. It does not address all tax considerations that may be relevant to a particular US Holder or the tax treatment of US Holders subject to special rules, such as banks or other financial institutions, insurance companies, tax exempt entities, dealers, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, investors liable for alternative minimum tax, US expatriates, persons that directly, indirectly or constructively own 10% or more of the total combined voting power of the Company's voting stock or of the total value of the Company's equity interests, investors liable for alternative minimum tax, investors that hold New GCAP Shares in connection with a permanent establishment or fixed base outside the United States, or investors that hold New GCAP Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. This summary also does not address US federal taxes other than the income tax (such as estate or gift taxes) or US state and local, or non-US tax laws or matters.

As used here, a "US Holder" means a beneficial owner of New GCAP Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court and (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) that holds New GCAP Shares will generally depend on the status of the partner and the activities of the partnership. Partnerships should consult their own tax advisers concerning the US federal income tax consequences to their partners of the ownership and disposition of New GCAP Shares.

Dividends

Except as described in "*Passive Foreign Investment Company Rules*" below, the gross amount of any distribution of cash or property with respect to New GCAP Shares (other than certain *pro rata* distributions

of ordinary stock) will be included in a US Holder's gross income as ordinary income from foreign sources when actually or constructively received. The dividends will not be eligible for the dividends-received deduction generally available to US corporations.

Dividends received by eligible non-corporate US Holders that satisfy a minimum holding period and certain other requirements generally will be taxed at the preferential rate applicable to qualified dividend income if the Company qualifies for the benefits of the income tax treaty between the United States and the United Kingdom (the *US-UK Treaty*), which the Company believes it does, and the Company is not a passive foreign investment company (*PFIC*) in the Company's taxable year of distribution or the preceding taxable year.

Dividends paid in pounds sterling will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt, whether or not the pounds sterling are converted into US dollars at that time. A US Holder's tax basis in the pounds sterling will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion or other disposition of the pounds sterling for a different US dollar amount generally will be US source ordinary income or loss. If dividends paid in pounds sterling are converted into US dollars on the day they are received, a US Holder generally will not be required to recognise exchange gain or loss in respect of the dividend income.

Dividends received by certain non-corporate US Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Disposition

Except as described in "*Passive Foreign Investment Company Rules*" below, a US Holder generally will recognise capital gain or loss on the sale or other disposition of New GCAP Shares equal to the difference between the US dollar value of the amount realised and the US Holder's adjusted tax basis in the New GCAP Shares. The US Holder's amount realised will include the gross amount of the proceeds from the sale or other disposition. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long term capital gain or loss if the US Holder's holding period exceeds one year. Long term capital gains of non-corporate US Holders are subject to preferential tax rates. Deductions for capital loss are subject to significant limitations.

A US Holder that receives pounds sterling on the sale or other disposition of New GCAP Shares will realise an amount equal to the US dollar value of the pounds sterling at the spot rate of exchange on the date of sale or other disposition (or, if the New GCAP Shares are traded on an "established securities market," in the case of a cash basis or electing accrual basis US Holder, the settlement date). A US Holder will recognise exchange gain or loss if the US dollar value of the pounds sterling received at the spot rate of exchange on the settlement date differs from the amount realised. A US Holder will have a tax basis in the pounds sterling received equal to its US dollar value at the spot rate on the settlement date. Any exchange gain or loss realised on the settlement date or on a subsequent conversion of the pounds sterling into US dollars will be US source ordinary income or loss.

Capital gains from the sale or other disposition of the New GCAP Shares received by certain non-corporate US Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Passive Foreign Investment Company Rules

Based on the composition of the Company's current gross assets and income (including the income and assets of the Georgia Capital Group) and the manner in which the Company has operated the Georgia Capital Group's business and expects to operate the Georgia Capital Group's business in the foreseeable future, the Company believes that it was not a PFIC for US federal income tax purposes in its most recently completed taxable year and will not become a PFIC in its current taxable year or in the foreseeable future. In general, a non-US corporation will be a PFIC for any taxable year in which, taking into account a *pro rata* portion of the income and assets of 25% or more owned subsidiaries, either (i) 75% or more of its gross income is passive income, or (ii) 50% or more of the average quarterly value of its assets are assets that produce, or are held for the production of, passive income or which do not produce income. For this purpose, passive income generally includes, among other things and subject to various exceptions, interest, dividends, rents, royalties and gains from the disposition of assets that produce passive income. Whether the Company is a PFIC is a factual determination made annually, and the Company's status could change depending among other things upon changes in the composition and relative value of its gross receipts and assets (including the income and assets of its 25% or more owned subsidiaries). Because the market value of the Company's assets may be measured in large part by the market price of the New GCAP Shares,

which is likely to fluctuate, no assurance can be given that the Company will not be a PFIC in the current year or in any future taxable year.

If the Company were a PFIC for any taxable year in which a US Holder holds New GCAP Shares, such US Holder would be subject to additional taxes on any excess distributions and any gain realised from the sale or other taxable disposition of New GCAP Shares (including certain pledges) regardless of whether the Company continues to be a PFIC. A US Holder will have an excess distribution to the extent that distributions on New GCAP Shares during a taxable year exceed 125% of the average amount received during the three preceding taxable years (or, if shorter, the US Holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain is allocated ratably over the US Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC is taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

A US Holder may be able to avoid some of the adverse impacts of the PFIC rules described above by electing to mark New GCAP Shares to market annually. The election is available only if the New GCAP Shares are considered "marketable stock," which generally includes stock that is regularly traded in more than de minimis quantities on a qualifying exchange. If a US Holder makes the mark-to-market election, any gain from marking New GCAP Shares to market or from disposing of them would be ordinary income. Any loss from marking New GCAP Shares to market would be recognised only to the extent of unreversed gains previously included in income. Loss from marking New GCAP Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of mark-to-market gains previously included in income. No assurance can be given that the New GCAP Shares will be traded in sufficient frequency and quantity to be considered "marketable stock" or whether the London Stock Exchange is or will continue to be considered a qualifying exchange for purposes of the PFIC mark-to-market election. A valid mark-to-market election cannot be revoked without the consent of the Internal Revenue Service (the *IRS*) unless the New GCAP Shares cease to be marketable stock.

US Holders should consult their own tax advisors concerning the Company's possible PFIC status and the consequences to them if the Company were classified as a PFIC for any taxable year.

Information and Backup Withholding

Dividends on New GCAP Shares and proceeds from the sale or other disposition of New GCAP Shares paid through US related intermediaries or a US account may be reported to the IRS unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting. Any amount withheld may be credited against the holder's US federal income tax liability subject to certain rules and limitations. US Holders should consult with their own tax advisers regarding the application of the US information reporting and backup withholding rules.

Certain non-corporate US Holders are required to report information with respect to investments in New GCAP Shares not held through an account with a domestic financial institution. US Holders that fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in New GCAP Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NEW GCAP SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PART 16

Additional Information

1. Responsibility

GCAP and the GCAP Directors whose names appear in Part 3 (*Directors, Secretary, Registered and Head Office and Advisors*), accept responsibility for the information contained in this document. To the best of the knowledge of GCAP and the GCAP Directors, the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

2. Incorporation and share capital

2.1 Georgia Capital was incorporated on 5 July 2017 as BGEO Investments Limited. Georgia Capital subsequently changed its name on 13 December 2017 to Georgia Capital Limited. On 8 February 2018 Georgia Capital was re-registered as a public company limited by shares and renamed Georgia Capital PLC on 8 February 2018. It was incorporated with limited liability in England and Wales, and operates as a public limited company under the Act, with registered number 10852406. Georgia Capital is a resident of the UK for UK tax purposes.

2.2 Georgia Capital's registered office and principal place of business is at 84 Brook Street, London W1K 5EH, its telephone number is +44 (0) 203 178 4052, its LEI number is 213800Q65T5GNBOW7H65 and its website is <https://georgiacapital.ge/>. The contents of Georgia Capital's website, other than those parts incorporated by reference (see Part 17 (*Documentation Incorporated by Reference*)), do not form part of this Prospectus.

2.3 The principal laws and legislation under which GCAP operates and the ordinary shares have been created are the Act and regulations made thereunder.

2.4 As at 5 June 2020 (being the Latest Practicable Date) GCAP's share capital was £401,698 comprising 40,169,775 Shares of 1 pence each (all of which were fully paid).

2.5 On 4 June 2020, the GCAP Shareholders resolved at GCAP's Annual General Meeting that:

2.5.1 the GCAP Board be generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of GCAP to allot shares in GCAP and to grant rights to subscribe for or to convert any security into shares in GCAP:

2.5.1.1 up to an aggregate nominal amount of £133,899.25 (representing approximately one-third of the issued share capital as at 7 April 2020); and

2.5.1.2 in addition to the amount referred to in 2.5.1.1 above, up to a further aggregate nominal amount of £133,899.25 (representing approximately one-third of the issued share capital as at 7 April 2020) in connection with an offer by way of the rights issue:

(A) to holders of shares in proportion (as nearly as may be practicable) to their existing holdings; and

(B) to holders of other equity securities as required by the rights of those securities or as the Board consider it necessary, as permitted by the rights of those securities, subject to the Board having a right to make such exclusions or other arrangements as they may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

provided that this authority shall expire on the date of the next Annual General Meeting of GCAP or if earlier, at the close of business on 4 September 2021 save that GCAP may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the GCAP Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority had not expired;

2.5.2 the GCAP Board be authorised to allot equity securities (as defined in the Act) for cash and/or to sell ordinary shares held by GCAP as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited:

- 2.5.2.1 to the allotment of equity securities in favour of GCAP Shareholders where the equity securities respectively attributable to the interests of all GCAP Shareholders are proportionate (as nearly as may be) to the respective numbers of GCAP Shares held by them; and
- 2.5.2.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 2.5.2.1) up to a nominal amount of £20,084.89 (representing approximately 5% of the issued share capital as at 7 April 2020), such authority to expire at the end of the next Annual General Meeting of GCAP (or, if earlier, at the close of business on 4 September 2021) but, in each case, prior to its expiry GCAP may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the GCAP Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired; and
- 2.5.3 the GCAP Board be authorised in addition to any authority granted to allot equity securities (as defined in the Act) for cash under the authority given and/or to sell ordinary shares held by GCAP as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:
 - 2.5.3.1 limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £20,084.89 (representing approximately 5% of the issued share capital as at 7 April 2020); and
 - 2.5.3.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the GCAP Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of the 2020 Annual General Meeting of GCAP,

such authority to expire at the end of the next Annual General Meeting of GCAP (or, if earlier, at the close of business on 4 September 2021) but, in each case, prior to its expiry GCAP may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the GCAP Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
- 2.6 On 6 July 2020, GCAP will seek the approval of GCAP Shareholders at a GCAP General Meeting to the following resolutions required to approve, implement and effect the Offer and to authorise the creation and allotment of New GCAP Shares:
 - 2.6.1 the proposed acquisition by GCAP of all the issued or to be issued ordinary share capital of GHG not already owned by GCAP, to be effected pursuant to the Offer substantially on the terms and subject to the conditions as described in:
 - 2.6.1.1 the Offer Document;
 - 2.6.1.2 the Circular; and
 - 2.6.1.3 this Prospectus,

be and is hereby approved and the GCAP Directors (or a duly authorised committee thereof) be and are hereby authorised to do or procure to be done all such acts and things as they consider necessary, expedient or appropriate in connection with the Offer and this resolution and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Offer (provided that such modifications, variations, revisions, waivers or amendments do no materially change the terms of the Offer for the purposes of the FCA's Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as the GCAP Directors (or a duly authorised committee thereof) may in their absolute discretion think fit; and

- 2.6.2 subject to and conditional upon;
- 2.6.2.1 the conditions for the Offer to become effective being satisfied, except for the conditions relating to:
- (a) the FCA having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the New GCAP Shares to be issued pursuant to the Offer to listing on the premium listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the *listing conditions*)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied; and
 - (b) London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New GCAP Shares will be admitted to trading on the main market of the London Stock Exchange; or, as the case may be,
- 2.6.2.2 the Offer becoming or being declared wholly unconditional (except for Admission),

the GCAP Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act (in addition, to the extent unutilised, to the authority granted to the GCAP Directors at the annual general meeting of the Company held on 4 June 2020, which remains in full force and effect and without prejudice to the continuing authority of the GCAP Directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made) to exercise all the powers of the Company to allot the New GCAP Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £77,341, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit, subject always to the terms of the Offer and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Offer, and which authority shall expire at the close of business on 31 December 2020 (unless previously revoked, renewed or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or enter into an agreement that would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the GCAP Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

- 2.6.3 The authority to allot the New GCAP Shares represents approximately 19.25% of the total issued ordinary share capital of GCAP as at the Latest Practicable Date (as at the Latest Practicable Date, GCAP did not hold any shares in treasury). The passing of the GCAP Shareholder Resolution requires more than 50% of the votes cast in respect of the GCAP Shareholder Resolution to be in favour of it. If the GCAP Shareholder Resolution is passed, this authority will expire on 31 December 2020 (unless previously revoked, renewed, varied or extended).
- 2.6.4 The full text of the GCAP Shareholder Resolution and other matters is set out in the Notice of the GCAP General Meeting attached to the Circular. If the GCAP Shareholder Resolution is not passed, the Offer will not proceed.
- 2.7 Save as disclosed above and in paragraphs 9 (*Employee share plans*):
- 2.7.1 no share or loan capital of GCAP has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - 2.7.2 no commissions, discounts, brokerages or other special terms have been granted by GCAP in connection with the issue or sale of any share or loan capital of any such company; and

2.7.3 no share or loan capital of GCAP is under option or agreed conditionally or unconditionally to be put under option.

GCAP will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of GCAP except to the extent such provisions are disappplied as referred to above.

2.8 Immediately following the Offer, the issued share capital of GCAP is expected to be £479,039 comprising 47,903,857 Shares of one pence each (all of which will be fully paid or credited as fully paid), assuming that 100% of the Offer Shares are subscribed for in the Offer.

2.9 The Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3. Articles of Association

The GCAP Articles were adopted from 8 June 2018 by special resolution. They include provisions to the following effect:

3.1 *Voting rights*

Subject to any special rights or restrictions as regards voting for the time being attached to any class of the Shares and certain other provisions of the Articles, on a show of hands, every Shareholder present in person or by proxy or (in the case of a corporation) by duly authorised representative shall have one vote, and on a poll every Shareholder present in person or by proxy shall have one vote for each Share of which he or she is the holder.

In the case of joint holders, the vote of the most senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names of the holders stand in the register.

Unless the Directors otherwise decide, no Shareholder shall be entitled to vote at any general meeting, unless all calls or other sums presently payable by him or her in respect of any Shares, of which he or she is holder or one of the joint holders, have been paid.

3.2 *Dividends*

Georgia Capital PLC may by ordinary resolution declare dividends, provided that no dividend may exceed the amount recommended by the GCAP Directors. Dividends must be paid out of profits available for distribution. The GCAP Directors may also from time to time pay interim dividends on shares of any class of such amounts, on such dates, and in respect of such periods as they think fit. If the GCAP Directors act in good faith, the GCAP Directors shall not incur any liability to GCAP Shareholders for any loss they may suffer by the lawful payment on any other class of Shares having no preferred or deferred rights of any such fixed or interim dividend.

The Directors may, with the prior authority of an ordinary resolution of the Company, direct payment of a dividend in whole or in part in specie and the Directors shall give effect to such resolution. No dividend or other monies payable in respect of a share in GCAP shall bear interest against the Company unless interest is provided by the rights attached to those shares.

The Directors may deduct from any dividend or other moneys payable to a Shareholder, on or, in respect of such Shares all sums of money (if any) presently payable by the holder to the Company on account of calls or otherwise in relation to such shares.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend unclaimed after a period of twelve years from the date on which such dividend was declared or became due for payment shall be forfeited and revert to the Company.

The Directors may, if authorised by an ordinary resolution of the Company, offer those holders of a particular class of the Shares that have elected to receive them further Shares of that class or Shares by way of scrip dividend instead of cash.

The Directors may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made, and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared, paid or made.

3.3 Capitalisation of reserves

The Directors may, with the authority of an ordinary resolution of the Company: (i) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account, capital redemption reserve, merger reserve and profit and loss account) or any sum standing to the credit of profit and loss account (whether or not it is available for distribution); and (ii) appropriate that sum as capital to Shareholders in proportion to the nominal amount of share capital held by them respectively and apply that sum on their behalf in paying up in full any unissued shares or debentures of the Company of a nominal amount equal to that sum and allot shares or debentures credited as fully paid to those Shareholders, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued the Shares held by them respectively, or otherwise deal with such sum as directed by the resolution.

3.4 Shares

Subject to any relevant authority given by the Company in a general meeting, the Directors may exercise any power of the Company to allot the Shares, or to grant rights to subscribe for or to convert any security into the Shares, to such persons, at such times and on such terms as the Directors may decide.

Subject to any rights attached to any existing shares, any share in the Company may be allotted or issued with, or have attached to it, such rights or restrictions as the Company may by ordinary resolution determine, or, subject to and in default of such determination, as the Directors may determine.

Subject to any rights attached to any existing shares, the Shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any redeemable Shares so issued.

The Company may exercise all the powers conferred or permitted by the provisions of the Companies Act and regulations made thereunder of paying commission or brokerage. Subject to the provisions of the Companies Act, any such commission or brokerage may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or other securities or by the grant of an option to call for such an allotment or by any combination of such methods as the Directors think fit.

3.5 Variation of rights

The rights attached to a class of the Shares may be varied or abrogated either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued Shares of that class (excluding any share in the Company of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued Shares of that class validly held in accordance with the relevant provisions of the Articles.

The rights attached to a class of the Shares are not, unless otherwise expressly provided for in the rights attaching to those Shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Companies Act.

3.6 *Interests in the Shares / failure to disclose interests in the Shares*

Where notice is served by the Company under section 793 of the Companies Act (a *section 793 notice*) on a Shareholder, or another person appearing to be interested in Shares held by that Shareholder, and the Shareholder or other person has failed in relation to any Shares (the *default shares*), to give the Company the information required within 14 days from the date of service of the section 793 notice, the following sanctions apply, unless the Directors otherwise decide:

- (a) The Shareholder shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of the Shares or on a poll;
- (b) where the default shares represent at least 0.25% in nominal value of the issued Shares of their class (excluding any share in GCAP of their class held as treasury shares);
- (c) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it, and the Shareholder shall not be entitled to elect, pursuant to the Articles, to receive the Shares instead of a dividend; and
- (d) no transfer of any certificated default shares shall be registered, unless the transfer is an excepted transfer, or the Shareholder is not himself or herself in default in supplying the information required; and the Shareholder proves to the satisfaction of the Directors that no person in default in supplying the information required is interested in any of the Shares that are the subject of the transfer.

3.7 *Ownership restrictions and related reporting obligations*

Each Shareholder acknowledges that the Company may from time to time directly or indirectly hold interests in shares or otherwise have the direct or indirect ability to exercise voting rights in any subsidiary undertaking of the Group from time to time which is licensed and/or supervised by a regulatory authority (a *regulated group company*) and that such holding or ability to exercise voting rights may impose regulatory requirements on the Shareholder or any other person (as a person indirectly interested in such a regulated group company).

No person may directly or indirectly acquire (through a transaction or series of transactions), hold and/or otherwise have the direct or indirect ability to exercise voting rights in respect of, interests in Shares which would result in such person directly or indirectly, alone or together with any of its related person(s), having a direct or indirect interest in shares of or ability to exercise voting rights over at least 10%, 25% or 50% (or such other percentages as a regulatory authority may determine from time to time) in any regulated group company (a *significant interest*) without the prior satisfaction of, or timely compliance with, all regulatory requirements. If a person acquires or otherwise holds a significant interest he or she shall be required to:

- (a) disclose to the Company the identity of the ultimate beneficial owner(s) of such significant interest; and
- (b) certify to the Company that such person(s) (or such ultimate beneficial owner(s)) has/ have complied with all regulatory requirements in respect of the acquisition and/or holding (as applicable) of such significant interest.

If the Company knows or has reasonable cause to believe that a person has failed to comply with the above requirements and the Company determines (based on a notification by a regulatory authority or on legal advice) that such failure has, will or may cause the Company and/or any of its subsidiaries to be unable to exercise, directly or indirectly, voting rights in any regulated group company and/or a regulatory authority has, will or may impose any material penalties on the Company and/or any of its subsidiaries and/or any regulated group company, the Company shall forthwith either:

- (a) send a notice (a *default notice*) to the person(s) requiring such person(s), to disclose within 30 days of the date of the default notice the identity of the ultimate beneficial owner(s) of any significant interest held by him and/or any of his related persons and certify that all regulatory requirements in respect of the relevant holding have been satisfied; or

- (b) send a notice (a *disenfranchisement notice*) to the relevant Shareholder informing him/ them that in respect of such part of his/ their holding of interests in Shares (including, for the avoidance of doubt, any interests in Shares allotted or issued after the date of the disenfranchisement notice in respect of that holding) he/ they shall not be entitled to vote (either in person or by proxy) that holding at a general meeting or at a separate meeting of the holders of a class of shares or on a poll until 7 days after the earlier of: (i) any holding subject to a default notice is transferred pursuant to an excepted transfer (as defined in Article 65 of the Articles); or (ii) the Company is reasonably satisfied that the above provisions have been complied with.

Where a default notice is served by the Company and the Shareholder or other person fails to give the Company the required disclosures and certifications in an acceptable form within 30 days of the date of the default notice and the Company determines (based on a notification by a regulatory authority or on legal advice) that such failure has, will or may cause the Company and/or any of its subsidiaries to be unable to exercise, directly or indirectly, voting rights in any regulated group company and/or a regulatory authority has, will or may impose any material penalties on the Company and/or any of its subsidiaries and/or any regulated group company, the Company shall forthwith send a disenfranchisement notice to the relevant member(s).

For the purpose of enforcing these sanctions, the Company may give notice to a Shareholder requiring the Shareholder to convert the shares subject to a disenfranchisement notice held in uncertificated form to certificated form by the time stated in the notice. For the purposes of these provisions in the Articles:

regulatory authority means the relevant regulator in relation to a regulatory requirement being, at the date of adoption of the Articles, Insurance State Supervisory Service of Georgia (or, in either case, any successor body(ies) thereto or other entity with the authority to regulate the relevant regulatory requirement); and

regulatory requirement means a requirement pursuant to Georgian law, orders, normative acts or regulations adopted pursuant thereto (in each case from time to time) to notify, seek approval of or otherwise comply with any requirement of a Regulatory Authority in relation to the acquisition or holding of a Significant Interest.

3.8 *Transfer of shares*

A Shareholder may transfer all or any of his or her certificated Shares by instrument of transfer in writing in any usual form or in any other form approved by the Directors, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a Share in the Company which is not fully paid) by or on behalf of the transferee. A Shareholder may transfer all or any of his or her uncertificated Shares in accordance with the Uncertificated Securities Regulations 2001 (the *Regulations*). Subject to the provisions of the Regulations, the transferor of a Share is deemed to remain the Shareholder until the name of the transferee is entered in the register in respect of it. The Directors may, in their absolute discretion, refuse to register the transfer of a certificated Share unless all of the following conditions are satisfied:

- (a) it is in respect of only one class of the Shares;
- (b) it is in favour of (as the case may be) a single transferee or not more than four joint transferees;
- (c) it is duly stamped (if required); and
- (d) it is delivered for registration to the office or such other place as the Directors may decide, accompanied by the certificate for the Shares to which it relates and such other evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer.

If the Directors refuse to register the transfer of a certificated Share they shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal, together with their reasons for the refusal, to the transferee. An instrument of transfer which the refuse to register shall (except in the case of suspected fraud) be returned to the person depositing it. the Company may retain all instruments of transfer which are registered, but any instrument of transfer of any Share in the Company which the Directors refuse to register shall (except in the case of suspected fraud) be returned to the person lodging it when notice of the refusal is given.

Subject to the provisions of the Regulations, the Directors have the power to resolve that a class of the Shares shall become a participating security and/or that a class of shares shall cease to be a participating security. Uncertificated Shares of a class are not to be regarded as forming a separate class from certificated Shares of that class. A Shareholder may, in accordance with the Regulations, change a Share of a class which is a participating security from a certificated Share to an uncertificated Share and from an uncertificated Share to a certificated Share. In accordance with and subject to the provisions of the Regulations, a transfer of title to any uncertificated Share shall be registered unless the Regulations permit a transfer to be refused. If the transfer of an uncertificated Share is refused within the time period stipulated by the Regulations, notice of the refusal shall be sent to the transferee. The Company (in its absolute discretion) may or may not charge a fee for registering the transfer of a Share or other document or instructions relating to or affecting the title to a Share or the right to transfer it or for making any other entry in the register.

3.9 *Lien and forfeiture*

The Company has a first and paramount lien on all partly paid Shares for an amount payable in respect of the Share, whether the due date for payment has arrived or not. The lien applies to all dividends from time to time declared, or other amounts payable in respect of the Share.

The Directors may either generally or, in a particular case, declare a Share to be wholly or partly exempt from a lien. Unless otherwise agreed with the transferee, the registration of a transfer of a Share in the Company operates as a waiver of the Company's lien (if any) on that Share. For the purpose of enforcing the lien referred to in the Articles, the Directors may sell all or any of the Shares subject to the lien at such time or times and in such manner as it may decide provided that:

- (a) the due date for payment of the relevant amounts has arrived; and
- (b) the Directors have served a written notice on the Shareholder concerned stating the amounts due, demanding payment thereof and giving notice that if payment has not been made within 14 clear days after the service of the notice that the Company intends to sell the Shares.

To give effect to a sale, the Directors may authorise a person to transfer the Shares in the name and on behalf of the holder, or to cause the transfer of such Shares, to the purchaser or his or her nominee. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by an irregularity in or invalidity of the proceedings connected with the sale. The net proceeds of a sale effected under the Articles, after payment of the Company's costs of the sale, shall be applied in or towards satisfaction of the amount in respect of which the lien exists. The balance (if any) shall be paid to the Shareholder immediately before the sale.

3.10 *General meetings*

An annual general meeting shall be held within each period of six months beginning with the day following the Company's accounting reference date, at such place or places within the United Kingdom, and at such date and time as may be decided by the Directors.

The Directors may, whenever they think fit, call a general meeting. The Directors are also required to call a general meeting once the Company has received requests from Shareholders representing at least 5% of the paid-up capital of the Company (disregarding any treasury shares) to do so in accordance with the Companies Act and regulations made thereunder. The Directors must call a general meeting with 21 days of receiving a valid request from Shareholders and provide for the general meeting to be held on a date not more than 28 days after the date of the notice of meeting. Where the Shareholders request for a general meeting identified a resolution intended to be moved at the meeting, the notice of meeting must include notice of this resolution.

An annual general meeting shall be called by not less than 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice.

The Directors may determine that persons entitled to receive notices of meeting are those persons entered on the register at the close of business on a day determined by the Directors, provided that, if GCAP is a participating issuer, the day determined by the Directors may not be more than 21 days before the day that the relevant notice of meeting is being given. The notice of meeting must also specify a time (which shall not be more than 48 hours before the time for the holding of the meeting) by which a person must be entered on the register in order to have the right to attend

or vote at the meeting. No business may be transacted at a general meeting unless a quorum is present. The quorum for a general meeting is two Shareholders present in person or by proxy and entitled to vote.

The Articles allow for general meetings to be jointly held electronically as well as physically in accordance with the Companies (Shareholders' Rights Regulation) 2009 and the Companies Act. Meetings may be held and conducted in such a way that persons who are not present at the physical meeting together at the same place may also attend, speak and vote at the meeting by electronic means. Nothing in the Articles precludes physical meetings being held.

3.11 *Appointment of the Directors*

The number of the Directors must not be less than two and must not be more than fifteen unless otherwise decided by the Company by ordinary resolution. The Directors may appoint a person who is willing to act as a director, either to fill a vacancy or as an addition to the existing number of Directors. The Company may by ordinary resolution appoint any person to office as a Director.

Subject to the provisions of the Companies Act and regulations made thereunder, the Directors may appoint one or more of their body to hold an executive office with the Company for such term and on such other terms and conditions as the Directors think fit. The Directors may revoke or terminate an appointment at any time, without prejudice to a claim for damages for breach of the contract of service between the Director and GCAP or otherwise. No person other than a Director retiring (by rotation or otherwise) may be appointed or reappointed at a general meeting unless:

- (a) he or she is recommended by the Directors; or
- (b) not less than seven nor more than 42 days before the date fixed for the meeting, notice has been given to the Company by a Shareholder (other than the person to be proposed) qualified to vote at the meeting of the intention to propose that person for appointment or reappointment.

3.12 *Election, re-election, removal and retirement of Directors*

A Director is not required to hold any Shares.

The Company may, by ordinary resolution of which special notice is given in accordance with the Companies Act and regulations made thereunder, remove any Director before the expiration of his or her period of office in accordance with the Companies Act, and elect another person in place of a Director so removed from office. Such removal may take place notwithstanding any provision of the Articles or of any agreement between the Company and such Director, but is without prejudice to any claim the Director may have for damages for breach of any such agreement.

Subject to the Articles, at each annual general meeting not less than one-third of the Directors who are subject to retirement by rotation shall retire from office provided that if there are fewer than three directors who are subject to retirement by rotation, at least one shall retire from office.

If any one or more of the Directors were last appointed or reappointed three years or more prior to the meeting, were last appointed or reappointed at the third immediately preceding annual general meeting, or at the time of the meeting will have served more than eight years as a non-executive director of the Company (excluding as the chairman of the Directors), he or she or they shall retire from office and shall be counted in obtaining the number required to retire at the meeting, provided that the number of directors required to retire shall be increased to the extent necessary to comply with the Articles.

Subject to the provisions of the Articles, the Directors shall retire by rotation at an annual general meeting include, so far as necessary to obtain the number required, first, a Director who wishes to retire and not offer himself or herself for reappointment, and, second, those Directors who have been longest in office since their last appointment or reappointment.

A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be reappointed. If he or she is not reappointed or deemed reappointed, he or she may retain office until the meeting appoints someone in his or her place or, if it does not do so, until the end of the meeting.

3.13 *Power of the Board*

Subject to the Articles and to directions given by special resolution, the business and affairs of the Company shall be managed by the Directors who may exercise all the powers of whether relating to the management of the business or not. No alteration of the Articles and no direction given by the Company shall invalidate a prior act of the Directors which would have been valid if the alteration had not been made or the direction had not been given. The provisions of the Articles giving specific powers to the Directors do not limit the general powers given to the Directors.

The Board may delegate to one of the Directors holding executive office any of their powers, authorities and discretions for such time and on such terms and conditions as they think fit. In particular, without limitation, the Board may grant the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director. The Board may at any time revoke the delegation or alter such terms and conditions. The Board may delegate any of their powers, authorities and discretions, for such time and on such terms and conditions as they think fit, to a committee, the majority of which consists of the Directors.

The Board may establish any local or divisional boards or agencies for managing any of the affairs of the Company in any specified locality, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local or divisional board, or any managers or agents, and may fix their remuneration. The Company Board may delegate to any local or divisional board, manager or agent so appointed any of their powers, authorities and discretions (with power to sub-delegate) and may authorise any persons to be members for the time being of any such local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies; and any such appointment or delegation may be made for such time, on such terms and subject to such conditions as the Company Board may think fit.

The Board may by power of attorney or otherwise appoint a person to be the agent of the Company and may delegate to that person any of its powers, authorities and discretions for such purposes, for such time and on such terms and conditions as they think fit.

3.14 *Proceedings of the Directors*

Subject to the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as they think fit. The quorum necessary for the transaction of business may be decided by the Board and until otherwise decided is two Directors present in person or by alternate Director.

The Board may appoint one of their body as chairman to preside at every board meeting at which he or she is present and one or more deputy chairman or chairmen and decide the period for which he or she is or they are to hold office (and may at any time remove him or her or them from office). If no chairman or deputy chairman or chairmen is elected, or if at a meeting neither the chairman nor a deputy chairman or chairmen is present within five minutes of the time fixed for the start of the meeting, the Directors and alternate Directors present shall choose one of their number to be chairman. In case of an equality of votes at a meeting the chairman has a second or casting vote.

3.15 *Directors' remuneration*

The Directors' fees are determined by the Directors from time to time except that they may not exceed £750,000 per annum in aggregate or such higher amounts as may from time to time be determined by ordinary resolution of the Company. The Board may arrange for part of such fee payable to a Director to be provided in the form of fully-paid Shares.

The salary or other remuneration of a Director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Directors, and may be in addition to or instead of a fee payable to him or her for his or her services as Director pursuant to the Articles.

3.16 *Directors' indemnification*

Subject to the provisions of the Companies Act and provisions made thereunder, the Company may:

- (a) indemnify to any extent any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him or her) against any loss or liability, whether in connection with any negligence, default, breach of duty or breach of trust by him or her or otherwise, in relation to the Company or any associated company;
- (b) indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him or her in connection with the Company's activities as trustee of an occupational pension scheme.

Where a person is indemnified against any liability in accordance with the Articles, such indemnity may extend to all costs, charges, losses, expenses and liabilities incurred by him or her in relation thereto.

3.17 Directors' interests

A Director may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as a holder of such company shares or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him or her as a director or officer of or from his or her interests in such other company unless the Company otherwise directs.

A Director who has directly or indirectly an interest in a transaction entered into or proposed to be entered into by the Company or by a subsidiary of the Company which conflicts with the interests of the Company and of which he or she has actual knowledge shall disclose to Company (by notice to the Directors) the nature and extent of his or her interest. Subject thereto and the provisions of the Companies Act and regulations made thereunder, any such Director shall not be liable to account to the Company for any profit or gain realised by him or her on such transactions.

A notice in writing given to the Company by a Director that he or she is to be regarded as interested in a transaction with a specified person is sufficient disclosure of his or her interest in any such transaction entered into after the notice is given. Subject to the Articles, a Director may not vote in respect of certain transactions and if he or she does so vote his or her vote shall not be counted and he or she shall not be capable of being counted towards the quorum at any meeting of the Directors at which any such transaction shall come before the Directors for consideration.

Subject to the provisions of the Companies Act and regulations made thereunder, a Director may act by himself or herself or his or her firm in a professional capacity for the Company and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director.

3.18 Restrictions on voting

Except as provided below, a Director may not vote in respect of any contract, arrangement or any other proposal in which he or she, or a person connected to him or her, is interested. Any vote of a Director in respect of a matter where he or she is not entitled to vote shall be disregarded.

A Director is entitled to vote and be counted in the quorum in respect of any resolution concerning, *inter alia*, any contract, transaction or arrangement, or any other proposal:

- (a) in which he or she has an interest, of which he or she is not aware, or which cannot be reasonably be regarded as likely to give rise to a conflict of interest;
- (b) in which he or she has an interest only by virtue of interests in shares, debentures or other securities or otherwise in or through the Company;
- (c) which involves the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he/himself or she/herself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (d) concerning an offer of securities by the Company or any of its subsidiary undertakings in which he or she is or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter;

- (e) concerning any other body corporate in which he or she is interested, provided that he or she and any connected persons do not own or have a beneficial interest in 1%, or more of any class of the equity share capital or the voting rights of such body corporate;
- (f) relating to an arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (g) concerning the purchase or maintenance of insurance policy for the benefit of the Directors;
- (h) concerning the giving of indemnities in favour of the Directors; or
- (i) in respect of which his or her interest, or the interest of the Directors generally, has been authorised by ordinary resolution at a general meeting of the Shareholders.

3.19 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.20 *Service of notices, documents and information on the Shareholders*

Any notice, document or information may be given, sent or supplied by the Company to any Shareholder: (i) personally; (ii) by sending it by post in a pre-paid envelope addressed to the Shareholder at his registered address or to the UK address that the Shareholder has provided to the Company; (iii) by sending it in electronic form to the electronic address specified for the purpose by the Shareholder (generally or specifically), provided that the Shareholder has agreed (generally or specifically) that the notice, document or information may be sent or supplied in that form (and has not revoked that agreement); or (iv) subject to the provisions of the Companies Act, by making it available on a website and notifying the Shareholder that the notice, document or information is available on that website, provided that certain conditions have been satisfied, including that the Shareholder has been asked by the Company to agree to the Company sending notices, documents and information by making them available on a website and has either agreed (generally or specifically) or has not responded to the Company's request.

3.21 *Winding up*

On a voluntary winding up of the Company the liquidator may, on obtaining any sanction required by law, divide among the Shareholders (excluding any Shareholder holding Shares as treasury shares) in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he or she, with the like sanction, shall determine. For this purpose, the liquidator may set the value he or she deems fair on a class or classes of property and may determine on the basis of that valuation and in accordance with the then existing rights of the Shareholders how the division is to be carried out between the Shareholders or classes of the Shareholders. The liquidator may not, however, distribute to a Shareholder without his or her consent an asset to which there is attached a liability or potential liability for the owner.

4. *Mandatory bids and compulsory acquisition rules relating to ordinary shares*

4.1 Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules relating to GCAP.

4.2 *Mandatory bids*

4.2.1 The City Code applies to GCAP. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30% or more of the voting rights in GCAP, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in GCAP at a price not less than the highest price paid for interests in shares by the acquirer or its

concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in GCAP if the effect of such acquisition were to increase that person's percentage of the total voting rights in GCAP.

4.3 Squeeze-out

4.3.1 Under the Act, if an offeror were to make an offer to acquire all of the shares in GCAP not already owned by it and were to acquire 90% of the shares to which such offer related it could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to GCAP which would execute the transfer on behalf of the relevant members, and pay to consideration to GCAP which would hold the consideration in trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

4.4 Sell-out

4.4.1 The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in GCAP and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

4.5 No takeover offer (within the meaning of Part 28 of the Act) was or has been made for any GCAP Shares during the year ended 31 December 2019 or to date during its current fiscal year ended 31 December 2020.

5. Georgia Capital Directors and Senior Managers

The GCAP Directors and Key Senior Managers and their respective positions within GCAP are set out in Part 10 (*Directors, Senior Managers and Corporate Governance*), along with brief biographies.

6. Georgia Capital Directors' and Senior Managers' interests in Georgia Capital

6.1 As at 5 June 2020 (being the Latest Practicable Date) the interests (all of which are beneficial unless otherwise stated) of the GCAP Directors, Senior Managers, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 252 of the Act) with the GCAP Directors or Senior Managers in the issued ordinary share capital of GCAP, including (a) those arising pursuant to transactions notified to GCAP pursuant to Article 19 of the Market Abuse Regulation (*MAR*), or (b) those of persons connected with the GCAP Directors or Senior Managers, which would, if such connected person were a GCAP Director or Senior Manager, be required to be disclosed under (a) above, together with the interests which are expected to subsist immediately following the Offer becoming effective, are set out in the following table:

Director/ Senior Managers	As at 5 June 2020 (the Latest Practicable Date)		Interests immediately following the Offer becoming effective ⁽¹⁾	
	Number of GCAP Shares	Percentage of issued share capital	Number of GCAP Shares	Percentage of issued share capital
Irakli Gilauri ⁽²⁾	1,490,960	3.71%	1,537,273	3.21%
David Morrison	53,252	0.13%	66,369	0.14%
Kim Bradley	18,246	0.05%	20,383	0.04%
Massimo Gesua' sive Salvadori	13,739	0.03%	13,739	0.03%
Caroline Brown	—	—	—	—
Jyrki Talvitie	12,585	0.03%	12,585	0.03%
Maria Chatti-Gautier	—	—	—	—
Avto Namicheishvili ⁽²⁾	548,315	1.36%	548,315	1.14%
Giorgi Alpaidze ⁽²⁾	111,568	0.28%	111,568	0.23%

Notes:

(1) Figures are calculated assuming that (i) the interest of the GCAP Directors and Senior Managers as at the close of business on 5 June 2020 (being the Latest Practicable Date) do not change before the Offer becomes effective, (ii) each GHG Shareholder will receive 1 New GCAP Share for every 5 GHG Shares pursuant to the Offer, (iii) 100% of the Offer Shares are subscribed for in the Offer and (iv) no New GCAP Shares are issued between 5 June 2020 (being the Latest Practicable Date) and Admission.

(2) Shares of Irakli Gilauri, Avto Namicheishvili and Giorgi Alpaidze include unvested shares.

6.2 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of GCAP or any of its subsidiary undertakings and which were effected by GCAP or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

6.3 There are no outstanding loans or guarantees granted or provided by any member of GCAP to or for the benefit of any of the Directors.

6.4 There are no family relationships between any of the Directors and/or the Senior Managers.

7. Georgia Capital Directors' terms of employment

7.1 The Directors and their functions are set out in Part 10 (*Directors, Senior Managers and Corporate Governance*).

7.2 Georgia Capital Executive Directors

7.2.1 Mr. Gilauri is the sole Executive Director of the Group. Mr. Gilauri has a service contract effective from 29 May 2018 with Georgia Capital PLC for an indefinite term (subject to re-election at the AGM) which is terminable by either party on four months' notice unless for cause, which is terminable with immediate effect upon service of notice by the Group. Mr. Gilauri also has a service agreement with JSC Georgia Capital effective from 29 May 2018 for an employment term of five years which is terminable by the Company and by the Executive on not less than three months' notice unless for cause, which is terminable with immediate effect upon service of notice by the Group.

7.3 Georgia Capital Non-Executive Directors

7.3.1 Each Non-Executive Director is required to submit himself or herself for annual re-election at the AGM. The letters of appointment for Non-Executive Directors provide for a one-month notice period although the Group may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Non-Executive Director has committed any serious breach or non-observance of his or her obligations to the Group, is guilty of fraud or dishonesty, brings the Group or him/herself into disrepute or is disqualified as acting as a Non-Executive Director, among other circumstances. Upon termination, the only remuneration a Non-Executive Director is entitled to accrued fees as at the date of termination together with reimbursement of properly incurred expenses incurred prior to the termination date. The service agreements and letters of appointment are available for inspection at the Company's registered office.

7.4 Georgia Capital Directors' and Senior Managers' Remuneration

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 31 December 2019, the aggregate remuneration and benefits to the Directors and Senior Manager who served GCAP during the financial year ended 31 December 2019 and were active members of the Board at 31 December 2019, consisting of 7 individuals, was US\$4.6 million.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 31 December 2019, the Directors were remunerated as set out below:

Name	Position	Annual Salary (\$)	Other Benefits (GCAP Shares) (US\$)	Date of Joining the Georgia Capital Group / Board
Irakli Gilauri ⁽¹⁾	Chairman and Chief Executive Officer	—	3,790,000	24 February 2018
David Morrison	Senior Independent Non-Executive Director	201,626	—	24 February 2018
Kim Bradley	Independent Non-Executive Director	174,633	—	24 February 2018
Massimo Gesua' sive Salvadori	Independent Non-Executive Director	156,950	—	24 February 2018
Caroline Brown	Independent Non-Executive Director	156,950	—	24 February 2018
Jyrki Talvitie	Independent Non-Executive Director	158,951	—	24 February 2018

Notes:

(1) Irakli Gilauri's compensation is provided by deferred share salary and discretionary deferred shares.

7.5 There is no arrangement under which any GCAP Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

7.6 Georgia Capital Directors' and Senior Managers' current and past directorships and partnerships

Irakli Gilauri and David Morrison are directors of GHG. In addition, set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in GCAP and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Prospectus:

Name	Current directorships / partnerships	Past directorships / partnerships
Irakli Gilauri	Gemstock Growth Fund Igeneration	BGEO Group PLC JSC BGEO Group JSC Bank of Georgia Agron Group Beloruski Narodni Bank (BNB) Galt & Taggart Tree of Life Foundation
David Morrison	Blue Action Fund Caucasus Nature Fund Prespa Ohrid Nature Trust	BGEO Group PLC JSC Bank of Georgia
Kim Bradley	Gould Farm Sabino Capital Partners LLC	BGEO Group PLC JSC Bank of Georgia
Massimo Gesua' sive Salvadori	9 Bina Gardens Freehold Limited 19 Cromwell Road RTM Company Limited	—
Caroline Brown	Gray's Inn Mansion Limited Luceco PLC Raspberry Pi Foundation IP Group PLC NAHL Group PLC Rockley Photonics Limited	Mirland Development Corporation plc Penspen Limited The Penspen Group Limited Earthport PLC Hydrodec Group PLC L-B Shell PLC
Jyrki Talvitie	Via L'Inverno	Fortum Corporation
Maria Chatti-Gautier	Groupe Pizzorno Environnement Buffet Crampon Group Arab Reform Initiative	—

- 7.7 Within the period of five years preceding the date of this Prospectus, none of the Directors:
- (a) has had any convictions in relation to fraudulent offences;
 - (b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership, liquidation or entry into administration of such company; or
 - (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or 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 affairs of a company.

8. Principal Shareholders

- 8.1 In so far as is known to the Directors, the following are the interests (within the meaning of Part 22 of the Act) (other than interests held by the Directors and Senior Managers) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of GCAP immediately following the Offer:

Shareholders	As at 8 June 2020		Immediately following the Offer becoming effective ⁽¹⁾	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
M&G Investment Management Ltd	2,908,374	7.24	2,908,374	6.07
Schroder Investment Management	1,911,567	4.76	1,911,567	3.99
Norges Bank	1,768,549	4.40	1,768,549	3.69
The Vanguard Group, Inc.	1,356,655	3.38	1,356,655	2.83
Standard Life Aberdeen plc.....	1,213,253	3.02	1,213,253	2.53

Notes:

- (1) Figures are calculated assuming that (i) interests of the Principal Shareholders as at close of business on 8 June 2020 do not change and no other GCAP Shares are issued until Admission and (ii) the maximum number of New GCAP Shares are issued in connection with the Offer.

- 8.2 Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Completion, directly or indirectly, interested in 3% or more of the issued share capital of GCAP, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over GCAP. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of GCAP. None of GCAP's major Shareholders have or will have different voting rights attached to the shares they hold in GCAP. The Shares owned by the Principal Shareholders rank *pari passu* with the other Shares in all respects.

9. Employee share plans

9.1 Executives' Equity Compensation Plan

Prior to demerger, senior executives of BGEO Group, providing services to GCAP, were compensated with shares of BGEO. Upon demerger, old service contracts with BGEO were terminated and new contracts were signed with GCAP. Any share-based payment expense related to BGEO's share plan was accelerated and recognised in income statement as of the termination date of service agreements as non-recurring expense, for more details refer to Note 28 of GCAP's 2019 Annual Report and Financial Statements as incorporated by reference in Part 12 (*Historical Financial Information of Georgia Capital*).

In 2018, GCAP introduced Group's Executives' Equity Compensation Plan (EECP). Under the EECP, shares of the parent are granted to senior executives of the parent and subsidiaries. In July 2018, the executives signed new five-year fixed contingent share-based compensation agreements with a total of

1,750,000 ordinary shares of GCAP. 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 EECF. In 2019 the Trustee has repurchased 2,087,337 (2018: 1,191,127) GCAP Shares.

There were no cancellations or modifications to the awards in 2019 or 2018 except for BGEO share awards described above.

In addition to EECF, the Group grants shares of the parent to the employees of the Group.

9.2 *Equity Settled Option Plan*

The Company operates an employee benefit trust (*EBT*) (the *ESOP*), which holds ordinary shares on trust for the benefit of employees and former employees of the Group, and their dependents, and which is used in conjunction with the Group's employee share schemes. Whilst ordinary shares are held in the EBT, the voting rights in respect of these ordinary shares are exercised by the trustees of the EBT.

In accordance with the ESOP documentation, Sanne Fiduciary Services Limited has waived its right to receive any dividends. This waiver will remain in place indefinitely, unless otherwise instructed by GCAP. The Company has committed that new shares issued in satisfaction of deferred share compensation from the time of the Company's listing on the premium segment of the LSE will not exceed 10% of GCAP's ordinary share capital over any ten-year period.

10. Pensions

Georgia Capital

GCAP does not operate a pension plan in the UK. GCAP's Georgian subsidiaries participate in a mandatory pension system under the laws of Georgia. The relevant Group company, employee and the Georgian 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.

Georgia Healthcare Group

GHG does not operate a pension plan in the UK. GHG's Georgian subsidiaries participate in a mandatory pension system under the laws of Georgia, as described above.

11. Georgia Capital Subsidiaries, investments and principal establishments

11.1 Subsidiaries and subsidiary undertakings

The principal subsidiaries and subsidiary undertakings of GCAP (excluding any companies in liquidation) as at 31 March 2020 are as follows:

Name	Country of incorporation and registered address	Percentage ownership interest	Primary field of activity
Amboli, LLC	Georgia 24, Leonidze st, Rustavi	90	car services
British-Georgian Academy, LLC	Georgia 17, Leo Kvachadze str, Tbilisi	70	education
Buckswood International School – Tbilisi, LLC	Georgia 2, Dolidze str, Tbilisi	80	education
GCMF, LLC.....	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	100	excess liquidity management company
Georgia Education Group, LLC.....	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	100	education
Georgia Energy Holdings, LLC	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	100	renewable energy
Georgia Healthcare Group PLC	United Kingdom 84 Brook Street, London W1K 5EH	70.63	healthcare
Georgia Hospitality Management Group, LLC	Georgia Kazbegi street 3-5, Tbilisi	100	real estate
Georgian Energy Trading Company (GETC), LLC .	Georgia 15 Aleksandre Kazbegi Ave, Tbilisi, 0160	100	renewable energy sales
Georgian Global Utilities, JSC.....	Georgia 10 Mzia Jugheli str., Tbilisi, Georgia	100	utilities
Georgian Wind Company, LLC	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	100	renewable energy
JSC A Group	Georgia 1, Berbuki str., Saburatlo, Tbilisi	100	various
JSC Artisan Wine and Drinks.....	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	70	wine distribution
JSC Georgia Capital.....	Georgia Kazbegi street 3-5, Tbilisi	100	investment
JSC Georgia Real Estate (formerly JSC m ² Real Estate)	Georgia Kazbegi street 15, Tbilisi	100	real estate
JSC Georgian Beverage.....	Georgia 75 Chavchavadze Ave., Tbilisi	100	beer production and distribution
JSC Georgian Beverages Holding.....	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	87.39	investment
JSC Georgian Renewable Power Company.....	Georgia 79 David Agmashenebeli Ave, 0102, Tbilisi	100	renewable energy
JSC Liberty Consumer	Georgia 74a Chavchavadze Ave, 0162, Tbilisi	75.10	investments
JSC OnCloud	Georgia 8a Petre Melikishvili Ave, Tbilisi, 0179	100	IT/ digital services
Redberry, LLC	Georgia 9, Tashkenti st, Tbilisi	60	digital services
Tbilisi Green School, LLC.....	Georgia Didube-Chughureti / Dighomi massive IV, Building 5A, Apartment 35	80	education

11.2 Principal investments

The Company's material investments other than those described above in paragraph 11.1 (*Subsidiaries and subsidiary undertakings*) in this Part 16 (*Additional Information*) as at 31 March 2020 are as follows:

Name	Country of incorporation and registered address	Percentage ownership interest	Primary field of activity
Bank of Georgia Group, PLC	United Kingdom 84 Brook Street, London W1K 5EH	19.90	banking

11.3 Principal establishments

As of 31 December 2019, the total net book value of the investment property owned by the Group on a consolidated basis was GEL185 million (US\$64 million). For additional information, see Part 7 (*Information on Georgia Capital—Employment, Regulatory and Related Matters—Property*).

Information on GCAP's property, plant and equipment is set out in Note 15 of GCAP's 2019 Annual Report and Financial Statements as incorporated by reference in Part 12 (*Historical Financial Information of Georgia Capital*).

12. Statutory auditors

The auditor of GCAP for the period covered by the historical financial information set out in this Prospectus are EY. EY is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, and EY's registered address is at 1 More London Place, London, SE1 2AF.

13. Material contracts

13.1 Georgia Capital

The following is (a) a brief summary of each material contract, other than contracts entered into in the ordinary course of business, to which GCAP or another member of the Georgia Capital Group is a party, for the two years immediately preceding the date of this document, and (b) a brief summary of any other contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Georgia Capital Group which contains any provision under which any member of the Georgia Capital Group has any obligation or entitlement which is material to the Georgia Capital Group as at the date of this document.

13.1.1 Georgia Capital's Relationship Agreement with Georgia Healthcare Group PLC

On 29 May 2018, GCAP entered into a Relationship Agreement with GHG and JSC Georgia Capital which regulates the degree of control that the Company and its associates may exercise over the management and business of GHG. The principal purpose of the Relationship Agreement is to ensure that GHG and its subsidiaries are capable at all times of carrying on their business independently of GCAP and its associates. The Relationship Agreement will continue until the earlier of: (i) GHG Shares ceasing to be admitted to listing on the Official List; and (ii) GCAP, together with its associates, ceasing to own or control (directly or indirectly) 20% or more of the voting share capital of GHG. If GCAP ceases to be a controlling shareholder (within the meaning of LR 6.1.2A of the Listing Rules) and continues to exercise control over the votes indicated in clause (ii) above, then it may terminate the Relationship Agreement by giving one month's written notice to GHG.

Under the Relationship Agreement, for so long as GCAP and its associates together hold 20% or more of the voting share capital of GHG, GCAP and its associates shall amongst other things:

- conduct all transactions, agreements or arrangements entered into between: (i) GCAP and its associates, and (ii) GHG or any of its subsidiaries on an arm's length basis and on normal commercial terms and in accordance with the related party transaction rules set out in the Listing Rules;
- not take any action that has or would have the effect of preventing GHG or any of its subsidiaries from complying with their obligations under the Listing Rules or which GCAP is aware is likely to result in the cancellation of GHG's listing;

- not propose or procure the proposal of any resolution of the shareholders (or any class thereof) which is intended, or appears to be intended, to circumvent the proper application of the Listing Rules; and/or
- abstain from voting on any resolution required by LR 11.1.7R(4) of the Listing Rules to approve a transaction with a related party involving GCAP.

The Relationship Agreement entitles GCAP to appoint one person to be a Non-Executive Director of GHG for so long as it (together with its associates) holds at least 20% of the voting share capital of GHG. The Relationship Agreement also provides that (subject to permitted exceptions) neither GCAP nor its associates shall compete with the business of GHG nor use any names associated with GHG and that GHG shall not use any names associated with GCAP or its associates. The Company has complied with the terms of the Relationship Agreement and, in so far as it is aware, GHG has complied with the mandatory provisions of the Relationship Agreement during the financial year.

A copy of the Relationship Agreement is available to view at the Company's registered office.

13.1.1.1 *Side letter to the Relationship Agreement*

GCAP and GHG have entered into a side letter to the Relationship Agreement dated 11 June 2020 whereby GHG has waived, in relation to the Offer, the restriction on GCAP or its associates taking any action which could result in the cancellation of the listing of GHG Shares on the FCA's Official List or trading of GHG Shares on the London Stock Exchange.

13.1.2 *Sponsor's Agreement with Numis*

On 11 June 2020, GCAP and Numis entered into a sponsor's agreement (the *Sponsor's Agreement*). Pursuant to the Sponsor's Agreement, GCAP has appointed Numis as sole sponsor, as required under the Listing Rules, in connection with the Acquisition and Admission, and Numis has accepted such appointment, subject to and in accordance with the terms and conditions of the Sponsor's Agreement.

Pursuant to the Sponsor's Agreement, GCAP has also given certain undertakings, representations and warranties to Numis in its capacity as sponsor, including, among other things, certain representations and warranties in relation to the Group and the GHG Group and, subject to certain customary exceptions or with Numis' prior consent, an undertaking not to issue new ordinary shares or enter into certain transactions with respect to GCAP's ordinary shares during the period ending 60 days after Admission.

Numis has the right to terminate the Sponsor's Agreement prior to Admission in certain circumstances, including if there is a material adverse change in the business of the Group, the occurrence of certain force majeure events or where certain customary conditions are not met.

Under the Sponsor's Agreement, GCAP has agreed to indemnify Numis on customary terms in connection with any losses it may sustain in connection with, among other things, the Offer, the Acquisition, Admission or its role as sponsor, and agreed to pay certain fees to Numis and to reimburse Numis in connection with costs, charges and expenses that Numis may incur in connection with the Offer, the Acquisition and Admission.

13.1.3 *JSC Georgia Capital's USD 300 million Notes due in 2024*

On 9 March 2018 JSC Georgia Capital issued US\$300 million 6.125% notes due 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 in the initial offering. The Notes constitute unsecured and unsubordinated obligations of the issuer and shall at all times rank *pari passu* and without preference amongst themselves. The Notes documents contains a negative pledge on the issuer; covenants limiting mergers by the issuer and its material subsidiaries, disposals by the issuer and its material subsidiaries and transactions between the issuer, its material subsidiaries and its affiliates; 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 by the Issuer; certain information furnishing requirements (including the provision of compliance certificates); and other covenants.

13.1.4 *GGU's GWP Privatisation Agreement*

GGU acquired 100% of shareholding interest in GWP and in other smaller scale state owned water utility companies under a share sale and purchase agreement concluded on 14 May 2008 with the Government of Georgia, Ministry of Economic Development and the Government of Tbilisi, as amended 22 December 2009 (the *Privatisation Agreement*). The Privatisation Agreement prescribed certain technical and investment obligations that were to be performed by GGU and its privatized water utility companies by specific dates and the shareholdings of GGU in such privatized companies remained encumbered/conditional until discharge of such privatization obligations. On 15 April 2019 an agreement on termination of the Privatisation Agreement was signed between GGU, Government of Georgia, National Agency of State Property and Government of the Tbilisi City, pursuant where to the parties confirmed that all privatisation obligations of GGU and its privatized water utility companies under the Privatisation Agreement have been performed/fulfilled, that GGU and its water utility subsidiaries have been discharged of all obligations under the Privatisation Agreement and that GGU's ownership title over the shareholdings in privatized subsidiaries and their assets have become unconditional/unencumbered.

13.1.5 *Darchi LLC's Memorandum of Understanding with the Government of Georgia*

On 17 February 2014 Hydrolea LLC and Darchi LLC signed a Memoranda of Understanding with the Government of Georgia and state-owned electricity companies – JSC Electricity System Commercial Operator and Energotrans LLC, as amended from time to time. Darchi LLC and Hydrolea LLC are granted the right to build and develop Darchi hydro power plant of 16.9MW capacity to be located in Mestia municipality, village Lukhi. The Memorandum of Understanding includes several technical and investment obligations that are to be completed by Hydrolea and Darchi by specific dates. The Memorandum of Understanding also sets out Darchi LLC's obligation to sell electricity exclusively to JSC Electricity System Commercial Operator during the eight months between September and April of each year, for the first ten years of operation, at a fixed price.

13.1.6 *Svaneti Hydro JSC's Memorandum of Understanding with the Government of Georgia*

On 31 October 2014 and 25 December 2015 Svaneti Hydro JSC signed two Memorandums of Understanding with the Government of Georgia and state-owned electricity companies – Georgian State Electrosystem JSC, United Energy System Sakrusenergo JSC, Electricity System Commercial Operator JSC and Energotrans LLC, as amended from time to time. Svaneti Hydro JSC has built a cascade of two hydro power plants: 20MW (Mestiachala 1) and 30MW (Mestiachala 2) on the Mestiachala river located in Svaneti region of Georgia that was commissioned in the first half of 2019. The Memorandum of Understanding also sets out Svaneti Hydro JSC's obligation to sell electricity exclusively to Electricity System Commercial Operator JSC during the eight months between September and April of each year at a fixed price.

13.1.7 *Zoti Hydro JSC's Memorandum of Understanding with the Government of Georgia*

On 25 December 2015 a Memorandum of Understanding was signed between the Government of Georgia, Zoti Hydro JSC, Galt & Taggart JSC and the state-owned electricity companies Georgian State Electrosystem JSC, United Energy System Sakrusenergo JSC, Electricity System Commercial Operator JSC and Energotrans LLC, as amended from time to time. According to the Memorandum of Understanding, Zoti Hydro JSC is under an obligation to build a cascade of two power plants, 21MW and 25MW each, in village of Zoti, in the Guria region of Western Georgia. The Memorandum of Understanding includes several technical and investment obligations that are to be completed by Zoti Hydro JSC by specific dates. The Government and the state-owned entities have an obligation to support and facilitate the construction of the project as well as secure construction of a high voltage line for enabling the connection of the HPPs to the power grid. Further, the Memorandum of Understanding prescribes Zoti Hydro JSC's obligation to sell electricity exclusively to Electricity System Commercial Operator JSC during winter months at a fixed price. Civil construction has commenced in November 2019 and the commissioning of the HPPs is scheduled in March 2022.

13.1.8 *Zoti Hydro JSC's Civil Works Contract with Energony Zoti LLC*

Zoti Hydro JSC and Energony Zoti LLC have entered into the Civil Works Contract for the construction of the Zoti HPP on 13 November 2019, as amended from time to time. The Contractor is the direct subsidiary of Energony JSC, local civil contractor experienced in energy projects. The

contract is based on FIDIC Conditions of Contract for Construction for Building and Engineering Works Designed by Employer (Red Book, 1999). The Contract price is US\$31.5 million, and the term expires in December 2021.

13.1.9 Qartli Wind Farm LLC's Memorandum of Understanding with the Government of Georgia

On 16 November 2015 Qartli Wind Farm LLC signed the Memorandum of Understanding with the Government of Georgia and state-owned electricity companies – Georgian State Electrosystem JSC and Electricity System Commercial Operator JSC, as amended from time to time. Qartli Wind Farm LLC has built a 20.7 MW wind farm consisting of 6 wind turbine generators located in the Gori Municipality, Shida Qartli Region of Georgia that was commissioned in December 2016. The Memorandum of Understanding also sets out Qartli Wind Farm LLC's obligation to sell electricity exclusively to Electricity System Commercial Operator JSC during the eight months between September and April of each year at a fixed price. Further, the wind farm's full power output throughout the year must be sold exclusively for the purposes of meeting the internal demand of Georgia.

13.1.10 Qartli Wind Farm LLC's Service and Availability Agreement with Vestas Georgia LLC

On 24 December 2015 Qartli Wind Farm LLC and Vestas Georgia LLC have entered into the Service and Availability Agreement for the long-time servicing of six Vestas-manufactured wind turbine generators erected as part of the Qartli Wind Farm, as amended from time to time. Vestas Georgia LLC is the Georgian subsidiary of Vestas Benelux B.V., leading manufacturer on the European market. The term of the Agreement expires in 2031 and the Agreement fee constitutes EUR 69,000 per wind turbine per year.

13.1.11 Caucasian Wind Company JSC's Memoranda of Understanding with the Government of Georgia

On 15 March 2017 and 4 May 2017 Caucasian Wind Company JSC has entered into the prefeasibility Memoranda of Understanding for the development of the Tbilisi and Kaspi Wind Farms respectively (as amended from time to time), each with 54 MW of installed capacity. In December 2019, pursuant to the recently introduced Public and Private Partnership (PPP) legislation, the Government of Georgia has approved the Concept Notes for both projects on the following terms: (a) Term of the Power Purchase Agreement: 10 years; (b) Purchase period: 9 months; and (c) Tariff: US\$65 per MWh. Currently, the parties to the Memorandum of Understanding are negotiating terms for completing the remaining environmental issues (studies) and advancing to the execution of Implementation Agreement for construction of the wind farms, which is expected at or about mid 2021.

13.1.12 Bakhvi 2 LLC's Memorandum of Understanding with the Government of Georgia

On 21 October 2016 a Memorandum of Understanding was signed between the Government of Georgia, Bakhvi 2 LLC and the state-owned electricity companies Georgian State Electrosystem JSC, United Energy System Sakrusenergo JSC, Electricity System Commercial Operator JSC and Energotrans LLC, as amended from time to time. According to the Memorandum of Understanding, Bakhvi 2 LLC is under an obligation to build a 36MW hydro power plant in the Guria region of Western Georgia. The Memorandum of Understanding prescribes Bakhvi 2 LLC's obligation to sell electricity to Electricity System Commercial Operator JSC during the six winter months at a fixed price. Currently the parties to the Memorandum of Understanding are negotiating terms for advancing to the construction phase of the project.

13.1.13 GRE's Development and Licensing Agreements with Wyndham Hotel Group (UK) East Limited

On 25 June 2015, GRE entered into an exclusive development agreement and a licensing agreement with Wyndham Hotel Group (UK) East Limited (**Wyndham**) regarding the development of three Ramada Encore hotels in Georgia.

The exclusive development agreement has a term of seven years from the date of execution with an optional renewable period of ten years. GRE will develop and operate three hotels during this term. With Wyndham's approval, GRE may develop additional hotels where there is sufficient demand and the agreement contains certain restrictions on GRE's ability to develop hotels with Wyndham's competitors. Wyndham will be entitled to terminate the development agreement if GRE defaults on any of its obligations. On such termination GRE will lose, with immediate effect, the exclusive right to develop the Ramada Encore brand in Georgia.

The licence agreement for each hotel carries a term of ten years from the date of opening, with an option to extend for another ten years subject to agreement by both parties. An initial fee per property applies in addition to a one-off integrated services fee. Ongoing royalty, marketing and reservation fees apply. Under the licence agreement, GRE is obliged to operate the property according to Wyndham's standards, hire a professional management team and adhere to insurance requirements.

13.1.14 GRE's Management / Marketing and Central Services and Trademark License Agreements with Kempinski S.A.

On 10 April 2019, GRE entered into (i) Management Agreement; (ii) Marketing and Central Services Agreement; and (iii) Trademark License Agreement (collectively **Hotel Agreements**) with Kempinski S.A. (**Kempinski** or **Operator**) regarding the development of Kempinski Tbilisi Hotel in Tbilisi, Georgia.

Under the Hotel Agreements Kempinski provides various services to GRE and acts as exclusive operator for the term of Management Agreement. The Management Agreement has an initial term of 15 (fifteen) years from the date of execution with an optional renewable two periods, each for 5 (five) years. GRE with Kempinski's support will develop and operate Kempinski brand luxury hotel in Tbilisi, Georgia. Kempinski will be entitled to terminate the development agreement if GRE defaults on any of its obligations. On such termination GRE will lose, with immediate effect, the rights granted under the Hotel Agreements and consequent right to operate Kempinski branded hotel.

13.1.15 GBG's License Agreement with Heineken

In 2015, Global Beer Georgia LLC (a subsidiary of Teliani) signed Trademark License Agreements with various Heineken Group (comprising of Heineken N.V. and its affiliates) entities under which GBG has exclusive rights until 2025 to use certain trademarks in relation to the product (beer) produced by it in Georgia.

13.1.16 GWG Concessional agreement(s) with Ministry of Economy and Sustainable Development of Georgia

On 29 June 2019, GWG and Ministry of Economy and Sustainable Development of Georgia entered into a ten-year agreement on establishment/arrangement, accreditation, and operation of vehicle periodic technical inspection centres. Under the agreement, the GWG undertakes the responsibility to provide establishment/arrangement, accreditation, and operation vehicle periodic technical inspection centres (51 test lines; 26 periodic technical inspection centres) according to the types and geographic dispersion of test lines determined by the agreement. Until the term of the agreement, GWG has an exclusive right to operate in the geographic areas indicated in the agreement.

13.1.17 Proportional Voting Mechanism with Bank of Georgia Group PLC

Under the terms of the 2018 demerger agreement with BGEO, for so long as the Company, together with anyone acting in concert with the Company for the purposes of the Takeover Code (the **Concert Parties**), holds greater than 9.99% of the share capital of Bank of Georgia Group PLC (any such shares greater than 9.99% being **Proportional Voting Shares**):

- each of BGEO Group, the Company and Bank of Georgia Group PLC has agreed that for so long as there are Proportional Voting Shares they will use all reasonable endeavours to procure (so far as they are reasonably able) that the Proportional Voting Shares are voted in general meetings of Bank of Georgia Group PLC in accordance with the Proportional Voting Mechanism;
- Bank of Georgia Group PLC has agreed it will conduct all shareholder votes on a poll in general meetings and the poll will be taken in accordance with the Proportional Voting Mechanism set out in Bank of Georgia Group PLC Articles; and
- the Company has agreed that it, and its Concert Parties, will:
 - vote the Proportional Voting Shares in general meetings of Bank of Georgia Group PLC in accordance with the Proportional Voting Mechanism; and
 - notify Bank of Georgia Group PLC of any acquisition or disposal of Bank of Georgia Group PLC Shares by them irrespective of whether any such acquisition or disposal would trigger a public disclosure obligation for them.

13.1.18 Confidentiality Agreement

On 1 May, 2020 GCAP and GHG entered into the Confidentiality Agreement which set out the terms on which the parties may share the confidential information in relation to the Offer. The Agreement imposes standard obligations upon the parties to use the disclosed confidential information exclusively for the purpose for which it is disclosed, to keep the disclosed information confidential and secure it from unauthorised access by the third parties.

13.1.19 Material financing arrangements

13.1.19.1 GWP GEL30 Million Bonds

On 6 December 2016, GWP (GGU's subsidiary) issued local currency denominated GEL30,000,000 bonds, with a maturity of 5 years (i.e. December 2021). The bonds bear interest at a floating rate of 350 basis points over the National Bank of Georgia's monetary policy (refinancing) rate. GWP has the option to redeem the bonds prior to maturity upon giving not less than 30 business days advance notice to the bondholders at the second, third and fourth anniversary of the bonds' issuance date. The terms and conditions of the bonds include customary covenants restricting GWP's ability to grant further security interests, undertake corporate transactions and to incur indebtedness. The bonds are listed on the Georgian Stock Exchange.

13.1.19.2 GWP Loan Agreement with FMO and DEG

On 15 August 2017 GWP (GGU's subsidiary) entered into Term Facilities Agreement (the **Term Facilities**) consisting of a GEL tranche in the amount of GEL98.7 million and a EUR tranche in the amount of €25 million, with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (**FMO**) and Deutsche Investitions- Und Entwicklungsgesellschaft MBH (**DEG**). The proceeds of the Term Facilities were used to finance the refinancing of existing loans and capital investment purposes in connection with rehabilitation and modernisation of the water supply and wastewater treatment facilities. The Term Facilities have maturity of 10 to 15 years, including a 2-year grace period. The GEL and EUR tranches of the Term Facilities bear interest at fixed rates.

13.1.19.3 GWP Loan Agreement with DEG

On 29 November 2019 GWP (GGU's subsidiary) entered into a term facility agreement in the amount of EUR 30 million with DEG. GWP used the proceeds of the term facility for refinancing and capital investment purposes. The facility has a maturity of 10 years, including a 2-year grace period.

13.1.19.4 GWP Loan Agreements with TBC Bank

During 2018 and 2019 GWP (GGU's subsidiary) entered into several GEL denominated loan agreements with TBC Bank, containing similar restrictive and affirmative covenants but on slightly different commercial terms. GWP used the proceeds for refinancing and capital investment purposes. The amount outstanding under the loans with TBC Bank as at 31 December 2019 was approximately GEL94 million. The loans have a maturity of 7 to 10 years, including a grace period ranging from 6 months to 2 years.

13.1.19.5 Hydrolea LLC's Loan Agreements with TBC Bank and Bank of Georgia

On 30 and 31 December 2019, Hydrolea LLC, together with its various subsidiaries, entered into parallel loan agreements with Bank of Georgia and TBC Bank, in the amount of US\$20.6 million and US\$6 million, respectively. Hydrolea LLC used the proceeds of the parallel loan agreements mainly for refinancing purposes. The parallel loan agreements are secured by pledges over shares in the borrowers, intangible and movable property, as well as mortgages over real properties of the borrowers. The parallel loan agreements have maturity of 15 years, including six-month grace periods.

13.1.19.6 Svaneti Hydro JSC's Loan Agreement with TBC Bank

On 25 December 2019, Svaneti Hydro JSC, which owns the Mestiachala 1 and 2 HPPs, entered into a loan agreement with TBC Bank in the amount of US\$40 million. Svaneti Hydro used the proceeds of the loan for refinancing and capital investment purposes. The loan has a maturity of 15 years, including a 1-year grace period.

13.1.19.7 Qartli Wind Farm LLC's Loan Agreement with EBRD

On 11 January 2016 Qartli Wind Farm LLC, entered into a loan agreement with the European Bank for Reconstruction and Development (the **EBRD**) in the amount of US\$24 million. Qartli Wind Farm LLC used the proceeds of the loan agreement for capital investment purposes. The loan was amended and restated on 26 November 2019 to mature in 2029.

13.1.19.8 Georgia Real Estate's (GRE) US\$ Bonds (US\$35 million)

In October 2019, GRE has placed US\$35 million bonds into the local market. The bonds were issued at par with a 3-year tenor and an annual coupon rate of 7.5%. The proceeds from placement were used for refinancing of existing US\$25 million local bonds issued in 2016. The remaining proceeds from the bond issuance are remarked to finance the development of ongoing largest ever in-house residential Digomi project, while the sales momentum was negatively affected by delayed construction permit for this project. The Bonds will be redeemed on 7 October 2022 at their nominal value together with accrued and unpaid interest (if any).

13.1.19.9 GRE's US\$ Bonds (US\$30 million)

In December 2018, GRE's Hospitality & Commercial Real Estate subsidiary has placed US\$30 million bonds into the local market backed by rental income stream from commercial properties. The bonds were issued at par with 3-year tenor and annual coupon rate of 7.5%, payable quarterly. The proceeds are to be used to finance hotel developments. The Bonds will be redeemed on 31 December 2021, at their principal/nominal value together with accrued and unpaid interest (if any).

13.1.19.10 Global Beer Georgia Loan Agreements with BOG and TBC

On 19 April 2019, Global Beer Georgia LLC, signed a Euro 18.5 million syndicated loan agreement and a GEL25 million syndicated loan agreement with local financial institutions – Bank of Georgia and TBC Bank. The proceeds of the Euro syndicated loan were applied to the refinancing of the borrowing of Euro 18.5 million from EBRD and DEG, and the proceeds of the GEL loan were applied to the financing of working capital and commercial assets needs, that aided growth in the HoReCa market where the company had little presence. Both loans have a bullet repayment term. The Euro loan agreement's maturity date is in 2026 and it envisages a two-year grace period for the repayment of the principal. The GEL loan maturity date is in 2021 Both loans are secured by a pledge over shares, a pledge over the property, a mortgage, and a corporate guarantee. JSC Georgia Capital has issued a corporate guarantee with respect to the principal amount of the Euro loan.

13.1.19.11 GWG Loan Agreement with BOG

On 12 December 2019, JSC Greenway Georgia (**GWG**) and JSC A Group (parent company of GWG) entered into a nine-year EUR 12.9 million loan agreement with JSC Bank of Georgia. The loan is being used to refinance an existing loan with BOG issued in 2018 to finance capital expenditure in connection with the construction of 26 periodic technical inspection centres throughout Georgia (fully operational since March 2019). The loan is secured by pledges over immovable property, movables, and shares of JSC Insurance company Aldagi (a subsidiary of A Group). As of 31 March 2020, the aggregate amount outstanding under the loan facility was Euro 12.5 million (GEL45.6 million).

13.2 Georgia Healthcare Group

The following is (a) a brief summary of each material contract, other than contracts entered into in the ordinary course of business, to which GHG or another member of the GHG Group is a party, for the two years immediately preceding the date of this document, and (b) a brief summary of any other contract (not being contracts entered into in the ordinary course of business) entered into by any member of the GHG Group which contains any provision under which any member of the GHG Group has any obligation or entitlement which is material to the GHG Group as at the date of this document.

13.2.1 Georgia Capital's Relationship Agreement with Georgia Healthcare Group PLC

See paragraph 13.1.1 (*Georgia Capital's Relationship Agreement with Georgia Healthcare Group PLC*).

13.2.2 Confidentiality agreement

See paragraph 13.1.16 (*Confidentiality Agreement*).

13.2.3 Material financing arrangements

13.2.3.1 Loan Agreement with EBRD

Georgia Healthcare Group PLC and the European Bank for Reconstruction and Development entered into a US\$25 million loan on 11 May 2020, with a maturity date of 2 years. This loan was entered into to fund potential working capital and operational expenditure requirements in the context of the GHG Group's participation in Georgia's response to the COVID-19 pandemic.

The loan contains customary representations, warranties, covenants (including financial covenants) and events of default. It has a repayment grace period of 24 months and the loan is secured over certain of the GHG Group's fixed assets. The loan and any non-contractual obligations arising out of or in connection with it are governed by English law.

13.2.3.2 Loan Agreement with Proparco

GHG healthcare services business subsidiary – JSC Medical Corporation Evex (*Evex*) and the European Development Financial Institution, Société de Promotion et de Participation pour la Coopération Economique "Proparco" entered into a US\$25 million loan agreement, with a maturity of eight years on 9 August 2016, as amended and restated on 15 October 2019. The loan enabled Evex to finance its development programme, which included the expansion of an ambulatory clinics network and the development of new hospitals as well as healthcare services, throughout the country.

13.2.3.3 Loan Agreement with IFC

Evex and International Finance Corporation (*IFC*), a member of the World Bank Group, entered into a US\$25 million loan agreement, with a maturity of eight-years on 8 September 2016 as amended by the Amendment No. 1 dated February 21, 2017; Amendment No. 2 dated March 21, 2017 and the Amendment No.3 dated December 19, 2019. The loan facility enabled Evex to continue to finance its healthcare services business development programme, which included the development of new hospitals as well as additional healthcare services, throughout the country.

The loan contains customary representations, warranties, covenants (including financial covenants) and events of default. It has a repayment grace period of 2 years which commenced on signing and the loans is secured over certain of the GHG Group's fixed assets. The loan and any non-contractual obligations arising out of or in connection with it are governed by French law.

13.2.3.4 Loan Agreement with Bank of Georgia

GHG and JSC Bank of Georgia entered into a GEL33 million facility with a term of 48 months on 12 January 2017. The loan facility was used to finance the acquisition of shares in ABC Pharma (which later was merged with the Group's existing pharma business, operating under the name JSC GEPHA).

13.2.3.5 Evex Private Placement Bond

Evex made a private placement of GEL90 million local bonds due 2022 (the *Bonds*) on 12 July 2017. JSC Galt & Taggart acted as placement agent for the Bonds. The Bonds were priced at an issue price 100% of their principal amount and carry a floating coupon rate of 350 basis points premium over the National Bank of Georgia Monetary Policy (refinancing) Rate. The proceeds were used to refinance borrowings from local commercial banks, which were a relatively more expensive source of funding, and to fund planned ongoing capital expenditures.

The loan contains customary representations, warranties, covenants (including financial covenants) and events of default. It has a repayment grace period of 3 years which commenced on the date of signing and the loan is secured over certain of the GHG Group's fixed assets. The loan and any non-contractual obligations arising out of or in connection with it are governed by the laws of England and Wales.

13.2.3.6 Evex Bond

In November 2019 GHG's healthcare services business subsidiary issued GEL50 million unsecured local bonds due 2024 on the Georgian market. JSC Galt & Taggart acted as a lead manager for the Bonds. The Bonds were priced at an issue price 100% of their principal amount on 6 November 2019. They carry a floating coupon rate of 310 basis points premium over the National Bank of Georgia Monetary Policy (refinancing) Rate.

The loan contains customary representations, warranties, covenants (including financial covenants) and events of default. It has a repayment grace period of 5 years from the date of the bonds, but the bonds are not secured. The loan and any non-contractual obligations arising out of or in connection with it are governed by Georgian law.

14. Enforcement and civil liabilities under US federal securities laws

Georgia Capital is a public limited company incorporated under English law. Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and all of GCAP's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

15. Litigation

15.1 Georgia Capital

Save as disclosed in paragraph 15.1.1 (*Imedi L Litigation*) of this Part 16 (*Additional Information*), there are no other governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which GCAP is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Georgia Capital Group's financial position or profitability.

15.1.1 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 the 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 66.0% shares 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 US\$17.1 million. The hearing was held at Appellate Court which ordered reconsideration of the case by the first instance court, where the respondents have initially prevailed. The resolution of the Appellate Court was appealed by the respondents at the Supreme Court. The date of the Supreme Court hearing is not set as of the date of this Prospectus

The Directors believe that the claim is without merit and 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.

15.2 Georgia Healthcare Group

Save as disclosed in paragraph 15.2.1 (*Imedi L Litigation*) of this Part 16 (*Additional Information*), there are no other governmental legal or arbitration proceedings (including such proceedings which are pending or threatened of which GCAP is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the GHG Group's financial position or profitability.

15.2.1 *Imedi L Litigation*

See paragraph 15.1.1 (*Imedi L Litigation*) in this Part 16 (*Additional Information*) for details.

16. Related party transactions

16.1 *Georgia Capital*

Save as described below and in Note 33 of GCAP's 2019 Annual Report and Financial Statements as incorporated by reference in Part 12 (*Historical Financial Information of Georgia Capital*), there are no related party transactions between GCAP and related parties.

16.1.1. *Irrevocable undertaking*

If the Offer becomes wholly unconditional, one of the Independent Directors of GHG, Nikoloz Gamkrelidze's participation in the Offer, when aggregated with his prior participation in the 2019 share exchange offer by GCAP of 1 GCAP share for every 5.22 GHG Shares (which closed 17 December 2019), will constitute a smaller related party transaction to which Listing Rule 11.1.10R applies. In accordance with Listing Rule 11.1.10R(c), GCAP has made an announcement today setting out the details of this smaller related party transaction.

16.2 *Georgia Healthcare Group*

Save as set out below and otherwise described in Note 38 of GHG's 2019 Annual Report and Financial Statements as incorporated by reference in Part 13 (*Historical Financial Information of Georgia Healthcare Group*), there are no related party transactions between GHG and related parties.

Lease of warehouse from M2

On 11 February 2020, JSC GEPHA, a pharmacy and distribution subsidiary of GHG, signed an agreement with m2 according to which m2 will build and rent out a warehouse to GEPHA. The arrangement is on an arm's length basis. The main terms of the Agreement are (i) GEPHA will enter into a 20-year lease agreement with m2, subject to m2 constructing a warehouse in full compliance with GEPHA's and regulatory requirements; and, GEPHA will pay a monthly lease of US\$70,000 (including VAT).

17. Working capital

GCAP is of the opinion that, taking into account bank and other facilities available to the Georgia Capital Group, the Georgia Capital Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

18. No significant change

18.1 *Georgia Capital*

Save as described in the final paragraph of Part 7 (*Information on Georgia Capital—Recent Developments*), there has been no significant change in the financial position or performance of the Georgia Capital Group since 31 December 2019, the date to which the latest audited consolidated accounts of the Georgia Capital Group was published.

18.2 *Georgia Healthcare Group*

Save as described in the final paragraph of Part 8 (*Information on Georgia Healthcare Group—Recent Developments*), there has been no significant change in the financial position or performance of the GHG Group since 31 December 2019, the date to which the latest audited consolidated accounts of the GHG Group were published.

19. Regulatory disclosures

The Company regularly arranges the publication of announcements through a regulatory information service (*RIS*) system and the Company's website. Below is a summary of the information disclosed in accordance with the Company's obligations under the Market Abuse Regulation over the last 12 months relevant as at the date of this Prospectus. In addition to the RIS system, full announcements can be accessed on the webpage of the Company.

19.1 *Inside information*

- 19.1.1 On 19 December 2019, the Company announced the allotment of 3,435,438 Ordinary Shares pursuant to the Exchange Offer with GHG.
- 19.1.2 On 23 December 2019, the Company announced the admission of 3,435,438 Ordinary Shares to the premium listing segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities pursuant to the Exchange Offer with GHG.
- 19.1.3 On 15 April 2020, the Company announced the possible offer by GCAP for all the issued or to be issued share capital of GHG not already owned by GCAP pursuant to Rule 2.4 of the City Code on Takeovers and Mergers.
- 19.1.4 On 19 May 2020, the Company announced its intention to make a recommended share exchange offer for the entire issued or to be issued share capital of GHG not already owned by GCAP pursuant to Rule 2.7 of the City Code on Takeovers and Mergers.

19.2 *Deals by persons discharging managerial responsibilities and their persons closely associated*

- 19.2.1 Over the last 12 months, the Company disclosed the following PDMR dealings in accordance with its obligations under Article 19 of the Market Abuse Regulation:
 - i. On 27 June 2019, the Company announced that Massimo Gesua' sive Salvadori had purchased 2,040 Ordinary Shares on 25 June 2019.
 - ii. On 2 July 2019, the Company announced that Irakli Gilauri had exercised a nil-cost option over 117,665 Ordinary Shares on 24 June 2019.
 - iii. On 21 August 2019, the Company announced that Kim Bradley had purchased 8,700 Ordinary Shares on 19 August 2019.
 - iv. On 24 December 2019, the Company announced that Nikoloz Gamkrelidze had acquired 46,204 Ordinary Shares in exchange for shares in GHG on 23 December 2019 pursuant to the Exchange Offer with GHG.
 - v. On 27 December 2019, the Company announced that Irakli Gilauri had acquired 34,585 Ordinary Shares in exchange for shares in GHG on 23 December 2019 pursuant to the Exchange Offer with GHG.
 - vi. On 27 December 2019, the Company announced that Kim Bradley had acquired 1,596 Ordinary Shares in exchange for shares in GHG on 23 December 2019 pursuant to the Exchange Offer with GHG.
 - vii. On 2 January 2020, the Company announced that David Morrison had acquired 9,795 Ordinary Shares in exchange for shares in GHG on 27 December 2019 pursuant to the Exchange Offer with GHG.
 - viii. On 2 January 2020, the Company announced that Irakli Gilauri had been granted nil-cost options over 7,142 Ordinary Shares on 31 December 2019.
 - ix. On 3 January 2020, the Company announced that Irakli Gilauri had been granted nil-cost options over 10,814 Ordinary Shares on 2 January 2020.
 - x. On 6 January 2020, the Company announced that Irakli Gilauri had been granted nil-cost options over 180,000 Ordinary Shares on 6 January 2019.
 - xi. On 6 January 2020, the Company announced that Avtandil Namicheishvili had been granted nil-cost options over 72,000 Ordinary Shares on 6 January 2020.
 - xii. On 6 January 2020, the Company announced that Giorgi Alpaidze had been granted nil-cost options over 39,000 Ordinary Shares on 6 January 2020.
 - xiii. On 6 January 2020, the Company announced that Ekaterina Shavgulidze had been granted nil-cost options over 39,000 Ordinary Shares on 6 January 2020.
 - xiv. On 6 January 2020, the Company announced that Ekaterina Shavgulidze had acquired 5,734 Ordinary Shares in exchange for shares in GHG on 23 December 2019 pursuant to the Exchange Offer with GHG.

- xv. On 5 March 2020, the Company announced that Ekaterina Shavgulidze had exercised a nil-cost option over 29,275 Ordinary Shares on 3 March 2020.
- xvi. On 4 June 2020, the Company announced that Jyrki Talvitie had purchased 4,000 Ordinary Shares on 1 June 2020.
- xvii. On 4 June 2020, the Company announced that Jyrki Talvitie had purchased 2,823 Ordinary Shares on 2 June 2020.

20. Consents

Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, whose registered address is at 1 More London Place, London, SE1 2AF, and has given and has not withdrawn its written consent to the inclusion of the report on the unaudited *pro forma* financial information set out in Section B of Part 14 (*Unaudited Pro Forma Financial Information and Accountants Report*), and has for the purposes of this Prospectus authorised the contents of that part of this Prospectus which comprises its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules.

A written consent under the Prospectus Regulation Rules is different from a consent filed with the SEC under Section 7 of The US Securities Act. As the Shares have not been and will not be registered under The US Securities Act, Ernst & Young LLP has not filed and will not be required to file a consent under Section 7 of The US Securities Act.

21. General

- 21.1 The fees and expenses to be borne by GCAP in connection with the Offer including professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately US\$2.7 million (including VAT).
- 21.2 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Act.
- 21.3 Each New GCAP Share is expected to be issued at a premium of 493 pence to its nominal value of 1 pence.

22. Documents available for inspection

Copies of the following documents will be available on GCAP's website, at <https://georgiacapital.ge/ir/offer-ghg/>, for a period of 12 months following the date of this Prospectus:

- (a) the Articles;
- (b) the accountant's report on the Unaudited *Pro Forma* Financial Information of the Group set out in Section B of Part 14 (*Unaudited Pro Forma* Financial Information and Accountants Report);
- (c) the documents incorporated by reference into this document as described in Part 17 (*Documents Incorporated by Reference*);
- (d) the consent letter referred to in paragraph 20 (*Consents*) of this Part 16 (*Additional Information*);
- (e) the Offer Document;
- (f) the Circular; and
- (g) this Prospectus.

This Prospectus will be published in electronic form and be available on GCAP's website at <https://georgiacapital.ge/>.

Dated: 11 June 2020

PART 17

Documentation Incorporated by Reference

Information incorporated by reference

The information set out in the tables below which has previously been published shall be deemed to be incorporated in, and to form part of, this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement. The parts of the documents below that are not incorporated by reference are either not relevant to an investor or are covered by Part 1 (*Risk Factors*), Part 6 (*Industry Overview*), Part 7 (*Information on Georgia Capital*), Part 8 (*Information on Georgia Healthcare Group*) and Part 10 (*Directors, Senior Managers and Corporate Governance*). Any information or document incorporated by reference within the documents incorporated by reference below do not form part of this Prospectus (for Prospectus Regulation purposes).

GCAP's 2019 Annual Report and Financial Statements

([https://georgiacapital.ge/sites/default/files/2020-04/GCAP Annual Report 2019.pdf](https://georgiacapital.ge/sites/default/files/2020-04/GCAP%20Annual%20Report%202019.pdf))

	Page number in reference document
Information incorporated by reference into this Prospectus	
Independent Auditor's Report to the members of Georgia Capital PLC only.....	169 – 178
Consolidated Statement of Financial Position.....	179
Consolidated Income Statement	180
Consolidated Statement of Comprehensive Income.....	181
Consolidated Statement of Changes in Equity.....	182 – 183
Consolidated Statement of Cash Flows.....	184
Notes to the Georgia Capital Group Financial Statements.....	188 – 252

GHG's 2019 Annual Report and Financial Statements

([http://ghg.com.ge/uploads/files/GHG PLC Annual Report and Accounts 2019.pdf](http://ghg.com.ge/uploads/files/GHG%20PLC%20Annual%20Report%20and%20Accounts%202019.pdf))

	Page number in reference document
Information incorporated by reference into this Prospectus	
Independent Auditor's Report to the members of Georgia Healthcare Group PLC only.....	121
Consolidated Statement of Financial Position.....	132
Consolidated Statement of Comprehensive Income.....	133
Consolidated Statement of Changes in Equity.....	134
Consolidated Statement of Cash Flows.....	135
Notes to the Georgia Capital Group Financial Statements.....	136 – 179

GHG's 2018 Annual Report and Financial Statements

([http://ghg.com.ge/uploads/files/GHC 30655 Annual Report 2018 web.pdf](http://ghg.com.ge/uploads/files/GHC%2030655%20Annual%20Report%202018%20web.pdf))

	Page number in reference document
Information incorporated by reference into this Prospectus	
Independent Auditor's Report to the members of Georgia Healthcare Group PLC only.....	113
Consolidated Statement of Financial Position.....	124
Consolidated Statement of Comprehensive Income.....	125
Consolidated Statement of Changes in Equity.....	126
Consolidated Statement of Cash Flows.....	127
Notes to the Georgia Capital Group Financial Statements.....	128 – 175

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor’s Report to the members of Georgia Healthcare Group PLC only.....	108
Consolidated Statement of Financial Position.....	119
Consolidated Statement of Comprehensive Income.....	120
Consolidated Statement of Changes in Equity.....	121
Consolidated Statement of Cash Flows.....	122
Notes to the Georgia Capital Group Financial Statements.....	123 – 177

PART 18

Definitions and Glossary

The following definitions apply throughout this Prospectus unless the context requires otherwise:

Act	the Companies Act 2006, as amended from time to time
Admission	admission of the New GCAP Shares to the premium listing segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities
ADR	average daily rate
Agro	agricultural
Alternative Performance Measures .	the certain KPIs of the Group which are financial measures that are not defined or specified under IFRS
AML Law	the Law of Georgia on Facilitating the Elimination of the Legalisation of Illegal Income
AMR	antimicrobial resistance
AUM	assets under management
Bank	JSC Bank of Georgia
BGA	the British-Georgian Academy
BIST	the British International School of Tbilisi
BNB	the Bank's banking operations in Belarus
BOG	Bank of Georgia Group PLC
Brexit	the UK referendum to withdraw from the European Union
Business Day	a day, other than a Saturday, Sunday or public or bank holiday, when banks are open for business in London
CA	current account
CEO	chief executive officer
CFO	chief financial officer
Circular	the circular to be sent by GCAP to GCAP Shareholders summarising the background to and reasons for the Offer and which includes a notice convening the GCAP General Meeting
CIS	Commonwealth of Independent States
City Code	the UK City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Takeover Panel
Closing Price	means the closing middle market quotations of a share derived from the daily official list of the LSE
Company	Georgia Capital PLC, incorporated in England and Wales with registered number 10852406
Concert Parties	Under the terms of the 2018 demerger agreement with BGEO, the Company, together with anyone acting in concert with the Company for the purposes of the Takeover Code
Conditions	the conditions to the implementation of the Offer as set out in the Offer Document
Consideration	the basic consideration payable to GHG Shareholders in connection with the Offer comprising 1 New GCAP Shares for every 5 GHG Shares
Constitution	the Constitution of Georgia

Court	the High Court of Justice of England and Wales
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form
CREST Regulations	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
DCFTA	the Deep and Comprehensive Free Trade Area
default notice	a notice to the person(s) requiring such person(s), to disclose within 30 days of the date of the default notice the identity of the ultimate beneficial owner(s) of any significant interest held by him and/or any of his related persons and certify that all regulatory requirements in respect of the relevant holding have been satisfied
default shares	the Shares which, in regards to a section 793 notice, a Shareholder or other person has failed to give the Company the information required within 14 days from the date of service of the section 703 notice
DEG	Deutsche Investitions- Und Entwicklungsgesellschaft MBH
Disclosure Guidance and Transparency Rules or DTR	the disclosure rules made by the FCA and forming part of the FCA Handbook of Rules and Guidance, as amended from time to time
disenfranchisement notice	a notice to the relevant Shareholder informing him/ them that in respect of such part of his/ their holding of interests in Shares (including, for the avoidance of doubt, any interests in Shares allotted or issued after the date of the disenfranchisement notice in respect of that holding) he/ they shall not be entitled to vote (either in person or by proxy) that holding at a general meeting or at a separate meeting of the holders of a class of shares or on a poll until 7 days after the earlier of: (i) any holding subject to a default notice is transferred pursuant to an excepted transfer (as defined in Article 65 of the Articles); or (ii) the Company is reasonably satisfied that the above provisions have been complied with
E&P	earnings and profits
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
EBRD	the European Bank for Reconstruction and Development
EBT	employee benefit trust
EFF	the ongoing US\$285 million three-year IMF Extended Fund Facility programme in Georgia
Effective Date	means the date upon which the Offer becomes or is declared unconditional in all respects
Eligible US Holders	holders of GHG Shares that are located in the US and are QIBs
ESCO	Electricity Market Operator
ESHS	Environmental, Social, Health and Safety guidelines
ESOP	the Company's EBT
EU	the European Union
Euro or €	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended

Exchange Offer	the share exchange offer by GCAP of 1 GCAP Share for every 5.22 GHG Shares which was announced on 18 November 2019 and closed on 17 December 2019
Exchange Ratio	the ratio of GCAP Shares to GHG Shares that each GHG Shareholders will receive, being 1 GCAP Shares for every 5 GHG Shares pursuant to the Offer
Excluded Shares	any GHG Shares beneficially owned by GCAP or any other member of the Georgia Capital Group immediately prior to the Offer Record Time
Existing GCAP Shareholders	means the holders of Existing GCAP Shares (any such holder being an “Existing GCAP Shareholder)
Existing GCAP Shares	means the GCAP Shares in issue at the Latest Practicable Date
EY	Ernst & Young LLP
FATF	the Financial Action Task Force
FCA	the Financial Conduct Authority or its successor from time to time
FDI	foreign direct investment
FFL	freight and forward liability
Financial Advisor	Numis
First Closing Date	2 July 2020
FMO	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.
FMS	the Financial Monitoring Service
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
FTA	free trade agreement
GCAP Articles	the Articles of Association of GCAP from time to time
GCAP Board	the GCAP Directors collectively
GCAP Directors	the directors of GCAP as at the date of this Prospectus or, where the context so requires, the directors of GCAP from time to time
GCAP General Meeting	the general meeting of GCAP to be convened in connection with the Offer, notice of which will be sent to GCAP Shareholders, including any adjournment thereof
GCAP Shareholder Resolutions	such shareholder resolutions of GCAP as are required to approve, implement and effect the Offer, including a resolution or resolutions to authorise the creation and allotment of New GCAP Shares pursuant to the Offer
GCAP Shareholders	the registered holders of GCAP Shares from time to time
GCAP Shares	ordinary shares of five pence each in the capital of GCAP
GCAP’s 2019 Annual Report and Financial Statements	GCAP’s 2019 Annual Report and Financial Statements, which include GCAP’s audited financial statements for the year ended 31 December 2019
GDP	gross domestic product
GDRs	global depository receipts
Georgia Capital or GCAP	Georgia Capital PLC, a public limited company incorporated in England and Wales with registered number 10852406 with its registered address at 84 Brook Street, London W1K 5EH

Georgia Capital Group or Group ...	Georgia Capital, its subsidiaries and its subsidiary undertakings from time to time
Georgia Healthcare Group or GHG	Georgia Healthcare Group PLC, a public limited company incorporated in England and Wales with registered number 09752452 with its registered address at 84 Brook Street, London W1K 5EH
Geostat	the Legal Entity of Public Law National Statistics Office of Georgia
GETC	Georgian Energy Trading Company LLC
GHG Board	the GHG Directors collectively
GHG Board Recommendation	has the meaning as set out in Part 5 (<i>Indicative Offer Statistics</i>)
GHG Directors	the directors of GHG as at the date of the Offer Announcement or, where the context so requires, the directors of GHG from time to time
GHG Group	GHG, its subsidiaries and its subsidiary undertakings from time to time
GHG Shareholders	the registered holders of GHG Shares from time to time
GHG Shares	ordinary shares of one penny each in the capital of GHG
GHG's 2017 Annual Report and Financial Statements	GHG's 2017 Annual Report and Financial Statements, which include GHG's audited financial statements for the year ended 31 December 2017
GHG's 2018 Annual Report and Financial Statements	GHG's 2018 Annual Report and Financial Statements, which include GHG's audited financial statements for the year ended 31 December 2018
GHG's 2019 Annual Report and Financial Statements	GHG's 2019 Annual Report and Financial Statements, which include GHG's audited financial statements for the year ended 31 December 2019
GI	the Law on Appellations of Origin and Geographical Indications adopted in Georgia in June 1999
GLC	Georgia Leasing Company Limited
GNERC	the Georgian National Energy and Water Supply Regulatory Commission
GNTA	the Georgian National Tourism Administration
Governance Code	UK Corporate Governance Code
GRPC	Georgian Renewable Power Company
GWG	JSC Greenway Georgia
GWh	gigawatt-hour
GWP	Georgian Water and Power LLC
HIS	health information systems
HL	hectolitres
HMRC	HM Revenue and Customs
Hotel Agreements	the (i) Management Agreement; (ii) Marketing and Central Services Agreement; and (iii) Trademark License Agreement between GRE and Kempinski regarding the development of Kempinski Tbilisi Hotel in Tbilisi, Georgia
HPP	hydro power plant
IBNR	incurred but not reported claims
IFI	international financial institutions

IFRS	International Financial Reporting Standards as adopted by the European Union
IMF	the International Monetary Fund
Insurance Law	the Law of Georgia on Insurance, adopted in May 1997
IRR	internal rate of return
IRS	the US Internal Revenue Service
ISA	individual savings account
ISO	independent systems operator
ISSSG	the Insurance State Supervisory Service of Georgia
IT	information technology
JCI	the Joint Commission International
Kempinski	Kempinski S.A.
KPIs	key performance indicators
kWh	kilowatt-hour
Latest Practicable Date	means 5 June 2020, being the latest practicable date prior to publication of the Prospectus
LEI	legal entity identifier
Listing Conditions	any conditions to which approval of the application for the admission of New GCAP Shares is expressed to be subject to by the FCA
Listing Rules	the listing rules made by the FCA pursuant to Part 6 of the FSMA, referred to in Section 73A(2) of the same, and contained in the FCA's publication of the same name
London Stock Exchange	London Stock Exchange plc, together with any successors thereto
Main Market	the Main Market of the London Stock Exchange
Market Abuse Regulation or MAR	Regulation (EU) 596/2014
MEPA	the Ministry of Environmental Protection and Agriculture
MoESD	the Ministry of Economy and Sustainable Development
MoF	the Ministry of Finance
MPs	members of the Georgian Parliament
MRDI	the Ministry of Regional Development and Infrastructure
MSME	micro, small and medium-sized enterprises
MTPL	Motor Third Party Liability insurance
MW	megawatt
NAV	net asset value
NBG	the National Bank of Georgia
NCEQE	the National Centre for Education Quality Enhancement
NEER	nominal effective exchange rate
New GCAP Shares	the new GCAP Shares which are to be issued pursuant to the Offer
NFA	the National Food Agency

Notes	the US\$300 million 6.125% notes due 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 issued by JSC Georgia Capital on 9 March 2018
Numis	Numis Securities Limited
NWA	the National Wine Agency
OECD	Organisation of Economic Co-operation and Development
Offer	the proposed acquisition by GCAP of all the issued or to be issued share capital of GHG not already owned by GCAP, to be implemented by way of the Offer
Offer Announcement	the announcement of the Offer dated 11 June 2020
Official List	the Official List of the FCA
Overseas Shareholders	GHG Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdiction outside the United Kingdom
P&C	the Group's property and casualty insurance business
PCAOB	the Public Company Accounting Oversight Board (United States)
PDO	protected designation of origin
PFIC	a passive foreign investment company
PRA	the Prudential Regulation Authority or its successor from time to time
Principal Place	for any general meeting of GCAP, the place at which the chairman of the meeting shall preside
Privatisation Agreement	the agreement for GGU to acquire 100% of the shareholding interest in GWP and other smaller scale state owned water utility companies with the Government of Georgia, Ministry of Economic Development and the Government of Tbilisi, concluded on 14 May 2008 as amended on 22 December 2009
Proportional Voting Shares	Under the terms of the 2018 demerger agreement with BGEO, any shares held by the Concert Parties in the share capital of Bank of Georgia Group PLC in excess of 9.99%
Prospectus	the final prospectus approved by the FCA (as competent authority under Regulation (EU) 2017/1129) as a prospectus prepared in accordance with the Prospectus Regulation Rules
Prospectus Regulation Rules	the prospectus rules published by the FCA under section 73A of FSMA
PTI	periodic technical inspection
PV	photovoltaic systems
QIB	qualified institutional buyer
RAB	regulated asset bas
RBNS	reported but not settled claims
REER	real effective exchange rate
Registrar	Computershare Investor Services PLC
Registrar of Companies	the Registrar of Companies in England and Wales
regulated group company	a subsidiary undertaking of the Group which is licensed and/or supervised by a regulatory authority
Regulations	the Uncertificated Securities Regulation 2001

regulatory authority	the relevant regulator in relation to a regulatory requirement being, at the date of adoption of the Articles, Insurance State Supervisory Service of Georgia (or, in either case, any successor body(ies) thereto or other entity with the authority to regulate the relevant regulatory requirement)
regulatory requirement	a requirement pursuant to Georgian law, orders, normative acts or regulations adopted pursuant thereto (in each case from time to time) to notify, seek approval of or otherwise comply with any requirement of a Regulatory Authority in relation to the acquisition or holding of a Significant Interest
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to GHG Shareholders in that jurisdiction
RIS	regulatory information service
ROAE	return on average equity
SCADA	supervisory control and data acquisition
SDRT	stamp duty reserve tax
SEC	the US Securities and Exchange Commission
section 793 notice	notice served by the Company under section 793 of the Companies Act on a Shareholder, or another person appearing to be interested in the Shares held by a Shareholder
Senior Managers	those individuals identified as such in Part 10 (<i>Directors, Senior Managers and Corporate Governance</i>)
Significant Interest	a holding either directly or indirectly of 10% or more of the authorised or paid up share capital of an insurance company
significant shareholder	any person with a Significant Interest
SME	small and medium-sized enterprises
SNA	System on National Accounts
Sponsor	Numis
sq.m.	square metre
sterling or pounds sterling or GBP or £ or pence or penny	the lawful currency of the United Kingdom
Takeover Offer	a takeover offer as defined in Part 28 of the Act
Takeover Panel or Panel	the UK Panel on Takeovers and Mergers
TANAP	the Trans-Anatolian Pipeline
Tax Code	the new tax code that came into effect in Georgia on 1 January 2011
Term Facilities	the GEL98.7 million and EUR25 million term loan facilities agreement entered into between GWP, FMO and DEG
Treaty Non-resident	an individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty
TSO	transmission system operators
UHC	Universal Health Programme
Unaudited Pro Forma Financial Information	the unaudited consolidated <i>pro forma</i> statement of net assets as at 31 December 2019
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland

United States or US	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
UPR	unearned premium
US-UK Treaty	the United States-United Kingdom tax treaty
US dollar or US\$ or US\$	the lawful currency of the United States
US Exchange Act	United States Securities Exchange Act of 1934, as amended
US GAAS	auditing standards generally accepted in the United States of America
US Holder	has the meaning set out in Part 15 (<i>Taxation</i>)
US Person	a US Person as defined in Regulation S under the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
VAT	value added tax and any similar sales or turnover tax
WACC	weighted average cost of capital
WSS	Water Supply and Sanitation
Wyndham	Wyndham Hotel Group (UK) East Limited

