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

	Mar-21	Dec-20	Change
Georgia Capital NAV overview			
NAV per share, GEL	46.80	48.12	-2.7%
Net Asset Value (NAV)	2,166,091	2,212,292	-2.1%
Total portfolio value	2,921,722	2,907,688	0.5%
Liquid assets and loans issued	467,388	284,272	64.4%
Net debt	(760,081)	(697,999)	8.9%

Georgia Capital Performance	**1Q21**	**1Q20**	**Change**
Total portfolio value creation	8,536	(504,400)	NMF
of which, listed businesses	*(26,452)*	*(367,747)*	*-92.8%*
of which, private businesses	*34,988*	*(136,653)*	*NMF*
large portfolio companies	*11,312*	*(75,726)*	*NMF*
investment stage portfolio companies	*3,063*	*4,927*	*-37.8%*
other portfolio companies	*20,613*	*(65,854)*	*NMF*
Investments	8,200	56,022	*-85.4%*
Dividend income	4,738	4,927	*-3.8%*
Net loss	(44,850)	(616,983)	*-92.7%*

Private portfolio companies' performance[1]	**1Q21**	**1Q20**	**Change**
Large portfolio companies			
Revenue	336,806	313,885	7.3%
EBITDA	61,664	52,985	16.4%
Net operating cash flow	23,303	73,238	-68.2%
Investment stage portfolio companies			
Revenue	13,970	14,347	-2.6%
EBITDA	6,430	7,575	-15.1%
Net operating cash flow	3,299	6,727	-51.0%
Total portfolio[2]			
Revenue	425,908	393,382	8.3%
EBITDA	76,819	61,322	25.3%
Net operating cash flow	31,420	89,659	-65.0%

KEY POINTS

- GCAP liquidity up 64.4% to GEL 467.4 million in 1Q21, reflecting US$ 65 million Eurobond tap in March 2021
- NAV per share down 2.7% to GEL 46.80 in 1Q21, mainly resulting from:
  - A 9.8% decrease in BoG share price, reducing the value of our holding by GEL 26.5 million (*-1.2% impact*)
  - A 4.0% GEL depreciation against USD, leading to GEL 31.4 million FX loss on GCAP's net debt (*-1.4% impact*)
  - Net interest expense and management platform related costs of GEL 21.6 million (*-1.0% impact*)
  - GEL 35.0 million value creation in our resilient and defensive private portfolio (*+1.6% impact*)
- Strong operating performance across our private portfolio, notwithstanding certain ongoing government mandated restrictions against the pandemic throughout the quarter
  - Aggregated y-o-y revenues and EBITDA up 8.3% and 25.3%, respectively, in 1Q21
  - Aggregated cash balances of portfolio companies up 62.6% to GEL 347.3 million y-o-y in 1Q21
- Aggregated y-o-y net operating cash flow down 65% to GEL 31.4 million in 1Q21, reflecting organic transition to revenue growth strategy from previously adopted cash preservation strategy
  - Aggregated y-o-y revenues and EBITDA up 62.3% and 161.3%, respectively, in April 2021
- GEL 4.7 million dividends collected from the renewable energy business in 1Q21
- GEL 8.2 million capital allocated to investment stage businesses, in line with our capital allocation programme.

Conference call: An investor/analyst conference call will be held on 18 May 2021 at 13:00 UK / 14:00 CET / 8:00 U.S Eastern Time. Please click the link to join the webinar: https://gcap-ge.zoom.us/j/92790908107?pwd=bUJYRXJHNmw4aVFKZjc2bGRvRmhEQT09, webinar ID: 927 9090 8107, passcode: 572437. Further details about the webinar are available on the Group's webpage: https://georgiacapital.ge/ir/news.

[1] See "Basis of Presentation" for more background on page 20. Private portfolio companies' performance includes aggregated stand-alone IFRS results for our portfolio companies, which can be viewed as APMs for Georgia Capital, since Georgia Capital does not consolidate its subsidiaries and instead measures them at fair value under IFRS.
[2] The results of our five smaller businesses included in other portfolio companies (described on page 19) 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

Notwithstanding the backdrop of continuing challenges introduced by COVID-19, our private portfolio companies delivered a strong recovery in profitability in the first quarter of 2021, to levels which surpassed those reached prior to the pandemic. The second wave of COVID-19 related economic restrictions, imposed at the end of November 2020, were largely in place throughout 1Q21. These restrictions constrained local economic activity and resulted in an estimated 4.2% drop in real GDP in 1Q21. However, the subsequent removal of many of the economic lockdown measures at the end of February 2021 has resulted in the local economy demonstrating good levels of initial recovery and posting a 4% y-o-y real GDP growth rate in Mar-21. The recovery was aided by Government policy support, improved levels of international trade, record-high remittance inflows and the start of the phased vaccination roll-out in Georgia on 15-Mar-21. Bolstered by the economic recovery, and with the majority of our capital allocated to defensive industries and sectors, Georgia Capital has moved beyond demonstrating great resilience. We delivered a solid operating performance in 1Q21.

- **NAV per share (GEL) was down 2.7% in 1Q21 to GEL 46.80.** The solid underlying operating performances across our private portfolio had a +1.6% NAV per share impact, which, however, was offset mainly by: a) reduced valuation of BoG with a negative 1.2% NAV per share impact; b) GEL's depreciation against USD by 4.0%, resulting in a foreign exchange loss of GEL 31.4 million on GCAP net debt (-1.4% impact); c) net interest expense of GEL 12.7 million (-0.6% impact); and d) management platform related costs of GEL 8.9 million (-0.4% impact).
- **Aggregated 1Q21 revenues and EBITDA of our private portfolio were up 8.3% and 25.3% y-o-y, respectively.** Aggregated 1Q21 revenues and EBITDA demonstrated solid growth, now delivering in excess of pre-pandemic performance levels, growing not only compared to 1Q20 but by 30.7% and 45.9% compared to 1Q19[3], respectively.
  1) *Within our large portfolio companies (64% of our portfolio value),* Healthcare Services and Water Utility, both reported high double-digit EBITDA growth in 1Q21, up by 54.5% (22.4% vs. 1Q19) and by 32.4% (18.0% vs. 1Q19) y-o-y, respectively. Admission rates at our hospitals and clinics have grown by 20%+ y-o-y and the number of tests performed at our Mega Laboratory increased by 64.3% in 1Q21. Growth in our Water Utility mainly reflects the impact of the increased regulatory tariffs since Jan-21. The insurance business, benefiting from rebounding demand and lower operating expenses as a result of cost-saving initiatives, also delivered positive growth, posting a 37.3% y-o-y increase in 1Q21 net income (up 14.2% vs. 1Q19). The 29.6% y-o-y decline in the 1Q21 EBITDA of our retail (pharmacy) business primarily reflects the base effect of the significant customer stockpiling of pharmaceuticals at the onset of the pandemic in 1Q20, as well as various market-driven promotions during January-February 2021 in response to the decreased consumer demand for flu and other seasonal medicines during the last few months. The result was a decline in the retail (pharmacy) business profitability, with the EBITDA margin excl. IFRS 16 declining to 7.5% in 1Q21 (10.6%1Q20). However, the margin rebounded in Mar-21 to a healthy 9.5%.
  2) *Our investment stage portfolio companies (11% of our portfolio value*) posted a 15.1% y-o-y decline in 1Q21 EBITDA, primarily reflecting lower academic days in 1Q21 due to COVID-19 and one-off costs in our Renewable Energy business.
  3) *Other businesses (8% of our portfolio value)* are also demonstrating solid recovery and delivered GEL 8.7 million EBITDA in 1Q21, up from GEL 0.8 million y-o-y (and negative GEL 3.7 million in 1Q19).
- **In March 2021, we took an opportunity to tap our US$ 300 million Eurobond by an additional US$ 65 million, which enhanced our already strong liquidity and once again demonstrated our superior access to capital.** JSC Georgia Capital priced a US$ 65 million tap issue at par, which was consolidated and now forms a single series with the existing US$ 300 million 6.125% Eurobonds, maturing in Mar-24. With approximately US$ 35 million of the proceeds, we plan to fund capital allocations to our portfolio companies, while the remaining funds raised are intended for general corporate purposes. The issuance significantly improves our financial flexibility, resulting in 64.4% growth in GCAP's liquid funds (incl. loans issued) to GEL 467.4 million in 1Q21. During 1Q21, we collected GEL 4.7 million dividends from Renewable Energy and allocated GEL 8.2 million capital mostly to the investment stage businesses in line with our announced capital allocation programme. At the same time, the aggregated cash balances of our private businesses were up 62.6% to GEL 347.3 million y-o-y in 1Q21.
- **Our businesses, concentrated across structurally important industries, continue supporting the country's sustainable development.** Our healthcare services business remains actively engaged in managing the pandemic. To enhance our community's well-being, in 1Q21, the business has mobilised c.1,000 beds across the country with trained medical personnel, isolated wards, intensive and critical care units. Vaccination services are also available at our healthcare facilities, contributing to the achievement of the Government's vaccination target. At the same time, we are investing in two key sectors that will benefit the sustainable development of Georgia. We have been striving to improve the quality of education and make it affordable for a wider group of learners, consequently supporting the development of the young generation. Similarly, our investments in Renewable Energy will aid green energy production development, reducing environmental footprint.

From a macroeconomic perspective, as noted above, the Georgian economy posted a 4% y-o-y growth rate in Mar-21, the first positive growth rate since Feb-20. The International Monetary Fund (IMF) estimates that economic growth will be 3.5% in 2021,

[3] Excluding the contribution of Investment stage businesses, acquired in 2H19, revenues and EBITDA increased by 26.4% and 33.2% compared to 1Q19, respectively.

while the medium-run (2022-2026) growth forecast stands at 5.4%, one of the highest in the region. Government external debt increased by US$ 1.66 billion y-o-y at the end of 2020 on the back of the sizeable fiscal package launched to combat the pandemic impact. After repaying its 10-year, 6.875% coupon Eurobonds, issued in 2011, the Government priced US$ 500 million 5-year Eurobonds at a record low coupon of 2.75% in Apr-21. The low coupon rate marks a strong achievement for Georgia, giving the country a competitive edge over comparable regional countries. Since the initial Eurobond issuance, the country's sovereign rating has evolved from "B+" to "BB", reflecting the genuine economic and structural improvements over the years, consequently lowering the country risk premium. The National Bank of Georgia increased the GEL refinancing rate by 50 bps to 8.5% in March 2021 and by another 100 bps to 9.5% in April, responding to elevated inflationary expectations. The Georgian Lari showed relative resilience compared to other regional currencies, with REER and NEER depreciating by 5.8% and 7.2%, respectively in 1Q21. NBG sold US$ 160 million on the foreign currency market in 1Q21, maintaining its declared active intervention policy to provide liquidity to the markets. Official reserve assets reached a record high US$ 4.1 billion at the end of Mar-21, up 20.6% y-o-y, providing ample cover against any potential negative shocks.

Overall, I continue to be impressed by our portfolio companies' ability to adapt to the COVID-19 environment and achieve a strong recovery in profitability levels, which are now beginning to exceed pre-pandemic levels. This has allowed for a smooth and gradual transition from the cash accumulation and preservation strategy, implemented in 2020 as our response to the pandemic, to focusing on capturing revenue and EBITDA growth opportunities across all our businesses. April 2021 results are a very strong reflection of this, as aggregated y-o-y monthly Apr-21 revenues and EBITDA were up 62.3% to GEL 161.9 million and 161.3% to GEL 35.4 million, respectively. Looking ahead, based on our proven governance, capital discipline and strong management capabilities, and our portfolio of high-quality and defensive companies, I believe that Georgia Capital is well-positioned to deliver consistent NAV per share growth. As we continue to deliver strong operating performance in our portfolio companies, we will remain focused on our two clear strategic priorities over the next few years: realising the value of one large private portfolio investment and divesting our sub-scale "other" portfolio companies.

Irakli Gilauri, Chairman and CEO

DISCUSSION OF GROUP RESULTS

The discussion below analyses the Group's net asset value at 31-Mar-21 and its income for the first quarter then ended on an IFRS basis (see "Basis of Presentation" on pages 20 below).

NAV STATEMENT 1Q21

Net Asset Value (NAV) Statement *summarises the Group's IFRS equity value (which we refer to as Net Asset Value or NAV in the NAV Statement below) at the opening and closing dates (31-Dec-20 and 31-Mar-21). The NAV Statement below breaks down NAV into its components and provides a roll forward of the related changes between the reporting periods.*

GEL '000, unless otherwise noted	Dec-20	1. Value creation[4]	2a. Investment	2b. Buyback	2c. Dividend	3.Operating expenses	4. Liquidity/ FX/Other	Mar-21	Change %
Listed Portfolio Companies									
Bank of Georgia (BoG)	531,558	(26,452)	-	-	-	-	-	505,106	-5.0%
Total Listed Portfolio Value	**531,558**	**(26,452)**	**-**	-	-	**-**	**-**	**505,106**	**-5.0%**
Listed Portfolio value change %		***-5.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***-5.0%***	
Private Portfolio Companies									
Large Companies	**1,858,237**	**11,312**	-	-	**-**	-	**1,160**	**1,870,709**	**0.7%**
Healthcare Services	*571,656*	*33,428*	-	-	-	-	-	*605,084*	*5.8%*
Retail (Pharmacy)	*552,745*	*(17,159)*	-	-	-	-	-	*535,586*	*-3.1%*
Water Utility	*471,148*	*(15,005)*	-	-	-	-	*737*	*456,880*	*-3.0%*
Insurance (P&C and Medical)	*262,688*	*10,048*	-	-	-	-	*423*	*273,159*	*4.0%*
Of which, P&C Insurance	*197,806*	*6,389*	-	-	-	-	*423*	*204,618*	*3.4%*
Of which, Medical Insurance	*64,882*	*3,659*	-	-	-	-	-	*68,541*	*5.6%*
Investment Stage Companies	**302,964**	**3,063**	**8,050**	-	**(4,738)**	-	**378**	**309,717**	**2.2%**
Renewable Energy	*209,902*	*(701)*	*1,660*	-	(4,738)	-	*378*	*206,501*	*-1.6%*
Education	*93,062*	*3,764*	*6,390*	-	-	-	**-**	*103,216*	*10.9%*
Other Companies	**214,929**	**20,613**	**150**	-	-	-	**498**	**236,190**	**9.9%**
Total Private Portfolio Value	**2,376,130**	**34,988**	**8,200**	-	**(4,738)**	-	**2,036**	**2,416,616**	**1.7%**
Private Portfolio value change %		***1.5%***	***0.3%***	***0.0%***	***-0.2%***	***0.0%***	***0.1%***	***1.7%***	
Total Portfolio Value (1)	**2,907,688**	**8,536**	**8,200**	**-**	**(4,738)**	**-**	**2,036**	**2,921,722**	**0.5%**
Total Portfolio value change %		***0.3%***	***0.3%***	***0.0%***	***-0.2%***	***0.0%***	***0.1%***	***0.5%***	
Net Debt (2)	**(697,999)**	**-**	**(8,200)**	**(1,712)**	**4,738**	**(5,406)**	**(51,502)**	**(760,081)**	**8.9%**
of which, Cash and liquid funds	*175,289*	-	*(8,200)*	*(1,712)*	*4,738*	*(5,406)*	*174,652*	*339,361*	*93.6%*
of which, Loans issued	*108,983*	-	-	-	-	-	*19,044*	*128,027*	*17.5%*
of which, Gross Debt	*(982,271)*	-	-	-	-	-	*(245,198)*	*(1,227,469)*	*25.0%*
Net other assets/ (liabilities) **(3)**	2,603	-	-	-	-	(3,467)	5,314	4,450	71.0%
of which, share-based comp.	-	-	-	-	-	*(3,467)*	*3,467*	-	*0.0%*
Net Asset Value (1)+(2)+(3)	**2,212,292**	**8,536**	**-**	**(1,712)**	**-**	**(8,873)**	**(44,152)**	**2,166,091**	**-2.1%**
NAV change %		***0.4%***	***0.0%***	***-0.1%***	***0.0%***	***-0.4%***	***-2.0%***	***-2.1%***	
Shares outstanding[4]	45,977,247	-	-	(66,709)	-	-	369,425	46,279,963	0.7%
Net Asset Value per share, GEL	**48.12**	**0.18**	**-**	**0.03**	**-**	**(0.20)**	**(1.33)**	**46.80**	**-2.7%**
NAV per share, GEL change %		***0.4%***	***0.0%***	***0.1%***	***0.0%***	***-0.4%***	***-2.8%***	***-2.7%***	

NAV per share (GEL) decreased by 2.7% in 1Q21, reflecting a) the reduced valuation of BoG with a negative 1.2% impact on the NAV per share, b) GEL's depreciation against USD by 4.0%, resulting in a foreign exchange loss of GEL 31.4 million on GCAP net debt (-1.4% impact), c) net interest expense (-0.6% impact) and d) management platform related costs (-0.4% impact). The reduction of NAV per share was partially offset by value creation across our private portfolio companies (1.6% impact).

Portfolio overview

Our portfolio value increased by 0.5% to GEL 2.92 billion in 1Q21, reflecting a 1.7% growth and 5.0% decline in the value of private and listed businesses, respectively. At 31-Mar-21, the private portfolio value was GEL 2.42 billion (83% of total portfolio value) and the listed portfolio value was GEL 505.1 million (17% of total). The private portfolio value growth of GEL 40.5 million reflects the net impact of a) GEL 35.0 million value creation, b) investments of GEL 8.2 million predominantly in Education and Renewable Energy and c) a decrease of GEL 4.7 million due to dividends paid out to the Group.

1) Value creation

BoG share price during 1Q21 decreased by 9.8%, reducing the value by GEL 26.5 million. Despite certain ongoing restrictions imposed to manage the pandemic since the end-November 2020 and the overall slow season accompanied by a two-week public holiday in January 2021 introduced by the Georgian Government, the private portfolio companies demonstrated a solid performance in 1Q21. The value creation of GEL 35.0 million on the private portfolio mainly reflects: a) the GEL 30.7 million operating performance-related increase in the value of our private assets, delivering increasing aggregated revenues (up 8.3%

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

y-o-y in 1Q21) and EBITDA (up 25.3% y-o-y in 1Q21), b) GEL 0.9 million from greenfields / buyouts and c) a GEL 3.4 million net impact from changes in valuation multiples and foreign currency exchange rates.

Enterprise value and equity value development of our businesses are summarised in the following table:

	Enterprise Value (EV)			Equity Value			
in GEL '000	31-Mar-21	31-Dec-20	Change %	31-Mar-21	31-Dec-20	Change %	% share in total portfolio
Listed portfolio				**505,106**	**531,558**	**-5.0%**	**17.3%**
BoG				505,106	531,558	-5.0%	17.3%
Private portfolio	**4,481,586**	**4,333,143**	**3.4%**	**2,416,616**	**2,376,130**	**1.7%**	**82.7%**
Large portfolio companies	**2,931,559**	**2,846,664**	**3.0%**	**1,870,709**	**1,858,237**	**0.7%**	**64.0%**
Healthcare Services	898,759	836,918	7.4%	605,084	571,656	5.8%	20.7%
Retail (pharmacy)	832,903	835,876	-0.4%	535,586	552,745	-3.1%	18.3%
Water Utility	947,674	930,892	1.8%	456,880	471,148	-3.0%	15.6%
Insurance (P&C and Medical)	252,223	242,978	3.8%	273,159	262,688	4.0%	9.4%
Of which, P&C Insurance	204,618	197,806	3.4%	204,618	197,806	3.4%	7.0%
Of which, Medical Insurance	47,605	45,172	5.4%	68,541	64,882	5.6%	2.4%
Investment stage portfolio companies	**630,706**	**608,298**	**3.7%**	**309,717**	**302,964**	**2.2%**	**10.6%**
Renewable Energy	507,660	489,269	3.8%	206,501	209,902	-1.6%	7.1%
Education[5]	123,046	119,029	3.4%	103,216	93,062	10.9%	3.5%
Other	**919,321**	**878,181**	**4.7%**	**236,190**	**214,929**	**9.9%**	**8.1%**
Total portfolio				**2,921,722**	**2,907,688**	**0.5%**	**100.0%**

The table below summarises value creation drivers in our businesses in 1Q21:

Portfolio Businesses	Operating Performance[6]	Greenfields / buy-outs[7]	Multiple Change and FX[8]	Value Creation
in GEL '000	*(1)*	*(2)*	*(3)*	*(1)+(2)+(3)*
Listed				**(26,452)**
BoG				(26,452)
Private	**30,687**	**865**	**3,436**	**34,988**
Large Portfolio Companies	**24,106**	**-**	**(12,794)**	**11,312**
Healthcare Services	78,728	-	(45,300)	33,428
Retail (pharmacy)	(56,215)	-	39,056	(17,159)
Water Utility	(13,793)	-	(1,212)	(15,005)
Insurance (P&C and Medical)	15,386	-	(5,338)	10,048
Of which, P&C Insurance	*9,800*	-	*(3,411)*	*6,389*
Of which, Medical Insurance	*5,586*	-	*(1,927)*	*3,659*
Investment Stage Portfolio Companies	**(7,705)**	**1,015**	**9,753**	**3,063**
Renewable Energy	(4,258)	-	3,557	(701)
Education	(3,447)	1,015	6,196	3,764
Other	**14,286**	**(150)**	**6,477**	**20,613**
Total portfolio	**30,687**	**865**	**3,436**	**8,536**

Listed businesses (17.3% of total portfolio value)

BOG (17.3% of total portfolio value) – Despite the COVID-19 outbreak, BoG managed to deliver an annualised ROAE of 21.3% and 18.9% loan book growth y-o-y in 4Q20. The y-o-y loan book growth partially reflected strong loan origination levels in corporate, MSME and the mortgage segments. In 1Q21, BOG's share price decreased by 9.8% to GBP 11.00 at 31-Mar-21 and, as a result, the market value of our equity stake in BOG decreased by GEL 26.5 million to GEL 505.1 million. Following its publication on 19 May 2021, BoG's public announcement on their 1Q21 results will be available at: https://www.bankofgeorgiagroup.com/results/earnings.

Private large portfolio companies (64.0% of total portfolio value)[9]

In 1Q21, our private large portfolio companies were valued internally by incorporating 1Q21 results, in line with International Private Equity Valuation ("IPEV") guidelines and methodology deployed at the end of 2020. As at 31-Dec-20, all of our large portfolio companies were assessed by an independent valuation company, hired to provide additional transparency to our private portfolio valuation. [10] The independent valuation assessments, which served as the basis for Georgia Capital's estimate of the fair value, were performed by applying a combination of an income approach (DCF) and a market approach (listed peer multiples

[5] Enterprise value is excluding non-operational assets, added to the equity value of the education business at cost.
[6] 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.
[7] 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.
[8] Change in the valuation multiples resulting from the change in operating performance and the effect of exchange rate movement on net debt.
[9] Please read more about valuation methodology on pages 20 in "Basis of presentation").
[10] Please refer to Georgia Capital PLC 4Q20 and FY20 results for more details.

and, in some cases, precedent transactions). The independent valuations of the large portfolio companies are performed on a semi-annual basis.

Healthcare Services (20.7% of total portfolio value) – Healthcare Services Enterprise Value (EV) increased by GEL 61.9 million to GEL 898.8 million in 1Q21, reflecting a solid operating performance of the business. Outstanding results of the diagnostics business and increased admissions at hospitals and clinics led to 23.3% y-o-y growth in revenues and 54.5% y-o-y growth in EBITDA (excl. IFRS 16). See page 10 for details. Consequently, LTM EBITDA (incl. IFRS 16)[11] increased by 13.1% to GEL 71.9 million in 1Q21. The revenue growth was accompanied by an increase in working capital requirements. In addition, the high number of COVID cases in the preceding quarter led to a delay in the processing of bills by the state in 1Q21, consequently affecting the operating cash flow of the business. As a result, net debt (incl. financial lease liabilities) increased by 11.7% in 1Q21. The equity value of the business was assessed at GEL 605.1 million, up 5.8%, translating into the implied LTM EV/EBITDA multiple (incl. IFRS 16) of 12.5x at 31-Mar-21 (13.2x at 31-Dec-20).

Retail (pharmacy) (18.3% of total portfolio value) – Retail (pharmacy) EV decreased by GEL 3.0 million to GEL 832.9 million in 1Q21, reflecting the weaker overall operating performance of the business in the first two months of the quarter followed by a recovery in March. Revenues declined by 0.7% y-o-y while EBITDA (excl. IFRS 16) declined by 29.6% y-o-y. See page 12 for details. Consequently, LTM EBITDA (incl. IFRS 16) was down 5.1% q-o-q to GEL 87.7 million in 1Q21. Net debt (incl. financial lease liabilities) was up 8.3% q-o-q to GEL 140.9 million. The result was GEL 17.2 million value reduction and the equity value of GCAP's 67% holding decreased by 3.1% to GEL 535.6 million in 1Q21. The implied LTM EV/EBITDA valuation multiple increased to 9.5x, including the impact of IFRS 16 (up from 9.1x as of 31-Dec-20).

Water Utility (15.6% of total portfolio value) – Water Utility EV increased by GEL 16.8 million to GEL 947.7 million in 1Q21, as water supply revenues increased by 22.7% y-o-y, reflecting revised water utility tariffs effective from January 2021, corresponding to a 36.3% increase in allowed revenue for the entire water utility business for the 2021-2023 regulatory period. Consequently, EBITDA increased by 32.4% y-o-y in 1Q21. See page 13 for details. Water Utility's multiple-based and DCF valuation at 31-Dec-20 implied a 9.4x multiple on LTM Adjusted EBITDA of GEL 98.7 million, where the Adjusted EBITDA was calculated based on the retrospective impact of new tariffs on 2020 performance. For valuation purposes, adjusted LTM EBITDA at 31-Mar-21 remained unchanged, as the impact of new tariffs was already embedded in the year-end 2020 valuations. Net debt increased by 6.8% to GEL 490.8 million in 1Q21, mainly proceeding from the GEL depreciation against USD and the accrual of the coupon on the green bond issued by JSC Georgia Global Utilities, the holding company of GCAP's water utility business and operational renewable energy assets. As a result, the equity value of the business was assessed at GEL 456.9 million at 31-Mar-21, down by 3.0% in 1Q21, translating into the implied LTM EV/EBITDA multiple of 9.6x at 31-Mar-21 (9.4x at 31-Dec-20).

Insurance (P&C and Medical) (9.4% of total portfolio value) – The insurance business combines: a) P&C Insurance valued at GEL 204.6 million and b) Medical Insurance valued at GEL 68.5 million.

P&C Insurance – P&C Insurance net income increased by 27.5% y-o-y to GEL 4.2 million in 1Q21, reflecting the solid performance of the business, with an increased amount of net premiums earned, up 7.0% y-o-y to GEL 18.7 million. Due to cost-saving initiatives amid COVID-19, operating expenses were down 9.5% y-o-y to GEL 4.2 million in 1Q21. See page 14 for details. Consequently, LTM net income[12] grew by 5.3% to GEL 17.9 million in 1Q21. The equity value was assessed at GEL 204.6 million at 31-Mar-21 (up 3.4% in 1Q21) and value creation amounted to GEL 6.4 million in 1Q21. The implied LTM P/E valuation multiple at 31-Mar-21 was 11.4x (down from 11.6x at 31-Dec-20).

Medical Insurance – Medical insurance net income increased by 86.4% y-o-y to GEL 1.2 million in 1Q21, reflecting a 4.4% y-o-y decrease in net premiums earned, offset by a 6.7% y-o-y decrease in net claims expenses. See page 14 for details. The equity value was assessed at GEL 68.5 million at 31-Mar-21 (up 5.6% in 1Q21), resulting in GEL 3.7 million value creation. The implied LTM P/E valuation multiple as of 31-Mar-21 was 9.8x (down from 10.1x as of 31-Dec-20).

Private investment stage businesses (10.6% of total portfolio value)

Renewable Energy (7.1% of total portfolio value) – The business is valued internally, based on a sum of the parts (EV/EBITDA and acquisition price). Renewable Energy EV increased by GEL 18.4 million to GEL 507.7 million in 1Q21. The negative value creation of GEL 0.7 million mainly resulted from slightly decreased LTM EBITDA earnings emerging from one-off consultancy fees incurred in 1Q21. See page 16 for details. The business paid GEL 4.7 million dividends in 1Q21. In addition, GCAP invested GEL 1.7 million in pipeline renewable energy projects, which along with Mestiachala HPPs, continued to be measured at an equity investment cost of GEL 113.5 million in aggregate. Net debt increased by GEL 21.8 million to GEL 301.2 million in 1Q21. As a result, the equity value of the business was down by 1.6% to GEL 206.5 million in 1Q21.

Education (3.5% of total portfolio value) – The business is valued internally, based on LTM EV/EBITDA. Education EV increased by GEL 3.9 million to GEL 123.0[13] million in 1Q21. Revenues and EBITDA declined by 3.4% and 8.4% y-o-y,

[11] adjusted to exclude HTMC hospital, sold in August 2020.
[12] Adjusted for non-recurring items.
[13] Excluding non-operational assets, added to the equity value of the education business at cost.

respectively, reflecting the decreased number of academic days as the schools modified the academic calendar. See page 17 for details. Revenues in mid-level and premium schools are denominated in foreign currency. On the basis of FX movement, the currency adjusted LTM EBITDA increased by 3.4% to GEL 9.8 million. GCAP invested GEL 6.4 million for the development of the mid-level and affordable education segments in 1Q21. Net debt remained largely flat, up by GEL 0.4 million to GEL 14.1 million in 1Q21. As a result, GEL 3.8 million value was created in 1Q21, driving the 10.9% increase in the equity value of the education business to GEL 103.2 million. The valuation multiple remained unchanged at 12.5x in 1Q21.

Other businesses (8.1% of total portfolio value) - The "other" private portfolio (Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services) is valued internally, based on LTM EV/EBITDA in most cases other than our real estate and hospitality businesses. They had a combined value of GEL 236.2 million at 31-Mar-21, up by 9.9% in 1Q21. The main driver of the value growth was the robust performance of our wine and auto service businesses. The strong operating performance at our wine business with a 48.0% y-o-y increase in the number of bottles sold and a 6.3ppts increase in the export share in total sales, translated into 41.6% growth in net revenues. As a result, the value creation in the wine business was GEL 15.2 million in 1Q21. In addition, GEL 5.1 million value was created in Auto Service, where the periodic technical inspection (PTI) business demonstrated a solid performance with the total number of cars serviced up by 54.6% y-o-y to c.107,000 in 1Q21. Furthermore, the EBITDA margin of the business grew by 44.3ppts y-o-y in 1Q21. Amboli, our car services and parts business, also demonstrated robust growth in 1Q21. The revenue was up by 91.1% to GEL 5.1 million y-o-y, on the back of the increase in corporate and wholesale customer segments. Similarly, the 1Q21 gross profit margin of 23.2% was up by 3.5 ppts y-o-y, driven by the improvements in the product mix. A solid cash generation and overall robust performance of the auto services business translated into the increased valuation, up 39.8% to GEL 17.9 million in 1Q21. Our housing business also had a strong quarter. Housing business revenue was up 21.4% y-o-y to GEL 35.4 million, while EBITDA was up 79.6% y-o-y to GEL 4.3 million, mainly reflecting an increased number of ongoing residential projects in 2021 with c.21,000 sq.m of apartments sold in 1Q21.

The total value creation in the "other" portfolio amounted to GEL 20.6 million in 1Q21.

2) Investments[14]

In 1Q21, GCAP invested GEL 8.2 million predominantly in the investment stage businesses, in line with our announced capital allocation programme.

- GEL 1.7 million was allocated to Renewable Energy for the development of pipeline HPPs (Darchi and Zoti).
- GEL 6.4 million was allocated to the education business for the capacity expansion of the existing campus of Buckswood (mid-scale segment) and acquisition of land and building for the new campus location of Green School (affordable segment).

3) Dividends[14]

In 1Q21, Georgia Capital collected GEL 4.7 million dividends from the renewable energy business.

Net debt overview

Below we describe the components of net debt as of 31 March 2021 and as of 31 December 2020:

GEL '000	**31-Mar-21**	**31-Dec-20**	**Change**
Cash at banks	294,768	160,536	83.6%
Internationally listed debt securities	42,481	14,098	NMF
Locally listed debt securities	2,112	655	NMF
Loans issued	128,027	108,983	17.5%
Total Cash and liquid funds (a)	**467,388**	**284,272**	**64.4%**
Gross Debt (b)	**(1,227,469)**	**(982,271)**	**25.0%**
Net debt (a)+(b)	**(760,081)**	**(697,999)**	**8.9%**

Cash and liquid funds. As a result of the US$ 65 million Eurobond tap issuance in March 2021, GCAP's cash balance increased by 83.6% to GEL 295 million and the total cash and liquid funds increased by 64.4% to GEL 467 million (US$ 137 million). Funds were primarily allocated in cash, internationally listed debt securities and loans issued as of 31 March 2021. Internationally listed debt securities mostly include Eurobonds issued by Georgian corporates. The issued loan balance primarily refers to loans issued to our private portfolio companies, which are on-lent at market terms. During 1Q21, loans issued to our other portfolio companies amounted to GEL 12.2 million.

Gross debt. In March 2021, JSC Georgia Capital priced a US$ 65 million tap issue to be consolidated and form a single series with the existing US$300 million 6.125% Eurobonds. With approximately US$ 35 million of the bond proceeds, the Group anticipates funding capital allocations to the portfolio companies, while the remaining amount is intended to be utilised for general corporate purposes. At 31-Mar-21, the outstanding balance of the six-year Eurobonds due in March 2024 amounted to GEL 1.2 billion (up 25% in 1Q21), reflecting foreign exchange loss of GEL 45.7 million from GEL depreciation against USD during

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

1Q21[15]. The gross debt balance also increased by a GEL 17.2 million due to coupon accrual[15] in 1Q21. On 9 March 2021, GCAP paid a coupon on Eurobond in the amount of GEL 30.5 million.

Net debt. Net debt increased by 8.9% to GEL 760 million in 1Q21, with the increase being driven primarily by a foreign exchange loss of GEL 31.4 million. Net debt was further impacted by a) investments of 8.2 million, b) share buybacks for the management trust of 1.7 million, c) GCAP cash operating expenses of GEL 5.4 million and d) net interest expense and fair value gains on liquid funds, in aggregate, of GEL 12.9 million. The impact was partially offset by GEL 4.7 million dividends received from portfolio companies.

INCOME STATEMENT (ADJUSTED)

Net income under IFRS was GEL 46.1 million in 1Q21. 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 March 31 as an aggregation of (i) the results of GCAP (the two holding companies Georgia Capital PLC and JSC Georgia Capital, taken together) and (ii) the fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 97 in Georgia Capital PLC 2020 Annual report.

INCOME STATEMENT (ADJUSTED)

GEL '000, unless otherwise noted	1Q21	1Q20	Change
Dividend income	4,738	4,927	-3.8%
Interest income	4,497	6,155	-26.9%
Realised / unrealized loss on liquid funds	(172)	(3,940)	-95.6%
Interest expense	(17,219)	(14,650)	17.5%
Gross operating loss	**(8,156)**	**(7,508)**	**8.6%**
Operating expenses	(8,873)	(8,009)	10.8%
GCAP net operating loss	**(17,029)**	**(15,517)**	**9.7%**
Fair value changes of portfolio companies			
Listed portfolio companies	**(26,452)**	**(367,747)**	**-92.8%**
Of which, Georgia Healthcare Group PLC	*-*	*(134,624)*	*NMF*
Of which, Bank of Georgia Group PLC	*(26,452)*	*(233,123)*	*-88.7%*
Private portfolio companies	**30,250**	**(141,580)**	**NMF**
Large Portfolio Companies	**11,312**	**(75,726)**	**NMF**
Of which, Healthcare Services	*33,428*	*-*	*NMF*
Of which, Retail (pharmacy)	*(17,159)*	*-*	*NMF*
Of which, Water Utility	*(15,005)*	*(51,904)*	*-71.1%*
Of which, Insurance (P&C and Medical)	*10,048*	*(23,822)*	*NMF*
Investment Stage Portfolio Companies	**(1,675)**	**-**	**NMF**
Of which, Renewable energy	*(5,439)*	*-*	*NMF*
Of which, Education	*3,764*	*-*	*NMF*
Other businesses	**20,613**	**(65,854)**	**NMF**
Total investment return	**3,798**	**(509,327)**	**NMF**
Loss before foreign exchange movements and non-recurring expenses	**(13,231)**	**(524,844)**	**-97.5%**
Net foreign currency loss	(31,442)	(92,139)	-65.9%
Non-recurring expenses	(177)	-	NMF
Net loss (adjusted IFRS)	**(44,850)**	**(616,983)**	**-92.7%**

A gross operating loss of GEL 8.2 million in 1Q21 mainly reflects a 17.5% increase in interest expenses. Dividend income remained largely flat (down 3.8% y-o-y in 1Q21). Interest income was down 26.9% to GEL 4.5 million in 1Q21, in line with a decrease in the average balance of liquid funds throughout the quarter up until the US$ 65 million Eurobond tap issuance. GCAP earned an average yield of 6.1% on the average balance of liquid assets and issued loans of GEL 284.2 million in 1Q21 (7.6% on GEL 386.3 million in 1Q20). The coupon on the 6-year US$ 365 million bond, maturing in 2024, is 6.125%. As a result, *net interest expense* was GEL 12.7 million in 1Q21 at GCAP level (GEL 8.5 million in 1Q20).

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

GCAP management fee expenses have a self-targeted cap of 2% of Georgia Capital's market capitalisation. The LTM management fee expense ratio was 1.6% at 31-Mar-21 (1.8%[16] as of 31-Mar-20). The total LTM operating expense ratio (which includes fund type expenses) was 2.5% at 31-Mar-21 (2.5%[16] at 31-Mar-20). The expense ratio reflects the negative impact of COVID-19 on Georgia Capital's share price. The components of GCAP's operating expenses are presented in the table below:

GEL '000, unless otherwise noted	**1Q21**	**1Q20**	**Change**
Administrative expenses[17]	(2,811)	(2,562)	9.7%
Management expenses - cash-based[18]	(2,595)	(1,816)	42.9%
Management expenses - share-based[19]	(3,467)	(3,631)	-4.5%
Total operating expenses	**(8,873)**	**(8,009)**	**10.8%**
Of which, fund type expense[20]	(3,075)	(2,036)	51.0%
Of which, management fee[21]	(5,798)	(5,973)	-2.9%

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 3.8 million in 1Q21, reflecting growth in the value of private businesses, as described earlier in this report. We discuss valuation drivers for our businesses on pages 4-7. The performance of each of our private large and investment stage portfolio companies is discussed on pages 10-18.

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$ 230 million (GEL 785 million) at 31-Mar-21. Net foreign currency loss was GEL 31.4 million in 1Q21. As a result of the movements described above, GCAP's adjusted IFRS *net loss* was GEL 44.9 million in 1Q21.

[16] The management fee expense ratio in 1Q20 was calculated based on average market capitalization during the quarter. 1Q21 ratio is calculated based on period-end market capitalization due to significant price fluctuations during the last twelve months.
[17] Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[18] Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[19] Share-based management expenses are share salary and share bonus expenses of management and staff.
[20] Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
[21] Management fee is the sum of cash-based and share-based operating expenses (excluding fund-type costs).

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

The following sections present the IFRS results and business development derived from the individual portfolio company's IFRS accounts for large and investment stage entities, where 1Q21 and 1Q20 portfolio company's accounts and respective IFRS numbers are unaudited. We present key IFRS financial highlights, operating metrics and ratios along with the commentary explaining the developments behind the numbers. For the majority of our portfolio companies the fair value of our equity investment is determined by the application of an income approach (DCF) and a market approach (listed peer multiples and precedent transactions). Under the discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. Under the market approach, listed peer group earnings multiples are applied to the trailing twelve months (LTM) stand-alone IFRS earnings of the relevant business. 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" on pages 20 for more background.

LARGE PORTFOLIO COMPANIES

Discussion of Healthcare Services Business Results

Healthcare Services business, owned through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 31-Mar-21. Healthcare services business comprises three segments: 1) Hospitals (17 referral hospitals with a total of 2,596 beds) providing secondary and tertiary level healthcare services; 2) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services) and 15 polyclinics (providing outpatient diagnostic and treatment services); 3) Diagnostics, operating the largest laboratory in the entire Caucasus region - "Mega Lab". Following GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, the healthcare services business is 100% owned by Georgia Capital.

1Q21 performance (GEL '000), Healthcare Services[22,23]

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Revenue, net[24]	**88,895**	**72,107**	**23.3%**
Gross Profit	**38,351**	**28,047**	**36.7%**
Gross profit margin	*42.9%*	*38.4%*	*4.5ppts*
Operating expenses (ex. IFRS 16)	(15,288)	(13,115)	16.6%
EBITDA (ex. IFRS 16)	**23,063**	**14,932**	**54.5%**
EBITDA margin (ex. IFRS 16)	*25.8%*	*20.5%*	*5.3ppts*
Net profit / (loss) ex. IFRS 16	7,720	(4,299)	NMF
Adjusted[25] net profit / (loss) ex. IFRS 16	**10,283**	**(604)**	**NMF**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	**4,294**	**30,465**	**-85.9%**
EBITDA to cash conversion (ex. IFRS 16)	18.6%	204.0%	NMF
Cash flow from/used in investing activities[26]	**(5,160)**	**(5,389)**	**-4.2%**
Free cash flow (ex. IFRS 16)[27]	**(8,116)**	**18,244**	**NMF**
Cash flow from financing activities (ex. IFRS 16)	**(8,363)**	**(12,156)**	**-31.2%**
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	**908,191**	**899,391**	**1.0%**
Of which, cash balance and bank deposits	85,071	93,721	-9.2%
Of which, securities and loans issued	7,965	7,133	11.7%
Total liabilities	**513,633**	**510,079**	**0.7%**
Of which, borrowings	321,802	312,036	3.1%
Total equity	**394,558**	**389,312**	**1.3%**

KEY POINTS / VALUATION DRIVERS

- Revenue demonstrated robust growth trajectory in 1Q21, up 23.3% y-o-y
- Strong revenue growth translated into even stronger EBITDA growth (excl. IFRS 16) in 1Q21, reaching GEL 23.1 million, up 54.5% y-o-y
- Business posted GEL 7.7 million net profit (excl. IFRS 16), which adjusted for FX loss and non-recurring items reached GEL 10.3 million, compared to same period net loss posted on adjusted and unadjusted basis prior year

[22] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[23] All numbers in 2020 income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020.
[24] Net revenue – Gross revenue excluding corrections and rebates. Margins are calculated from Gross revenue.
[25] Adjusted for non-recurring items and FX loss.
[26] Of which capex of GEL 6.2 million in 1Q21 (GEL 6.8 million in 1Q20). Cash flow from investing activities also includes a GEL 6.2 million (GEL 5.4 million in 1Q20) payment of the purchase price holdback for Retail (pharmacy) and intersegment dividends and loans issued/received across GHG businesses: Healthcare Services, Retail (pharmacy) and Medical Insurance.
[27] Operating cash flows less capex and payment of holdback on acquisition of subsidiaries.

- In 1Q21, EBITDA to cash conversion rate decreased, mainly related to the business robust revenue growth, which translated into significantly increased working capital needs as well as delays by the state in processing bills due to the high volume of COVID cases in the country in 4Q20. These resulted in an 85.9% y-o-y decline from cash flow from operating activities (excl. IFRS 16)

INCOME STATEMENT HIGHLIGHTS

The healthcare services business remains to be actively engaged in managing COVID-19 in the country. In the first quarter, six of our hospitals and seven of our clinics continued receiving the patients with COVID-19, with a total aggregate number of c. 1,000 beds across the country. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients.

- The number of admissions was up by 22.9% in 1Q21 y-o-y at hospitals translating into GEL 70.7 million net revenue, up 17.6% y-o-y.
- Similarly, the number of admissions was up by 26.2% at clinics in 1Q21 y-o-y, translating into clinics' net revenue growth of 27.2% y-o-y to GEL 15.3 million. Apart from COVID-19 clinics, growth is mainly due to the increased admissions at polyclinics for outpatient services in Feb-Mar 2021 compared to the previous year when the lockdown was imposed. The number of registered patients in Tbilisi also increased by c.37,000, from c.199,000 in 1Q20 to c.236,000 in 1Q21.
- The diagnostics segment, which apart from regular diagnostics services, is also engaged in COVID-19 testing, more than tripled its quarterly revenue in 1Q21 y-o-y to GEL 5.5 million.

The developments described above translated into strong 23.3% y-o-y growth in 1Q21 net revenue from healthcare services.

The cost of services in the business are captured in the materials and direct salary rates. The materials rate increased in 1Q21 (up 1.5 ppts at hospitals and up 4.3 ppts at clinics, respectively), reflecting local currency exchange rate depreciation as well as increased prices and consumption of medical disposables and personal protective equipment at healthcare facilities due to COVID-19. In 1Q21, the direct salary rate remained well-controlled at hospitals and clinics, down 5.7 ppts and 6.2 ppts y-o-y, respectively. The decrease was aided by a 6-months state income tax subsidy for low salary range employees (monthly salary up to GEL 750), declared in May 2020. The cost of utilities was up 23.1% y-o-y due to the increased tariffs on water, gas and electricity, effective since January 2021. As a result, the healthcare services gross margin rebounded and even increased compared to pre-COVID level (c.42%), up 4.5 ppts in 1Q21 y-o-y at 42.9%.

Despite an increase in some COVID related expenses such as disinfection and employee transportation during the lockdown, due to the strong business management and cost optimisation measures, the business posted positive 20.1 ppts operating leverage. This translated into 54.5% y-o-y growth in business EBITDA excluding IFRS 16, reaching GEL 23.1 million in 1Q21, with 26.5% EBITDA margin at hospitals (up 5.6 ppts y-o-y), 20.9% at clinics (up 1.3 ppts y-o-y) and 18.0% at diagnostics (negative 8.8% in 1Q20).

Strong liquidity management measures resulted in a 17.6% y-o-y decline in the net debt position to GEL 228.8 million as of 31-Mar-21, which reduced interest expense (excl. IFRS 16) y-o-y by 39.1% in 1Q21 to GEL 5.1 million. The GEL depreciation during 1Q21 led to a foreign currency loss (excl. IFRS 16) of GEL 1.8 million on the relatively small portion of the business's borrowings denominated in foreign currency.

Overall, in 1Q21, the business posted GEL 7.7 million net profit excluding IFRS 16 (4.3 million net loss in 1Q20), which adjusted for FX and non-recurring items was GEL 10.3 million.

CASH FLOW HIGHLIGHTS

In line with management's expectations, 1Q21 was a weak quarter in terms of operating cash flow generation. After significant revenue growth posted by the business in 1Q21, the EBITDA to cash collection ratio decreased due to the considerably increased working capital needs. Operating cash flow was also affected by the collection of receivables from the state due to the delay in the processing of bills in previous months, led by the high number of COVID cases in the country in 4Q20. We expect the EBITDA to cash conversion rate to rebound to a normal level in coming quarters. Capex investments remained well controlled during the quarter (down 8.6%).

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 322 pharmacies, of which, 318 are in Georgia and 4 are in Armenia. Following the GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 67% in the retail (pharmacy) business through GHG.

1Q21 performance (GEL '000), Retail (pharmacy)[28]

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Revenue, net	**173,797**	**175,029**	**-0.7%**
Gross Profit	**40,245**	**45,285**	**-11.1%**
Gross profit margin	*23.2%*	*25.9%*	*-2.7ppts*
Operating expenses (ex. IFRS 16)	(27,155)	(26,699)	1.7%
EBITDA (ex. IFRS 16)	**13,090**	**18,586**	**-29.6%**
EBITDA margin, (ex. IFRS 16)	*7.5%*	*10.6%*	*-3.1ppts*
Net profit (ex. IFRS 16)	**8,308**	**4,285**	**93.9%**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (*ex. IFRS 16*)	**(2,522)**	**9,073**	**NMF**
EBITDA to cash conversion	-19.3%	48.8%	NMF
Cash flow used in investing activities	**(1,821)**	**(344)**	**NMF**
Free cash flow, (ex. IFRS 16)[29]	**(5,136)**	**7,622**	**NMF**
Cash flow from financing activities (*ex. IFRS 16*)	**(3,682)**	**8,572**	**NMF**
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	**463,022**	**464,644**	**-0.3%**
Of which, cash and bank deposits	29,292	36,856	-20.5%
Of which, securities and loans issued	12,541	12,471	0.6%
Total liabilities	**358,623**	**361,048**	**-0.7%**
Of which, borrowings	93,755	88,608	5.8%
Of which, lease liabilities	93,623	85,919	9.0%
Total equity	**104,399**	**103,596**	**0.8%**

KEY POINTS / VALUATION DRIVERS

- Slight decrease in 1Q21 revenues, down 0.7%
- Decline in gross profit and EBITDA excluding IFRS 16, by 11.1% and 29.6% respectively, translating into subdued margins due to the unusually high promotions during the lockdown, mainly in Jan-Feb 2021
- Strong gross profit and EBITDA margin recovery in Mar-21 to 23.8% and 9.5%, respectively
- 9 new pharmacies added in 1Q21, expanding from 309 to 318 stores in the chain (up by 20 pharmacies over the last 12 months)

INCOME STATEMENT HIGHLIGHTS

Apart from 1Q20 being a high base, when customers started to stock up on pharmaceuticals in Mar-20 once the news regarding the new virus and possible lockdown was announced, in 1Q21 the retail pharmacy business was affected by: 1) decreased demand for flu and other seasonal medicines, due to the high protective measures taken by citizens related to COVID-19 pandemic and 2) the general macro backdrop in the country. As a result of different initiatives taken by the business, it managed to deliver stable revenue, down only 0.7% y-o-y in 1Q21. The retail revenue share in total revenue was 73.4% (73.5% in 1Q20) and revenue from para-pharmacy as a percentage of retail revenue from pharma was up 4.7 ppts y-o-y (from 30.1% in 1Q20 to 34.8% in 1Q21). The business issued 6.5 million bills in 1Q21 (7.7 million in 1Q20), with average customer interactions of 2.2 million per month. The average bill size increased to GEL 18.4 in 1Q21 from GEL 15.7 in 1Q20, reflecting sales promotions.

As mentioned above, a high number of COVID cases in the country, associated lockdowns and general economic slowdown decreased demand and the consumption of goods in the country. To be in line with the market, the business started active promotions of its products at the beginning of the year. This translated into a 2.7 ppts y-o-y decrease in business gross margin to 23.2% in 1Q21. By the end of the 1Q21, the pandemic situation started to stabilise. Following the rebounding trend in the economy, the margins also started to rebound, and the business posted a 9.5% EBITDA margin (excluding IFRS 16) in March 2021. The rebounding trend is expected to continue in line with the country's general macro trajectory.

The negative operating leverage reflects the increased rent expense of pharmacies due to GEL devaluation (about 85% of rental contracts are denominated in US$), high marketing cost associated with promotions explained above as well as increased disinfection and employee transportation expense during the lockdown. All these translated into an increase in the general and administrative expenses of 21.2% y-o-y. The result was a 29.6% y-o-y decline in 1Q21 EBITDA excluding IFRS 16 and a 7.5% EBITDA margin (down 3.1 ppts y-o-y).

Depreciation expense increased mainly due to the launch of new pharmacies, as the business added 20 new stores in the last 12 months. Interest expense, excluding IFRS 16, was down 23.3% y-o-y in 1Q21 to GEL 2.3 million, due to the 22.0% decrease in net

[28] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[29] Calculated by deducting capex from operating cash flows and by adding proceeds from sale of PPE.

debt position y-o-y. GEL 0.9 million foreign currency loss, excluding IFRS 16, reflects the increase in the GEL value of US and EUR denominated payables to suppliers due to the devaluation of GEL in 1Q21

As a result, the business posted a GEL 8.3 million profit in 1Q21 (up 93.9% y-o-y), excluding IFRS 16.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

1Q21 operating cash was affected by payment of some payable balances to suppliers, the terms of which were temporarily prolonged during the pandemic period. Payment of GEL c.16.0 million payables, the balance of which is down 6.7% q-o-q, resulted in negative operating cash flow from operating activities and reduced the balance of free cash at 31-Mar-21. We expect the operating cash flow trend to also rebound in coming quarters.

Cash outflows from investing activities were up from GEL 0.3 million in 1Q20 to GEL 1.8 million in 1Q21, in line with increased capex investments attributable to the opening of new pharmacies.

Discussion of Water Utility Business Results

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

1Q21 performance (GEL '000), Water Utility[30]

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Revenue	**38,136**	**31,198**	**22.2%**
Water supply	37,715	30,740	22.7%
Energy	421	458	-8.1%
Operating expenses	**(16,435)**	**(14,233)**	**15.5%**
EBITDA	**20,450**	**15,441**	**32.4%**
EBITDA margin	*53.6%*	*49.5%*	*4.1ppts*
Net loss	**(16,458)**	**(18,478)**	**-10.9%**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities[31]	**8,382**	**17,825**	**-53.0%**
Cash flow used in investing activities	**(9,619)**	**(12,027)**	**-20.0%**
Free cash flow	**(1,237)**	**5,798**	**NMF**
Cash flow from financing activities	**(18,352)**	**(5,903)**	**NMF**
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	**648,383**	**653,201**	**-0.7%**
Of which, cash balance	37,077	55,577	-33.3%
Total liabilities	**586,876**	**574,179**	**2.2%**
Of which, long-term borrowings	520,702	498,555	4.4%
Total equity	**61,507**	**79,022**	**-22.2%**

KEY POINTS / VALUATION DRIVERS

- 1Q21 EBITDA up 32.4% y-o-y, driven by a 22.7% y-o-y increase in water sales revenue reflecting the revised water utility tariffs effective from January 2021
- Water levels in Zhinvali reservoir up 12.1% y-o-y in water volume (m^3) terms in 1Q21, while strong inflows during April and May lead to y-o-y reservoir level increase by 160.3% (m^3) at 13-May-21, approaching the maximum possible level
- Revenue from energy sales decreased by 8.1% y-o-y due to relatively low water levels in Zhinvali reservoir during the past twelve months. Higher than average inflows in 1Q21 were used to replenish the water reserves in the reservoir
- Cash flow from operating activities down in 1Q21 by 53.0% y-o-y, primarily reflecting the advance payment of the tariff subsidy for residential customers by the Government at the end of 2020 for the period of Jan-Feb 2021

INCOME STATEMENT HIGHLIGHTS

The 22.2% y-o-y increase in 1Q21 revenues was driven by a 22.7% increase in water sales revenue on the back of the tariff revision by the regulator for the 2021-2023 regulatory period. The per cubic meter tariffs in Tbilisi have increased from GEL 0.3 to GEL 0.5 for residential customers and from GEL 4.4 to GEL 6.5 for legal entities compared to the previous 3-year regulatory period. The tariff increase translates into an annual growth of 36.3%[32] in allowed water revenue for the entire water utility business in the 2021-2023 regulatory period, effective from 1 January 2021. 1Q21 water sales volume to commercial customers were down by 13.4% y-o-y, reflecting the effect of COVID-19 and related decrease in business activities.

1Q21 water inflows to Zhinvali HPP reservoir increased by 8.8% y-o-y and water levels reached 770 m.a.s.l. (meters above sea level), translating into 12.1% y-o-y growth of water volume (m^3). Water inflows continued to increase in April and May and as at

[30] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[31] 1Q21 cash flow reflects advance tariff subsidy payment by the Government at the end of 2020 for the period of Jan-Feb 2021
[32] The tariff increase translates into the annual growth of approximately 38% in allowed water revenues of Georgian Water and Power LLC (GWP) in the three-year regulatory period effective from 1 January 2021

13-May-21, water levels reached 803 m.a.s.l., translating into water volume (m^3) being up 160.3% on y-o-y basis. At the same time, water level in reservoir is now approaching the maximum possible level of 810 m.a.s.l. (maximum capacity of 500 million m^3), which allows for more smooth electricity generation during the rest of 2021. However, revenue from energy sales decreased 8.0% y-o-y, as at the beginning of 1Q21, the water levels in the reservoir were relatively low due to the exceptionally unfavourable hydrological conditions throughout the preceding year. Operating expenses were up 15.5% y-o-y to GEL 16.4 million in 1Q21, mainly reflecting higher electricity and transmission tariffs, which were fully embedded in the new tariffs set by the regulator. As a result of the developments described above, 1Q21 EBITDA amounted to GEL 20.5 million, up by 32.4% y-o-y.

Net interest expense was up by 15.2% y-o-y to GEL 9.4 million in 1Q21. The increase mainly reflects the local currency depreciation, which was partially offset by US$ linked energy sales, creating the natural cash flow hedge against the GEL devaluation. Foreign exchange losses amounted to GEL 18.2 million (up 5.2% y-o-y), and as a result, the 1Q21 net loss amounted to GEL 16.5 million (loss of GEL 18.5 million in 1Q20).

CASH FLOW HIGHLIGHTS

1Q21 operating cash flow was down by 53.0% y-o-y to GEL 8.4 million, mainly due to GEL 4.0 million advance payment of Government subsidy for the Jan-Feb 2021 period, received in December 2020. The subsidy was implemented in 2020 to assist residential customers with the utility bills during the pandemic. If normilised for the timing discrepancy of a) the advanced subsidy payment and b) revenue recognition and cash collection, by applying new tariffs on cash receipts in January 2021, 1Q21 operating cash flow would have been GEL 15.7 million, down 11.7% y-o-y. 1Q21 development capex was down by 13.0% to GEL 11.6 million, reflecting prudent planning of capital investments and prioritising cash preservation during the pandemic-related uncertainty. Cash outflow from financing activities amounted to GEL 18.4m in 1Q21, mainly comprising of the green bond coupon payment made in January 2021. As a result, Water Utility's cash balance stood at GEL 37.1 million as of 31-Mar-21, down 33.3% q-o-q.

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 29% market share in property and casualty insurance based on gross premiums as of 31-Dec-20. P&C also offers a variety of non-property and casualty products such as life insurance. GHG is the one the country's largest private medical insurers, with a 25.2% market share based on 4Q20 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. Following the GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 100% in the insurance business.

1Q21 performance (GEL '000), Insurance (P&C and Medical)[33]

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Earned premiums, net	**35,978**	**35,551**	**1.2%**
Of which, P&C Insurance	18,707	17,483	7.0%
Of which, Medical Insurance	17,271	18,068	-4.4%
Net underwriting profit	**10,309**	**9,819**	**5.0%**
Of which, P&C Insurance	7,199	6,817	5.6%
Of which, Medical Insurance	3,110	3,002	3.6%
Net profit	**5,404**	**3,935**	**37.3%**
Of which, P&C Insurance	4,174	3,275	27.5%
Of which, Medical Insurance	1,230	660	86.4%
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	**8,441**	**10,848**	**-22.2%**
Of which, P&C Insurance	7,290	9,004	-19.0%
Of which, Medical Insurance	1,151	1,844	-37.6%
Free cash flow	**7,998**	**10,211**	**-21.7%**
Of which, P&C Insurance	6,878	8,442	-18.5%
Of which, Medical Insurance	1,120	1,769	-36.7%
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	**281,294**	**257,887**	**9.1%**
Of which, P&C Insurance	178,342	176,479	1.1%
Of which, Medical Insurance	102,952	81,408	26.5%
Total equity	**104,643**	**101,507**	**3.1%**
Of which, P&C Insurance	73,433	69,443	5.7%
Of which, Medical Insurance	31,210	32,064	-2.7%

TOTAL INSURANCE BUSINESS HIGHLIGHTS

P&C and medical insurance have a broadly equal share in total revenues, while P&C had a 77% share in total net profit in 1Q21 (83% in 1Q20). The loss ratio was down by 1.3ppts y-o-y to 63.2% and the expense ratio was down by 1.3ppts y-o-y to 26.5%,

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

translating into the combined ratio of 89.7% in 1Q21 (down 2.6ppts y-o-y). Net profit was up 37.3% y-o-y to GEL 5.4 million in 1Q21. As a result, ROAE was 21.1% in 1Q21 (17.3% in 1Q20).

Discussion of results, P&C Insurance

KEY POINTS / VALUATION DRIVERS

- 1Q21 combined ratio down 3.6 ppts to 83.9%
- Net premiums written up by 26.5% y-o-y to GEL 21.3 million in 1Q21
- Net profit up by 27.5% y-o-y to GEL 4.2 million in 1Q21

INCOME STATEMENT HIGHLIGHTS

1Q21 revenues increased by 7.0% y-o-y to GEL 18.7 million, mainly driven by the increase in the motor insurance line (excluding compulsory border third-party liability (MTPL) insurance) by GEL 0.9 million, of which GEL 0.7 million increase is attributable to government-related tenders, while the remaining growth resulted from a boost in the retail client portfolio. An increase in credit life insurance revenue by GEL 0.8 million y-o-y was a second contributor to the overall increase in 1Q21 revenue. Due to restrictions imposed on travelling, net premiums earned from border MTPL were down by GEL 0.4 million y-o-y in 1Q21. Overall, despite COVID-19 and changes in customer spending habits, net premiums written across a portfolio through direct sales channels are up by 24.9% y-o-y in 1Q21. Likewise, net premiums written from partnership agreements with local financial institutions are up by 37.0% y-o-y. At 31-Mar-21, the distribution mix in gross premiums written is as follows: various direct sales channels and brokers have a majority share of 68% (71% in 1Q20), followed by partnership agreements with financial institutions of 30% (26% in 1Q20) and MTPL channels of 2% (3% in 1Q20).

P&C Insurance's key performance ratios for 1Q21 are as noted below:

Key Ratios	1Q21	1Q20	Change
Combined ratio	83.9%	87.5%	*-3.6 ppts*
Expense ratio	34.3%	38.8%	*-4.5 ppts*
Loss ratio	49.6%	48.7%	*0.9 ppts*
ROAE	23.8%	20.6%	*3.2 ppts*

The 0.9 ppts y-o-y increase in loss ratio is mainly resulted from the increased volume of the motor claims in the 1Q21. The 4.5 ppts y-o-y decrease in the 1Q21 expense ratio reflects lower operating expenses due to the cost-saving initiatives in light of COVID-19. As a result, P&C Insurance's net profit was up by 27.5% to GEL 4.2 million in 1Q21. The ROAE was 23.8% in 1Q21 and 20.6% in 1Q20, reflecting the solid performance of the business.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

P&C Insurance's solvency ratio was 167% as of 31 March 2021, comfortably above the required minimum of 100%. Cash inflows from insurance premiums were up by 8.4 million y-o-y in 1Q21. However, overall operating cash flow was down by 19.0% y-o-y to GEL 7.3 million. The decline is mainly driven by the time gap between reimbursement of a large property claim by the reinsurer during 1Q20 and settlement of the underlying claim in 2Q20, which translates into decreased cash proceeds from reinsurers in 1Q21.

Discussion of results, Medical Insurance

KEY POINTS / VALUATION DRIVERS

- Loss ratio down 1.9 ppts y-o-y to 77.9% in 1Q21
- Insurance renewal rate at 71.5% in 1Q21 (65.3% in 1Q20)
- Net profit GEL 1.2 million (up 86.4 % y-o-y) in 1Q21
- The number of insured clients c.172,000 as of 31-Mar-21 (c.178,000 as of 31-Mar-20)

INCOME STATEMENT HIGHLIGHTS

A 4.4% y-o-y decline in 1Q21 revenues reflects the slight decrease in the number of insured clients (down c.6,000 y-o-y) as well as the expiry of the Ministry of Defence (MOD) 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	1Q21	1Q20	Change
Total claims retained within the GHG	35.9%	40.0%	-4.1ppts
Total claims retained in outpatient	39.0%	42.1%	-3.1ppts

The decrease in total claims retained within the Group is mainly due to the expiry of the Ministry of Defence contract, which had a higher retention rate.

In 1Q21, the net claims expense was GEL 13.5 million (down 6.7% y-o-y), of which GEL 5.6 million (41.8% of the total) was inpatient, GEL 4.9 million (36.4% of total) was outpatient and GEL 3.0 million (21.8% of total) was related to drugs. The loss ratio remained well-controlled, with a slight improvement of 1.9 ppts in 1Q21 y-o-y (from 79.8% to 77.9%).

Salary and other employee benefits increased by 18.3% y-o-y to GEL 1.5 million in 1Q21 due to the accrual of performance-based annual bonuses, translating into a 1.0 ppts increase in expense ratio y-o-y, to 18.0%.

As a result of the above developments, the combined ratio improved by 1.0 ppts to 95.9% for the quarter and the business posted a net profit of GEL 1.2 million in 1Q21 (up 86.4% y-o-y).

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

The Cash and cash equivalents balance was up 1.2% from 31-Dec-20 to GEL 25.4 million. The decline in 1Q21 operating cash flow reflects a significant prepayment (c. GEL 1.9 million) of a one month service fee by a large client at end of 2020.

INVESTMENT STAGE PORTFOLIO COMPANIES

Discussion of Renewable Energy Business Results

The Renewable energy business operates three wholly-owned commissioned renewable assets: 50MW Mestiachala HPP[34], 20MW Hydrolea HPPs and 21MW Qartli wind farm. In addition, a pipeline of up to 172MW renewable energy projects is in an advanced stage of development. The renewable energy business is 100% owned by Georgia Capital through JSC Georgia Global Utilities, the holding company of GCAP's water utility business and operational renewable energy assets.

1Q21 performance (GEL '000), Renewable Energy[35]

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q2O	Change
Revenue	**6,534**	**6,640**	**-1.6%**
Operating expenses	(2,852)	(2,098)	35.9%
EBITDA	**3,682**	**4,542**	**-18.9%**
EBITDA margin	*56.4%*	*68.4%*	*-12.0ppts*
Net loss	**(6,122)**	**(4,182)**	**46.4%**
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities	**1,721**	**6,907**	**-75.1%**
Cash flow from/used in investing activities	**(11,874)**	**(10,341)**	**14.8%**
Cash flow used in/from financing activities	**(14,778)**	**(7,750)**	**90.7%**
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	**488,177**	**482,986**	**1.1%**
Of which, cash balance	*43,545*	*66,821*	*-34.8%*
Total liabilities	**333,883**	**326,252**	**2.3%**
Of which, borrowings	*325,313*	*318,269*	*2.2%*
Total equity	**154,294**	**156,734**	**-1.6%**
Total equity attributable to GCAP	**154,267**	**157,454**	**-2.0%**

KEY POINTS / VALUATION DRIVERS

- 1Q21 revenue remained largely flat at GEL 6.5 million (GEL 6.6 million in 1Q20, down 1.6% y-o-y) and was fully covered by the PPAs
- 1Q21 EBITDA down by 18.9% y-o-y to GEL 3.6 million, mainly reflecting a one-off transaction and adjustment in the accounting treatment
- 1Q21 operating cash flow down 75.1% y-o-y, as a result of GEL 5.0 million one-off proceeds received from business interruption (BI) reimbursement in 1Q20 for 2019 revenues of 50MW Mestiachala HPPs
- GEL 4.7 million dividends paid in 1Q21

INCOME STATEMENT HIGHLIGHTS

The renewable energy business remained fully resilient to the pandemic, as the electricity sales during 1Q21 were fully covered by long-term fixed-price power purchase agreements (PPAs) formed with a Government-backed entity. 1Q21 revenue was slightly down by 1.6% y-o-y to GEL 6.5 million, reflecting a 5.6% y-o-y decrease in total electricity generations.

[34] 20MW Mestiachala HPP was flooded and taken offline in late July 2019. The restoration process is on-going.
[35] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

- The 21MW Qartli wind farm's contribution to 1Q21 revenues was GEL 4.3 million (down by 5.8% y-o-y), reflecting 19.8 GWh electricity generation (down by 15.5% y-o-y).
- Revenue from 20MW Hydrolea HPPs increased by 26.0% y-o-y and added GEL 2.0 million to 1Q21 revenues. The increase was driven by a 15.6% higher generation level (of 10.6 GWh) in 1Q21, as Akhmeta HPP was recommissioned in mid-July 2020, after having been taken offline for the planned rehabilitation works during Jan-July 2020.
- 1Q21 revenue from the 30MW Mestiachala HPP was GEL 0.2m (up by 47.6%[36] y-o-y), corresponding to 1.3 GWh electricity generation (up by 35.2% y-o-y). The first quarter is generally characterised by the low level of generation (c. 3% of annual generation), as the generation levels peak seasonally during the second and third quarters of the year. On the 20MW Mestiachala HPP unit, the restoration process is still ongoing.

1Q21 operating expenses increased by 35.9% y-o-y to GEL 2.9 million. The increase mainly reflects one-off consultancy fees incurred in 1Q21 related to the green bonds. An adjustment in the accounting treatment of operation and maintenance cost (which was timing-related and will not have an effect on full-year numbers) for Qartli wind farm also contributed to the increase. As a result, 1Q21 EBITDA was down by 18.9% y-o-y to GEL 3.7 million.

Borrowings increased in GEL terms by 2.2% to GEL 325.3 million as of 31-Mar-21, compared to Dec-20, mainly driven by local currency depreciation. However, electricity sales are fully in US dollars, creating a natural cash flow hedge against the foreign exchange rate fluctuations. The business recorded GEL 5.8 million net interest expense in 1Q21 (GEL 5.6 million in 1Q20). As a result, the net loss amounted to GEL 6.1 million (loss of GEL 4.2 million in 1Q20).

CASH FLOW HIGHLIGHTS

1Q21 operating cash flow amounted to GEL 1.7 million, down by 75.1% y-o-y. The decrease resulted mainly from the GEL 5.0 million one-off proceeds received from business interruption reimbursement in 1Q20 for 2019 revenues of 50MW Mestiachala HPPs. 1Q21 cash outflow from investing activities was GEL 11.9 million, up by 14.8% y-o-y. The increase in outflow was mainly driven by optimised allocation of cash to short-term financial securities and investments in the development of pipeline HPPs (Darchi and Zoti), in line with GCAP's capital allocation programme. 1Q21 cash outflow from financing activities amounted to GEL 14.8 million (up from GEL 7.8 million in1Q20). The increase was due to the change of debt payment schedules, reflecting the full refinancing of outstanding debt from the proceeds of the Jul-20 green bond issuance. The business distributed GEL 4.7 million dividends to Georgia Capital in 1Q21. As a result, the cash balance of the renewable energy business amounted to GEL 43.5 million as of 31-March-21.

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[37]), a leading player in the affordable education segment.

As one of the measures taken by the Government against the pandemic, the distance learning period in 1Q21 increased to 1.5 months, compared to 1 month in 1Q20. To mitigate the impact of distance learning on academic and social life, our schools responded to this change with a modified academic calendar which translated into a slight decline of the operating results in 1Q21. To provide a stable basis for a year over year comparison, the impact of the difference in the distance learning periods is quantified and described below in this section.

1Q21 performance (GEL '000), Education

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Revenue	**7,436**	**7,696**	**-3.4%**
Operating expenses	(4,688)	(4,697)	-0.2%
EBITDA	**2,748**	**2,999**	**-8.4%**
EBITDA Margin	*37.0%*	*39.0%*	*-2.0ppts*
Net profit/(loss)	**1,413**	**(793)**	**NMF**
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	1,576	(200)	NMF
Net cash flows from investing activities	(6,768)	(2,062)	NMF
Net cash flows from financing activities	5,713	459	NMF
BALANCE SHEET HIGHLIGHTS	**31-Mar-21**	**31-Dec-20**	**Change**
Total assets	**117,436**	**110,541**	**6.2%**
Of which, cash	7,117	6,399	11.2%
Total liabilities	**50,860**	**53,396**	**-4.7%**
Of which, borrowings	24,446	24,947	-2.0%
Total equity	**66,576**	**57,145**	**16.5%**
Total equity attributable to GCAP	**61,793**	**53,553**	**15.4%**

[36] Excludes business interruption (BI) accrual of GEL 0.3 million in 1Q20

[37] 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under Green School brand.

KEY POINTS / VALUATION DRIVERS

- Revenue and EBITDA down 3.4% and 8.4% y-o-y in 1Q21, reflecting the modification of the academic calendar in a way that a higher portion of the revenue will be recognised in subsequent quarters compared to the last year
- Number of learners, excluding Preschool and Kindergarten learners[38], was up 1.9% y-o-y to 2,421 as of 31-Mar-21. The total number of learners was slightly down by 0.6% y-o-y to 2,554 learners as of 31-Mar-21
- Cash collection rates rebounding to pre-COVID levels (at 91.0%), translated into an operating cash flow of GEL 1.6 million in 1Q21
- GEL 7.0 million investment in affordable and mid-scale segments, in line with GCAP's capital allocation programme

INCOME STATEMENT HIGHLIGHTS

In light of the COVID-19, the distance learning period increased from 1 month in 1Q20 to 1.5 months in 1Q21. Given the epidemiological environment in Georgia, learning resumed on campus premises from mid-February 2021. During the distance learning period, schools offered 15-25% discounts for tuition fees and roll-over of fees for transportation/catering services. To mitigate the impact of distance learning on academic and social life, the schools modified the academic calendar by shifting academic days to spring 2021 with the expectation to resume on-campus learning by then. The modification led to a 10.4% y-o-y decrease in the number of academic days in 1Q21. Consequently, the revenue was down 3.4% y-o-y to GEL 7.4 million in 1Q21. However, the unearned revenues reflected by the reduced number of academic days in 1Q21 will be recognised in the subsequent quarters. For like-for-like comparison, revenue adjusted for the modification of the academic calendar increased by 7.0% y-o-y in 1Q21, reflecting an 11.5% y-o-y increase in average tuition revenue per learner and strong intakes.

Tuition fees usually increase via contract renewals in line with grade level progression for existing learners, while announced intake fees for new enrolments are also subject to upward revisions usually every 1-3 years depending on the segment. The intakes remained strong for all grades other than Preschool and Kindergarten, with a c.86% utilisation rate for 1st graders in the 2020-2021 academic year. The COVID-19 lockdown and distance learning does not allow schools to provide most of the services offered to Kindergarten and Preschool learners. However, in general, these learners pay the lowest tuition fees. Overall, the total number of learners was down 0.6% y-o-y to 2,554 learners at 31-Mar-21, while the total number of learners adjusted to exclude Preschool and Kindergarten learners was up 1.9% y-o-y to 2,421 learners at 31-Mar-21. The combined school capacity utilisation also remained largely at last year's level with a minor decrease of 0.6 ppts y-o-y to 90.9%, as follows: down to 88.0% and 308 learners in BIST (89.7% and 314 learners as of 31-Mar-20); down to 96.0% and 432 learners in BGA (99.3% and 447 learners as of 31-Mar-20); down to 89.7% and 682 learners in Buckswood (90.1% and 685 learners as of 31-Mar-20); up to 90.6% and 1,132 learners in Green School (89.9% and 1,124 learners as of 31-Mar-20).

The schools continued their cost optimisation initiatives in light of COVID-19. Foreign currency denominated salaries were negatively affected by local currency depreciation. The modified academic calendar with fewer learning days in 1Q21 compared to 1Q20 and flat operating expenses led to an 8.4% y-o-y decrease in EBITDA to GEL 2.8 million (down from GEL 3.0 million in 1Q20), with EBITDA margin at 37.0% in 1Q21. However, adjusting for the modification of the academic calendar for like-for-like comparison, EBITDA was up by 14.8% y-o-y in 1Q21 with the margin improvement of c. 2.8ppts from 39.0% in 1Q20 to c.41.8% in 1Q21.

Overall, the business posted GEL 1.4 million net income in 1Q21 (up from GEL 0.8 million net loss in 1Q20), reflecting significantly less foreign currency exchange losses y-o-y in 1Q21.

CASH FLOW HIGHLIGHTS

The education business generated GEL 1.6 million operating cash flow in 1Q21, up by GEL 1.8 million y-o-y. The schools managed to collect extended payments for the 2020-2021 academic year and initiated cash collection for the 2021-2022 academic year in 1Q21. Overall, the combined cash collection rate for 2020-2021 tuition fees stood at 91.0% (94.5% at 31-Mar-20), which was in line with the schools' cash collection policies.

GEL 6.8 million cash outflow from investing activities in 1Q21 reflects the capacity expansion of the existing campus of Buckswood (mid-scale segment) by 240 learners and a GEL 5.0 million acquisition of land and building for the new campus location of Green School (affordable segment). Enrolments are already in progress, while the school is expected to become operational from the next academic year, i.e. starting from September 2021.

[38] Distance learning services are mostly inapplicable for Kindergarten and Preschool learners

Discussion of Other Portfolio Results

The five businesses in our "other" private portfolio are Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Services and Digital Services. They had a combined value of GEL 236.2 million at 31-Mar-21, which represented only 8.1% of our total portfolio.

1Q21 aggregated performance highlights (GEL '000), Other Portfolio

	1Q21	1Q20	Change
Revenue	75,131	65,150	15.3%
EBITDA	8,725	761	NMF
Net cash flows from operating activities	4,818	9,694	-50.3%

Aggregated revenue improved significantly, up 15.3% y-o-y to GEL 75.1 million in 1Q21. The growth was led by a solid performance of the housing, beverages and auto services businesses, with respective revenue growth of 21.4%, 9.2% and 43.3% y-o-y in 1Q21. The share of these businesses in the aggregated revenue of the other portfolio in 1Q21 stood at 47.1% for housing development, 31.5% for beverages, and 15.7% for auto services businesses. Consequently, aggregated EBITDA was up to GEL 8.7 million in 1Q21 from GEL 0.8 million in 1Q20. Net cash flow from operating activities was down to GEL 4.8 million in 1Q21, mainly resulting from the negative net cash flows from the housing development business, which was partially offset by a solid net operating cash flow growth of the beverages businesses.

- **Housing Development** | Revenue up 21.4% y-o-y to GEL 35.4 million and EBITDA up 79.6% y-o-y to GEL 4.3 million, mainly reflecting an increased number of ongoing residential projects in 2021 with c.21,000 sq.m of apartments sold in 1Q21. Operating cash flow was negative GEL 4.8 million in 1Q21 (down by GEL 15.4 million from 1Q20), led by lower cash collections due to the higher inhouse sales of the apartments.
- **Hospitality and Commercial Real Estate** | Despite the revenue reduction by 28.0% to GEL 3.8 million, 1Q21 EBITDA increased by GEL 1.3 million y-o-y, mainly due to the significant savings in operating expenses, down by GEL 1.0 million.
- **Beverages** | The beverages business combines three business lines: a wine business, a beer business, and a distribution business.
    - **Wine business** | The wine business demonstrated outstanding performance, with a 41.6% growth in net revenue (GEL 9.8 million in 1Q21). The number of bottles sold was up 48.0% y-o-y, while the export share in total sales increased by 6.3ppts to 92.6% in 1Q21. Consequently, EBITDA increased by GEL 1.8 million y-o-y to GEL 2.1 million in 1Q21. The net operating cash flow of the business demonstrated outstanding growth, up from GEL 2.6 million in 1Q20 to GEL 9.1 million in 1Q21.
    - **Beer business** | The net revenue of the beer business, including distribution, decreased by 6.4% to GEL 14.5 million in 1Q21. Beer sales (in hectolitre) were down 7.2%, reflecting the decreased local demand due to the COVID-19 restriction. The average price per litre in GEL was up by 12.1% y-o-y in 1Q21. Driven by improved gross profit margin and cost-saving initiatives, 1Q21 EBITDA stood at negative 1.1 million, up by GEL 0.7 million from 1Q20.
- **Auto Service** | The auto service business includes a periodic technical inspection (PTI) business, a car services and parts business under the Amboli brand and a secondary car trading business.
    - **Periodic technical inspection (PTI) business** | PTI business demonstrated a solid performance with a 73.7% y-o-y revenue growth to GEL 4.6 million. The total number of cars serviced increased by 54.6% y-o-y to c.107,000 in 1Q21 of which, c.80,000 was attributable to the primary checks (up 64.9% y-o-y) and c.27,000 to the rechecks (up 30.8% y-o-y). As a result, the EBITDA of the PTI business was up by GEL 2.3 million to GEL 2.6 million, with an EBITDA margin growth of 44.3 ppts to 57.3% in 1Q21 on y-o-y basis.
    - **Car services and parts business (Amboli)** | In 1Q21, Amboli's revenue was up by 91.1% to GEL 5.1 million y-o-y, on the back of the increase in corporate and wholesale customer segments. Similarly, the 1Q21 gross profit margin of 23.2% was up by 3.5 ppts y-o-y, driven by the improvements in the product mix. As a result, the business posted GEL 0.2 million EBITDA in 1Q21.

BASIS OF PRESENTATION

This announcement contains unaudited financial results presented in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2020 reporting. The financial results are unaudited and derived from management accounts.

Under IFRS 10, Georgia Capital PLC meets the "investment entity" definition. For more details about the bases of preparation please refer to page 97 in Georgia Capital PLC 2020 Annual report.

The presentation of the Income Statement (Adjusted) and some of the information under the NAV Statement should be considered to be Alternative Performance Measures (APM).

GLOSSARY

1. **APM** – Alternative Performance Measure.
2. **GCAP** refers to the aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts.
3. **Georgia Capital** and "the Group" refer to Georgia Capital PLC and its portfolio companies as a whole.
4. **NMF** – Not meaningful.
5. **NAV** – Net Asset Value, represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
6. **LTM** – last twelve months.
7. **EBITDA** - Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation; The Group has presented these figures in this document because management uses EBITDA as a tool to measure the Group's operational performance and the profitability of its operations. The Group considers EBITDA to be an important indicator of its representative recurring operations.
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.
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 at GCAP level.
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 realised sales (if any) and c) dividend income during period. We then adjust the net result to remove capital injections (if any) to arrive at the total value creation / investment return.
17. **WPP** – Wind power plant.
18. **HPP** – Hydro power plant.
19. **PPA** – Power purchase agreement.
20. **Number of shares outstanding** – Number of shares in issue less total unawarded shares in JSC GCAP's management trust.

ABOUT GEORGIA CAPITAL PLC

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

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

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 Georgia Capital PLC's Annual Report and Accounts 2020. 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

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Share price information
Shareholders can access both the latest and historical prices via the website
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