FINANCIAL PERFORMANCE HIGHLIGHTS (IFRS)[1]

GEL '000, unless otherwise noted	**Sep-20**	**Jun-20**	**Change**	**Dec-19**	**Change**
Georgia Capital NAV overview					
NAV per share, GEL	37.84	31.67	19.5%	46.84	-19.2%
Net Asset Value (NAV)	1,732,166	1,197,503	44.6%	1,753,868	-1.2%
Total portfolio value	2,411,271	1,826,458	32.0%	2,253,083	7.0%
Liquid assets and loans issued	267,106	280,071	-4.6%	363,773	-26.6%
Net debt	(677,865)	(632,550)	7.2%	(493,565)	37.3%

Georgia Capital Performance	**3Q20**	**3Q19**	**Change**	**9M20**	**9M19**	**Change**
Total portfolio value creation	452,097	(137,281)	NMF	(30,641)	209,302	NMF
of which, listed businesses	*(135,237)*	*(174,290)*	*-22.4%*	*(432,982)*	*71,527*	*NMF*
of which, private businesses	*587,334*	*37,009*	*NMF*	*402,341*	*137,775*	*NMF*
large portfolio companies	*597,992*	*32,333*	*NMF*	*532,376*	*99,907*	*NMF*
investment stage portfolio companies	*16,256*	*-*	*NMF*	*78,250*	*-*	*NMF*
other portfolio companies	*(26,914)*	*4,676*	*NMF*	*(208,285)*	*37,868*	*NMF*
Investments	138,296[2]	113,413	21.9%	194,287	176,646	10.0%
Dividend income	9,972	30,609	-67.4%	14,899	86,276	-82.7%
Net income	398,032	(164,040)	NMF	(166,810)	141,583	NMF

Portfolio companies' performance[3]	**3Q20**	**3Q19**	**Change**	**9M20**	**9M19**	**Change**
Large portfolio companies						
Revenue	303,652	299,646	1.3%	880,562	889,611	-1.0%
EBITDA	61,872	67,103	-7.8%	158,642	185,668	-14.6%
Net operating cash flow	68,573	34,194	100.5%	195,264	147,942	32.0%
Investment stage portfolio companies						
Revenue	19,164	12,559	52.6%	52,005	14,954	NMF
EBITDA	12,454	9,838	26.6%	31,721	11,322	NMF
Net operating cash flow	14,573	3,078	NMF	37,184	2,491	NMF
Total portfolio[4]						
Revenue	413,715	395,106	4.7%	1,160,784	1,085,755	6.9%
EBITDA	87,062	83,310	4.5%	209,372	198,770	5.3%
Net operating cash flow	112,776	50,093	125.1%	290,728	141,015	106.2%

KEY POINTS

- NAV per share up 19.5% in 3Q20
  - The first time valuation of GHG as a wholly owned private company, performed by an independent valuation company, contributed growth of 36% in NAV per share
  - NAV per share was negatively impacted by valuation of our listed asset and FX loss on GCAP net debt
- Solid 3Q20 results across our portfolio, with aggregated revenues growing 4.7% y-o-y in 3Q20 (up 6.9% y-o-y in 9M20)
- Outstanding growth in aggregated net operating cash flow generation, up 125.1% in 3Q20 and up 106.2% in 9M20
- GEL 10m dividends collected from private businesses in 3Q20 (Water Utility - GEL 5m; P&C Insurance – GEL 5m)
- Aggregated cash balances of portfolio companies almost doubled in 9M20 to GEL 361m at 30-Sep-20 (GEL 282m at 30-Jun-20 and GEL 183m at 31-Dec-19)
- GCAP liquidity remained high at GEL 267m, down only 4.6% in 3Q20 notwithstanding US$ 9m coupon payment

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VIRTUAL INVESTOR DAY 2020 WEBINAR DETAILS

An investor/analyst webinar, organised by the Group, will be held on 12 November 2020, at 11:00 UK / 12:00 CET / 6:00 U.S Eastern Time. 3Q20 and 9M20 results will be discussed during the event. Please register for the webinar at Registration link.

[1] See "Basis of Presentation" for more background on page 21.
[2] Issuance of 7.7 million CGEO shares in exchange for GHG shares, valued at GEL 138 million, for the buy-out of 29.4% holding in GHG.
[3] Aggregated numbers for portfolio companies. We describe the breakdown of our portfolio by large, investment stage and other portfolio companies on pages 2-3.
[4] The results of our five smaller businesses included in other portfolio companies (described on page 6) are not broken out separately. Performance totals, however, include the other portfolio companies results (and are therefore not the sum of large and investment stage portfolio results).

CHAIRMAN AND CEO'S STATEMENT

Against the challenging economic backdrop created by COVID-19, Georgia Capital's performance during the third quarter of 2020 has been robust. This performance reflects the high level of resilience of our private portfolio companies and continued delivery on our strategic priorities:

- **NAV per share (GEL) was up 19.5% in 3Q20 to GEL 37.84.** The first time valuation of GHG as a wholly owned private company, performed by an independent valuation company, contributed 36% of growth to NAV per share. This was partially offset by decreased valuation of a listed asset and an FX loss on GCAP net debt. Overall, NAV per share (GEL) was down 19.2% in 9M20, primarily reflecting decreased valuations of our portfolio businesses. We believe that the GHG valuation reflected in the 3Q20 NAV Statement reflects that the public markets, most likely due to the relatively small size of GHG and lack of liquidity in the trading market for its shares, were significantly undervaluing GHG .
- **Our portfolio has been further strengthened.** At 30-Sep-20, following the buy-out of minority shareholders in GHG[5], 79% of our portfolio – with a GEL 2.4 billion valuation -- is concentrated across Bank of Georgia ("listed portfolio companies") and our portfolio of growing, market leading, cyclically resistant private businesses. These are Healthcare Services, Retail (pharmacy), Insurance (P&C and Medical) and the Water Utility ("large portfolio companies"). Renewable Energy and Education ("investment stage portfolio companies") form a further 12% of our portfolio and are businesses which we plan to scale up and expect will drive value creation going forward. The remaining 9% is spread across the five other companies in our private portfolio, which we currently believe offer less scalable growth potential ("other portfolio companies") as more fully described below.
- **Underlying operating performances across our private portfolio remained solid.** Despite COVID-19, the aggregated revenue across our large portfolio companies increased 1.3% y-o-y in 3Q20 to GEL 303.7 million and was down by only 1% y-o-y in 9M20 to GEL 880.6 million. Acquisitions in the investment stage portfolio companies led to 52.6% y-o-y growth in 3Q20 revenues of GEL 19.2 million (up 3.5 times y-o-y in 9M20 to GEL 52.0 million). On like-for-like basis[6], the aggregated revenues of all businesses grew by 3% in 3Q20 and 4% in 9M20, y-o-y. The aggregated EBITDA also increased 4.5% y-o-y in 3Q20 to GEL 87.1 million (up 5.3% y-o-y to GEL 209.4 million in 9M20).
- **125% y-o-y growth in total net operating cash flow generation of our portfolio in 3Q20 to GEL 113 million,** reflecting strong business growth as well as our cash preservation and accumulation strategy (up 106% y-o-y in 9M20 to GEL 291 million). As a result, the aggregated cash balances of our portfolio companies almost doubled in 9M20 to GEL 361 million at 30-Sep-20 (GEL 282 million at 30-Jun-20 and GEL 183 million at 31-Dec-19).
- **GCAP's liquidity remained high.** During 3Q20 we collected GEL 10 million dividends from our private portfolio companies and our liquidity reduced only 4.6%, to GEL 267 million, notwithstanding US$ 9 million coupon payment. During 3Q20, our only material investment was the buy-out of minority shareholders in GHG, in exchange for newly issued CGEO shares valued at GEL 138 million.

From a macro-economic perspective, Georgia's response to the virus outbreak was rapid, with swift containment measures proving critical in ensuring that Georgia emerged as one of the least affected countries in Europe. While COVID-19 cases have accelerated since September, Georgia maintains a relatively low number of confirmed cases and deaths per capita. Georgia is expected to be less significantly impacted compared to other tourism dependent countries, with 5% GDP contraction forecasted by the IMF, followed by a 5% rebound in 2021. Since the gradual lifting of a full lockdown which lasted Mar-July, the economy has demonstrated an ongoing gradual recovery, with real GDP growth improving every month since the April's low of negative 16.6% y-o-y, to negative 0.7% in September (negative 5.0% y-o-y in 9M20). The recovery has been aided by sound economic policies and international support, as well as by diversified foreign currency inflows with record levels of remittances (up 6.2% y-o-y in 9M20 and 23.6% y-o-y in the last four months of Jun-Sep). The recovery was also supported by an adjustment in external trade, with merchandise exports returning to positive growth of 8.6% in September, and the trade deficit reducing by $750 million, y-o-y. The Georgian Lari performed relatively well compared to other regional currencies, aided by more than US$ 700 million FX interventions, significant trade adjustments and solid official reserve assets reaching US$ 3.8 billion in September (up by 4.5% y-o-y).

Despite the recent increase in COVID-19 cases, the economy remains open and, with the exception of the hospitality and education businesses, most of our portfolio businesses remain largely unaffected. I am impressed by the management teams in our portfolio companies and the way in which they have handled this challenging year. However, the recent increases in COVID-19 cases have created renewed uncertainty, which could affect the pace of the expected economic recovery. While the range of possible outcomes remains, given our strong balance sheet and, in particular, our resilient portfolio, we are well placed to deliver continued NAV per share growth in the upcoming quarters.

Irakli Gilauri, Chairman and CEO

[5] Further details of the transaction are available at the following link: https://georgiacapital.ge/ir/offer-ghg.

[6] Aggregated like-for-like y-o-y growth numbers in private portfolio companies, including the revenues generated before acquisitions made in 2H19.

DISCUSSION OF GROUP RESULTS

The discussion below analyses the Group's net asset value at 30-Sep-20 and its income for the third quarter and nine month period then ended on an IFRS basis (see "Basis of Presentation" on page 21 below).

Net Asset Value (NAV) Statement (IFRS)

NAV statement summarises the Group's IFRS equity value (which we refer to as Net Asset Value or NAV in the NAV Statement below) at the opening and closing dates (30-Jun-20 and 30-Sep-20). The NAV Statement below, as included in the notes to the IFRS financial statements, breaks down NAV into its components and provides a roll forward of the related changes between the reporting periods. For the NAV Statement for the nine months of 2020, see page 19.

Revised NAV format overview

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

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

NAV STATEMENT 3Q20

GEL '000, unless otherwise noted	Jun-20	1. Value creation[7]	2a. Investment	2b. Buyback	2c. Dividend	2d. GHG de-listing[8]	3.Operating expenses	4. Liquidity/ FX/Other	Sep-20	Change %
Listed Portfolio Companies										
Georgia Healthcare Group (GHG)	*335,667*	*(100,935)*	*138,265*	*-*	*-*	*(372,997)*	*-*	*-*	*-*	*-100.0%*
Bank of Georgia (BoG)	*394,402*	*(34,302)*	*-*	*-*	*-*	*-*	*-*	*-*	*360,100*	*-8.7%*
Total Listed Portfolio Value	**730,069**	**(135,237)**	**138,265**	**-**	**-**	**(372,997)**	**-**	**-**	**360,100**	**-50.7%**
Listed Portfolio value change %		***-18.5%***	***18.9%***	***0.0%***	***0.0%***	***-51.1%***	***0.0%***	***0.0%***	***-50.7%***	
Private Portfolio Companies										
Large Companies	**584,360**	**597,992**	**-**	**-**	**(9,972)**	**372,997**	**-**	**441**	**1,545,818**	**NMF**
Healthcare Services	*-*	*295,641*	*-*	*-*	*-*	*177,859*	*-*	*-*	*473,500*	*100.0%*
Retail (Pharmacy)	*-*	*296,577*	*-*	*-*	*-*	*178,423*	*-*	*-*	*475,000*	*100.0%*
Water Utility	*438,989*	*(22,117)*	*-*	*-*	*(5,000)*	*-*	*-*	*441*	*412,313*	*-6.1%*
Insurance (P&C and Medical)	*145,371*	*27,891*	*-*	*-*	*(4,972)*	*16,715*	*-*	*-*	*185,005*	*27.3%*
Of which, P&C Insurance	*145,371*	*106*	*-*	*-*	*(4,972)*	*-*	*-*	*-*	*140,505*	*-3.3%*
Of which, Medical Insurance	*-*	*27,785*	*-*	*-*	*-*	*16,715*	*-*	*-*	*44,500*	*100.0%*
Investment Stage Companies	**265,446**	**16,256**	**31**	**-**	**-**	**-**	**-**	**442**	**282,175**	**6.3%**
Renewable Energy	*184,717*	*16,338*	*-*	*-*	*-*	*-*	*-*	*442*	*201,497*	*9.1%*
Education	*80,729*	*(82)*	*31*	*-*	*-*	*-*	*-*	*-*	*80,678*	*-0.1%*
Other Companies	**246,583**	**(26,914)**	**-**	**-**	**-**	**-**	**-**	**3,509**	**223,178**	**-9.5%**
Total Private Portfolio Value	**1,096,389**	**587,334**	**31**	**-**	**(9,972)**	**372,997**	**-**	**4,392**	**2,051,171**	**87.1%**
Private Portfolio value change %		***53.6%***	***0.0%***	***0.0%***	***-0.9%***	***34.0%***	***0.0%***	***0.4%***	***87.1%***	
Total Portfolio Value (1)	**1,826,458**	**452,097**	**138,296**	**-**	**(9,972)**	**-**	**-**	**4,392**	**2,411,271**	**32.0%**
Total Portfolio value change %		***24.8%***	***7.6%***	***0.0%***	***-0.5%***	***0.0%***	***0.0%***	***0.2%***	***32.0%***	
Net Debt (2)	**(632,550)**	**-**	**(631)**	**(287)**	**9,972**	**-**	**(5,241)**	**(49,128)**	**(677,865)**	**7.2%**
of which, Cash and liquid funds	*146,730*	*-*	*(631)*	*(287)*	*9,972*	*-*	*(5,241)*	*13,190*	*163,733*	*11.6%*
of which, Loans issued	*133,341*	*-*	*-*	*-*	*-*	*-*	*-*	*(29,968)*	*103,373*	*-22.5%*
of which, Gross Debt	*(912,621)*	*-*	*-*	*-*	*-*	*-*	*-*	*(32,350)*	*(944,971)*	*3.5%*
Net other assets/ (liabilities) **(3)**	3,595	-	600	287	-	-	(3,207)	(2,515)	(1,240)	NMF
of which, share-based comp.	*-*	*-*	*-*	*-*	*-*	*-*	*(3,207)*	*3,207*	*-*	*NMF*
Net Asset Value (1)+(2)+(3)	**1,197,503**	**452,097**	**138,265**	**-**	**-**	**-**	**(8,448)**	**(47,251)**	**1,732,166**	**44.6%**
NAV change %		***37.8%***	***11.5%***	***0.0%***	***0.0%***	***0.0%***	***-0.7%***	***-3.9%***	***44.6%***	
Shares outstanding	37,811,929	-	7,734,010	-	-	-	-	226,608	45,772,547	21.1%
Net Asset Value per share, GEL	**31.67**	**11.96**	**(2.34)**	**-**	**-**	**-**	**(0.22)**	**(3.23)**	**37.84**	**19.5%**
NAV per share, GEL change %		***37.8%***	***-7.4%***	***0.0%***	***0.0%***	***0.0%***	***-0.7%***	***-10.2%***	***19.5%***	

[7] Please see definition in glossary on page 20.

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

NAV per share (GEL) was up by 19.5% in 3Q20, mainly reflecting the minority Buy-out and subsequent revaluation of GHG. As such, and following the GHG becoming a private company, it is now valued together with the rest of our private portfolio:

- The valuation and Buy-out of GHG had an aggregate 36.0% impact on the NAV per share in 3Q20, which was partially offset by the negative impact of COVID-19 on the valuations of our businesses.
- Reduced valuation of BoG had a -2.9% impact on the NAV per share, while valuations also declined across our private businesses (-2.7% impact on the NAV per share).
- The NAV per share was further impacted by GEL depreciation against USD by 4.9%, resulting in a foreign exchange loss of GEL 35 million on GCAP net debt (-2.9% impact).

Portfolio overview

Our portfolio value increased by 32.0% to GEL 2.4 billion in 3Q20, reflecting a 50.7% decline and 87.1% growth in the value of listed and private businesses, respectively. The value of our investment in the listed assets decreased by GEL 370 million during 3Q20 mainly reflecting the de-listing and transfer of GHG to the private portfolio. The market value of our 100% holding in GHG was GEL 373 million on the de-listing date of 5-Aug-20 ("cost of GHG investment" or "cost"). The value of our private portfolio companies increased by GEL 955 million in 3Q20 reflecting the transfer of GHG at GEL 373 million cost, addition of GEL 587 million due to value creation and decrease of GEL 10 million due to dividends received from portfolio companies.

1) GHG minority Buy-out and de-listing

Following the completion of the GHG Buy-out in 3Q20, GCAP's holding increased in GHG from 70.6% to 100% in exchange for 7.7 million CGEO share issuance. Our 70.6% equity stake in GHG had a market value of GEL 336 million at 30-Jun-20 based on the LSE closing price, increasing to GEL 474 million following the exchange of newly issued CGEO shares into GHG shares valued at GEL 138 million. Cancellation of listing and trading of GHG shares took effect on 5-Aug-20, when GHG's share price was down by 26.1% to GBP 0.708 from 30-Jun-20. As a result, the market value of our 100% holding in GHG decreased by GEL 101 million to GEL 373 million as of the date of de-listing. Following de-listing, GHG was transferred to the private portfolio as three separate businesses: Healthcare Services (hospitals, clinics, diagnostics), Retail (pharmacy) and Medical Insurance. All three businesses were valued in line with our methodology for valuation of private businesses. In order to provide additional transparency to our valuations, we hired an independent valuation company, to perform a valuation assessment of each of GHG's businesses as further described on page 5.

2) Value creation

The negative value creation on listed assets was GEL 135 million, of which GEL 101 million was driven by negative value creation on our 100% holding in GHG before de-listing and GEL 34 million by a 16.5% decrease in BoG share price in 3Q20 to GBP 8.93. The value creation of GEL 587 million on the private portfolio reflects: a) the first time valuation of GHG following Buy-out (GEL 620.0 million value creation); b) the 28.3 million operating performance-related decrease in the value of our private assets excluding GHG, primarily reflecting the negative impact of COVID-19 on LTM earnings; and c) GEL 4.3 million impact from negative movements in valuation multiples and foreign currency exchange rates, the later leading to net debt widening.

The table below summarises value creation drivers in our businesses in 3Q20:

Portfolio Businesses	Operating Performance[9]	Greenfields / buy-outs[10]	Multiple Change and FX[11]	Value Creation
GEL '000	***(1)***	***(2)***	***(3)***	***(1)+(2)+(3)***
Listed				**(135,237)**
GHG				(100,935)
BoG				(34,302)
Private	**(28,336)**	**620,003**	**(4,333)**	**587,334**
Large Portfolio Companies	**(12,308)**	**620,003**	**(9,703)**	**597,992**
Healthcare Services	*-*	*295,641*	*-*	*295,641*
Retail (pharmacy)	*-*	*296,577*	*-*	*296,577*
Water Utility	*(6,963)*	*-*	*(15,154)*	*(22,117)*
Insurance (P&C and Medical)	*(5,345)*	*27,785*	*5,451*	*27,891*
Of which, P&C Insurance	*(5,345)*	*-*	*5,451*	*106*
Of which, Medical Insurance	*-*	*27,785*	*-*	*27,785*
Investment Stage Portfolio Companies	**11,586**	**-**	**4,670**	**16,256**
Renewable Energy	*11,668*	*-*	*4,670*	*16,338*
Education	*(82)*	*-*	*-*	*(82)*
Other	**(27,614)**	**-**	**700**	**(26,914)**
Total portfolio	**(28,336)**	**620,003**	**(4,333)**	**452,097**

Listed businesses (14.9% of total portfolio value)

BOG (14.9% of total portfolio value) – Despite the COVID-19 outbreak, BoG managed to deliver an annualised ROAE of 21.8% in 2Q20. BOG's share price, along with other banks, decreased in 3Q20 by 16.5% to GBP 8.93 at 30-Sep-20 and, as a result, the market value of our equity stake in BOG decreased by GEL 34 million. BoG is expected to host a virtual investor day

[9] Change in the fair value attributable to the change in actual or expected earnings of the business, as well as the change in net debt.
[10] The difference between fair value and acquisition price in the first reporting period in which the business/greenfield project is no longer valued at acquisition price/cost.
[11] Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.

and provide an update on strategy and performance on 17 November 2020. BoG's public announcement on 3Q20 and 9M20 results will also be available on the same date at https://bankofgeorgiagroup.com/results/earnings.

Private large portfolio companies (64.1% of total portfolio value)

Healthcare Services (19.6% of total portfolio value) – Healthcare Services business, managed by GHG, comprises three segments: hospitals, clinics and diagnostics. The independent valuation company estimated the fair value range of the business by applying an income approach (DCF) and a market approach (listed peer multiples and precedent transactions).The estimated fair value range was similar under each valuation approach. The valuation was performed as of 30-Jun-20 and is expected to be updated on a semi-annual basis by the external valuation company going forward. The implied LTM EV/EBITDA valuation multiple as of 30-Jun-20 was 12.2x including the impact of IFRS 16. Fair value was assessed at GEL 474 million as of 30-Jun-20, as compared to the value of GEL 178 million allocated to Healthcare Services following the de-listing.[12] As a result, a GEL 296 million value uplift was recorded from the first-time valuation of the business following the GHG Buy-out.

Retail (pharmacy) (19.7% of total portfolio value) – The business consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies. GCAP owns 67% of the business through GHG and the balance is owned by two individual managing partners. The independent valuation company applied a similar valuation approach as for Healthcare Services. The implied LTM EV/EBITDA valuation multiple as of 30-Jun-20 was 8.7x including the impact of IFRS 16. The fair value of GCAP's holding was assessed at GEL 475 million as of 30-Jun-20 from what were again broadly similar ranges that resulted from each applied valuation approach. Allocated value for the business following the GHG Buy-out was GEL 178 million,[12] resulting in GEL 297 million value creation.

Water Utility (17.1% of total portfolio value) – Water Utility's 3Q20 performance reflects the decreased consumption of water during lower economic activity during the COVID-19 pandemic and a decrease in energy revenues due to lower water inflows at Zhinvali reservoir. Decreased consumption of water by legal entities led to a 6.8% y-o-y decline in 3Q20 water supply revenues to GEL 35.7 million. However, according to the tariff setting methodology, volume risk does not stay with the company and unearned revenues in the current regulatory period (2018-2020) will be reimbursed through tariff revision in the upcoming regulatory period, effective from 1-Jan-21. As such, Water Utility's multiple-based valuation, also validated against internally run DCF valuation, implies a 10.0x multiple based on LTM EBITDA of GEL 84.6 million at 30-Jun-20. Negative value creation was GEL 22 million in 3Q20, predominantly reflecting the foreign exchange losses on Water Utility's borrowings.

Insurance (P&C and Medical) (7.7% of total portfolio value) –The insurance business combines: a) P&C Insurance valued at GEL 140.5 million and b) the newly added medical insurance business acquired as part of the GHG transaction, valued at GEL 44.5 million.

P&C Insurance saw a 7% decrease in LTM net income in 3Q20 which led to a GEL 10.3 million decrease in equity value, but was fully offset by the GEL 5.4 million impact of multiple growth (up from 8.0x to 8.3x) and a GEL 5 million dividend payment. The result was GEL 0.1 million value creation. The negative impact of COVID-19 on the business was relatively well-contained, and mainly affected the compulsory border third-party insurance line.

Medical Insurance was valued externally, similar to healthcare services and retail (pharmacy) businesses. The implied LTM P/E valuation multiple as of 30-Jun-20 was 8.0x. Fair value was assessed at GEL 44.5 million as of 30-Jun-20, as compared to the allocated value of GEL 16.7 million following de-listing,[12] resulting in GEL 27.8 million value creation.

Private investment stage businesses (11.7% of total portfolio value)

Renewable Energy (8.4% of total portfolio value) – The strong performance of Qartli Wind farm in 3Q20 led to an increase in the related run-rate EBITDA earnings used for valuation as of 30-Jun-20. 9M20 EBITDA for Qartli wind farm was already GEL 11.2 million, and therefore the run-rate EBITDA was revised from GEL 12 million at 30-Jun-20 to GEL 14 million as of 30-Sep-20. As a result, operating performance-related growth in the value of the business was GEL 12 million. The valuation was also favorably impacted by FX movements, since Renewable Energy's revenues are fully denominated in US$ dollars. Accordingly, GEL 16 million value was created in 3Q20, which led to the fair value increasing to GEL 201 million. Investments in our pipeline renewable energy projects and Mestiachala HPPs continued to be measured at equity investment cost of GEL 109 million in aggregate. At 30-Sep-20, total enterprise value (EV) and net debt was GEL 478 million and GEL 277 million in the renewable energy business, respectively. The distribution of EV and net debt by projects was as follows: GEL 444 million and GEL 282 million in all operating assets, of which, GEL 187 million and GEL 117 million in Mestiachala HPPs.

Education (3.3% of total portfolio value) – The third quarter is characterized as being the slowest quarter for the education business, given that the schools are not operational in Jul-Aug due to holidays. The valuations multiple, LTM EBITDA earnings and assigned equity value remained all largely unchanged in 3Q20. In September 2020, all of our schools resumed operations, providing on-campus teaching for learners below 7th grade and distance teaching for the remaining grades due to COVID-19.

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

Other businesses (9.3% of total portfolio value)

Value creation in the other portfolio was negative GEL 27 million in our other private businesses in 3Q20, with the decrease in the value primarily reflecting the negative impact of COVID-19 on LTM earnings.

The five businesses in our "other" private portfolio are Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services. They had a combined value of GEL 223.2 million at 30-Sep-20, which represented only 9.3% of our total portfolio. We currently believe these businesses offer less scalable growth potential than our large and investment stage companies. Going forward we will comment on key developments in this portfolio that affect the aggregate value creation, and absent a development material to the aggregate portfolio value, a divestment or a change in our view of the growth potential of one of the companies in this portfolio, will not comment on individual businesses or their performance.

3) Investments

During the pandemic we implemented a cash accumulation and preservation strategy and put our capital allocations on hold and expect to make only limited investments until the end of 2020. During 3Q20, our only material investment was related to the Buy-out of the minority shareholders in GHG. This was paid for by the exchange of newly issued CGEO shares into GHG shares valued at GEL 138 million.

4) Dividends

In 3Q20, Georgia Capital collected GEL 10 million dividends in aggregate from Water Utility and P&C Insurance, each providing GEL 5 million (GEL 15 million dividend income in 9M20 includes GEL 5 million received from Renewable Energy in 1Q20). We expect further dividend inflows of GEL 15 million in 4Q20, resulting in aggregate GEL 30 million dividend income in 2020 from our private portfolio companies.

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

Amounts in GEL '000	Valuation method	30-Sep-20	30-Jun-20	Change	Change %	% share in total portfolio
Listed portfolio *(1)*		**360,100**	**730,069**	**(369,969)**	**-50.7%**	**14.9%**
GHG	Public markets	-	335,667	(335,667)	-100%	-
BoG	Public markets	360,100	394,402	(34,302)	-8.7%	14.9%
Private portfolio *(2)=(a)+(b)+(c)*		**2,051,171**	**1,096,389**	**954,782**	**87.1%**	**85.1%**
Large portfolio companies *(a)*		**1,545,818**	**584,360**	**961,458**	**NMF**	**64.1%**
Healthcare Services	Valued externally	473,500	-	473,500	100.0%	19.6%
Retail (pharmacy)	Valued externally	475,000	-	475,000	100.0%	19.7%
Water Utility	EV/EBITDA (LTM)	412,313[13]	438,989	(26,676)	-6.1%	17.1%
Insurance (P&C and Medical)		185,005	145,371	39,634	27.3%	7.7%
Of which, P&C Insurance	P/E (LTM)	140,505	145,371	(4,866)	-3.3%	5.8%
Of which, Medical Insurance	Valued externally	44,500	-	44,500	100%	1.8%
Investment stage portfolio companies *(b)*		**282,175**	**265,446**	**16,729**	**6.3%**	**11.7%**
Renewable Energy	Sum of the parts (EV/EBITDA and acquisition price)	201,497	184,717	16,780	9.1%	8.4%
Education	EV/EBITDA (LTM)	80,678	80,729	(51)	-0.1%	3.3%
Other *(c)*		**223,178**	**246,583**	**(23,405)**	**-9.5%**	**9.3%**
Total portfolio value *(3)=(1)+(2)*		**2,411,271**	**1,826,458**	**584,813**	**32.0%**	**100%**

Net debt overview

Net debt increased by GEL 45 million to GEL 678 million in 3Q20, with the increase being driven primarily by a foreign exchange loss of GEL 35 million. GCAP cash operating expenses of GEL 5 million, net interest expense and fair value gains on liquid funds of GEL 10 million also contributed to the widening of net debt, partially offset by GEL 10 million dividends received from portfolio companies. *Below we describe the components of net debt as at 30 September 2020 and at 30 June 2020:*

	30-Sep-20	30-Jun-20	Change
Cash at banks	138,941	85,667	62.2%
Internationally listed debt securities	24,138	43,812	-44.9%
Locally listed debt securities	654	17,251	-96.2%
Loans issued	103,373	133,341	-22.5%
Total Cash and liquid funds (a)	**267,106**	**280,071**	**-4.6%**
Gross Debt (b)	**(944,971)**	**(912,621)**	**3.5%**
Net debt (a)+(b)	**(677,865)**	**(632,550)**	**7.2%**

Cash and liquid funds. At 30 September 2020, cash and liquid funds were allocated mostly in cash, internationally listed debt securities and loans issued. Internationally listed debt securities include Eurobonds issued by Georgian corporates. The issued loan balance primarily refers to loans issued to portfolio companies, which are on-lent at market terms. During 3Q20, we collected GEL 40 million (US$ 13 million) net cash from the repayment of a loan issued to Renewable Energy, refinanced by the proceeds raised from the Green Bond issuance in Jul-20. As a result, the issued loan balance decreased by 22.5% in 3Q20.

[13] LTM EBITDA as of 30-Jun-20.

In 3Q20, GCAP increased its cash balance by 62.2% to GEL 139 million (US$ 43 million) on the back of loan repayments and dividend inflows from private portfolio companies. GCAP's liquidity, inclusive of issued loans, remained high at GEL 267 million (US$ 83 million).

Gross debt At 30-Sep-20 the outstanding balance of US$ 300 million six-year Eurobonds due in March 2024 was GEL 945 million, reflecting foreign exchange loss of GEL 44 million from GEL depreciation against USD during 3Q20[14]. Gross debt balance further increased by a GEL 16 million coupon accrual[14], which was offset by a GEL 28 million coupon payment[14] in 3Q20.

INCOME STATEMENT (ADJUSTED IFRS)

Net income under IFRS was GEL 404.9 million in 3Q20 (net loss of GEL 149.6 million in 9M20). The IFRS income statement is prepared on the Georgia Capital PLC level and the results of all operations of the Georgian holding company JSC Georgia Capital are presented as one line item. As we conduct most of our operations through JSC Georgia Capital, through which we hold our portfolio companies, the IFRS results provide little transparency on the underlying trends.

Accordingly, to enable a more granular analysis of those trends, the following adjusted income statement presents the Group's results of operations for the period ending September 30 as an aggregation of (i) the results of GCAP (the two holding companies Georgia Capital PLC and JSC Georgia Capital, taken together) and (ii) the fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 90 in Georgia Capital PLC 2019 Annual report. *A full reconciliation of the adjusted income statement to the IFRS income statement is provided on page 18.*

INCOME STATEMENT (Adjusted IFRS)

GEL '000, unless otherwise noted	3Q20	3Q19	Change	9M20	9M19	Change
Dividend income	9,972	30,609	-67.4%	14,899	86,276	-82.7%
Interest income	4,834	9,529	-49.3%	16,650	31,397	-47.0%
Realised / unrealised (loss)/ gain on liquid funds	475	654	-27.4%	(4,103)	5,951	NMF
Interest expense	(15,762)	(14,569)	8.2%	(45,941)	(40,461)	13.5%
Gross operating (loss)/income	**(481)**	**26,223**	**NMF**	**(18,495)**	**83,163**	**NMF**
Operating expenses	(8,448)	(8,751)	-3.5%	(23,027)	(25,359)	-9.2%
GCAP net operating (loss)/income	**(8,929)**	**17,472**	**NMF**	**(41,522)**	**57,804**	**NMF**
Fair value changes of portfolio companies						
Listed portfolio companies	**(135,237)**	**(174,290)**	**-22.4%**	**(432,982)**	**42,595**	**NMF**
Of which, Georgia Healthcare Group PLC	*(100,935)*	*(115,767)*	*-12.8%*	*(195,347)*	*25,314*	*NMF*
Of which, Bank of Georgia Group PLC	*(34,302)*	*(58,523)*	*-41.4%*	*(237,635)*	*17,281*	*NMF*
Private portfolio companies	**577,362**	**6,400**	**NMF**	**387,442**	**80,431**	**NMF**
Large Portfolio Companies	**588,020**	**32,333**	**NMF**	**522,404**	**91,907**	**NMF**
Of which, Healthcare Services	*295,641*	-	*NMF*	*295,641*	-	*NMF*
Of which, Retail (pharmacy)	*296,577*	-	*NMF*	*296,577*	-	*NMF*
Of which, Water Utility	*(27,117)*	*33,913*	*NMF*	*(73,181)*	*62,602*	*NMF*
Of which, Insurance (P&C and Medical)	*22,919*	*(1,580)*	*NMF*	*3,367*	*29,305*	*-88.5%*
Investment Stage Portfolio Companies	**16,256**	**-**	**NMF**	**73,323**	**-**	**NMF**
Of which, Renewable energy	*16,338*	-	*NMF*	*49,058*	-	*NMF*
Of which, Education	*(82)*	-	*NMF*	*24,265*	-	*NMF*
Other businesses	**(26,914)**	**(25,933)**	**3.8%**	**(208,285)**	**(11,476)**	**NMF**
Total investment return	**442,125**	**(167,890)**	**NMF**	**(45,540)**	**123,026**	**NMF**
(Loss)/Income before foreign exchange movements and non-recurring expenses	**433,196**	**(150,418)**	**NMF**	**(87,062)**	**180,830**	**NMF**
Net foreign currency loss	(35,164)	(13,622)	NMF	(76,526)	(39,247)	95.0%
Non-recurring expenses	-	-	NMF	(3,222)	-	NMF
Net (loss)/Income (adjusted IFRS)	**398,032**	**(164,040)**	**NMF**	**(166,810)**	**141,583**	**NMF**

3Q20 *and 9M20 Gross operating loss* of GEL 8.9 million and GEL 41.5 million mainly reflect decreased dividend inflows due to COVID-19 related uncertainties. Further the decrease in the average balance of liquid funds led to decreased interest income in both periods, down 49.3% to GEL 4.8 million in 3Q20 and down 47.0% in 9M20 to GEL 16.7 million. GCAP earned an average yield of 7.1% on the average balance of liquid assets and issued loans of GEL 301.5 million in 9M20 (8.0% on GEL 547.7 million

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

in 9M19). The coupon on the 6-year US$ 300 million bond, issued in Mar-18, is 6.125%. As a result, *net interest expense* was GEL 10.9 million and GEL 29.3 million in 3Q20 and 9M20 at GCAP level, respectively (GEL 5.0 million in 3Q19 and GEL 9.1 million in 9M20).

GCAP management fee expenses have a self-targeted cap of 2% of Georgia Capital's market capitalisation. The LTM management fee expense ratio was 2.3% at 30-Sep-20 (up from 1.7% as of 30-Sep-19). The total LTM operating expense ratio (which includes fund type expenses) was 3.2% at 30-Sep-20 (up from 2.2% as of 30-Sep-19). The expense ratio reflects the negative impact of COVID-19 on Georgia Capital PLC's share price. The components of GCAP's operating expenses are presented in the table below:

GEL '000, unless otherwise noted	**3Q20**	**3Q19**	**Change**	**9M20**	**9M19**	**Change**
Administrative expenses[15]	(2,634)	(2,678)	-1.6%	(7,543)	(8,154)	-7.5%
Management expenses - cash-based[16]	(2,607)	(2,160)	20.7%	(6,009)	(6,251)	-3.9%
Management expenses - share-based[17]	(3,207)	(3,913)	-18.0%	(9,475)	(10,954)	-13.5%
Total operating expenses	**(8,448)**	**(8,751)**	**-3.5%**	**(23,027)**	**(25,359)**	**-9.2%**
Of which, fund type expense[18]	(2,594)	(2,209)	17.4%	(7,117)	(6,273)	13.5%
Of which, management fee[19]	(5,854)	(6,542)	-10.5%	(15,910)	(19,086)	-16.6%

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 442.1 million in 3Q20, reflecting the first time valuation of GHG businesses following the Offer, as described earlier in this report. Total investment return was negative GEL 45.5 million in 9M20, mainly reflecting the negative impact of COVID-19 on our listed asset prices and other private assets, primarily on the hospitality and commercial Real Estate business. We discuss valuation drivers for our businesses on pages 4-5. The performance of each of our private large and investment stage portfolio companies is discussed on pages 8-17. Total investment return of GEL 442.1 million and dividend income of GEL 10.0 million together led to GEL 452.1 million value creation in 3Q20 as presented in the NAV statement on page 3.

The Group's *net income* (adjusted IFRS) is then driven by net foreign currency loss, reflecting the impact of GEL devaluation against the US dollar on GCAP's net foreign currency liability balance amounting to c. US$ 218 million (GEL 699 million) at 30-Sep-20. Net foreign currency loss was GEL 35.2 million and GEL 76.5 million, respectively, in 3Q20 and 9M20. As a result of the movements described above, GCAP's adjusted IFRS *net income* was GEL 398.0 million in 3Q20 and *net loss* was GEL 166.8 million in 9M20. See page 18 for a reconciliation to the IFRS figures presented above.

[15] Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[16] Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[17] Share-based management expenses are share salary and share bonus expenses of management and staff.
[18] Fund type expenses include expenses such as audit fees, fees for legal advisors, Board compensation and corporate secretary costs.
[19] Management fee is the sum of cash-based and share-based management expenses.

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

The following sections present the IFRS results and business development derived from the individual portfolio company's IFRS accounts for large and investment stage entities. We present key IFRS financial highlights, operating metrics and ratios along with the commentary explaining the developments behind the numbers. For the majority of our portfolio companies the fair value of our equity investment is determined by the application of a listed peer group earnings multiples to the trailing twelve months (LTM) stand-alone IFRS earnings of the relevant business. As such, the stand-alone IFRS results and developments driving the IFRS earnings of our portfolio companies are key drivers of their valuations within GCAP's financial statements. See "Basis of Presentation" for more background on page 21.

LARGE PORTFOLIO COMPANIES

Discussion of Healthcare Services Business Results

Healthcare Services business, owned through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 30-Sep-20. Healthcare services business comprises three segments: 1) Hospitals (17 referral hospitals with a total of 2,596 beds) providing secondary and tertiary level healthcare services; 2) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient healthcare services) and 15 polyclinics (providing outpatient diagnostic and treatment services); 3) Diagnostics, operating the largest laboratory in the entire Caucasus region - "Mega Lab". As of 30-Sep-20, the healthcare services business is 100% owned by Georgia Capital (30-Jun-20: 70.6%).

3Q20 & 9M20 performance, Healthcare Services[20,21]

INCOME STATEMENT HIGHLIGHTS	3Q20	3Q19	Change	9M20	9M19	Change
Revenue, net[22]	**70,876**	**68,585**	**3.3%**	**198,950**	**216,162**	**-8.0%**
Gross Profit	**31,583**	**29,550**	**6.9%**	**80,674**	**93,493**	**-13.7%**
Gross profit margin	*44.3%*	*42.5%*	*+1.8ppts*	*40.2%*	*42.9%*	*-2.7ppts*
Operating expenses (ex. IFRS 16)	(12,794)	(13,062)	-2.0%	(39,528)	(39,808)	-0.7%
EBITDA (ex. IFRS 16)	**18,789**	**16,488**	**14.0%**	**41,146**	**53,685**	**-23.4%**
EBITDA margin (ex. IFRS 16)	*26.3%*	*23.7%*	*+2.6ppts*	*20.5%*	*24.6%*	*-4.1ppts*
Adjusted[23] net profit/(loss) ex. IFRS 16	**5,200**	**2,156**	**141.2%**	**(2,993)**	**11,500**	**NMF**
Net (loss)/profit ex. IFRS 16	**(28,628)**	**2,291**	**NMF**	**(40,469)**	**11,731**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (ex. IFRS 16)	**21,287**	**8,410**	**153.1%**	**73,022**	**28,753**	**154.0%**
EBITDA to cash conversion (ex. IFRS 16)	113.3%	51.0%	+62.3ppts	177.5%	53.6%	+123.9ppts
Cash flow from/used in investing activities	**36,917**	**(3,896)**	**NMF**	**17,727**	**(13,443)**	**NMF**
Free cash flow *(ex. IFRS 16)*[24]	**49,848**	**1,123**	**NMF**	**83,557**	**(696)**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**(2,376)**	**(4,487)**	**-47.0%**	**(3,026)**	**(28,464)**	**-89.4%**

BALANCE SHEET HIGHLIGHTS	30-Sep-20	30-Jun-20	change	31-Dec-19	change
Total assets	**885,943**	**960,076**	**-7.7%**	**953,874**	**-7.1%**
Of which, cash balance and bank deposits	98,905	41,958	NMF	7,648	NMF
Of which, securities and loans issued	4,573	3,618	26.4%	-	NMF
Total liabilities	**491,708**	**495,606**	**-0.8%**	**472,675**	**4.0%**
Of which, borrowings	313,853	304,060	3.2%	291,239	7.8%
Total equity	**394,235**	**464,470**	**-15.1%**	**481,199**	**-18.1%**

KEY POINTS

- Revenue and EBITDA demonstrating growth trajectory once again in 3Q20 y-o-y; Revenue up 3.3% and EBITDA up 14.0%
- Cash flow from operating activities (ex. IFRS 16) up 153.1% in 3Q20 and up 154.0% in 9M20, y-o-y
- Free cash flow (ex. IFRS 16) at GEL 83.6 million in 9M20, up from negative GEL 0.7 million y-o-y
- Net debt[25] down 26.9% y-o-y to GEL 210.4 million as of 30-Sep-20 (down 18.6% q-o-q)

INCOME STATEMENT HIGHLIGHTS

Following the lifting of COVID-19 related lockdown restrictions in June, which affected hospitals and clinics segments, the healthcare business revenue started to rebound. The trend continued into the 3rd quarter, which saw the number of admissions increase by 17% at clinics, translating into 3Q20 net revenue of GEL 11.6 million, up 11.0% y-o-y. Hospitals also demonstrated a similar trend as the number of admissions was up 3% in 3Q20 y-o-y, while revenue for the period was GEL 57.9 million, largely flat to 2019 level (GEL 58.1 million). The diagnostics segment, which apart from regular diagnostics services is also engaged in COVID-19 testing, almost tripled its quarterly revenue in 3Q20 y-o-y, reaching GEL 3.3 million. All this translated

[20] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[21] All numbers in income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020, discussed below in more detail.
[22] Net revenue – Gross revenue excluding corrections and rebates. Margins are calculated from Gross revenue.
[23] Adjusted for non-recurring items, FX loss and loss from discontinued operations due to HTMC hospital disposal.
[24] Operating cash flows less capex and payment of holdback on acquisition of subsidiaries, but inclusive of GEL 32.8m net inflow from disposal of 40% equity stake in HTMC and also proceeds from sale of property and equipment.
[25] Net debt is calculated from cash balance and bank deposits, securities and loans issued minus gross debt.

into 3.3% y-o-y growth in 3Q20 net revenue from healthcare services. 9M20 healthcare services net revenue was down 8.0% y-o-y, reflecting a reduction in patient footfall at healthcare facilities mainly during COVID-19 lockdown in 2Q20.

The cost of our services in the business are captured in the materials and direct salary rates. The materials rate increased slightly y-o-y in 2020 (up 0.9 ppts and 2.4 ppts at hospitals and up 0.7 ppts and 0.3 ppts at clinics, respectively, in 3Q20 and 9M20), reflecting increased consumption of medical disposables and personal protective equipment at healthcare facilities. The 3Q20 direct salary rate remained well-controlled at hospitals (down 2.2 ppts y-o-y) and clinics (down 5.3 ppts y-o-y), leading to a 1.8 ppts y-o-y increase in the healthcare services gross margin. In 9M20, gross margin was down 2.7 ppts y-o-y to 40.2%. Due to the cost optimization measures, the business posted positive operating leverage in 3Q20, translating into a 14.0% y-o-y growth in respective EBITDA earnings excluding IFRS 16. In 3Q20, EBITDA margin (ex. IFRS 16) was 26.4% at hospitals (up 1.4 ppts y-o-y) and 23.3% at clinics (up 6.4% y-o-y). Overall, in 9M20, the business posted GEL 41.1 million EBITDA (ex. IFRS 16), down 23.4% y-o-y.

Strong liquidity management measures resulted in a 26.9% y-o-y decline in net debt position to GEL 210.4 million as of 30-Sep-20, respectively decreasing 3Q20 interest expense, excluding IFRS 16 impact, by 17.2% to GEL 6.2 million. The depreciation of GEL during 2020 led to a foreign currency loss in 9M20 (GEL 3.1 million (excluding IFRS 16)) on the relatively small portion of the business's borrowings denominated in foreign currency. The business had non-recurring expenses of GEL 8.8 million in 9M20, mainly related to one-off costs associated with de-listing of GHG from London Stock Exchange, of which, GEL 4.6 million relates to acceleration of share-based expenses for employees. In 3Q20, a loss from discontinued operations of GEL 25.4 million was recorded, resulting from the disposal of a 40% equity stake in HTMC. The business posted net losses from continuing operations excluding IFRS 16 in both 3Q20 and 9M20, which adjusted for FX loss and non-recurring expenses resulted in GEL 5.2 million net profit for 3Q20, (up 141.2% y-o-y) and net loss for 9M20 of GEL 3.0 million (down from GEL 11.5 million in 9M19).

CASH FLOW HIGHLIGHTS

Cash collection from the Government and strong liquidity management practices led to an increase in cash flow generation, with 113.3% and 177.5% EBITDA to cash conversion ratios excluding IFRS 16, respectively, for 3Q20 and 9M20. Strong operating cash flow ex. IFRS 16, (up 153.1% y-o-y in 3Q20 and up 154.0% in 9M20), reduced capex investments (down 29.9% y-o-y from GEL 23.3 million in 9M19 to GEL 16.4 million in 9M20) and proceeds received from selling of HTMC hospital, resulted in GEL 98.9 million ending cash and cash equivalent balance as of 30 September 2020. Free cash flow excluding IFRS 16 increased significantly to GEL 49.8 million in 3Q20 (up from GEL 1.1 million y-o-y), reflecting GEL 32.8 million net proceeds from HTMC disposal. Free cash flow excluding IFRS 16 was GEL 83.6 million in 9M20 (up from negative GEL 0.7 million y-o-y).

RECENT DEVELOPMENTS

- In September 2020, due to the increased spread of the COVID-19 virus, the business has mobilised c. 800 beds across the country; At the moment, six hospitals are engaged in receiving COVID-19 patients, of which, three are located in regions and three are located in Tbilisi.
- On 19 August 2020, GHG signed a Sales and Purchase Agreement to sell a 40% equity interest in High Technology Medical Centre University Clinic ("HTMC") to Tbilisi State Medical University, which intends to use it as a teaching platform (the "Sale"). Total cash consideration for the Sale was US$ 12 million (GEL 36.8 million). The sale is in line with GHG's strategy to divest low-return generating assets. HTMC was one of the lowest return generating assets across GHG's hospital portfolio with a FY19 ROIC of 3.4%. The divestment, therefore, materially improves the Healthcare business ROIC - on a pro-forma basis, increasing FY19 healthcare business ROIC by approximately 90bps.

Discussion of Retail (pharmacy) Business Results

Retail (pharmacy) business, owned through GHG, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a c.33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain has a total of 309 pharmacies, of which, 305 are in Georgia and 4 are in Armenia. GCAP owns 67% in the retail (pharmacy) business as of 30-Sep-20 (30-Jun-20: 47.3%).

3Q20 & 9M20 performance, Retail (pharmacy)[26]

INCOME STATEMENT HIGHLIGHTS	3Q20	3Q19	Change	9M20	9M19	Change
Revenue, net	**159,593**	**146,800**	**8.7%**	**478,433**	**441,993**	**8.2%**
Gross Profit	**39,853**	**37,685**	**5.8%**	**123,571**	**111,934**	**10.4%**
Gross profit margin	*25.0%*	*25.7%*	*-0.7ppts*	*25.8%*	*25.3%*	*+0.5ppts*
Operating expenses (ex. IFRS 16)	(23,421)	(22,475)	4.2%	(73,511)	(65,816)	11.7%
EBITDA (ex. IFRS 16)	**16,432**	**15,210**	**8.0%**	**50,060**	**46,118**	**8.5%**
EBITDA margin, (ex. IFRS 16)	*10.3%*	*10.4%*	*-0.1ppts*	*10.5%*	*10.4%*	*+0.1ppts*
Net (loss)/profit (ex. IFRS 16)	**(70)**	**10,034**	**NMF**	**20,449**	**30,405**	**-32.7%**
Adjusted[27] net profit, (ex. IFRS 16)	**12,128**	**10,909**	**11.2%**	**37,285**	**34,430**	**8.3%**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (*ex. IFRS 16*)	**15,063**	**(11,175)**	**NMF**	**48,439**	**19,717**	**145.7%**
EBITDA to cash conversion	91.7%	-73.5%	+165.1ppts	96.8%	42.8%	+54.0ppts
Cash flow used in investing activities	**(608)**	**(672)**	**-9.6%**	**(1,026)**	**(912)**	**12.4%**
Free cash flow, (*ex. IFRS 16*)[28]	**13,618**	**(13,568)**	**NMF**	**44,610**	**17,883**	**149.5%**
Cash flow from financing activities (*ex. IFRS 16*)	**(36,295)**	**8,077**	**NMF**	**(21,522)**	**(30,327)**	**-29.0%**

BALANCE SHEET HIGHLIGHTS	30-Sep-20	30-Jun-20	change	31-Dec-19	Change
Total assets	**435,178**	**454,006**	**-4.1%**	**396,078**	**9.9%**
Of which, cash and bank deposits	35,918	56,797	-36.8%	7,774	NMF
Of which, securities and loans issued	12,398	12,327	0.6%	12,167	1.9%
Total liabilities	**346,204**	**355,204**	**-2.5%**	**303,240**	**14.2%**
Of which, borrowings	94,612	120,751	-21.6%	84,712	11.7%
Of which, finance lease liabilities	89,065	77,418	15.0%	77,700	14.6%
IFRS 16 impact	*89,065*	*77,418*	*15.0%*	*77,700*	*14.6%*
Total equity	**88,974**	**98,802**	**-9.9%**	**92,838**	**-4.2%**

KEY POINTS

- Continued y-o-y growth in 3Q20 and 9M20 revenues and EBITDA despite COVID-19 outbreak
- 10.3% EBITDA margin in 3Q20 and 10.5% in 9M20, substantially exceeding the targeted 9% margin
- Cash collection remained strong and EBITDA to cash conversion ratio at 91.7% in 3Q20 and at 96.8% in 9M20
- Outstanding free cash flow generation at GEL 44.6 million in 9M20, up 2.5 times y-o-y
- Net debt[29] down 28.5% from 31-Dec-19 to GEL 46.3 million as of 30-Sep-20 (down 10.3% q-o-q from 30-Jun-20)
- Addition of 9 pharmacies over the last 9 months, expanding from 296 to 305 stores countrywide

INCOME STATEMENT HIGHLIGHTS

The pharmacy business continued to deliver growing revenues in 2020, reflecting both expansion and organic sales growth, with 3.6% and 5.1% same-store revenue growth rates in 3Q20 and 9M20, respectively. From April sales started to slow down after strong 1Q20 results, reflecting pandemic related behavioural change, as customers started to stock up on pharmaceuticals in March ahead of the lockdown. However, revenue rebounded in June and the trend continued in the third quarter. As a result, the business posted an 8.7% increase in net revenues in 3Q20 and overall, an 8.2% increase in 9M20, y-o-y. The business issued 7.0 million bills in 3Q20 and 20.4 million in 9M20, with average customer interactions of 2.3 million per month and the average bill size of GEL 15.6 in 3Q20 (up 9.9% y-o-y) and GEL 16.2 in 9M20 (up 15.6% y-o-y).

In 3Q20, the retail revenue share in total revenue was 73.0% (71.6% in 3Q19) and revenue from para-pharmacy as a percentage of retail revenue from pharma was up 4.0 ppts y-o-y (from 32.1% in 3Q19 to 36.1% in 3Q20). Revenues from sales in high-margin non-medication categories (personal care, beauty and other parapharmacy products) were up 20.8% y-o-y to GEL 43.9 million in 3Q20. The increase mainly related to increased sale of personal protective items such as disinfectants, masks etc. and summer promotions on parapharmacy products that slightly subdued the margins, down 1.8 ppts y-o-y to 31.2%, translating into a 0.7 ppts decrease in business gross margin to 25.0% in 3Q20. Overall, in 9M20, the retail revenue share in total revenue was 73.7% (71.2% in 9M19) and revenue from para-pharmacy as a percentage of retail revenue from pharma was 34.7% (30.9% in 9M19). Revenues from sales in non-medication categories, parapharmacy products, were up 21.0% y-o-y to GEL 125.6 million in 9M20, with a 29.8% gross profit margin. In 9M20 the business gross margin improved by 0.5 ppts y-o-y, reaching 25.8%.

[26] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[27] Adjusted for non-recurring items and FX loss.
[28] Calculated by deducting capex from operating cash flows and by adding proceeds from sale of PPE.
[29] Net debt is calculated from Cash balance and bank deposits, securities and loans issued minus gross debt.

In 3Q20, the operating leverage was positive 1.6% excluding IFRS 16 impact, reflecting a well-managed cost base and translating into 8.0% y-o-y EBITDA growth with a 10.3% EBITDA margin. In 9M20, negative operating leverage 1.3% reflects: a) the 97.1% y-o-y decrease in other operating income due to gain from the sale of land in the prior year and b) increased rent expense of pharmacies due to GEL devaluation throughout the year (about 85% of rental contracts are denominated in US$ dollars), translating into 12.4% y-o-y increase in 9M20 general and administrative expense excluding IFRS 16 impact to GEL 34.1 million. The result was an 8.5% y-o-y growth in 9M20 EBITDA excluding IFRS 16, with a 10.5% EBITDA margin.

Interest expense, excluding IFRS 16, was down 15.2% in 3Q20 y-o-y to GEL 2.6 million, translating into an 8.0% y-o-y reduction in 9M20 to GEL 8.2 million. As the inventory purchases are denominated in foreign currency (c.40% in EUR and c.30% in USD), depreciation of the local currency in 3Q20 and 9M20 resulted in FX loss of GEL 5.1 and GEL 9.7 million, respectively, excluding IFRS 16. The business posted GEL 7.2 million net non-recurring expense in 9M20, primarily related to one-off cost associated with GHG de-listing, of which GEL 4.9 million relates to acceleration of share-based expenses for employees.

As a result, the business posted a GEL 0.1 million loss in 3Q20, excluding IFRS 16, which adjusted for FX loss and non-recurring expenses resulted in an 11.2% y-o-y increase in net profit to GEL 12.1 million for the quarter. In 9M20, the business posted GEL 20.4 million net profit excluding IFRS 16, which, if adjusted for FX loss and non-recurring expenses, resulted in an 8.3% y-o-y increase in net profit to GEL 37.3 million.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

The business' strong operating cash flow with EBITDA to cash conversion ratio of 91.7% in 3Q20 and 96.8% in 9M20, coupled with decreased capex investments, resulted in an ending balance of cash and cash equivalents of GEL 35.9 million as of 30-Sep-20 (up from GEL 7.8 million at 31-Dec-19). Free cash flow profile significantly improved in 3Q20 to GEL 13.6 million from negative GEL 13.6 million in 3Q19, while 9M20 free cash flow was up almost three times y-o-y to GEL 44.6 million. Strong liquidity management was reflected in an improved leverage profile, with net debt being down 46.0% y-o-y as of 30-Sep-20.

Discussion of Water Utility Business Results

Our Water Utility is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c. 36,000 legal entities. Water Utility also operates hydro power plants with a total installed capacity of 149 MW. GCAP owns 100% in Water Utility as of 30-Sep-20.

3Q20 & 9M20 performance, Water Utility[30]

INCOME STATEMENT HIGHLIGHTS	3Q20	3Q19	Change	9M20	9M19	Change
Revenue	**37,985**	**44,649**	**-14.9%**	**98,754**	**119,189**	**-17.1%**
Water supply	35,651	38,267	-6.8%	94,066	104,567	-10.0%
Energy	2,334	6,382	-63.4%	4,688	14,622	-67.9%
Operating expenses	**(15,331)**	**(15,616)**	**-1.8%**	**(43,644)**	**(45,282)**	**-3.6%**
EBITDA	**20,802**	**27,454**	**-24.2%**	**50,409**	**67,820**	**-25.7%**
EBITDA margin	*54.8%*	*61.5%*	*-6.7ppts*	*51.0%*	*56.9%*	*-5.9ppts*
Net (loss)/profit	**(31,197)**	**18,164**	**NMF**	**(45,298)**	**18,916**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities	**16,780**	**22,484**	**-25.4%**	**34,058**	**56,115**	**-39.3%**
Cash flow used in investing activities	**(9,395)**	**(20,940)**	**-55.1%**	**(35,065)**	**(44,767)**	**-21.7%**
Free cash flow	**7,385**	**976**	**NMF**	**(1,007)**	**10,452**	**NMF**
Cash flow from financing activities	**9,052**	**6,167**	**46.8%**	**33,848**	**13,265**	**NMF**
BALANCE SHEET HIGHLIGHTS	30-Sep-20	30-Jun-20	Change	31-Dec-19	Change	
Total assets	**653,180**	**627,853**	**4.0%**	**591,036**	**10.5%**	
Of which, cash balance	61,795	41,897	47.5%	26,581	NMF	
Total liabilities	**549,170**	**485,769**	**13.1%**	**432,741**	**26.9%**	
Of which, borrowings	490,476	397,898	23.3%	353,021	38.9%	
Total equity	**104,010**	**142,084**	**-26.8%**	**158,295**	**-34.3%**	

KEY POINTS

- COVID-19 related decrease in water consumption by corporates led to 24.2% y-o-y decrease in 3Q20 EBITDA
  - Emergence of corporate sector from government lockdowns led to 46.2% q-o-q increase in water supply revenues to legal entities to GEL 23.7 million in 3Q20
- Energy revenues continued to have negative impact from lower water inflows at Zhinvali Reservoir (63.4% y-o-y decline in 3Q20 energy revenues)
- 3Q20 free cash flow at GEL 7.4 million (up y-o-y by GEL 6.4 million)
- GEL 5 million dividend paid in 3Q20
- US$ 250 million green bond issuance in Jul-20, refinancing existing debt and shifting principal payments to 2025

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

INCOME STATEMENT HIGHLIGHTS

The 14.9% y-o-y decrease in 3Q20 revenues (down 17.1% y-o-y in 9M20) was primarily driven by a 63.4% decrease in energy revenues (down 67.9% y-o-y in 9M20) and a 6.8% decrease in water sales revenues (down 10.0% y-o-y in 9M20). Extraordinarily low precipitation related water inflows to Zhinvali HPP led to a 34.4% y-o-y decrease in electricity generation in 3Q20 (down 32.4% in 9M20), while self-produced electricity consumption remained largely flat. As a result, 3Q20 electricity sales in kWh decreased by 70.6% y-o-y (down 66.2% y-o-y in 9M20). Revenue from water supply to legal entities was down 9.3% y-o-y to GEL 23.7 million in 3Q20 reflecting the effects of COVID-19, however, growing by 46.2% q-o-q following the gradual recovery from COVID-19 lockdown during Mar-May. Overall, 9M20 revenue from water supply to legal entities was down 14.7% y-o-y to GEL 59.2 million in 9M20. Revenues from water supply to individuals remained broadly stable at GEL 9.9 million in 3Q20 (down 4.6% y-o-y) and at GEL 29.2 million in 9M20 (down 2.2% y-o-y). According to the tariff setting methodology, volume risk does not stay with the company and unearned revenues in the current regulatory period (2018-2020) will be reimbursed through tariff setting in the upcoming regulatory period, effective from 1-Jan-21. Continued Opex optimisation initiatives were reflected in decreased operating expenses y-o-y in 3Q20 (down 1.8%) and 9M20 (down 3.6%). As a result, EBITDA amounted to GEL 20.8 million in 3Q20 and GEL 50.4 million in 9M20, down y-o-y by 24.2% in 3Q20 and by 25.7% in 9M20.

Net interest expense was up 78.6% y-o-y to GEL 8.6 million in 3Q20 and up 56.4% y-o-y to GEL 24.4 million in 9M20. The increase partially reflects local currency depreciation. Further, in 2020, Water Utility increased its leverage on the back of funds attracted from IFIs and local banks to finance capital expenditures, fully refinanced by the proceeds from US$ 250 million green bond issuance in Jul-20. The 7.75% 5-year green notes were issued by Georgia Global Utilities JSC, the holding company of GCAP's water utility business and operational renewable assets and were listed on the Irish Stock Exchange. The refinancing activities resulted in GEL 10.0 million non-recurring expenses in 3Q20 and 9M20, comprising primarily prepayment fees. Foreign exchange losses amounted to GEL 24.4 million in 3Q20 and GEL 34.4 million in 9M20, as GEL depreciated against USD and EUR by 11.3% and 19.0%, respectively, over the last 12-month period. As a result, net loss was GEL 31.2 million in 3Q20 (GEL 18.2 million net profit in 3Q19) and GEL 45.3 million in 9M20 (GEL 18.9 million net profit in 9M19).

CASH FLOW HIGHLIGHTS

3Q20 operating cash flow was down by 25.4% y-o-y to GEL 16.8 million in line with the decreased revenue (operating cash flow was down 39.3% y-o-y to GEL 34.1 million in 9M20). However, cash collection rates for both legal entities and households remained strong at c. 95% during 9M20. Cash flows from investing activities increased in 3Q20 and 9M20, mainly driven by decreased development Capex. Development capex was down by 53.5% to GEL 11.1 million in 3Q20 and by 24.5% y-o-y to GEL 39.1 million in 9M20. Free cash flow was up by GEL 6.4 million y-o-y in 3Q20 to GEL 7.4 million. In September 2020, the water utility business distributed a GEL 5 million dividend to Georgia Capital. The green bond issuance led to an increase in cash flow from financing activities, contributing to growth in Water Utility's cash balance by 47.5% in 3Q20 to GEL 61.8 million.

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

Insurance business comprises a) Property and Casualty (P&C) insurance business, owned through Aldagi and b) medical insurance business, owned through GHG. P&C insurance business is a leading player in the local insurance market with a 28% market share in property and casualty insurance based on gross premiums as of 30-Jun-20. P&C also offers a variety of non-property and casualty products such as life insurance. GHG is the country's largest private medical insurer, with a 26.0% market share based on 2Q20 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. GCAP owns 100% in the insurance business as of 30-Sep-20.

3Q20 & 9M20 performance, Insurance (P&C and Medical)[31]

INCOME STATEMENT HIGHLIGHTS	3Q20	3Q19	Change	9M20	9M19	Change
Earned premiums, net	**35,198**	**39,855**	**-11.7%**	**104,425**	**112,509**	**-7.2%**
Of which, P&C Insurance	18,292	20,420	-10.4%	52,960	56,708	-6.6%
Of which, Medical Insurance	16,906	19,435	-13.0%	51,465	55,801	-7.8%
Net underwriting profit	**10,857**	**13,298**	**-18.4%**	**33,852**	**33,189**	**2.0%**
Of which, P&C Insurance	7,255	8,831	-17.8%	22,262	24,272	-8.3%
Of which, Medical Insurance	3,602	4,467	-19.4%	11,590	8,917	30.0%
Net profit	**5,372**	**7,525**	**-28.6%**	**16,148**	**17,268**	**-6.5%**
Of which, P&C Insurance	3,880	5,172	-25.0%	12,034	13,481	-10.7%
Of which, Medical Insurance	1,492	2,353	-36.6%	4,114	3,787	8.6%
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	**10,649**	**9,469**	**12.5%**	**25,056**	**28,274**	**-11.4%**
Of which, P&C Insurance	7,040	7,995	-11.9%	16,945	22,662	-25.2%
Of which, Medical Insurance	3,609	1,474	144.9%	8,111	5,612	44.5%
Free cash flow	**13,146**	**9,239**	**42.3%**	**26,306**	**26,539**	**-0.9%**
Of which, P&C Insurance	6,560	7,772	-15.6%	15,390	20,963	-26.6%
Of which, Medical Insurance	6,586	1,467	348.9%	10,916	5,576	95.8%

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

BALANCE SHEET HIGHLIGHTS	30-Sep-20	30-Jun-20	Change	31-Dec-19	Change
Total assets	**302,885**	**319,261**	**-5.1%**	**279,848**	**8.2%**
Of which, P&C Insurance	215,283	227,268	-5.3%	200,273	7.5%
Of which, Medical Insurance	87,602	91,993	-4.8%	79,575	10.1%
Total equity	**100,143**	**100,732**	**-0.6%**	**89,491**	**11.9%**
Of which, P&C Insurance	69,413	70,479	-1.5%	62,611	10.9%
Of which, Medical Insurance	30,730	30,253	1.6%	26,880	14.3%

TOTAL INSURANCE BUSINESS HIGHLIGHTS

P&C and medical insurance have a broadly equal share in total earned revenues, while P&C had a 72% share in total net profit in 3Q20 (75% in 9M20). Overall, the combined ratio remained stable at 86.7% in 9M20 and was up 2.7ppts y-o-y to 87.3% in 3Q20. Net profit decreased by 28.6% y-o-y to GEL 5.4 million in 3Q20 and by 6.5% to GEL 16.1 million in 9M20, y-o-y. As a result, ROAE was 20.9% in 3Q20 (35.3% in 3Q19) and 22.2% in 9M20 (27.4% in 9M19).

Discussion of results, P&C Insurance

KEY POINTS

- GEL 5.0 million dividend paid in 3Q20 on the back of strong cash flow generation
- 10.4% y-o-y decline in revenues in 3Q20 (down 6.6% y-o-y in 9M20)
- Rebounding trend in net premiums written from a portfolio through direct sales channels, up 3% y-o-y in 3Q20 (down 16% y-o-y in 2Q20);

INCOME STATEMENT HIGHLIGHTS

3Q20 revenues decreased by 10.4% y-o-y to GEL 18.3 million (down 6.6% y-o-y to GEL 53.0 million in 9M20), mainly reflecting COVID-19 impact on compulsory border third-party liability insurance line (MTPL). Due to restrictions imposed on traveling, net premiums earned from MTPL was down significantly by GEL 1.7 million y-o-y in the seasonally highest third quarter. Overall, financial pressure and changes in customer spending habits were reflected on the net premiums written across a portfolio through direct sales channels, down by 16% y-o-y in 2Q20. The trend has reversed in 3Q20, rebounding to 3% y-o-y growth, however, still below its historical growth rate. Similarly, net premiums written from partnership agreements with local financial institutions were down 19% y-o-y in 2Q20 and 4% in 3Q20. At 30-Sep-20, the distribution mix in gross premiums written is as follows: direct sales channels have majority share of 51%, followed by partnership agreements with financial institutions and other channels of 27% and the rest is sold mainly through brokers.

P&C Insurance's key performance ratios for 9M20 and 3Q20 are as noted below:

Key Ratios	3Q20	3Q19	Change	9M20	9M19	Change
Combined ratio	85.6%	80.4%	*5.2 ppts*	82.1%	80.3%	*1.8 ppts*
Expense ratio	38.8%	42.5%	*-3.7 ppts*	37.2%	40.0%	*-2.8 ppts*
Loss ratio	46.8%	37.8%	*9.0 ppts*	44.9%	40.3%	*4.6 ppts*
ROAE	21.6%	35.0%	*-13.4 ppts*	23.8%	30.4%	*-6.6 ppts*

The 9.0ppts y-o-y increase in the loss ratio reflects increased domestic tourism and thus higher mobility in 3Q20, as well as several large claims in life insurance (not related to COVID-19). The 3.7ppts y-o-y decrease in 3Q20 and 2.8 ppts y-o-y decrease in 9M20 expense ratio have resulted from lower operating expenses reflecting cost-saving initiatives. As a result, Aldagi's net profit was down 25.0% y-o-y to GEL 3.9 million in 3Q20 and down 10.7% to GEL 12.0 million in 9Q20, translating into ROAE of 21.6% and 23.8% respectively.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

P&C Insurance's solvency ratio was 145% as of 30 September 2020, comfortably above the required minimum of 100%. Operating cash flow decreased by 11.9% y-o-y to GEL 7.0 million in 3Q20 and by 25.2% y-o-y to GEL 16.9 million in 9M20, mainly due to the time gap between reimbursement of large property claim by the reinsurer during 9M19 and settlement of the underlying claim in 4Q19. Excluding the time gap impact, operating cash flow was down only by 7% y-o-y in 9M20, primarily as a result of the increase in life insurance claims. The business paid GEL 5 million dividend in Sep-20.

Discussion of results, Medical Insurance

KEY POINTS

- Loss ratio down 6.3 ppts y-o-y to 73.9% in 9M20 (up 1.5 ppts y-o-y to 74.9% in 3Q20)
- Insurance renewal rate at 71.0% in 3Q20 and 72.6% in 9M19

INCOME STATEMENT HIGHLIGHTS

A 13.0% and 7.8% y-o-y decline in 3Q20 and 9M20 revenues reflects the decrease in the number of insured clients to c.174,000 as of 30-Sep-20 from c. 236,000 as of 31-Dec-19, mainly due to the expiry of the Ministry of Defence contract from February 2020. The reduced revenue has an immaterial impact on earnings, as the client's loss ratio was far above the business' average.

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

Claims retention rates

	3Q20	3Q19	Change	9M20	9M19	Change
Total claims retained within the GHG	34.8%	44.9%	-10.1ppts	40.5%	41.6%	-1.1ppts
Total claims retained in outpatient	42.9%	40.5%	2.4ppts	41.7%	40.5%	1.2ppts

The decrease in total claims retained within the Group is mainly due to the sale of HTMC hospital, while retention rates were improved at polyclinics, as shown in the table above.

In 9M20, the medical insurance claims net expenses were GEL 38.0 million (down 15.0% y-o-y), of which GEL 16.7 million (43.9% of the total) was inpatient, GEL 13.4 million (35.3% of total) was outpatient and GEL 7.9 million (20.9% of total) was related to drugs. The increase in quarterly loss ratio y-o-y to 74.9% is due to the increased demand for healthcare services and related claims reimbursements after lockdown and other restrictions were lifted. Overall, in 9M20 the loss ratio remains well controlled, down 6.3 ppts y-o-y to 73.9%, partially due to the expiry of Ministry of Defence contract which had a loss ratio far above the average level for the business.

Salary and other employee benefits decreased by 8.5% y-o-y to GEL 1.5 million in 3Q20, while they increased by 14.4% y-o-y to GEL 4.3 million in 9M20 due to the accrual of performance based annual bonuses. The increase in impairment expense to GEL 0.5 million in 3Q20 (GEL 0.1 million in 3Q19) and GEL 1.5 million in 9M20 (GEL 0.3 million in 9M19) reflects a decline in receivables collection rate, mostly from travel agencies, as small businesses began to face some difficulties due to the current circumstances caused by the pandemic.

As a result of the above developments, the combined ratio was up by 0.2 ppts to 89.3% for the quarter and improved by 3.5 ppts for the year to 91.4%. As a result, net profit was down 36.6% y-o-y to GEL 1.5 million in 3Q20 and up 8.6% to GEL 4.1 million in 9Q20. Adjusted for FX loss and non-recurring expenses, , the business posted net profit of GEL 2.0 million in 3Q20 (down 16.8% y-o-y) and GEL 4.8 million (up 26.4% y-o-y) in 9M20. Non-recurring expense of GEL 0.6 million were recorded in 3Q20, related to GHG de-listing, out of which GEL 0.4 million relates to acceleration of share-based expenses for employees.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

Cash and cash equivalents balance was up 48.3% since 31-Dec-19 to GEL 24.6 million. Operating cash flow was up to GEL 3.6 million in 3Q20 and to GEL 8.1 million in 9M20 translating into 144.9% and 44.5% y-o-y growth, respectively.

INVESTMENT STAGE PORTFOLIO COMPANIES

Discussion of Renewable Energy Business Results

The Renewable energy business operates three wholly-owned commissioned renewable assets: 50MW Mestiachala HPPs[32], 21MW Hydrolea HPPs and 20MW Qartli wind farm. In addition, a pipeline of up to 172MW renewable energy projects is under advanced stage of development. Following the buy-out of the 34.4% minority shareholder on 25-Feb-20, the renewable energy business is 100% owned by Georgia Capital.

3Q20 & 9M20 performance, Renewable Energy[33]

INCOME STATEMENT HIGHLIGHTS	3Q20	3Q19	Change	9M20	9M19	Change
Revenue	**16,009**	**9,681**	**65.4%**	**34,895**	**12,076**	**NMF**
Operating expenses	(2,597)	(959)	NMF	(7,393)	(1,870)	NMF
EBITDA	**13,412**	**8,722**	**53.8%**	**27,502**	**10,206**	**NMF**
EBITDA margin	*83.8%*	*90.1%*	*-6.3 ppts*	*78.8%*	*84.5%*	*-5.7 ppts*
Net (loss)/ profit	**(5,789)**	**4,290**	**NMF**	**(10,222)**	**3,244**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities	**11,289**	**2,327**	**NMF**	**29,032**	**1,738**	**NMF**
Cash flow from/used in investing activities	**11,327**	**(4,070)**	**NMF**	**(12,125)**	**(23,191)**	**-47.7%**
Cash flow used in/from financing activities	**(18,252)**	**1,130**	**NMF**	**(28,554)**	**31,721**	**NMF**
BALANCE SHEET HIGHLIGHTS	30-Sep-20	30-Jun-20	change	31-Dec-19	change	
Total assets	**468,156**	**453,427**	**3.2%**	**439,455**	**6.5%**	
Of which, cash balance	28,221	21,197	33.1%	35,253	-24.9%	
Total liabilities	**310,634**	**298,143**	**4.2%**	**291,845**	**6.4%**	
Of which, borrowings	305,384	292,147	4.5%	274,367	11.3%	
Total equity	**157,522**	**155,284**	**1.4%**	**147,610**	**6.7%**	
Total equity attributable to GCAP	**158,242**	**156,004**	**1.4%**	**111,113**	**42.4%**	

KEY POINTS

- Strong and resilient 3Q20 and 9M20 results despite the COVID-19, primarily reflecting:
  - Hydrolea and Qartli wind farm contributing GEL 5.1 million to 3Q20 EBITDA (GEL 15.3 million in 9M20)
  - Electricity sales price increase leading to 9.6% y-o-y like-for-like growth[34] in 9M20 revenues
- GEL 10.5 million insurance proceeds in 3Q20 from reimbursement of property damage of Mestiachala HPPs
- Operating cash flow at GEL 11.3 million in 3Q20 (GEL 29.0 million in 9M20)
  - Of which, GEL 1.9 million BI reimbursement in 3Q20 (GEL 11.5 million in 9M20)

INCOME STATEMENT HIGHLIGHTS

The renewable energy business remained resilient to the COVID-19 outbreak, as up to 60% of electricity sales during 9M20 were covered by long-term purchase power agreement (PPAs) with a Government-backed entity, while the rest of electricity sales were sold to direct consumers. The average market sales price was up 34.5% y-o-y during non-PPA months (May-Aug) for Hydrolea and Mestiachala HPPs on the back of electricity market deregulation. PPAs with fixed purchase price run throughout the whole year for wind power plants and for eight months (from September through April) for HPPs.

3Q20 revenues were up 64.5% y-o-y to GEL 16.0 million (up by GEL 22.8 million to GEL 34.9 million in 9M20):

- The 21MW Qartli wind farm contributed GEL 4.7 million to 3Q20 revenues on the back of 23.2 GWh electricity generation (GEL 14.1 million to 9M20 on the back of 69.8 GWh generation, translating into a capacity factor of 51%);
- The 21MW Hydrolea HPPs, where 9MW Akhmeta HPP resumed operations in mid-July 2020 after being temporarily offline due to planned rehabilitation works, added GEL 1.7 million to 3Q20 revenues (GEL 5.5 million in 9M20);
- 3Q20 revenue from the Mestiachala HPPs was GEL 9.6 million (9M20 revenues at GEL 15.2 million), deriving mainly from the 30MW Mestiachala HPP (business Interruption for 20MW Mestiachala HPP amounted to GEL 1.7 million in 3Q20 and GEL 4.3 million in 9M20). Mestiachala HPPs have seasonally peak generation levels during Jul-Sep. The restoration process is still ongoing on the 20MW HPP.

The increase in operating expenses in 3Q20 and 9M20 reflects the addition of expenses as a result of acquisitions of Qartli wind farm and Hydrolea HPPs in 4Q19. 3Q20 EBITDA was up 53.8% y-o-y to GEL 13.4 million (up almost 3x to GEL 27.5 million in 9M20). EBITDA margin was 83.8% in 3Q20 and 78.8% in 9M20.

The borrowings were up 4.5% in 3Q20 mainly due to GEL depreciation. Net loss amounted to GEL 5.8 million in 3Q20 and GEL 10.2 million in 9M20, primarily due to GEL 10.0 million non-recurring expenses incurred for refinancing activities in connection with US$ 250 million green bond issuance in Jul-20, as described on page 13 of this report.

CASH FLOW HIGHLIGHTS

The solid performance and acquisitions led to increased operating cash flow generation, up from GEL 2.3 million y-o-y in 3Q20 to GEL 11.3 million (up from GEL 1.7 million y-o-y to GEL 29.0 million in 9M20). 3Q20 operating cash flow includes GEL 1.9

[32] 20MW Mestiachala HPP is still under restoration, as it was flooded and taken offline in late July 2019.
[33] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[34] Like-for-like y-o-y growth numbers, including the revenues generated by Hydrolea HPPs and Qartli wind farm prior to their acquisitions (acquired in 4Q19).

million business interruption reimbursement. Overall, during 9M20, the business received GEL 11.5 million proceeds from business interruption insurance, fully reimbursing for foregone revenues of 50MW Mestiachala HPPs in 2019, as well as for foregone 2020 Jan-May revenues of 20MW Mestiachala 1 HPP. Additionally, in 3Q20, the business received a GEL 10.5 million reimbursement from the insurance company for property damage of Mestiachala HPPs.

Discussion of Education Business Results

Our education business currently combines majority stakes in four leading private schools, acquired in 2H19: British-Georgian Academy and British International School of Tbilisi (70% stake), the leading schools in the premium segment; Buckswood International School (80% stake), well-positioned in the mid-level segment and Green School (80%-90% ownership[35]), a leading player in the affordable education segment.

3Q20 & 9M20 performance, Education[36]

INCOME STATEMENT HIGHLIGHTS	3Q20	3Q19	Change	9M20	9M19	Change
Revenue	**3,156**	**4,093**	**-22.9%**	**17,112**	**16,328**	**4.8%**
Operating expenses	(4,113)	(4,226)	-2.7%	(12,892)	(11,702)	10.2%
EBITDA	**(957)**	**(133)**	**NMF**	**4,220**	**4,626**	**-8.8%**
EBITDA Margin	*NMF*	*NMF*	*NMF*	*24.7%*	*28.3%*	*-3.7 ppts*
Net (loss)/profit	**(3,216)**	**(1,374)**	**NMF**	**(1,134)**	**404**	**NMF**
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	3,284	2,283	43.8%	8,152	8,618	-5.4%
Net cash flows from investing activities	(2,015)	(5,997)	-66.4%	(5,052)	(7,296)	-30.8%
Net cash flows from financing activities	440	3,415	-87.1%	656	2,145	-69.4%
BALANCE SHEET HIGHLIGHTS	30-Sep-20	30-Jun-20	change	31-Dec-19	change	
Total assets	**61,992**	**58,178**	**6.6%**	**54,487**	**13.8%**	
Of which, cash	9,154	7,138	28.2%	5,128	78.5%	
Total liabilities	**52,014**	**45,056**	**15.4%**	**43,379**	**19.9%**	
Of which, borrowings	24,268	21,968	10.5%	19,809	22.5%	
Total equity	**9,978**	**13,122**	**-24.0%**	**11,108**	**-10.2%**	
Total equity attributable to GCAP	**10,789**	**13,129**	**-17.8%**	**11,767**	**-8.3%**	

KEY POINTS

- Total enrolments up 1.6% y-o-y to 2,614 learners at 30-Sep-20
- Despite the pandemic effects, revenue up 4.8% y-o-y to GEL 17.1 million in 9M20
- Solid cash collection rates, remaining largely at last year's levels
- Strong intakes with c. 90% utilisation rate for 1st graders in 2020-2021 academic year
- 9M20 EBITDA margin down 3.7ppts y-o-y to 24.7%, reflecting COVID-19 discounts and absence of summer school revenues

INCOME STATEMENT HIGHLIGHTS

The third quarter is a usually slow season for the education business, as the schools are not operational during Jul-Aug holidays. The schools have been reopened in September, providing on-campus teaching for learners below 7th grade and distance teaching for the remaining grades in light of COVID-19. However, the schools switched back to full online/distance learning for all grades in November due to the current epidemiological developments in Georgia.

Due to the pandemic, schools enrolled a significantly lower number of learners at summer schools, leading to 22.9% y-o-y decrease in 3Q20 revenues to GEL 3.2 million. However, 9M20 revenue was up 4.8% y-o-y to GEL 17.1 million, reflecting 1.6% y-o-y growth in the total enrolment as of 30-Sep-20. The intakes remains strong and utilisation rate for 1st graders is c. 90% for 2020-2021 academic year. Despite COVID-19 implications, 9M20 combined school capacity utilization rate of 93.0% increased 1.5ppts y-o-y as follows: up to 94.0% and 752 learners in BGA & BIST (95.1% and 761 learners in 9M19); up to 92.5% and 703 learners in Buckswood (90.0% and 684 learners in 9M19); up to 92.7% and 1,159 learners in Green School (90.2% and 1,128 learners in 9M19). EBITDA decreased by 8.8% y-o-y to GEL 4.2 million and EBITDA margin was down 3.7ppts y-o-y in 9M20. Net loss in 3Q20 and 9M20 reflects foreign currency exchange losses due to local currency depreciation.

CASH FLOW HIGHLIGHTS

In light of the COVID-19, the schools were providing distance learning from March 1st until the end of the 2019-2020 academic year. During the distance learning period, schools offered 21%-25% discounts for tuition fees or roll-over of fees for catering/transportation services. The schools managed to collect extended payments from 2Q20 in 3Q20. Although 3Q20 cash collection was negatively affected by reduced summer school revenue and discounts & roll-overs offered for certain services, operating cash flow was down only by 5.4% y-o-y to GEL 8.2 million in 9M20. Average cash collection rate for 2020-2021 tuition fees at our schools stand at 64% (70% at 30-Sep-19), which is in line with the schools' cash collection policies.

[35] 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under Green School brand.
[36] 2019 comparative numbers include performance of schools before acquisition (acquired in 2H19). The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

Reconciliation of IFRS 16 adjusted measures to IFRS

IFRS 16 impact. IFRS 16 "Leases" is effective from 1 January 2019. The key change arising from IFRS 16 is that rent expense is reclassified from operating expense to interest and depreciation expense. Assets and liabilities also increased as lease liabilities and right-of-use assets are recognized on the statement of financial position as the discounted cash flows of future rent payments. As such, IFRS 16 had the most material impact on the healthcare services and retail (pharmacy) business. As the impact is solely the result of the accounting change, we discuss performance based on financial results excluding IFRS 16 impact. Although, the full effects of IFRS 16 is provided below:

Healthcare Services	3Q20			9M20		
Consolidated Income Statement (in GEL '000)	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**
Gross Profit	31,583	-	31,583	80,674	-	80,674
Operating expenses	(12,794)	559	(12,235)	(39,528)	1,316	(38,212)
EBITDA	**18,789**	**559**	**19,348**	**41,146**	**1,316**	**42,462**
Net (loss)/profit	**(28,628)**	**(847)**	**(29,475)**	**(40,469)**	**(1,809)**	**(42,278)**
Consolidated Statement of Cash flow (in GEL '000)	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**
Cash flow from operating activities	21,287	559	21,846	73,022	1,316	74,338
Cash flow from/used in investing activities	36,917	-	36,917	17,727	-	17,727
Cash flow from financing activities	(2,376)	(559)	(2,935)	(3,026)	(1,316)	(4,342)

Retail (pharmacy)	3Q20			9M20		
Consolidated Income Statement (in GEL '000)	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**
Gross Profit	39,853	-	39,853	123,571	-	123,571
Operating expenses	(23,421)	5,617	(17,804)	(73,511)	15,927	(57,584)
EBITDA	**16,432**	**5,617**	**22,049**	**50,060**	**15,927**	**65,987**
Net (loss)/profit	**(70)**	**(4,468)**	**(4,538)**	**20,449**	**(8,948)**	**11,501**
Consolidated Statement of Cash flow (in GEL '000)	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**	**Before IFRS 16**	**IFRS 16 effects**	**After IFRS 16**
Cash flow from operating activities	15,063	5,617	20,680	48,439	15,927	64,366
Cash flow used in investing activities	(608)	-	(608)	(1,026)	-	(1,026)
Cash flow from financing activities	(36,295)	(5,617)	(41,912)	(21,522)	(15,927)	(37,449)

Reconciliation of adjusted income statement to IFRS incomes statement

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

	3Q20			9M20		
GEL '000, unless otherwise noted	**Adjusted IFRS income statement**	**Adjustment**	**IFRS income statement**	**Adjusted IFRS income statement**	**Adjustment**	**IFRS income statement**
Dividend income	9,972	(9,972)	-	14,899	(14,899)	-
Interest income	4,834	(4,834)	-	16,650	(16,650)	-
Realized / unrealized (loss)/ gain on liquid funds	475	(475)	-	(4,103)	4,103	-
Interest expense	(15,762)	15,762	-	(45,941)	45,941	-
Gross operating (loss)/income	**(481)**	**481**	**-**	**(18,495)**	**18,495**	**-**
Operating expenses	(8,448)	6,354	(2,094)	(23,027)	17,243	(5,784)
GCAP net operating (loss)/income	**(8,929)**	**6,835**	**(2,094)**	**(41,522)**	**35,738**	**(5,784)**
Total investment return / gross investment loss	**442,125**	**(34,144)**	**407,981**	**(45,540)**	**(97,071)**	**(142,611)**
(Loss)/Income before foreign exchange movements and non-recurring expenses	**433,196**	**(27,309)**	**405,887**	**(87,062)**	**(61,333)**	**(148,395)**
Net foreign currency loss	(35,164)	34,188	(976)	(76,526)	75,354	(1,172)
Non-recurring expenses	-	-	-	(3,222)	3,222	-
Net (loss)/Income	**398,032**	**6,879**	**404,911**	**(166,810)**	**17,243**	**(149,567)**

Additional financial information[37]

Georgia Capital

The 9M20 NAV Statement shows the development of NAV since 31-Dec-19:

GEL '000, unless otherwise noted	Dec-19	1. Value creation[38]	2a. Investment	2b. Buyback	2c. Dividend	2d. GHG de-listing	3.Operating expenses	4. Liquidity/ FX/Other	Sep-20	Change %
Listed Portfolio Companies										
Georgia Healthcare Group (GHG)	*430,079*	*(195,347)*	*138,265*	-	-	*(372,997)*	-	-	-	*-100.0%*
Bank of Georgia (BoG)	*597,735*	*(237,635)*	-	-	-	-	-	-	*360,100*	*-39.8%*
Total Listed Portfolio Value	**1,027,814**	**(432,982)**	**138,265**	-	-	**(372,997)**	**-**	**-**	**360,100**	**-65.0%**
Listed Portfolio value change %		***-42.1%***	***13.5%***	***0.0%***	***0.0%***	***-36.3%***	***0.0%***	***0.0%***	***-65.0%***	
Private Portfolio Companies										
Large Companies	**648,893**	**532,376**	-	**-**	**(9,972)**	**372,997**	**-**	**1,524**	**1,545,818**	**NMF**
Healthcare Services	-	*295,641*	-	-	-	*177,859*	**-**	-	*473,500*	*100.0%*
Retail (Pharmacy)	-	*296,577*	-	-	-	*178,423*	**-**	-	*475,000*	*100.0%*
Water Utility	*483,970*	*(68,181)*	-	-	*(5,000)*	-	**-**	*1,524*	*412,313*	*-14.8%*
Insurance (P&C and Medical)	*164,923*	*8,339*	-	-	*(4,972)*	*16,715*	**-**	-	*185,005*	*12.2%*
Of which, P&C Insurance	*164,923*	*(19,446)*	-	-	*(4,972)*	-	**-**	-	*140,505*	*-14.8%*
Of which, Medical Insurance	-	*27,785*	-	-	-	*16,715*	**-**	-	*44,500*	*100.0%*
Investment Stage Companies	**163,150**	**78,250**	**44,413**	**-**	**(4,927)**	**-**	**-**	**1,289**	**282,175**	**73.0%**
Renewable Energy	*106,800*	*53,985*	*44,350*	-	*(4,927)*	**-**	**-**	*1,289*	*201,497*	*88.7%*
Education	*56,350*	*24,265*	*63*	**-**	**-**	**-**	**-**	**-**	*80,678*	*43.2%*
Other Companies	**413,226**	**(208,285)**	**11,609**	**-**	**-**	**-**	**-**	**6,628**	**223,178**	**-46.0%**
Total Private Portfolio Value	**1,225,269**	**402,341**	**56,022**	-	**(14,899)**	**372,997**	**-**	**9,441**	**2,051,171**	**67.4%**
Private Portfolio value change %		***32.8%***	***4.6%***	***0.0%***	***-1.2%***	***30.4%***	***0.0%***	***0.8%***	***67.4%***	
Total Portfolio Value (1)	**2,253,083**	**(30,641)**	**194,287**	**-**	**(14,899)**	**-**	**-**	**9,441**	**2,411,271**	**7.0%**
Total Portfolio value change %		***-1.4%***	***8.6%***	***0.0%***	***-0.7%***	***0.0%***	***0.0%***	***0.4%***	***7.0%***	
Net Debt (2)	**(493,565)**	**-**	**(57,306)**	**(6,033)**	**14,899**	**-**	**(13,552)**	**(122,308)**	**(677,865)**	**37.3%**
of which, Cash and liquid funds	*211,889*	-	*(57,306)*	*(6,033)*	*14,899*	**-**	*(13,552)*	*13,836*	*163,733*	*-22.7%*
of which, Loans issued	*151,884*	-	-	-	-	**-**	-	*(48,511)*	*103,373*	*-31.9%*
of which, Gross Debt	*(857,338)*	-	-	-	-	**-**	-	*(87,633)*	*(944,971)*	*10.2%*
Net other assets/ (liabilities) (3)	(5,650)	-	1,284	-	-	-	(9,475)	12,601	(1,240)	-78.1%
of which, share-based comp.	-	-	-	-	-	-	*(9,475)*	*9,475*	-	*NMF*
Net Asset Value (1)+(2)+(3)	**1,753,868**	**(30,641)**	**138,265**	**(6,033)**	**-**	**-**	**(23,027)**	**(100,266)**	**1,732,166**	**-1.2%**
NAV change %		***-1.7%***	***7.9%***	***-0.3%***	***0.0%***	***0.0%***	***-1.3%***	***-5.7%***	***-1.2%***	
Shares outstanding	37,441,971	-	7,734,010	222,956	-	-	-	373,610	45,772,547	22.2%
Net Asset Value per share, GEL	**46.84**	**(0.82)**	**(4.96)**	**(0.44)**	**-**	**-**	**(0.61)**	**(2.17)**	**37.84**	**-19.2%**
NAV per share, GEL change %		***-1.7%***	***-10.6%***	***-0.9%***	***0.0%***	***0.0%***	***-1.3%***	***-4.7%***	***-19.2%***	

[37] The detailed IFRS financial statements of Portfolio companies are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[38] Please see definition in glossary on page 20.

Glossary

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

Basis of presentation

This announcement contains financial results presented under International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial results are unaudited and derived from management accounts.

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

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

The income statement presents the Group's results of operations for the reporting period. As we conduct most of our operations through JSC Georgia Capital, through which we hold our portfolio companies, the IFRS results provide little transparency on the underlying trends. To enable a comprehensive view of the combined operations of Georgia Capital PLC and JSC Georgia Capital (together referred to herein as "GCAP") as if it were one holding company, we adjust the accounts ("adjusted IFRS 10 Income Statement"). For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 90 in Georgia Capital PLC 2019 Annual report. A full reconciliation of the adjusted income statement, to the IFRS income statement is provided on page 18.

In addition, for the majority of our portfolio companies the fair value of our equity investment is determined by the application of a listed peer group earnings multiples to the trailing twelve month (LTM) stand-alone IFRS earnings of the relevant business. As such, the stand-alone IFRS results and developments behind IFRS earnings of our portfolio companies are key drivers in their valuations. Following the Group discussion, we therefore also present IFRS financial statements for each portfolio company and a related brief results discussion.

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

ABOUT GEORGIA CAPITAL PLC

Georgia Capital PLC (LSE: **CGEO LN**) is a platform for buying, building and developing businesses in Georgia (together with its subsidiaries, "**Georgia Capital**" or **"the Group").** The Group's primary business is to develop or buy businesses, help them institutionalize their management and grow them into mature businesses that can further develop largely on their own, either with continued oversight or independently. Once Georgia Capital has successfully developed a business, the Group actively manages its portfolio to determine each company's optimal owner. Georgia Capital will normally seek to monetise its investment over a 5-10 year period from initial investment.

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

Forward looking statements

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in 1H20 results announcement and Georgia Capital PLC's Annual Report and Accounts 2019. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

COMPANY INFORMATION

Georgia Capital PLC

Registered Address
84 Brook Street
London W1K 5EH
United Kingdom
www.georgiacapital.ge
Registered under number 10852406 in England and Wales

Stock Listing
London Stock Exchange PLC's Main Market for listed securities
Ticker: "CGEO.LN"

Contact Information
Georgia Capital PLC Investor Relations
Telephone: +44 (0) 203 178 4052; +995 322 000000
E-mail: ir@gcap.ge

Auditors
Ernst & Young LLP
1 More London Place
London, SE1 2AF
United Kingdom

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

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Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - + 44 (0) 370 702 0176

Share price information
Shareholders can access both the latest and historical prices via the website
www.georgiacapital.ge