FINANCIAL PERFORMANCE HIGHLIGHTS (IFRS)[1]

GEL '000, unless otherwise noted *(Unaudited)*	Jun-21	Mar-21	Change	Dec-20	Change	
Georgia Capital NAV overview						
NAV per share, GEL	54.48	46.80	16.4%	48.12	13.2%	
Net Asset Value (NAV)	2,537,536	2,166,091	17.1%	2,212,292	14.7%	
Total portfolio value	3,247,326	2,921,722	11.1%	2,907,688	11.7%	
Liquid assets and loans issued	442,088	467,388	-5.4%	284,272	55.5%	
Net debt	(714,065)	(760,081)	-6.1%	(697,999)	2.3%	
Georgia Capital Performance	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Total portfolio value creation	331,912	21,662	NMF	340,449	(482,736)	NMF
of which, listed businesses	*70,288*	*70,002*	0.4%	*43,836*	*(297,745)*	NMF
of which, private businesses	*261,624*	*(48,340)*	NMF	*296,613*	*(184,991)*	NMF
large portfolio companies	*218,776*	*10,110*	NMF	*230,090*	*(65,616)*	NMF
investment stage portfolio companies	*37,247*	*57,067*	-34.7%	*40,310*	*61,994*	-35.0%
other portfolio companies	*5,601*	*(115,517)*	NMF	*26,213*	*(181,369)*	NMF
Investments	2,387	204	NMF	10,588	55,989	-81.1%
Dividend income	9,691	-	NMF	14,430	4,927	NMF
Net income	368,139	52,143	NMF	323,295	(564,840)	NMF
Private portfolio companies' performance[1]	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Large portfolio companies						
Revenue	393,382	263,024	49.6%	730,188	576,910	26.6%
EBITDA	86,194	43,785	96.9%	147,858	96,770	52.8%
Net operating cash flow	58,695	53,453	9.8%	81,998	126,691	-35.3%
Investment stage portfolio companies						
Revenue	22,701	18,494	22.7%	36,672	32,841	11.7%
EBITDA	14,921	11,692	27.6%	21,350	19,267	10.8%
Net operating cash flow	14,293	15,883	-10.0%	17,592	22,611	-22.2%
Total portfolio[2]						
Revenue	501,712	345,358	45.3%	916,779	724,488	26.5%
EBITDA	114,243	60,399	89.1%	188,881	119,257	58.4%
Net operating cash flow	80,396	90,522	-11.2%	111,598	178,041	-37.3%

KEY POINTS

- NAV per share (GEL) up 16.4% in 2Q21 (up 13.2% in 1H21), reflecting robust underlying operating performance across our private portfolio, a 22.2% increase in the BoG share price and GEL's appreciation against the US Dollar
- NAV per share (GBP) up 24.9% in 2Q21 (up 15.2% in 1H21), benefiting from GEL's appreciation against GBP during the first half of 2021
- Our private portfolio companies delivered outstanding quarterly results in 2Q21:
  - Aggregated quarterly revenues exceeded GEL 500 million level for the first time (up 45.3% y-o-y in 2Q21 and up 42.2% compared to 2Q19; up 26.5% y-o-y in 1H21 and up 37.1% compared to 1H19)
  - Record aggregated quarterly EBITDA of GEL 114 million (up 89.1% y-o-y in 2Q21 and up 84.1% compared to 2Q19; up 58.4% y-o-y in 1H21 and up 63.8% compared to 1H19)
- Aggregated y-o-y net operating cash flow down 11.2% in 2Q21 and down 37.3% in 1H21 (up 47.2% and up 22.7%, respectively, compared to pre-pandemic, 2019 levels) reflecting a continued organic transition to revenue growth strategy from the previously adopted cash preservation strategy
- GEL 9.7 million dividends collected from the private portfolio companies in 2Q21 (GEL 14.4 million in 1H21)
- Divestment of US$35 million commercial real estate properties at 15.4% premium (US$ 4.7 million) to 31 March 2021 book values completed during June-August 2021, demonstrating steady progress on our strategic priorities
- Commencement of US$ 10 million share buyback and cancellation program, in line with our capital allocation framework

Conference call: An investor/analyst conference call will be held on 10 August 2021, at 14:00 UK / 15:00 CET / 9:00 US Eastern Time. Please click the link to join the webinar: WEBINAR LINK, webinar ID: 876 0503 3792, passcode: 569778. 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 26. 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 pages 23-24) 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

Over the past few months, there have been a number of positive developments in the economic and business environment in Georgia. Pandemic-related lockdown restrictions have been lifted, and the challenges from the emergence of the new variants are being addressed with the accelerated vaccination process. With more than 25,000 daily vaccinations currently taking place (up 6x from the June daily average), the government is now on track to meet its target of vaccinating 60% of the adult population before the end of 2021, while the healthcare system continues to cope well with the increased number of cases. International borders, including land borders, have been fully reopened, supporting a gradual and consistent economic recovery. This has allowed many different businesses to resume operations either at full or near-full capacity for the first time since the start of the pandemic. The economic recovery has supported the excellent operating performances across our high-quality and defensive portfolio companies, which has enabled Georgia Capital to deliver substantial progress and value creation.

NAV per share increased by 16.4% to GEL 54.48 in 2Q21 (up 13.2% in 1H21). A number of factors drove the strong 2Q21 NAV per share growth: robust value creation across the private portfolio (+12.1 ppts impact); BoG's share price increase (+3.3 ppts impact); Georgian Lari's 8.0% appreciation against the US Dollar (+2.7 ppts impact); slightly offset by management platform-related costs and net interest expense (-1.1 ppts impact). The 13.2% increase in NAV per share (GEL) in 1H21 similarly reflects strong value creation across our portfolio, partially supported by local currency appreciation. NAV per share growth was even stronger in GBP terms, up by 24.9% in 2Q21 (up 15.2% in 1H21).

Our private portfolio companies continued to deliver superior operating performance. The aggregated revenues of our private portfolio companies during 2Q21 totalled GEL 502 million, a 45% year-over-year growth and a 42% growth over the equivalent, pre-pandemic, 2019 period. The aggregated EBITDA growth was even higher during 2Q21, up 89% y-o-y and up 84% compared to the pre-pandemic 2019 period. On a half-yearly basis, 1H21 aggregated revenues of our private portfolio companies increased 27% y-o-y (and were up 37% over the equivalent, pre-pandemic, 2019 period), while the aggregated y-o-y EBITDA growth was 58% in 1H21 (up 64% compared to 1H19).

1) *Within our large portfolio companies (64% of portfolio value),* Healthcare services and Water Utility both reported triple-digit EBITDA growth in 2Q21, up by 253% and 153% y-o-y, respectively (a 43% and 55% growth over the comparable 2019 period). Increased demand for elective services following the removal of pandemic-related restrictions has translated into a more than doubling of admissions in the hospitals and clinics of our healthcare services business. The growth in the water utility business reflects a combination of revised tariffs, increased water consumption levels, and higher electricity sales volumes (the latter supported by strong water inflows into the Zhinvali reservoir). In our retail (pharmacy) business, the overall improvement in economic activity also positively impacted performance and, together with the continuing expansion of the pharmacy chain, delivered 2Q21 revenues that were up 38% y-o-y (up 33% compared to 2Q19) and a 34% y-o-y increase in EBITDA (up 31% compared to 2Q19). The Insurance business, benefiting from rebounding demand, also delivered double-digit revenue growth in 2Q21, up by 15% y-o-y (up 3% compared to 2Q19), however higher mobility led to increased motor and life insurance claims and, as a result, the net profit of the business decreased by 37% y-o-y (down 13% compared to 2Q19).

2) *Our investment stage portfolio companies (11% of portfolio value)* also demonstrated strong performances in 2Q21. Revenue and EBITDA in our education business increased by 41% and 74% respectively, y-o-y in 2Q21, reflecting an 18.4% y-o-y growth in average tuition revenue per learner and higher capacity utilisation, further aided by fewer distance learning days during the quarter. Higher generation levels led to Renewable Energy posting a 14% y-o-y increase in revenues and a 17% y-o-y increase in EBITDA in 2Q21.

3) *Other businesses (7% of portfolio value)* also demonstrated solid performance and delivered a 34% y-o-y increase in revenues and a three-fold y-o-y increase in EBITDA in 2Q21.

Aggregated net operating cash flow was down 11.2% and 37.3% y-o-y in 2Q21 and 1H21, respectively, reflecting increased working capital investments as our businesses are in transition from the cash accumulation and preservation strategy, implemented in 2020 as our response to the pandemic, to the current growth-focused phase. Compared to the pre-pandemic 2019 period, aggregated net operating cash flow was up 47.2% and 22.7% in 2Q21 and 1H21, respectively.

Sale of US$ 35 million commercial real estate assets. During June-August 2021 period, we successfully completed the sale to a combination of local and regional investors of selected commercial real estate assets for US$ 35 million with a 15.4% premium (US$ 4.7 million) to their book value as of 31-Mar-21. While the cash proceeds from the sales will appear within 3Q21 results, the realised premium is already reflected in our 2Q21 NAV. The transaction marks progress towards our previously announced strategic priority to divest, over the next few years, subscale portfolio companies which do not have the potential to reach GEL 500 million equity value. The proceeds from the sale will be used to repay the existing US$ 30 million bonds issued by the commercial real estate business and maturing on 31 December 2021.

From the **macroeconomic perspective**, Fitch Ratings revised Georgia's outlook to stable from negative and affirmed the Issuer Default Rating (IDR) at BB. Credible policy framework, strong international support, increased external buffers despite the higher financing needs and surprising post-COVID recovery were the major drivers behind the revision. The Georgian economy's recovery has significantly accelerated in recent months. Preliminary economic growth was 12.7% y-o-y in the first half of 2021 and 29.8% y-o-y during 2Q21 (12.6% compared to 2Q19). The recovery was aided by supportive Government policy, improved levels of international trade, strong remittance inflows and a pick-up in tourist arrivals. The International Monetary Fund (IMF) has more than doubled its previous 2021 growth forecast from 3.5% to 7.7%. The medium-run (2022-2026) growth forecast was left unchanged by IMF at 5.4%, which represents one of the highest growth rates in the region. Government debt is expected to decline to 54% of GDP by the end of 2021, from 60% of GDP in 2020, aided by the strong economic recovery and GEL's strengthening. The Georgian Lari began strengthening in mid-May 2021, appreciating by 5.5% compared to the beginning of the year. Recovering FX inflows, tight monetary policy, the increasing interest rate differential between Lari and hard currency loans and deposits, and improving business sentiment all worked well for Lari's performance. The real effective exchange rate (REER) appreciated 7.3% q-o-q and 10.3% YTD as of June 2021. Despite this impressive performance, REER remains below its long-run trend, indicating room for further appreciation potential. Currency appreciation and economic recovery continue to be supported by remittance inflows (up 40.8% y-o-y in 1H21) and merchandise exports (up 25.5% y-o-y in 1H21), while improving tourism revenues reached 36% of the 2019 level in June 2021 (19% in April and 27% in May). Fiscal support remains substantial, although higher than expected growth has allowed the deficit projection to be cut from 7.6% to 6.9% of GDP in 2021. The National Bank of Georgia tightened the refinancing rate by 200 bps to 10.0% in 2021, responding to elevated inflationary expectations. Inflation has been relatively well controlled against the backdrop of global food and commodity price increases and averaged 8.3% in 2Q21 (6.6% in 2Q20), further increasing to 11.9% in July. The inflation rate is expected to remain above target in 2021 and to decline sharply to 2.8% in 2022, according to the IMF.

Resumption of Share Buybacks. Our liquidity levels remain robust, aided by a strong dividend income outlook from our private portfolio companies and also from BoG, which has recently informed the market that there is no longer any regulatory restriction for BoG on making any capital distributions. Meanwhile, the strong growth of our portfolio value has resulted in Loan To Value (LTV) ratio falling below the targeted threshold of 30% and reducing to 27% at 30 June 2021. At the same time, while our share price has continued to recover, the discount to our reported 30 June 2021 NAV per share remains high at c. 50%, which opens up an opportunity to create more significant value through share buybacks compared to new investments. As a result, and in line with our capital allocation philosophy, the Board has approved a $10 million share buyback and cancellation programme, over a twelve-month period, which will be put in place immediately. The shares will be purchased in the open market.

As the pandemic continues to provide new challenges across the globe, I continue to be extremely impressed by the leadership teams of our portfolio companies and how successfully they have handled the ongoing impact of the worldwide crisis. The strong performance of our portfolio companies, on the back of the positive recent economic developments, has allowed continued progress towards capturing business growth opportunities across all our portfolio companies, which were instrumental to our outstanding 2Q21 and 1H21 results. Looking ahead, based on our proven governance, capital discipline, 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, while we will also continue to make progress 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 30-Jun-21 and its income for the second quarter and first half period then ended on an IFRS basis (see "Basis of Presentation" on page 26 below).

Net Asset Value (NAV) Statement

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-Mar-21 and 30-Jun-21). The NAV Statement below breaks down NAV into its components and provides a roll forward of the related changes between the reporting periods.

NAV STATEMENT 2Q21

GEL '000, unless otherwise noted *(Unaudited)*	Mar-21	1. Value creation[3]	2a. Investment	2b. Buyback	2c. Dividend	3.Operating expenses	4. Liquidity/ FX/Other	Jun-21	Change %
Listed Portfolio Companies									
Bank of Georgia (BoG)	505,106	70,288	-	-	-	-	-	575,394	13.9%
Total Listed Portfolio Value	**505,106**	**70,288**	**-**	**-**	**-**	**-**	**-**	**575,394**	**13.9%**
Listed Portfolio value change %		***13.9%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***13.9%***	
Private Portfolio Companies									
Large Companies	**1,870,709**	**218,776**	-	**-**	**(4,959)**	**-**	**250**	**2,084,776**	**11.4%**
Healthcare Services	*605,084*	*80,737*	-	-	-	-	-	*685,821*	*13.3%*
Retail (Pharmacy)	*535,586*	*44,816*	-	-	-	-	-	*580,402*	*8.4%*
Water Utility	*456,880*	*91,100*	-	-	-	-	*250*	*548,230*	*20.0%*
Insurance (P&C and Medical)	*273,159*	*2,123*	-	-	*(4,959)*	-	-	*270,323*	*-1.0%*
Of which, P&C Insurance	*204,618*	*6,692*	-	-	*(4,959)*	-	-	*206,351*	*0.8%*
Of which, Medical Insurance	*68,541*	*(4,569)*	-	-	-	-	-	*63,972*	*-6.7%*
Investment Stage Companies	**309,717**	**37,247**	**2,287**	**-**	**(4,732)**	**-**	**249**	**344,768**	**11.3%**
Renewable Energy	*206,501*	*17,804*	*1,287*	-	*(4,732)*	-	*249*	*221,109*	*7.1%*
Education	*103,216*	*19,443*	*1,000*	-	-	-	-	*123,659*	*19.8%*
Other Companies	**236,190**	**5,601**	**100**	**-**	**-**	**-**	**497**	**242,388**	**2.6%**
Total Private Portfolio Value	**2,416,616**	**261,624**	**2,387**	-	**(9,691)**	-	**996**	**2,671,932**	**10.6%**
Private Portfolio value change %		***10.8%***	***0.1%***	***0.0%***	***-0.4%***	***0.0%***	***0.0%***	***10.6%***	
Total Portfolio Value (1)	**2,921,722**	**331,912**	**2,387**	**-**	**(9,691)**	**-**	**996**	**3,247,326**	**11.1%**
Total Portfolio value change %		***11.4%***	***0.1%***	***0.0%***	***-0.3%***	***0.0%***	***0.0%***	***11.1%***	
Net Debt (2)	**(760,081)**	**-**	**(2,387)**	**(1,487)**	**9,691**	**(5,430)**	**45,629**	**(714,065)**	**-6.1%**
of which, Cash and liquid funds	*339,361*	-	*(2,387)*	*(1,487)*	*9,691*	*(5,430)*	*(55,851)*	*283,897*	*-16.3%*
of which, Loans issued	*128,027*	-	-	-	-	-	*30,164*	*158,191*	*23.6%*
of which, Gross Debt	*(1,227,469)*	-	-	-	-	-	*71,316*	*(1,156,153)*	*-5.8%*
Net other assets/ (liabilities) **(3)**	4,450	-	-	-	-	(3,792)	3,617	4,275	-3.9%
of which, share-based comp.	-	-	-	-	-	*(3,792)*	*3,792*	-	
Net Asset Value (1)+(2)+(3)	**2,166,091**	**331,912**	**-**	**(1,487)**	**-**	**(9,222)**	**50,242**	**2,537,536**	**17.1%**
NAV change %		***15.3%***	***0.0%***	***-0.1%***	***0.0%***	***-0.4%***	***2.3%***	***17.1%***	
Shares outstanding[3]	46,279,963	-	-	(52,453)	-	-	348,434	46,575,944	0.6%
Net Asset Value per share, GEL	**46.80**	**7.18**	**0.00**	**0.03**	**0.00**	**(0.20)**	**0.66**	**54.48**	**16.4%**
NAV per share, GEL change %		***15.3%***	***0.0%***	***0.1%***	***0.0%***	***-0.4%***	***1.4%***	***16.4%***	

NAV per share (GEL) increased by 16.4% in 2Q21, reflecting a) value creation across our private portfolio companies with a positive 12.1% impact on the NAV per share, b) increased valuation of BoG (+3.3% impact), c) GEL's appreciation against USD by 8.0%, resulting in a foreign currency gain of GEL 58.0 million on GCAP net debt (+2.7% impact). The NAV per share growth was slightly offset by management platform related costs and net interest expense with negative 0.4% and 0.7% impact, respectively.

Portfolio overview

Our portfolio value increased by 11.1% to GEL 3.25 billion in 2Q21, reflecting a 10.6% and 13.9% growth in the value of private and listed businesses, respectively. As at 30-Jun-21, the private portfolio value was GEL 2.67 billion (82.3% of total portfolio value), and the listed portfolio value was GEL 575.4 million (17.7% of total). The private portfolio value growth of GEL 325.6 million reflects the net impact of a) GEL 331.9 million value creation, b) investments of GEL 2.4 million predominantly in Education and Renewable Energy, and c) a decrease of GEL 9.7 million due to dividends paid out to GCAP.

[3] Please see definition in glossary on page 26.

1) Value creation

BoG share price during 2Q21 increased by 22.2%, strongly supporting NAV per share growth with GEL 70.3 million value creation. The value creation of GEL 261.6 million on the private portfolio mainly reflects a) a GEL 382.2 million operating performance-related increase in the value of our private assets, which delivered substantially higher aggregated revenues (up 45.3% in 2Q21 and 26.5% in 1H21, y-o-y) and EBITDA (up 89.1% in 2Q21 and 58.4% in 1H21, y-o-y), offset by b) a GEL 120.4 million negative impact from changes in valuation multiples and foreign currency exchange rates.

Enterprise value and equity value development of our businesses in 2Q21 are summarised in the following table

	Enterprise Value (EV)			Equity Value			
GEL '000, unless otherwise noted *(Unaudited)*	30-Jun-21	31-Mar-21	Change %	30-Jun-21	31-Mar-21	Change %	% share in total portfolio
Listed portfolio				**575,394**	**505,106**	**13.9%**	**17.7%**
BoG				575,394	505,106	13.9%	17.7%
Private portfolio	**4,632,745**	**4,481,586**	**3.4%**	**2,671,932**	**2,416,616**	**10.6%**	**82.3%**
Large portfolio companies	**3,104,119**	**2,931,559**	**5.9%**	**2,084,776**	**1,870,709**	**11.4%**	**64.2%**
Healthcare Services	964,045	898,759	7.3%	685,821	605,084	13.3%	21.1%
Retail (pharmacy)	878,013	832,903	5.4%	580,402	535,586	8.4%	17.9%
Water Utility	1,011,491	947,674	6.7%	548,230	456,880	20.0%	16.9%
Insurance (P&C and Medical)	250,570	252,223	-0.7%	270,323	273,159	-1.0%	8.3%
Of which, P&C Insurance	206,351	204,618	0.8%	206,351	204,618	0.8%	6.3%
Of which, Medical Insurance	44,219	47,605	-7.1%	63,972	68,541	-6.7%	2.0%
Investment stage portfolio companies	**650,684**	**630,706**	**3.2%**	**344,768**	**309,717**	**11.3%**	**10.6%**
Renewable Energy	506,860	507,660	-0.2%	221,109	206,501	7.1%	6.8%
Education[4]	143,824	123,046	16.9%	123,659	103,216	19.8%	3.8%
Other	**877,942**	**919,321**	**-4.5%**	**242,388**	**236,190**	**2.6%**	**7.5%**
Total portfolio				**3,247,326**	**2,921,722**	**11.1%**	**100.0%**

The table below summarises value creation drivers in our businesses in 2Q21:

Portfolio Businesses	Operating Performance[5]	Greenfields / buy-outs[6]	Multiple Change and FX[7]	Value Creation
GEL '000, unless otherwise noted *(Unaudited)*	*(1)*	*(2)*	*(3)*	*(1)+(2)+(3)*
Listed				**70,288**
BoG				70,288
Private	**382,165**	**(100)**	**(120,441)**	**261,624**
Large Portfolio Companies	**321,346**	**-**	**(102,570)**	**218,776**
Healthcare Services	*208,972*	-	*(128,235)*	*80,737*
Retail (pharmacy)	*57,014*	-	*(12,198)*	*44,816*
Water Utility	*81,491*	-	*9,609*	*91,100*
Insurance (P&C and Medical)	*(26,131)*	-	*28,254*	*2,123*
Of which, P&C Insurance	*(4,077)*	-	*10,769*	*6,692*
Of which, Medical Insurance	*(22,054)*	-	*17,485*	*(4,569)*
Investment Stage Portfolio Companies	**38,230**	**-**	**(983)**	**37,247**
Renewable Energy	*17,931*	-	*(127)*	*17,804*
Education	*20,299*	-	*(856)*	*19,443*
Other	**22,589**	**(100)**	**(16,888)**	**5,601**
Total portfolio	**382,165**	**(100)**	**(120,441)**	**331,912**

Listed businesses (17.7% of total portfolio value)

BOG (17.7% of total portfolio value) – Despite the ongoing pandemic and restrictions containing local economic activities, BoG managed to deliver an annualised ROAE of 21.5% and 11.1% loan book growth y-o-y in 1Q21. The y-o-y loan book growth largely reflected strong loan origination levels in the corporate, MSME and mortgage segments. Reflecting the accelerated trend of economic recovery in 2Q21, BOG's share price increased by 22.2% to GBP 13.44 at 30-Jun-21 and, as a result, the market value of our equity stake in BOG increased by GEL 70.3 million to GEL 575.4 million. Aided by strong operating performance, robust asset quality and capital adequacy ratios comfortably above the minimum regulatory requirements, the Bank no longer utilises any regulatory capital buffers and there are no further regulatory restrictions on capital distributions. The Bank announced on 8 July 2021 that its Board's current intention is to change its dividend declaration policy to a semi-annual one, with the first interim dividend payment to be considered in the second half of 2021.

BOG's public announcement of their 2Q21 results, when published, will be available at: https://www.bankofgeorgiagroup.com/results/earnings.

[4] Enterprise value is presented excluding non-operational assets, added to the equity value of the education business at cost.
[5] 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.
[6] 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.
[7] Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.

Private large portfolio companies (64.2% of total portfolio value)[8]

In 2Q21, valuation assessments of our large portfolio companies were performed by a third-party independent valuation firm, Duff & Phelps, in line with International Private Equity Valuation ("IPEV") guidelines. The independent valuation assessments, which serve as the basis for Georgia Capital's estimate of fair value, were performed by applying a combination of an income approach (DCF) and a market approach (listed peer multiples and, in some cases, precedent transactions). The independent valuations of the large portfolio companies are intended to provide additional transparency to our private portfolio valuation and are performed on a semi-annual basis.

Healthcare Services (21.1 % of total portfolio value) – Healthcare Services Enterprise Value (EV) increased by GEL 65.2 million to GEL 964.0 million in 2Q21, reflecting an outstanding operating performance of the business. The improved epidemiological environment during the quarter and lifting of the pandemic related lockdown restrictions increased demand for regular elective care and outpatient services. Consequently, admissions at hospitals and clinics more than doubled y-o-y in 2Q21 which, along with the solid performance of the diagnostics business, led to an 82.0% y-o-y growth in revenues. EBITDA (excl. IFRS 16) increased by 3.5x y-o-y in 2Q21. See page 13 for details. LTM EBITDA (incl. IFRS 16)[9] increased by 26.1% to GEL 90.7 million in 2Q21. Net debt (incl. financial lease liabilities) has also improved in 2Q21 (down 6.4% q-o-q to GEL 240.6 million). As a result, the equity value of the business was assessed at GEL 685.8 million, up 13.3% in 2Q21, translating into an implied LTM EV/EBITDA multiple (incl. IFRS 16) of 10.6x at 30-Jun-21 (12.5x at 31-Mar-21).

Retail (pharmacy) (17.9% of total portfolio value) – Retail (pharmacy) EV increased by GEL 45.1 million to GEL 878.0 million in 2Q21. Rebounding demand for retail products and an overall improvement of economic activities have also positively impacted revenue and EBITDA (excl. IFRS 16), up 38.4% and 33.9% y-o-y in 2Q21, respectively. See page 15 for details. Consequently, LTM EBITDA (incl. IFRS 16) was up 7.7% to GEL 94.4 million in 2Q21. Net debt (incl. financial lease liabilities) was down by 1.4% q-o-q to GEL 138.9 million. The result was GEL 44.8 million value creation, and the equity value of GCAP's 67% holding increased by 8.4% to GEL 580.4 million in 2Q21. The implied LTM EV/EBITDA valuation multiple was 9.3x, including the impact of IFRS 16 (down from 9.5x as of 31-Mar-21).

Water Utility (16.9% of total portfolio value) – Water Utility EV increased by GEL 63.8 million to GEL 1,011.5 million in 2Q21. Revised water utility tariffs effective from January 2021 and increased water consumption levels by corporate clients led to a 63.7% y-o-y increase in water supply revenue. Similarly, revenue from electricity sales increased in 2Q21, up 4.5x y-o-y, reflecting high water volume in Zhinvali reservoir due to favourable hydrological conditions throughout the year. As a result, the total revenue of the water utility business increased by 82.0% y-o-y in 2Q21, leading to a 152.7% increase in EBITDA. See page 17 for details. LTM Adjusted EBITDA, used in Water Utility's multiple-based and DCF valuation, amounted to GEL 108.2 million as at 30-Jun-21 (up 9.6% q-o-q). LTM Adjusted EBITDA combines Water Utility's actual performance in 1H21 and the retrospective application of new tariffs on the 2H20 numbers. Net debt decreased by 5.6% to GEL 463.3 million in 2Q21, mainly due to the GEL appreciation against USD. As a result, the equity value of the business was assessed at GEL 548.2 million at 30-Jun-21, up by 20.0% in 2Q21, translating into the implied LTM EV/EBITDA multiple of 9.3x at 30-Jun-21 (down from 9.6x at 31-Mar-21).

Insurance (P&C and Medical) (8.3% of total portfolio value) – The insurance business combines: a) P&C Insurance valued at GEL 206.4 million and b) Medical Insurance valued at GEL 64.0 million.

<u>P&C Insurance</u> – Net premiums earned increased by 20.9% y-o-y to GEL 20.8 million in 2Q21, mainly reflecting the growth of a retail client portfolio. However, lifting of the lockdown restrictions triggered higher passenger mobility and increased the volume of motor claims in 2Q21. Life insurance claims also increased during the quarter and, as a result, the net income of the business decreased by 14.4% to GEL 4.2 million in 2Q21. See page 18 for details. Consequently, LTM net income[10] was down by 4.2% to GEL 17.2 million in 2Q21. The business paid GEL 5.0 million dividends in 2Q21. The equity value was assessed at GEL 206.4 million at 30-Jun-21 (up 0.8%) and value creation amounted to GEL 6.7 million in 2Q21. The implied LTM P/E valuation multiple at 30-Jun-21 was 12.0x (up from 11.4x at 31-Mar-21).

<u>Medical Insurance</u> – Medical insurance net income decreased by 91.4% y-o-y to GEL 0.2 million in 2Q21, reflecting an 8.7% y-o-y increase in revenues, offset by a 37.4% y-o-y increase in net claims expenses. See page 18 for details. LTM net income was down by 25.6% to GEL 5.2 million in 2Q21. The equity value was assessed at GEL 64.0 million as of 30-Jun-21 (down 6.7% in 2Q21), resulting in a GEL 4.6 million value reduction. The implied LTM P/E valuation multiple as at 30-Jun-21 was 12.3x (up from 9.8x as of 31-Mar-21).

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

Renewable Energy (6.8% of total portfolio value) – The business is valued internally, based on a sum of the parts (EV/EBITDA and acquisition price). Enterprise value remained largely flat in 2Q21, down GEL 0.8 million to GEL 506.9 million. The value creation was GEL 17.8 million in 2Q21, mainly resulting from operating performance related growth with increased

[8] Please read more about valuation methodology on pages 26 in "Basis of presentation".
[9] adjusted to exclude HTMC hospital, sold in August 2020.
[10] Adjusted for non-recurring items.

LTM EBITDA earnings. See page 20 for details. The business paid GEL 4.7 million dividends in 2Q21. In addition, GCAP invested GEL 1.3 million in pipeline renewable energy projects, which along with Mestiachala HPPs, continued to be measured at an equity investment cost of GEL 106.7 million in aggregate. Net debt decreased by GEL 15.4 million to GEL 285.8 million in 2Q21. As a result, the equity value of the business was assessed at GEL 221.1 million in 2Q21 (up by 7.1%).

Education (3.8% of total portfolio value) – The business is valued internally, based on LTM EV/EBITDA. Education EV increased by GEL 20.8 million to GEL 143.8[11] million in 2Q21. Revenues and EBITDA were up 40.6% and 73.8% y-o-y in 2Q21, respectively, reflecting fewer distance learning days and higher revenue recognition during 2Q21. See page 21 for details. Revenues in the premium schools are denominated in foreign currency. On the basis of the FX movement, the currency adjusted LTM EBITDA increased by 16.9% to GEL 11.5 million. GCAP invested GEL 1.0 million for the development of the mid-level education segment in 2Q21. Net debt was down by GEL 2.6 million to GEL 11.5 million in 2Q21. As a result, GEL 19.4 million value was created in 2Q21, driving the 19.8% increase in the equity value of the education business to GEL 123.7 million. The valuation multiple remained unchanged at 12.5x in 2Q21.

Other businesses (7.5% 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 development (DCF) and hospitality and commercial real estate businesses (NAV). See page 23 for details. The portfolio had a combined value of GEL 242.4 million at 30-Jun-21, up by 2.6% in 2Q21. The value creation was GEL 5.6 million in 2Q21, mainly reflecting GEL 22.6 million operating performance-related net increase in the value of other portfolio companies, of which GEL 29.4 million value creation is attributable to the strong operating performance of our beverages and auto services businesses. The increase was offset by GEL 16.9 million net impact from movements in valuation multiples and foreign currency exchange rates, where GEL 10.2 million value reduction was led by the impact of GEL's appreciation on our housing development and hospitality and commercial real estate businesses, as their fair values are assessed in US Dollar terms.

2) Investments[12]

In 2Q21, GCAP invested GEL 2.4 million predominantly in the investment stage businesses, in line with our announced capital allocation programme.

- GEL 1.3 million was allocated to Renewable Energy for the development of the pipeline HPPs (Darchi and Zoti) and Tbilisi wind farm projects.
- GEL 1.0 million was allocated to the education business for the capacity expansion of the existing campus of Buckswood (mid-scale segment).

3) Dividends[12]

In 2Q21, Georgia Capital collected GEL 9.7 million dividends in aggregate from Renewable Energy and P&C Insurance, GEL 4.7 million and GEL 5.0 million, respectively.

Net debt overview

Below we describe the components of net debt as of 30 June 2021 and as of 31 March 2021:

GEL '000, unless otherwise noted *(Unaudited)*	30-Jun-21	31-Mar-21	Change
Cash at banks	190,039	294,768	-35.5%
Internationally listed debt securities	89,595	42,481	NMF
Locally listed debt securities	4,263	2,112	NMF
Loans issued	158,191	128,027	23.6%
Total cash and liquid funds (a)	**442,088**	**467,388**	**-5.4%**
Gross debt (b)	**(1,156,153)**	**(1,227,469)**	**-5.8%**
Net debt (a)+(b)	**(714,065)**	**(760,081)**	**-6.1%**

Cash and liquid funds. Total cash and liquid funds remained largely flat in 2Q21, down 5.4% to GEL 442.1 million. A 35.5% decrease in cash mainly reflects increased investments in international debt securities (up by 2.1x) and loans issued to our private portfolio companies (up by 1.2x), which are on-lent at market terms. GEL appreciation against the USD had a negative impact on the total balance of the cash and liquid funds, as their large portion is denominated in US Dollars. Internationally listed debt securities mostly include dollar-denominated Eurobonds issued by Georgian corporates. During 2Q21, loans issued to our private portfolio companies amounted to GEL 38.6 million.

[11] Excluding non-operational assets, added to the equity value of the education business at cost.
[12] Investments are made and dividends are received at JSC Georgia Capital level, the Georgian holding company.

Gross debt. At 30-Jun-21, the outstanding balance of US$ 365 million six-year Eurobonds due in March 2024 was GEL 1,156 million (down 5.8% q-o-q). Gross debt reduction was driven by foreign exchange gain of GEL 91.6[13] million from GEL appreciation against USD during the second quarter, which was partially offset by a GEL 20.3[13] million coupon accrual.

Net debt. Net debt decreased by 6.1% to GEL 714.1 million in 2Q21, with the decrease being driven primarily by a foreign exchange gain of GEL 58.0 million. Net debt was further impacted by a) Investments of GEL 2.4 million, b) share buybacks for the management trust of GEL 1.5 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 12.5 million. The impact was partially offset by GEL 9.7 million dividends received from private portfolio companies.

1H21 NAV STATEMENT HIGHLIGHTS[14]

GEL '000, unless otherwise noted (2021 numbers are unaudited)	Dec-20	1. Value creation[15]	2a. Investment	2b. Buyback	2c. Dividend	3.Operating expenses	4. Liquidity/ FX/Other	Jun-21	Change %
Total Listed Portfolio Value	**531,558**	**43,836**	**-**	**-**	**-**	**-**	**-**	**575,394**	**8.2%**
Listed Portfolio value change %		***8.2%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***8.2%***	
Total Private Portfolio Value	**2,376,130**	**296,613**	**10,588**	**-**	**(14,430)**	**-**	**3,031**	**2,671,932**	**12.4%**
Of which, Large Companies	1,858,237	230,090	-	-	(4,959)	-	1,408	2,084,776	12.2%
Of which, Investment Stage Companies	302,964	40,310	10,338	-	(9,471)	-	627	344,768	13.8%
Of which, Other Companies	214,929	26,213	250	-	-	-	996	242,388	12.8%
Private Portfolio value change %		***12.5%***	***0.4%***	***0.0%***	***-0.6%***	***0.0%***	***0.1%***	***12.4%***	
Total Portfolio Value (1)	**2,907,688**	**340,449**	**10,588**	**-**	**(14,430)**	**-**	**3,031**	**3,247,326**	**11.7%**
Total Portfolio value change %		***11.7%***	***0.4%***	***0.0%***	***-0.5%***	***0.0%***	***0.1%***	***11.7%***	
Net Debt (2)	**(697,999)**	**-**	**(10,588)**	**(3,199)**	**14,430**	**(10,837)**	**(5,872)**	**(714,065)**	**2.3%**
Net Asset Value (1)+(2)+(3)	**2,212,292**	**340,449**	**-**	**(3,199)**	**-**	**(18,096)**	**6,090**	**2,537,536**	**14.7%**
NAV change %		***15.4%***	***0.0%***	***-0.1%***	***0.0%***	***-0.8%***	***0.3%***	***14.7%***	
Shares outstanding[15]	45,977,247	-	-	(119,162)	-	-	717,859	46,575,944	1.3%
Net Asset Value per share, GEL	**48.12**	**7.40**	**(0.00)**	**0.05**	**(0.00)**	**(0.40)**	**(0.69)**	**54.48**	**13.2%**
NAV per share, GEL change %		***15.4%***	***0.0%***	***0.1%***	***0.0%***	***-0.8%***	***-1.4%***	***13.2%***	

In 1H21, NAV per share (GEL) increased by 13.2%, reflecting a) GEL 296.6 million value creation across our private portfolio companies with a positive 13.4% impact, b) GEL 43.8 million value creation in our listed asset, BoG, with a positive 2.0% impact, and c) GEL's appreciation against USD by 3.7%, resulting in a foreign currency gain of GEL 26.6 million on GCAP net debt (+1.2% impact). The NAV per share growth was slightly offset by management platform related costs (-0.8% impact) and net interest expense (-1.2% impact).

With a positive 13.4% impact, the value creation in our private portfolio was the largest contributor to the NAV per share growth in 1H21:

- The outstanding performance of our large portfolio companies led to a 10.4% NAV per share growth, where healthcare services, retail (pharmacy) and water utility businesses contributed to the growth by 5.2%, 1.3% and 3.4%, respectively, during 1H21 (+9.9% impact in aggregate).
- Value creation in the investment stage portfolio companies contributed 1.8% to the NAV per share growth with 0.8% and 1.0% positive impact from the renewable energy and education businesses, respectively.
- Value creation in other businesses added 1.2% to the NAV per share growth, where the solid performance of our beverages and auto services businesses was partially offset by the negative impact of GEL's appreciation on our real estate businesses, as their fair values are assessed in US dollar terms.

Portfolio overview

Our portfolio value increased by 11.7% to GEL 3.25 billion in 1H21, reflecting a 12.4% and 8.2% growth in the value of private and listed businesses, respectively. The private portfolio value growth of GEL 295.8 million mainly reflects the net impact of a) GEL 296.6 million value creation, b) investments of GEL 10.6 million predominantly in Education and Renewable Energy, and c) a decrease of GEL 14.4 million due to dividends received from the private portfolio companies at the GCAP level.

[13] FX, coupon payment and coupon accrual are included in Liquidity Management /FX/Other column in NAV statement.
[14] The detailed 1H21 NAV statement is included in appendix on page 25.
[15] Please see definition in glossary on page 26.

1) Value creation

The increased valuation of BoG was led by a 10.2% growth of the share price during 1H21. The value creation of GEL 296.6 million on the private portfolio mainly reflects a) a GEL 399.8 million operating performance-related increase in the value of our private assets, partly supported by the strength of the Georgian economy over the last few months and b) a GEL 103.9 million negative impact from changes in valuation multiples and foreign currency exchange rates.

Enterprise value and equity value development of our businesses in 1H21 are summarised in the following table:

	Enterprise Value (EV)			Equity Value			
GEL '000, unless otherwise noted (2021 numbers are unaudited)	30-Jun-21	31-Dec-20	Change %	30-Jun-21	31-Dec-20	Change %	% Share in total portfolio
Listed portfolio				**575,394**	**531,558**	**8.2%**	**17.7%**
BoG				575,394	531,558	8.2%	17.7%
Private portfolio	**4,632,745**	**4,333,143**	**6.9%**	**2,671,932**	**2,376,130**	**12.4%**	**82.3%**
Large portfolio companies	**3,104,119**	**2,846,664**	**9.0%**	**2,084,776**	**1,858,237**	**12.2%**	**64.2%**
Healthcare Services	964,045	836,918	15.2%	685,821	571,656	20.0%	21.1%
Retail (pharmacy)	878,013	835,876	5.0%	580,402	552,745	5.0%	17.9%
Water Utility	1,011,491	930,892	8.7%	548,230	471,148	16.4%	16.9%
Insurance (P&C and Medical)	250,570	242,978	3.1%	270,323	262,688	2.9%	8.3%
Of which, P&C Insurance	206,351	197,806	4.3%	206,351	197,806	4.3%	6.3%
Of which, Medical Insurance	44,219	45,172	-2.1%	63,972	64,882	-1.4%	2.0%
Investment stage portfolio companies	**650,684**	**608,298**	**7.0%**	**344,768**	**302,964**	**13.8%**	**10.6%**
Renewable Energy	506,860	489,269	3.6%	221,109	209,902	5.3%	6.8%
Education[16]	143,824	119,029	20.8%	123,659	93,062	32.9%	3.8%
Other	**877,942**	**878,181**	**0.0%**	**242,388**	**214,929**	**12.8%**	**7.5%**
Total portfolio				**3,247,326**	**2,907,688**	**11.7%**	**100.0%**

The table below summarises value creation drivers in our businesses in 1H21:

Portfolio Businesses	Operating Performance[17]	Greenfields / buy-outs[18]	Multiple Change and FX[19]	Value Creation
GEL '000, unless otherwise noted *(Unaudited)*	*(1)*	*(2)*	*(3)*	*(1)+(2)+(3)*
Listed				**43,836**
BoG				43,836
Private	**399,795**	**765**	**(103,947)**	**296,613**
Large Portfolio Companies	**332,823**	**-**	**(102,733)**	**230,090**
Healthcare Services	*272,169*	-	*(158,004)*	*114,165*
Retail (pharmacy)	*1,737*	-	*25,920*	*27,657*
Water Utility	*67,698*	-	*8,399*	*76,097*
Insurance (P&C and Medical)	*(8,781)*	-	*20,952*	*12,171*
Of which, P&C Insurance	*6,262*	-	*6,821*	*13,083*
Of which, Medical Insurance	*(15,043)*	-	*14,131*	*(912)*
Investment Stage Portfolio Companies	**30,570**	**1,015**	**8,725**	**40,310**
Renewable Energy	*13,718*	-	*3,385*	*17,103*
Education	*16,852*	*1,015*	*5,340*	*23,207*
Other	**36,402**	**(250)**	**(9,939)**	**26,213**
Total portfolio	**399,795**	**765**	**(103,947)**	**340,449**

2) Investments[20]

In 1H21, GCAP invested GEL 10.6 million predominantly in the investment stage businesses, in line with our capital allocation programme as announced at our virtual investor day in November 2020.

- GEL 3.0 million was allocated to Renewable Energy for the development of pipeline HPPs (Darchi and Zoti) and Tbilisi wind farm projects.
- GEL 7.4 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[20]

In 1H21, Georgia Capital collected GEL 14.4 million dividends, of which: GEL 9.5 million was received from Renewable Energy and GEL 5.0 million from P&C Insurance.

[16] Enterprise value is presented excluding non-operational assets, added to the equity value of the education business at cost.
[17] 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.
[18] 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.
[19] Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.
[20] Investments are made and dividends are received at JSC Georgia Capital level, the Georgian holding company.

Net debt overview

In March 2021, JSC Georgia Capital priced a US$ 65 million tap issue that was consolidated to form a single series with the existing US$300 million 6.125% Eurobonds. Approximately US$ 35 million from the proceeds is earmarked to fund capital allocations to the portfolio companies and the balance for general corporate purposes. The tap issuance led to a GEL 212.7[21] million increase in gross debt balance, which was further increased by a GEL 37.5[21] million due to the coupon accrual in 1H21. Gross debt widening was partially offset by the interest payment of GEL 30.5[21] million and a foreign exchange gain of GEL 45.9[21] million from the GEL appreciation against USD during 1H21. As a result, gross debt was up 17.7% to GEL 1,156 million in 1H21. The tap issuance also translated into improved liquidity, leading to the total cash and liquid funds being up by 55.5% to GEL 442.1 million at 30 June 2021. Overall, the net debt remained largely flat in 1H21 (up by 2.3% q-o-q) and was impacted by, a) investments of GEL 10.6 million, b) share buybacks for the management trust of GEL 3.2 million, c) GCAP cash operating expenses of GEL 10.8 million, and d) net interest expense and fair value gains on liquid funds, in aggregate, of GEL 25.4 million. The impact was partially offset by GEL 14.4 million dividends received from private portfolio companies and foreign exchange gain of GEL 26.5 million.

The table below summarises components of net debt as of 30 June 2021 and as of 31 December 2020:

GEL '000, unless otherwise noted (2021 numbers are unaudited)	**30-Jun-21**	**31-Dec-20**	**Change**
Cash at banks	190,039	160,536	18.4%
Internationally listed debt securities	89,595	14,098	NMF
Locally listed debt securities	4,263	655	NMF
Loans issued	158,191	108,983	45.2%
Total Cash and liquid funds (a)	**442,088**	**284,272**	**55.5%**
Gross Debt (b)	**(1,156,153)**	**(982,271)**	**17.7%**
Net debt (a)+(b)	**(714,065)**	**(697,999)**	**2.3%**

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

INCOME STATEMENT (ADJUSTED IFRS / APM)

Net income under IFRS was GEL 371.3 million in 2Q21 (GEL 325.2 million in 1H21). 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 June 30 as an aggregation of (i) the results of GCAP (the two holding companies Georgia Capital PLC and JSC Georgia Capital, taken together) and (ii) the fair value change in the value of portfolio companies during the reporting period. For details on the methodology underlying the preparation of the adjusted income statement, please refer to page 97 in Georgia Capital PLC 2020 Annual report.

INCOME STATEMENT (Adjusted IFRS)

GEL '000, unless otherwise noted *(Unaudited)*	2Q21	2Q20	Change	1H21	1H20	Change
Dividend income	9,691	-	NMF	14,430	4,927	NMF
Interest income	6,120	5,660	8.1%	10,617	11,816	-10.1%
Realised / unrealised (loss) / gain on liquid funds	1,687	(638)	NMF	1,516	(4,577)	NMF
Interest expense	(20,302)	(15,530)	30.7%	(37,520)	(30,180)	24.3%
Gross operating (loss)/income	**(2,804)**	**(10,508)**	**-73.3%**	**(10,957)**	**(18,014)**	**-39.2%**
Operating expenses	(9,225)	(6,570)	40.4%	(18,096)	(14,580)	24.1%
GCAP net operating (loss)/income	**(12,029)**	**(17,078)**	**-29.6%**	**(29,053)**	**(32,594)**	**-10.9%**
Fair value changes of portfolio companies						
Listed portfolio companies	**70,288**	**70,002**	**0.4%**	**43,836**	**(297,745)**	**NMF**
Of which, Georgia Healthcare Group PLC	*-*	*40,212*	*NMF*	*-*	*(94,412)*	*NMF*
Of which, Bank of Georgia Group PLC	*70,288*	*29,790*	*NMF*	*43,836*	*(203,333)*	*NMF*
Private portfolio companies	**251,933**	**(48,340)**	**NMF**	**282,183**	**(189,918)**	**NMF**
Large Portfolio Companies	**213,817**	**10,110**	**NMF**	**225,131**	**(65,616)**	**NMF**
Of which, Healthcare Services	*80,737*	*-*	*NMF*	*114,165*	*-*	*NMF*
Of which, Retail (pharmacy)	*44,816*	*-*	*NMF*	*27,657*	*-*	*NMF*
Of which, Water Utility	*91,100*	*5,840*	*NMF*	*76,097*	*(46,064)*	*NMF*
Of which, Insurance (P&C and Medical)	*(2,836)*	*4,270*	*NMF*	*7,212*	*(19,552)*	*NMF*
Investment Stage Portfolio Companies	**32,515**	**57,067**	**-43.0%**	**30,839**	**57,067**	**-46.0%**
Of which, Renewable energy	*13,072*	*32,720*	*-60.0%*	*7,632*	*32,720*	*-76.7%*
Of which, Education	*19,443*	*24,347*	*-20.1%*	*23,207*	*24,347*	*-4.7%*
Other businesses	**5,601**	**(115,517)**	**NMF**	**26,213**	**(181,369)**	**NMF**
Total investment return	**322,221**	**21,662**	**NMF**	**326,019**	**(487,663)**	**NMF**
Income/(Loss) before foreign exchange movements and non-recurring expenses	**310,192**	**4,584**	**NMF**	**296,966**	**(520,257)**	**NMF**
Net foreign currency gain/(loss)	57,988	50,781	14.2%	26,547	(41,361)	NMF
Non-recurring expenses	(41)	(3,222)	-98.7%	(218)	(3,222)	-93.2%
Net Income/(loss)	**368,139**	**52,143**	**NMF**	**323,295**	**(564,840)**	**NMF**

The gross operating loss was down by GEL 7.7 million y-o-y to negative GEL 2.8 million in 2Q21 and down by GEL 7.1 million y-o-y to negative GEL 11.0 million in 1H21. The improvement was mainly driven by increased dividend inflows from the portfolio companies. The dividend income by businesses is presented in the table below:

GEL '000, unless otherwise noted *(Unaudited)*	2Q21	2Q20	Change	1H21	1H20	Change
P&C Insurance	4,959	-	NMF	4,959	-	NMF
Renewable Energy	4,732	-	NMF	9,471	4,927	92.2%
Total dividend income	**9,691**	**-**	**NMF**	**14,430**	**4,927**	**192.9%**

Interest income was up 8.1% y-o-y to GEL 6.1 million in 2Q21 and down 10.1% y-o-y in 1H21 to GEL 10.6 million. GCAP earned an average yield of 5.5% on the average balance of liquid assets and issued loans of GEL 324.7 million in 1H21 (7.5% on GEL 312.8 million in 1H20). The Eurobond tap issuance of $65 million on 16-Mar-21 led to an increase in interest expense, up 30.7% and 24.3% y-o-y in 2Q21 and 1H21, respectively. As a result, net interest expense was GEL 14.2 million and GEL 26.9 million in 2Q21 and 1H21 at the GCAP level, respectively (GEL 9.9 million in 2Q20 and GEL 18.4 million in 1H20).

GCAP management fee expenses have a self-targeted cap of 2% of Georgia Capital's market capitalisation. The LTM management fee expense ratio was 1.5% at 30-Jun-21 (2.1%[22] as of 30-Jun-20). The total LTM operating expense ratio (which includes fund type expenses) was 2.4% at 30-Jun-21 (2.9%[22] at 30-Jun-20). The components of GCAP's operating expenses are presented in the table below:

GEL '000, unless otherwise noted *(Unaudited)*	2Q21	2Q20	Change	1H21	1H20	Change
Administrative expenses[23]	(3,031)	(2,348)	29.1%	(5,840)	(4,910)	18.9%
Management expenses - cash-based[24]	(2,402)	(1,586)	51.5%	(4,997)	(3,402)	46.9%
Management expenses - share-based[25]	(3,792)	(2,636)	43.9%	(7,259)	(6,268)	15.8%
Total operating expenses	**(9,225)**	**(6,570)**	**40.4%**	**(18,096)**	**(14,580)**	**24.1%**
Of which, fund type expense[26]	(3,278)	(2,647)	23.8%	(6,384)	(4,999)	27.7%
Of which, management fee[27]	(5,947)	(3,923)	51.6%	(11,712)	(9,581)	22.2%

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 322.2 million in 2Q21 and GEL 326.0 million in 1H21, reflecting the growth in the value of listed and private businesses, as described earlier in this report. We discuss valuation drivers for our businesses on pages 5-7. The performance of each of our private, large and investment stage portfolio companies is discussed on pages 13-22.

The Group's *net income* (adjusted IFRS) also reflects the impact of GEL's appreciation against the US dollar on GCAP's net foreign currency liability balance amounting to c. US$ 235 million (GEL 742 million) at 30-Jun-21. Net foreign currency gain was GEL 58.0 million and GEL 26.6 million, respectively, in 2Q21 and 1H21. As a result of the movements described above, GCAP's adjusted IFRS *net income* was GEL 368.1 million in 2Q21 and GEL 323.3 million in 1H21. See page 25 for a reconciliation to the IFRS figures presented above.

[22] The management fee and total operating expense ratio in 1H20 was calculated based on average market capitalization during the period. 1H21 ratio is calculated based on period-end market capitalization due to significant price fluctuations during the last twelve months.
[23] Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
[24] Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
[25] Share-based management expenses are share salary and share bonus expenses of management and staff.
[26] Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
[27] 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 2Q21, 1H21 and 2Q20 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 page 26 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 30-Jun-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.

2Q21 & 1H21 performance (GEL '000), Healthcare Services[28,29]

Unaudited

INCOME STATEMENT HIGHLIGHTS	2Q21	2Q20	Change	1H21	1H20	Change
Revenue, net[30]	**101,842**	**55,967**	**82.0%**	**190,737**	**128,073**	**48.9%**
Gross Profit	**44,131**	**21,044**	**109.7%**	**82,482**	**49,091**	**68.0%**
Gross profit margin	*42.9%*	*37.2%*	*5.7ppts*	*42.9%*	*37.9%*	*5.0ppts*
Operating expenses (ex. IFRS 16)	(17,898)	(13,619)	31.4%	(33,186)	(26,734)	24.1%
EBITDA (ex. IFRS 16)	**26,233**	**7,425**	**253.3%**	**49,296**	**22,357**	**120.5%**
EBITDA margin (ex. IFRS 16)	*25.5%*	*13.1%*	*12.4ppts*	*25.6%*	*17.3%*	*8.4ppts*
Net profit/(loss) ex. IFRS 16	**13,747**	**(7,255)**	**NMF**	**21,467**	**(11,555)**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (ex. IFRS 16)	**18,586**	**21,271**	**-12.6%**	**22,880**	**51,736**	**-55.8%**
EBITDA to cash conversion (ex. IFRS 16)	70.8%	286.5%	-215.6ppts	46.4%	231.4%	-185.0ppts
Cash flow from/used in investing activities[31]	**(7,748)**	**(6,221)**	**24.6%**	**(19,863)**	**(17,904)**	**10.9%**
Dividends and intersegment loans issued/received	**5,015**	**(7,581)**	**NMF**	**11,970**	**(1,286)**	**NMF**
Free cash flow (ex. IFRS 16)[32]	**10,034**	**15,466**	**-35.1%**	**1,918**	**33,709**	**-94.3%**
Cash flow from financing activities (ex. IFRS 16)	**(31,024)**	**11,506**	**NMF**	**(39,387)**	**(650)**	**NMF**

BALANCE SHEET HIGHLIGHTS	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change
Total assets	**911,647**	**908,191**	**0.4%**	**899,391**	**1.4%**
Of which, cash balance and bank deposits	67,927	85,071	-20.2%	93,721	-27.5%
Of which, securities and loans issued	6,629	7,965	-16.8%	7,133	-7.1%
Total liabilities	**497,289**	**513,633**	**-3.2%**	**510,079**	**-2.5%**
Of which, borrowings	289,646	321,802	-10.0%	312,036	-7.2%
Total equity	**414,358**	**394,558**	**5.0%**	**389,312**	**6.4%**

KEY POINTS / VALUATION DRIVERS

- Revenue trend continued to demonstrate robust growth, up 82.0% in 2Q21 y-o-y (up 37.8% over 2Q19); up 48.9% in 1H21, y-o-y (up 29.2% over 1H19)
- Strong revenue growth translated into even stronger EBITDA growth (excl. IFRS 16) up 253.3% in 2Q21 and up 120.5% in 1H21 y-o-y, with an EBITDA margin of 25.5% and 25.6%, respectively
- Business posted GEL 13.7 million net profit in 2Q21 and GEL 21.5 million in 1H21, compared to net losses posted during the corresponding 2020 periods
- EBITDA to cash conversion rate decrease mainly relates to the 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

[28] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[29] All numbers in income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020.
[30] Net revenue – Gross revenue excluding corrections and rebates. Margins are calculated from Gross revenue.
[31] Of which capex of GEL 8.6 million in 2Q21 (GEL 5.8 million in 2Q20) and GEL 14.7 million in 1H21 (GEL 12.6 million in 1H20).
[32] Operating cash flows less capex and payment of holdback on acquisition of subsidiaries.

in the country. These resulted in a 12.6% y-o-y decline in cash flow from operating activities (excl. IFRS 16) for the quarter and a 55.8% y-o-y decline for the half-year

- Net debt[33] reduced 6.0% q-o-q to GEL 215.1 million as of 30-Jun-21

INCOME STATEMENT HIGHLIGHTS

The healthcare services business continues to be actively engaged in supporting the COVID-19 pandemic response in the country and receiving COVID patients at its hospitals and clinics. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients. After a reduced number of admissions at healthcare facilities in 2Q20 due to the pandemic and associated lockdowns, the trend for regular elective care and outpatient services has started to rebound in 2021 which, along with COVID-19 treatments, contributed to robust revenue growth in 2Q21 and 1H21, outpacing even 2019 numbers.

- At our hospitals, the occupancy rate was up by 23.9 ppts to 66.2% in 2Q21 and up by 10.8 ppts to 62.0% in 1H21 y-o-y. Increased demand for elective and outpatient services also increased the number of admissions to hospitals by 122.0% in 2Q21 and by 65.1% in 1H21 y-o-y. These translated into hospitals y-o-y net revenue growth of 74.3% for the quarter and 42.4% for the half-year. Revenue was up 28.9% in 2Q21 compared to 2Q19 and up 20.8% in 1H21 compared to 1H19.
- At our clinics, similarly, the number of admissions was up by 121.4% in 2Q21 and up by 65.5% in 1H21 y-o-y, and the number of registered patients in Tbilisi also increased by c.42,000, from c.202,000 in 2Q20 to c.244,000 in 2Q21. This translated into clinics' y-o-y net revenue growth of 80.5% in 2Q21 and 50.3% in 1H21. Clinics also significantly outperformed 2019, with revenues being up 53.8% in 2Q21 compared to 2Q19 and up 46.3% in 1H21 compared to 1H19.
- The diagnostics segment which, apart from regular diagnostics services, is also engaged in COVID-19 testing, increased its revenue by 329.3% y-o-y in 2Q21 to GEL 7.6 million and by 282.7% y-o-y in 1H21, reaching GEL 13.2 million. About half of diagnostics revenue is coming from COVID-19 testing and half from regular lab tests.

The developments described above translated into strong y-o-y net revenue growth of 82.0% in 2Q21 and 48.9% in 1H21 from healthcare services (up 37.8% in 2Q21 compared to 2Q19; up 29.2% in 1H21 compared to 1H19).

The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the materials and direct salary rates[34]. The materials rate increased in 2021 (up 2.2 ppts and 2.0 ppts at hospitals and up 1.8 ppts and 3.1 ppts at clinics, y-o-y in 2Q21 and 1H21, respectively), reflecting local currency exchange rate depreciation in previous consecutive quarters, when inventory was purchased, as well as increased prices and consumption of medical disposables and personal protective equipment at healthcare facilities due to COVID-19. In 2Q21 and 1H21, the direct salary rate remained well-controlled at hospitals (down 7.0 ppts and 6.3 ppts y-o-y, respectively) and clinics (down 5.3 ppts and 5.7 ppts y-o-y, respectively). The direct salary rate partially benefited from 6-months state income tax subsidy for low salary range employees (salary up to GEL 750). The subsidy was effective from May 2020 till June 2021. The cost of utilities was up 67.1% in 2Q21 and 41.5% in 1H21, y-o-y as a result of increased tariffs on water, gas and electricity, effective since January 2021. As a result, the healthcare services gross margin rebounded, and the business posted a strong margin of 42.9% in 2Q21 and 1H21, up 5.7 ppts and 5.0 ppts y-o-y, respectively.

The strong revenue trend combined with a well-controlled operating cost base translated into robust operating leverage of 78.3 ppts in 2Q21 and 43.9 ppts in 1H21. This led to 253.3% and 120.5% y-o-y growth in 2Q21 and 1H21 EBITDA excluding IFRS 16, respectively. In 2Q21 the EBITDA margin (excl. IFRS 16) at hospitals reached 24.6% (up 11.5 ppts y-o-y), at clinics 21.3% (up 8.2 ppts y-o-y) and at diagnostics 32.6% (up 31.1% ppts y-o-y).

A 16.8% y-o-y decrease in the net debt position to GEL 215.1 million as of 30-Jun-21, translated into a net interest expense (excl. IFRS 16) reduction, down 33.5% in 1H21 y-o-y to GEL 10.7 million and down 27.6% y-o-y in 2Q21 to GEL 5.6 million. The GEL appreciation during 2Q21 led to a foreign currency gain (excl. IFRS 16) of GEL 3.2 million on the relatively small portion of the borrowings denominated in foreign currency, translating into GEL 1.4 million FX gain (excl. IFRS 16) for the 1H21.

Overall, in 2Q21, the business posted GEL 13.7 million net profit excluding IFRS 16, compared to 7.3 million net loss posted in 2Q20. 1H21 net profit (excl. IFRS 16) reached GEL 21.5 million, compared to GEL 11.6 million net loss reported in 1H20.

CASH FLOW HIGHLIGHTS

After the weak first quarter in terms of operating cash flow generation (EBITDA to cash conversion 18.6%), as expected, we saw a rebound in 2Q21 (EBITDA to cash conversion 70.8%). The EBITDA to cash conversion ratio remains reduced, however, due to the significant revenue growth posted by the business in 2021 that translates into considerably increased working

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

[34] The respective costs divided by gross revenues.

capital needs. In 2021, and mainly in 1Q21, 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 continue rebounding to a normal level in the coming quarters. Capex investments of GEL 8.6 million in 2Q21 mainly reflects maintenance capex.

Discussion of Retail (pharmacy) Business Results

Retail (pharmacy) business, owned through GHG, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 35% 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 333 pharmacies, of which, 329 are in Georgia and 4 are in Armenia. Following GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 67% in the retail (pharmacy) business.

2Q21 & 1H21 performance (GEL '000), Retail (pharmacy)[35]

Unaudited

INCOME STATEMENT HIGHLIGHTS	2Q21	2Q20	Change	1H21	1H20	Change
Revenue, net	**199,020**	**143,811**	**38.4%**	**372,817**	**318,840**	**16.9%**
Gross Profit	**49,927**	**38,433**	**29.9%**	**90,172**	**83,718**	**7.7%**
Gross profit margin	*25.1%*	*26.7%*	*-1.6ppts*	*24.2%*	*26.3%*	*-2.1ppts*
Operating expenses (ex. IFRS 16)	(29,780)	(23,391)	27.3%	(56,935)	(50,090)	13.7%
EBITDA (ex. IFRS 16)	**20,147**	**15,042**	**33.9%**	**33,237**	**33,628**	**-1.2%**
EBITDA margin, (ex. IFRS 16)	*10.1%*	*10.5%*	*-0.4ppts*	*8.9%*	*10.5%*	*-1.6ppts*
Net profit (ex. IFRS 16)	**21,242**	**16,234**	**30.8%**	**29,550**	**20,519**	**44.0%**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (*ex. IFRS 16*)	**16,075**	**24,303**	**-33.9%**	**13,553**	**33,376**	**-59.4%**
EBITDA to cash conversion	79.8%	161.6%	-81.8ppts	40.8%	99.3%	-58.5ppts
Cash flow used in investing activities	**(3,806)**	**(74)**	**NMF**	**(5,627)**	**(418)**	**NMF**
Free cash flow, (ex. IFRS 16)[36]	**11,808**	**23,370**	**-49.5%**	**6,671**	**30,992**	**-78.5%**
Cash flow from financing activities (*ex. IFRS 16*)	**(12,639)**	**6,201**	**NMF**	**(16,321)**	**14,773**	**NMF**
BALANCE SHEET HIGHLIGHTS	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change	
Total assets	**482,551**	**463,022**	**4.2%**	**464,644**	**3.9%**	
Of which, cash and bank deposits	27,632	29,292	-5.7%	36,856	-25.0%	
Of which, securities and loans issued	12,651	12,541	0.9%	12,471	1.4%	
Total liabilities	**355,306**	**358,623**	**-0.9%**	**361,048**	**-1.6%**	
Of which, borrowings	87,842	93,755	-6.3%	88,608	-0.9%	
Of which, lease liabilities	95,970	93,623	2.5%	85,919	11.7%	
Total equity	**127,245**	**104,399**	**21.9%**	**103,596**	**22.8%**	

KEY POINTS / VALUATION DRIVERS

- Strong y-o-y growth in 2Q21 revenues (up 38.4%) and EBITDA (up 33.9%). Revenue was also up 16.9% y-o-y in 1H21, with a slight decline in respective EBITDA (excl. IFRS 16) – down 1.2%.
- Gross margin was solid, while the EBITDA margin demonstrated a rebounding trend in 2Q21 – at 10.1%, exceeding the targeted 9%+
- Cash flow from operating activities was down 33.9% in 2Q21 y-o-y, but, as expected, it improved q-o-q (GEL 16.1 million operating cash in 2Q21 compared to negative GEL 2.5 million in 1Q21)
- Net debt[37] down 7.9% y-o-y to GEL 47.6 million as of 30-Jun-21 (down 8.4% q-o-q)
- Added 30 pharmacies over the last 12 months, expanding from 303 to 333 stores
- New projects:
  - In July 2021, the business opened its first new format retail pharma drugstore in Georgia. Covering more than 300 sq.m, the store offers an extensive range of health, perfume and other beauty products as well as services through an integrated health hub incorporating lab retail point, ophthalmology and dermatology cabinets. Opening four more such flagship pharma stores is in the 2021 pipeline of which three stores will be located in Tbilisi and one in the region.
  - The business signed a franchise agreement with Alain Afflelou SA, one of the leading optical retailers in France, with a network of more than 500 largely franchised stores owned by more than 220 franchisees. The business opened its first Afflelou Paris opticians in August in Tbilisi and is planning to develop and operate a shop in shop model in its GPC pharmacies
  - In July, under a franchise agreement with Body Shop, the business opened its first Body Shop store in Armenia

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

INCOME STATEMENT HIGHLIGHTS

The retail (pharmacy) business delivered 38.4% y-o-y revenue growth in 2Q21, reflecting both expansion and increased revenue from wholesale distribution as discussed below, but also higher than usual organic sales growth of the business, with same-store revenue up 26.3%. Higher than usual y-o-y same-store revenue growth rate reflects the lower revenue base in 2Q20 when pharma sales started to slow down after strong 1Q20 results, as customers started to stock up on pharmaceuticals in March ahead of the economic lockdown. In 1H21, the business posted same store revenue growth of 8.6% (more normal given the offsetting the quarterly revenue fluctuations in 1Q and 2Q last year). Top line revenue growth in 1H21 of 16.9% reflects the organic growth, but also the 30 new pharmacies in the last 12 months as well as increased revenue from wholesale distribution (up 53.3% in 2Q21 and 23.5% in 1H21). Due to the increased wholesale revenue, the retail revenue share in total revenue was slightly down to 71.8% in 2Q21 (74.6% in 2Q20) and to 72.5% in 1H21 (74.0% in 1H20). The revenue from para-pharmacy as a percentage of retail revenue from the pharma was 34.3% in 1H21 (34.0% in 1H20). The business issued 13.7 million bills in 1H21 (13.4 million in 1H20), with average customer interactions of 2.3 million per month. The average bill size increased to GEL 18.5 in 2Q21 from GEL 17.6 in 2Q20 and to GEL 18.8 in 1H21 from GEL 16.5.

At the beginning of the year (Jan-Feb 2021), 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 that subdued its margins. By the end of the 1Q21, the epidemiological environment started to stabilise. Benefitting from the strong economic recovery in 2Q21, the margins also started to rebound, and the business posted a 25.1% and 24.2% gross profit margins in 2Q21 and 1H21, respectively. The rebounding trend is expected to continue in line with the country's general macro trajectory.

The business posted positive operating leverage (excl. IFRS 16) of 2.6 ppts in 2Q21 compared to negative leverage of 6.0 ppts posted in 1H21 mainly reflecting 1) increased rent expense of pharmacies in 1Q21 compared to 1Q20 due to GEL devaluation (about 85% of rental contracts are denominated in US$) as well as six to twelve months discounts obtained from lessors for pharmacies leases at the initial stage of pandemic; and 2) high marketing costs in 2021 associated to new projects and store openings mentioned above. All these translated into a y-o-y increase in the operating expenses (excluding IFRS 16) of 27.3% in 2Q21 and 13.7% in 1H21. The result was a 33.9% y-o-y increase in 2Q21 EBITDA excluding IFRS 16 and a 1.2% decline in 1H21. The business EBITDA margin rebounded from 7.5% in 1Q21 to 10.1% in 2Q21 and was 8.9% for 1H21.

Depreciation expense increased mainly due to the launch of 30 new pharmacies in the last 12 months. Interest expense, excluding IFRS 16, was down 16.8% y-o-y in 2Q21 and down 20.2% in 1H21, due to the 7.9% decrease in net debt position y-o-y as of June-21. GEL 5.3 million foreign currency gain, excluding IFRS 16, reflects the decrease in the GEL value of US and EUR denominated payables to suppliers due to the appreciation of GEL in 2Q21. Overall, the business posted GEL 4.4 million foreign currency gain in 1H21 compared to GEL 4.6 million loss posted in the same period last year.

As a result, the business posted a GEL 21.2 million profit in 2Q21 (up 30.8% y-o-y) and GEL 29.6 million in 1H21 (up 44.0% y-o-y) excluding IFRS 16.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

After the 1Q21 weak performance in operating cash, which was affected by the payment of some payable balances to suppliers, the terms of which were temporarily prolonged during the pandemic period, the EBITDA to cash conversion ratio started to improve from 2Q21 and stood at 79.8%. We expect the operating cash flow trend to continue to improve in the coming quarters.

Increased cash outflows from investing activities reflect increased capex investments attributable to new projects such as opticians and new format pharmacies, as well as regular expansion of the chain.

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 c. 1.4 million residents representing more than one-third of Georgia's population and c. 38,000 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.

2Q21 & 1H21 performance (GEL '000), Water Utility[38]

Unaudited						
INCOME STATEMENT HIGHLIGHTS	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Revenue	**53,820**	**29,571**	**82.0%**	**91,957**	**60,769**	**51.3%**
Water supply	45,289	27,674	63.7%	83,005	58,415	42.1%
Energy	8,531	1,897	NMF	8,952	2,354	NMF
Operating expenses	**(16,066)**	**(14,080)**	**14.1%**	**(32,501)**	**(28,313)**	**14.8%**
EBITDA	**35,796**	**14,166**	**152.7%**	**56,247**	**29,607**	**90.0%**
EBITDA margin	*66.5%*	*47.9%*	*18.6 ppts*	*61.2%*	*48.7%*	*12.5 ppts*
Net profit/(loss)	**51,317**	**4,378**	**NMF**	**34,858**	**(14,101)**	**NMF**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities	**18,584**	**(546)**	**NMF**	**26,967**	**17,279**	**56.1%**
Cash flow used in investing activities	**(18,753)**	**(13,645)**	**37.4%**	**(28,373)**	**(25,671)**	**10.5%**
Free cash flow	**(169)**	**(14,191)**	**98.8%**	**(1,406)**	**(8,392)**	**83.2%**
Cash flow from financing activities	**3,510**	**30,697**	**-88.6%**	**(14,839)**	**24,794**	**NMF**
BALANCE SHEET HIGHLIGHTS	**30-Jun-21**	**31-Mar-21**	**Change**	**31-Dec-20**	**Change**	
Total assets	**675,493**	**648,383**	**4.2%**	**653,201**	**3.4%**	
Of which, cash balance	38,744	37,077	4.5%	55,577	-30.3%	
Total liabilities	**558,901**	**586,876**	**-4.8%**	**574,179**	**-2.7%**	
Of which, long-term borrowings	485,862	520,702	-6.7%	498,555	-2.5%	
Total equity	**116,592**	**61,507**	**89.6%**	**79,022**	**47.5%**	

KEY POINTS / VALUATION DRIVERS

- 2Q21 EBITDA more than doubled y-o-y (up 90.0% y-o-y in 1H21), driven by a 63.7% y-o-y increase in water sales (up 42.1% y-o-y in 1H21), and a fivefold increase in revenues from electricity sales (up 3.8x y-o-y in 1H21)
- Water sales volume to legal entities demonstrated fast recovery in 2Q21, following the lifting of pandemic-related lockdown restrictions, up 24.6% y-o-y in 2Q21 (up 4.7% y-o-y in 1H21)
- Water inflows (m3) were up 40.7% y-o-y in 2Q21 (up 33.7% y-o-y in 1H21), leading to a y-o-y reservoir level increase by 38.1% (m3) as at 30-Jun-21, approaching the maximum possible level
- 2Q21 cash flow from operating activities up to GEL 18.6 million from negative GEL 0.5 million as of 2Q20, in line with enhanced revenue streams from both water and electricity sales

INCOME STATEMENT HIGHLIGHTS

The significant increases (82.0% and 51.3%, respectively) in 2Q21 and 1H21 revenues were driven by both a) increased water sales on the back of tariff revision by the regulator for the 2021-2023 regulatory period, as well as recovery in business activities after lifting of the COVID-19 related restrictions and b) increased electricity sales, supported by improved water inflows at Zhinvali HPP reservoir (up by 40.7% y-o-y) due to favourable hydrological conditions compared to last year.

2Q21 and 1H21 revenue from water sales increased y-o-y by 63.7% and 42.1%, respectively. According to the revised water tariff levels set by the regulatory body for 2021-2023 years, per cubic meter tariffs in Tbilisi increased from GEL 0.3 to GEL 0.5 for the residential customers and from GEL 4.4 to GEL 6.5 for legal entities compared to the previous 3-year regulatory period (2018-2020). The tariff increase translates into an annual growth of 36.3%[39] in allowed water revenue for the entire water utility business over the 2021-2023 period. Higher water sales revenue in 2Q21 was also supported by a 24.6% y-o-y increase in water sales volume to legal entities, reflecting growth of economic activities after the gradual removal of various pandemic-related restrictive measures from February 2021.

2Q21 and 1H21 revenue from electricity sales increased y-o-y by 4.5x and 3.8x, respectively. The increase was primarily driven by improved water inflows at Zhinvali HPP reservoir. 2Q21 water inflows to Zhinvali HPP reservoir increased by 40.7% y-o-y (up by 33.7% y-o-y in 1H21) and water level in the reservoir reached 807 m.a.s.l. (meters above sea level), almost reaching the maximum possible level of 810 m.a.s.l. Increased water inflows translated into a 38.1% y-o-y increase of water volume (m^3) in the reservoir as of 30-Jun-21, allowing for smooth and flexible electricity generation for the rest of the year.

Operating expenses in 2Q21 and 1H21 were up y-o-y by 14.1% and 14.8%, respectively, mainly reflecting higher electricity and transmission tariffs, which were fully embedded in the new water tariffs set by the regulator. As a result of the developments described above, EBITDA for 2Q21 more than doubled y-o-y and was up by 90.0% y-o-y in 1H21.

[38] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.
[39] 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

Net interest expense was up by 21.2% y-o-y to GEL 9.3 million in 2Q21 (up by 18.1% y-o-y to GEL 18.7 million in 1H21). The increase mainly reflects an increased balance of debt on the back of USD 250 million green bond issuance in July 2020. 2Q21 foreign exchange gain amounted to GEL 34.8 million (GEL 16.6 million in 1H21), reflecting GEL appreciation against foreign currencies, and as a result, the 2Q21 net profit amounted to GEL 51.3 million (GEL 34.9 million in 1H21).

CASH FLOW HIGHLIGHTS

The improvement in operating cash flow was in line with the enhanced revenue streams from water and electricity sales. 2Q21 development capex amounted to GEL 20.6 million, up by 40.1% y-o-y (up by 14.9% y-o-y to GEL 32.2 million in 1H21). 2Q21 cash inflow from financing activities amounted to GEL 3.5 million, down by 88.6% y-o-y. As a result, Water Utility's cash balance stood at GEL 38.7 million as of 30-Jun-21, up by 4.5% 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 26% market share (up by 4ppts y-o-y) in property and casualty insurance based on gross premiums as of 31-Mar-21 (due to the seasonality impact, 1Q market share is usually the lowest compared to the other quarters). P&C also offers a variety of non-property and casualty products, such as life insurance. GHG is the country's largest private medical insurer, with a 23.1% market share based on 1Q21 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.

2Q21 & 1H21 performance (GEL '000), Insurance (P&C and Medical)[40]

Unaudited

INCOME STATEMENT HIGHLIGHTS	2Q21	2Q20	Change	1H21	1H20	Change
Earned premiums, net	**38,700**	**33,676**	**14.9%**	**74,678**	**69,227**	**7.9%**
Of which, P&C Insurance	20,774	17,185	20.9%	39,481	34,668	13.9%
Of which, Medical Insurance	17,926	16,491	8.7%	35,197	34,559	1.8%
Net underwriting profit	**10,143**	**13,175**	**-23.0%**	**20,453**	**22,996**	**-11.1%**
Of which, P&C Insurance	8,133	8,189	-0.7%	15,332	15,008	2.2%
Of which, Medical Insurance	2,010	4,986	-59.7%	5,121	7,988	-35.9%
Net profit	**4,343**	**6,839**	**-36.5%**	**9,748**	**10,777**	**-9.5%**
Of which, P&C Insurance	4,175	4,877	-14.4%	8,348	8,155	2.4%
Of which, Medical Insurance	168	1,962	-91.4%	1,400	2,622	-46.6%
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	**1,648**	**3,554**	**-53.6%**	**10,086**	**14,404**	**-30.0%**
Of which, P&C Insurance	1,773	897	97.7%	9,061	9,903	-8.5%
Of which, Medical Insurance	(125)	2,657	NMF	1,025	4,501	-77.2%
Free cash flow	**1,074**	**2,943**	**-63.5%**	**9,068**	**13,158**	**-31.1%**
Of which, P&C Insurance	1,334	383	NMF	8,210	8,829	-7.0%
Of which, Medical Insurance	(260)	2,560	NMF	858	4,329	-80.2%
BALANCE SHEET HIGHLIGHTS	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change	
Total assets	**286,746**	**281,294**	**1.9%**	**257,887**	**11.2%**	
Of which, P&C Insurance	195,035	178,342	9.4%	176,479	10.5%	
Of which, Medical Insurance	91,711	102,952	-10.9%	81,408	12.7%	
Total equity	**99,022**	**104,643**	**-5.4%**	**101,507**	**-2.4%**	
Of which, P&C Insurance	67,485	73,433	-8.1%	69,443	-2.8%	
Of which, Medical Insurance	31,537	31,210	1.0%	32,064	-1.6%	

TOTAL INSURANCE BUSINESS HIGHLIGHTS

P&C and medical insurance have a broadly equal share in total revenues, while P&C had a 96% share in total net profit in 2Q21 (86% in 1H21). The expense ratio decreased during 2021 by 2.8 ppts y-o-y in 2Q21 and by 2.1 ppts y-o-y in 1H21. However, a higher loss ratio translated into an increased combined ratio, up by 10.2 ppts y-o-y in 2Q21 to 90.3% and up by 3.7 ppts y-o-y in 1H21 to 90.0%. Net profit was down 36.5% to GEL 4.3 million in 2Q21 and by 9.5% to GEL 9.7 million in 1H21, y-o-y. As a result, ROAE was 16.9% in 2Q21 (29.0% in 2Q20) and 19.0% in 1H21 (23.3% in 1H20).

Discussion of results, P&C Insurance

KEY POINTS / VALUATION DRIVERS

- GEL 5.0 million dividends paid in 2Q21 on the back of strong cash flow generation

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

- 20.9% y-o-y increase in earned premiums net in 2Q21 (up by 13.9% y-o-y in 1H21)
- Net premiums written up by 28.7% y-o-y in 2Q21 (up by 27.7% y-o-y in 1H21)

INCOME STATEMENT HIGHLIGHTS

2Q21 revenues increased y-o-y by 20.9% (up 13.9% y-o-y in 1H21), mainly driven by the increase in the motor insurance line (excluding compulsory border third-party liability (MTPL) insurance) by GEL 2.0 million (GEL 3.0 million in 1H21), of which GEL 0.7 million (GEL 1.3 million in 1H21) 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 0.6 million y-o-y (up by GEL 1.4 million y-o-y in 1H21) was the second best contributor to the overall increase in 2Q21 revenue. An increase in the agricultural insurance business line by GEL 0.4 million y-o-y (up by GEL 0.6 million y-o-y in 1H21) also contributed to the overall growth. In aggregate, despite COVID-19 impact and changes in customer spending habits, net premiums written across the portfolio through direct sales channels is up by 24.0% y-o-y in 2Q21 (up 27.6% y-o-y in 1H21). The negative trend of declining MTPL premiums written reversed during the quarter and rebounded to 36.7% y-o-y growth in 2Q21. Worldwide vaccination and reopening of land borders are expected to support a gradual recovery in tourism. Consequently, the number of visitors entering the country by land border and thus compulsory MTPL premiums written are expected to gradually return to the pre-pandemic levels. At 30-Jun-21, the distribution mix in 2Q21 and 1H21 gross premiums written is as follows: various direct sales channels and brokers have a majority share of 80% (79% in 2Q20) and 76% (76% in 1H20), followed by partnership agreements with financial institutions of 18% (19% in 2Q20) and 23% (22% in 1H20) and MTPL channels of 2% (2% in 2Q20) and 1% (2% in 1H20), respectively.

P&C Insurance's key performance ratios for 2Q21 and 1H21 are as noted below:

Unaudited	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Combined ratio	80.2%	73.0%	*7.3 ppts*	82.0%	80.3%	*1.7 ppts*
Expense ratio	30.8%	34.0%	*-3.2 ppts*	32.5%	36.4%	*-3.9 ppts*
Loss ratio	49.4%	38.9%	*10.5 ppts*	49.5%	43.8%	*5.7 ppts*
ROAE	23.0%	29.1%	*-6.1 ppts*	23.4%	24.9%	*-1.5 ppts*

The 2Q21 and 1H21 y-o-y increases in the combined ratio reflect the significant increase in the loss ratio for the respective periods. The increase in the 2Q21 and 1H21 loss ratios reflects higher passenger mobility and thus increased volume of motor claims in 2021, due to the lifted pandemic-related lockdown restriction. The volume of COVID-19-related credit life insurance claims incurred in 2Q21 and 1H21 amounts to GEL 1.0 million (GEL 0.2 million in 2Q20) and GEL 2.5 million (GEL 0.2 million in 1H20), respectively, represents 27% and 37% of total life insurance claims (4% in 2Q20 and 3% in 1H20). The y-o-y decreases in the expense ratio in both 2Q21 and 1H21 mainly reflect lower operating expenses due to cost-saving initiatives in light of the pandemic environment. As a result, P&C Insurance's net profit was down by 14.4% y-o-y in 2Q21 and up 2.4% y-o-y in 1H21. However, adjusted on unfavourable FX movements throughout the period, net profit is down by 1.2% y-o-y in 2Q21 and up by 10.1% y-o-y in 1H21.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

P&C Insurance's solvency ratio was 212% as of 30 June 2021, comfortably above the required minimum of 100%. The 97.7% y-o-y Increase in 2Q21 operating cash inflows is resulted from higher underwriting cash flows in 2Q21 compared to 2Q20. The 8.5% decline in operating cash flow in 1H21 was mainly due to the timing of certain opex payments and acquisition costs in 2021 compared to 2020, partly offset by the higher cash inflows from interest on loans and bank deposits.

Discussion of results, Medical Insurance

KEY POINTS / VALUATION DRIVERS

- Loss ratio up 17.6 ppts y-o-y to 84.0% in 2Q21, up 7.6 ppts y-o-y to 81.0% in 1H21
- Insurance renewal rate at 76.9% in 2Q21 (77.1% in 2Q20) and 74.1% in 1H21 (71.3% in 1H20)
- Net profit down 91.4% y-o-y in 2Q21 to GEL 0.2 million, down 46.6% to GEL 1.4 million in 1H21
- The number of insured clients c.168,000 as of 30-Jun-21 (c.175,000 as of 30-Jun-20)

INCOME STATEMENT HIGHLIGHTS

The 8.7% and 1.8% y-o-y increases in 2Q21 and 1H21 earned premiums net reflect an increase in the prices of insurance policies. 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

Unaudited	2Q21	2Q20	Change	1H21	1H20	Change
Total claims retained within the GHG	36.5%	39.7%	-3.1ppts	36.2%	39.9%	-3.6ppts
Total claims retained in outpatient	36.4%	39.7%	-3.3ppts	37.6%	41.1%	-3.5ppts

In 2Q21, the net claims expenses were up by 37.4% y-o-y to GEL 15.1 million. In 1H21, the net claims expenses were GEL 28.5 million (up 12.3% y-o-y), of which GEL 11.4 million (40.0% of the total) was inpatient, GEL 10.7 million (37.5% of total) was outpatient and GEL 6.4 million (22.5% of total) was related to drugs. The loss ratio increased significantly for the quarter, up 17.6 ppts in 2Q21 y-o-y (from 66.4% to 84.0%), reflecting a rebounding trend in the number of admissions at hospitals and clinics in 2Q21, compared to patient footprint slowdown at healthcare facilities in 2Q20 due to the pandemic. Overall, in 1H21, the loss ratio was up 7.6 ppts y-o-y to 81.0%.

Salary and other employee benefits decreased by 14.4% y-o-y in 2Q21 due to the reduction in the accrual of performance-based annual bonuses. Salary and other employee benefits remained flat over half-year.

As a result of the above developments, the combined ratio deteriorated by 14.5 ppts y-o-y to 101.9% for the quarter and by 6.6 ppts y-o-y for the HY to 99.0%. The business posted a net profit of GEL 0.2 million and GEL 1.4 million in 2Q21 and in 1H21, respectively.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

Operating cash flow decline is associated with the increased claims expense of the business. Also, in 1H21 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[41], 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.

2Q21 & 1H21 performance (GEL '000), Renewable Energy[42]

Unaudited						
INCOME STATEMENT HIGHLIGHTS	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Revenue	**13,897**	**12,247**	**13.5%**	**20,432**	**18,886**	**8.2%**
of which, PPA	*8,242*	*6,017*	*37.0%*	*14,776*	*12,330*	*19.8%*
of which, Non-PPA	*5,656*	*3,935*	*43.7%*	*5,656*	*3,935*	*43.7%*
of which, BI Reimbursement	*-*	*2,295*	*NMF*	*-*	*2,620*	*NMF*
Operating expenses	(2,719)	(2,698)	0.8%	(5,570)	(4,796)	16.1%
EBITDA	**11,178**	**9,549**	**17.1%**	**14,862**	**14,090**	**5.5%**
EBITDA margin	*80.4%*	*78.0%*	*2.4 ppts*	*72.7%*	*74.6%*	*-1.9 ppts*
Net profit/(loss)	**1,693**	**(252)**	NMF	**(4,429)**	**(4,433)**	**-0.1%**
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities	**8,275**	**10,835**	**-23.6%**	**9,998**	**17,743**	**-43.7%**
Cash flow used in investing activities	**(4,594)**	**(13,111)**	**-65.0%**	**(16,467)**	**(23,452)**	**-29.8%**
Cash flow used in financing activities	**(3,309)**	**(2,551)**	**29.7%**	**(18,088)**	**(10,301)**	**75.6%**
Dividends paid out	*(4,732)*	*-*	*NMF*	*(9,471)*	*(4,927)*	*92.2%*
BALANCE SHEET HIGHLIGHTS	**30-Jun-21**	**31-Mar-21**	**Change**	**31-Dec-20**	**Change**	
Total assets	**454,715**	**488,177**	**-6.9%**	**482,986**	**-5.9%**	
Of which, cash balance	41,520	43,545	-4.7%	66,821	-37.9%	
Total liabilities	**314,190**	**333,883**	**-5.9%**	**326,252**	**-3.7%**	
Of which, borrowings	307,505	325,313	-5.5%	318,269	-3.4%	
Total equity	**140,525**	**154,294**	**-8.9%**	**156,734**	**-10.3%**	

KEY POINTS / VALUATION DRIVERS

- 2Q21 revenue up by 13.5% y-o-y (up 8.2% y-o-y in 1H21), with c. 60% covered by long-term PPAs
- 2Q21 EBITDA up by 17.1% y-o-y (up 5.5% y-o-y in 1H21), reflecting:
  - Strong operating performance with 49.5% y-o-y increase in generation in 2Q21 (up 30.8% y-o-y in 1H21) and
  - Favourable electricity market sales prices, averaging at 31.0 USD/MWh
- 2Q21 operating cash flow down by 23.6% y-o-y (down 43.7% y-o-y in 1H21). Adjusted to exclude the effect of business interruption (BI) reimbursement received in 2Q20, operating cash flow is up 33.8% y-o-y in 2Q21 (up 23.9% y-o-y in 1H21)
- GEL 4.7 million dividends paid in 2Q21 (GEL 9.5 million in 1H21, up 92.2% y-o-y)

[41] 20MW Mestiachala HPP was flooded and taken offline in late July 2019. The restoration process is on-going.
[42] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

INCOME STATEMENT HIGHLIGHTS

The renewable energy business remained fully resilient to the pandemic, as c. 60% of the 2021 electricity sales were covered by long-term fixed-price power purchase agreements (PPAs) formed with a Government-backed entity, while the rest of the generated electricity was sold to large industrial customers through bilateral agreements. In 2Q21 and 1H21, revenue from electricity sales increased y-o-y by 13.5% and 8.2%, respectively. Adjusted to exclude the effect of GEL 2.3 million one-off revenue from business interruption (BI) reimbursement in 2Q20 for 2019 revenues of 50MW Mestiachala HPPs, 2Q21 revenue is up 39.6% y-o-y (up 25.6% y-o-y, excluding the revenue from BI reimbursement of GEL 2.6 million in 1H21). The increase was primarily driven by the strong performance of the power assets, as reflected in y-o-y growth of generation levels of 49.5% in 2Q21 and 30.8% in 1H21.

- The 21MW Qartli wind farm contributed GEL 5.0 million to 2Q21 revenues, on the back of 23.5 GWh electricity generation, translating into an outstanding capacity factor of 52% (contribution to 1H21 revenues amounted to GEL 9.3 million with 43.2 GWh generation);
- Revenue from 20MW Hydrolea HPPs doubled y-o-y and added GEL 4.5 million to 2Q21 revenues. The increase was driven by 96.9% growth in generation level to 33.8 GWh in 2Q21. Improvement in electricity production mainly reflects Akhmeta HPP's recommissioning from mid-July 2020 after planned rehabilitation works. (Contribution to 1H21 revenues amounted to GEL 6.5 million with 44.4 GWh generation);
- 2Q21 revenue from the 30MW Mestiachala HPP was GEL 4.4 million (up 52.7%[43] y-o-y), corresponding to 40.1 GWh electricity generation (up 61.8% y-o-y), higher than the power plant's average generation level. Contribution to 1H21 revenues amounted to GEL 4.6 million with 41.4 GWh generation. On the 20MW Mestiachala HPP unit, the restoration process is still ongoing, pending the outcome of the comprehensive cost and feasibility assessment.

2Q21 operating expenses were flat y-o-y but were up by 16.2% y-o-y in 1H21. As a result, 2Q21 EBITDA increased by 17.1% y-o-y to GEL 11.2 million with an 80.4% EBITDA margin (up by 5.5% y-o-y to GEL 14.9 million in 1H21 with 72.7% EBITDA margin). The business recorded GEL 5.7 million net interest expense in 2Q21, slightly up by 7.0% y-o-y (up by 5.0% y-o-y to GEL 11.5 million in 1H21). As a result, 2Q21 net profit amounted to GEL 1.7 million (net loss of GEL 4.4 million in 1H21).

CASH FLOW HIGHLIGHTS

2Q21 operating cash flow amounted to GEL 8.3 million, down by 23.6% y-o-y (down 43.7% y-o-y in 1H21). Adjusted to exclude the effect of GEL 4.7 million one-off proceeds received from business interruption (BI) reimbursement in 2Q20 for 2019 revenues of 50MW Mestiachala HPPs, 2Q21 operating cash flow is up 33.8% y-o-y (up by 23.9% y-o-y to GEL 10.0 million, excluding BI reimbursement of GEL 9.7 million in 1H21). The 2Q21 and 1H21 y-o-y decreases (65.0% and 29.8%, respectively) in cash outflow from investing activities mainly reflects GEL 6.0 million deferred consideration paid by the business in April 2020, following the acquisition of Hydrolea HPPs. The increase in cash outflows from financing activities in 2Q21 and 1H21 mainly reflect increased dividend payments. In 2Q21, the business distributed GEL 4.7 million dividends to Georgia Capital (GEL 9.5 million in 1H21, up 92.2% y-o-y). As a result, the cash balance of the renewable energy business as of 30-Jun-21 was down by 4.7% q-o-q.

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

2Q21 & 1H21 performance (GEL '000), Education[45]

Unaudited						
INCOME STATEMENT HIGHLIGHTS	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Revenue	**8,804**	**6,260**	**40.6%**	**16,240**	**13,955**	**16.4%**
Operating expenses	(5,068)	(4,111)	23.3%	(9,756)	(8,808)	10.8%
EBITDA	**3,736**	**2,149**	**73.8%**	**6,484**	**5,147**	**26.0%**
EBITDA Margin	*42.4%*	*34.3%*	8.1 ppts	*39.9%*	*36.9%*	3.0 ppts
Net profit	**4,376**	**2,887**	**51.6%**	**5,789**	**2,093**	**176.6%**
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	6,003	5,048	18.9%	7,579	4,850	56.3%
Net cash flows used in investing activities	(5,077)	(975)	NMF	(11,845)	(3,037)	NMF
Net cash flows from financing activities	1,159	(211)	NMF	6,872	248	NMF

[43] Excludes business interruption (BI) accrual of GEL 2.3 million in 2Q20 and GEL 2.6 million in 1H20
[44] 80% equity stake in the current campus and 90% equity stake in new schools that will be developed under Green School brand.
[45] The detailed IFRS financial statements are included in supplementary excel file, available at https://georgiacapital.ge/ir/financial-results.

BALANCE SHEET HIGHLIGHTS	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change
Total assets	**122,808**	**117,436**	**4.6%**	**110,541**	**11.1%**
Of which, cash	8,648	7,117	21.5%	6,399	35.1%
Total liabilities	**48,804**	**50,860**	**-4.0%**	**53,396**	**-8.6%**
Of which, borrowings	23,347	24,446	-4.5%	24,947	-6.4%
Total equity	**74,004**	**66,576**	**11.2%**	**57,145**	**29.5%**

KEY POINTS / VALUATION DRIVERS

- Revenue and EBITDA up by 40.6% and 73.8% y-o-y in 2Q21 (up 16.4% and 26.0% y-o-y in 1H21), respectively, reflecting:
  - An 18.4% y-o-y growth in average tuition revenue per learner in 1H21 and a 1.4ppts y-o-y improvement of the capacity utilisation as of 30-Jun-21
  - favourable academic calendar, whereby a higher portion of the revenue was recognised in 2Q21 compared to 2Q20
  - less number of distance learning days in 2Q21 compared to 2Q20
- The total number of learners was up by 1.6% y-o-y to 2,564 learners as of 30-Jun-21
- Cash collection rates remained largely at prior year's levels (at 95.3%), translated into an 18.9% y-o-y increase in operating cash flow to GEL 6.0 million in 2Q21 (up 56.3% y-o-y to GEL 7.6 million in 1H21)
- GEL 8.0 million investments in affordable and mid-scale segments in 1H21 for expansion projects.

INCOME STATEMENT HIGHLIGHTS

Given the improved COVID-19 epidemiological environment in Georgia, learning resumed on campus premises from mid-February 2021 until the end of the academic year, which meant that the distance learning period decreased from 3.5 months in 1H20 to 1.5 months in 1H21. 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 from 1Q21 to 2Q21 to coincide with the on-campus learning resumption. The modification led to a 9.5% y-o-y increase in the number of academic days in 2Q21. During 2Q21, schools generated full (undiscounted) revenues as the academic process was conducted on campus, compared to 2Q20, during which the academic process was run through distance learning and revenue generated for this period included discounts offered to the learners. Consequently, revenue was up 40.6% y-o-y in 2Q21 and up 16.4% y-o-y in 1H21. For like-for-like comparison, revenue adjusted for the modification of the academic calendar increased by 28.8% y-o-y in 2Q21 and 16.8% y-o-y in 1H21, reflecting an 18.4% y-o-y increase in average tuition revenue per learner and strong intakes.

Tuition fees 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 with a c.86% utilisation rate for 1st graders in the 2020-2021 academic year. Overall, the total number of learners was up 1.6% y-o-y to 2,564 learners at 30-Jun-21. The combined school capacity utilisation also remained largely at last year's level with a minor increase of 1.4 ppts y-o-y to 91.2%, as follows: up to 90.3% and 316 learners in BIST (89.7% and 314 learners as of 30-Jun-20); down to 95.8% and 431 learners in BGA (99.3% and 447 learners as of 30-Jun-20); down to 89.7% and 682 learners in Buckswood (90.1% and 685 learners as of 30-Jun-20); up to 90.8% and 1,135 learners in Green School (86.2% and 1,078 learners as of 30-Jun-20).

The modified academic calendar with more learning days in 2Q21 compared to 2Q20 had a material impact on revenue generation compared to operating expenses as only the variable part of the expenses is affected by the distribution of the academic days. Consequently, EBITDA was up by 73.8% y-o-y in 2Q21 (up 26.0% y-o-y in 1H21). However, adjusting for the modification of the academic calendar for like-for-like comparison, EBITDA was up by 44.3% y-o-y in 2Q21 (up by 27.1% y-o-y in 1H21). Like-for-like EBITDA margin improved by c. 4.1ppts from 34.3% in 2Q20 to 38.4% in 2Q21 (up by c. 3.3ppts from 36.9% in 1H20 to 40.1% in 1H21).

Overall, the business posted GEL 5.8 million net income in 1H21 up from GEL 2.1 million net income in 1H20 (GEL 4.4 million net income in 2Q21 up 51.6% y-o-y), reflecting foreign currency exchange gains in 1H21 compared to foreign currency exchange losses in 1H20.

CASH FLOW HIGHLIGHTS

Operating cash flow generation by the education business was up by 18.9% y-o-y in 2Q21 and by 56.3% y-o-y in 1H21. The schools managed to collect deferred tuition premiums 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 95.3% (97.3% at 30-Jun-20), which was in line with the schools' cash collection policies. GEL 11.8 million cash outflow from investing activities in 1H21 reflects investments in capacity expansion of the operational campus of Buckswood (mid-scale segment) by 240 learners and acquisition of land and building for the new campus location of Green School (affordable segment).

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 236.4 million at 30-Jun-21, which represented only 7.3% of our total portfolio.

2Q21 & 1H21 aggregated performance highlights (GEL '000), Other Portfolio

Unaudited	**2Q21**	**2Q20**	**Change**	**1H21**	**1H20**	**Change**
Revenue	85,629	63,840	34.1%	149,919	114,737	30.7%
EBITDA	13,128	4,922	NMF	19,673	3,220	NMF
Net cash flows from operating activities	7,408	21,186	-65.0%	12,008	28,739	-58.2%

The significant y-o-y growth in the aggregated revenues and EBITDA of our other businesses (up 34.1% in 2Q21 and 30.7% in 1H21) was led by strong performances of the beverages and auto services businesses. The decline in net cash flow from operating activities was in line with the organic transition to revenue growth and the corresponding increase in working capital requirements.

- **Housing Development** | Revenue was up by 5.3% y-o-y to GEL 20.1 million in 2Q21 (up 31.4% y-o-y in 1H21 to GEL 44.7 million), mainly reflecting an increased number of ongoing residential projects and total sales volume in 2021. EBITDA in 2Q21 increased by 2.3x y-o-y to GEL 2.2 million (up from GEL 0.9 million in 1H20 to GEL 4.3 million in 1H21), reflecting efficiencies in operating expenses. Operating cash flow was down 70.6% y-o-y to GEL 4.7 million in 2Q21 (down to negative GEL 0.2 million in 1H21 from GEL 24.6 million in 1H20), led by cash outflows for the construction of ongoing residential projects.
- **Hospitality and Commercial Real Estate** | In 2Q21, revenue was up by 17.6% y-o-y to 4.4 GEL million (down 9.3% y-o-y to GEL 8.2 million in 1H21). EBITDA, adjusted for revaluation gain/loss on investment property of the business, increased by GEL 2.9 million y-o-y to 2.7 million in 2Q21 (up by GEL 4.1 million y-o-y in 1H21), mainly supported by the significant savings in operating expenses and increased revenues from the operating leases, as the business no longer offered pandemic-related discounts to its tenants compared to equivalent, 2020 period. Net cash flow from operating activities has also demonstrated a rebounding trend, up from negative GEL 1.6 million in 2Q20 to GEL 1.7 million in 2Q21 (up from negative GEL 1.5 million in 1H20 to GEL 2.4 million in 1H21). During June-August 2021 period, we successfully completed the sale to a combination of local and regional investors of selected commercial real estate assets for US$ 35 million with a 15.4% premium (US$ 4.7 million) to the book value as of 31-Mar-21. The proceeds from the sale will be used to repay the existing US$ 30 million bonds issued by the commercial real estate business and maturing on 31 December 2021. The book value of the remaining disposable assets, US$ 23.8 million as at 30-Jun-21, is almost equally split between commercial real estate assets and land plots.
- **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 69.3% y-o-y growth in net revenue to GEL 13.8 million in 2Q21 (up by 56.6% y-o-y to GEL 23.6 in 1H21). The gross profit margin was up by 9.3 ppts y-o-y to 44.4% in 2Q21 and by 8.8ppts y-o-y to 45.2% in 1H21, mainly driven by a change in the product mix and the decrease in production costs. The number of bottles sold was up 58.0% y-o-y in 2Q21 and up by 53.8% in 1H21, while the average price per bottle (GEL) increased by 4.9% in 2Q21 and was largely flat in 1H21 (down by 0.6%). Consequently, EBITDA increased by 3.4x y-o-y to GEL 3.2 million in 2Q21 (up 4.1x y-o-y to GEL 5.3 million in 1H21). The net operating cash flow of the business also demonstrated an outstanding y-o-y growth of 86.6% in 1H21 to GEL 8.4 million.
    - **Beer business** | The net revenue of the beer business increased by 33.6% to GEL 18.4 million in 2Q21 and by 20.8% to GEL 25.5 million in 1H21, y-o-y. Beer and lemonade sales (in hectolitre) were up 31.6% y-o-y in 2Q21 and up 17.3% in 1H21. The average price per litre in GEL was up by 3.4% y-o-y in 2Q21 and up by 5.3% in 1H21. Driven by improved gross profit margin and cost-saving initiatives, 2Q21 EBITDA stood at 2.1 million, up by 23.7% y-o-y (GEL 1.5 million in 1H21).
    - **Distribution business |** Revenue of the distribution business increased by 26.4% y-o-y to GEL 32.2 million in 2Q21 (up 13.8% y-o-y to GEL 47.3 million in 1H21), while EBITDA more than doubled and amounted to 1.9 million (up 52.1% y-o-y to GEL 1.7 million in 1H21).
- **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 107.7% y-o-y revenue growth to GEL 3.1 million in 2Q21 and 85.9% y-o-y growth to GEL 7.6 million in 1H21. Revenue growth compared to previous periods was mainly driven by a) increased demand for PTI services, as mandatory inspections were postponed due to lockdowns during 2Q20 b) an increase in 2021 total addressable market, as cars of a certain age are required to get inspected in every two years. As a result, the EBITDA of the PTI business was up by 2.5x y-o-y to GEL 1.3 million in 2Q21 and up 4.6x to GEL 3.9 million in 1H21, with a y-o-y EBITDA margin growth of 7.2 ppts to 42.0% and 30.3 ppts to 51.2% in 2Q21 and 1H21, respectively.
- **Car services and parts business (Amboli)** | In 2Q21, Amboli's revenue was up by 122.1% y-o-y to GEL 7.8 million (up 108.6% y-o-y to GEL 12.9 million in 1H21), reflecting the increase in corporate and wholesale customer segments. Similarly, the 2Q21 gross profit margin was up by 2.4 ppts to 22.7% and up by 2.8ppts to 22.9% in 1H21, y-o-y. As a result, the business posted GEL 0.4 million EBITDA in 2Q21 up by 89.1% y-o-y (GEL 0.6 million in 1H21, up from a negative balance in 1H20).

RECONCILIATION OF ADJUSTED INCOME STATEMENT TO IFRS INCOME STATEMENT

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

	1H21			1H20		
GEL '000, unless otherwise noted (Unaudited)	Adjusted IFRS income statement	Adjustment	IFRS income statement	Adjusted IFRS income statement	Adjustment	IFRS income statement
Dividend income	14,430	(14,430)	-	4,927	*(4,927)*	-
Interest income	10,617	(10,617)	-	11,816	*(11,816)*	-
Realized / unrealized gain / (loss) on liquid funds	1,516	(1,516)	-	(4,577)	*4,577*	-
Interest expense	(37,520)	37,520	-	(30,180)	*30,180*	-
Gross operating (loss)/income	**(10,957)**	**10,957**	-	**(18,014)**	***18,014***	-
Operating expenses	(18,096)	13,833	(4,263)	(14,580)	*10,890*	*(3,690)*
GCAP net operating (loss)/income	**(29,053)**	**24,790**	**(4,263)**	**(32,594)**	***28,904***	***(3,690)***
Total investment return / gross investment loss	**326,019**	**3,562**	**329,581**	**(487,663)**	***(62,929)***	***(550,592)***
Income/(Loss) before foreign exchange movements and non-recurring expenses	**296,966**	**28,352**	**325,318**	**(520,257)**	***(34,025)***	***(554,282)***
Net foreign currency gain	26,547	(26,693)	(146)	(41,361)	*41,165*	*(196)*
Non-recurring expenses	(218)	218	-	(3,222)	*3,222*	-
Net Income/(loss)	**323,295**	**1,877**	**325,172**	**(564,840)**	***10,362***	***(554,478)***

ADDITIONAL FINANCIAL INFORMATION

The 1H21 NAV Statement shows the development of NAV since 31-Dec-20:

GEL '000, unless otherwise noted *(2021 numbers are unaudited)*	Dec-20	1. Value creation[46]	2a. Investment	2b. Buyback	2c. Dividend	3.Operating expenses	4. Liquidity/ FX/Other	Jun-21	Change %
Listed Portfolio Companies									
Bank of Georgia (BoG)	531,558	43,836	-	-	-	-	-	575,394	8.2%
Total Listed Portfolio Value	**531,558**	**43,836**	**-**	**-**	**-**	**-**	**-**	**575,394**	**8.2%**
Listed Portfolio value change %		***8.2%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***8.2%***	
Private Portfolio Companies									
Large Companies	**1,858,237**	**230,090**	-	**-**	**(4,959)**	**-**	**1,408**	**2,084,776**	**12.2%**
Healthcare Services	*571,656*	*114,165*	-	-	-	-	-	*685,821*	*20.0%*
Retail (Pharmacy)	*552,745*	*27,657*	-	-	-	-	-	*580,402*	*5.0%*
Water Utility	*471,148*	*76,097*	-	-	-	-	*985*	*548,230*	*16.4%*
Insurance (P&C and Medical)	*262,688*	*12,171*	-	-	*(4,959)*	-	*423*	*270,323*	*2.9%*
Of which, P&C Insurance	*197,806*	*13,081*	-	-	*(4,959)*	**-**	*423*	*206,351*	*4.3%*
Of which, Medical Insurance	*64,882*	*(910)*	-	-	-	**-**	-	*63,972*	*-1.4%*
Investment Stage Companies	**302,964**	**40,310**	**10,338**	**-**	**(9,471)**	**-**	**627**	**344,768**	**13.8%**
Renewable Energy	*209,902*	*17,103*	*2,948*	-	*(9,471)*	-	*627*	*221,109*	*5.3%*
Education	*93,062*	*23,207*	*7,390*	**-**	**-**	**-**	**-**	*123,659*	*32.9%*
Other Companies	**214,929**	**26,213**	**250**	**-**	**-**	**-**	**996**	**242,388**	**12.8%**
Total Private Portfolio Value	**2,376,130**	**296,613**	**10,588**	-	**(14,430)**	-	**3,031**	**2,671,932**	**12.4%**
Private Portfolio value change %		***12.5%***	***0.4%***	***0.0%***	***-0.6%***	***0.0%***	***0.1%***	***12.4%***	
Total Portfolio Value (1)	**2,907,688**	**340,449**	**10,588**	**-**	**(14,430)**	**-**	**3,031**	**3,247,326**	**11.7%**
Total Portfolio value change %		***11.7%***	***0.4%***	***0.0%***	***-0.5%***	***0.0%***	***0.1%***	***11.7%***	
Net Debt (2)	**(697,999)**	**-**	**(10,588)**	**(3,199)**	**14,430**	**(10,837)**	**(5,872)**	**(714,065)**	**2.3%**
of which, Cash and liquid funds	*175,289*	-	*(10,588)*	*(3,199)*	*14,430*	*(10,837)*	*118,802*	*283,897*	*62.0%*
of which, Loans issued	*108,983*	-	-	-	-	-	*49,208*	*158,191*	*45.2%*
of which, Gross Debt	*(982,271)*	-	-	-	-	-	*(173,882)*	*(1,156,153)*	*17.7%*
Net other assets/ (liabilities) **(3)**	2,603	-	-	-	-	(7,259)	8,931	4,275	64.2%
of which, share-based comp.	-	-	-	-	-	*(7,259)*	*7,259*	-	*0.0%*
Net Asset Value (1)+(2)+(3)	**2,212,292**	**340,449**	**-**	**(3,199)**	**-**	**(18,096)**	**6,090**	**2,537,536**	**14.7%**
NAV change %		***15.4%***	***0.0%***	***-0.1%***	***0.0%***	***-0.8%***	***0.3%***	***14.7%***	
Shares outstanding[46]	45,977,247	-	-	(119,162)	-	-	717,859	46,575,944	1.3%
Net Asset Value per share, GEL	**48.12**	**7.40**	**(0.00)**	**0.05**	**(0.00)**	**(0.40)**	**(0.69)**	**54.48**	**13.2%**
NAV per share, GEL change %		***15.4%***	***0.0%***	***0.1%***	***0.0%***	***-0.8%***	***-1.4%***	***13.2%***	

[46] Please see definition in glossary on page 26.

Commencement of Share Buyback and Cancellation Programme

As outlined in the Chairman and CEO's Statement above, the Board has approved a US$10 million share buyback and cancellation programme, over a twelve-month period, which will be put in place immediately. The shares will be purchased in the open market and the maximum number of shares that may be repurchased is 7,180,777, being the number of shares the Company is authorised to repurchase under the authority granted by the shareholders at the 2021 annual general meeting ("AGM"). The programme will be conducted within certain pre-set parameters, and in accordance with the general authority to repurchase shares granted at the 2021 AGM, Chapter 12 of the UK Listing Authority Listing Rules and the provisions of the Market Abuse Regulation 596/2014/EU dealing with buyback programmes. The purpose of the buyback is to reduce the share capital of the Company and therefore shares repurchased will be cancelled.

Basis of presentation

This announcement contains unaudited financial results presented in accordance with IAS 34 – Interim Financial Reporting as adopted in the United Kingdom The financial results are unaudited and are 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.

Principal risks and uncertainties

Understanding our risks

In the Group's 2020 Annual Report and Accounts we disclosed the principal risks and uncertainties and their potential impact, as well as the trends and outlook associated with these risks and the actions we take to mitigate these risks. We have updated this disclosure to reflect recent developments and this is set out in full below. If any of the following risks were to occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. The order in which the principal risks and uncertainties appear does not denote their order of priority. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

CORONAVIRUS (COVID-19) RISK	
PRINCIPAL RISK / UNCERTAINTY	Since the pandemic outbreak, the Georgian Government has been implementing various measures to address the COVID-19 crisis. Strict lockdown measures were introduced at the early stages of the pandemic, including travel restrictions, mandatory self-isolation/quarantine, mandatory curfew requiring the population to stay indoors from 9 pm to 6 am, a two-month state of emergency and switch to distance learning, all of which led to the containment of the virus in early 2020. As the restrictions were eased in summer 2020, the anticipated second wave of the outbreak led to the reintroduction of lockdown measures. Partial lockdown imposed from the end of November 2020 to early February 2021 led to a decline in COVID-19 cases, allowing the gradual reopening of the domestic economy. Though economic outcomes varied throughout 2020 with a relatively strong first quarter, overall, Georgia endured an economic downturn with a 6.2% y-o-y GDP contraction in 2020 and a 4.2% y-o-y contraction in 1Q21. However, lifted restrictions after the second wave of the outbreak translated into a strong economic rebound in the second quarter of 2021, with 29.8 % y-o-y real GDP expansion. Going forward, the successful execution of the population's vaccination programme will be crucial for sustainable economic recovery throughout 2021, particularly in light of the accelerated daily new COVID-19 cases alongside the emergence of new variants and increased population mobility. The vaccination programme commenced in March-2021, with only 13.6% of the total adult population having received at least one vaccination dose as of 5 August 2021. However, apart from the regular vaccine supply procured by the government, the recent donation of half a million doses of Pfizer coronavirus vaccine by the US government arrived in Georgia on 24 July 2021, representing immense support to the immunisation process. The Group's portfolio companies have experienced certain adverse impacts on their businesses arising from the COVID-19 pandemic: • Restrictions imposed in relation to the outbreak have had a significant impact on GHG's healthcare services business, particularly during the first lockdown from March to May of 2020. Lower emergency treatment requirements as well as postponements and cancellations of elective procedures due to COVID-19 had a negative impact on the business. Revenue and EBITDA (excluding the impact of IFRS 16) for the healthcare services business decreased by 2.5% and 17.2% in 2020, respectively, largely due to the impact of COVID-19, although this was offset by revenue growth in the retail (pharmacy) business. Medical tourism and clinical trials, which are two growth areas targeted by GHG, have also been adversely affected by the spread of COVID-19 and the resulting travel restrictions imposed by the Government. Following the lifting of COVID-19-related lockdown restrictions, which affected hospitals and clinics segments, the healthcare services business' revenue started to rebound in 2021. As COVID-19 continues to spread, doctors and nurses have been on the front line of treatment, which is a risk to their health and could create labour shortages. Should COVID-19 overwhelm GHG's hospitals or clinics or the healthcare system in Georgia generally or create labour shortages in the healthcare system, this could have a material adverse effect on GHG's business, financial condition, results of operations and prospects. • The social distancing measures implemented by countries around the world to slow the spread of COVID-19 resulted in a global recession. Economic activity was

	drastically reduced for several months, and the outlook for many businesses remains highly uncertain. While Bank of Georgia has so far remained resilient, if businesses and unemployed workers no longer have the income to pay their outstanding debts, the number of defaults would significantly increase, which would have adverse impact on Bank of Georgia and respectively, the value of the Group's holding in BoG. • At GGU, in relation to the water utility business, the COVID-19 outbreak resulted in lower demand from business customers in 2020, which in turn resulted in decreased revenue. However, according to the tariff setting methodology, volume risk does not stay with GGU and unearned revenues due to COVID-19 in the past regulatory period (2018-2020) will be reimbursed, applying the time value of money, through new tariffs set for the next regulatory period (2021-2023), as approved by GNERC in December 2020. • At the Group's education business, schools were providing distance learning from 1 March 2020 and for most of the remainder of the year 2020. During the distance learning period, schools offered discounts ranging between 15% and 25% for tuition fees and a roll-over of fees for transportation/catering services. Due to the pandemic, summer schools were almost fully cancelled and 2020 revenues from additional services (such as catering and transportation) decreased by 24.8% year-on-year to GEL 0.8 million. In light of epidemiological developments in Georgia, the schools in Tbilisi were reopened from 15 February 2021. To mitigate the impact of distance learning on academic and social life, the schools modified the academic calendar by shifting academic days from 1Q21 to 2Q21 with the expectation to resume on-campus learning by then. The modification led to an 9.5% y-o-y increase in the number of academic days in 2Q21. • A downturn in tourism had a material adverse effect on the Group's hospitality and commercial real estate business, which is dependent on the flow of tourists visiting Georgia. Additionally, a negative impact on the Georgian economy could depress Georgia's property market, which could have a material adverse effect on the Group's housing development business. • The Group's auto service business was negatively affected by the lockdown, including due to the temporary suspension of mandatory car inspections.
KEY DRIVERS / TRENDS	Although vaccine development and the ongoing immunisation process have raised hopes of global recovery, exceptional uncertainty persists with respect to vaccine availability and the roll-out timeline. The coronavirus has proven a significant challenge for the Georgian economy, especially the tourism sector. Despite visible first signs of recovery in the tourism sector, with June tourism revenues reaching 36% of 2019 level, the outlook remains challenging as any major turnaround is conditional to successful global immunisation. The virus outbreak presents both supply and demand-side shocks and will continue to have multiple repercussions through various channels, as rising costs have been pressuring prices and falling disposable income has been constraining economic activity. As a small open economy (external merchandise trade around 82% of GDP as of 1H21), Georgia is highly dependent on foreign currency inflows to finance its current account deficit, so a significantly delayed recovery in tourism revenues or a substantial fall in foreign investment sentiment would impact growth prospects substantially. The global spread of downside risks would continue to contract foreign demand and, thus, exports and could negatively impact remittance inflows, which were invaluable in 2020. Measures preventing the virus from spreading and increased uncertainty about the vaccination timeline and availability could significantly affect domestic sentiment and demand, negatively impacting consumption and domestic absorption as a whole while also creating risks of lowering potential output in the medium term. Furthermore, there can be no assurance on the effectiveness of Government measures in preventing the further spread of COVID-19, reducing its negative economic impact or that more restrictive measures will not be introduced, any of which could have a material adverse effect on macroeconomic conditions and, in turn, the Group's business.
MITIGATION	The Government of Georgia's effective steps resulted in the lowest number of confirmed cases and deaths per capita in the region during the first wave. However, the Autumn surge placed Georgia at the forefront of the battle against COVID-19. In a population of about 3.7 million, there have been 440,353 confirmed cases, 393,453 recovery cases and 5,986 deaths as of 5 August 2021. The vaccination campaign began on 15 March 2021, with healthcare workers and risk groups given priority. As of 5 August 2021, 10.4% of the

total population (13.6% of adult population) has been vaccinated with at least one dose, while 4.8% of the total population (6.3% of adult population) has been fully vaccinated. The government has set a goal of vaccinating 60% of the population in 2021

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

The Georgian economy remains vulnerable to external shocks due to a mix of its historically high current account deficit, low domestic savings rate and high level of dollarisation. The external balance deteriorated following the onset of the COVID-19 pandemic, with the current account deficit amounting to 12.5% of GDP in 2020, as tourism revenues, a major source of foreign currency inflows, evaporated. The deficit improved slightly in 1Q21, reaching 10.7% of GDP, and is expected to improve further as the tourism sector begins recovery. Major sources of financing the current account deficit are remittance inflows (up 40.8% y-o-y in 1H21) and merchandise exports (up 25.5% y-o-y in 1H21). First signs of tourism recovery are also visible, as tourism revenues reached 36% of the 2019 level in June 2021 (19% in April and 27% in May). The remaining shortfall in the external balance was financed by donor funding secured by the Government, which was more than enough to fund the fiscal and external deficits, as international reserves were US$ 3.9 billion at the end of June 2021 despite the National Bank of Georgia selling US$ 873 million in 2020 and US$ 243 million in 2021 on the foreign exchange market.

A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: the water utility, healthcare services and retail (pharmacy) businesses. Georgia Capital has a strong liquidity position, with GEL 442 million liquid assets and loans issued as of 30 June 2021. We are also satisfied that Georgia Capital's liquidity forecast adequately accounts for the novel coronavirus risk. Further, Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. Therefore, capital allocations to portfolio companies may be suspended, if needed. The Group identified the following mitigating actions: suspension of capital allocations together with optimisation of cash operating expenses. However, the strong performance of our portfolio companies, on the back of positive economic developments during 1H21, has allowed for a smooth and gradual transition from the cash accumulation and preservation strategy, implemented in 2020 as our response to the pandemic, towards capturing business growth opportunities across all our businesses.

REGIONAL INSTABILITY	
PRINCIPAL RISK / UNCERTAINTY	The Georgian economy and our business may be adversely affected by regional tensions. Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey, and has two breakaway territories, Abkhazia and the Tskhinvali Region/South Ossetia. Countries within the region, including Azerbaijan, Armenia, Russia and Turkey, are key trading partners of Georgia. There has been ongoing geopolitical tension, political instability, economic instability and military conflict in the region, with the latest flare-up culminating in a six-week war (September-November 2020) between Armenia and Azerbaijan over the disputed Nagorno-Karabakh region. The continuation or escalation of political instability, geopolitical conflict, the economic decline of Georgia's trading partners and any future deterioration of Georgia's relationship with Russia, including border and territorial disputes, may have a negative impact on the political or economic stability of Georgia, which in turn may affect our business adversely, including putting adverse pressure on our business model, our revenues, our financial position and valuations of our listed and private portfolio companies.
KEY DRIVERS / TRENDS	Although a ceasefire agreement has ended the recent six-week Armenia-Azerbaijan war, the conflict has not been conclusively resolved. Russian peacekeeping forces were deployed for an initial period of five years. The risks of a further flare-up depend on the success of the peacekeeping mission. The war has also worsened the economic and political outlook for Armenia, an important trading partner of Georgia, and created significant spillover risks in the region, with the rising influence of Russia and Turkey altering the regional balance. Russia imposed economic sanctions on Georgia in 2006, and conflict between the countries escalated in 2008 when Russian forces crossed Georgian borders and recognised the independence of Abkhazia and the Tskhinvali/South Ossetia regions. Russian troops continue to occupy the regions, and tensions between Russia and Georgia persist. The introduction of a preferential trade regime between Georgia and the EU in 2016, and the European Parliament's approval of a proposal on visa liberalisation for Georgia in 2017, can potentially intensify tensions between the countries. Russia banned direct flights on 8 July 2019 and recommended stopping selling holiday packages to Georgia. The decision was made in response to anti-Putin protests in Tbilisi, which started after a member of the Russian parliament addressed the Georgian parliament in Russian from the speaker's chair. Fresh sanctions were imposed on several Russian individuals and entities on 2 March 2021 by the US and the EU, relating to the use of chemical weapons against Russian opposition figure Alexei Navalny, amplifying tensions in the region.
MITIGATION	The Group actively monitors significant developments in the region and risks related to political instability and the Georgian Government's response thereto. It also develops responsive strategies and action plans of its own. The Georgian export market shifted significantly away from the Russian market after Russia's 2006 embargo, and the Group participated in that shift. As of 1H21, Russia accounted for 13.9% of Georgian exports, as opposed to 17.8% in 2005. As the tourism sector recovers, the Government's ongoing action plan to diversify tourism revenues should serve well to reduce exposure to Russia. Tourism revenues from the EU increased by 20% y-o-y in 2019, and it is hoped that this trend will continue. While financial market turbulence and geopolitical tensions affect regional trading partners, Georgia's preferential trading regimes, including DCFTA with the EU and FTA with China, support the country's resilience to regional external shocks. Enhancing linkages with the EU market will be further supported by a new recovery plan for Eastern Partnership countries, including ambitious investments in improved connectivity and unlocked potential to get full benefits from the DCFTA. China remains the largest destination country of Georgian exports in 2021 since claiming the position in 2020, accounting for 15.4% of total exports in 1H21 (13.7% in 1H20), as well as being the largest destination country of domestically produced Georgian exports with a 19.9% share (18.4% in 1H20).

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

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

LIQUIDITY	
PRINCIPAL RISK / UNCERTAINTY	The risk that liabilities cannot be met or new investments made due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of demand from the market, from the suspension of dividends from portfolio companies, from not holding cash or being able to raise debt.

KEY DRIVERS / TRENDS	The Group predominantly invests in private portfolio businesses, potentially making the investments difficult to monetise at any given point in time. There is a risk that the Group will not be able to meet its financial obligations and liabilities on time due to a lack of cash or liquid assets or the inability to generate sufficient liquidity to meet payment obligations. This may be caused by numerous factors, such as: the inability to refinance long-term liabilities; suspended dividend inflows from the Group's portfolio companies; excessive investments in long-term assets and a resulting mismatch in the availability of funding to meet liabilities; or failure to comply with the creditor covenants causing a default.
MITIGATION	The liquidity management process is a regular process, where the framework is approved by the Board and is monitored by senior management and the Chief Financial Officer. The framework models the ability of the Group to fund under both normal conditions (Base Case) and during stressed situations. This approach is designed to ensure that the funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The Finance department monitors certain liquidity measures on a daily basis and actively analyses and manages liquidity weekly. Senior management is involved at least once a month and the Board on a quarterly basis. Such monitoring involves the review of the composition of the cash buffer, potential cash outflows and management's readiness to meet such commitments. It also serves as a tool to revisit the portfolio composition and take necessary measures, if required. JSC Georgia Capital successfully issued US$ 300 million bonds in March 2018, which was followed by a US$ 65 million tap issuance on 16 March 2021. The debt is actively managed so that Georgia Capital maintains a maximum loan to value (LTV) ratio of 30%. GCAP has adopted the following measures to manage its standalone credit profile: • GCAP depends on dividend inflows from its portfolio companies, on its ability to sell its listed securities on the public markets at favourable prices, and on its ability over the longer term to monetise its private portfolio investments. To limit this dependency, the Group has adopted a policy to maintain a cash buffer of at least US$ 50 million in highly-liquid assets in order to always have sufficient capacity for potential downside scenarios as well as for potential acquisition opportunities. Additionally, the Group will maintain at least US$ 50 million in marketable securities, which can be converted into cash within three to four weeks (this includes BoG shares); • The market value leverage (Net Debt divided by Asset Portfolio) should be no more than 30% at all times, where ''Net Debt'' is defined as borrowings plus guarantees issued and commitments from financial institutions minus liquid assets and ''Asset Portfolio'' is defined as the sum of fair values of portfolio company investments and loans issued. The ratio was 27% as of 30 June 2021; and • Recourse debt and guarantees are limited at GCAP and at each portfolio company level.
PORTFOLIO COMPANY STRATEGIC AND EXECUTION RISKS	
PRINCIPAL RISK / UNCERTAINTY	Market conditions may adversely impact our strategy, and all our businesses have their own risks specific to their industry. Our businesses have growth and expansion strategies, and we face execution risks in implementing these strategies. The Group will normally seek to monetise its investments, primarily through strategic sale, typically within five to ten years from acquisition, and we face market and execution risk in connection with exits at reasonable prices

KEY DRIVERS / TRENDS	Each of our private portfolio companies and our listed assets (Bank of Georgia) face its own risks. These include risks inherent to their industry, or to their industry, particularly in Georgia, and each faces significant competition. They also face the principal risks and uncertainties referred to in this table. Macroeconomic conditions, the financial and economic environment and other market conditions in international capital markets may limit the Group's ability to achieve a partial or full exit from its existing or future businesses at reasonable prices. It may not be possible or desirable to divest, including because suitable buyers cannot be found at the appropriate times, or because of difficulties in obtaining favourable terms or prices, or because the Group has failed to act at the appropriate time.
MITIGATION	For each business, we focus on building a strong management team and have successfully been able to do so thus far. Management succession planning is regularly on the agenda for the Nomination Committee, which reports to the Board on this matter. The Board closely monitors the implementation of strategy, financial and operational performance, risk management and internal control framework and corporate governance of our businesses. We hold management accountable for meeting targets. For each industry in which we operate, we closely monitor industry trends, market conditions and the regulatory environment. We have also sought, and continue to seek, advice from professionals with global experience in relevant industries. We carry our private portfolio companies at fair value in our NAV Statement. After the switch to IFRS 10 on 31 December 2019, the valuations are audited, increasing the credibility of fair valuation and limiting the risk of mispricing the asset. In addition, starting from 4Q20 valuation of private large portfolio companies (64% of total portfolio value) is performed by an independent valuation company. The Group has a strong track record of growth and has accessed the capital markets on multiple occasions as part of the BGEO Group PLC, prior to the demerger in May 2018. On 23 July 2020, the holding company of the Group's water utility business and the operational renewable energy assets (JSC Georgia Global Utilities or "GGU") successfully priced an inaugural US$ 250 million green bond offering. The Regulation S/Rule 144A senior unsecured US$-denominated 7.75% green notes, with a five-year maturity, represent the first-ever green notes from Georgia, further demonstrating our superior access to capital even during the unprecedented pandemic. In March 2021, JSC Georgia Capital, the Georgian holding company of the Group's businesses, successfully priced a US$ 65 million tap issue under the Group's existing US$ 300 million 6.125% senior unsecured notes due 2024, listed on the Global Exchange Market of the Irish Stock Exchange. Our acquisition history has also been successful, and we have been able to integrate businesses due to our strong management with integration experience
CURRENCY AND MACROECONOMIC ENVIRONMENT	
PRINCIPAL RISK / UNCERTAINTY	Unfavourable dynamics of major macroeconomic variables, including depreciation of the Lari against the US dollar, may have a material impact on the Group's performance.
KEY DRIVERS / TRENDS	The Group's operations are primarily located in, and most of its revenue is sourced from Georgia. Factors such as gross domestic product (GDP), inflation, interest and currency exchange rates, as well as unemployment, personal income, tourist numbers and the financial situation of companies can have a material impact on customer demand for its products and services. The Lari floats freely against major currencies. Lari depreciation in 2020 was driven by capital outflows from the emerging & frontier markets, a sudden stop in tourism revenues and shrinking merchandise exports, as well as rapidly deteriorating expectations, although remittance inflows posted record growth and NBG sold US$ 873 million during the year to provide foreign currency liquidity to the markets. Following a period of stabilisation, Lari began strengthening since mid-May 2021, appreciating by 5.2% compared to the beginning of the year and by 10% compared to the year to date low. Currency appreciation was aided by continued robust growth in remittance inflows, swift rebound in merchandise exports, stronger than expected economic growth, tight monetary policy and improved expectations. Following rate cuts in 2020 to respond to the COVID-19 shock, NBG reversed the cut and hiked the policy rate to 10% in 2021,

	responding to high inflation and subsequent rising inflationary expectations. With supply-side bottlenecks, rising costs and high commodity prices continuously pressuring prices as well as domestic demand rebounding faster than expected, inflation is expected to remain high during 2021 and begin decelerating from the 2nd half of 2022, converging to the target of 3%. On the macro level, the free-floating exchange rate works well as a shock absorber, but on the micro-level, the currency fluctuation has affected and may continue to adversely affect the Group's results. There is a risk that the Group incurs material losses or loses material amounts of revenue and, consequently, deteriorates its solvency in a specific currency or group of currencies due to the fluctuation of exchange rates. The risk is mainly caused by significant open foreign currency positions in the balance sheets. Real GDP growth has bounced back significantly in the last months, with the economy growing by 12.7% y-o-y in 1H21 on the back of a 29.8% y-o-y growth in 2Q21. Even though high growth is aided by the low base effect, growth was high compared to 2019 as well – growth in 2Q21 was 12.6% compared to April-May 2019. IMF increased the 2021 real GDP growth forecast from 3.5% to 7.7% and welcomed both the fiscal expansion and monetary contraction in order to support recovery and avoid entrenching inflationary expectations, respectively. Despite downside risks, the outlook for the Georgian economy is now significantly more positive compared to first quarter assessments. The current account deficit improved slightly and reached 10.7% of GDP in 1Q21, compared to 12.5% in 2020. As merchandise exports and remittance inflows remain robust while tourism revenues display first signs of recovery, the current account deficit is expected to improve further throughout the year, reaching -9.9% of GDP in 2021, according to IMF. In 2019, Fitch and S&P upgraded the sovereign credit rating of Georgia from BB- to BB and maintained a stable outlook. Resilience to negative external shocks, robust economic growth, shrinking current account (CA) deficit, increasing reserves and decreasing path of general Government debt were the major drivers for the reduced risk premium of the country. Georgia's outlook was downgraded to negative by Fitch in April 2020 and by S&P in February 2021. 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 April 21. The low coupon rate marks a strong achievement for Georgia, giving the country a competitive edge over comparable regional countries and confirming investor confidence in the macroeconomic environment. With economic growth rallying, the current account deficit expected to fall to single digits, reserves standing at US$ 3.9 billion as of June 2021 and public debt declining well below the fiscal rule ceiling, the major challenges stemming from the COVID-19 shock have been dealt with, albeit risks remain.
MITIGATION	The Group continually monitors market conditions, reviews market changes and also performs stress and scenario testing to test its position under adverse economic conditions, including adverse currency movements. The currency risk management process is an integral part of the Group's activities; currency risk is managed through regular and frequent monitoring of the Group's currency positions and through timely and efficient elaboration of responsive actions and measures. Senior management reviews overall currency positions of the Group several times during the year and elaborates respective overall currency strategies; the Finance department monitors the daily currency position for stand-alone Georgia Capital, weekly currency positions on portfolio company level and manages short-term liquidity of the Group across different currencies. Control procedures involve regular monitoring and control of the currency gap and currency positions, running currency sensitivity tests and elaborating response actions/steps based on the results of the tests.

Statement of Directors' Responsibilities

We, the Directors, confirm that to the best of our knowledge:

- The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- This Results Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related parties' transactions and changes therein)

After making enquiries, the Directors considered it appropriate to adopt the going concern basis in preparing this Results Report.

The Directors of the Group are as follows:

Irakli Gilauri

David Morrison

Kim Bradley

Jyrki Talvitie

Massimo Gesua' sive Salvadori

Caroline Brown

Maria Chatti-Gautier

By order of the Board

Irakli Gilauri

Chairman & Chief Executive Officer

9 August 2021

Georgia Capital PLC Unaudited Interim Condensed Financial Statements

CONTENTS

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Thousands of Georgian Lari)

	Notes	As at 30 June 2021 (unaudited)	As at 31 December 2020
Assets			
Cash and cash equivalents*		549	855
Prepayments		530	426
Equity investments at fair value	5	2,538,371	2,213,290
Total assets		**2,539,450**	**2,214,571**
Liabilities			
Other liabilities		1,914	2,279
Total liabilities		**1,914**	**2,279**
Equity	6		
Share capital		1,574	1,574
Additional paid-in capital and merger reserve		238,311	238,311
Retained earnings		2,297,651	1,972,407
Total equity		**2,537,536**	**2,212,292**
Total liabilities and equity		**2,539,450**	**2,214,571**

**As at 30 June 2021 and 31 December 2020 cash and cash equivalents consist of current accounts with credit institutions.*

The financial statements on page 37 to 58 were approved by the Board of Directors on 9 August and signed on its behalf by:

Irakli Gilauri Chief Executive Officer

9 August 2021

Georgia Capital PLC
Registered No. 10852406

INTERIM STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

		For the six months ended	
	Notes	***30 June 2021 (unaudited)***	***30 June 2020 (unaudited)***
Gains/(losses) on investments at fair value	5	329,581	(550,592)
Gross investment profit/(loss)		**329,581**	**(550,592)**
Administrative expenses		(2,879)	(2,607)
Salaries and other employee benefits		(1,384)	(1,083)
Profit/(loss) before foreign exchange		**325,318**	**(554,282)**
Net foreign currency loss		(146)	(196)
Profit/(loss) before income taxes		**325,172**	**(554,478)**
Income tax		-	-
Profit/(loss) for the period		**325,172**	**(554,478)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**325,172**	**(554,478)**
Earnings/(loss) per share:	6		
– basic		7.3114	(13.8034)
– diluted		7.2583	(13.8034)

The accompanying notes on pages 41 to 58 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital and merger reserve*	*Retained earnings*	*Total*
31 December 2019	**1,320**	**108,863**	**1,641,838**	**1,752,021**
Loss for the period	-	-	(554,478)	(554,478)
Total comprehensive loss for the period	**-**	**-**	**(554,478)**	**(554,478)**
Increase in equity arising from share-based payments	-	-	276	276
Purchase of treasury shares	-	-	(316)	(316)
30 June 2020 (unaudited)	**1,320**	**108,863**	**1,087,320**	**1,197,503**

	Share capital	*Additional paid-in capital and merger reserve*	*Retained earnings*	*Total*
31 December 2020	**1,574**	**238,311**	**1,972,407**	**2,212,292**
Profit for the period	-	-	325,172	325,172
Total comprehensive profit for the period	**-**	**-**	**325,172**	**325,172**
Increase in equity arising from share-based payments	-	-	266	266
Purchase of treasury shares	-	-	(194)	(194)
30 June 2021 (unaudited)	**1,574**	**238,311**	**2,297,651**	**2,537,536**

The accompanying notes on pages 41 to 58 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(Thousands of Georgian Lari)

	Notes	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Cash flows from operating activities			
Salaries and other employee benefits paid		(1,104)	(1,159)
General, administrative and operating expenses paid		(3,456)	(2,489)
Net cash flows used in operating activities before income tax		**(4,560)**	**(3,648)**
Income tax paid		-	-
Net Cash flow used in operating activities		**(4,560)**	**(3,648)**
Cash flows from investing activities			
Capital redemption from subsidiary	5	4,500	7,453
Cash flows from investing activities		**4,500**	**7,453**
Cash flows from financing activities			
Contributions under share-based payment plan	6	(194)	(316)
Transaction costs incurred in relation to share issuance	6	-	(3,685)
Net cash used in financing activities		**(194)**	**(4,001)**
Effect of exchange rates changes on cash and cash equivalents		(52)	(6)
Net decrease in cash and cash equivalents		**(306)**	**(202)**
Cash and cash equivalents, beginning of the period		**855**	**1,243**
Cash and cash equivalents, end of the period		**549**	**1,041**

The accompanying notes on pages 41 to 58 are an integral part of these interim condensed financial statements.

(Thousands of Georgian Lari)

1. Principal Activities

Georgia Capital PLC ("Georgia Capital" or the "Company") is a public limited liability company incorporated in England and Wales with registered number 10852406. Georgia Capital PLC holds 100% of the share capital of the JSC Georgia Capital, which makes up a group of companies (the "Group"), focused on buying, building and developing businesses in Georgia. The Group currently has six large and investment stage private businesses (i) a healthcare services business; (ii) a water utility business; (iii) a retail (pharmacy) business, (iv) an insurance business (P&C and medical insurance); (v) a renewable energy business and (vi) an education business. Georgia Capital also holds other small private businesses across various sectors in Georgia, including housing development, hospitality and commercial property construction and development, wine and beer production, digital services, and auto service businesses through privately held subsidiaries, and a 19.9% equity stake in LSE premium-listed Bank of Georgia Group PLC ("BoG"), a leading universal bank in Georgia. The shares of Georgia Capital are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities under the ticker CGEO, effective 29 May 2018.

Georgia Capital's registered legal address is 84 Brook Street, London W1K 5EH, England, United Kingdom.

As at 30 June 2021 and 31 December 2020, the following shareholders owned more than 5% of the total outstanding shares* of Georgia Capital PLC. Other shareholders individually owned less than 5% of the outstanding shares.

Shareholder	***30 June 2021 (unaudited)***	***31 December 2020***
Eaton Vance	6%	6%
M&G Investment Management Ltd	5%	6%
Others	89%	88%
Total	**100%**	**100%**

For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares which includes shares held in the trust for share-based compensation purposes of the Group.

2. Basis of Preparation

General

The Company's condensed half year financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, Interim Financial Reporting, as adopted by the United Kingdom. They should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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, IFRS Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information in these condensed half year financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the year ended 31 December 2020 is derived from the statutory accounts for that year. Statutory accounts for the year ended 31 December 2020 were approved by the Board on 25 March 2021 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed financial statements are unaudited, not reviewed by auditors pursuant to the Auditing Practices Board guidance on "Review of interim financial information".

2. Bases of Preparation (continued)

General (continued)

These interim condensed financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts, which are presented in Georgian Lari, and unless otherwise noted.

Going concern

The Board of Directors of Georgia Capital has made an assessment of the Group's and Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the interim condensed financial statements, i.e. the period ending 30 September 2022. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and Company's ability to continue as a going concern for the foreseeable future. Therefore, the interim condensed financial statements continue to be prepared on a going concern basis.

The Directors have made an assessment of the appropriateness of the going concern basis of preparation and reviewed Georgia Capital's liquidity outlook for the period ending 30 September 2022, taking into account the impact of the COVID-19 pandemic and considering any potential concerns with respect to the liquidity and recoverability of the Group's assets as set out in the financial statements. As a response to the COVID-19 uncertainties, during 2020, Georgia Capital focused on limiting capital allocations, optimizing operating expenses and accumulating and preserving cash. In the first half of 2021, portfolio companies delivered strong operating performance, which was reflected in an upward revision in the baseline scenario expectations on dividend and interest inflows from the portfolio companies towards Georgia Capital.

The main source of cash inflow for GCAP PLC is capital redemption from JSC GCAP, which itself has enough assets to support the liquidity needs of the parent company as well. As at 30 June 2021, JSC GCAP holds cash in the amount of GEL 103,897, amounts due from credit institutions in the amount of GEL 85,593 and marketable debt securities in the amount of GEL 79,027 (refer to note 7). The latter are considered to be highly liquid, as they are debt instruments listed on international and local markets. Liquidity needs of the holding companies (which includes JSC GCAP as well) during the Going Concern review period mainly consists of the coupon payments on JSC GCAP Eurobonds and the operating costs of running the holding companies. The liquidity outlook also assumes dividend income from the defensive businesses of the Group (healthcare, pharmacy, renewable business, water utility and insurance) and Bank of Georgia PLC. Small capital allocations are assumed to investment stage companies (Renewable Energy and Education). On 16 March 2021 the 100% subsidiary of Georgia Capital PLC, JSC Georgia Capital, placed a USD 65 million (GEL 215.8 million) Eurobond tap issue, which was consolidated and forms a single series with the existing USD 300 million 6.125% senior notes due 2024. Management performed a further assessment which demonstrates that, even in a stressed scenario which assumes no dividend inflows and postponement of the loan repayments from the portfolio businesses that have been most negatively affected by the COVID-19 whilst retaining forecasted capital allocations, the existing cash and highly liquid debt investment securities will be sufficient to cover the expected cash outflows of the holding companies for the Going Concern review period. Further, Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with the exception of an EUR 18 million financial guarantee issued to a portfolio company owned by JSC GCAP, where the management has assessed the probability of guarantee exercise as remote and has included it in the overall assessment accordingly. Finally, Georgia Capital does not have a primary mandate to deploy funds or divest assets within a specific time frame.

A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: the water utility, healthcare and pharmacy distribution businesses. Georgia Capital has an adequate liquidity position as at 30 June 2021.

Management is also satisfied that Georgia Capital's liquidity forecast is comprehensive considering the coronavirus risk. GCAP's liquidity levels remain robust, aided by a strong dividend income outlook from the private portfolio companies and also from Bank of Georgia Group PLC. As a result, the Board has approved a USD10 million share buyback and cancellation programme, over a twelve-month period from the date of approval of the interim condensed financial statements. Based on the considerations outlined above, management of Georgia Capital concluded that going concern basis of preparation remains appropriate for these interim condensed financial statements.

3. Summary of significant accounting policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed financial statements are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended 31 December 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments had no impact on the Company's condensed interim financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2

4. Segment Information

For management purposes, the Group is organised into the following operating segments as follows:
listed portfolio companies, private large portfolio companies, private investment stage portfolio companies, private other portfolio companies, and corporate centre.

Listed portfolio companies segment

BOG - the Company has a significant investment in London Stock Exchange premium listed Bank of Georgia Group PLC.

Private portfolio companies segment

Large portfolio companies segment:

The large portfolio companies segment includes investments in healthcare services, pharmacy and distribution, water utility and insurance businesses.

Healthcare services business owned through Georgia Healthcare Group ("GHG"), is the largest healthcare market participant in Georgia. Healthcare services business comprises three sub-segments: Hospitals providing secondary and tertiary level healthcare services; Clinics providing outpatient and basic inpatient services and polyclinics providing outpatient diagnostic and treatment services; Diagnostics operating the largest laboratory in the Caucasus region.
Pharmacy and distribution business owned through GHG consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies.
Water Utility business is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services. Water Utility also operates hydro power plants.
Insurance business comprises a property and casualty insurance business owned through Aldagi and medical insurance business owned through GHG. The business provides insurance services - mainly property and casualty and medical insurance to corporate and retail clients.

Investment stage portfolio companies segment:

The investment Stage portfolio companies segment includes investments into renewable energy and education businesses.

Renewable energy business principally operates three wholly owned commissioned renewable energy assets. In addition, a pipeline of renewable energy projects is in an advanced stage of development
Education business combines majority stakes in four leading private schools in Tbilisi. It principally provides education for preschool to 12th grade (K-12);

Other portfolio companies segment:

Other portfolio companies segment includes Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses.

Corporate Centre comprising of Georgia Capital PLC and JSC Georgia Capital

Management monitors the fair values of its segments separately for the purposes of making decisions about resource allocation and performance assessment.

Transactions between segments are accounted for at actual transaction prices.

Starting 31 December 2019 and for the periods following the change in investment entity status, management of Georgia Capital no longer monitors and uses consolidated financial information and solely focuses on fair value information for performance evaluation and decision-making. In line with updated management view the change also applied to the presentation of segment information as at 30 June 2021 and 2020. In 2020 the Company also revised the presentation of its segment note and represented comparative segment information for the six months ended 30 June 2020 accordingly.

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents the net asset value (NAV) of the Group's operating segments at 30 June 2021 and the roll-forward from 31 December 2020:

NAV Statement	*31 December 2020*	*1. Value Creation*	*2a. Investments*	*2b. Buybacks*	*2c. Dividends*	*3. Operating Expenses*	*4. Liquidity Management/ FX / Other*	*30 June 2021 (unaudited)*
Listed Portfolio Companies	**531,558**	**43,836**	**-**	**-**	**-**	**-**	**-**	**575,394**
BoG	531,558	43,836	-	-	-	-	-	575,394
Private Portfolio Companies	**2,376,130**	**296,613**	**10,588**	**-**	**(14,430)**	**-**	**3,031**	**2,671,932**
Large Portfolio Companies	**1,858,237**	**230,090**	**-**	**-**	**(4,959)**	**-**	**1,408**	**2,084,776**
Healthcare Services	571,656	114,165	-	-	-	-	-	685,821
Retail (Pharmacy)	552,745	27,657	-	-	-	-	-	580,402
Water Utility	471,148	76,097	-	-	-	-	985	548,230
Insurance (P&C and Medical)	262,688	12,171	-	-	(4,959)	-	423	270,323
Of which, P&C Insurance	197,806	13,081	-	-	(4,959)	-	423	206,351
Of which, Health Insurance	64,882	(910)	-	-	-	-	-	63,972
Investment Stage Portfolio Companies	**302,964**	**40,310**	**10,338**	**-**	**(9,471)**	**-**	**627**	**344,768**
Renewable energy	209,902	17,103	2,948	-	(9,471)	-	627	221,109
Education	93,062	23,207	7,390	-	-	-	-	123,659
Other Portfolio Companies	**214,929**	**26,213**	**250**	**-**	**-**	**-**	**996**	**242,388**
Total Portfolio Value	**2,907,688**	**340,449**	**10,588**	**-**	**(14,430)**	**-**	**3,031**	**3,247,326**
Net Debt	**(697,999)**	**-**	**(10,588)**	**(3,199)**	**14,430**	**(10,837)**	**(5,872)**	**(714,065)**
of which, Cash and liquid funds	175,289	-	(10,588)	(3,199)	14,430	(10,837)	118,802	283,897
of which, Loans issued	108,983	-	-	-	-	-	49,208	158,191
of which, Gross Debt	(982,271)	-	-	-	-	-	(173,882)	(1,156,153)
Net other assets/ (liabilities)	2,603	-	-	-	-	(7,259)	8,931	4,275
Net Asset Value	**2,212,292**	**340,449**	**-**	**(3,199)**	**-**	**(18,096)**	**6,090**	**2,537,536**

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents the NAV statement of the Group's operating segments at 30 June 2020 and the roll forward from 31 December 2019:

NAV Statement	*31 December 2019*	*1.Value Creation*	*2a. Investments*	*2b. Buybacks*	*2c. Dividends*	*3.Operating Expenses*	*4. Liquidity Management/ FX / Other*	*30 June 2020 (unaudited)*
Listed Portfolio Companies	**1,027,814**	**(297,745)**	**-**	**-**	**-**	**-**	**-**	**730,069**
GHG	430,079	(94,412)	-	-	-	-	-	335,667
BoG	597,735	(203,333)	-	-	-	-	-	394,402
Private Portfolio Companies	**1,225,269**	**(184,991)**	**55,989**	**-**	**(4,927)**	**-**	**5,049**	**1,096,389**
Large Portfolio Companies	**648,893**	**(65,616)**	**-**	**-**	**-**	**-**	**1,083**	**584,360**
Water Utility	483,970	(46,064)	-	-	-	-	1,083	438,989
P&C Insurance	164,923	(19,552)	-	-	-	-	-	145,371
Investment Stage Portfolio Companies	**163,150**	**61,994**	**44,382**	**-**	**(4,927)**	**-**	**847**	**265,446**
Renewable energy	106,800	37,647	44,350	-	(4,927)	-	847	184,717
Education	56,350	24,347	32	-	-	-	-	80,729
Other Portfolio Companies	**413,226**	**(181,369)**	**11,607**	**-**	**-**	**-**	**3,119**	**246,583**
Total Portfolio Value	**2,253,083**	**(482,736)**	**55,989**	**-**	**(4,927)**	**-**	**5,049**	**1,826,458**
Net Debt	**(493,565)**	**-**	**(56,674)**	**(5,746)**	**4,927**	**(8,312)**	**(73,180)**	**(632,550)**
of which, Cash and liquid funds	211,889	-	(56,674)	(5,746)	4,927	(8,312)	646	146,730
of which, Loans issued	151,884	-	-	-	-	-	(18,543)	133,341
of which, Gross Debt	(857,338)	-	-	-	-	-	(55,283)	(912,621)
Net other assets/ (liabilities)	(5,650)	-	685	(287)	-	(6,268)	15,115	3,595
Net Asset Value	**1,753,868**	**(482,736)**	**-**	**(6,033)**	**-**	**(14,580)**	**(53,016)**	**1,197,503**

1.Value Creation – measures the annual shareholder return on each portfolio company for Georgia Capital. It is the aggregation of a) the change in beginning and ending fair values, b) dividend income during period. The net result is then adjusted to remove capital injections (if any) to arrive at the total value creation / investment return.; 2a.Investments – represents capital injections in portfolio companies made by JSC GCAP; 2b. Buybacks – represent buybacks made by GCAP PLC and JSC GCAP in order to satisfy share compensation of executives and purchases under buyback program announced by GCAP PLC; 2c.Dividends – represent dividends received from portfolio companies by JSC GCAP; 3.Operating Expenses – holding company aggregated operating expenses of GCAP PLC and JSC GCAP; 4.Liquidity Management/FX/Other – holding company aggregated movements of GCAP PLC and JSC GCAP related to liquidity management, foreign exchange movement, non-recurring and other.

(Thousands of Georgian Lari)

4. Segment Information (continued)

Reconciliation to IFRS financial statements:

	30 June 2021 (unaudited)					
	Georgia Capital PLC	***Aggregation with JSC Georgia Capital****	***Elimination of double effect on investments***	***Aggregated Holding Company***	***Reclassifications/adjustments****	***NAV Statement***
Cash and cash equivalents	549	103,897	-	104,446	(104,446)	-
Amounts due from credit institutions	-	85,593	-	85,593	(85,593)	-
Marketable securities	-	79,027	-	79,027	(79,027)	-
Prepayments	530	-	-	530	(530)	-
Loans issued	-	158,191	-	158,191	(158,191)	-
Other assets, net	-	9,952	-	9,952	(9,952)	-
Equity investments at fair value	2,538,371	3,247,326	(2,538,371)	3,247,326	-	3,247,326
Total assets	**2,539,450**	**3,683,986**	**(2,538,371)**	**3,685,065**	**(437,739)**	**3,247,326**
Debt securities issued	-	1,141,320	-	1,141,320	(1,141,320)	-
Other liabilities	1,914	4,295	-	6,209	(6,209)	-
Total liabilities	**1,914**	**1,145,615**	**-**	**1,147,529**	**(1,147,529)**	**-**
Net Debt	-	-	-	-	(714,065)	(714,065)
of which, Cash and liquid funds	-	-	-	-	*283,897*	*283,897*
of which, Loans issued	-	-	-	-	*158,191*	*158,191*
of which, Gross Debt	-	-	-	-	*(1,156,153)*	*(1,156,153)*
Net other assets/ (liabilities)	-	-	-	-	4,275	4,275
Total equity/NAV	**2,537,536**	**2,538,371**	**(2,538,371)**	**2,537,536**	**-**	**2,537,536**

	30 June 2020 (unaudited)					
	Georgia Capital PLC	***Aggregation with JSC Georgia Capital****	***Elimination of double effect on investments***	***Aggregated Holding Company***	***Reclassifications/adjustments****	***NAV Statement***
Cash and cash equivalents	1,041	84,626	-	85,667	(85,667)	-
Marketable securities	-	35,207	-	35,207	(35,207)	-
Prepayments	7,204	-	-	7,204	(7,204)	-
Loans issued	-	133,342	-	133,342	(133,342)	-
Other assets, net	-	8,779	-	8,779	(8,779)	-
Equity investments at fair value	1,198,987	1,826,458	(1,198,987)	1,826,458	-	1,826,458
Total assets	**1,207,232**	**2,088,412**	**(1,198,987)**	**2,096,657**	**(270,199)**	**1,826,458**
Debt securities issued	-	886,767	-	886,767	(886,767)	-
Other liabilities	9,729	2,658	-	12,387	(12,387)	-
Total liabilities	**9,729**	**889,425**	**-**	**899,154**	**(899,154)**	**-**
Net Debt	-	-	-	-	(632,550)	(632,550)
of which, Cash and liquid funds	-	-	-	-	*146,730*	*146,730*
of which, Loans issued	-	-	-	-	*133,341*	*133,341*
of which, Gross Debt	-	-	-	-	*(912,621)*	*(912,621)*
Net other assets/ (liabilities)	-	-	-	-	3,595	3,595
Total equity/NAV	**1,197,503**	**1,198,987**	**(1,198,987)**	**1,197,503**	**-**	**1,197,503**

** For detailed breakdown of JSC Georgia Capital refer to note 7.*
*** Reclassification and adjustments to aggregated balances to arrive at the NAV specific presentation, such as: aggregating cash, marketable securities, repurchased GCAP bonds as cash and liquid funds, debt securities issued as gross debt and netting of other assets and liabilities; capitalization of project development related expenses.*

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents income statement information of the Group's operating segments for the six months ended 30 June 2021 (unaudited):

		Private Portfolio Companies							
	Listed Portfolio Companies	***Large***	***Investment Stage***	***Other***	***Corporate Center***	***Total***	***Intragroup Investment Reversal and Adjustments***	***Equity Changes in JSC GCAP***	***Investment Entity Total***
Gains on investments at fair value	43,836	225,131	30,839	26,213	-	326,019	1,685	1,877	329,581
Listed Equity Investments	*43,836*	-	-	-	-	*43,836*	*(43,836)*		-
Private Investments	-	*225,131*	*30,839*	*26,213*	-	*282,183*	*45,521*	*1,877*	*329,581*
Dividend income	-	4,959	9,471	-	-	14,430	(14,430)		-
Interest income	-	-	-	-	10,617	10,617	(10,617)		-
Realised / unrealised loss on liquid funds	-	-	-	-	1,516	1,516	(1,516)	-	-
Gross investment profit / (loss)	**43,836**	**230,090**	**40,310**	**26,213**	**12,133**	**352,582**	**(24,878)**	**1,877**	**329,581**
Administrative expenses	-	-	-	-	(5,840)	(5,840)	2,961	-	(2,879)
Salaries and other employee benefits	-	-	-	-	(12,256)	(12,256)	10,872	-	(1,384)
Depreciation and amortisation	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	(37,520)	(37,520)	37,520	-	-
Profit / (loss) before provisions, foreign exchange and non-recurring items	**43,836**	**230,090**	**40,310**	**26,213**	**(43,483)**	**296,966**	**26,475**	**1,877**	**325,318**
Expected credit loss	-	-	-	-	(570)	(570)	570	-	-
Net foreign currency gain	-	-	-	-	27,117	27,117	(27,263)	-	(146)
Non-recurring expense	-	-	-	-	(218)	(218)	218	-	-
Profit / (loss) before income taxes	**43,836**	**230,090**	**40,310**	**26,213**	**(17,154)**	**323,295**	**-**	**1,877**	**325,172**
Income tax	-	-	-	-	-	-	-	-	-
Profit / (loss) for the year	**43,836**	**230,090**	**40,310**	**26,213**	**(17,154)**	**323,295**	**-**	**1,877**	**325,172**

(Thousands of Georgian Lari)

4. Segment Information (continued)

The following table presents income statement information of the Group's operating segments for the six months ended 30 June 2020 (unaudited):

		Private Portfolio Companies								
	Listed Portfolio Companies	***Large***	***Investment Stage***	***Other***	***Corporate Center***	***Total***	***Intragroup Investment Reversal and Adjustments***	***Equity Changes in JSC GCAP***	***Other****	***Investment Entity Total***
Losses/(gains) on investments at fair value	(297,745)	(65,617)	57,067	(181,369)	-	(487,663)	(73,047)	8,533	1,585	(550,592)
Listed Equity Investments	*(297,745)*	-	-	-	-	*(297,745)*	*297,745*	-	-	-
Private Investments	-	*(65,617)*	*57,067*	*(181,369)*	-	*(189,919)*	*(370,791)*	*8,533*	*1,585*	*(550,592)*
Dividend income	-	-	4,927	-	-	4,927	(4,927)	-	-	-
Interest income	-	-	-	-	11,816	11,816	(11,816)	-	-	-
Realised / unrealised loss on liquid funds	-	-	-	-	(4,577)	(4,577)	4,577	-	-	-
Gross investment (loss) / profit	**(297,745)**	**(65,617)**	**61,994**	**(181,369)**	**7,239**	**(475,498)**	**(85,212)**	**8,533**	**1,585**	**(550,592)**
Administrative expenses	-	-	-	-	(4,910)	(4,910)	2,303	-	-	(2,607)
Salaries and other employee benefits	-	-	-	-	(9,670)	(9,670)	8,587	-	-	(1,083)
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	(30,180)	(30,180)	30,180	-	-	-
(Loss)/profit before provisions, foreign exchange and non-recurring items	**(297,745)**	**(65,617)**	**61,994**	**(181,369)**	**(37,521)**	**(520,258)**	**(44,142)**	**8,533**	**1,585**	**(554,282)**
Expected credit loss reversal	-	-	-	-	140	140	(140)	-	-	-
Net foreign currency loss	-	-	-	-	(41,501)	(41,501)	41,305	-	-	(196)
Non-recurring expense	-	-	-	-	(3,222)	(3,222)	3,222	-	-	-
(Loss)/profit before income taxes	**(297,745)**	**(65,617)**	**61,994**	**(181,369)**	**(82,104)**	**(564,840)**	**245**	**8,533**	**1,585**	**(554,478)**
Income tax	-	-	-	-	-	-	-	-	-	-
(Loss)/profit for the year	**(297,745)**	**(65,617)**	**61,994**	**(181,369)**	**(82,104)**	**(564,841)**	**245**	**8,533**	**1,585**	**(554,478)**

** Write-off of capitalized project development related expenses.*

(Thousands of Georgian Lari)

5. Equity Investments at Fair Value

	30 June 2021 (unaudited)	*31 December 2020*
Subsidiaries (Note 7)	2,538,371	2,213,290
Equity Investments at Fair Value	**2,538,371**	**2,213,290**

	2021	*2020*
At 1 January	**2,213,290**	**1,758,197**
Fair Value gain/(loss)	329,581	(550,592)
Capital redemption*	(4,500)	(8,618)
At 30 June (unaudited)	**2,538,371**	**1,198,987**

* During six months ended 30 June 2021 JSC Georgia Capital made a capital reduction to its 100% shareholder with total cash consideration of GEL 4,500 (30 June 2020: GEL 8,618), of which cash consideration GEL 4,500 (31 December 2020: GEL 7,453).

Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments, both meet the definition of investment entity and Georgia Capital PLC measures its investment in JSC Georgia Capital at fair value through profit or loss. For the breakdown and detailed information regarding the equity investments at fair value, refer to note 7.

6. Equity

Share capital

As at 30 June 2021 and 31 December 2020 issued share capital comprised 47,903,785 authorised common shares, of which 47,903,785 were fully paid. Each share has a nominal value of one British penny. Shares issued and outstanding as at 30 June 2021 and 30 June 2020 are described below:

	Number of shares Ordinary	*Amount*
31 December 2019	**40,169,775**	**1,320**
30 June 2020 (unaudited)	**40,169,775**	**1,320**

	Number of shares Ordinary	*Amount*
31 December 2020	**47,903,785**	**1,574**
30 June 2021 (unaudited)	**47,903,785**	**1,574**

Earnings per share

	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Basic earnings per share		
Profit / (loss) for the period attributable to ordinary shareholders of the parent	325,172	(554,478)
Weighted average number of ordinary shares outstanding during the year	44,474,927	40,169,775
Earnings per share	7.3114	(13.8034)
Diluted earnings per share		
Profit / (loss) for the period attributable to ordinary shareholders of the Group	325,172	(554,478)
Weighted average number of diluted ordinary shares outstanding during the year	44,799,824	40,169,775
Diluted earnings per share	7.2583	(13.8034)

(Thousands of Georgian Lari)

7. Fair Value Measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

30 June 2021 (unaudited)	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Equity investments at fair value	-	-	2,538,371	2,538,371
Assets for which fair values are disclosed				
Cash and cash equivalents	-	549	-	549

31 December 2020	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Equity investments at fair value	-	-	2,213,290	2,213,290
Assets for which fair values are disclosed				
Cash and cash equivalents	-	855	-	855

Valuation techniques

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

Investment in subsidiaries

Equity investments at fair value include investment in subsidiary at fair value through profit or loss representing 100% interest of JSC Georgia Capital. Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments, both meet the definition of investment entity and Georgia Capital PLC measures its investment in JSC Georgia Capital at fair value through profit or loss. Investments in investment entity subsidiaries and loans issued are accounted for as financial instruments at fair value through profit and loss in accordance with IFRS 9. Debt securities owned are measured at fair value. We determine that, in the ordinary course of business, the net asset value of investment entity subsidiaries is considered to be the most appropriate to determine fair value. JSC Georgia Capital's net asset value as of 30 June 2021 and 31 December 2020 is determined as follows:

(Thousands of Georgian Lari)

7. Fair Value Measurement (continued)

Valuation techniques (continued)

Investment in subsidiaries (continued)

	As at	
	30 June 2021 (unaudited)	***31 December 2020***
Assets		
Cash and cash equivalents	103,897	117,026
Amounts due from credit institutions	85,593	42,655
Marketable securities	79,027	13,416
Equity investments at fair value	3,247,326	2,907,688
Of which listed investments	***575,394***	***531,558***
BOG	*575,394*	*531,558*
Of which private investments:	***2,671,932***	***2,376,130***
Large portfolio companies	***2,084,776***	***1,858,237***
Healthcare services	*685,821*	*571,656*
Retail (Pharmacy)	*580,402*	*552,745*
Water utility	*548,230*	*471,148*
P&C insurance	*206,351*	*197,806*
Medical insurance	*63,972*	*64,882*
Investment stage portfolio companies	***344,768***	***302,964***
Renewable energy	*221,109*	*209,902*
Education	*123,659*	93,062
Other portfolio companies	***242,388***	***214,929***
Loans issued	158,191	108,983
Other assets	9,952	7,276
Total assets	**3,683,986**	**3,197,044**
Liabilities		
Debt securities issued	1,141,320	980,932
Other liabilities	4,295	2,822
Total liabilities	**1,145,615**	**983,754**
Net Asset Value	**2,538,371**	**2,213,290**

In measuring fair values of JSC Georgia Capital's investments, following valuation methodology is applied:

Equity Investments in Listed Portfolio Companies

Equity instruments listed on an active market are valued at the price within the bid/ask spread, that is most representative of fair value at the reporting date, which usually represents the closing bid price. The instruments are included within Level 1 of the hierarchy in JSC GCAP financial statements.

Equity Investments in Private Portfolio Companies

Large portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of large private portfolio companies at the reporting date starting from 31 December 2020. The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods including an income approach based mainly on discounted cash flow and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the investment stage and other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects what it considers to be the most appropriate point in the provided fair value range at the reporting date.

7. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Investment stage and other portfolio companies – fair value assessment is performed internally as described below.

Equity investments in private portfolio companies are valued by applying an appropriate valuation method, which makes maximum use of market-based public information, is consistent with valuation methods generally used by market participants and is applied consistently from period to period, unless a change in valuation technique would result in a more reliable estimation of fair value.

The value of an unquoted equity investment is generally crystallised through the sale or flotation of the entire business. Therefore, the estimation of fair value is based on the assumed realisation of the entire enterprise at the reporting date. Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgments and in making the necessary estimates.

The fair value of equity investments is determined using one of the valuation methods described below:

Listed Peer Group Multiples

This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses for which the company can determine a group of listed companies with similar characteristics.

The earnings multiple used in valuation is determined by reference to listed peer group multiples appropriate for the period of earnings calculation for the investment being valued. The Company identifies a peer group for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects (higher growth rate) and risk profiles. Some peer-group companies' multiples may be more heavily weighted during valuation if their characteristics are closer to those of the company being valued than others.

As a rule of thumb, last 12-month earnings will be used for the purposes of valuation as a generally accepted method. Earnings are adjusted where appropriate for exceptional, one-off or non-recurring items.

a. Valuation based on enterprise value

The fair value of equity investments in private companies can be determined as their enterprise value less net financial debt (gross face value of debt less cash) appearing in the most recent Financial Statements.

Enterprise value is obtained by multiplying measures of a company's earnings by listed peer group multiple (EV/EBITDA) for the appropriate period. The measures of earnings generally used in the calculation is recurring EBITDA for the last 12 months (LTM EBITDA). In exceptional cases, where EBITDA is negative, peer EV/Sales (enterprise value to sales) multiple can be applied to last 12-month recurring/adjusted sales revenue of the business (LTM sales) to estimate enterprise value.
Once the enterprise value is estimated, the following steps are taken:

- Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero (assuming the debt is without recourse to Georgia Capital).
- The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued, if any.

Valuation based on enterprise value using peer multiples is used for businesses within non-financial industries.

b. Equity fair value valuation

The fair value of equity investments in private companies can also be determined as using price to earnings (P/E) multiple of similar listed companies.
The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is allocated between Georgia Capital and other shareholders of the portfolio company, if any.
Valuation based on equity fair value using peer multiples is used for businesses within financial sector (e.g. insurance companies).

7. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Discounted cash flow

Under the discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the business or market sector. Under the discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and an internally-developed discounting rate of return.

Net Asset Value

The net assets methodology (NAV) involves estimating fair value of an equity investment in a private portfolio company based on its book value at reporting date. This method is appropriate for businesses (such as real estate) whose value derives mainly from the underlying value of its assets and where such assets are already carried at their fair values (fair values determined by professional third-party valuation companies) on the balance sheet.

Price of recent investment

The price of a recent investment resulting from an orderly transaction, generally represents fair value as of the transaction date. At subsequent measurement dates, the price of a recent investment may be an appropriate starting point for estimating fair value. However, adequate consideration is given to the current facts and circumstances at each measurement date to assess whether changes or events subsequent to the relevant transaction imply a change in the investment's fair value.

Validation

Fair value of investments estimated using one of the valuation methods described above is cross-checked using several other valuation methods as follows:

- Listed peer group multiples – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to the respective metrics of the investment being valued depending on the industry of the company. The Company develops a fair value range based on these techniques and analyses whether the fair value estimated above falls within this range.
- Discounted cash flow (DCF) – The discounted cash flow valuation method is used to determine fair value of the equity investment. Based on DCF, the Company might make upward or downward adjustment to the value of valuation target as derived from the primary valuation method. If fair value estimated using discounted cash flow analysis significantly differs from the fair value estimate derived using primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.

Valuation process for Level 3 valuations

As noted above, fair values of investments in private companies are assessed externally by an independent third-party valuation firm for large private portfolio companies at the reporting date starting from 31 December 2020 and internally in accordance with Georgia Capital's valuation methodology by the Valuation Workgroup for investment stage and other portfolio companies.
Georgia Capital's Management Board proposes the fair values to be assigned at each reporting date to the Audit and Valuation Committee. The Audit and Valuation Committee is responsible for the review and approval of the fair values of investments at the end of each reporting period.

Description of significant unobservable inputs to level 3 valuations

The approach to valuations as of 30 June 2021 was consistent with the Company's valuation process and policy. Key focus of the valuations at 30 June 2021 was an assessment of the developments of the COVID-19 pandemic and its impact on each portfolio company. Management continues to monitor the impact that the COVID-19 pandemic has on the valuation of portfolio companies.

(Thousands of Georgian Lari)

7. Fair Value Measurement (continued)

Description of significant unobservable inputs to level 3 valuations (continued)
The following tables show descriptions of significant unobservable inputs to level 3 valuations of investments in subsidiaries:

30 June 2021 (unaudited)

Description	*Valuation technique*	*Unobservable input*	*Range [selected input]*	*Fair value*
Loans Issued	DCF	Discount rate	5.5%-16%	*158,191*
Equity investments at fair value				
Large portfolio				*2,084,776*
Healthcare services	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.0x-51.9x [10.6x]	*685,821*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.3x-18.6x [9.3x]	*580,402*
Water utility	*DCF, EV/EBITDA*	EV/EBITDA multiple	8.2x-14.7x [9.3x]	*548,230*
P&C insurance	*DCF, P/E*	P/E multiple	6.1x-19.9x [12.0x]	*206,351*
Medical insurance	*DCF, P/E*	P/E multiple	7.3x-18.3x [12.3x]	*63,972*
Investment stage				*344,768*
Renewable energy	Sum of the parts	EV/EBITDA multiple	6.9x-16.5x [9.2x-11.5x]	*221,109*
Education	EV/EBITDA	EV/EBITDA multiple	6.3x-25.2x [12.5x]	*123,659*
Other	Sum of the parts	EV/EBITDA multiples	1.8x -18.2x [5.5x-9.8x]	*242,388*
		EV/Sales multiple	1.1x-3.3x [2.1x]	
		Cashflow probability	95%-100%	
		NAV multiple	1.0x	

31 December 2020

Description	*Valuation technique*	*Unobservable input*	*Range [selected input]*	*Fair value*
Loans Issued	DCF	Discount rate	9%-16%	*108,983*
Equity investments at fair value				
Large portfolio				*1,858,237*
Healthcare services	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.4x-65.8x [13.2x]	*571,656*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.2x-18.4x [9.1x]	*552,745*
Water utility	*DCF, EV/EBITDA*	EV/EBITDA multiple	8.8x-12.4x [9.4x]	*471,148*
P&C insurance	*DCF, P/E*	P/E multiple	7.1x-18.1x [11.6x]	*197,806*
Medical insurance	*DCF, P/E*	P/E multiple	9.6x-15.6x [10.1x]	*64,882*
Investment stage				*302,964*
Renewable energy	Sum of the parts	EV/EBITDA multiple	11.3x-21.3x [9.0x-10.5x]	*209,902*
Education	EV/EBITDA	EV/EBITDA multiple	7.2x-21.8x [12.5x]	*93,062*
Other	Sum of the parts	EV/EBITDA multiples	5.1x-19.9x [5.0x-10.0]	*214,929*
		EV/Sales multiple	1.2x-4.7x [2.4x]	
		Cashflow probability	[90%-100%]	
		NAV multiple	[0.9x]	

7. Fair Value Measurement (continued)

Description of significant unobservable inputs to level 3 valuations (Continued)

The fair value of investment property held by Hospitality and Commercial business (presented within "other" in equity investments) is estimated annually by independent third-party valuers. Due to the COVID-19 impact on real estate markets, investment property valuations as at 31 December 2020 are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. As of 30 June 2021, valuation was performed in-house based on inputs from binding sales offers and other relevant data. The fair value of the business as at 30 June 2021 is GEL 40,076 (31 December 2020: GEL 43,036).

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

In order to determine reasonably possible alternative assumptions the Company adjusted key unobservable model inputs. The Company adjusted the inputs used in valuation by increasing and decreasing them within a range which is considered by the Company to be reasonable.

If the interest rate for each individual loan issued to subsidiaries as at 30 June 2021 decreased by 20% (31 December 2020: 20%), the amount of loans issued would have decreased by GEL 2,279 or 1.4% (31 December 2020: GEL 1,494 or 1.4%). If the interest rates increased by 20% (31 December 2020: 20%) then loans issued would have increased by GEL 2,284 or 1.4% (31 December 2020: GEL 1,502 or 1.4%).

If the listed peer multiples used in the market approach to value unquoted investments as at 30 June 2021 decreased by 10% (31 December 2020: 10%), value of equity investments at fair value would decrease by GEL 119 million or 4% (31 December 2020: GEL 117 million or 4%). If the multiple increased by 10% (31 December 2020: 10%) then the equity investments at fair value would increase by GEL 127 million or 4% (31 December 2020: GEL 117 million or 4%).

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (31 December 2020: 50 basis points), the value of equity investments at fair value would increase by GEL 101 million or 3% (31 December 2020: GEL 91 million or 3%). If the discount rates increased by 50 basis points (31 December 2020: 50 basis points) then the equity investments at fair value would decrease by GEL 93 million or 3% (GEL 87 million or 3%). If the discount rate decreased by 100 basis points, the value of equity investments at fair value would increase by GEL 210 million or 6% (31 December 2020: GEL 192 million or 7%). If the discount rate increased by 100 basis points then the equity investments at fair value would decrease by GEL 179 million or 6% (31 December 2020: GEL 166 million or 6%).

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis (except for Hospitality and Commercial business) as at 30 June 2021 decreased by 10% (31 December 2020: 10%), value of equity investments at fair value would decrease by GEL 11 million or 0.3% (31 December 2020: GEL 12 million or 0.4%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 11 million or 0.3% (31 December 2020: GEL 12 million or 0.4%).

Movements in level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value:

	At 1 January 2020	*Fair Value gain*	*Capital redemption*	*Capital increase*	*At 31 December 2020*	*Fair Value gain*	*Capital redemption*	*At 30 June 2021 (unaudited)*
Level 3 financial assets								
Equity investments at fair value (note 5)	1,758,197	339,174	(22,346)	138,265	2,213,290	329,581	(4,500)	2,538,371

(Thousands of Georgian Lari)

8. Maturity Analysis

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	30 June 2021 (unaudited)		
	Less than 1 Year	***More than 1 Year***	***Total***
Cash and cash equivalents	549	-	549
Equity investments at fair value	-	2,538,371	2,538,371
Prepayments	530	-	530
Total assets	**1,079**	**2,538,371**	**2,539,450**
Other liabilities	1,914	-	1,914
Total liabilities	**1,914**	**-**	**1,914**
Net	**(835)**	**2,538,371**	**2,537,536**

	31 December 2020		
	Less than 1 Year	***More than 1 Year***	***Total***
Cash and cash equivalents	855	-	855
Equity investments at fair value	-	2,213,290	2,213,290
Prepayments	426	-	426
Total assets	**1,281**	**2,213,290**	**2,214,571**
Other liabilities	2,279	-	2,279
Total liabilities	**2,279**	**-**	**2,279**
Net	**(998)**	**2,213,290**	**2,212,292**

9. Related Party Disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties are conducted on an arm's length basis. There were no related party transactions as of and for the periods ended 30 June 2020 and 30 June 2021, other than capital redemption from JSC GCAP (note 5) and compensation of key management personnel disclosed below:

Compensation of key management personnel comprised the following:

	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**
Salaries and other benefits	(652)	(605)
Share-based payments compensation	(266)	(276)
Total key management compensation	**(918)**	**(881)**

Key management personnel do not receive cash settled compensation, except for fixed salaries. The number of key management personnel at 30 June 2021 was 7 (1 executive and 6 members of board of directors) (31 December 2020: 7 (1 executives and 6 members of board of directors).

10. Events after the Reporting Period

Sale of commercial real estate assets

During June-August 2021 period, Hospitality and Commercial business owned through JSC Georgia Capital, successfully completed the sale of selected commercial real estate assets for USD 35 million (GEL 107 million) with a 15% premium (USD 4.7 million) to the book value as of 31 December 2020 to a combination of local and regional investors. USD 30 million from the proceeds will be used to repay the existing USD 30 million bonds issued by the commercial real estate business and maturing on 31 December 2021, while the remaining amount and proceeds from future sales of remaining commercial real estate assets will be utilised for general corporate purposes.

Resumption of Share Buybacks

In August 2021 the Board has approved a USD10 million share buyback and cancellation programme, over a twelve month period. The shares will be purchased in the open market.

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 this document and 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.

Disclaimer

Georgia Capital engaged Duff & Phelps, a third-party independent valuation firm to provide a range of fair values of certain subject investments. For the period ended 30 June 2021, Georgia Capital asked the independent valuation firm to independently estimate a range of fair value for 100 percent of Georgia Healthcare Group ("GHG"), JSC Insurance Company Aldagi Group ("Aldagi") and Georgia Global Utilities ("GGU"). Duff & Phelps performed limited procedures and applied their judgement to estimate fair value range based on the facts and circumstances known to them as at the valuation date, 30 June 2021. The analysis performed by Duff & Phelps was based upon data and assumptions provided by Georgia Capital and received from third party sources, which the independent valuation firm relied upon as being accurate without independent verification. The advice of the third party independent valuation firm is one input that the Georgia Capital considered for determining the fair value of GHG, Aldagi and GGU, for which the Company is ultimately and solely responsible. In this context, Duff & Phelps' role as independent valuation service provider did not constitute an endorsement of Georgia Capital either from a financial or operational point of view, nor did they provide a transaction, fairness or solvency opinion. The results of the independent valuation report should not be relied upon by anyone for any investment or transaction purpose related to the Company or any underlying investments.

COMPANY INFORMATION

Georgia Capital PLC

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

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

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

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

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

Please note that Investor Centre is a free, secure online service run by our Registrar, Computershare, giving you convenient access to information on your shareholdings.
Investor Centre Web Address - www.investorcentre.co.uk.
Investor Centre Shareholder Helpline - + 44 (0) 370 702 0176

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