



GEORGIA
CAPITAL

ANNUAL REPORT 2021

UPSCALING AND MONETISING INVESTMENTS TO **CREATE VALUE**

Georgia Capital PLC

A PLATFORM FOR INVESTING IN, UPSCALING AND MONETISING LARGE OPPORTUNITY BUSINESSES IN GEORGIA

Georgia Capital PLC (“Georgia Capital” or “GCAP” or “the Company” – LSE: CGEO LN) is a platform for buying, building and developing businesses in Georgia and monetising investments, as they mature. Georgia Capital PLC holds 100% of the share capital of JSC Georgia Capital (“JSC GCAP”), which together make up a group (the “Group”).

The Group’s primary business is to develop or buy businesses, help them develop their management and institutionalise their businesses that can further develop mainly on their own, either with continued oversight or independently. The Group’s focus is typically on larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over 3-5 years from the initial investment and to monetise them through exits, as investments mature. Georgia Capital manages its portfolio companies individually and does not focus on achieving intergroup synergies. The Group does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.

CHAIRMAN AND CEO STATEMENT

Read our **Chairman and CEO Statement** on pages 16 to 19

STRATEGY

Read about **Georgia Capital Strategy** on pages 20 to 23

PORTFOLIO

Read about our **portfolio companies** on pages 40 to 65

For more information on Georgia Capital visit:
georgiacapital.ge



Photo Bakhmaro village, Georgia.

STRATEGIC REVIEW

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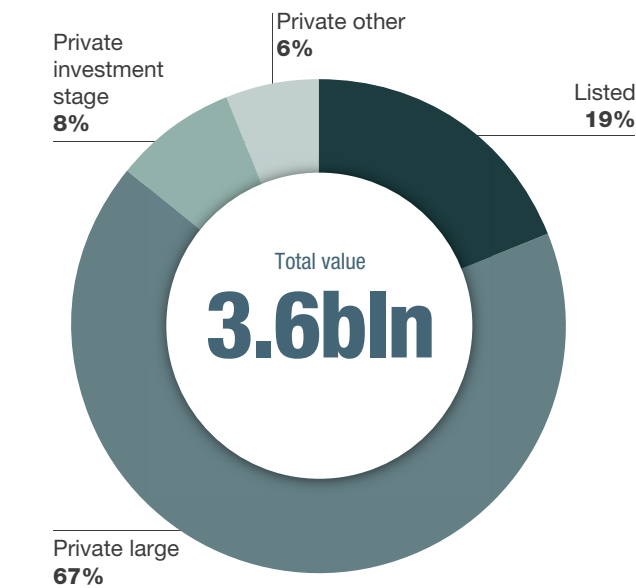
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PERFORMANCE HIGHLIGHTS

GEORGIA CAPITAL NAV OVERVIEW

NAV per share (GEL)	NAV per share (GBP)	Net Asset Value (NAV) (GEL billion)
63.03 +31.0% y-o-y	15.10 +39.7% y-o-y	2.9 +30.3% y-o-y
Total portfolio value (GEL billion)	Liquid assets and loans issued (GEL million)	Net debt (GEL million)
3.6 +24.4% y-o-y	426.5 +50.0% y-o-y	711.1 +1.9% y-o-y

PORTFOLIO VALUE (GEL)



PORTFOLIO BREAKDOWN

As of 31-Dec-21		Value in GEL million	% share in total portfolio
LISTED PORTFOLIO COMPANIES			
BANK OF GEORGIA GROUP			
		681	19%
PRIVATE PORTFOLIO COMPANIES			
LARGE PORTFOLIO COMPANIES			
		2,407	67%
HEALTHCARE SERVICES			
		732	20%
RETAIL (PHARMACY)			
		710	20%
WATER UTILITY ¹			
		697	19%
INSURANCE (P&C AND MEDICAL)			
		268	7%
INVESTMENT STAGE PORTFOLIO COMPANIES			
RENEWABLE ENERGY			
		173	5%
EDUCATION			
		130	4%
OTHER PORTFOLIO COMPANIES			
		225	6%
TOTAL PORTFOLIO		3,616	100%

1 As of the report publication date, Georgia Capital holds a 20% equity interest in the water utility business.

GEORGIA CAPITAL PERFORMANCE



1 The detailed value creation drivers for each business are described on pages 105-121 in the results section of this report.

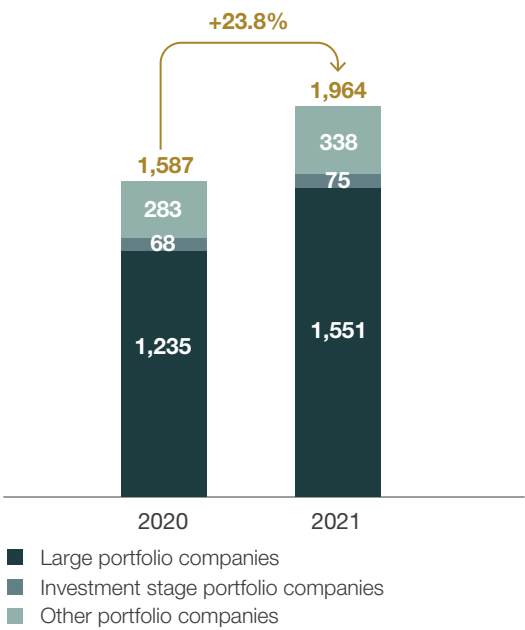
Certain financial measures presented in the Strategic Review are taken from unaudited management accounts. The figures from the management accounts are APMs and are described on page 98, and the differences from, and the reconciliation to, the IFRS audited accounts are presented on pages 99 to 102.

PERFORMANCE HIGHLIGHTS CONTINUED

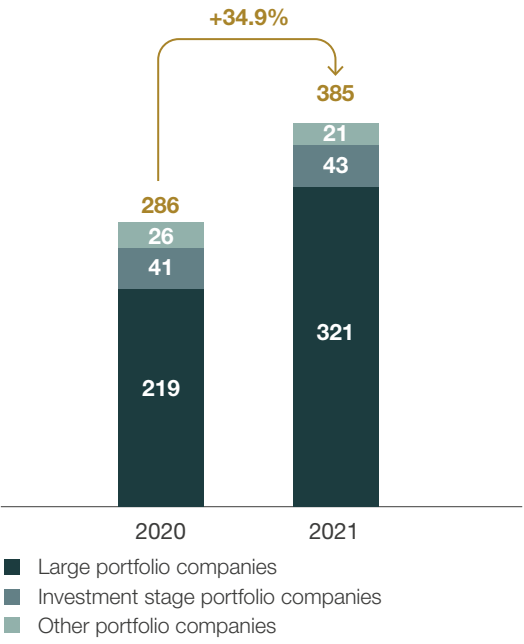
PRIVATE PORTFOLIO COMPANIES' PERFORMANCE HIGHLIGHTS (UNAUDITED)¹

The strong momentum in the economic recovery has supported the excellent operating performance across our high-quality and defensive portfolio companies, which has enabled Georgia Capital to deliver substantial progress and value creation in 2021.

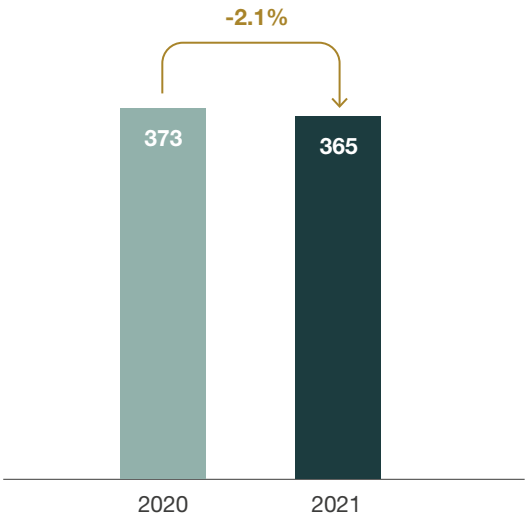
Aggregated revenue (GEL millions)



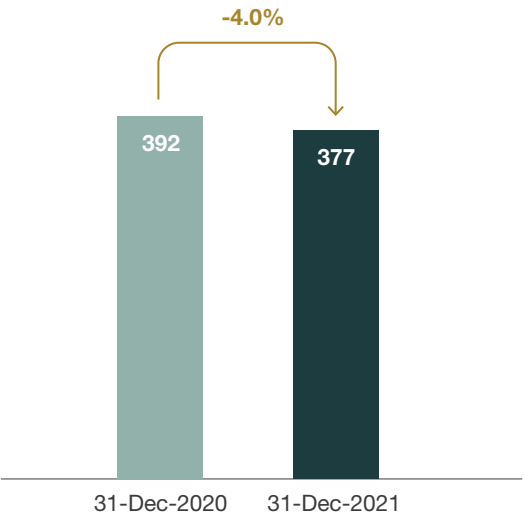
Aggregated EBITDA (GEL millions)



Aggregated net operating cash flow (GEL millions)



Aggregated cash balance of private businesses (GEL millions)



ORGANIC TRANSITION TO REVENUE GROWTH STRATEGY FROM PREVIOUSLY ADOPTED CASH PRESERVATION STRATEGY

¹ The portfolio companies' performance highlights include aggregated stand-alone unaudited IFRS results for our portfolio companies, which can be viewed as alternative performance measures (APMs) for Georgia Capital, since Georgia Capital does not consolidate its subsidiaries, but instead measures them at fair value under IFRS. In the Strategic Review, various stand-alone figures other than those derived from our NAV statement for the individual portfolio companies and the discussion of their business development are derived from their separate, individual unaudited IFRS accounts.

Listed portfolio



Bank of Georgia
Bank of Georgia Group PLC ("Bank of Georgia Group" or "BoG" or "BoGG" – LSE: BGEO LN) is a UK incorporated holding company, comprising: a) retail banking and payment services; b) corporate and investment banking operations; and c) banking operations in Belarus (BNB). BoGG intends to benefit from superior growth of the Georgian economy through both its retail banking and corporate and investment banking services and aims to deliver on its strategy, which is based on at least 20% Return on Average Equity (ROAE) and c.10% growth of its loan book. BoG targets to maintain a 30%-50% dividend/share buyback payout ratio through regular and progressive semi-annual capital distributions. BoG's Annual Report 2021 will be available at www.bankofgeorgiagroup.com. As of 31 December 2021, Georgia Capital owns a 19.9% non-voting equity stake in BoG (31 December 2020: 19.9%).

Private large portfolio companies



Healthcare Services
The healthcare services business, owned through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 31 December 2021. The healthcare services business comprises three segments: 1) Hospitals: 17 referral hospitals with a total of 2,596 beds (providing secondary and tertiary level healthcare services); 2) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient healthcare services) and 15 polyclinics (providing outpatient diagnostic and treatment services) and 3) Diagnostics, operating the largest laboratory in the entire Caucasus region – "Mega Lab". As of 31 December 2021, the healthcare services business is 100% owned by Georgia Capital (31 December 2020: 100%).



Retail (pharmacy)
The 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 349 pharmacies, of which, 344 are in Georgia and 5 are in Armenia. GCAP owns a 67% stake in the retail (pharmacy) business as of 31 December 2021 (31 December 2020: 67%). In 2021, GHG signed a share purchase agreement to acquire the remaining 33% minority interest in its retail (pharmacy) business, which will be spread out over the next six years. Please see further details on page 12.



Water Utility
Our water utility business is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services to 1.4 million residents representing more than one-third of Georgia's population and c.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 as of 31 December 2021 (31 December 2020: 100%). In December 2021, Georgia Capital announced the sale of an 80% equity interest in the water utility business to FCC Aqualia, by way of a two-stage transaction. Please see further details on page 8.

Private large portfolio companies continued



Insurance
The insurance business comprises a) Property and Casualty (P&C) insurance business, owned through Aldagi, and b) medical insurance business, owned through GHG. GCAP owns a 100% stake in the insurance business as of 31 December 2021 (31 December 2020: 100%).

The **P&C insurance** business is a leading player in the local insurance market with a 28.6% market share in property and casualty insurance based on gross premiums written as of 30 September 2021. P&C Insurance also offers a variety of non-property and casualty products such as life insurance.

Our **medical insurance business** is one of the country's largest private medical insurers, with a 23.0% market share based on 9M21 net insurance premiums. The business 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.

Private investment stage portfolio companies



Renewable Energy
The renewable energy business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 20MW Hydrolea HPPs and 21MW Qartli wind farm. In 2021, in line with the outcome of the comprehensive cost and feasibility assessment, the restoration process of the 20MW power generating unit of Mestiachala HPP (the HPP was flooded and taken offline in late July 2019) has been suspended. In addition, the business currently has a pipeline of up to 172MW projects at an advanced stage of development. The renewable energy business is 100% owned by Georgia Capital as of 31 December 2021 (100% as of 31 December 2020).



Education
Our education business currently combines majority stakes in five leading private schools, acquired in 2019-2021: 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% equity stake in the existing campus and 90% in new campus launched under the existing affordable brand in September 2021) and Georgian-Austrian School Pesvebi LLC (81% ownership, where Georgia Capital also has a call option on the 9% equity stake during the 12 months starting from August 2022), both well-positioned in the affordable education segment.

PORTFOLIO COMPANIES

Read more about **our companies** on pages 40 to 65

VALUE CREATION

DEFENSIVE, NON-CYCLICAL, HIGH-QUALITY ASSETS
WITH STRONG AND GROWING CASH FLOW STREAMS

AT 31-DEC-21	PORTFOLIO VALUE	VALUE CREATION IN 2021	MULTIPLE OF INVESTED CAPITAL (MOIC) UNREALISED	OWNERSHIP	VALUATION METHODOLOGY HIGHLIGHTS ¹
LISTED INVESTMENTS	GEL million 681 +28.1%	GEL million 164	8.6x	Bank of Georgia (BoG) 19.9%	LSE
PRIVATE LARGE PORTFOLIO COMPANIES CLOSE TO GEL 0.5BLN+ VALUE	GEL million 2,407 +29.5%	GEL million 584	4.4x	Healthcare Services 100% Retail (pharmacy) 67% Water Utility ² 100% Insurance 100%	Valued externally (combination of DCF and market approaches) Valued externally (combination of DCF and market approaches) Sale price Valued externally (combination of DCF and market approaches)
PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES WITH POTENTIAL TO BECOME GEL 0.5BLN+ IN VALUE	GEL million 303 +0.1%	GEL million 2	1.5x	Renewable Energy 100% Education 70%-90%	9.2/12.0/12.5 EV/EBITDA 12.5 EV/EBITDA
OTHER LIMITED POTENTIAL TO BECOME GEL 0.5BLN+ IN VALUE	GEL million 225 +4.5%	GEL million 7			
TOTAL PORTFOLIO	GEL billion 3.6 +24.4%	GEL million 756			

1 The detailed valuation methodology is described on pages 103-104 of this report.

2 As of the report publication date, GCAP holds a 20% interest in the water utility business.

STRATEGIC DEVELOPMENTS IN 2021

A SUCCESS STORY OF BUYING, SCALING UP AND MONETISING THE WATER UTILITY BUSINESS

In December 2021, we have announced that our wholly-owned subsidiary JSC Georgia Capital (JSC GCAP), which is the owner of Georgia Global Utilities JSC (GGU), a holding company for GCAP's water utility business and the operational renewable energy assets, has agreed to sell an initial 80% of its equity interest in the water utility business to FCC Aqualia ("Aqualia") for a cash consideration of US\$ 180 million. This values the entire water utility business at US\$ 225 million, a 30% premium to its 30 June 2021 independent investment value. In addition, the seller and the buyer were granted put and call options, respectively, over JSC GCAP's remaining 20% interest in the water utility business. The sale marks the achievement of a key strategic priority with the successful completion of the full investment cycle of our strategy: to invest, grow and monetise via a cash exit, and creates significant value for GCAP shareholders.

Photo Zhinvali Reservoir, Dusheti Municipality, Georgia.

About water utility business

The water utility business is a regulated natural monopoly in Tbilisi and the surrounding area, providing water and wastewater supply services to approximately 1.4 million residents and approximately 38,000 legal entities. The business also operates hydro power plants (HPPs) with a total installed capacity of 149MW. The water utility business uses a portion of the power generated by its HPPs associated with the water infrastructure for internal consumption at regulated electricity tariffs to power its water distribution network, while the remaining electricity is sold on the market. Revenues come from two main streams (water and electricity sales), where the business benefits from both earning fair regulatory returns on invested capital made in upgrading the water utility network and average electricity sales price growth due to electricity market deregulation in 2019.

Initial acquisition and development

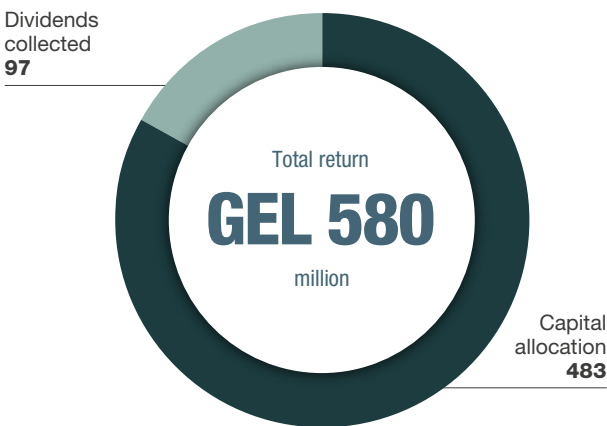
The acquisition of the water utility business was executed in two stages during 2014-2016 for the total consideration of GEL 214 million (US\$ 97 million). An initial 25% minority interest in the business was acquired in 2014 for GEL 50 million (US\$ 27 million), while the remaining 75% stake was purchased in 2016 for GEL 164 million (US\$ 70 million) at 4.3x EV/EBITDA multiple. Since its acquisition, the business delivered exceptional growth and performance, eventually leading to the disposal with a 226% premium to the initial investment value of GEL 214 million at 8.9x EV/EBITDA multiple. In addition, the business distributed GEL 97 million dividends, which in conjunction with GEL 483 million value appreciation, translates into GEL 580 million total return to GCAP, throughout the holding period.

Some of the key milestones achieved by the business are listed below:

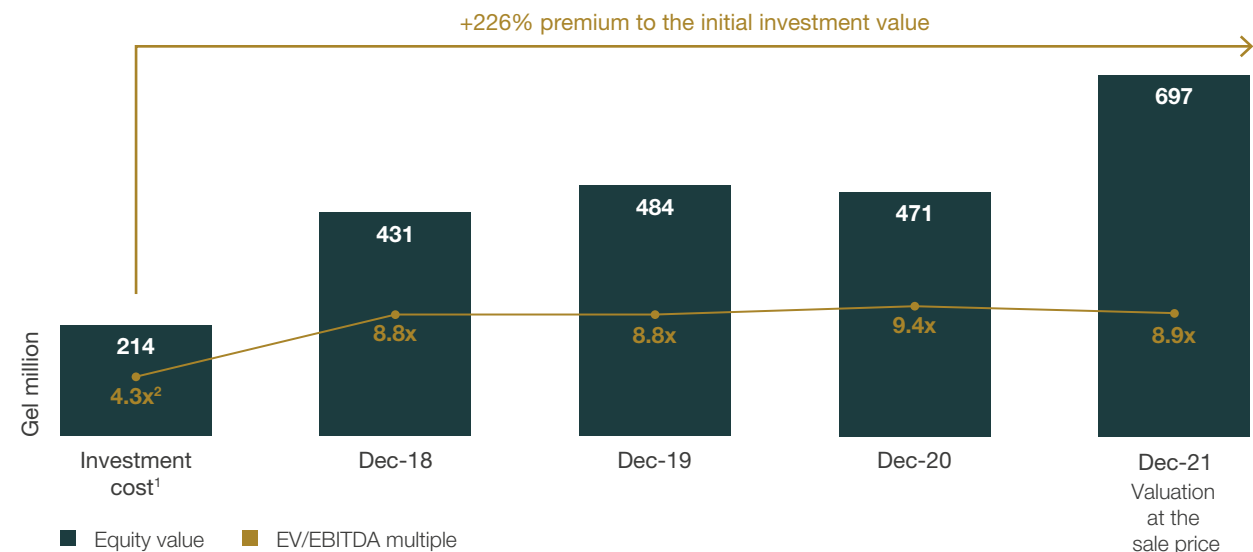
- Robust corporate governance:** In line with GCAP's strategic objectives, the business was gradually transformed into an institution with strong corporate governance, led by a highly experienced management team.
- Improvement of the water utility infrastructure:** Since its acquisition, the business has invested GEL 666 million to upgrade existing and develop substantial new water utility infrastructure, improving the rendering of the water supply and wastewater services to customers and contributing to achieving operational efficiencies. Through efficient capital expenditures, the business managed to reduce self-produced electricity consumption by c.45% (by c. 135GWh) from 2015 to 2021, and hence free up electricity for market sales.
- Stable regulatory environment with attractive returns:** On the back of intensive capital expenditures implemented during the past years, water utility tariffs, as well as the regulatory weighted average cost of capital (WACC), were reset at the end of 2020 by an independent regulatory body, GNERC. The tariff increase translates into an annual growth of approximately 38% in allowed water revenues in the 2021-2023 regulatory period and demonstrates the transparency of the Georgian regulatory framework and its alignment with the European Union (EU) principles.

- Strong financial and operating performance:** The business has demonstrated strong total revenue and EBITDA growth, with a 7.4% and 12.8% CAGR, respectively, since its initial acquisition. Energy revenue increased 3.2x in 2021 compared to 2014 and grew at a 17.9% CAGR over the 2014-2021 period. Water supply revenue increased 1.6x in 2021 compared to 2014 and grew at a 6.6% CAGR over the same period, where the revenue development from individual customers was a major driver of the growth (up 18.1x and 51.3% CAGR).
- Superior access to funding:** On the back of strong corporate governance and solid financial and operating results, in July 2020, GGU successfully issued an inaugural US\$ 250 million green bond at par value. Despite the global pandemic outbreak, the issuance was met with significant interest from a geographically diversified investor base, including IFIs and other institutional investors. The proceeds from the notes were used to refinance all existing loan arrangements of GGU and to finance capital expenditures in the water supply and sanitation business. The notes are rated B+ (stable) by Fitch and B (positive) by S&P and are listed on the Global Exchange Market of the Irish Stock Exchange. The issuance of the bonds significantly improved the financial flexibility of GGU and enhanced its liquidity profile, supporting the healthy growth of the business, whilst delivering environmental benefits, and contributing to a more sustainable economy.

Total investment return of GEL 580 million supported by strong annual dividend inflows from the business

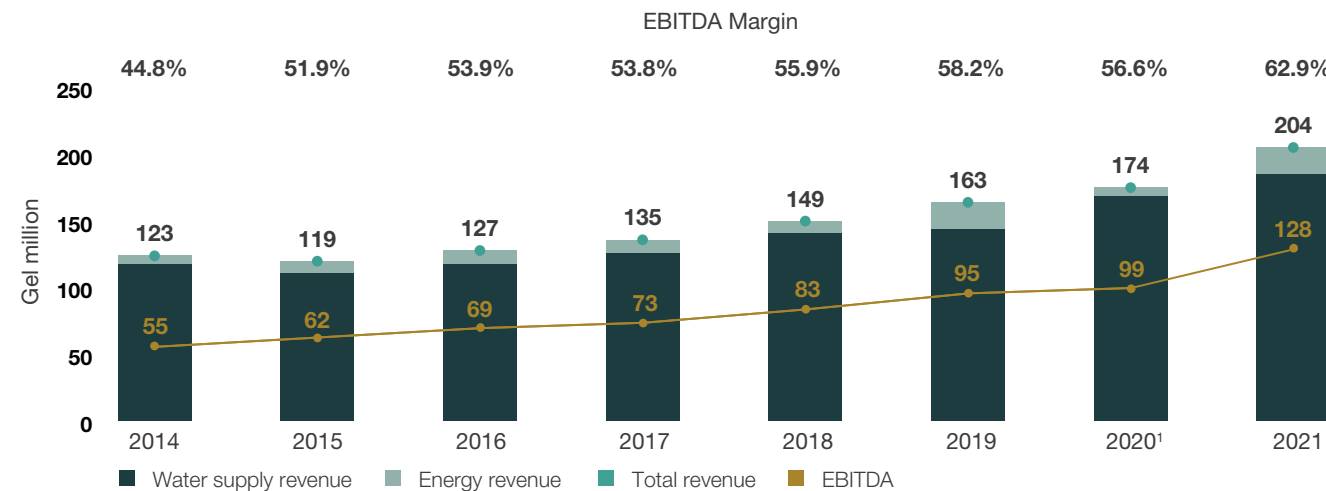


ROBUST EQUITY VALUE DEVELOPMENT SINCE AN INITIAL ACQUISITION OF THE BUSINESS



- ¹ A 25% equity interest in the water utility business was acquired in 2014, and the remaining 75% – in 2016.
² Represents the multiple at an acquisition of a 75% interest in the water utility business in 2016.

OPERATING PERFORMANCE DEVELOPMENT OVERVIEW IN THE WATER UTILITY BUSINESS



¹ 2020 water supply revenue and EBITDA are adjusted for the new tariffs, effective from January 2021.

STRATEGIC DEVELOPMENTS IN 2021 CONTINUED

Disposal through cash monetisation

The disposal of the water utility business is being implemented via a two-staged process that, after completion, will lead to Aqualia, acquiring an 80% equity interest in the water utility business.

The first stage of the transaction, which considered the initial sale of a 65% equity interest in GGU (representing an 80% economic interest in the water utility business) was successfully completed on 3 February 2022 with the receipt of full sales proceeds and transfer of respective shares of GGU to Aqualia.

The second stage of the transaction will follow the planned redemption in July 2022 of an existing bond issued by GGU that will be financed pro-rata to their interests in GGU by Aqualia and JSC GCAP (the financing to be provided by JSC GCAP, by way of a shareholder loan, to GGU, being US\$ 95.4 million). Following the bond redemption and subsequent demerger of the operational renewable energy assets via a spin-off, GCAP will recover full ownership of GGU's renewable energy assets, and Aqualia's ownership in the water utility business will increase to 80%. The second stage of the transaction is expected to be completed by the end of September 2022.

JSC GCAP and Aqualia have granted each other a put option and call option, respectively, over JSC GCAP's remaining 20% equity interest in the water utility business. JSC GCAP's put option will be exercisable in 2025-2026 while Aqualia's call option will be exercisable on the date of expiry of the put option in 2026 and expiring six months thereafter. The exercise price of the put and call options are set at 8.25x and 8.90x EV/EBITDA multiple, respectively, based on the normalised EBITDA and net debt of the business.

The disposal translates into 2.7x MOIC in USD (3.6x MOIC in GEL) and 20% IRR in USD (27% IRR in GEL) and creates substantial value for our shareholders.

In addition, the disposal:

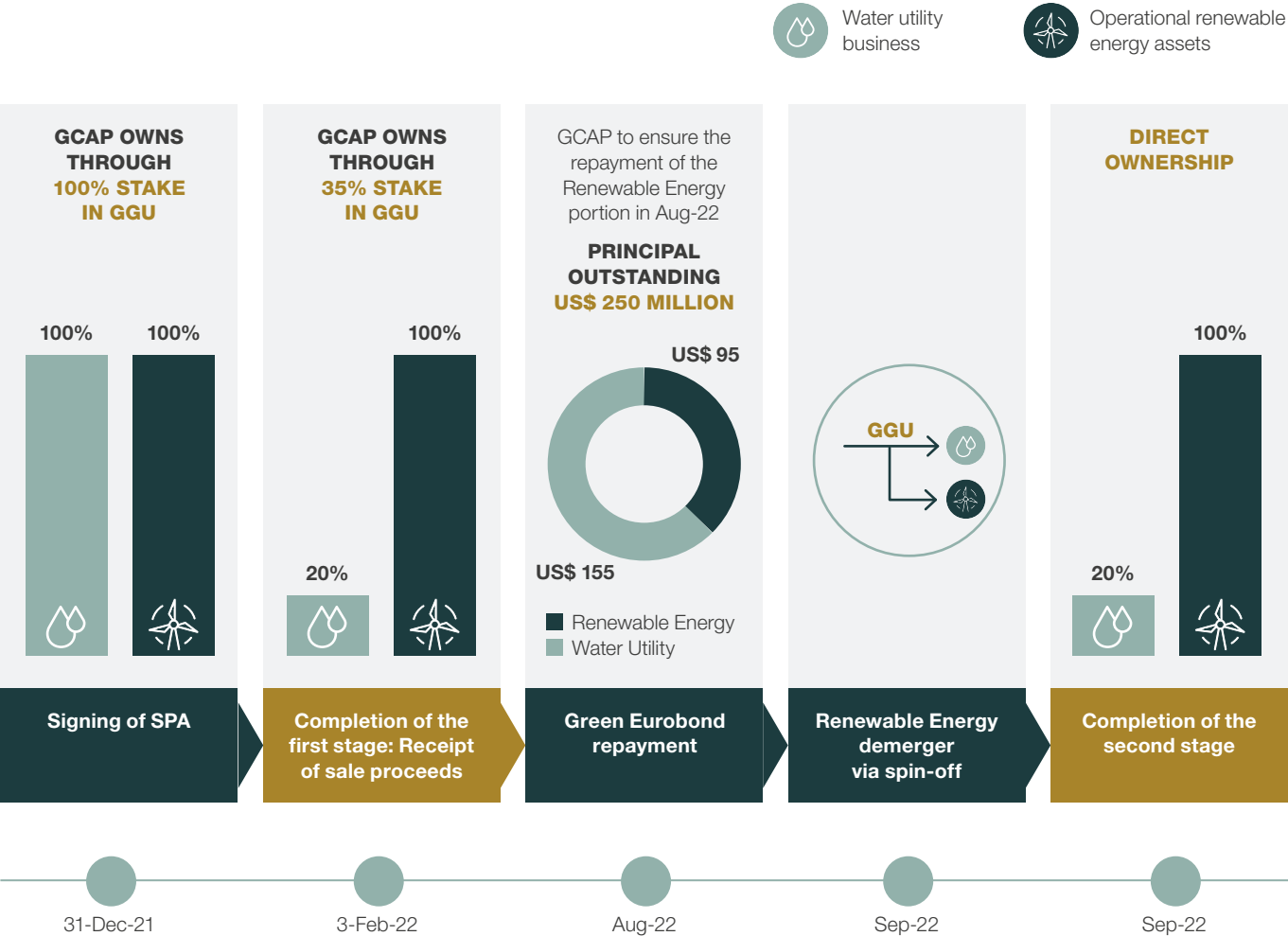
Realises material cash proceeds over and above the needs for refinancing the renewable energy business, which are intended to be deployed in a combination of share buybacks, deleveraging, lending to portfolio companies, and potential further investments.

Leads to a positive impact on the GCAP's leverage profile, reducing the market value leverage (MVL) from 24.2% as at 31 December 2021 to 19.2% assuming cash settlement from the Water Utility sale on 31 December 2021, and US\$ 95.4 million shareholder loan to Renewable Energy for the Eurobond redemption financing.

Brings an important international investment and significant industry expertise into Georgia, that will strengthen the water utility business to the benefit of its customers, employees and other stakeholders.

Forms a strategic partnership between GCAP and Aqualia that will support the water utility business at least until such time as either the put option or call option is exercised.

TRANSACTION STRUCTURE



SALE OF THE SELECTED COMMERCIAL REAL ESTATE PROPERTIES

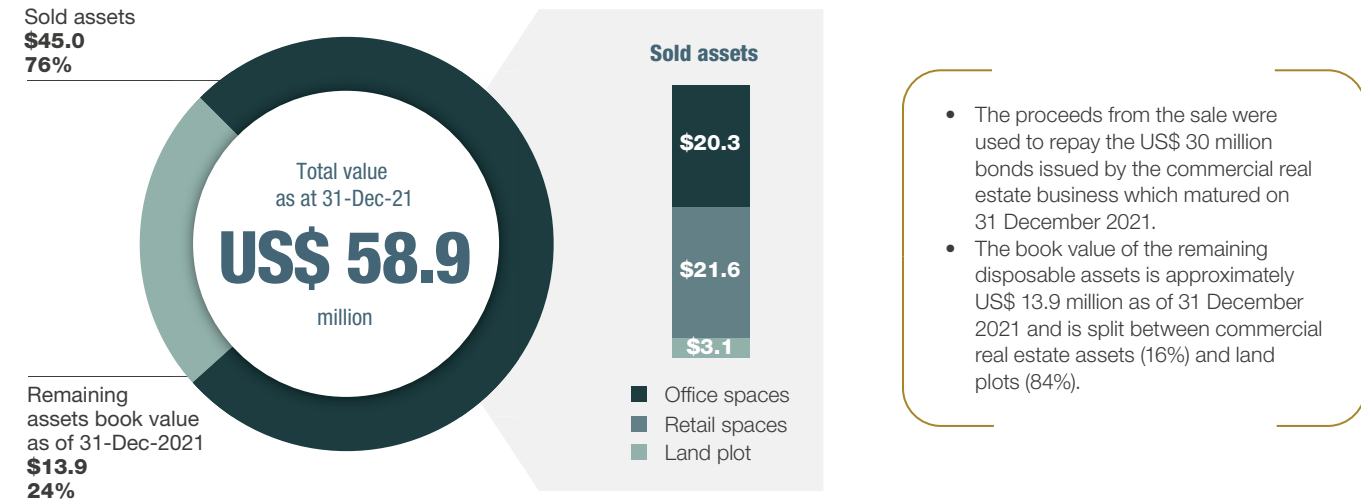
In 2021, we successfully completed the sale to a combination of local and regional investors of selected commercial real estate assets for US\$ 45.0 million with an 11.3% premium (US\$ 4.6 million) to the book value as of 31 March 2021. The transaction marks progress on our strategic priority to divest, over the next few years, subscale portfolio companies which do not have the potential to reach GEL 500 million equity value. The sale translates into 2.1x MOIC in US\$ terms.

Commercial real estate properties sales (US\$)

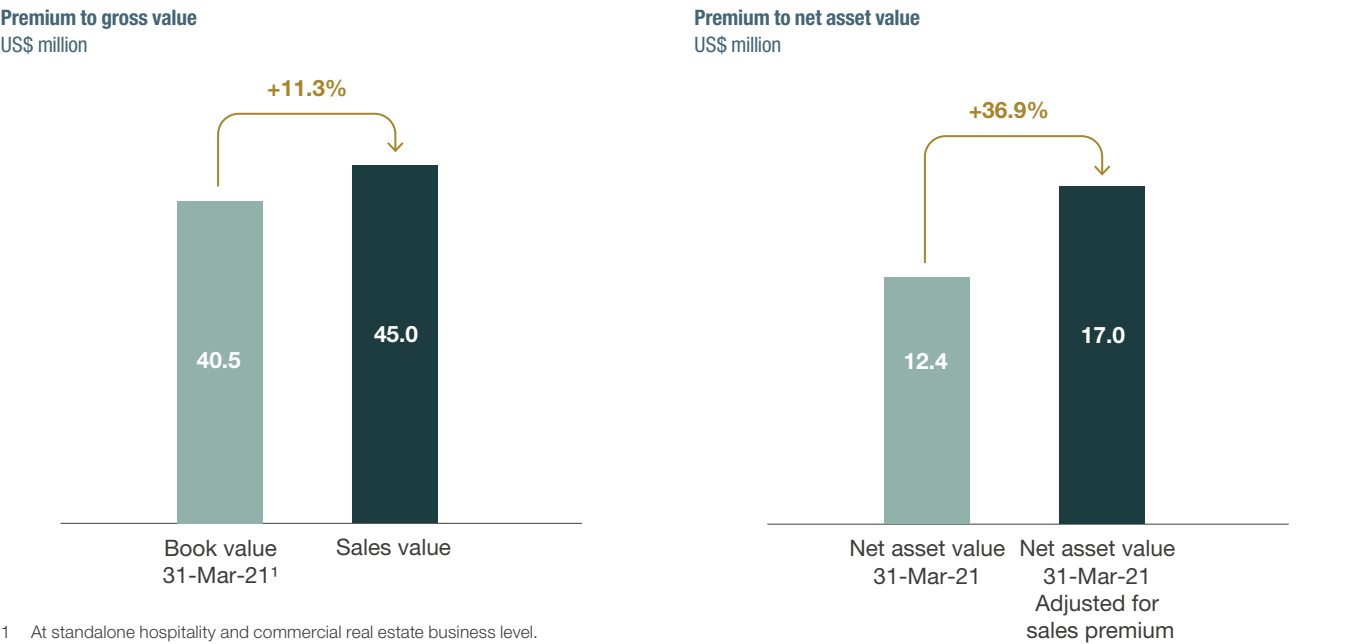
45.0 million

Since June 2021

PROGRESS SINCE JUNE 2021



TRANSACTION DETAILS – 11.3% PREMIUM TO 31 MARCH 2021 BOOK VALUES



1 At standalone hospitality and commercial real estate business level.

STRATEGIC DEVELOPMENTS IN 2021 CONTINUED

BUYOUT OF THE MINORITY SHAREHOLDERS IN RETAIL (PHARMACY)

In October 2021, Georgia Healthcare Group (GHG), the holding company of GCAP's healthcare services, retail (pharmacy) and medical insurance businesses, signed a share purchase agreement to acquire the remaining 33% minority interest in its retail (pharmacy) business over the next six years. Following the initial pharmacy businesses purchases in 2016 and 2017, GHG has held a 67% equity stake in the combined retail (pharmacy) business and had a call option on the minority stake, during the 12 months starting from January 2023. The remaining 33% minority stakeholders, who are also the managing partners of the retail business, had a put option for the minority stake also during the 12 months starting from January 2023. The exercise price of the call and put options were set at 6.0x and 4.5x EV/EBITDA multiples, respectively, in 2017, based on the preceding financial year's results at the time of the exercise. The parties have renegotiated the initial terms of the agreement and put/call options. Under the sale and purchase agreement (SPA), the minority buyout transaction will be executed in six tranches at 5.25x EV/EBITDA multiple.

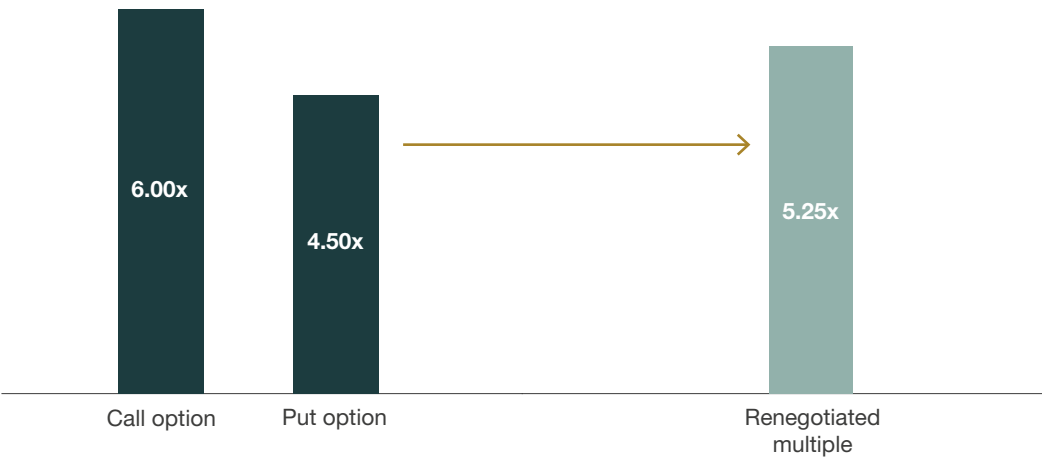
Reconfirming our confidence in the value creation potential of the retail business

In line with our capital allocation philosophy



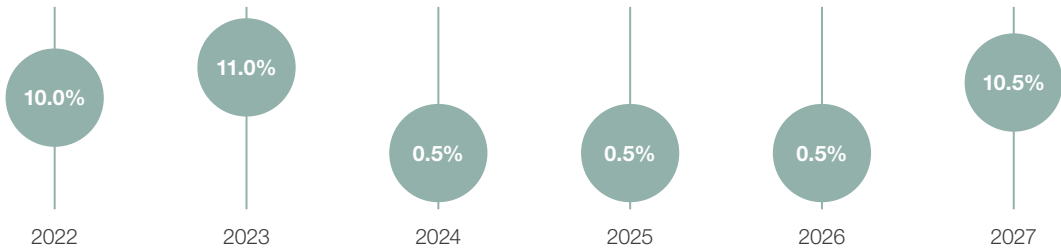
- Transaction rationale**
- The transaction will allow GHG to increase the dividend inflows attributable to GHG from the retail (pharmacy) business.
 - The renegotiated future payment terms will provide better visibility for GHG to manage its liquidity position.
 - Minority shareholders, who are also the managing partners of the retail business, will remain with the business for an extended period.
 - In 2021, GEL 40.5 million value was created in the retail (pharmacy) business as a result of the revaluation of the minority stake on the back of the renegotiated buy-out terms.

Initial terms effective during 2023
EV/EBITDA multiple



Renegotiated terms spread over the next 6 years
EV/EBITDA multiple

BUYOUT OF A 33% MINORITY INTEREST WILL BE EXECUTED IN SIX ANNUAL TRANCHEs



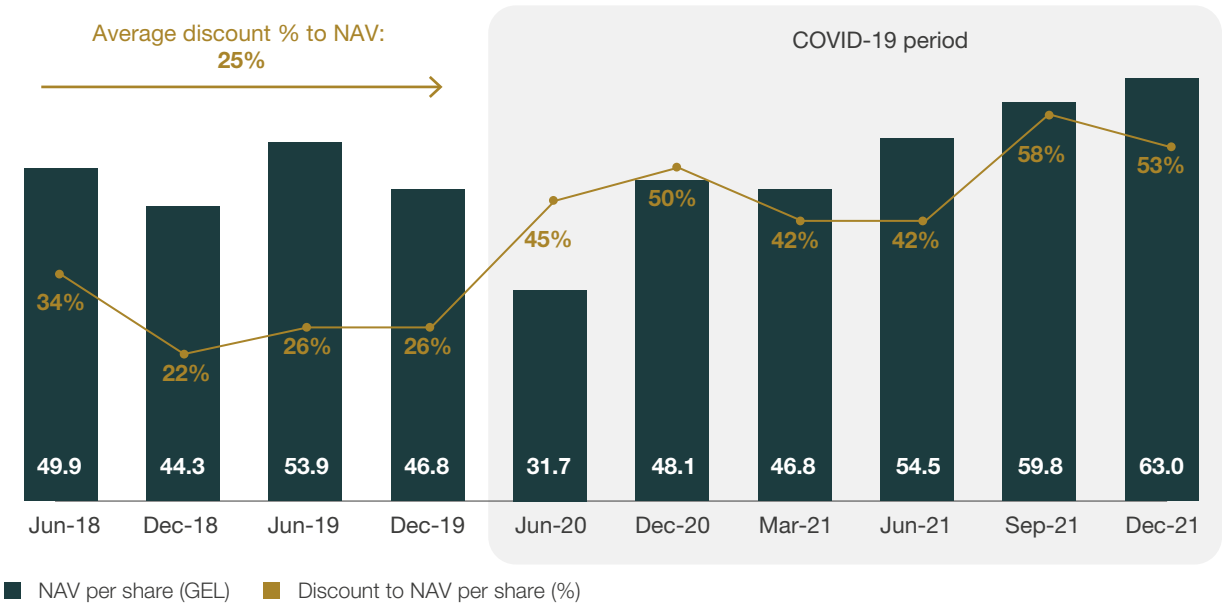
RESUMPTION OF THE SHARE BUYBACK AND CANCELLATION PROGRAMME

In August 2021, Georgia Capital commenced a US\$ 10 million share buyback and cancellation programme, over a 12 month period. In 2022, the programme was further increased by an additional US\$ 10 million. Under the programme, 823,582 shares with a total value of US\$ 7.0 million were repurchased in 2021. The programme provides an opportunity to create significant value through share buybacks, as the discount to our reported NAV per share remained high at c.50% throughout the year.

GCAP SHARE PRICE IS AT THE CORE OF OUR DECISION MAKING VIS-À-VIS INVESTMENTS

- Transaction rationale**
- Outstanding performance of our portfolio companies, supported by strong economic recovery.
 - Robust liquidity at GCAP level – US\$ 90 million liquid funds (excluding issued loans) as at 30 June 2021 (US\$ 88 million as at 31 December 2021).
 - Loan to value (LTV) ratio at 27.4% as of 30 June 2021 (24.2% as of 31 December 2021), below the targeted threshold of 30%.

ATTRACTIVE OPPORTUNITY FOR DELIVERING GREATER RETURNS

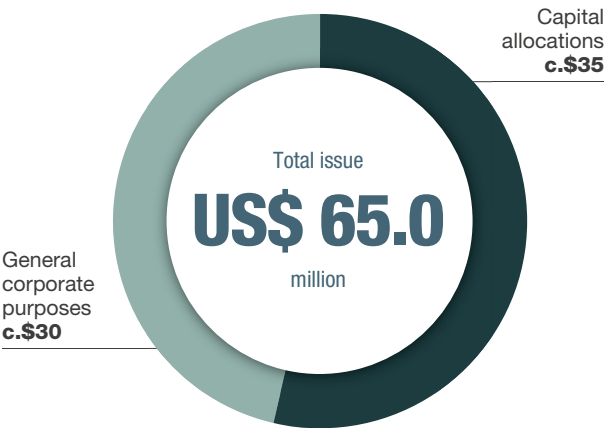


STRATEGIC DEVELOPMENTS IN 2021 CONTINUED

US\$ 65 MILLION EUROBOND TAP ISSUE
IN MARCH 2021

On 9 March 2021, JSC Georgia Capital (the Georgian holding company) priced a US\$ 65 million tap issue (the “New Notes”) which was consolidated and now form a single series with its existing US\$ 300 million 6.125% senior notes due 2024 issued on 9 March 2018 (the “Original Notes”). The New Notes, listed on the Global Exchange Market of the Irish Stock Exchange, were priced at par and were settled on 16 March 2021.

USE OF PROCEEDS



OUR STRONG LIQUIDITY HAS BEEN
FURTHER ENHANCED

- Strong liquidity at Georgia Capital, up 64.4% to GEL 467 million in 1Q21, after the tap issuance.
- The transaction was oversubscribed and met with high demand from the existing bondholders.
- Georgia Capital intends to use approximately US\$ 35 million of the proceeds to fund capital allocations to its portfolio companies and retain approximately US\$ 30 million to be used for general corporate purposes.

GEOCAP YIELD TO MATURITY (BID) DEVELOPMENT SINCE 9 MARCH 2018

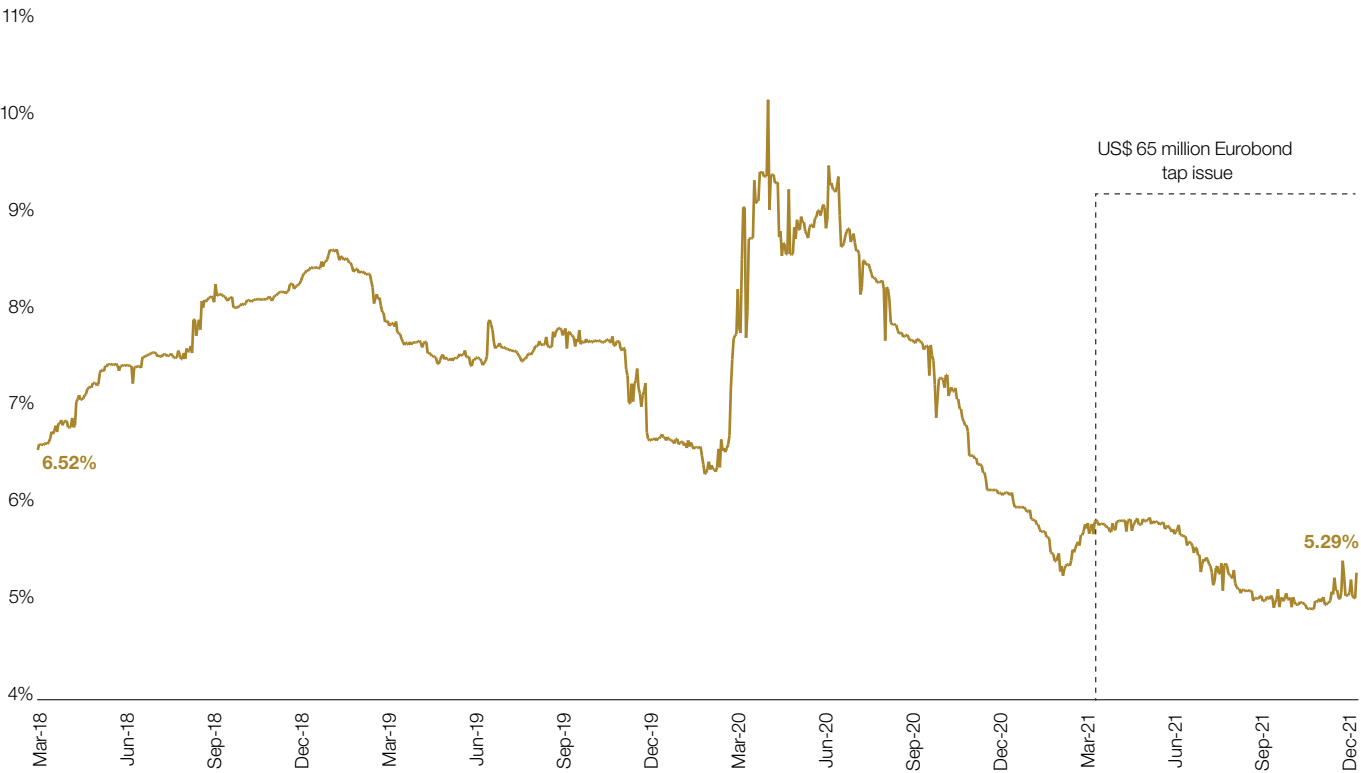


Photo Thick fog on Caucasus mountains, Svaneti, Georgia.

CHAIRMAN AND CEO STATEMENT



Irakli Gilauri
Chairman and
Chief Executive Officer

Dear Fellow Shareholders,

I am writing this, my fourth letter to Georgia Capital shareholders, at a time of significant global and regional geopolitical tension, with the Russian-Ukrainian conflict entering its fourth week. We all hope and pray for a swift resolution to the hostilities. In addition to the devastating impact of the war so far in Ukraine and the dramatic dislocation of people, there is increasing evidence of the potential economic impact across the region. In Georgia, we expect to see lower economic growth in 2022, with the exact impact dependent upon the length of the conflict. Georgia does have a strong track record of resilience in the face of such challenges, and I expect that resilience to continue. Georgia Capital is also well positioned to withstand the potential pressures, with a strong mix of business investments in defensive sectors, and very well managed, and conservatively positioned, operating companies.

Against this background, I want to reflect on how the last few years have changed many of the ways in which we operate – both personally and professionally – but have not changed the key principles of our investment philosophy. We have always sought to invest in high quality businesses with great market positions, high returns and the ability to deliver sustainable earnings growth – this has continued during 2021, and we will continue to do so in the future. The significant challenges and uncertainties of the last few years – be they the global pandemic or the current geopolitical tensions – have reminded us, however, to ensure that we always manage our investments in conservative ways. For Georgia Capital that means avoiding excessive leverage, and investing mainly in capital efficient/capital light sectors and opportunities.

I have always highlighted that we must be constantly mindful of the risks we face, whilst continuing to create investment opportunities. During 2021, we focused almost exclusively on successfully balancing the varying risks and opportunities in an ever-changing, very volatile environment where it was extremely difficult to predict the short and long-term impacts

of the global pandemic on our people, our businesses, and our country. By adopting a relatively conservative approach to managing our investment portfolio, our cash management and balance sheet leverage, I believe that your company successfully navigated these challenges over the last twelve months. This is evidenced by the strong delivery of our key strategic priorities, most particularly the sale of our water utility business at a premium to its independent valuation, and exceptional Net Asset Value (NAV) per share growth. Our investee businesses, both listed and private portfolio businesses, have delivered outstanding risk management and earnings growth, resulting in improved valuations.

I spoke last year of Georgia Capital's core enablers – strong corporate governance; the development of highly talented management teams; and access to both domestic and international capital markets – and, more particularly, our priority to ensure that we invest in defensive industries and sectors. During 2021, your company saw the benefit of these core enablers as, despite the challenging external environment, we were able to deliver strongly, achieve all of our key strategic priorities – which I will discuss in more detail later in this letter – and report a 31.0% growth in our NAV per share during the year. In Sterling terms, reflecting the appreciation of the Georgian Lari (GEL) over the last twelve months, this increase in NAV per share was almost 40%. That Georgia Capital came into the pandemic in good fundamental shape was proved by the strength of our resilience and performance.

The wider economic environment and the regional markets in which Georgia operates and trades, have not been for the faint-hearted over the last few years. A combination of the global pandemic, rising levels of inflation, interest rates and oil prices have all combined to create a challenging external environment, and these challenges have been exacerbated more recently by the heightened geopolitical tensions. In terms of managing through the impact of the pandemic, the Government of Georgia has done extremely well. Having initially

provided sizeable economic support to assist affected households and businesses, and to support the entire healthcare system, the Government decided early in 2021 that Georgia had to “learn to live” with the virus as quickly as possible. This led to many of the previous restrictions being relaxed, and ensured that Georgia and Georgians operated sensibly, with fewer “lockdown light” restrictions, in a way that sought to effectively manage the balance between the epidemiological and economic risk factors, thereby enabling the economy to recover strongly and international tourism to restart. Virus cases did pick up as we moved into 2022 with the arrival of the Omicron variant and a vaccination rate that has remained low. But this wave has already peaked and ongoing initiatives by the Government should boost vaccination take up rates across the country over the next few months. Going forward, however uncertain the evolution of the virus could be, we believe that the Georgian healthcare system, Government and society as a whole, are better prepared to manage any potential further pandemic impact.

Our macroeconomic environment

From a macroeconomic perspective, Georgia's economic recovery from the effects of the global pandemic continued to exceed expectations throughout the year, with real GDP posting double-digit growth at a preliminary 10.6% year-on-year in 2021. On the domestic side, the recovery was driven by an accommodative fiscal policy as well as robust lending (total loans increased 18.1% y-o-y in constant currency terms). On the external side, economic activity was supported by record remittance inflows (up 25% y-o-y in 2021), record merchandise exports (up 27% y-o-y in 2021) and tourism revenues rebounding to 52% of pre-pandemic levels in the second half of 2021. The Georgian Lari performed robustly, appreciating by 6% against the US Dollar during the year. The real effective exchange rate (REER) has also followed a similar trend for seven consecutive months since May and is now approaching its long-run trend. The currency appreciation was driven by strong foreign demand for Georgian exports (including a partial recovery in service exports), robust

remittance inflows, tight monetary policy and accelerated foreign currency lending. Supported by higher-than-expected real GDP growth and GEL strengthening, the Government lowered its public debt-to-GDP ratio to 51% by the end of 2021, down from 60% at the end of 2020, and the overall budget deficit projection for 2022 has been narrowed to 6.8% of GDP. The deficit is planned to be reduced further to 2.8% of GDP by 2023, returning below the 3% ceiling within Georgia's mandated 3-year period.

The National Bank of Georgia tightened the refinancing rate by a cumulative 250 basis points during 2021, responding to higher-than-expected inflation and the potential risk of entrenched inflationary expectations. Rising prices have mostly been caused by imported inflation and headline inflation reached 13.9% in December 2021 (9.6% on average in 2021), temporarily boosted as a result of last year's Government utility subsidy base effect that has remained in play in early 2022.

Recent geopolitical tensions will have clear implications on global and regional macro trends. Uncertainties relating to the outcome of the conflict as well as the economic impact of the sanctions on Russia remain high. Despite potential spillovers on Georgia, risks are manageable due to the wide diversification of FX flows in the country. Foreign currency inflows (export, remittances, tourism revenues) increased by 29% in 2021 compared to 2013, while flows from Russia decreased significantly. Further tourism revenue recovery is expected as 2021 tourism-related revenues were only at 38% of the pre-pandemic level. Moreover, NBG's reserves have increased consistently and now stand at US\$ 4.0 billion, as of February 2022, and provide ample cover.

At the portfolio companies' level, none of our businesses is materially exposed to Russia or Ukraine, except for the wine business, where 61% of the 2021 revenues were generated from sales in these markets. However, with less than 2% of our overall total portfolio value as at 31 December 2021, any adverse development across the wine business is not expected to be material for the Group.

“WE HAVE ALWAYS SOUGHT TO INVEST IN HIGH QUALITY BUSINESSES WITH GREAT MARKET POSITIONS, HIGH RETURNS AND THE ABILITY TO DELIVER SUSTAINABLE EARNINGS GROWTH – THIS HAS CONTINUED DURING 2021, AND WE WILL CONTINUE TO DO SO IN THE FUTURE.”

Delivering on our strategic priorities

This Annual Report will go into greater detail later, but let me highlight here how we continued to deliver on our strategic priorities in 2021.

Our key strategic priority, announced a year ago, was to dispose of one of our large portfolio companies and I am delighted that, in what continues to be a challenging global environment, we successfully completed the sale of the Group's water utility business to a high-quality international strategic investor, FCC Aqualia. The value achieved of US\$ 180 million for 80% of the water utility business represents a 30% premium to its independent investment value at 30 June 2021 and translates into 2.7x MOIC in US\$ (3.6x MOIC in GEL) and 20% IRR in US\$ (27% IRR in GEL). The disposal also has a very significant positive impact on the Group's leverage profile, reducing the market value leverage from 24.2% as at 31 December 2021 to 19.2%. The sale represents our most significant monetisation event to date and marks the completion of the full investment cycle for one of our large businesses from acquisition and development, to cash exit. Our announcement of the sale of the water utility business during the pandemic once again underlines the resilience of our portfolio. In addition, the partnership with FCC Aqualia, the fourth largest water management company in Europe, brings international expertise to the water utility business, whilst also benefiting the country's sustainable development.

In addition to the Water Utility disposal, the following notable events took place in 2021:

- The sale of US\$ 45.0 million commercial real estate properties with an 11.3% premium to their book value as of 31 March 2021, translating into 2.1x MOIC in US\$ terms and demonstrating continued 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 buyout of the minority shareholders in our retail (pharmacy) business, agreed at renegotiated terms, providing the path to GCAP's 100% ownership and stretching over six-year/tranches at 5.25x EV/EBITDA;

- The expansion of the education business in the affordable segment through several investments, in line with our capital allocation programme;
- The resumption of the Group's share buyback and cancellation programme with an initial US\$ 10 million, which was further increased with an additional US\$ 10 million in early 2022;
- US\$ 65 million Eurobond tap issuance in March 2021, which enhanced our liquidity and once again demonstrated our superior access to international capital markets;
- Lastly, as our portfolio companies continued to deliver on their individual strategic objectives, our NAV per share increased by 31.0% y-o-y in FY21 and more than doubled since the start of the COVID-19 pandemic.

Reviewing our strategic priorities

Our existing strategy, which we initially announced in November 2020, seeks to ensure that we invest only in sectors or corporate opportunities that have the potential to grow to an equity value of GEL 0.5 billion or more over a 3-5 year period. In our experience, these larger companies are more attractive to international strategic and financial buyers, and this certainly proved to be the case with regard to the sale of the water utility business to a global strategic partner whose technical and specialist knowledge in the industry will help take the water utility business through the next phase of its development.

The disposal of the water utility business created both substantial value for GCAP shareholders and brought in significant cash proceeds which were received in February 2022. In the short term, the net cash proceeds are being held in cash and cash equivalents and yield-bearing marketable debt securities, pending a wider strategic review by our Board to determine the appropriate deleveraging, capital return and investment policies in light of the prevailing economic outlook, and our share price and discount to net asset value. This Board review will be completed shortly, and we will make a further announcement at our upcoming Investor Day, which will be hosted by Georgia Capital's management team on 9 May 2022 in London.

CHAIRMAN AND CEO STATEMENT CONTINUED

Capital allocation and dividends

As the economic recovery in Georgia continued throughout 2021, we increasingly sought to transition from what, in response to the significant uncertainty at the beginning of the pandemic, was a cash accumulation and preservation strategy, to a revenue and business growth strategy. We allocated capital in two key areas of business investment, and this translated into investment of GEL 18.3 million predominantly in our investment stage businesses:

- GEL 13.7 million was allocated to the education business for the capacity expansion of the existing campus of Buckswood (mid-scale segment, GEL 4.0 million), the acquisition of the land and building of a new campus location, and capacity expansion of the existing campus of Green School (affordable segment, GEL 5.8 million), and the acquisition of an 81% equity interest in Georgian-Austrian School Pesvebi (GEL 3.9 million).
- GEL 3.7 million was allocated to Renewable Energy for the development of pipeline HPPs (Darchi and Zoti) and wind farm projects.

Having recommenced our **share buyback and cancellation programme** in August 2021, c.1.5 million shares (c.3% of issued capital) had been repurchased as of 18 March 2022 for a total value of GEL 39.8 million. From August 2021 through the year-end, 823,582 shares were repurchased under the programme, and a further 119,162 shares for the management trust.

During 2021, Georgia Capital collected GEL 74.4 million in dividends, of which GEL 14.5 million was received from Bank of Georgia, GEL 11.5 million from healthcare services, GEL 11.5 million from retail (pharmacy), GEL 14.9 million from P&C insurance, GEL 2.0 million from medical insurance, and GEL 20.0 million from the renewable energy businesses. Looking forward to 2022, we currently expect approximately GEL 90-100 million in dividends from our investee companies.

Value creation

Our portfolio value increased by 24.4% to GEL 3.62 billion during the year, reflecting 23.5% and 28.1% growth in the value of our private and listed businesses, respectively. The private portfolio value growth of GEL 558.9 million mainly reflects the net impact of a) GEL 592.3 million value creation, b) investments of GEL 18.3 million, predominantly in the education and renewable energy businesses, and c) a decrease of GEL 59.9 million due to dividends received by Georgia Capital from the private portfolio companies.

Our listed investment – Bank of Georgia – delivered a remarkable performance in such a challenging environment, with an annualised ROAE of 25.8% and strong 19.8% loan book growth, on a constant-currency basis, during 2021. The loan book growth was largely driven by continued strong loan origination

levels in all segments, but predominantly in the consumer, micro and SME portfolio. The Bank is clearly making significant progress in its digital transformation, which is leading to strong customer franchise and revenue generation growth. Reflecting the strong economic recovery, BoG’s share price increased by 36.7% in 2021, strongly supporting our NAV growth with GEL 164.1 million value creation. In addition, the Bank restarted its regular dividend programme with an interim dividend in November 2021 that generated GEL 14.5 million dividends for Georgia Capital and, on 22 February 2022, the Bank announced its board’s intention to recommend a final dividend for 2021 of GEL 2.33 per ordinary share at the Bank’s 2022 Annual General Meeting. This will make a total dividend paid in respect of the Bank’s 2021 earnings of GEL 3.81 per share.

The operating performance of our various **private portfolio investments** was also exceptional, as evidenced by the aggregated revenue and EBITDA growth rates in 2021 of 23.8% and 34.9% respectively. This performance is even stronger compared to the 2019 pre-pandemic comparisons, with equivalent growth rates of 33.9% and 38.5% respectively. The individual performances of our private businesses are described in greater detail later in this report.

Environmental, social and governance

At Georgia Capital, we recognise the increasing importance of the environmental, social and governance (ESG) issues that we all face. There is significantly more detail later in this report and in our first Sustainability Report with regard to the good progress we are making and we are committed to providing more information to highlight our good work on ESG matters. We have a strong track record on governance issues, but will be increasingly focusing on communicating our progress on environmental and social issues as well. This is a significant issue, owned and regularly discussed at Board level. We are committed to conducting our business in an environmentally, socially responsible and sustainable manner in order to reduce the environmental impact of our operations, while at the same time improving social performance to enhance long-term returns to you, our shareholders.

Our Responsible Investment Policy is now fully integrated into our investment and portfolio management processes and procedures, and is firmly guided by the leading responsible investment and ownership principles. We have aligned with, and have adopted to the extent applicable to our company:

- United Nations-backed Principles of Responsible Investment (UN PRI) – 6 Principles.
- UN Global Compact – 10 Principles. Georgia Capital is a signatory to the UN Global Compact.
- UN Sustainable Development Goals (UN SDGs).
- Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

Who before what – the strength of our people

Our management and people continue to be the foundation of Georgia Capital’s success. Since quality people are our main asset, as in past Annual Reports, I want to reaffirm to you, our shareholders, my belief in that quality. This is not a difficult task, as in my everyday experience I meet external people of all kinds reviewing our businesses who are invariably impressed by the quality of our various teams of people. I firmly believe that the quality of the team in our water utility business was a significant selling point in the recent sale of the business to FCC Aqualia.

At the Georgia Capital level, and in each of the operating companies, I am able to look to the future with great optimism. I would not be able to do that without being confident in the knowledge that we have attracted, and continue to attract, the best talent available to constantly nurture and grow our businesses. We do not invest in businesses unless we have certainty that we have the very highest calibre of people to run them. I want to thank all of our colleagues for their continuing and unwavering support, throughout what have been unprecedented times.

Outlook

While the management teams in our portfolio companies have demonstrated a strong focus on and success in navigating the challenges and opportunities created by the pandemic, Georgia Capital has continued to deliver on its key strategic priorities, whilst we too have managed the, often daily, challenges of the continuing impact of the global pandemic. Looking ahead, assuming the Russia-Ukraine conflict does not spiral out of control, the direct implications for Georgia’s economy and our businesses are manageable. Based on our proven governance, capital discipline, and sound capabilities to invest, grow and monetise businesses, I believe Georgia Capital is in a very good place to take advantage of emerging opportunities in Georgia and deliver consistent NAV per share growth.

This Strategic Report as set out on pages 2 to 121 was approved by the Board of Directors on 24 March 2022 and signed on behalf by Irakli Gilauri, Chairman and Chief Executive Officer.

Irakli Gilauri
Chairman and CEO
24 March 2022



Photo Khevsureti, Georgia

GEORGIA CAPITAL – A PLATFORM FOR INVESTING IN, UPSCALING AND MONETISING LARGE OPPORTUNITY BUSINESSES IN GEORGIA

- Developing and growing businesses to the equity value of GEL 0.5 billion to realise proceeds through an exit, as investments mature.
- LSE premium listed, with more than 90% institutional shareholder base.
- Running an efficient cost structure with no management or success fees.

GEORGIA CAPITAL STRATEGY IS BASED ON THREE FUNDAMENTAL ENABLERS

#1

SUPERIOR ACCESS TO CAPITAL¹

- Only Group of its size and scale focused on investing in and developing businesses in Georgia.
- Uniquely positioned given access to capital in a small frontier economy:
 - c.US\$ 500 million raised in equity at LSE.
 - Issued six Eurobonds totalling US\$ 1.8 billion (including the Eurobond tap offer of US\$ 65 million in March 2021).
 - US\$ 3 billion+ raised from IFIs (EBRD, IFC, etc.).

¹ Figures and statements in this section include the track record of our predecessor company BGEO, prior to the 2018 demerger.

#2

ACCESS TO GOOD MANAGEMENT

- Highly experienced senior management team, which grew BGEO Group (predecessor company) by c.33 times in asset size between 2005 and 2017.
- Reputation among talented managers as the “best group to work for”.
- Attracted talents have demonstrated a solid track record of successful delivery.
- Proven track record in turning around companies and growing them efficiently.
- Proven track record in monetising investments through cash exits.
- A platform for entrepreneurs to build institutions (entrepreneurship culture):
 - If we do not have the right people, then we do not invest, no matter the attractiveness of the opportunity.

#3

COMMITMENT TO ACHIEVING THE HIGHEST LEVEL OF CORPORATE GOVERNANCE

- Strong Board comprised mainly of independent Directors with extensive international experience.
- Outstanding track record in institutionalising businesses and creating independently run/managed institutions.
- Approximately 40 employees at the holding company level.
- Highly experienced management team in each portfolio company with a strong measure of independence.
- Aligned shareholders' and management's interests by share compensation.
 - The Executive Director is solely remunerated by way of long-term deferred shares (six-year vesting) and receives no cash compensation.
 - Salaries of the Company's senior managers are heavily weighted towards deferred share remuneration, and bonuses for senior managers are paid in deferred shares rather than cash.
- High level of transparent reporting.
- Delivered on last year's commitment to disclose against the Task force on Climate-related Financial Disclosures (TCFD framework) and enhanced ESG reporting by publishing our first annual standalone Sustainability Report.
- On page 123 you can find a full explanation as to why we believe that the combined Chairman and CEO structure better serves our Company and its stakeholders.

Photo View of Georgian capital city, Tbilisi, skyline cityscape in evening illuminations.

STRATEGIC PRIORITIES IN 2021

PRIORITY #1: REALIZING VALUE OF ONE LARGE INVESTMENT

In November 2020, Georgia Capital announced its objective to execute a trade sale of one of its large businesses in an 18-24-month period.

The disposal of the water utility business (discussed in detail on page 8), marks the achievement of that key strategic priority and the successful completion of the full investment cycle of our strategy: to invest, grow and monetise via a cash exit.

PRIORITY #2: DIVESTMENT OF “OTHER” PORTFOLIO

“Other” portfolio companies comprise 6.2% of the total portfolio value and include five subscale private businesses being Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses. While a number of these businesses have interesting potential, the Group currently believes that most will not offer the scalable growth potential we seek. Absent a change in that assessment, the Group is targeting to exit “Other” assets in a 2-3-year period.

The sale of the commercial real estate assets (discussed in detail on page 11) demonstrates steady progress on our strategic priorities.

UPCOMING STRATEGIC UPDATE

The disposal of the water utility business for US\$ 180 million creates significant cash proceeds which have been received in full in February 2022. Currently, the net cash proceeds are being held in cash and cash equivalents, and yield-bearing marketable debt securities, pending a review by our Board to determine the appropriate investment, deleveraging and capital return policies in the light of the prevailing economic outlook, our share price and discount to net asset value, and any available investment opportunities.

Proceeds in the amount of US\$ 180 million will be deployed in a combination of:

- Share buybacks.
- Deleveraging.
- Possible new business investments.
- Lending to our portfolio companies, including US\$ 95.4 million towards the refinancing of the outstanding GGU green bond.

The Board review will be completed shortly, and a further announcement will be made regarding our updated strategic priorities.



Photo Batumi, Adjara, Georgia.

MARKET AND INDUSTRY OVERVIEW

SWIFT REBOUND UNDERSCORES ECONOMIC RESILIENCE

Georgia has bounced back swiftly following a difficult year that challenged the resilience of the economy. With a preliminary 10.6% y-o-y growth beating all expectations in 2021, the economy stands at 103.2% of its 2019 level. Despite substantial uncertainty enduring, the medium-term outlook remains strong. Exceptional growth has allowed the fiscal policy to balance the contractionary effects of the tight monetary stance that aims to curb inflation. With the gradual unwinding of policy support underway, the private sector has proved robust, and recovery has sustained pace. External demand has aided domestic activity in mitigating the aftermath of shock, with the tourism sector displaying first signs of recovery and promising to deliver an additional boost to the economy.

Georgia is favourably placed among peers

Country	Country rating	Fitch rating outlook
Armenia	B+	Stable
Azerbaijan	BB+	Stable
Belarus	B	Negative
Czech Republic	AA-	Stable
Georgia	BB	Stable
Kazakhstan	BBB	Stable
Turkey	BB-	Negative
Ukraine	B	Stable

Macroeconomic overview and outlook

The COVID-19-induced shock made a significant impact on the Georgian economy in 2020, as evaporating service exports and shrinking domestic demand weighed heavily on economic performance and scaled back the progress achieved by the end of 2019 with the economy standing very close to its potential level. However, economic recovery was swift and forceful in 2021, picking up pace from March and reaching a preliminary 10.6% y-o-y in 2021, including a 28.9% y-o-y surge in the second quarter on the back of pent-up demand. While the impressive rebound was aided by a low base effect, the economy also posted solid growth compared to 2019, expanding by 3.2% in 2021.

Double-digit recovery of the economy in 2021

10.6%

following a 6.8% recession in 2020

On the domestic side, the rebound was driven by expansionary fiscal policy, which remained accommodative despite the overall deficit

having been cut to -6.8% of gross domestic product (GDP), as well as robust lending in both national and foreign currencies (total loans to the economy up 18.1% y-o-y at the end of 2021 excluding the exchange rate effect). On the external side, remittance inflows continued exceptional performance from the previous year (up 24.6% y-o-y in 2021 and by 35.6% compared to 2019), while merchandise exports exceeded 2019 levels by 11.7% (up 26.9% y-o-y) and tourism revenues rebounded to 58% of 2019 level in December 2021 (38.1% of 2019 level for the full year, including 52.2% in 2H21), after bouncing back from the second half of the year.

Strong rebound in tourism

58%

of 2019 level in December 2021, with average spending per arrival more than doubling compared to 2020

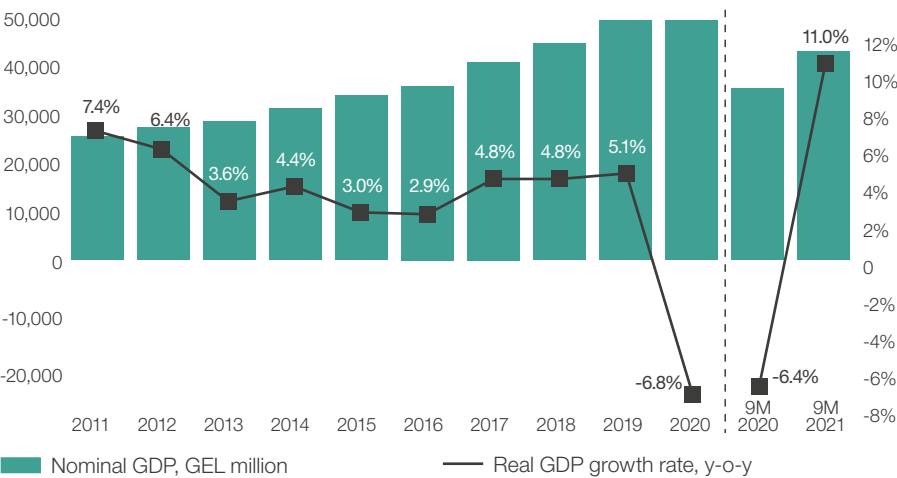
Following a reduction in the merchandise trade deficit to aid external adjustment in 2020, exports rebounded swiftly from the

beginning of 2021, while, as aggregate demand strengthened, imports caught up from the second half of the year, growing by 25.9% y-o-y in 2021 and by 5.9% compared to 2019. All of the investment, consumer and intermediate goods contributed to the recovery in external trade, as the trade deficit reached US\$ 5.8 billion, up 25% y-o-y and by 2% compared to 2019. Importantly, domestic exports (without re-exports) reached a record high of US\$ 3.1 billion in 2021, accounting for 74% of total exports and growing by 29.9% y-o-y.

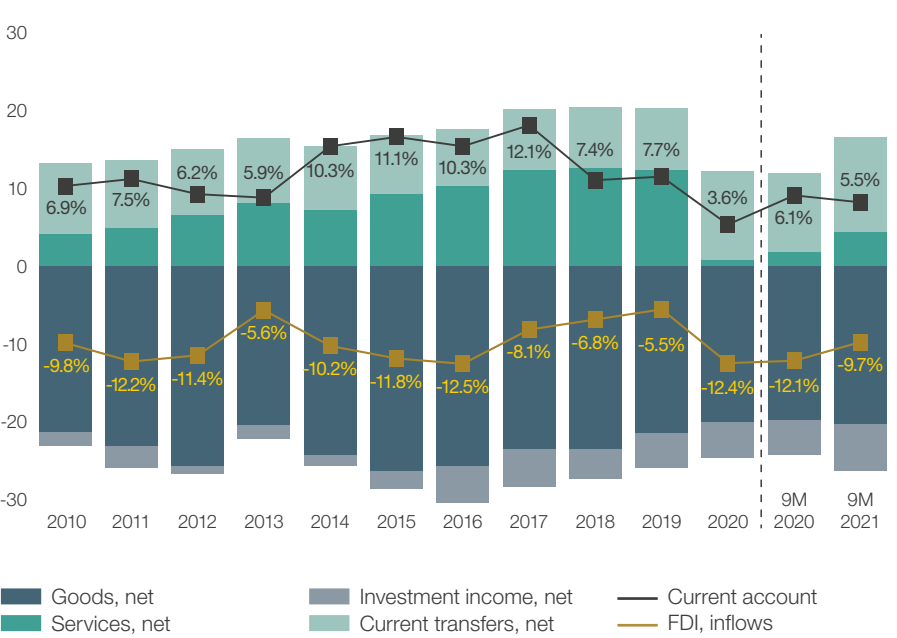
With strong merchandise export performance aided by robust remittance inflows and tourism revenues, the current account balance (CAB) reached -9.7% of GDP in 9M21, down to single digits after widening to 12.4% of GDP in 2020. The CAB is expected to continue further improvement to pre-pandemic levels as service exports, and tourism revenues, in particular, are set to bounce back gradually. Foreign Direct Investment (FDI) inflows made up US\$ 728 million in 9M21, up 3.2% y-o-y.

The unemployment rate reached 19.0% in 4Q21, down from the peak of 22.1% in 2Q21. More than 79,000 jobs were added

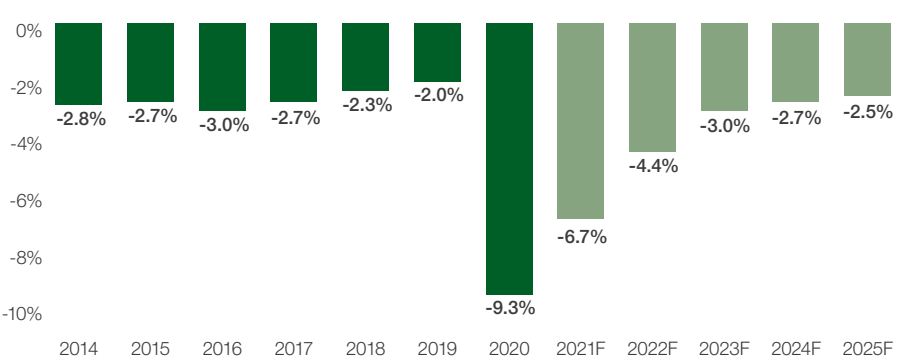
Real GDP growth



Current account balance (% of nominal GDP)



Overall balance, IMF modified



compared to the beginning of the year, while the number of people participating in the labour force increased by 145,000, as the labour participation rate returned to 2019 levels.

The consolidated budget overall deficit was over GEL -3.8 billion in 2021, down 18% y-o-y, with the annual deficit (International Monetary Fund (IMF) modified) planned at -6.8% of GDP, down from -9.3% in 2020. Reduction in the fiscal deficit was mostly attributed to high revenues stemming from a swift economic recovery, with the consolidated budget revenues growing by 22% y-o-y, including a 22% y-o-y growth in tax revenues. Strong revenue performance allowed current (+15% y-o-y) and capital (+4.5% y-o-y) expenditures to increase whilst cutting the deficit in line with the fiscal consolidation plan, although expenditures also moderated from the second half of the year, growing by 6% y-o-y in 2H21 as opposed to 13% y-o-y in 1H21. With the Government borrowing in order to meet financing needs in 2020, the general Government gross debt increased from 40.4% to 60.2% of GDP by the end of 2020 but is expected to have fallen to 51.1% of GDP by the end of 2021 as GEL has strengthened and the economy has rebounded. In line with the Economic Liberty Act of Georgia, which sets ceilings of 3% for the fiscal deficit and 60% for debt while allowing for a three-year grace period, the parliament has ratified the 2022 budget law laying out a path towards the deficit declining to 3% and debt standing at 50.2% of GDP by 2023.

As an established tourism destination, tourism has been an increasingly important sector of the Georgian economy and a major source of FX inflows during the past few years, significantly contributing to improving the CAB and driving rising service exports. With borders closed and international travel essentially halted, the tourism sector, like elsewhere around the world, came to a near-complete standstill in Georgia in 2020. The number of international visitors to Georgia increased on average by 15% over 2012-2019 but fell by 81% in 2020, rebounding by 7.7% y-o-y in 2021 as recovery accelerated from the second half of the year. However, despite the number of travellers posting modest recovery, tourism revenues grew 2.3 times in 2021, reaching US\$ 1.2 billion, pointing to significant growth potential. Outlook for tourism growth remains uncertain, with the regional tensions, vaccine roll-out facing complications around the world and new COVID-19 variants threatening international travel prospects, although the future recovery in the tourism sector is set to inject a reinvigorated stimulus into the economy.

Average inflation was 9.6% in 2021, significantly above the 3% target. All major components contributed to rising inflation in 2021 as supply-side effects persisted throughout the year, with global food prices reaching record highs and asymmetrically affecting less developed nations, oil and energy prices surging, input costs rising and transportation difficulties putting further pressure on prices. Despite

MARKET AND INDUSTRY OVERVIEW CONTINUED

GEL strengthening, imported inflation has been by far the most significant driver of increasing prices on the back of the global supply crunch affecting the rest of the world. On the domestic side, rising utility tariffs added to cost-push effects, exacerbating inflationary pressures. The National Bank of Georgia (NBG) began tightening monetary policy from March 2021 and hiked the policy rate to 10.5% in December by a total of 250 basis points in 2021, citing strong domestic demand, accelerated lending and the risk of persisting inflation transforming into long-term inflationary expectations. Foreign exchange market interventions were relatively constrained in 2021, amounting to US\$ 333 million, 2.6 times smaller compared to 2020 and the bulk largely coming in the first half of the year. International reserve assets increased by 9.2% y-o-y and totalled a record high of US\$ 4.2 billion at the end of December 2021, providing ample cover.

The nominal effective exchange rate (NEER) was up by 18% y-o-y and the real effective exchange rate (REER) was up 20% y-o-y by the end of 2021. USD/GEL stabilised in the second half of the year and continued strengthening into 2022, appreciating by 7.9% compared to the beginning of 2021 and by 12.7% compared to 2021 low as of 24 February 2022. Appreciation drivers include record-high remittances, solid recovery in merchandise exports, rebounding tourism revenues, accelerating foreign currency lending on the back of strong economic activity and significant interest rate differential due to tight monetary policy, as well as negative expectations easing. The currency appreciation trend has reversed since the escalation of the Russia-Ukraine conflict, as the USD has been strengthening globally and extraordinary uncertainty has gripped the markets. Compared to 24 February 2022, Lari depreciated against US dollar by 6.8% as of 18 March 2022.

Robust GEL strengthening

8%

appreciation against US\$ compared to the beginning of 2021 (as of 24 February 2022)

NBG introduced new regulations for commercial banks aimed at decreasing dollarisation, reducing reserve requirements on funds attracted in foreign currency based on the deposit dollarisation level, and reducing the currency induced credit risk buffer based on the loan dollarisation level.

Fitch Ratings revised the negative outlook to stable in August 2021 (and affirmed the stable outlook in February 2022), citing a “much-improved macroeconomic baseline” with growth gaining momentum and a credible policy mix responding to both domestic and external pressures. Moody’s reaffirmed the stable outlook in September 2021, pointing

to a strong macroeconomic policy response and structural reforms carried out within the IMF Extended Fund Facility (EFF) programme. After repaying its ten-year, 6.875% coupon Eurobonds, issued in 2011, the Georgian Government priced US\$ 500 million five-year Eurobonds at a record low coupon of 2.75% in April 2021. 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.

Georgia concluded its US\$ 285 million three-year IMF EFF programme in April 2021. The programme, promoting increased efficiency and boosting productivity, was augmented by the IMF Executive Board on 1 May 2020 to provide an additional 130% of the quota, around US\$ 375 million, in order to meet the urgent balance of payments and fiscal needs and preserve macroeconomic stability. In its final assessment, the Executive Board deemed the policy stances appropriate and welcomed the implemented structural reforms whilst advising for continued reform in order to deliver sustained growth. Discussions are underway to negotiate a new programme with IMF which will continue to serve as a macroeconomic policy anchor.

A new economic and investment plan for the Eastern Partnership countries, presented in July 2021, should bring at least EUR 3.9 billion of investments to Georgia. Enhancing Black Sea connectivity is a top priority. Deployment of submarine fiber optic cables, a feasibility study to deploy submarine electric cables between Georgia and the EU and developing new ferry/feeder services as well as refurbishing ports will further integrate Georgian and EU markets, contribute to improving energy security and create direct links for trade and movement of people. Other important initiatives include technical support for the small and medium-sized enterprises (SME) sector to adapt to the Deep and Comprehensive Free Trade Agreement (DCFTA) requirements, improving digital connections by developing high-speed broadband infrastructure in rural areas and improving air quality by installing air monitoring systems and contributing to green and sustainable transport in Tbilisi.

IMF estimates Georgia’s GDP growth to reach 5.8% in 2022 (October 2021 forecast), with inflation expected to decelerate close to the 3% target by the end of the year, while the medium-term growth (2022-2026) to stand at 5.4%, one of the highest in the region.

Medium-term (2022-2026) economic growth rate

5.4%

One of the highest in the region (IMF, October 2021 WEO)

However, the uncertainties related to the outcome of the Russian-Ukrainian conflict as well as the impact of the potential spillovers on Georgia remain high.

The fiscal deficit is planned to be narrowed to -4.4% of GDP in 2022 and to 3.0% in 2023, while debt is projected to decline to 51.1% of GDP by the end of 2022 and to 47.7% by the end of 2025. NBG has declared to strictly adhere to the inflation target and maintain the tight policy until inflation and inflationary expectations subside. The appropriate policy mix, combined with the swift resurgence and improving macroeconomic environment, has ensured that the economy remained resilient in the face of the crisis, albeit uncertainty persists.

COVID-19 update

The Georgian Government took significant steps at the early stage of the COVID-19 outbreak, imposing a range of restrictions like elsewhere around the world. Since February 2021, the economy has been fully reopened for the better part of the year. Despite new COVID-19 cases rising again periodically, most notably in August and November 2021, as well as in 2022 due to the Omicron variant spreading, no new major restrictions have been imposed, hospital bed capacity remains adequate, and economic recovery has sustained pace, pointing to the ability to successfully manage a potential epidemiological deterioration.

Land borders have been opened for the EU and 40 additional countries since 1 June 2021, while the 11 pm curfew was lifted on 1 July 2021. Since December 2021, the Green Pass programme came into force, with a green pass (proof of vaccination, a 72-hour negative PCR or a 24-hour negative antigen test, or proof of the previous infection) required to enter restaurants, cafés, bars, cinemas, theatres, opera houses, museums, concert halls, entertainment facilities, casinos, spa centres, gyms, hotels and mountain resort cable cars. The Green Pass is no longer required since February 2022, with the Government citing a combination of rapid spread with a relatively low risk of complications due to the Omicron variant.

Both fiscal and monetary authorities switched to accommodative measures during the initial phase of the COVID-19 shock. NBG declared an active participation policy to prevent liquidity shortages in both national and foreign currency markets, eased non-price conditions, released capital and liquidity buffers, and introduced swap operations to support liquidity. The Government managed to attract external financing at the onset of the crisis, adopting an expansionary fiscal stance and boosting the country’s foreign exchange reserves. The Government introduced targeted measures to address the crisis, including a GEL 3.5 billion package for social aid, economic support and healthcare boosting, as well as special

support packages for the tourism, agriculture and real estate sectors. Most of the supporting measures are set to be gradually rolled back from 2022 as the economy has strengthened and fiscal consolidation is underway. NBG has also switched to a tightened policy stance in order to combat high inflation.

Vaccination has begun since March 2021, with supply secured for Pfizer-BioNTech, AstraZeneca, Sinopharm and Sinovac vaccines. As of 18 March 2022, 47.2% of the total adult population were vaccinated at least once, while 43.6% were fully vaccinated. Pfizer-BioNTech vaccines account for the bulk of administered shots (over 55%). 28,970 COVID-19 cases (1.8%) remained active, while the seven-day positive rate was equal to 6.61%.

Reform-driven success

Georgia has carried out genuine economic and structural improvements over the past two decades. As a result, corruption has decreased, it has become the second easiest country in the world to start a business in, productivity has been enhanced and the economy has become more diversified, supporting resilience against exogenous shocks such as the global financial crisis and the COVID-19 pandemic.

Georgia is consistently ranked as a top performer in governance and doing business indicators. With a ranking of 7th in Ease of Doing Business in 2020 (World Bank, Doing Business), Georgia has implemented an array of reforms and is characterised as a top-performing economy in the region in which to start a business. Furthermore, Georgia is ranked 12th out of 180 countries by the Index of Economic Freedom measured by the Heritage Foundation in 2021 and 29th out of 194 countries in Trace International’s 2021 Matrix of Business Bribery Risk, as well as 5th out of 117 countries in the International Budget Partnership’s Open Budget Index. Georgia is on par with the EU member states and top in the Eastern Europe and Central Asia Region in the 2020 Corruption Perception Index by Transparency International.

The Economic Liberty Act, effective since January 2014, ensures the continuation of a credible fiscal framework for Georgia by capping the fiscal deficit at 3% of GDP and public debt at 60% of GDP. However, the emergency escape clause allows the Government to surpass the thresholds temporarily in order to manage the pandemic, with the law requiring a return to the bounds within three years. The fiscal consolidation plan has already been adopted by the parliament as part of the new budget law. The Economic Liberty Act also requires electorates’ approval through a nationwide referendum for imposing new taxes and raising existing taxes, subject to certain exceptions. Furthermore, as of January 2017, corporate income tax for non-banking and non-insurance corporations is now applicable to only distributed profits; undistributed profits, which are reinvested

or retained, are exempted. Georgia has one of the friendliest tax regimes according to World Bank’s Doing Business 2020 report, having slashed the number of taxes from 21 in 2004 to just six currently. Commitment towards structural reforms ensures constant effort for improving the business environment, the latest examples being the VAT reform (adopted in July 2020) and the new insolvency framework (adopted in September 2020 and into force since April 2021).

Despite challenges arising from the pandemic, structural reforms and large infrastructure projects to promote Georgia as a transit and tourism hub and enhance long-term growth are still underway. A new pension law was adopted in 2018, enhancing long-term fiscal sustainability, supporting capital market development, increasing the replacement rate, narrowing the current account (CA) deficit and boosting potential output. A new bill on investment funds was adopted in 2020, in line with international practice and harmonisation obligations with EU law, providing an up-to-date regulatory framework for investment activity. The Government focuses on addressing the shortcomings in employee benefit schemes, further cutting non-essential expenditures, consolidating public sector institutions, making social and healthcare spending more targeted, privatisation schemes and increasing capital expenditure efficiency. Within the responsible lending framework, NBG took macroprudential measures to decrease household indebtedness and enhance financial stability and strengthen regulation, supporting the financial system’s resilience to currency fluctuations and FX-induced credit risks.

Public debt down to

51% of GDP

by the end of 2021, from 60%, according to the Ministry of Finance (MoF)

A business-friendly environment, renowned in the region for best-in-class governance, well-developed infrastructure, stable energy supply, flexible labour legislation, a stable and profitable banking sector, strategic geography connecting European, landlocked Central Asian and Middle East countries, and preferential trading agreements, support Georgia to become a regional hub economy.

The Government’s ongoing infrastructure investments and increased spending on roads, energy, tourism and municipal infrastructure will also reinforce the potential. To enhance Georgia’s competitiveness, the Government continues to strengthen integration in existing international systems as well as new transit routes. Georgia is a regional energy corridor. In November 2019, the Georgian PM, alongside the Turkish and Azerbaijani presidents, opened the Trans-Anatolian Pipeline (TANAP), allowing natural gas from Azerbaijan to be exported to Europe through Georgia.

Georgia’s business-friendly environment, coupled with its sustainable growth prospects, attracted FDI on average 10% of GDP over the past decade. These capital flows boosted productivity and accelerated growth. Public infrastructure projects were also instrumental in driving growth, as well as better realising the country’s potential in logistics, transport and tourism. Faced with low domestic savings, FDI is an important source of financing growth in Georgia, as well as a reliable source of current account deficit funding. In 9M21, total FDI amounted to US\$ 728 million, up 3.2% y-o-y. Major sectors attracting FDI were: finance (40% of the total), energy (26.5%) and manufacturing (19%). The share of reinvestment by foreign companies in total FDI was 84.2% in 9M21, slightly down from 87.5% in 2020, and significantly higher compared to 48.4% in 2019. The increasing share of reinvestment indicates investors’ trust in Georgia’s growth model and the success of the profit tax reform introduced in 2017. Planned investment and infrastructure programmes, a rising number of free trade agreements (FTAs) and a business-supportive environment will support further FDI inflows in the medium term, as the effect of the COVID-19 shock dissipates.

Free trade agreements

There have been significant changes in Georgia’s export structure and destination markets in recent years; however, Georgia has not yet fully tapped into international markets. One of the biggest changes in destination markets has been a reorientation from the Russian market after the 2005 embargo, as the embargo forced Georgian producers to redirect exports to other Commonwealth of Independent States (CIS) countries, the EU and the Middle East. Exports to Russia picked up again in 2013 as Russia reopened its borders to Georgian products. Another significant change concerns the growing importance of China as a Georgian exporting market, as the FTA effective from January 2018 has brought a major acceleration of exports to China. Since 2013, Georgia’s developed logistics and transport infrastructure has helped shore up opportunities for new re-export commodities, including copper and pharmaceuticals. Domestic exports, which posted a positive 3.5% y-o-y growth rate in 2020 to limit the effect of a significant fall in re-exports, have remained resilient in 2021, growing by 29.9% y-o-y in 2021 and accounting for over 74% of total exports.

Together with established destinations, improved access to new large markets, such as the EU, China and Hong Kong, could increase market penetration. There is also scope for diversifying agricultural exports. Georgia’s existing free trade deals (with the EU, CIS, EFTA, Turkey, China and Hong Kong) and the prospective FTA with India, as well as an agreement with Israel, imminently offers significant upside potential for Georgia’s exports.

MARKET AND INDUSTRY OVERVIEW CONTINUED

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

Georgia's FTA with China, effective from January 2018, and its FTA with Hong Kong, effective from February 2019, has been increasing opportunities to further accelerate exporting markets and attract investors by offering a business-friendly environment, strong corporate governance standards and access to a market of 2.8 billion customers. China became the single largest destination country for Georgian exports in 2020 and retained its position in 2021, accounting for 14.5% of total exports in 2021 (14.3% in 2020). China is also the largest consumer of Georgian domestic exports, responsible for just under a fifth of the total.

While remaining committed to EU integration, Georgia has also managed to stabilise relations with Russia, as the latter lifted its embargo on Georgian products in 2013. However, Russia temporarily banned direct flights to Georgia from 8 July 2019 amid rising political tensions after a Russian MP chaired an assembly in the Parliament of Georgia.

Individual sector overview

Banking

The banking sector has been one of the most developed and fastest-growing sectors of the Georgian economy. The banking sector's asset growth rate of 15.8% (ten-year CAGR) has far outstripped the nominal GDP growth rate for the same period. However, despite robust progress, there are plenty of opportunities to further tap into growth potential, as the financial market remains at an early stage of development. The sector has remained resilient in the face of challenges brought by the COVID-19 shock. Regulatory assistance from NBG at the onset

of the crisis included suspending the capital conservation buffer, supported introducing a three-month grace period for loan repayments, postponing regulations on credit concentration and large risks, suspending on-site inspections, declaring a temporary moratorium on new regulatory activity, eliminating fines for violating certain economic limits and easing lending restrictions. Moreover, NBG introduced a US\$ 400 million currency swap facility, allowed banks to use foreign currency buffers for liquidity management, sold US\$ 873 million on foreign exchange auctions, and launched a new currency trading mechanism, the Bloomberg Bmatch platform, with the goal of making the market more diversified, competitive and liquid.

NBG announced in June 2021 that regulatory assessment showed the banking sector gradually returning to pre-pandemic trends, with banks expected to post "solid profit" in 2021. Therefore, NBG decided to reinstate the capital conservation and currency induced credit risk buffers from 1 January 2022, with the banking sector given until 1 January 2024 and 1 January 2023, respectively, to return to the regulatory requirements.

NBG continued its active de-dollarisation policy by introducing new measures aimed at cutting the dollarisation level. Since July 2021, minimum reserve requirements for funds attracted in foreign currency are being set individually for commercial banks, depending on their deposit dollarisation levels. Instead of the previous flat 25% ratio, banks are now required to maintain reserves for only 10% of foreign currency attracted funds if their deposit dollarisation rate is under 40%. The reserve requirement remains 25% if deposit dollarisation is over 70%, with the reserve ratio scaling linearly in the 40%-70% range.

Moreover, in December 2021, NBG introduced a similar measure with respect to the currency induced credit risk (CICR) buffer, linking the buffer with the banks' loan dollarisation levels. Instead of the previous flat 75% rate, the CICR buffer has been set at 40% if a bank's loan dollarisation level is below 40%, with each successive percentage point increase in the

loan dollarisation level to be followed by a three percentage point increase in the CICR buffer up to a maximum of 100%. The new regulation entered into force in January 2022, but those banks needing time to adhere to the CICR buffer requirements have been given a year to satisfy the criteria. NBG also tightened foreign currency mortgage lending regulations, reducing the maximum foreign currency mortgage maturity to ten years instead of the previous 15, citing vulnerability due to a large number of unhedged borrowers and a subsequent potential systemic risk buildup in the banking sector.

Fitch Ratings, which downgraded the outlook on Georgian banks to negative in April 2020, revised the outlook to stable in March 2021, citing reduced pressure on the banks' credit profiles and the banks' "intrinsic strength". In September 2021, IMF published a comprehensive report of the Georgian financial system stability assessment, in conjunction with an Article IV consultation with Georgia. The report found that the financial sector has proved resilient, supported by strong pre-crisis buffers and profitability, as well as pro-active policy measures. Simulations with potential adverse scenarios regarding solvency and liquidity measures revealed that the banking sector remains resilient in the face of negative shocks.

The banking sector ended 2021 with record net profits of GEL 2.1 billion (with 13 banks out of 14 registering a profit), compared to GEL 99 million in 2020. The low profit in 2020 was mainly caused by the banks pre-emptively creating reserves worth GEL 1.2 billion for possible loan losses in March 2020, as per NBG instructions. However, 2021 profits were significantly higher compared to 2019 as well (up 2.2 times). Revenues reached GEL 6 billion in 2021, up 22.3% y-o-y, while total expenses reached GEL 3.6 billion, down 24.4% y-o-y. Non-performing loans (IMF methodology) reached 1.9% of total loans by the end of 2021, compared to 2.3% at the end of 2020. Return on assets (ROA) was 3.9% (0.1% at the end of 2020) and return on equity (ROE) was 34.4% (1.4%), while average capital adequacy ratio was 19.6% (17.6%) and the liquid asset ratio was 20.2% (20.4%).

The loan portfolio proved extremely resilient in 2021, despite a tightened monetary stance, as credit to the economy increased by 18.1% y-o-y (excluding the exchange rate effect) by the end of 2021, including a 24% growth in GEL loans and a 12.7% growth in foreign currency loans. Foreign currency loans have accelerated significantly, reflecting rebounding economic activity and the high interest rate differential. Mortgage loans increased by 12% by the end of the year, while business loans increased by 19.3%. As for deposits, commercial bank deposits increased by 12% by the end of 2021, including a 26.8% growth in GEL deposits and a 12.4% growth in foreign currency deposits (without Government deposits).

Deposit dollarisation was 60% at the end of 2021, down from 61.5% at the end of 2020. Loan dollarisation followed a similar trend, reaching 50.8% by the end of 2021, down from 55.7% by the end of 2020.

Healthcare Services

The Georgian healthcare industry experienced important transformations during the last decade. The key components of the national healthcare reform were massive privatisation, infrastructure upgrade, sector liberalisation, introduction of Universal Health Care (UHC) and wider accessibility to healthcare services as the major outcome.

To address high private healthcare costs and basic healthcare coverage for the entire population, UHC was introduced in 2013 and replaced previous state-funded medical insurance plans. New initiatives regarding the reimbursement and differentiating coverage of Universal Health Insurance were adopted in 2017. In November 2019, aiming to standardise hospital reimbursement and limit healthcare expenditures, the Georgian Government introduced further changes to the UHC reimbursement mechanism. The changes mainly cover the Tbilisi and Kutaisi regions, which had recently developed an oversupply of beds as a result of the addition of a number of small hospitals in recent years. The change may also drive more rapid market consolidation in Tbilisi and Kutaisi, improving service efficiency and quality in the country.

In terms of health expenditure as a percentage of GDP, Georgia achieved a level consistent with that of major developed economies, at approximately 8%, which is above most of its peer emerging economies. However, there still remains vast potential for further increase since Georgia has one of the lowest per capita expenditures on healthcare among the benchmark countries. Healthcare spending per capita is currently at a very low base of only US\$ 308, with annual outpatient encounters of 3.7 per capita, significantly lower than many comparable countries. On average, 65% of healthcare spending is funded by the private sector. Notwithstanding a significant improvement in the bed occupancy rate, from 30% in 2003 to 49%¹ currently, there is still potential for even higher efficiency in order to align Georgia with best practices. The occupancy rate in Georgia is far below EU (77%) and CIS average (83.4%) indicators.

The Georgian healthcare market has shown solid growth in recent years. According to management's estimates based on the third-party data, the total healthcare market grew by a CAGR of 12% over 2011-2020 years and was expected to grow at 8% in 2021. Outlook for the healthcare sector is positive as increasing disposable income and supportive Government healthcare help domestic consumption to increase. The growth of overnight visitors,

in line with significant improvement in healthcare service quality, support Georgia to become a medical tourism hub in the Caucasus region and to further boost the growth of services exports.

Retail (pharmacy)

The pharmaceutical market in Georgia is highly concentrated, with three major players holding approximately 78% of the market share. The Georgian pharmaceutical market is highly dependent on imports. The share of locally produced drugs on the market is c.14% as opposed to only 5% in the early 2000s. There are over 100 importers of pharmaceutical products in Georgia, but approximately 80% of all imports are performed by three companies: GEPHA (approximately 28%), PSP (approximately 28%) and Aversi (approximately 24%). Domestic production is represented by over 30 companies and is dominated by two players, with approximately 83% of the country's total production volume. Pharmaceuticals market reforms have made it possible to create a competitive marketplace in Georgia. These have included the introduction of parallel imports and automatic registration of medicines recognised by international control bodies, such as the U.S. Food and Drug Administration (the FDA) and the European Medicines Agency (the EMA), as well as favourable regimes for setting up pharmacies (0% VAT on medicines, absence of customs duties and no price controls).

According to the new Government initiative, from January 2022 Turkey has also been added to the list of parallel import countries, meaning companies would be allowed to import, without further national authorisation, all pharmaceutical products approved by the Turkish regulator. The initiative aims to increase the variety and accessibility of pharma products in the country.

According to management's estimates based on the third-party data, generics account for 73% of the total market revenues, which is somewhat higher than the EU average (c.50%). However, there is still market opportunity for generics – in the leading economies like Germany and the UK, generics hold a dominant share of more than 80% (in the reimbursed segment). Over the Counter (OTC) segment in Georgia prevailed over the last decade until 2014 when a prescription requirement was introduced for over 6,000 medicines. Currently, there is a nearly equal split between OTC and prescription drugs. Medicines and pharmaceutical products have a significant contribution to trade turnover. Trade of medicines packaged in measured doses is a considerable source of income. Imports of medicines were the fourth largest commodity group, amounting to US\$ 382 million (3.8% of total imports), while re-export of medicines was the ninth-largest export commodity group, amounting to US\$ 99 million (2.3% of total exports) in 2021.

Water Utility

Georgia is a rich country in hydro resources. However, only approximately 64% of the population is supplied with water by licensed companies, whereas the rest of the country's population still has no proper access to centralised water supply and sanitation (WSS) services. The Georgian Government is actively working to upgrade the infrastructure and ensure the proper functioning of the water supply system and its reliability through establishing transparent and fair price control policies, which coupled with economic growth create a favourable environment for investors and international lenders to enter the sector and capitalise on stable revenue streams.

Current water tariff calculation methodology, which was adopted by the regulatory body in 2017, is based on hybrid incentive-based and cost-plus principles and is aimed at allowing for a fair return on investments. Investments in the sector are further incentivised by strong visibility of the revenue and cash flows, as the tariffs are set for three-year regulatory periods. Harmonisation with EU policies following the signing of the EU Association Agreement is contributing to the increasing reliability of WSS service provision and improvement of service standards for utility customers, as well as the stability of utility operations. Unlike other utility segments (electricity and gas), the water utility sector in Georgia is mainly state-owned and our water utility business represents the largest private player on the market (natural monopoly, servicing more than one-third of the population) with substantial room for growth.

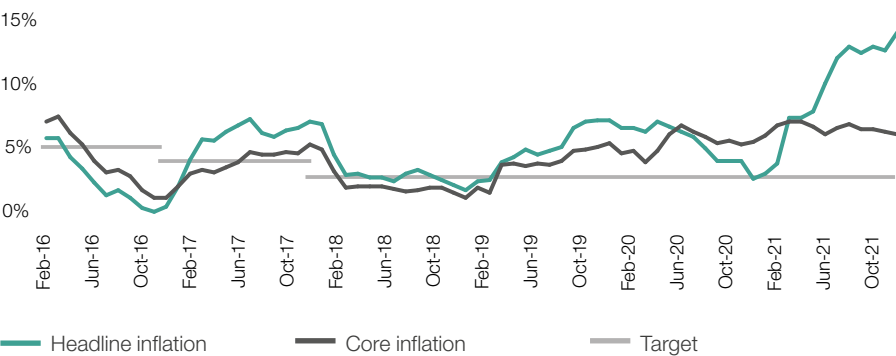
Medical Insurance

Over the past decade, the private medical insurance market expanded significantly compared with the 2006 figure, when only 40,000 Georgian citizens (or c.1% of the total population) had a voluntary medical insurance package, mostly provided as part of a corporate benefits programme. There were 641,000 private health insurance (PHI) policies in force by the end of September 2021. The corporate segment accounts for the major portion of the PHI market – 93.7% of all policies are acquired by employers, and the rest (40,100) are purchased by self-paying individuals. In Georgia, PHI is primarily intended to provide value-added services in the form of more extensive coverage or more convenience for the patient.

Property and Casualty (P&C) Insurance

From 2010 to 2020, the Georgian property and casualty insurance sector grew by 248%, with insurance revenue increasing to GEL 368 million. According to the Insurance State Supervision Service of Georgia (the ISSSG), the total value of gross written premiums increased from GEL 113 million in 2010 to GEL 380 million in 2020; an increase of 235%. The largest six insurance providers in Georgia account for approximately 80%

Inflation vs inflation target



1 NCDC 2018

MARKET AND INDUSTRY OVERVIEW CONTINUED

of the market. The level of insurance market penetration in Georgia amounts to 1.4% (of which 0.8% is attributable to the property and casualty insurance market) as at 31 December 2020. This was lower than insurance penetration in more developed countries such as the United Kingdom, France, Switzerland and Belgium, which had penetration rates of 11.1%, 8.6%, 8.4%, and 6.1%, respectively, and was also lower than penetration in neighbouring countries such as Slovenia, Poland, Bulgaria, Turkey and Russia, which had penetration rates of 5.0%, 2.6%, 2.4%, 1.5% and 1.4%, respectively. The Georgian retail insurance market offers ample room for growth, as most of its potential is yet to be unlocked. Motor insurance accounts for 52% of the total retail insurance market in Georgia, of which 11% represents border Mandatory Third Party Liability (MTPL) insurance, effective from March 2018. Moreover, the motor insurance segment has great potential to increase, as only 7% of registered cars are insured on the local market. The new law requiring local MTPL for all vehicles registered in Georgia is expected to kick in and significantly boost retail market penetration.

Renewable Energy

In Georgia, electricity consumption has been growing significantly for the last decade, in line with GDP growth. Electricity demand for the last decade has been growing on average by 5.1%. The country was historically a net exporter of electricity; however, due to sustained consumption growth, the trend has changed and Georgia became a more import-dependent country with ten months of electricity deficit throughout the year. To support the consumption growth, which is forecasted at a minimum of 4.5% for the next decade, the Government is promoting the development and construction of domestic renewable capacities through different support mechanisms, as well as implementing reforms in the Georgian energy market. Back in 2008, the power generation market witnessed significant changes to facilitate market liberalisation. All HPPs constructed after August 2008 have been deregulated, which served as a first step towards the establishment of a free electricity market. In 2014, the EU and Georgia signed an Association Agreement and Georgia became a full contracting party member of the Energy Community. Further, the Electricity Law was amended in June 2017, deregulating all HPPs below 40MW and gradually moving the large industrial consumers out of the regulated pricing scheme to the free market. In the next phase of deregulation, effective from May 2019,

big industrial customers with monthly electricity consumption of at least 5GWh were required to register as direct customers. Deregulation continued in 2021 – all entities with monthly consumption of more than 0.4GWh and with 35-110kV access lines were registered as direct consumers. This process will continue in 2022 and the following years as well, further increasing the share of the deregulated market.

At the end of December 2019, the Parliament of Georgia has adopted the new Law on Energy and Water Supply and the Law on Renewable Energy Sources. The draft of the law on Energy was prepared by the Energy Community Secretariat taking into account the specifics of the Georgian energy market. In 2020 and 2021 several important laws were adopted to prepare Georgia’s energy market for the reforms in 2022. The establishment of the new energy exchange was a step forward to the reform of the Georgian energy sector. In December 2019, the Georgian Energy Exchange was founded with 50%-50% co-participation of Georgian State Electro system and Electricity System Commercial Operator. The Georgian Energy Exchange will be responsible for organising day-ahead, intraday and bilateral markets through the software services of consulting company “Nord Pool Consulting”.

Education

The private K-12 education industry in Georgia is growing at a rate twice that of the nominal GDP growth rate, at a compound annual growth rate of 16% from 2013 to 2019 to reach GEL 280 million, according to Galt & Taggart, driven by both increasing enrolments and rising tuition fees.

We believe there is a consolidation trend that represents an opportunity in a fragmented market. The number of private schools in the Georgian market has decreased from 245 in 2011 to 218 in 2021 and at the same time, the average private school size has increased from 212 learners per school to 275 learners per school. Based on our estimation, the market share of the ten largest players has increased from 15% to 19% over the same period. Private learners are consolidating in the four largest cities with a population of over 100,000, namely Tbilisi, Batumi, Kutaisi and Rustavi.

Management believes that the key growth drivers will be the large gap in the quality of public schools as compared to private schools as well as increasing household income and decreasing unemployment rates (prior to the

onset of the COVID-19 pandemic). Georgia has the potential to grow private education enrolment given the penetration levels achieved in sub-Saharan Africa, Latin America and South Asia, which were 16%, 20% and 43% in 2019, respectively, compared to 10% for Georgia, according to UNESCO. Lower average spending per learner also indicates further room for growth. Total private and public spending per learner currently stands at US\$ 650, compared to the OECD average of US\$ 9,000. Total spending as a percentage of GDP was 2.2% compared to the OECD average of 3.1%.

Data provided in this section was collated from the following sources unless stated otherwise:

- Geostat
- National Bank of Georgia
- Ministry of Finance of Georgia
- Georgian National Tourism Administration
- Insurance State Supervision Service of Georgia
- National Center for Disease Control and Public Health
- Worldometers
- World Bank
- International Monetary Fund



Photo Metekhi church – located on the bank of river Mtkvari, built in the 12th century. In front of the Metekhi Church stands a statue of King Vakhtang Gorgasali – the founder of Tbilisi.

Strategic Review Overview	Strategic Review Our Business	Strategic Review Discussion of Results	Governance	Financial Statements	Additional Information
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CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES

CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES

Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. It focuses on shareholder returns and on opportunities that meet its investment return and growth criteria. In line with its capital allocation strategy, the Group emphasizes larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over 3-5 years and to monetise investments through exits, as investments mature. The Group believes larger sized investments will provide improved liquidity and superior exit opportunities, to support the Group's desire to reduce the current discount to reported NAV per share.

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

Group's approach to investing and managing companies entails the following principles:

Highly disciplined entry approach
The Georgian economy entered into a period of significant development and growth approximately 15 years ago and different sectors and businesses are therefore at an early stages of formation.

Access to capital and management personnel is limited and as a result, Georgia Capital can pursue attractive investment opportunities and acquire assets on relatively attractive terms with a view to consolidating fragmented and underdeveloped sectors of the economy, particularly targeting high-multiple service industries. The Group believes that in the long-run Georgia will become a service hub of the region. Since the Group is under no time pressure to invest, it takes a selective and opportunistic approach to new investments. The Group's key principle is to buy assets at affordable prices and to remain very disciplined in this regard. To evaluate new acquisition opportunities Georgia Capital has developed a 360-degree analysis framework.

360-degree analysis – a strong foundation for value creation. GCAP share price is at the core of decision-making when it comes to new investments. The Group performs a 360-degree analysis each time it makes a

capital allocation decision and compares: a) the investment opportunity versus buyback opportunity; and b) the sale opportunity versus buyback opportunity. The Group intends to buy assets/companies at a higher discount to their listed peers than GCAP's fair value discount. Georgia Capital is targeting to invest in opportunities which produce greater returns than returns created by buying back GCAP shares. The US\$ 45 million share buyback programme, which commenced in June 2018, was completed in August 2019. Under the programme we bought back 3,336,843 shares, of which 2,650,375 shares were cancelled and 686,468 shares were transferred to the management trust. In addition, in August 2019, Georgia Capital initiated a US\$ 20 million share purchase programme for the management trust. The management trust programme has repurchased 1,550,084 shares. There was no buyback programme in 2020 in light of the cash preservation strategy due to COVID-19. In August 2021, Georgia Capital commenced a US\$ 10 million share buyback and cancellation programme, over a 12 month period. In January 2022, the Board approved an increase in the ongoing buyback and cancellation programme of an additional US\$ 5 million, which was further increased by US\$ 5 million in March 2022. The programme continues for the 12-month period beginning 10 August 2021. The developments of the programme are summarised in the table below.

Entering a new industry with a small ticket size
Another core principle of the Group's investment philosophy is to be mindful about the size of potential investments in new industries. Georgia Capital typically starts with a small ticket size and tests and develops a management track record before stepping up the investment.

Liquidity is important
In order for the strategy to succeed, GCAP must be disciplined in unlocking the value of companies in which it invests and that it manages. In particular, it is crucial to set an exit strategy prior to making an investment. A low investment entry point becomes even more important in a small frontier economy, with limited exit opportunities. The Group aims to have two potential liquidity events for each of its assets:

- The first exit: when entering a new industry Georgia Capital intends to develop and grow portfolio companies. GCAP's key focus areas at the portfolio company level are the ability to grow operating cash and to make efficient capital expenditure investments by targeting an appropriate level of return on invested capital (ROIC). Once the business reaches its late stage of development, GCAP expects to pursue its first exit route, which envisages dividend flows for the Group; and
- The second exit: as businesses mature, Georgia Capital normally seeks to monetise its investment through appropriate exit options, typically within five to ten years from initial investment.

The Chief Strategy Officer is responsible for overseeing the establishment of structured exit processes for the portfolio companies, as Georgia Capital is actively engaged in the price discovery of portfolio assets held.

Focus on cash generation
Cash generation at both Georgia Capital and portfolio company level is a key success factor for Georgia Capital.

Focus on management development
By developing top talent in Georgia Capital the Group can add value for the Company's shareholders. Investing time in growing and developing management continues to be critical for the success of the Group's strategy.

Good corporate governance
The Company believes that robust corporate governance is a source of value creation for its shareholders. The Company believes that alignment of the interests of shareholders and management by awarding long-term deferred share awards to the Group's senior executives enhances value creation.

Key metrics for decision-making
The IRR, MOIC and ROIC are fundamental metrics used in the investment decision-making process:

- IRR and MOIC are determined at GCAP level and are the key drivers to invest in new opportunities.
- ROIC is at the core of decision-making when the portfolio companies are investing or divesting assets or businesses. ROIC should be more than WACC for new investments. As part of ROIC enhancement initiatives across our portfolio, our businesses are targeting continued divestment of low ROIC and/or non-core assets and businesses.

Strategic pivot in 2021
In 2021, the Group took a number of decisive strategic actions. The economic recovery and normalisation of the epidemiological environment in Georgia enabled our portfolio companies to transition organically to the revenue growth strategy from the previously

adopted cash preservation strategy which was adopted as a response to the uncertainties caused by the pandemic. This, supported by robust liquidity at GCAP and a high discount to the reported NAV, has allowed for the resumption of the share buyback and cancellation programme. Throughout the year there was a particular focus on delivering the Company's strategic priorities: realising the value of one of the large portfolio companies through a trade sale and divesting the subscale ("other") businesses. The sale of the water utility business, as described in detail on pages 8-10 in this report, represents a milestone achievement for GCAP, given that the Group will have completed the full investment cycle of its current strategy, namely to invest, grow and monetise a significant investment via a cash exit. GCAP has also demonstrated steady progress in the divestment of subscale businesses by selling US\$ 45 million commercial real estate properties since June 2021. In 2021, in line with its capital allocation outlook, the Company continued investing predominantly in Renewable Energy and Education as set out on pages 34-36 of this report.

360-DEGREE ANALYSIS – A STRONG FOUNDATION FOR VALUE CREATION

GCAP's share price is at the core of our decision-making when it comes to investments

We perform 360-degree analysis each time we make a capital allocation decision and compare:

- Investment opportunity versus buyback opportunity.
- Sale opportunity versus buyback opportunity.

We are targeting to invest in opportunities which produce greater returns than buying GCAP shares



Georgia Capital's share buyback highlights

Period	2021 year		1-Jan-22 - 18-Mar-22	
	Value of shares repurchased (US\$ million)	Number of shares repurchased (thousand)	Value of shares repurchased (US\$ million)	Number of shares repurchased (thousand)
Georgia Capital share buybacks	7.95	943	5.81	679
Of which, programme	6.99	824	5.81	679
Of which, management Trust	0.96	119	-	-
Number of Georgia Capital shares cancelled		824		549

GCAP ROLE VIS-À-VIS PORTFOLIO COMPANIES

- Approval of all capital allocation decisions: equity, debt, profit reinvestment, divestment, etc.
- Strategy setting, business plan approval and monitoring.
- Human capital (CEO and CFO) allocation and KPI setting.

IRR and MOIC are the key drivers for GCAP to invest in new opportunities

KEY MONEY MULTIPLES AT GCAP LEVEL

IRR
MOIC

ROIC is at the core of decision-making when our portfolio companies are investing or divesting assets/businesses

KEY METRIC FOR REINVESTMENT DECISION-MAKING AT PORTFOLIO COMPANIES' LEVEL

ROIC

- ROIC should exceed WACC for new investments.
- Portfolio companies to continue divestment of low ROIC and/or non-core assets and businesses to enhance ROIC.

CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES CONTINUED

CAPITAL ALLOCATION OUTLOOK


Georgia Capital expects to allocate US\$ 50 million net equity capital in investment stage portfolio companies (Renewable Energy and Education) in the 3-5 years period, of which US\$ 3.9 million was allocated in 2021.

Other than already identified greenfield projects in the renewable energy and education businesses, the Group expects to focus on acquisitions. By driving the development of these two businesses, the Group expects to realise at least 2.0x MOIC at each investment level, 20%+ IRR in Renewable Energy and 25%+ IRR in Education.


Gradually moving to reinvestment phase, given the strong cash flow generation at our investment stage portfolio companies

Total net investment of c.US\$ 50 million identified from GCAP over the next 3-5 years

Of which, US\$ 3.9 million was allocated in 2021



Renewable Energy



Education

Limiting expansion through greenfield developments and focusing on buying cash generating assets at attractive multiples



INVESTING IN RENEWABLE ENERGY

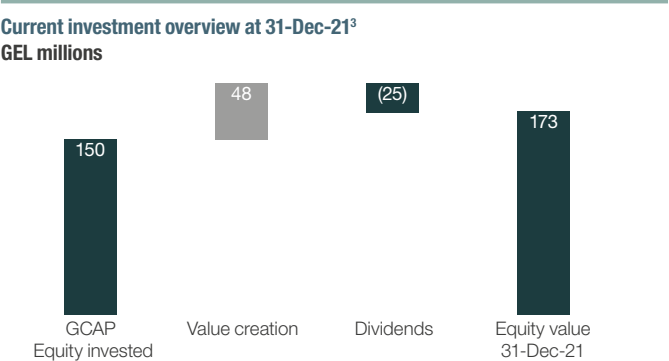
The COVID-19 pandemic has caused various implications for different industries across the globe. However, the renewable energy industry has shown outstanding resilience to the crisis.

With the current increase in fossil energy prices and sustainable financing on their mind, investors are becoming more attracted by investing in renewable energy.

Being underutilised with high capacity factors, having low penetration of air conditioners and high cooling degree days (CDD), the Georgian renewable energy sector demonstrates high growth potential. 35% of the national demand is currently satisfied through imports and thermal power plants (TPPs).

By allocating capital to the renewable energy business, Georgia Capital strives to leverage high margins and US dollar linked cash flows.

- Industry investment rationale**
- High margins, dollar linked cash flows.
 - Growing market, with 35% of demand satisfied through imports and TPPs.
 - High capacity factors.
 - Low penetration of air conditioners and high Cooling Degree Day (CDD).



Range for peer trading multiples¹

10x-20x

LTM EV/EBITDA

- Total net investment of c.US\$ 36 million identified from GCAP over the next two to three years**
- Of which, US\$ 1.1 million was allocated in 2021 for the development of pipeline HPPs and wind farm projects.
 - Over the next two to three years, we will be launching pipeline projects: wind farms in Tbilisi and Kaspi, Zoti HPP and Darchi HPP.

Renewable Energy snapshot	Now	In 3-5 years
MOIC	1.3x	2.0x+
IRR	10.2%	20%+
Installed capacity ⁴	71MW	243MW
Run-rate EBITDA	GEL 45mln	GEL 116mln ^{2,4}

1 Our valuation peer group multiples as of 31 December 2021.

2 Run-rate EBITDA assuming 3.2 GEL/USD exchange rate.

3 Value creation of GEL 48 million represents value created since initial investment.

4 In 2021, in line with the outcome of the comprehensive cost and feasibility assessment, the restoration process of the 20MW power generating unit of Mestiachala HPP (the HPP was flooded and taken offline in late July 2019) has been suspended.

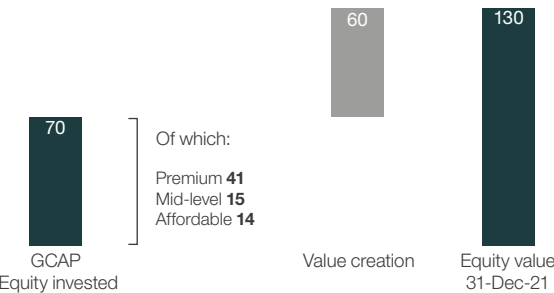
CAPITAL ALLOCATION AND MANAGING PORTFOLIO COMPANIES CONTINUED

INVESTING IN EDUCATION

The Georgian K-12 private school market is highly fragmented. The Group sees education as an asset light industry and aims to leverage its high growth potential through organic growth and acquisitions. 80% of M&A capacity will be concentrated in the affordable education sector. The value will be unlocked by focusing on attractive margins and high quality revenue streams.

- Industry investment rationale
- Asset light industry.
 - High quality revenue with high margins.
 - High trading multiples.
 - Highly fragmented K-12 private school market with strong growth potential.

Current investment overview at 31-Dec-21³
GEL millions



Range for peer trading multiples¹
7x-22x
LTM EV/EBITDA

Total net investment of c.US\$ 14 million identified from GCAP over the next four to five years by 2025

- Of which, US\$ 2.8 million was invested in the education business in 2021.
- Scaling up to capacity of 21,000 learners through expansion plans in existing schools and M&As by 2025.
- Strong organic growth at existing schools is expected to drive solid growth in run-rate EBITDA, on top of expansion plans and M&As.
- By 2025, average investment and EBITDA per learner are expected to decrease, as 80% of M&A capacity will be concentrated in affordable sector.

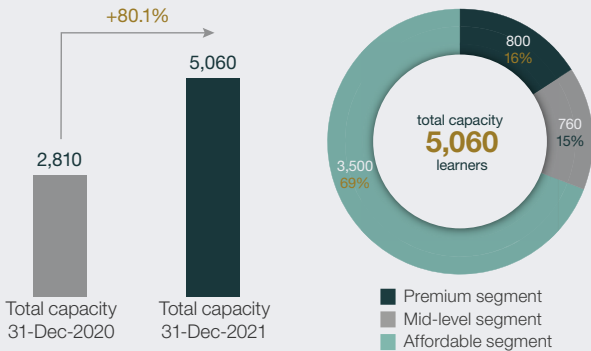
Education business snapshot	Now	By 2025
MOIC	1.9x	2.0x+
IRR	34.2%	25%+
Capacity (# of learners)	5,060	21,000
of which, existing schools	5,060	7,200
of which, M&A	–	13,800
EBITDA	GEL 10mln ²	GEL 50mln+

EXPANSION OF THE EDUCATION BUSINESS IN THE AFFORDABLE SEGMENT

We are scaling up our affordable and high-quality K-12 education in Georgia through investment projects, executed in 2021:

- #1
Acquisition of an 81%⁴ equity interest in Georgian - Austrian School Pesvebi for GEL 3.9 million, providing additional capacity of 1,200 learners.
- #2
Launch of a new (second) campus under the existing affordable brand - Green School, which will provide education to 600 learners, with the potential to expand its capacity to 1,500-2,000 learners over the next few years by utilising the existing premises.
- #3
Capacity expansion of the existing campus of Green School, adding 450 learner capacity.

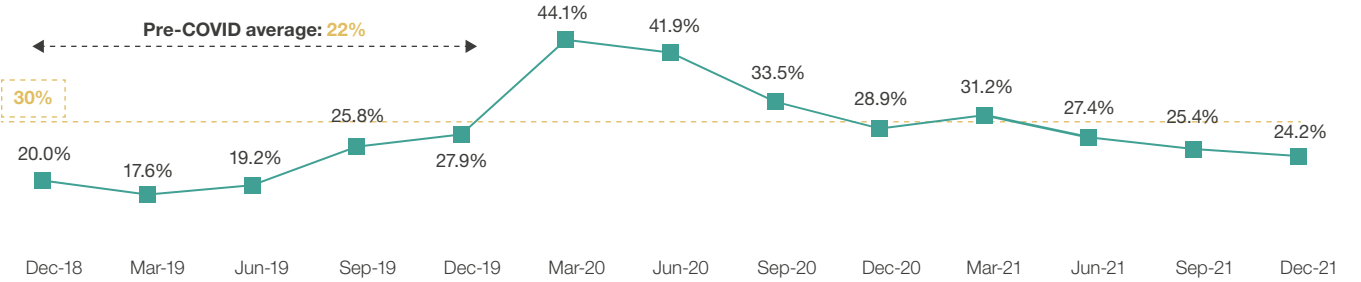
Capacity Development Highlights



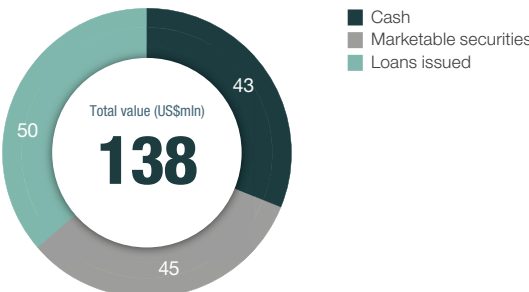
STRONG BALANCE SHEET AND CASH MANAGEMENT AT GEORGIA CAPITAL

- Liquid asset buffer: Georgia Capital holds liquid assets of at least US\$ 50 million at all times.
- Managed Leverage: Georgia Capital aims to maintain its loan to value (LTV) ratio at below 30%.

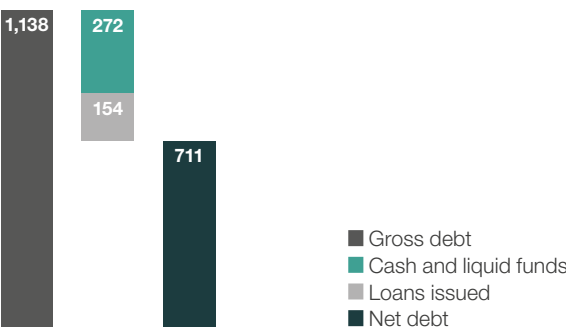
LTV ratio is on track to the targeted threshold of <30%



US\$ 138 million liquid funds as of 31-Dec-21



Net debt overview (GEL millions)



EUROBOND TAP OF US\$ 65 MILLION

On 9 March 2021, JSC Georgia Capital (the Georgian holding company) priced a US\$ 65 million tap issue (the "New Notes") which was consolidated and formed a single series with the US\$ 300 million 6.125% senior notes due 2024 issued on 9 March 2018 (the "Original Notes"). The New Notes, listed on the Global Exchange Market of the Irish Stock Exchange, were priced at par and were settled on 16 March 2021. Georgia Capital intends to use approximately US\$ 35 million of the proceeds to fund capital allocations to its portfolio companies and retain approximately US\$ 30 million to be used for general corporate purposes.

1 Our valuation peer group multiples as of 31 December 2021.
2 EBITDA for 2020-2021 academic year.
3 Value creation of GEL 60 million represents value created since initial investment.
4 Georgia Capital will have a call option on the 9% equity stake during the 12 months starting from August 2022.

OUR MANAGEMENT TEAM

Georgia Capital



Irakli Gilauri, Chairman and CEO

Irakli Gilauri formerly served as the CEO of BGEO Group from 2011 to May 2018. He joined as CFO of Bank of Georgia in 2004 and was appointed as Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Prior, he was an EBRD (European Bank for Reconstruction and Development) banker. Mr Gilauri has up to 20 years of experience in banking, investment and finance. Over the last decade, Irakli's leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and wine. Holds an MSc in banking from Cass Business School.



Avto Namicheishvili, Deputy CEO

In addition to his deputy CEO role at JSC Georgia Capital, Avto also serves as a chairman of the Group's renewable energy, beverages, housing development and hospitality & commercial real estate businesses. Formerly he was BGEO Group General Counsel. He was General Counsel of the Bank of Georgia from 2007 to 2018 and has played a key role in all of the Group's equity and debt raises on the capital markets, and over 25 mergers and acquisitions. Prior, he was a Partner at a leading Georgian law firm. Holds LLM in an international business law from Central European University, Hungary.



Nikoloz Gamkrelidze, Deputy CEO

In addition to his deputy CEO role at JSC Georgia Capital, Nick also serves as CEO of GHG, the holding company of the Group's healthcare services, retail (pharmacy) and medical insurance businesses. Previously served as deputy CEO (Finance) of BGEO Group PLC. Our healthcare business story starts with Mr Gamkrelidze, who started it in 2006, and has successfully led it through outstanding growth. Nick also served as CEO of Insurance Company Aldagi, CEO of My Family Clinic and Head of the Personal Risks Insurance Department at BCI Insurance Company. He was a consultant at the Primary Healthcare Development Project (a World Bank Project) and worked on the development of pharmaceutical policy and regulation in Georgia. Holds an MA in International Healthcare Management from the Imperial College Business School.



Giorgi Alpaidze, Chief Financial Officer

Formerly BGEO Group CFO. Joined BGEO as Head of Group's Finance, Funding and Investor Relations in 2016. He has extensive international experience in banking, accounting and finance. Previously, he was a senior manager in Ernst & Young LLP's Greater New York City's assurance practice. Holds a BBA from the European School of Management in Georgia. US Certified Public Accountant.



Ia Gabunia, Chief Strategy Officer

Formerly Investment Director at Georgia Capital. Joined BGEO as an Investment Director in 2017. Ia has over ten years of experience in banking and investment management. Prior to joining BGEO Ia served as Head of Corporate Banking at Bank Republic, Société Générale Group. Previously, she held numerous executive positions in leading Georgian companies. Ia holds a BSc degree from London School of Economics and Political Science, UK.



Giorgi Ketiladze, Managing Director, Investments

Formerly Investment Officer at BGEO Group. Joined BGEO in 2017. Previously, worked at Deutsche Bank in Corporate Finance department and at KPMG consulting in Germany. Giorgi holds a master's degree from London Business School.



Nino Vakhvakhishvili, Chief Economist

Joined Georgia Capital in 2018. Before joining the Company, she spent over five years at the Macroeconomic and Statistics Department at the National Bank of Georgia. Nino was IMF's short-term expert, participated in TA missions in East African countries (Rwanda, Tanzania) in 2019. She was visiting lecturer at the University of Georgia, conducted lectures on Macroeconomics during the 2015-2019 years. Nino holds a master's degree in economics from the International School of Economics (ISET).

Georgia Capital



Levan Dadiani, General Counsel

Formerly Senior Group Lawyer at BGEO Group. Joined BGEO in 2012. Levan has an extensive experience in commercial law, equity investments, corporate and project financing and energy projects. Previously, he was a Partner at a leading Georgian law firm. Holds an LLM degree in International Business Law from University of Texas at Austin, USA.

Listed Portfolio



Archil Gachechiladze, CEO, Bank of Georgia

Previously CEO at GGU, the Group's water utility and renewable energy businesses. Prior to that, Archil was a Deputy CEO in charge of corporate banking at Bank of Georgia. He launched the Bank's industry and macro research, brokerage, and advisory businesses, as well as leading investments in GGU and launched Hydro Investments. Previously, he was an Associate at Lehman Brothers Private Equity in London, and worked at Salford Equity Partners, EBRD, KPMG, Barents, and the World Bank. Holds an MBA with distinction from Cornell University and is a CFA charterholder.

Private Portfolio



Nikoloz Gamkrelidze, CEO at Healthcare Services, Retail (pharmacy) and Medical Insurance Businesses

In addition to his deputy CEO role at JSC Georgia Capital, Nick also serves as CEO of GHG, the holding company of the Group's healthcare services, retail (pharmacy) and medical insurance businesses. Previously served as deputy CEO (Finance) of BGEO Group PLC. Our healthcare business story starts with Mr Gamkrelidze, who started it in 2006, and has successfully led it through outstanding growth. Nick also served as CEO of Insurance Company Aldagi, CEO of My Family Clinic and Head of the Personal Risks Insurance Department at BCI Insurance Company. He was a consultant at the Primary Healthcare Development Project (a World Bank Project) and worked on the development of pharmaceutical policy and regulation in Georgia. Holds an MA in International Healthcare Management from the Imperial College Business School.



Giorgi Baratashvili, CEO at P&C Insurance Business

Joined as the Head of Corporate Clients Division of Aldagi, the holding company of the Group's P&C insurance business, in 2004. Before taking the leadership of our P&C insurance business in 2014, he served as Deputy CEO of Aldagi in charge of strategic management for corporate sales and corporate account management. Holds a Masters Diploma in International Law.

Read more about our management team on pages 164-166 in the Nomination Committee report.



Strategic Review
Overview

Strategic Review
Our Business

Strategic Review
Discussion of Results

Governance

Financial Statements

Additional Information

OUR PORTFOLIO OVERVIEW

PUBLIC PORTFOLIO

BANKING

Overview

Bank of Georgia Group is a Georgia-focused banking business with an impressive track record of delivering superior returns and maximising shareholder value. Diversified revenue sources, a growing loan book, robust asset quality, efficient cost performance and fee income growth are the main drivers of the exceptional results in terms of Bank of Georgia Group profitability. JSC Bank of Georgia, the systemically important and leading universal Georgian bank, is the core entity of Bank of Georgia Group. It offers: a) retail banking and payment services (Retail Banking), b) corporate and investment banking operations (Corporate and Investment Banking) in Georgia; and c) banking operations in Belarus (BNB). BoG is well-positioned to benefit from the growth of the Georgian economy through both its Retail Banking and Corporate and Investment Banking services and aims to deliver on its growth strategy with strong capital and liquidity positions.

Bank of Georgia Group has two primary segments: Retail Banking and Corporate and Investment Banking. In Retail Banking, the prominent component of the banking business, BoG runs a client-centric digital multi-brand offering with the aim to reach the entire spectrum of retail customers through its mass retail and affluent segment (through its SOLO brand) and high-net-worth individuals (through its Wealth Management private banking services in Georgia and internationally through representative offices). Bank of Georgia is a leader in the payments business and financial mobile app, with a strong retail and corporate banking franchise in Georgia. With a continued focus on digitalisation and expanding technological and data analytics capabilities, BoG targets to anticipate customer needs and offer more personalised, seamless experiences. In addition, BoG serves micro, small and medium-sized enterprises (MSME) through two respectively dedicated segments under the Retail Banking business. In Corporate and Investment Banking, given the scale, a rich portfolio of banking products and services, and industry and product expertise that it possesses, BoG is a universal bank of choice and top-of-mind advisor for Georgian corporates. In the brokerage business, under the Corporate and Investment Banking business, BoG is focused on profitable growth, through unlocking retail brokerage potential and fully digitalising brokerage services.

INVESTMENT RATIONALE

The first entity from Georgia to be listed on the premium segment of the Main Market of the London Stock Exchange (LSE: BGEO) since February 2012.

High standards of transparency and governance.

Leading market position¹ in Georgia by assets (36.0%), loans (35.7%), client deposits (36.4%) and equity (32.7%) as at 31 December 2021.

Strongest retail banking franchise: 40% market share in deposits of individuals, 39% market share in loans to individuals.

Leader in payments and financial mobile app: 51% of total POS payments transactions are executed in BoG POS terminals.

Growing market: The banking sector's assets growth rate at 23.6% (CAGR over 2003-2021).

Sustainable growth combined with strong capital, liquidity and robust profitability.

Outstanding ROAE performance, with ROAE of 20%+ over the last four years (pre-COVID-19).

Performance and strategy

Bank of Georgia Group delivered strong results in 2021. Excellent top and bottom-line growth and outstanding ROAE was supported by the improving macroeconomic environment in Georgia, notwithstanding the temporary restrictions put in place throughout the year as a response to the COVID-19 pandemic. Both Retail Banking and Corporate and Investment Banking businesses delivered excellent results. Lending activity was strong, operating income increased, particularly net interest income and net fee and commission income generation, and loan book quality has improved significantly in 2021. The BoG continued its focus on customer satisfaction, employee empowerment and improving its digital banking and payments business franchise, while maintaining a healthy cost to income structure. As a result, Bank of Georgia Group delivered a ROAE of 25.8% in 2021, while maintaining robust liquidity and capital positions.

Considering the updated macroeconomic outlook, greater clarity on expected regulatory capital requirements following the rebuild of released capital buffers and resumption of dividend payments, Bank of Georgia Group's medium-term strategic priorities have been revised in 2021 as follows:

- 20%+ ROAE.
- Loan book growth of c.10%.
- Robust capital management:
 - Maintain regular progressive semi-annual dividend payouts: aiming 30%-50% dividend/share buyback payout ratio;
 - Given higher levels of lending growth in the near-term, the Board currently expects the dividend/share buyback payout ratio to be approximately 35%-40% over the next two years;
 - An interim dividend of GEL 1.48 per ordinary share was paid on 5 November 2021;
 - On 22 February 2022, the Bank announced its Board intention to recommend a final dividend for 2021 of GEL 2.33 per ordinary share at the Bank's 2022 Annual General Meeting. This will make a total dividend paid in respect of the Banks' 2021 earnings of GEL 3.81 per share.

OWNERSHIP

Georgia Capital owns 19.9% of Bank of Georgia Group PLC. As long as Georgia Capital's stake in BoG is greater than 9.9%, it will exercise its voting rights in Bank of Georgia Group in accordance with the votes cast by all other shareholders on all shareholder votes at any general meeting.

VALUE CREATION POTENTIAL

Loan book growth c.10%.

Regular progressive semi-annual capital distribution with 30%-50% dividend/share buyback payout ratio (revised up from 25%-40%).

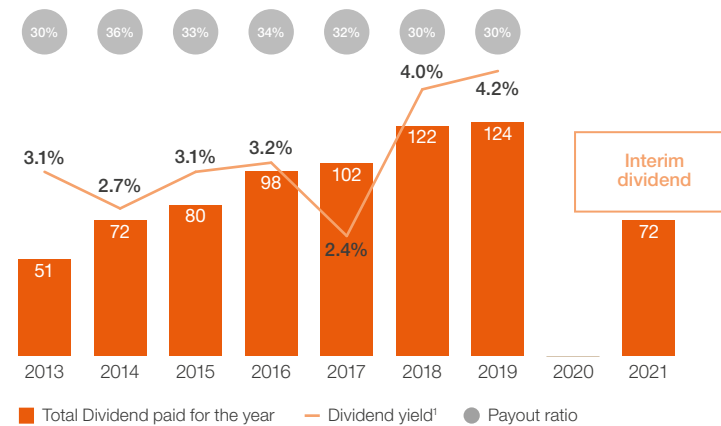
20%+ ROAE.



PERFORMANCE TRACK RECORD³

Dividend record

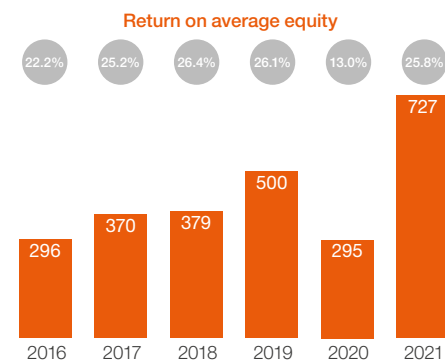
GEL millions



¹ Dividend yield is calculated based on the closing price of shares immediately prior to ex-dividend date.

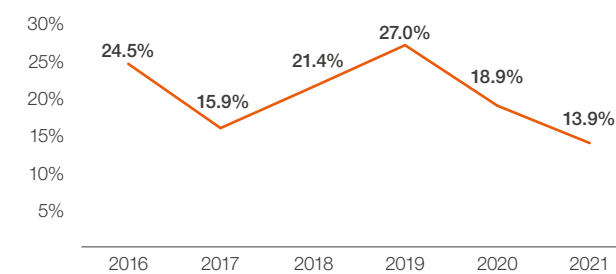
Profits & ROAE²

GEL millions



² ROAE is adjusted for one-offs in 2018 and 2019 years.

Loan book growth



¹ Market data based on standalone JSC Bank of Georgia accounts as of 31 December 2021 published by the NBG www.nbg.gov.ge.

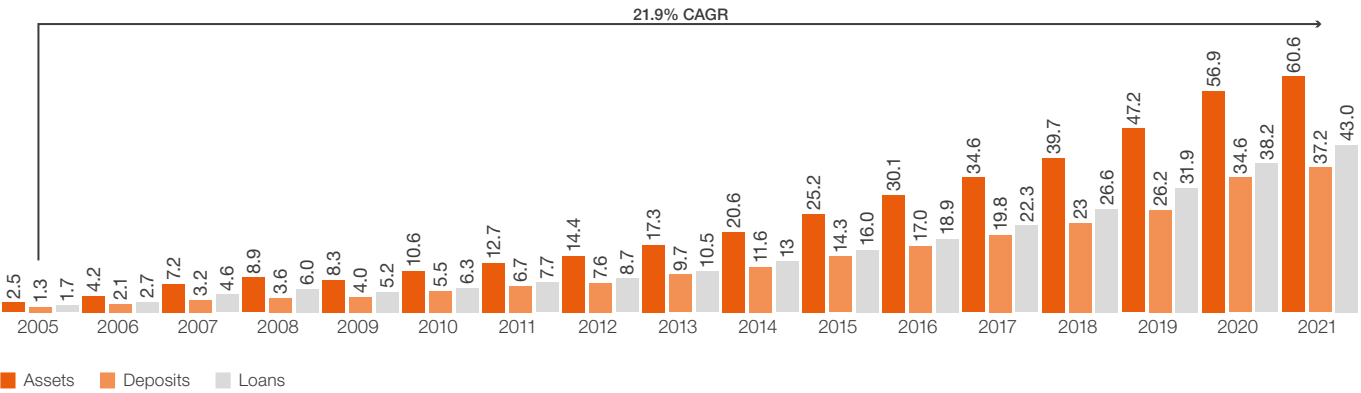
³ Numbers are derived from BoG's unaudited IFRS accounts.

OUR PORTFOLIO OVERVIEW CONTINUED

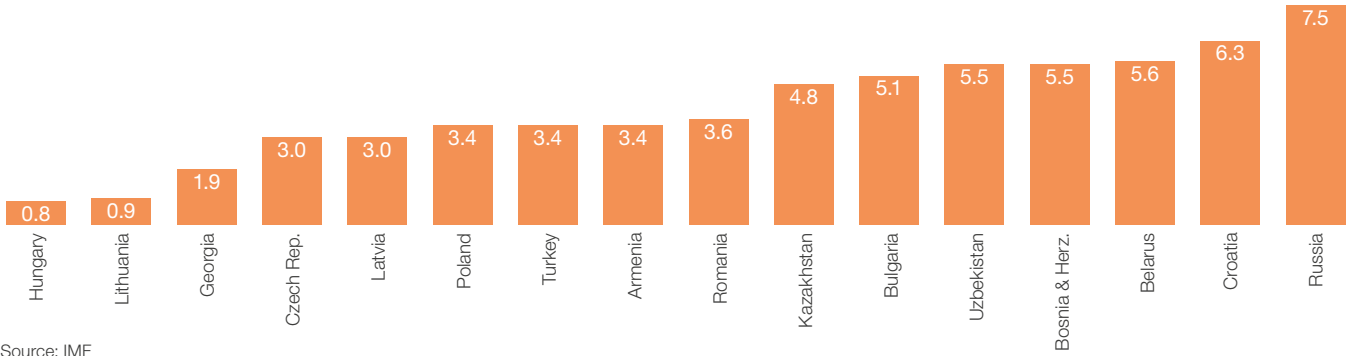
PUBLIC PORTFOLIO CONTINUED

MARKET OPPORTUNITY

Banking sector assets, loans and deposits
GEL billions



One of the lowest levels of non-performing loans (NPLs) worldwide, latest 2021
(NPLs to total gross loans)



FINANCIAL METRICS¹

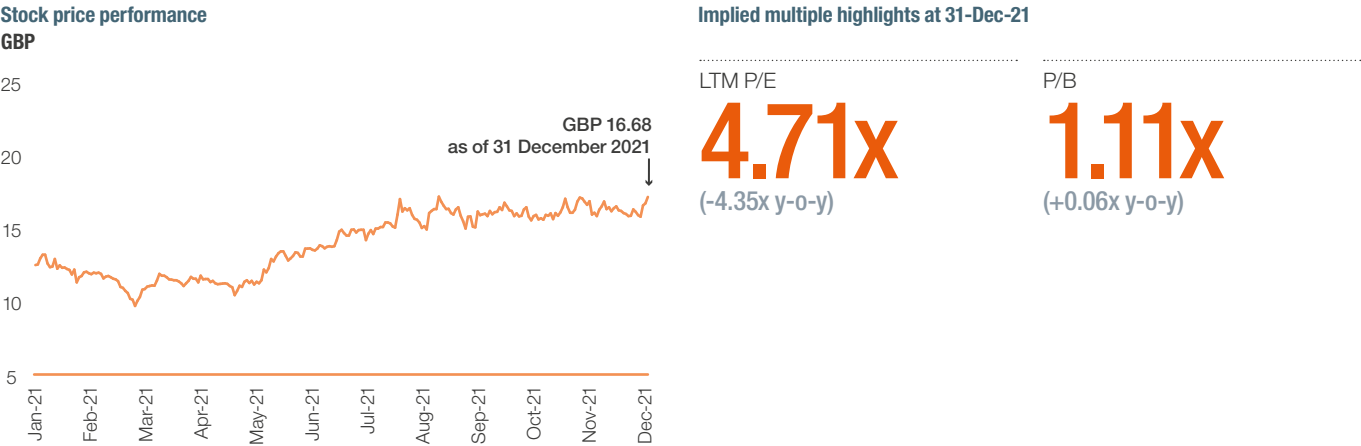
Banking business loan book (GEL millions)	Deposit portfolio (GEL millions)	ROAE	Net Interest Margin
16,169 +13.9% y-o-y	14,038 +0.1% y-o-y	25.8% +12.8ppts y-o-y	4.9% +0.3ppts y-o-y
Cost/income	NPL coverage adjusted for discounted value of collateral	Tier 1 capital adequacy ratio	Liquidity coverage ratio
37.2% -2.5ppts y-o-y	147.7% +18.9ppts y-o-y	15.0% +2.6ppts y-o-y	124.0% -14.6ppts y-o-y

¹ Numbers are derived from BoG's unaudited IFRS accounts

OPERATING METRICS

Number of active retail clients (thousands)	% of transactions through digital channel	Number of mobile banking transactions (millions)	Market share % by number of transactions in POS terminals 2021
1,636 +10.1% y-o-y	96.1% +0.8ppts y-o-y	110.0 +76.0% y-o-y	51.0% +3.0ppts y-o-y
Number of active digital users (thousands)			
921 +21.2% y-o-y			

VALUATION HIGHLIGHTS



OUR PORTFOLIO OVERVIEW CONTINUED
PRIVATE LARGE PORTFOLIO COMPANIES

GEORGIA HEALTHCARE GROUP (GHG)

Overview
GHG is the holding company of our healthcare services, retail (pharmacy) and medical insurance businesses. GHG is the largest and the only fully-integrated healthcare provider in the fast-growing, predominantly privately-owned Georgian healthcare ecosystem with an aggregate annual market value of c.GEL 3.8 billion. GHG is the market leader in the country in each operating segment.

Our integrated healthcare pathway was further solidified with upgraded digital channels. In May 2020, GHG launched an innovative, independent and fully-integrated digital healthcare platform EKIMO. EKIMO combines all components of primary healthcare: doctors, clinics, radiology units, retail pharmacies and medical insurance. The platform is open for any healthcare provider or health product seller in the country. The platform provides quick and easy access to the entire healthcare ecosystem including doctors' appointments, online payments, doctors' online consultations and pharma delivery.

Strategy
GHG's growth summary and targets in the medium to long term remain unchanged. GHG businesses continue to focus on improving operational and financial performance and delivering growth by developing new projects and benefiting from the organic growth of the businesses. Going beyond the core of current operations, and shaping new markets in the related services and products, such as beauty, aesthetics, lab retail and clinical trials, will enable businesses to deliver significant growth momentum over the next few years.

In response to the pandemic, the accelerated launch of digital channels is further supporting business growth momentum. Our new EKIMO platform is already picking up and as at 7 March 2022 has 264,150 downloads, with 154,191 active users and 9,600 monthly paying users who already transacted 13,545 doctors consultations and GEL 7.5 million online pharmacy sales.

From the operational performance perspective, GHG is progressing well by: focusing on improving the capacity utilisation of its healthcare facilities; exercising various asset optimisation measures, such as disposal or transformation of unused and low ROIC-generating assets (e.g. sale of High Technology Medical Center (HTMC) hospital in 2020); and driving efficiency across GHG facilities through service process automation and the full roll-out of the Healthcare Information System (HIS).

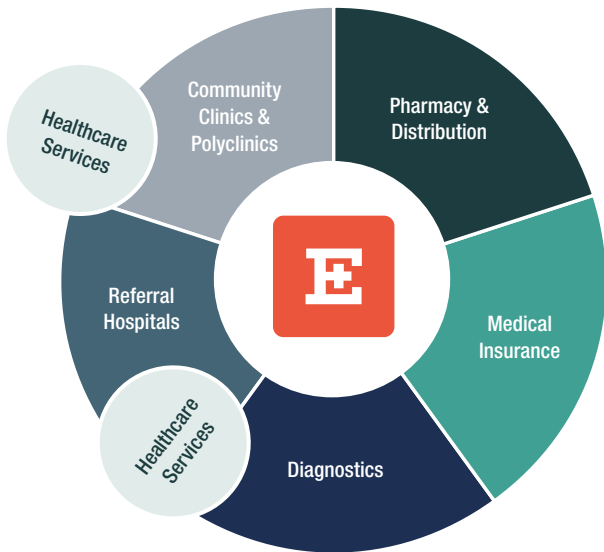
These, together with the improved cash flow generation and a disciplined capital allocation strategy, which mainly focuses on balance sheet deleveraging, exercising value accretive minority buyouts and allocating resources to high ROIC-generating investments, will help GHG to achieve its goal to generate double-digit compound annual growth rate in revenues over the coming five years and mid-teens compound annual growth rate in EBITDA that is expected to support a 15%-17% ROIC in the medium to long term.

In October 2021, in line with its strategy, GHG signed a share purchase agreement to acquire the remaining 33% minority interest in its retail (pharmacy) business over the next six years. The buyout will be executed in six annual tranches at a 5.25x EV/EBITDA multiple. The value of each tranche will be determined based on the financial results of the preceding 12 months at the time of execution and will be paid in cash consideration (in GEL). The timeline of the transaction is as follows:

- 10.0% of the shares to be acquired in 2022
- 11.0% of the shares to be acquired in 2023
- 0.5% of the shares to be acquired in 2024
- 0.5% of the shares to be acquired in 2025
- 0.5% of the shares to be acquired in 2026
- 10.5% of the shares to be acquired in 2027

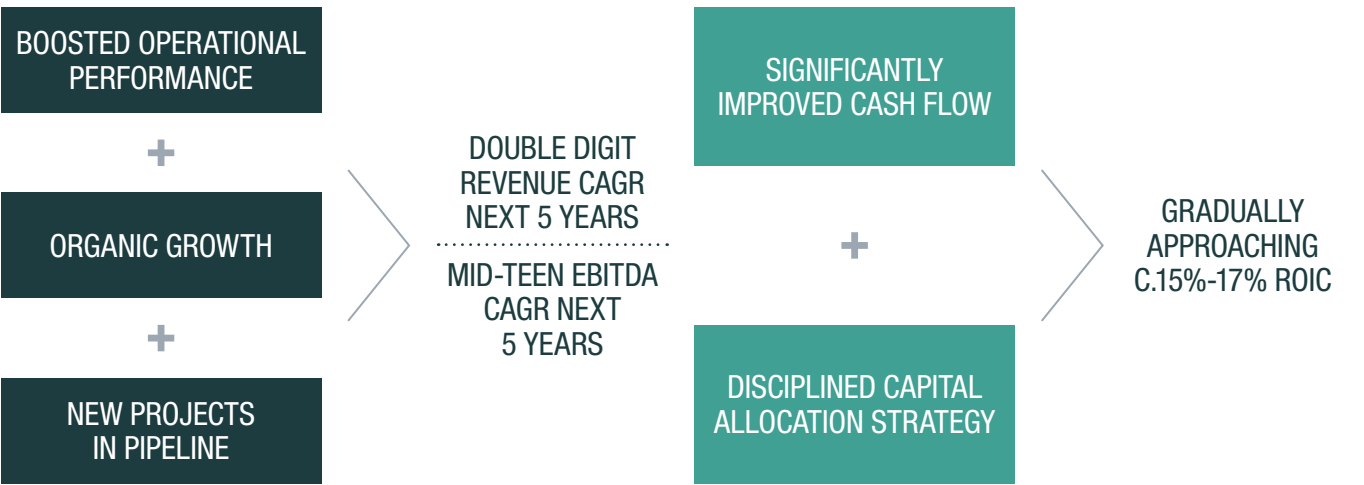
The newly agreed payment terms will provide better visibility for GHG to manage its liquidity position and allow GHG to increase the dividend inflows from the retail (pharmacy) business.

Georgia Healthcare Group – The only fully-integrated healthcare provider in the region now with solidified digital channels



- Comprises of three businesses: Healthcare Services, Retail (pharmacy) and Medical Insurance.
- Market leader in each operating segment.
- Advanced technology and IT infrastructure solidifies the Group's further growth opportunities on an integrated level.

GHG Group medium to long-term strategic targets



INVESTMENT RATIONALE

Very low base: healthcare services spending per capital only US\$ 308 (EU average is US\$ 3,211).

Growing market: healthcare spending growth estimated at 8% CAGR 2018-2021.

OWNERSHIP

Georgia Capital owns 100% in GHG at 31 December 2021 (100% as at 31 December 2020).

VALUE CREATION POTENTIAL

The single largest integrated company in the Georgian healthcare ecosystem, with a cost advantage due to the scale of operations.

High-growth potential driven by the opportunity to develop medical tourism, pick-up in polyclinics – outpatient market, the provision of beauty, dental, aesthetics and laboratory diagnostics.

Well-positioned to take advantage of the expected long-term macroeconomic and structural growth drivers.

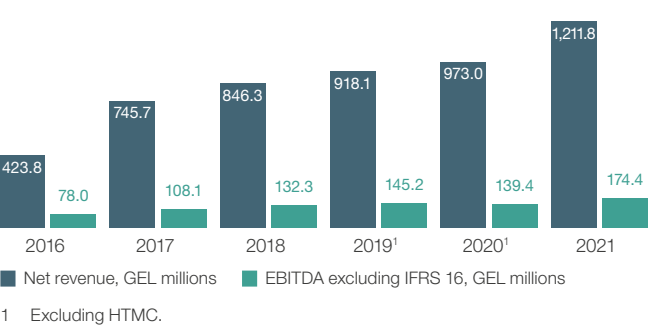
ROIC enhancement and substantially increased free cash flow generation following the completion of a significant three-year investment programme in 2018.

OUR PORTFOLIO OVERVIEW CONTINUED

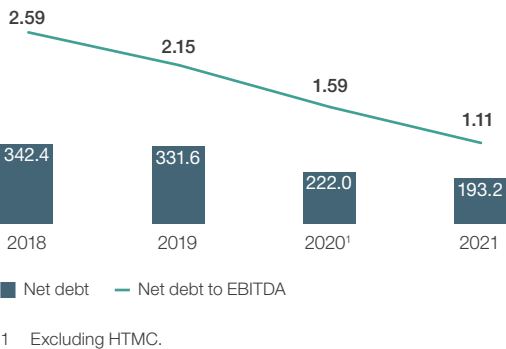
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

PERFORMANCE TRACK RECORD²

Growth

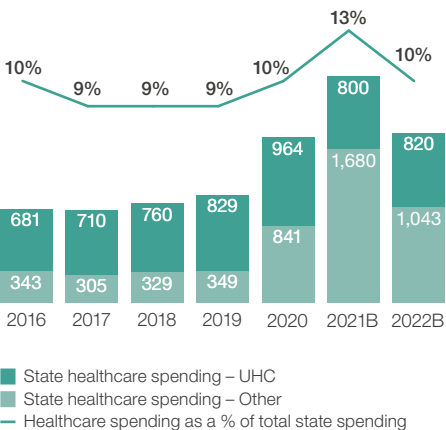


Deleveraging
GEL millions



MARKET OPPORTUNITY

State healthcare budget is increasing in line with the country's nominal GDP growth
State healthcare spending dynamics
GEL millions



Source: Ministry of Finance of Georgia

² Numbers are derived from GHG's unaudited IFRS accounts.

HEALTHCARE SERVICES



Overview

The healthcare services business, managed by GHG, is the single largest market participant in the healthcare services industry, accounting for 20% of the country's total hospital bed capacity, as of 31 December 2021. Through its vertically integrated network of hospitals and clinics, the healthcare services business offers the most comprehensive range of inpatient and outpatient services, targeting the entire country's population and beyond. The healthcare services business comprises of three segments:

- Hospitals** – Operates 17 referral hospitals, providing secondary or tertiary level healthcare services, located in Tbilisi and major regional cities;
- Clinics** – 19 community clinics, providing outpatient and basic inpatient healthcare services, located in regional towns and municipalities; 15 polyclinics, providing outpatient diagnostic and treatment services, located in Tbilisi and major regional cities;
- Diagnostics** – Largest diagnostics laboratory in the entire Caucasus region – Mega Laboratory ("Mega Lab"), opened in December 2018.

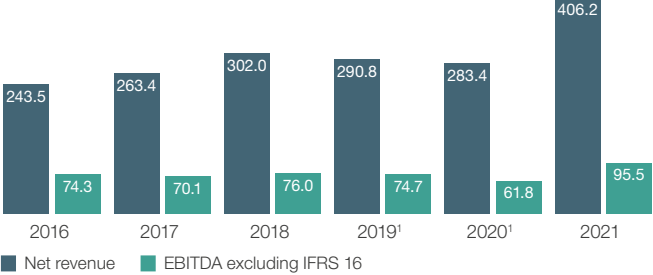
Major growth drivers in medium to long term

HOSPITALS	CLINICS	DIAGNOSTICS
<ul style="list-style-type: none">Organic growth of matured hospitals and increased utilisationSupporting growth pillars (such as medical tourism and clinical trials)Digitalisation	<ul style="list-style-type: none">Increasing the number of registered patientsAdding new services (such as dental and aesthetic)Digitalisation	<ul style="list-style-type: none">Develop a retail networkDevelop digital channels

MID-TEEN EBITDA CAGR NEXT 5 YEARS

PERFORMANCE TRACK RECORD²

Net revenue and EBITDA
GEL millions



² 2021 numbers are derived from GHG's unaudited IFRS accounts.

Performance and strategy

Since the beginning of the pandemic, the business has been supporting the Government of Georgia in its efforts to fight the spread of the virus in light of a spike in healthcare demand. In 2021, GHG mobilised more than 20 of its healthcare facilities, with c.1,100 beds, across the country to treat COVID-19 patients. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients. A growing number of admissions for regular elective care and outpatient services, along with COVID-19 treatments, contributed to revenue growth in 2021, which was higher than comparable growth in 2019. Our diagnostics business is also actively engaged in testing patients for COVID-19. Overall, in 2021 our healthcare facilities, including "Mega Lab", conducted 492,000 COVID-19 tests, covering 6.7% of the country's total population.

After lifting COVID-19-related lockdown and restrictions, the healthcare services business utilisation levels were up in 2021 at hospitals by 12% and the number of admissions at clinics also increased by 72% y-o-y. The diagnostics segment, which apart from regular diagnostics services, is also engaged in COVID-19 testing, has shown another year of extremely strong results in 2021, increasing its revenues by 110%, y-o-y.

The business is on track to deliver its targeted double-digit compound annual growth rate in EBITDA over the next five years on the back of expected organic growth combined with the higher utilisation of the hospitals and polyclinic network.



OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS^{1,3}

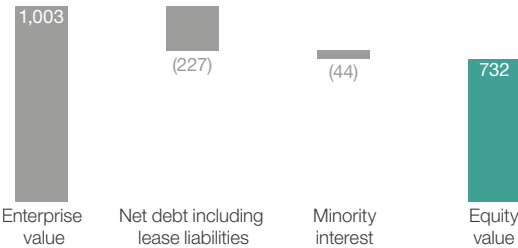
Net revenue (GEL millions)	EBITDA excluding IFRS 16 (GEL millions)	EBITDA margin excluding IFRS 16 (%)	Operating cash flow excluding IFRS 16 (GEL millions)
406.2 +43.3% y-o-y	95.5 +54.5% y-o-y	23.3% +1.7ppts y-o-y	78.4 -3.2% y-o-y
EBITDA to cash conversion excluding IFRS 16 (%)	Free cash flow excluding IFRS 16 (GEL millions)	Net debt (GEL millions)	Dividend paid to GCAP ⁴ (GEL millions)
82.0% -48.9ppts y-o-y	36.3 -56.3% y-o-y	206.5 -2.2% y-o-y	11.5 NMF

OPERATING METRICS¹

Revenue per bed (GEL)	Number of referral hospitals	Referral hospital bed occupancy rate (%)	Number of community clinics
124 +38.8% y-o-y	17 NMF	65.3% +12.2ppts y-o-y	19 NMF
Number of referral and community beds	Number of polyclinics	Number of registered patients at polyclinics	
2,949 NMF	15 NMF	588,771 +13.6% y-o-y	

VALUATION HIGHLIGHTS²

Value development overview at 31-Dec-21
GEL millions



Peer companies

- Med Life S.A. | Romania
- EMC Instytut Medyczny SA | Poland
- Netcare Limited | South Africa
- MD Medical Group Investments Plc | Cyprus
- MLP Saglik Hizmetleri A.S. | Turkey
- Life Healthcare Group Holdings Limited | South Africa
- Mediclinic International plc | South Africa

1 Excluding HTMC.

2 The detailed valuation overview and related drivers are described on pages 105-121 of this report.

3 Numbers are derived from GHG's unaudited IFRS accounts.

4 In 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

RETAIL (PHARMACY)



Overview

The retail (pharmacy) business, managed by GHG, is the largest pharmaceuticals retailer and wholesaler in the country, with a c.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 operates two brands, Pharmadepot and GPC, with a total of 349 pharmacies; 344 in Georgia and five in Armenia.

Performance and strategy

The retail (pharmacy) business has been resilient throughout the pandemic and continued to grow its retail as well as wholesale segments. Going forward the business's strategy remains unchanged – to deliver its targeted double-digit compound annual growth rate in EBITDA over the next five years by focusing on: the further expansion of its pharmacy chains, where in the last three years 79 new pharmacies

were added; improvement of the product mix and enhancement of the position in the private label segment; and new supportive growth projects such as beauty and opticians.

In line with this strategy, the business has already entered the beauty retail market by signing a franchise agreement with The Body Shop, a leading British cosmetic, skincare and perfume company. The business already opened three standalone flagship stores in the capital city of Georgia and one in Armenia and developed the shop-in-shop model in 280 pharmacies.

In 2021 the business has also signed a franchise agreement with Alain Afflelou SA, one of the leading optical retailers in France. 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.

Also in 2021, the business opened its first new format (300 square metres) retail pharma drugstore in Georgia that 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. The business is targeting to open six more such flagship pharma stores in 2022 (five in Tbilisi and one in the regions).

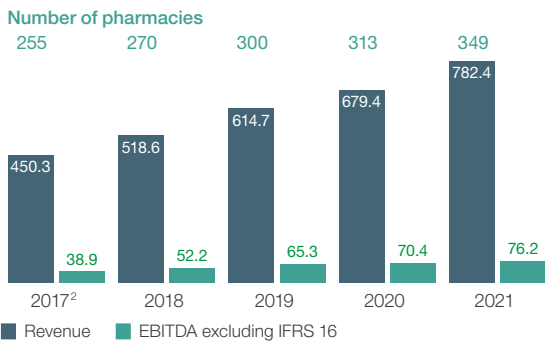
Major growth drivers in the medium to long term

MAJOR GROWTH DRIVERS IN THE MEDIUM TO LONG TERM				
Expanding retail footprint	Enhancing retail margin (private label products)	New retail categories (such as lab service and beauty)	Growing wholesale revenue (such as hospital supplies)	Digital channels

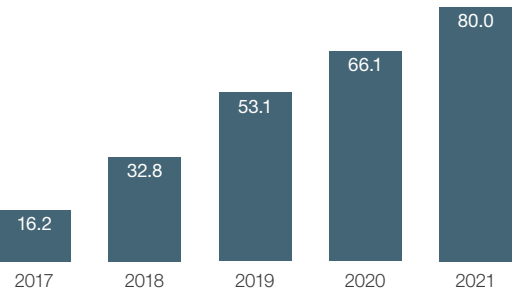
MID-TEEN EBITDA CAGR NEXT 5 YEARS

PERFORMANCE TRACK RECORD¹

Revenue and EBITDA
GEL millions



Operating cash flow (excl. IFRS 16)
GEL millions



1 Numbers are derived from GHG's unaudited IFRS accounts.

2 Pharmadepot was acquired in 2017.

OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS¹

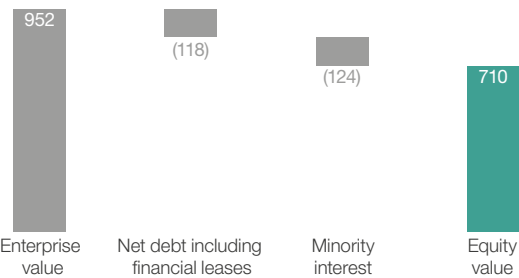
Revenue (GEL millions)	EBITDA excluding IFRS 16 (GEL millions)	Operating cash flow excluding IFRS 16 (GEL millions)	Free cash flow excluding IFRS 16 (GEL millions)
782.4 +15.2% y-o-y	76.2 +8.3% y-o-y	80.0 +21.1% y-o-y	63.5 +4.5% y-o-y
Gross profit margin (%)	EBITDA margin excluding IFRS 16 (%)	EBITDA to cash conversion excluding IFRS 16 (%)	Net debt excluding IFRS 16 (GEL millions)
26.0% +0.6ppts y-o-y	9.7% -0.7ppts y-o-y	105.0% +11.1ppts y-o-y	14.3 -63.6% y-o-y
Dividend paid to GCAP ³ (GEL million)			
11.5 NMF			

OPERATING METRICS

Number of pharmacies	Number of bills issued (million)
349 +11.5% y-o-y	29.0 +5.3% y-o-y
Average bill size (GEL)	Same store revenue growth (%)
18.9 +12.2% y-o-y	10.6% +4.5ppts y-o-y

VALUATION HIGHLIGHTS²

Value development overview at 31-Dec-21
GEL millions



Implied multiple highlights (incl. IFRS 16) at 31-Dec-21



Peer companies

- NEUCA S.A. | Poland
- Sopharma Trading AD | Bulgaria
- SALUS, Ljubljana, d. d. | Slovenia
- Great Tree Pharmacy Co., Ltd. | Taiwan
- Dis-Chem Pharmacies Limited | South Africa
- Clicks Group Limited | South Africa
- S.C Ropharma S.A | Romania

1 Numbers are derived from GHG’s unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 105-121 of this report.
3 In 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

INSURANCE

The insurance business comprises a) Medical Insurance business, owned through GHG, and b) Property and Casualty (P&C) insurance business, owned through Aldagi.

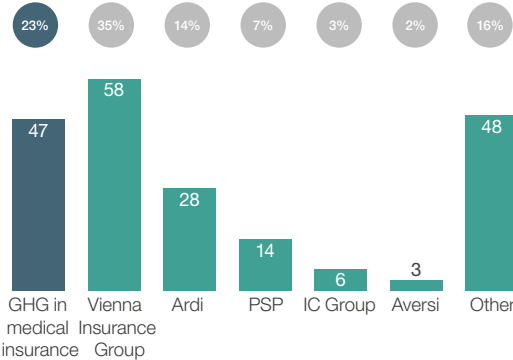
MEDICAL INSURANCE

Overview

GHG’s medical insurance business is one of Georgia’s largest providers of private medical insurance, with a 23.0% market share based on 9M21 net insurance premiums. GHG has a wide distribution network and offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients.

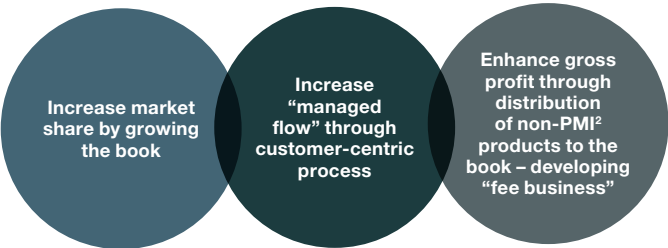


Competitive landscape, market share by gross premium revenue¹
GEL millions



1 ISSSG as of 31 December 2021.

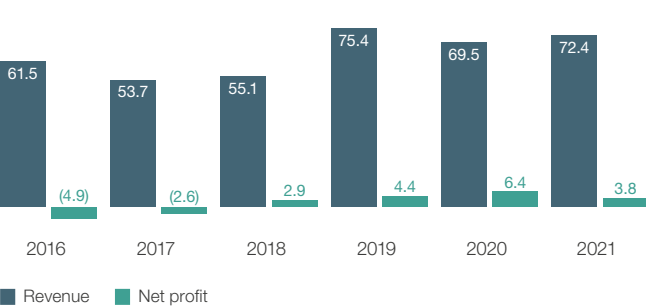
Strategic focus



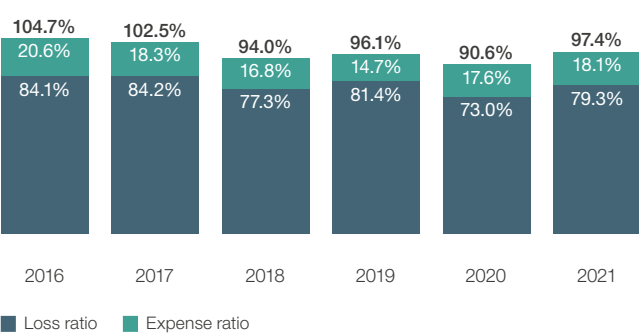
2 PMI – private medical insurance.

PERFORMANCE TRACK RECORD³

Revenue and net profit
GEL millions



Combined ratio (%)



3 Numbers are derived from GHG’s unaudited IFRS accounts.

OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS¹

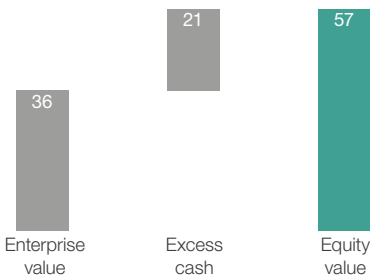
Net premiums earned (GEL millions)	Loss ratio (%)	Combined ratio (%)	Net profit (GEL millions)
72.4 +4.2% y-o-y	79.3% +6.3ppts y-o-y	97.4% +6.8ppts y-o-y	3.8 -41.3% y-o-y
Dividend paid to GCAP ³ (GEL millions)			
2.0 NMF			

OPERATING METRICS

Number of insured	Retention rate within GHG (%)	Renewal rate (%)
c.165,000 -5.1% y-o-y	36.3% -1.0ppts y-o-y	78.0% +4.6ppts y-o-y

VALUATION HIGHLIGHTS²

Value development overview at 31-Dec-21
GEL millions



Implied multiple highlights at 31-Dec-21



Peer companies

- Powszechny Zakład Ubezpieczen SA | Poland
- European Reliance General Insurance Company S.A. | Greece
- UNIQA Insurance Group AG | Austria
- Ageas SA/NV | Belgium



1 Numbers are derived from GHG’s unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 105-121 of this report.
3 In 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

P&C INSURANCE

Overview

Over nearly three decades in the Georgian property and casualty insurance market, Aldagi has achieved almost universal brand awareness, leading positions in retail insurance services, with the largest product portfolio and exceptional financial strength. The company has almost doubled its retail portfolio over the last four years, outperformed market growth, delivered an average annual ROAE of c.32% in 2014-2021 and consistently distributed dividends within a 50%-90% payout ratio each year since 2014. Based on the latest available market data as at 30 September 2021, Aldagi continues to be the most profitable insurance company in the local market with a 48% share of the insurance industry profit and a market share of 29% based on gross premiums written¹.

The current low level of insurance market penetration in Georgia (1.4%, of which 0.8% relates to property and casualty insurance and 0.6% to medical insurance) provides enormous potential for growth and Aldagi is well-equipped to capture these opportunities. The company plans to increase the P&C insurance business profitability by strategically focusing on each of its three main business lines set out below:

- **Retail customers.** The Georgian retail insurance market offers ample room for growth, as most of its potential is yet to be unlocked. Motor insurance accounts for 52% of the total retail insurance market in Georgia, of which 11% represents border MTPL insurance, effective from March 2018. Moreover, the motor insurance segment has great potential to increase, as only 7% of registered cars are insured on the local market. The new law requiring local MTPL for all vehicles registered in Georgia is expected to kick in and significantly boost retail market penetration. Overall, Aldagi’s market share in voluntary retail insurance stands at 29% and Aldagi expects to grow its retail segment concentration by developing simple products for mass retail as well as developing a unique customer experience through exclusive premium line services. Aldagi aims to further strengthen its market leadership position by continued development of its digital insurance platform.
- **SME segment.** Georgia’s insurance market for SMEs is currently in its infancy. Aldagi sees significant potential to grow this segment of the portfolio by developing tailor-made products and providing them through established multi-channel distribution networks and digital portals, created especially for SME clients. A separate SME sales division was established by the end of 2019 as a part of this strategy. As a result, Aldagi’s MSME net premiums written have grown by 70% in 2021 (from GEL 1.73 million to GEL 2.95 million).

INVESTMENT RATIONALE

Significantly underpenetrated insurance market in Georgia (0.8% penetration in property and casualty insurance market).

Market leader with a powerful distribution network of point of sale and sales agents.

OWNERSHIP

P&C Insurance is 100% owned through Aldagi.



- **Large corporates.** Although the level of insurance penetration within the corporate segment is relatively high compared to retail and SME segments, once the macroeconomic situation stabilises and the Georgian economy returns to pre-pandemic level, a combination of favourable Georgian macroeconomic conditions, a good investment climate, stable economic growth and an increase in infrastructure projects will further increase customer demand for insurance products. Aldagi’s retention rate has proved to be exceptionally high despite the pandemic, which in turn indicates that Aldagi has become a trusted, long-term partner for corporate clients.

Performance and strategy

Aldagi effectively adjusted to the COVID-19 environment, digitalising its business operations and offering an online policy purchase experience to its customers as well as remote claim reimbursement practices. In aggregate, despite COVID-19 impact and changes in customer spending habits, performance in major lines of business was strong.

Aldagi’s medium-term strategic focus remains unchanged despite the pandemic. The business targets to gain a strategic edge by focusing on underwriting excellence and portfolio profitability backed by key five pillars: 1. Strengthening customer retention; 2. Introducing new digital insurance products; 3. Improving customer experience; 4. Advancing employee recognition; and 5. Getting ready for local MTPL insurance launch.

As part of the strategy, Aldagi has the following financial targets through 2022-2024:

- Market share of 25%-30%
- ROAE of 20%-25%
- Dividend payout of 50%-60%
- Combined ratio of 80%-85%
- Solvency ratio of 150%+
- Retail concentration of 60%+

VALUE CREATION POTENTIAL

Compulsory border MTPL effective from 1 March 2018.

Local MTPL is expected to kick in and provide access to untapped retail CASCO insurance market with only 5% existing penetration.

Increasing footprint in untapped MSME sector, where Aldagi’s revenues have grown by 71% in 2021 (from GEL 1.4 million to GEL 2.3 million).

Digitalisation.

Undisputed leader in providing insurance solutions to corporate clients.

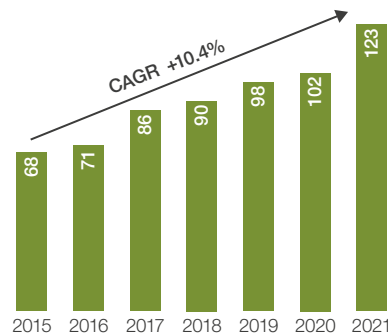
1 Source: ISSSG.

OUR PORTFOLIO OVERVIEW CONTINUED

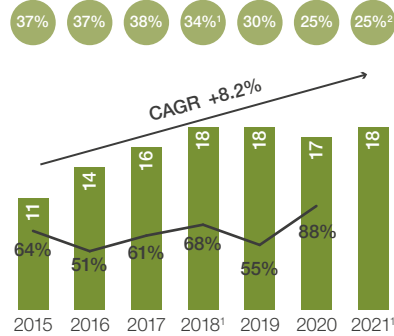
PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

PERFORMANCE TRACK RECORD⁴

Earned premiums, gross
GEL millions



Profit and dividend payout ratio
GEL millions
ROAE

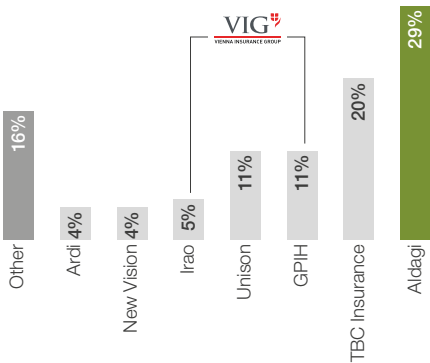


■ Profit ● Return on average equity (ROAE) — Dividend payout ratio

1 Adjusted for non-recurring items.
2 Calculated based on net income, adjusted for non-recurring items and average equity, adjusted for preferred shares.

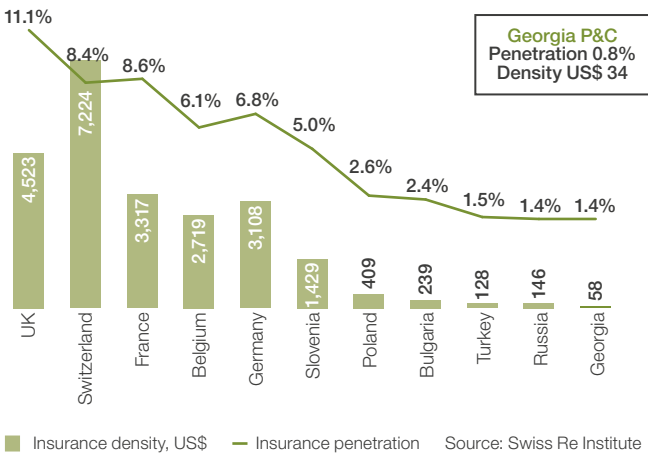
MARKET OPPORTUNITY

Market share, YTD Sep-21
Gross Premiums written



Source: Insurance State Supervision Service of Georgia

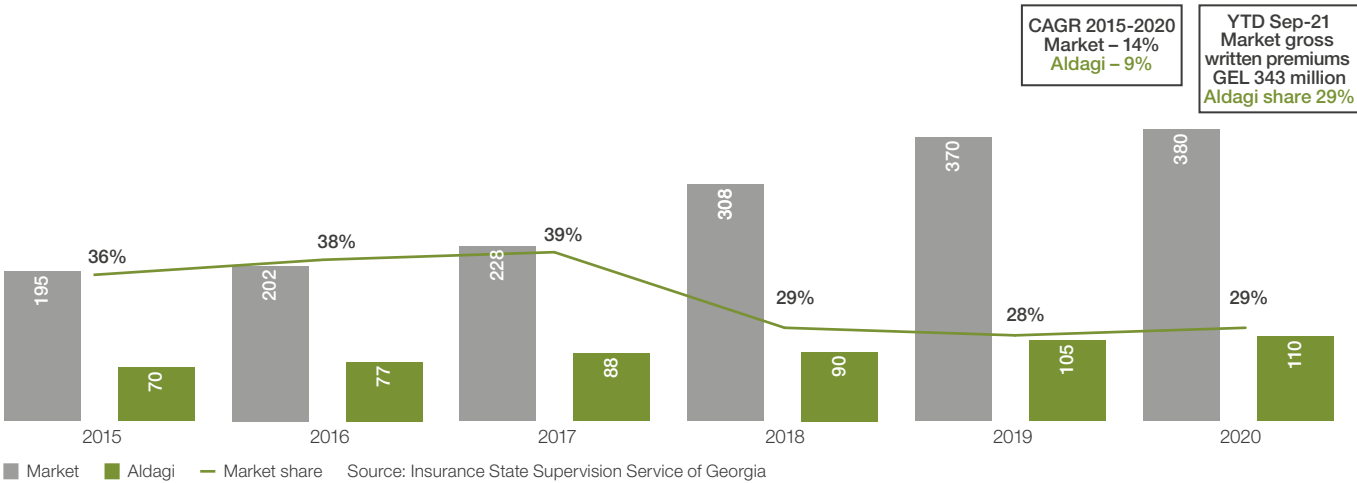
Insurance penetration and density³



■ Insurance density, US\$ — Insurance penetration Source: Swiss Re Institute

3 Penetration and density are stated including healthcare insurance (as of latest available data).

Market and Aldagi gross written premiums⁵
GEL millions



4 Numbers are derived from Aldagi's unaudited IFRS accounts.
5 Calculated in line with the market approach.

FINANCIAL METRICS⁴

Earned premiums gross
(GEL millions)

122.8 +20.1% y-o-y

Net income
(GEL millions)

18.3 +7.4% y-o-y

Dividend paid to GCAP
(GEL millions)

14.9 +49.7% y-o-y

ROAE⁵
(%)

24.7% -0.1ppts y-o-y

Combined ratio
(%)

80.8% -0.7ppts y-o-y

OPERATING METRICS

Number of policies written
(Corporate)

87,547 +6.4% y-o-y

Renewal rate (Corporate)
(%)

83.8% +3.7ppts y-o-y

Number of policies written (Retail)
(%)

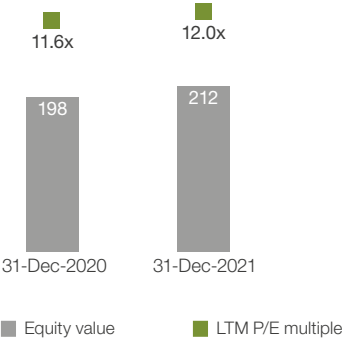
146,443 +21.4% y-o-y

Renewal rate (Retail)
(%)

72.6% +7.7ppts y-o-y

VALUATION HIGHLIGHTS¹

Value and LTM P/E multiple development overview
GEL millions



Peer companies

- Dhipaya Insurance | Thailand
- Zavarovalnica Triglav | Slovenia
- Pozavarovalnica Sava | Slovenia
- Aksigorta | Turkey
- Anadolu Sigorta | Turkey
- Bao Minh Insurance | Vietnam
- Turkiye Sigorta | Turkey

Valuation method	GEL millions, unless otherwise noted		
	31-Dec-21	31-Dec-20	Change
DCF & Multiples ²			
LTM net income ³	17.6	17.1	0.5
Implied P/E multiple	12.0x	11.6x	0.4x
Equity fair value	211.5	197.8	13.7
LTM ROAE ⁵	24.7%	24.8%	-0.1ppts



1 The detailed valuation overview and related drivers are described on pages 105-121 of this report.
2 P&C Insurance business was valued externally for the first time in 4Q20. The valuation method used was a combination of income approach (DCF) and market approach. P&C Insurance was valued internally in 3Q20 and FY19. The valuation method used was multiples cross-checked with DCF.
3 Adjusted for non-recurring items.
4 Numbers are derived from Aldagi's unaudited IFRS accounts.
5 Calculated based on net income, adjusted for non-recurring items and average equity, adjusted for preferred shares.

OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

WATER UTILITY

Overview

The water utility business is a regulated natural monopoly in Tbilisi and the surrounding area, providing water and wastewater supply services to c.1.4 million residents and c.38,000 legal entities. Water Utility also operates HPPs with a total installed capacity of 149MW. The business uses a portion of the power generated by its HPPs for internal consumption at regulated electricity tariffs to power its water distribution network, while the remaining electricity is sold on the market. Revenues come from two main streams (water and electricity sales), where the business benefits from: earning fair regulatory returns on invested capital made in upgrading the water utility network and capitalising on favourable electricity market conditions, undergoing liberalisation and EU alignment reforms.

Water Utility's investment in infrastructure improves the quality of water supply and wastewater services to the end customers, as well as contributes to achieving operational efficiencies. Over the past five years (2017-2021) the business has rehabilitated over 500 kilometres of water and wastewater network and deployed over GEL 400 million capital investments. Through efficient capital expenditures, the water utility business managed to reduce self-produced electricity consumption by c.25% (up to 60GWh) from 2017 to 2021, and hence free up electricity for the market sales.

On the back of intensive capital expenditures implemented during the past years, water utility tariffs, as well as regulatory WACC, were reset by an independent regulatory body, GNERC and enforced from January 2021 for the current regulatory period of 2021-2023. The WSS tariffs¹ in Tbilisi increased compared to the previous regulatory period of 2018-2020: from GEL 0.3 to GEL 0.5 for residential customers and from GEL 4.4 to GEL 6.5 for legal entities. The tariff increase translates into an annual growth of approximately 38%² in allowed water revenues in the current three-year regulatory period. The return on investment (WACC) was set at 14.98% (15.99% in the previous regulatory period). The tariff increase was a significant milestone achievement, contributing to the healthy growth of the revenue generation in coming years, as well as demonstrating the transparency of the Georgian regulatory framework and its alignment with the EU principles.

INVESTMENT RATIONALE

- Regulated natural monopoly in Tbilisi and surrounding districts with high entry barriers.
- Stable regulatory environment with attractive return on investment.
- Full asset ownership of water and wastewater network and self-sufficient in terms of electricity usage.
- Diversified cash flow streams from water and electricity sales, the latter being US\$-denominated and creating natural FX hedge.
- Stable cash collection rates.
- Growing electricity market as supply lags behind the increasing demand, creating opportunities.
- Full ownership of a reservoir-fed hydro (the second largest HPP in Georgia), facilitating full-year deals with the direct customers in the electricity market.

Performance and strategy

The water utility business FY21 revenue and EBITDA grew significantly by 56.0% and 104.8% y-o-y, respectively. The enhanced revenue streams were supported by both increase in water sales (by 47.1% y-o-y) and electricity realisation (by 3.4x y-o-y). Growth in water sales to customers was mainly supported by revised WSS tariffs, effective from January 2021. The business also enjoyed a modest y-o-y increase in the volume of water sales to commercial customers, which a demonstrated fast recovery from the COVID-19 pandemic, and following the rebound in economic activities, the demand on water sales increased throughout the year, getting close to pre-pandemic levels by end of 2021.

The business also benefited from better hydrological conditions during 2021, compared to the previous year. Water inflows to Zhinvali HPP were up by 31.6% y-o-y, which resulted in 2.8x KWh higher electricity sales. Capital expenditures during 2021 were up by 4.9% y-o-y to GEL 84.3 million, reflecting stabilised levels of the investments the business plans to maintain going forward.

Overall, during 2021 the water utility business delivered strong results, as well as maintained healthy liquidity and cash position, accumulating a GEL 59.9 million cash buffer by end of 2021.

OWNERSHIP

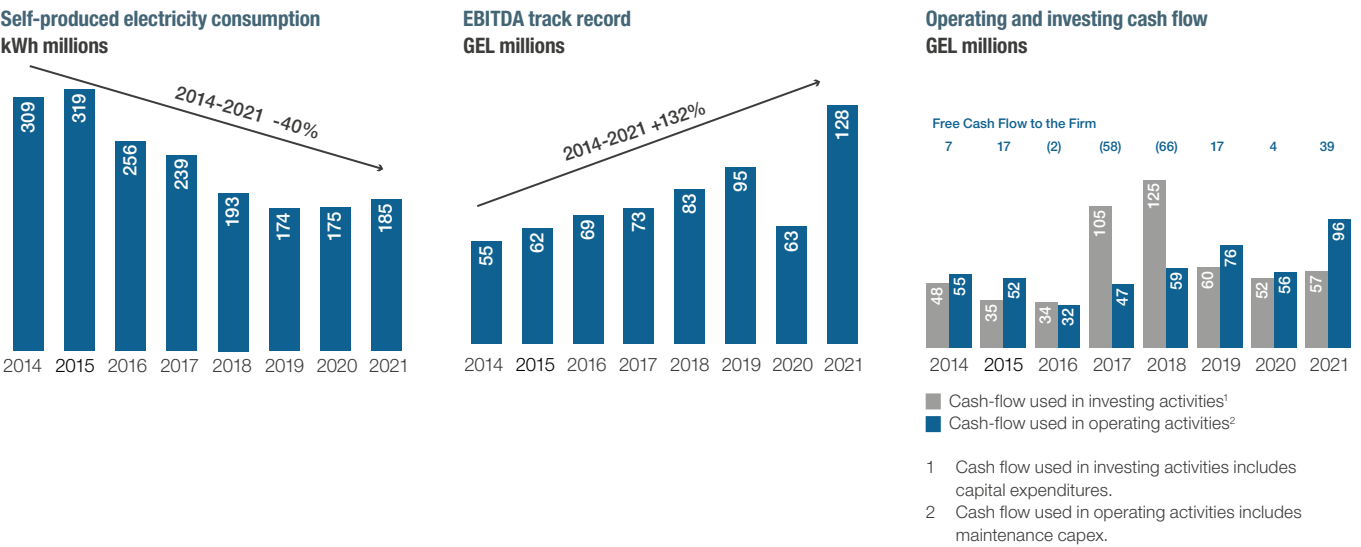
As of 31 December 2021 Water Utility was 100% owned by Georgia Capital through GGU.

In December 2021, we agreed to sell an initial 80% of our equity interest in the water utility business to FCC Aqualia ("Aqualia") for a cash consideration of US\$ 180 million. The disposal is being implemented via a two-staged process that, after completion, will lead to Aqualia, acquiring an 80% equity interest in the water utility business. Please see page 8 for details.

JSC GCAP and Aqualia have granted each other a put option and call option, respectively, over JSC GCAP's remaining 20% equity interest in the water utility business. The put option will be exercisable in 2025-2026 while Aqualia's call option will be exercisable on the date of expiry of the put option in 2026 and expiring six months thereafter. The exercise price of the put and call options are set at 8.25x and 8.90x EV/EBITDA multiple, respectively, based on the normalised EBITDA and net debt of the business.

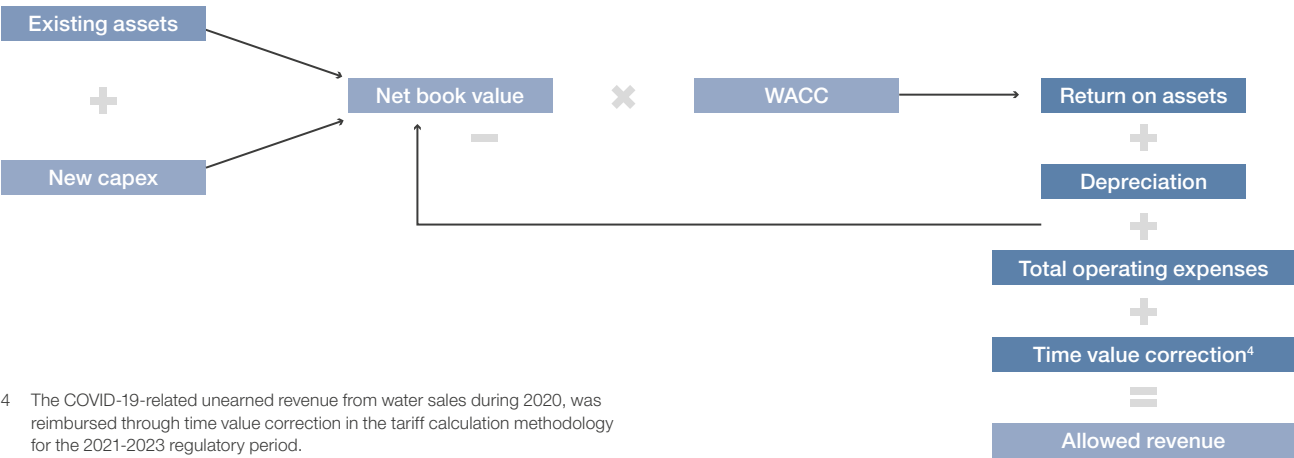


PERFORMANCE TRACK RECORD³

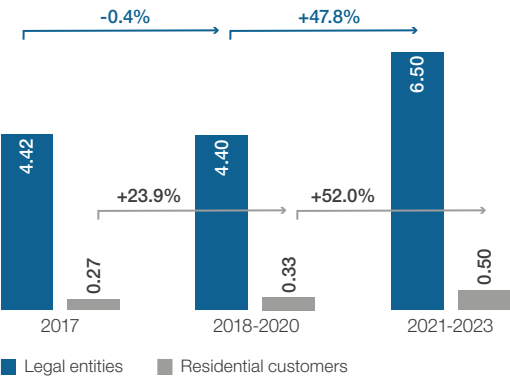


Regulatory environment (Water Utility business overview)

TARIFF DEVIATION FORMULA



Water Utility tariffs in GEL per m³ of water sold



1 Tariffs are set per m³ of WSS services supplied.

2 The tariff increase translates into the annual growth of approximately 38% in allowed water revenues of Georgian Water and Power LLC (GWP) in the three-year regulatory period effective from 1 January 2021 (corresponding to approximately 36.3% increase in allowed water revenues for GGU's entire water utility business).

3 Numbers are derived from GGU's unaudited IFRS accounts.

OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE LARGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS⁴

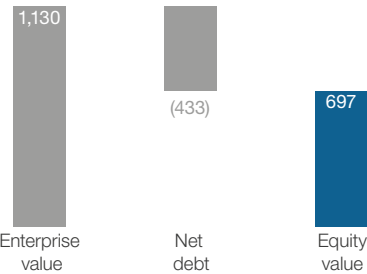
Total revenue (GEL millions)	Water supply revenue (GEL millions)	Energy revenue (GEL millions)	EBITDA (GEL millions)
203.6 +56.0% y-o-y	183.3 +47.1% y-o-y	20.3 +3.4x y-o-y	128.1 +2.0x y-o-y
Operating cash flow (GEL millions)	Development CAPEX excl. VAT returns (GEL millions)		
95.6 +71.3% y-o-y	61.7 +7.2% y-o-y		

OPERATING METRICS

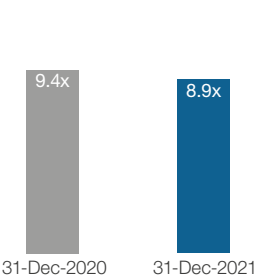
Water sales (m ³ million)	Number of new connections	Energy sales (kWh million)
145.5 -12.3% y-o-y	3,875 +11.6% y-o-y	147.3 +2.8x y-o-y
Electricity generation (kWh thousands)	Average electricity sales price (Tetri/kWh)	
332.4 +45.4% y-o-y	12.2 -6.2% y-o-y	

VALUATION HIGHLIGHTS²

Value development overview at 31-Dec-21
GEL millions



LTM EV/EBITDA development¹



Peer companies

- Aguas Andinas | Chile
- EASTW | Thailand
- Tallinna vesi | Estonia

GEL millions, unless otherwise noted	31-Dec-21	31-Dec-20	Change
Valuation method ³	Transaction price	DCF & Multiples	NMF
Enterprise value ¹	1,129.9	930.9	199.0
LTM EBITDA	128.1	98.7 ¹	29.4
Implied EV/Multiple	8.9x	9.4x	-0.5x
Net debt	(432.9)	(459.7)	26.8
Equity value	697.0	471.1	225.9

1 31 December 2020 LTM EBITDA reflects new tariffs, announced in 2020.

2 The detailed valuation overview and related drivers are described on pages 105-121 of this report.

3 The water utility business was valued externally for the first time in 4Q20. The valuation method used in 2020 was a combination of income approach (DCF) and market approach. In 4Q21, Water Utility was valued at the transaction price, according to the announced sale of an 80% of equity interest of the water utility business to FCC Aqualia. The equity value of a 100% stake of the business was assessed at US\$ 225 million (GEL 697.0 million).

4 Numbers are derived from GGU's unaudited IFRS accounts.

RENEWABLE ENERGY

Overview

Our renewable energy business represents a platform for developing and operating HPPs and WPPs across the country and continues to progress towards becoming one of the largest players in the fast-growing Georgian electricity market. The business operates commissioned renewable assets with 71MW installed capacity in aggregate and with average capacity factors of more than 40%: 30MW Mestiachala HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP. The latter two assets represent successful acquisitions made by the business at the end of 2019. All power plants benefit from long-term power purchase agreements (PPAs) formed with the Government-backed entity, resulting in predictable dollar-linked cash flows, as PPAs are fixed in US dollars. The renewable energy business is wholly-owned by Georgia Capital.

The renewable energy business aims to capitalise on favourable electricity market conditions in Georgia, on the back of the ongoing gradual harmonisation of the current energy market structure with EU directives, leading to a more liquid, competitive and transparent market. Following the electricity market deregulation in 2019, the Government of Georgia adopted a new electricity market model concept in 2020, creating the path towards launching day-ahead and intraday trading markets in the coming years. Overall, the renewable energy business expects planned reforms in the Georgian electricity market to have a further positive impact on electricity sales prices.

Performance and strategy

The renewable energy business delivered a strong 2021 performance. Revenue from electricity sales were up by 3.1% y-o-y to GEL 43.9 million; without considering one-off business interruption BI reimbursement for the 20MW Mestiachala HPP unit, 2021 electricity sales were up 13.0% y-o-y. Higher sales were backed by favourable hydrological conditions in Georgia, which resulted in 16.0% higher electricity generation in our power plants. Moreover, up to 75% of electricity sales were covered by PPAs with the Government. The revenue stream was also supported by favourable electricity selling prices, which amounted to US\$ 50.7/MWh for the business. The renewable energy business benefited from the high EBITDA margin of 75.6% and as a result delivered GEL 33.2 million EBITDA up by 3.7% y-o-y (without BI, EBITDA increased 17.4% y-o-y). Cash-flow from operating activities was down -20.4% y-o-y to GEL 32.0 million. Excluding the one-off effect of BI reimbursement proceeds received from the insurance company, FY21 operating cash flow was up by 10.6%. Overall, on the back of solid financial performance of the power generating assets, the business made GEL 20 million dividend distribution to Georgia Capital.

The renewable energy business plans to develop 172MW installed capacity power plants in the medium term: Zoti HPP (46.0MW), Tbilisi and Kaspi WPPs (108.0MW) and Darchi HPP (17.5MW). The business aims to establish a renewable energy platform with growing dollar-linked cash flows and solid profitability, expected to enable it to sponsor steadily increasing dividend payouts while progressing against its medium-term strategic priorities:

- Robust profitability with 75%-80% EBITDA margin
- 10%+ ROIC in US\$
- Strong EBITDA to cash-conversion rate

INVESTMENT RATIONALE

Electricity demand has been growing on average by 5.1% over the last decade.

Underutilised energy resources resulting in high availability of economically feasible hydro and wind projects.

Cheap to develop – up to US\$ 1.5 million for 1MW hydro and up to US\$ 1.4 million for wind development on average, with 1.5x higher capacity factors compared to Europe over the last decade.

Fully dollarised business, as both PPAs and market sales are set in US dollars.

OWNERSHIP

Renewable Energy is 100% owned by Georgia Capital.

VALUE CREATION POTENTIAL

Opportunity to establish a renewable energy platform with up to 243MW operating capacity over the medium term and capitalise on favourable electricity market conditions.

Diversified portfolio of HPPs and WPPs with c.40% capacity factors, benefiting from long-term fixed price PPAs formed with the Government-backed entity.

Availability of competitive funding from both international and local financial markets for pipeline projects.

High margins and dollar-linked cash flows.

Stable dividend provider capacity in the medium term.



OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES

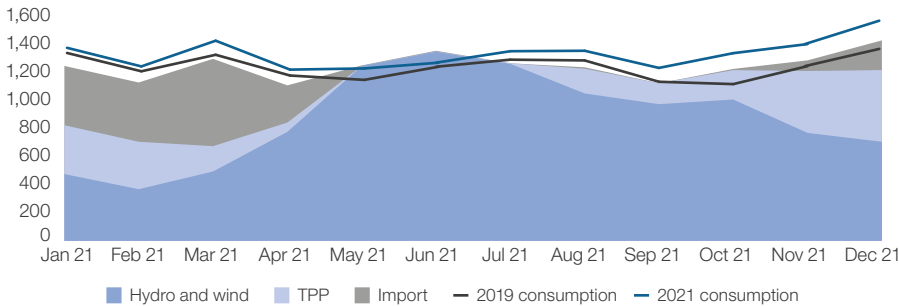
RENEWABLE ENERGY PROJECTS OVERVIEW

Targeting to earn on average 10%+ US dollar ROICs from renewable energy projects

Commissioned/acquired projects	Installed capacity, MWs	Actual/Target commissioning date ¹	Gross capacity factor	PPA expiration	PPA tariff, US¢/kWh	Generation share during the deficit months
Mestiachala HPP	30.0 ³	1H19	40.2%	1H34	5.5	72%
Hydrolea HPPs	20.4	2H19	65%-70%	1H22-2H28	5.5-5.6	79%
Qartli Wind Farm	20.7	2H19	47.3%	2H29	6.5	85%
Pipeline projects						
Zoti HPP	46.0	TBD	43.0%	TBD	5.1	68%
Darchi HPP	17.5	1H24	55%-60%	1H34	5.66	76%
Tbilisi Wind Farm	54.0	TBD	37%-40%	TBD	TBD ²	82%
Kaspi Wind Farm	54.0	TBD	37%-40%	TBD	TBD ²	84%
Total	242.6					

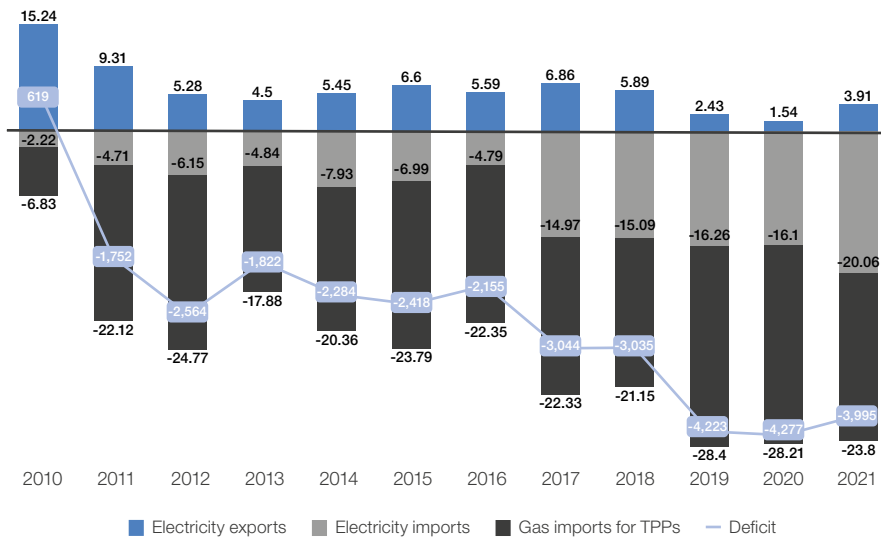
MARKET OPPORTUNITY

Electricity supply and consumption (TWh), 2021



- Electricity deficit during July-April.
- 16.2% of total consumption produced by gas-fired thermal power plants, 13.7% – imported.

Electricity import and export dynamics (KWh million)



- 2021 net electricity deficit stood at 4.0TWh, whereas in 2010, electricity surplus was at 0.7TWh.
- Consumption growth forecasted at minimum 4.5% CAGR in the coming ten years.
- Anticipated deficit of at least 10.6TWh by 2030.

FINANCIAL METRICS¹

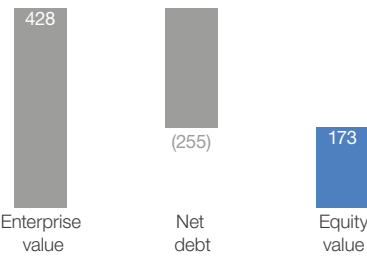
Revenue (GEL millions)	EBITDA (GEL millions)	EBITDA margin (%)
43.9 +3.1% y-o-y	33.2 +3.7% y-o-y	75.6 +0.4ppts y-o-y
Operating cash flow (GEL millions)	Dividend paid to GCAP (GEL millions)	
32.0 -20.4% y-o-y	20.0 NMF	

OPERATIONAL METRICS

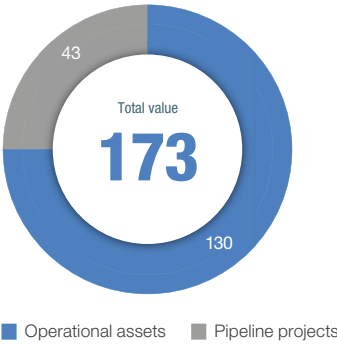
Electricity generation (kWh million)	Average electricity sales price per US¢/kWh
265.8 +16.0% y-o-y	5.1 -4.3% y-o-y

VALUATION HIGHLIGHTS²

Value development overview at 31-Dec-21
GEL millions



Equity fair value composition at 31-Dec-21
GEL millions



GEL millions, unless otherwise noted	31-Dec-21	31-Dec-20	Change
Valuation method ⁵	Multiples	Multiples	N/A
Enterprise value	428.2	489.3	(61.1)
EBITDA ³	34.9	27.3	7.6
Selected EV/EBITDA multiple	11.1x	9.7x	1.4x
Investments at cost (EV) ⁴	42.0	224.6	(182.6)
Net debt	(255.0)	(279.4)	24.4
Equity fair value	173.3	209.9	(36.6)

- Peer companies
- Falck Renewables | Italy
 - Terna Energy | Greece
 - Azure Power Global | India
 - BCPG Public Company Limited | Thailand

1 In case of pipeline projects target, commissioning dates are indicative and subject to regulatory procedures. In case of acquired projects, the date shows the acquisition period.
2 PPA terms are under negotiations with the Government.
3 Previously, Mestiachala HPPs comprised of two power generating units with 50MW installed capacity in total. In 2021, in line with the outcome of the comprehensive cost and feasibility assessment, the restoration process of the 20MW power generating unit of Mestiachala HPP (the HPP was flooded and taken offline in late July 2019) has been suspended. On this ground, the current installed capacity of 30MW represents only one power generating unit.

1 Numbers are derived from Renewable Energy's unaudited IFRS accounts.
2 The detailed valuation overview and related drivers are described on pages 105-121 of this report.
3 Run-rate and LTM EBITDA was used for the calculation purposes for different assets.
4 Investments at cost in 2021 includes the pipeline projects. As of December 2020 figure includes Mestiachala and pipeline projects.
5 Renewable Energy was valued internally. The valuation method used was market approach (multiples) cross checked with income approach (DCF) in 2021 and in 2020.



OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

EDUCATION

Overview

The private education market's revenues across Kindergarten to 12th grade (K-12) in Georgia has grown at 13.1% CAGR over 2013-2020. There are currently c.60,100 learners in private schools in Georgia, representing 9.6% of the total school education market. The private general education market enjoys growth in enrolments with CAGR of 2.7% over 2013-2021 and rising tuition fees with CAGR of 8.7% over 2013-2021.

Management expects that the private school market will increase by 1.4x in size over the next five years, driven by factors such as the large gap in quality in public schools as compared to private schools, growing household income and a decreasing unemployment rate (although there has been an adverse impact on these indicators due to COVID-19). Georgia has relatively low average annual spending per K-12 learner, creating further room for growth together with globally trending demand on private K-12 education. The private general education market in Georgia is currently very fragmented with an increasing average school size and 11% less number of schools over the last decade. Currently, Georgia Capital is the largest player on the market with a 4.9% market share in terms of learners, while the second largest player holds 2.3%. Only 4% of private schools have 1,000+ learners, while 63% have less than 250 learners. Private school learners are consolidated in four cities with populations larger than 100,000.

The education business is managed with a partnership model. The business currently combines majority stakes in five private school brands and campuses, acquired in 2019-2021: 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%

ownership¹) and Georgian-Austrian School Pesvebi LLC (81% ownership), both well-positioned in the affordable education segment. The education business has expanded from the capacity in 2020 of 2,810 learners to 5,060 learners in 2021 through investments in (1) the acquisition of an 81% equity interest in Georgian-Austrian School Pesvebi (1,200 learner capacity), (2) the launch of a new (second) campus under the existing affordable brand – Green School (600 learner capacity) and (3) the expansion of Green School's existing campus (450 learner capacity). All five schools have a combined utilisation rate of 62% compared to 90% last year's utilization rates, reflecting the addition of a new capacity of 2,250 learners in 3Q21. We expect the utilisation rate to return to 80%+ in the following years. Annual tuition fees range from US\$ 1,400 to US\$ 18,000 across all three segments.

Performance and strategy

The business successfully transitioned to a distance learning framework immediately after school closures were implemented. During the distance learning period, schools offered 15%-25% discounts for tuition fees or roll-over of fees for catering/transportation services. However, the intakes and utilization rate for all grades remained strong with a 16% increase in the number of 1st graders, reaching 376 learners in the 2021-2022 academic year compared to 238 1st graders in the 2020-2021 academic year. Average cash collection rates also remained at last year's levels and were in line with the schools' cash collection policies.

The business has a strong platform to facilitate growth and scale to become the leading integrated education player with up to 21,000 learners by 2025.

1 80% equity stake in the existing campus and 90% in new campus launched under the existing affordable brand in 3Q21.



TARGETING FOR 2025...

1

EQUITY VALUE

GEL 0.5BLN

2

EBITDA MARGIN

40%+

3

MAINTAIN ROIC

20%+

4

RAMP-UP FOR NEW CAPACITY

(REACHING 80%+ UTILISATION)
3-5 YEARS

...THROUGH

	Expansion plans with existing partner schools		M&A
	Now	By 2025	By 2025
Capacity (# of learners)	5,060	7,200	13,800
Utilisation on operational campuses	62%	85%	80%-85%
EBITDA	GEL 9.5mln ²	GEL 34mln	GEL 16mln
GCAP new equity investment	US\$ 19.0mln ³	US\$ 2.4mln ⁴	US\$ 10.2mln
ROIC	20%+	20%+	20%+
Investment per learner capacity in affordable segment	GEL 7,200	GEL 7,000	GEL 6,200

Remaining GCAP new equity investment by 2025⁵ (US\$ millions)

13⁴

Total EBITDA by 2025 (GEL millions)

50+

Capacity by 2025 (learners)

21k

– Of which 7,200 (existing schools)
– Of which, 13,800 (M&As)

- With new equity investment of US\$ 2.4 million, GCAP can expand to 7,200 learner capacity and generate GEL 34 million EBITDA by 2025 on secured real estate locations with existing partner schools.
- US\$ 2.4 million new equity investment for expansion plans with existing partner schools is net of the education business reinvestment of US\$ 5.4 million and net of the in-kind contribution of US\$ 5.5 million (assets already on GCAP Balance Sheet).
- US\$ 10.2 million new equity investment for M&A pipeline is net of the education business reinvestment of US\$ 15.2 million.

2 EBITDA for 2020-21 academic year.

3 Investment is calculated at 3.2 USD/GEL exchange rate.

4 Of which, US\$ 1.2 million has already been invested in the expansion of the existing campus of Buckswood, the mid-scale segment (construction is expected to be completed before the start of the next academic year).

5 Announced in November 2020.

INVESTMENT RATIONALE

Highly fragmented general education market with consolidation opportunity.

Market with strong growth potential.

High-quality revenue with high margins.

Strong and predictable cash flow streams.

High trading multiples.

Asset light strategy.

OWNERSHIP

Majority stakes (70%-90%) across different schools.

VALUE CREATION POTENTIAL

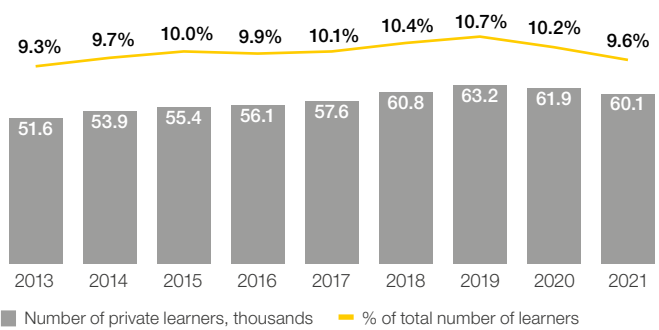
Scaling up to capacity of 21,000 learners through expansion plans in existing schools and M&As by 2025.

Strong organic growth at existing schools is expected to drive solid growth in run-rate EBITDA, on top of expansion plans and M&As.

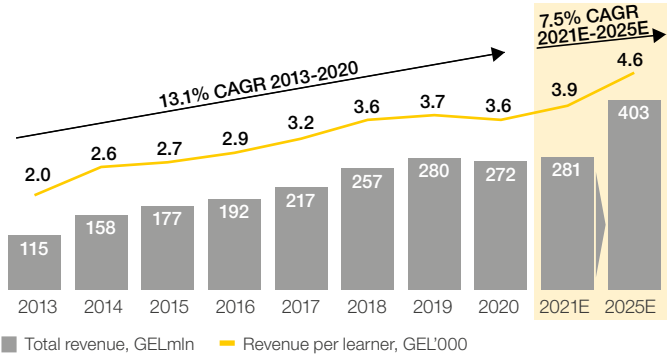
Stable dividend provider capacity in the medium term.

MARKET OPPORTUNITY

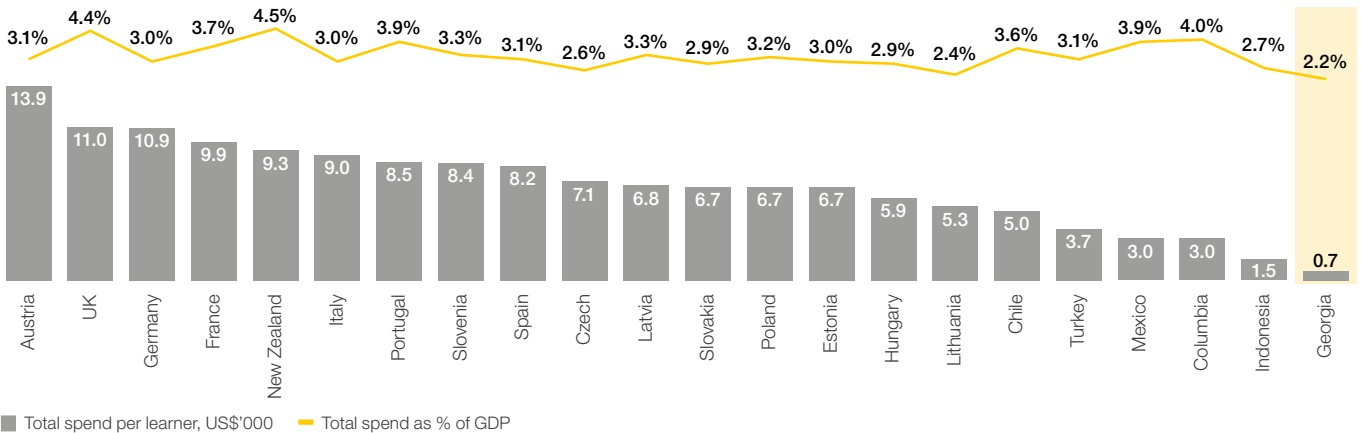
Market growing at c.2x nominal GDP growth rate
Private K-12 learners in Georgia



Private K-12 market size in Georgia



Lower average annual spending per K-12 learner in Georgia indicating room for further growth



Source: G&T, GCAP estimates, OECD, Ministry of Finance of Georgia. Latest available data.

Georgia has lower spending on education compared to other countries:

- Total spend per learner is US\$ 650 versus c.US\$ 9,000 OECD average.
- Total spend as % of GDP stands at 2.2% versus 3.1% OECD average.

OUR PORTFOLIO OVERVIEW CONTINUED

PRIVATE INVESTMENT STAGE PORTFOLIO COMPANIES CONTINUED

FINANCIAL METRICS⁴

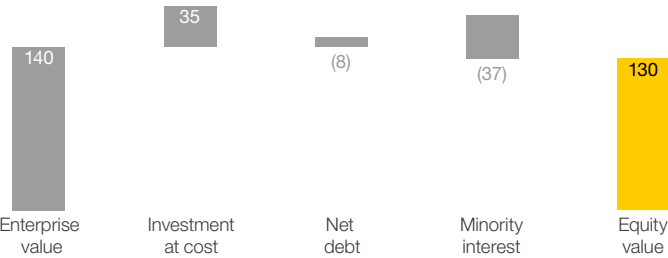
Revenue (GEL millions)	EBITDA margin (%)	EBITDA (GEL millions)	Operating cash flow (GEL millions)
31.2 +20.9% y-o-y	32.4% 0.0ppts y-o-y	10.1 +21.1 % y-o-y	11.9 +50.8% y-o-y

OPERATIONAL METRICS

Average tuition revenue per learner ⁵ (GEL)	Capacity utilisation ⁶ (%)	Number of learners
10,721 +12.6% y-o-y	62.2% -27.3ppts y-o-y	3,148 +25.1% y-o-y

VALUATION HIGHLIGHTS¹

Value development overview at 31-Dec-21
GEL millions



Peer companies

- SISB Public Company Limited | Thailand
- Curro Holdings Limited | South Africa
- Overseas Education Limited | Singapore
- Cairo For Investment & Real Estate Development (CIRA) | Egypt

GEL millions, unless otherwise noted	31-Dec-21	31-Dec-20	Change
Valuation method ³	Multiples	Multiples	N/A
Enterprise value	139.9	119.0	20.9
EBITDA (LTM) ²	11.2	9.5	1.7
Selected EV/EBITDA multiple	12.5x	12.5x	–
Net debt	(8.4)	(13.7)	5.3
Equity value	131.6	105.3	26.3
Investments at cost	34.9	16.8	18.1
Total equity value	129.8	93.0	36.8



1 The detailed valuation overview and related drivers are described on pages 105-121 of this report.

2 LTM EBITDAs used for valuation purposes includes functional currency adjustment in schools, where applicable.

3 Education was valued internally. The valuation method used was market approach (multiples) cross checked with income approach (DCF).

4 Numbers are derived from Education's unaudited IFRS accounts.

5 Numbers are adjusted for like for like comparison.

6 The utilisation rate of 62.2% is down compared to last year's 89.5%, reflecting the addition of a new capacity of 2,250 learners in 3Q21, which will be gradually utilised over the coming periods.

OTHER PORTFOLIO COMPANIES

Georgia Capital's other portfolio companies (6.2% of total portfolio value at 31 December 2021) consist of its housing development, hospitality and commercial real estate, beverages, auto service and digital services businesses.

HOUSING DEVELOPMENT

The Group's housing development business is a leading real estate developer in the Georgian real estate market, targeting mainly mass-market customers by offering affordable, high quality and comfortable housing. The housing development business is wholly owned through Georgia Real Estate, previously known as m². The housing development business has four ongoing projects, m³ Saburtalo (previously known as Digomi), Nutsubidze, Mirtskhulava and Chkondideli (Sveti projects). In connection with the m³ Saburtalo project, the Group has sold 83,084 square meters with US\$ 73.4 million sales value in the three stages as of 31 December 2021. Regarding the three other projects, the Group assumed responsibility to support the completion of three suspended projects of the Sveti construction company, adding 176,116 square meters of the sellable area to its inventory. The projects are ongoing in three locations in Tbilisi and the construction and development will continue for approximately three years. The Group started construction and sales for the Sveti project in April 2020 and has sold 71,476 square metres with a US\$ 45.3 million sales value as of 31 December 2021.

HOSPITALITY AND COMMERCIAL REAL ESTATE

The Group's hospitality and commercial real estate business is comprised of two segments: rent-earning commercial assets and a hotel development business across Georgia. In 2021, Georgia Capital successfully completed the sale to a combination of local and regional investors of selected commercial real estate assets for US\$ 45.0 million with an 11.3% premium (US\$ 4.6 million) to the book value as of 31 March 2021. The proceeds from the sale were used to repay the existing US\$ 30 million bonds issued by the commercial real estate business which matured on 31 December 2021. The book value of the remaining disposable assets is approximately US\$ 13.9 million as of 31 December 2021 and is split between commercial real estate assets (16%) and land plots (84%).

The hotel development business has two operational hotels, Ramada Encore Kazbegi Tbilisi and Gudauri Lodge, with 273 rooms. The hospitality and commercial real estate business is wholly-owned through Georgia Real Estate. The hospitality and commercial real estate business is the business that have been most affected by the COVID-19 outbreak across the Group's portfolio, reflecting pandemic-related uncertainties for tourism.

BEVERAGES

The beverages business combines three business lines: a wine business, a beer business and a distribution business. The wine business produces and sells wine locally and exports it to 17 countries. The wine business owns three top-class wineries across Kakheti's three wine-making regions and is in the top five wine producers by vineyard base in Georgia. The vast majority of the vineyards grow Georgia's flagship red wine grape, Saperavi. The wine business sold 9.4 million bottles of wine in 2021, with approximately 87% of sales coming from exports. The Group has a market share of 7.7% in the Georgian wine export market. The beer business produces beer and lemonade and holds a ten-year exclusive license from Heineken to produce and sell Heineken beer brands in Georgia. The beer business had a 20.8% market share in 2021. The Group's brands include Heineken, ICY (its flagship mainstream beer brand), Black Lion (the leading Georgian craft beer producer which the Group acquired in 2018), Kazbegi, which was acquired by the Group in 2019, Amstel and Krusovice beer, for which the Group acquired a licence in 2019, and Kayaki (the Group's light beer brand). In 2019, the Group received a licence to brew commercial batches of Heineken, and locally brewed Heineken beer has been available in stores since August 2019. Starting from the second half of 2019, the beer business relaunched its brands and improved its product mix, which helped the group to increase its share in the beer market and allowed the business to achieve break-even EBITDA in the second half of 2019 and positive EBITDA in 2020 and 2021. The Group also started to export its beer and lemonade brands to the international markets.

AUTO SERVICE

The Group's 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. The Group commenced the construction of PTI centres in the first half of 2018 and launched the PTI business in March 2019 under the name Greenway Georgia (GWG). As part of the Georgia-EU Association Agreement, Georgia commenced the implementation of a mandatory vehicle inspection programme in several phases, starting from January 2018. In July 2018, GWG won a state tender to launch and operate 51 PTI lines across Georgia with a ten-year licence. GWG is the only player on the market with support from an international partner, Applus+, a Spanish headquartered worldwide leader in testing, inspection and certification services with a market presence in more than 70 countries. GWG serviced 347,251 cars (of which, 265,613 were primary checks) in 2021, giving it a market share of 36%. Georgia Capital acquired an 80% interest in Amboli at the end of June 2019, increasing its shareholding to 90% in February 2020. Amboli is an importer, distributor, wholesaler and retailer of car consumables and spare parts with a c.11% share in the target market, making it the second largest player in a highly fragmented market.

DIGITAL SERVICES

In May 2019, the Group entered the high growth digital sector by acquiring a 60% equity stake in Redberry, a leading Georgian digital marketing agency. The acquisition of the attractive service business complements the Group's existing portfolio as well as provides an opportunity to enhance digital capabilities across its portfolio businesses.



S172 STATEMENT

Statement by the Directors on of their duties under section 172 of the UK Companies Act 2006 (the “Act”)
In accordance with the requirements of section 172 of the Act, the Directors consider that, during the financial year ended 31 December 2021, they have acted in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act. Some examples of the Board’s engagement in 2021 are set out below.

The Directors have identified key stakeholders who are essential to the success of the Company: investors; employees; wider community and the environment; and regulators. Our key stakeholders and primary ways which we engage with them are set out in the table on pages 130-132. Stakeholder issues are an integral part of the Board’s decision-making and we seek to embed this as part of managing our portfolio companies. The Company endeavours to balance any conflicting needs of our stakeholders to ensure all are treated consistently and fairly.

Other steps the Board has taken to meet its section 172 responsibilities:

Section 172 factor	Examples	Page
The likely consequences of any decision in the long term.	Investment Committee report	135
Interests of employees.	Investment Committee report	135
Fostering the company’s business relationships with suppliers, customers and others.	Corporate Governance Framework	126
Impact of operations on the community and the environment.	Resources and Responsibilities Sustainability Report 2021	84 (see separate document)
Maintaining a reputation for high standards of business conduct.	Resources and Responsibilities Sustainability Report 2021	84 (see separate document)
Acting fairly between members of the company.	Georgia Capital Strategy	20

The framework detailing the authority for decision-making, where the Board delegates to management, is discussed in the Company’s Corporate Governance Framework on pages 126-134 and it mandates consideration of these factors as a critical part of delegated authorities.

The Board engages with certain stakeholders directly on some issues, and their feedback is considered when we discuss and make decisions relating to matters concerning the Board, such as financial and operation performance or strategic matters. This information is usually fed back through presentations and reports to the Board, within Committee or Board meetings. More information on how Directors take into consideration the interests of stakeholders can be found in the Directors’ Governance Statement on pages 122-123.

Principal decisions

We have processes in place to capture and consider stakeholders’ views (including the matters contained in section 172 of the Act) and feed them into Board decision-making.

Material business decisions considered by the Board include an analysis of stakeholder considerations, anticipated impact and mitigations. This process, which has been reinforced, helps the Board to perform the duties outlined in Section 172 of the Act and provides assurance to the Board that potential impacts on stakeholders have been considered in the development of the proposal.

Set out below are some case studies of principal decisions that have been taken by the Board:

EXPANSION OF THE EDUCATION BUSINESS (TOGETHER, THE “PROJECTS”)

On 25 August 2021, Georgia Capital announced the expansion of its K-12 education business, in the affordable segment, through two investment projects: (1) the acquisition of an 81% equity interest in Georgian-Austrian School Pesvebi LLC (the “School” or “Georgian-Austrian School Pesvebi”), and (2) the launch of a new (second) campus under the existing affordable brand in Group’s portfolio – Green School LLC (“Green School”).

For more details on the transaction please see our website: <https://georgiacapital.ge/ir/news/education-business-expands-affordable-segment> and page 36 of this report.

We are further expanding into the affordable segment of private K-12 education, for the central district of Tbilisi.

Key stakeholder interests considered:

- Investors: The Projects are in line with Georgia Capital's capital allocation programme.
- Environment: the School’s plot has an ecologically friendly environment and areas for outdoor activities.
- Local Communities: The new campus will provide education to 600 learners, with the potential to expand its capacity to 1,500-2,000 learners over the next few years by utilising the existing premises.
- Employees: the Projects will bring employment to Tbilisi.



ENHANCED ESG (“ENVIRONMENTAL, SOCIAL AND GOVERNANCE”) REPORTING

During 2021, a consultant was chosen to assist with the development of our ESG disclosures and the implementation of the TCFD framework.

Further, a standalone Sustainability Report has been published alongside these accounts, for FY21, and can be found here: <https://georgiacapital.ge/ir/sustainability-reports>.

We have committed that we will make disclosures in line with best practice and global sustainability standards. This includes the requirement for all premium listed companies to state, in their Annual Report, whether their disclosures are consistent with the TCFD recommendations, or to explain why not.

For more details on the Company’s ESG developments please see page 84 of this report and the Company’s Sustainability Report.

A key factor in determining how the Company builds a sustainable business that addresses the wider concerns and needs of the communities in which it operates is the execution of its ESG strategy. In 2021, the Board took the view that it was appropriate to consider the future ESG strategy for the Company, aligned with its portfolio companies’ strategies, and this is detailed in the Company’s Responsible Investment Policy. It was important that this ESG strategy addressed the needs of all stakeholders and the importance of the global challenges of climate change.

Key stakeholder interests considered:

- Investors: ESG strategy and practices aimed at delivering sustainable, profitable growth over the long term.
- Governments regulators: ensure compliance with evolving local and international legal and regulatory obligations.
- Local Communities and NGOs: ESG matters affect the day-to-day lives of the people in our local communities.

- Clients: seek high ethical and sustainability standards to be upheld end-to-end in the supply chain.
- Employees: seek protection from health and safety risks and want to feel valued and appropriately rewarded, by having an inclusive and diverse place to work with a respectful corporate culture and share in our commitment to address ESG challenges.



GEORGIA CAPITAL SHARE BUYBACK AND CANCELLATION PROGRAMME (THE “BUYBACK PROGRAMME”)

In line with the Company’s capital allocation programme, on the 10 August 2021, the Company announced the resumption of a US\$ 10 million buyback programme. Over a 12-month period, shares are being purchased on the open market. In January 2022, the Board approved an increase in the ongoing programme of an additional US\$ 5 million, which was further increased by US\$ 5 million in March 2022.

This decision was influenced by the Company’s LTV ratio being below the targeted threshold, robust liquidity levels, supported by a strong dividend income from the portfolio companies, and c.50% discount to the reported NAV per share.

The purpose of the programme is to create a more significant value through share buybacks compared to new investments, while taking into consideration the share price discount to the reported NAV per share. Shares repurchased are being cancelled, consequently reducing the number of outstanding shares and delivering greater per share value to the shareholders.

For more details on the transaction please see page 13 of this report.

Key stakeholder interests considered:

- Investors: Balancing the desire of shareholders for immediate returns against the need to preserve liquidity and ensure the sustainability of the business throughout the COVID-19 pandemic and uncertainties regarding recovery timings. 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).

S172 STATEMENT CONTINUED

BUYOUT OF THE MINORITY SHAREHOLDERS IN RETAIL (PHARMACY) (THE “BUYOUT”)

In October, Georgia Capital announced that JSC Georgia Healthcare Group (GHG), the holding company of the Group’s healthcare services, retail (pharmacy) and medical insurance businesses, has signed a share purchase agreement (SPA) to acquire a 33% minority interest in its retail (pharmacy) business (JSC Georgian Pharmacy (GEPHA), which will be spread out over the next six years.

The minority stakeholders, who are also the managing partners of the retail business, had a put option for the minority stake also during the 12 months starting from January 2023. The exercise price of the call and put options were set at 6.0x and 4.5x EV/EBITDA multiples, respectively, in 2017, based on the preceding financial year’s results at the time of the exercise. The parties have renegotiated the initial terms of the agreement and put/call options. Under the renegotiated terms, the

minority buyout transaction will be executed in six tranches at 5.25x EV/EBITDA multiple. The value of each tranche will be determined based on the financial results of the preceding 12 months at the time of execution and will be paid in cash consideration.

For more details on the transaction please see our website: <https://georgiacapital.ge/ir/news/buyout-minority-shareholders-retail-pharmacy> and page 12 of this report.

- Key stakeholder interests considered:
- Investors: Georgia Capital consulted with our major shareholders over the buyout, for their feedback and to affirm their support. The Board gathered and took into consideration their views when approving the buyout.
 - Governments and regulators: ensure compliance with local and international legal and regulatory obligations, with regards to competition law.
 - Clients: seek to maintain high medical standards to end users in the supply chain.



DISPOSAL OF PART OF THE WATER UTILITIES BUSINESS

On 31 December 2021, the Company announced that its wholly-owned subsidiary JSC Georgia Capital (JSC GCAP), which is the owner of Georgia Global Utilities JSC (GGU), a holding company for Georgia Capital’s water utility business and the operational assets of its renewable energy business, agreed to sell an initial 80% of its equity interest in the water utility business to FCC Aqualia (Aqualia), by way of a two-stage transaction.

For more details on the transaction please see our website: <https://georgiacapital.ge/ir/water-utility-disposal> and page 8 of this report.

- The proposed disposal is a Class 1 transaction and, in accordance with the UK Listing Rules, requires GCAP shareholders approval, therefore, the key stakeholder interests considered:
- Investors: sought approval of the Company’s shareholders with a circular in January 2022. The disposal was in line with overarching strategy and purpose setting, aimed at delivering against shareholders’ needs for long-term, sustainable and profitable growth.
 - Governments and regulators: the Company devoted time and resources to ensure regulatory compliance with the transaction.
 - Investors: the approval of Company’s circular in January 2022.
 - Customers, employees and other stakeholders: the disposal brings an important international investment and significant industry expertise into Georgia, that will strengthen the water utility business.



Photo Gudauri, Mtskheta-Mtianeti, Georgia

RISK MANAGEMENT

We believe that effective risk management underpins the successful delivery of our strategy. We identify, evaluate, manage and monitor the risks that we face through an integrated control framework supported by formal policies and procedures, clearly delegated authority levels and comprehensive reporting. The Board confirms that our framework has been in place throughout the year under review and to the date of approval of this Annual Report and is integrated into both our business planning and viability assessment processes.

Overview

Our Board, supported by our Audit and Valuation and Investment Committees and executive management, is ultimately responsible for the Group's risk management and internal controls with a view to maintaining ongoing sustainability.

As an investor, Georgia Capital is in the business of taking risks in order to seek to achieve its targeted returns for investors and shareholders. The Board approves the strategic objectives that determine the level and types of risk that Georgia Capital is prepared to accept and reviews the Group's strategic objectives and risk appetite at least annually. We believe that, in order to have an effective risk management framework, there needs to be a strong risk management culture within the Group. We have worked to ensure that managing risk is ingrained in our everyday business activities. We seek to create an environment where there is openness and transparency in how we make decisions and manage risks and where business managers are accountable for the risk management and internal control processes associated with their activities. Our culture also seeks to ensure that risk management is responsive, forward-looking and consistent. Georgia Capital's risk culture is built on rigorous and comprehensive investment procedures and disciplined capital management.

Risk appetite

Our risk appetite is defined by our strategic objectives. We invest capital and develop businesses that will have strong capital returns. Georgia Capital applies the following investment criteria:

- Geographic focus: only investing in and developing businesses in Georgia, the country we know – a diversified, resilient, fast-growing economy across the last decade.
- Focus on liquidity: the Group will be predominantly investing only in larger-scale investment opportunities in Georgia, which have the potential to reach at least GEL 0.5 billion equity value over the next 3-5 years. The Group believes a larger size will provide improved liquidity and superior exit opportunities, to support the Group's desire to reduce the current discount to reported NAV per share.
- Sector focus: investing mostly in fragmented and underdeveloped markets, particularly targeting high-multiple service industries.
- Return target: combination of the ROIC, MOIC, IRR and GCAP share price value versus investments return is the key decision-making matrix used in the investment decision-making process.
 - MOIC and IRR are determined at GCAP level, as the Group evaluates achievable money multiples with all acquisitions and analyses them in combination with the expected IRR.
 - ROIC is evaluated for financing projects and reinvestment at each portfolio company level. Different yields are appropriate for different industries. ROIC is at the core of decision-making when the portfolio companies are investing or divesting assets or businesses. ROIC should be more than WACC for new investments. As part of ROIC enhancement initiatives across our portfolio, our businesses are targeting to continue divestment of low ROIC and/or non-core assets and businesses.

- GCAP share price is at the core of decision-making when it comes to new investments. The Group performs 360-degree analysis each time GCAP makes a capital allocation decision and compares: a) the investment opportunity versus buyback opportunity; and b) the sale opportunity versus buyback opportunity. The Group intends to buy assets/companies at a higher discount to their listed peers than GCAP's fair value discount. Georgia Capital is targeting to invest in opportunities which produce greater returns than returns offered by buying back GCAP shares.

Capital management

Georgia Capital adopts a highly disciplined approach to managing its capital resources as follows:

- 360-degree analysis, when evaluating capital returns, new investment opportunities or divestments.
- Georgia Capital allocates capital such that it does not depend on premature sales of listed portfolio investments. Georgia Capital does not have capital commitments or a primary mandate to deploy funds or divest assets within a specific time frame. As such, it focuses on shareholder returns and on opportunities which meet its investment return and growth criteria.
- The Board regularly reviews any major investment and divestment opportunities.

Our framework and approach to risk governance

The Board is responsible for setting the right tone and encouraging characteristics and behaviours which support a strong risk culture and effective risk management process across the Group. The Board's mandate includes determining the Group's risk appetite and risk tolerance as well as monitoring risk exposures to ensure that the nature and extent of the main risks we face are consistent with our overall goals and strategic objectives. Non-executive oversight is also exercised through the Audit and Valuation Committee which focuses on upholding standards of integrity, financial reporting and valuation framework, risk management systems, going concern, internal control and assurance frameworks. The Audit and Valuation Committee's activities are discussed further on pages 137 to 142. The Investment Committee ensures a centralised process-led approach to investment and the overriding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns. The Investment Committee's activities are discussed further on pages 135 to 136.

At the Board, Committee and executive management levels, we develop formal policies and procedures which set out the way in which risks are systematically identified, assessed, quantified, managed and monitored. Our Investment Committee, which has oversight of the investment pipeline development and approves new investments, significant portfolio changes and divestments, is integral to embedding our institutional approach across the business. It ensures consistency and compliance with Georgia Capital's financial and strategic requirements, cultural values and appropriate investment behaviours. Each business participates in the risk management process by identifying the key risks applicable to its business. The principal risks and uncertainties faced by the Group are identified through this process, as are the emerging risks.

On a day-to-day basis, management is responsible for the implementation of the Group's risk management and other internal control policies and procedures. Based on our risk culture, managers "own" the risks relevant to their respective function. For each risk identified at any level of the business, the risk is measured and mitigated (if possible) in accordance with our policies and procedures and monitored. Middle level managers, both at each portfolio company and Georgia Capital level, are required to report on identified risks and responses to such risks on a consistent and frequent basis. Executive and senior management regularly review the output from the bottom-up process by providing independent challenge and assessing the implementation of the risk management and internal control policies and procedures.

Risk governance structure

BOARD			
<ul style="list-style-type: none">• Determines the Group's risk appetite as part of strategy setting.• Overall responsibility for maintaining a system of internal controls that ensure an effective risk management and oversight process across the Group.• Assisted by the Board Committees with specific responsibility for key risk management areas.			
Audit and Valuation Committee	Investment Committee	Remuneration Committee	Nomination Committee
<ul style="list-style-type: none">• Responsible for managing financial reporting risk and internal control and the relationship with the external auditor.• Reviews and challenges risk management reports from Group Finance and Internal Audit.• Specific and primary responsibility for the Valuation Policy and valuation of the investment entity subsidiaries.• Provides oversight and challenge of underlying assumptions on the valuation of the private portfolio companies (81.2% of portfolio value at 31 December 2021). All private large portfolio companies (66.6% of the total portfolio) are valued externally by an independent valuation company on a semi-annual basis.• Direct engagement with the external auditors, who involve their specialist valuations team.	<ul style="list-style-type: none">• Principal Committee for managing the investment entity subsidiaries and its most material risks.• Strict oversight of each step of the investment lifecycle.• Approves all investment, divestment and material portfolio decisions.• Monitors investments against original investment case.• Ensures investments are in line with the Group's investment policy and risk appetite.	<ul style="list-style-type: none">• Reviews and recommends to the Board the Directors' Remuneration Policy to ensure that remuneration is designed to promote the long-term success of Georgia Capital (and to see that management is appropriately rewarded for their contribution to the Group's performance in the context of wider market conditions and shareholder views).• Approves variable compensation schemes for our investment professionals that are in line with market practice and enable the Group to attract and retain the best talent.• Ensures that remuneration is aligned with shareholder returns.	<ul style="list-style-type: none">• Responsible for ensuring that the Board has the necessary skills, experience and knowledge to enable the Group to deliver its strategic objectives.• Leads the process for appointing Directors and senior management positions.
MANAGEMENT BOARD			
<p>The Management Board is led by the Chief Executive Officer and has:</p> <ul style="list-style-type: none">• Delegated responsibility for management of the Group.• Delegated responsibility for investment decisions.• Delegated responsibility for risk management.			

Our reporting process enables key risks and emerging risks to be escalated to the appropriate level of authority and provides assurance to the Committees and the Board. Key developments affecting our principal risks and associated mitigating actions are reviewed quarterly (or more often if necessary, on an ad hoc basis, outside of the regular reporting process) by the Audit and Valuation and Investment Committees, as appropriate, as well as the Board.

A description of emerging and principal risks and uncertainties, including recent trends and outlook, as well as mitigation efforts, can be found on pages 75 to 82 of the Strategic Review.

RISK MANAGEMENT CONTINUED

Bodies implementing the risk management system

As mentioned on page 71, our Board is responsible for reviewing and approving the Group’s system of internal control and its adequacy and effectiveness. Controls are reviewed to ensure effective management of strategic, financial, market and operational risks, amongst others we face. Certain matters, such as the approval of major capital expenditure, significant acquisitions or disposals and major contracts, amongst others, are reserved exclusively for the Board. The full schedule of matters specifically reserved for the Board can be found on our website at: <https://georgiacapital.ge/governance/cgf/schedule>. With respect to other matters, the Board is often assisted by both the Audit and Valuation and Investment Committees.

The Management Board has the overall responsibility for the Group’s assets, liabilities, risk management activities, respective policies and procedures. In order to effectively implement the risk management system, the Management Board delegates individual risk management functions to each of the various decision-making and execution bodies within the Group, as described below.

Internal Audit department

The Group has an established Internal Audit department, which is responsible for the regular review/audit of the Group’s operations, activities, systems and processes, in order to evaluate and provide reasonable, independent and objective assurance and consulting services designed to add value and improve the Group’s operations.

The Group’s Internal Audit department is independent of the Management Board. The Head of the Group’s Internal Audit department is appointed by, and has a direct reporting line to the Chairman of the Audit and Valuation Committee. In 2021, the new Head of the Group’s Internal Audit department was appointed. The Group’s Internal Audit department discusses the results of all assessments with the Group’s Management Board and reports its findings and recommendations to the Group’s Audit and Valuation Committee.

The purpose of the Internal Audit department is to determine whether the Group’s risk management, internal controls and corporate governance processes, which are designed and implemented by the Management Board, are adequate such that:

- material risks including strategic, market, liquidity and operational risks, are appropriately identified, measured, assessed and managed across the Group, including its outsourced activities;
- interaction with the various internal governance groups occurs appropriately;
- significant financial, managerial and operating information is accurate, reliable and timely;
- the Group and its employees act with integrity and their actions are in compliance with the policies, standards, procedures and applicable laws and regulations;
- resources are acquired economically, used efficiently and protected adequately;
- programmes, plans and objectives are achieved; and
- significant legislative or regulatory issues that impact the organisation are recognised and addressed in a timely and proper manner.

In order to fulfil its function, the Group’s Internal Audit department has unrestricted access to all the Group’s functions, records, property and personnel.

Investment team

The Group’s Investment team has formalised procedures of risk analysis. As part of the procedures, qualitative and quantitative downside risks are identified and measured and risk adjusted returns are assessed for the investment opportunity.

For each capital allocation decision an independent risk team is formed and no member of the risk team is involved in developing investment thesis. The risk team identifies major risk areas of the proposed investment, assesses potential impact if the risks materialise and estimates returns based on stress test scenarios and sensitivity analysis. The team also evaluates the fit of the investment within the Group’s investment policy and challenges the executability of the proposed business plan.

Risk analysis process involves desktop research as well as field work, including interviewing sector experts and senior executives. ROIC and equity IRR are the most common return metrics which are stressed in the risk analysis. For every capital allocation decision, the risk team issues a written capital allocation recommendation based on the risk reward profile of the proposed investment.

Together with the investment thesis, the risk analysis is reviewed by the Capital Allocation & Strategy committee, consisting of members of the Group’s management team, which is responsible for recommending investment decisions to the Board.

Legal department

The Legal department’s principal purposes are to ensure that the Group’s activities conform to applicable legislation and to minimise losses from the materialisation of legal risks. The Legal department is responsible for the application and development of mechanisms for identifying legal risks in the Group’s activities in a timely manner, the monitoring and investigation of the Group’s activities in order to identify any legal risks, the planning and implementation of all necessary actions for the elimination of identified legal risks, participation in legal proceedings on behalf of the Group where necessary and the investigation of possibilities for increasing the effectiveness of the Group’s legal documentation and its implementation in the Group’s daily activities. The Legal department is also responsible for providing legal support to structural units of the Group.

Finance department

The Group’s risk management system is implemented primarily by the Finance department, which is supervised by the Chief Financial Officer and is responsible for the Financial Risks Management function. It implements the Group’s financial and tax risks policies by ensuring compliance with: liquidity management thresholds; limits on possible losses from the foreign currency risks; tax legislation; and all financial policies and procedures set by the Management Board. The Finance department, which reports to the Management Board, also focuses on the Group’s relationship with the tax authorities, provides practical advice and tax optimisation plans for the Group and also assesses the entire Group’s tax risks and exposures.

The Finance department also manages foreign currency exchange, money market and derivatives operations and monitors compliance with the limits set by the Management Board for these operations. The Finance department is also responsible for the management of the long-term and short-term liquidity and cash flow and monitors the volumes of cash on the Group’s accounts for the purposes of sufficiency. Further, the Finance department actively monitors performance of portfolio companies on a regular basis and delivers daily NAV development reports, weekly liquidity reports and monthly management reports to the Management Board. The Management Board reviews the performance of each portfolio business company on a monthly basis and takes actions, as necessary.

IFRS technical accounting group

The IFRS technical accounting group, part of the Finance department, is responsible for monitoring the Group’s compliance with relevant International Financial Reporting Standards (IFRS). The IFRS technical accounting group is involved in the development process of the Group’s accounting policies by leading new accounting standards implementation projects, monitoring of new IFRS developments, preparing an impact assessment on reporting, systems and processes across the Group. In order to increase the understanding of IFRS, the IFRS technical accounting group delivers training on new IFRS standards, issues Group accounting policies, produces general guidance memos on the application of IFRS and memoranda on complex, one-off transactions and also prepares quarterly reports to the Audit and Valuation Committee summarising material transactions across the Group, with respective financial impact.

Valuation workgroup

The Group has established a valuation workgroup, consisting of members of the Finance department, which is responsible for the development and oversight of fair value assessment of the Group’s private portfolio companies at each reporting date. The workgroup engages third-party professionals to assist with the fair value determination of large investments (66.6% of total portfolio value at 31 December 2021) in order to provide more transparency of Georgia Capital’s portfolio valuations. The oversight of the third-party professionals is within the scope of the valuation workgroup. The valuation workgroup also estimates fair values of investment stage and other portfolio companies (14.6% of total portfolio value at 31 December 2021, in aggregate) in-house by applying an appropriate valuation technique in compliance with IFRS 13. The workgroup reports to the Management Board. In order to ensure compliance with IFRS 13 requirements, increase the transparency of valuation and to ensure that consistent approach is applied in similar facts and circumstances, the workgroup developed a Valuation Policy and monitors compliance across all investments. The applied valuation methodology makes use of market-based information, is consistent with models generally used by market participants and is applied consistently from period to period, except where a change would result in a better estimation of fair value. The workgroup recommends fair values of private portfolio investments at each reporting date and prepares quarterly valuation reports for the Management Board and the Audit and Valuation Committee, describing valuation techniques applied and inputs used, with particular focus on the assumptions supporting the unquoted investments, any valuation uncertainties and the proposed disclosure in the financial statements. The valuation workgroup applies care in exercising judgement and making necessary estimates due to uncertainties inherent in estimating fair value for private companies.

Internal control

Georgia Capital’s internal control over the financial reporting is focused primarily on ensuring efficient and reliable control of valuation of private portfolio companies. With respect to internal control over financial reporting, our financial procedures include a range of system, transactional and management oversight controls. The board and management of each private portfolio company is responsible for ensuring the efficiency of the private portfolio company’s internal control structures, risk management and financial reporting. The private portfolio companies’ boards ensure that Georgia Capital’s Board receives information on any issues that could affect Georgia Capital’s business or financial reporting. Our businesses prepare detailed monthly management reports that include analyses of their results along with comparisons, relevant strategic plans, budgets, forecasts and prior results.

These are presented to and reviewed by executive management. Each quarter, the CFO of the Group and other members of the Finance department discuss financial reporting, valuations and associated internal controls with the Audit and Valuation Committee, which reports significant findings to the Board. The Audit and Valuation Committee also reviews the quarterly, half-year and full-year financial statements and corresponding press releases and provides feedback to the Board. The external and internal auditors attend each Audit and Valuation Committee meeting and the Audit and Valuation Committee meets regularly both with and without management present.

Going Concern Statement

The Group’s business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives and performance are set out on pages 2 to 121. Comprehensive going concern assessment analysis is disclosed in Note 2 within the IFRS financial statements. The Directors have made an assessment of the Group’s and Company’s ability to continue as a going concern and are satisfied that Georgia Capital has the resources to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue, i.e. the period ending 31 March 2023. The Directors also considered cash proceeds of US\$ 180 million from the sale of controlling interest in the water utility business received on 2 February 2022. After making enquiries, the Directors confirm that they have a reasonable expectation that Georgia Capital and the Group, as a whole, have adequate resources to continue in operational existence and, therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Viability Statement

In accordance with the Corporate Governance Code, the Directors are required to assess the prospects of the Company to meet its liabilities by taking into account its current position and principal risks. Georgia Capital runs an in-depth annual business planning process, involving both the management of portfolio companies and Group management with Board input and oversight. In line with the UK Corporate Governance Code, the process includes a viability assessment conducted by the Board over a three-year period beginning 1 January 2022, being the first day after the end of the financial year to which this report relates. In determining the appropriate period over which to make their assessment, the Directors considered: the duration of strategic plans and financial forecasts; the diverse nature of the Group’s activities; the evolving nature of the regulatory environment in which the Group’s businesses operate; the inherent uncertainty surrounding future capital allocation projections; and the Group’s objective, in line with its updated strategy. A period of three years beyond the balance sheet date was therefore considered the most appropriate viability period for the Group.

In order to consider the Group’s viability, the Board considered a number of key factors, including:

- the Board’s risk appetite;
- the Group’s business model and strategy as set out on pages 8 to 38;
- the Group’s principal and emerging risks and uncertainties, principally those related to regional instability, portfolio company strategic and execution risk, investment risk, adverse economic conditions, implications of COVID-19, the depreciation of the Lari, lack of liquidity, climate change-related risk and how these risks and uncertainties are managed, as set out on pages 75 to 82;
- the effectiveness of our risk management framework and internal control processes; and
- stress testing, as described on the next page.

RISK MANAGEMENT CONTINUED

The key factors on the previous page have been reviewed in the context of our current position and strategic plan. Since there are no legal guarantees or constructive commitments in place for Georgia Capital to fund losses or activities at portfolio companies’ level (with the exception of a financial guarantee of EUR 16 million issued to a portfolio company owned by JSC Georgia Capital), a stress test analysis was prepared on a holding company level.

The viability assessment involved a risk identification process which included recognition of the principal risks to viability (risks that could impair the Group’s business model, future performance, solvency or liquidity), excluding risks not sufficiently severe over the period of assessment for the Group. The principal risks and uncertainties identified by the Group are regional instability, regulatory, investment, liquidity, portfolio company strategic and execution, the impact of COVID-19 and currency and macroeconomic environment-related risks. Further, the Group has identified climate change-related risk as an emerging risk. We also identified other risks which, while not necessarily severe in themselves, could escalate when combined with others.

For those risks considered sufficiently severe to affect our viability, we performed stress testing for the assessment period, which involved modelling the impact of a combination of severe and plausible risks in separate and combined adverse scenarios. The stress test scenario was then reviewed against the Group’s current and projected liquidity position. The Group prepared a single reasonable worst case scenario which assumes inability of private portfolio companies to pay dividends or meet any other obligations towards the holding company, the reason for which could be economic consequences of COVID-19, GEL depreciation against the US dollar, market competition, operational underperformance, low liquidity of real estate assets (for our housing development and hospitality and commercial real estate businesses) and project cost overruns for the renewable energy business. Supported by strong operating performance in 2021 Bank of Georgia restored payment of dividends to shareholders and announced a dividend policy providing for a 30%-50% payout ratio starting from second half 2021. On that basis, the stress case scenario includes dividend payments from the listed asset. Considering the receipt of US\$ 180 million proceeds from the sale of water utility business on 2 February 2022, even in the stressed scenario the Group has sufficient liquid funds and adequate resources to continue operations and meet its obligations. The Directors also considered the maturity of the US\$ 365 million Eurobonds issued by the Group which are due in 1Q24. They remain confident that given the Group’s track record of proven access to capital even during market turbulence, the Group will be able to roll-over the US\$ 365 million Eurobonds. The Group demonstrated its superior access to capital through the successful placement of US\$ 65 million Eurobonds in March 2021. The Eurobond refinancing remains one of the options of the use of proceeds from the water utility sale, but subject to the execution of other exit strategy targets in accordance with the enhanced strategy announced in November 2020, the Group will also consider redeeming the bonds either fully or in part. There are no material subsidiaries to which cross-default provisions would apply.

The Directors have also satisfied themselves that existing cash and highly liquid debt and equity investment securities will be sufficient to cover the expected cash outflows of the holding companies for the viability assessment period. They have also collected necessary evidence to support the statement below in terms of the effectiveness of the Group’s risk management framework and internal control processes in place to mitigate risk. As at 31 December 2021, Georgia Capital holds GEL 427 million assets across cash, marketable debt securities and loans issued to portfolio companies. Additionally, the Group also holds GEL 681 million equity securities of London Stock Exchange listed BoG PLC as at 31 December 2021. As mentioned above, the Group received US\$ 180 million sales proceeds from successful completion of the Water Utility sale transaction. Therefore, in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period of time, the likelihood of the Group having insufficient resources to meet its financial obligations is very low. Based on the analysis described above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue operation and meet its liabilities as they fall due over the three-year period from 1 January 2022 to 31 December 2024.

RISK OVERVIEW

Understanding our risks

We continuously monitor our internal and external environment to ensure that any new principal or emerging risk is identified in a timely manner and responded to appropriately. The Directors have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. We define our principal risks as those that have the potential to impact the delivery of our strategic objectives materially. We also monitor risks which include new and emerging risks which may have the potential to become principal risks but are not yet considered to be so. Emerging risks usually have large uncertain outcomes which may become certain in the longer term (beyond one year) and which could have a material effect on the business strategy if they were to occur.

Principal risks and uncertainties

The table below describes the principal risks and uncertainties faced by the Group and their potential impact, as well as the trends and outlook associated with these risks and the mitigating actions we take to address these risks. 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.

REGIONAL INSTABILITY RISK	
PRINCIPAL RISK/ UNCERTAINTY	<p>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/South Ossetia regions. Countries within the region are trading partners of Georgia.</p> <p>Following a significant Russian military build-up near the Russia-Ukraine border and months of rising tensions, on February 24 Russian troops crossed the border and the situation escalated into a war. In response to the invasion, all G-7 countries, the European Union and many others countries have announced severe economic sanctions on Russia, including Russian banks, Russian entities and Russian individuals. Since the start of the war, there has been a significant depreciation of the Russian Ruble against foreign currencies, as well as a significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and major economic losses for Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Georgia. It is expected that the war may lead to a negative impact on Georgian economic growth in 2022 and could have a material impact on market confidence, affecting all regional countries. Various tensions have also existed between Russia and Georgia for more than 15 years, and the two countries also had a brief armed conflict in 2008 (which led to Russia’s control of the two breakaway territories). Finally, there has also been ongoing geopolitical tension, political instability, economic instability and military conflict between other regional countries, with the latest flare-up culminating in a six-week war (September-November 2020) between Armenia and Azerbaijan over the disputed Nagorno-Karabakh region. Despite the peace agreement, skirmishes have been reported to have occurred on several occasions. 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 the valuations of our listed and private portfolio companies.</p>

RISK OVERVIEW CONTINUED

REGIONAL INSTABILITY RISK CONTINUED	
KEY DRIVERS/TRENDS	<p>The Russian invasion of Ukraine has resulted in extraordinary economic disruption, as market confidence has plunged, unprecedented sanctions have been imposed upon the Russian economy, energy prices have surged and spillover risks have been substantially aggravated, with further economic consequences to follow as the situation develops. Foreign currency inflows from Russia and Ukraine in 2021 (merchandise exports, tourism revenues and remittance inflows) amounted to 15% and 7% of the total, respectively. However, the exposure to currency inflows from these countries has decreased significantly since the 2014 Crimea annexation. At the Group level, none of our portfolio companies is materially exposed to Russian, Belorussian or Ukrainian markets, except for the wine business. The magnitude of the impact on the wine business cannot be reliably measured at this stage. Due its size, however, it is not expected to be material overall for the Group (the value of the wine business represented less than 2% of the total portfolio value as at 31 December 2021). GCAP's exposure to liquid funds such as debt securities issued by affected countries is not material. As the war is still waging, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general.</p> <p>Although a ceasefire agreement ended the six-week Armenia-Azerbaijan war in November 2020, 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.</p> <p>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, the European Parliament's approval of a proposal on visa liberalisation for Georgia in 2017, and Georgia's recent decision to apply for EU membership, could potentially intensify tensions between the countries. Russia banned direct flights on 8 July 2019 and recommended stopping the sale of 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.</p>
MITIGATION	<p>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 2021, Russia accounted for 14.4% of Georgian exports, as opposed to 17.8% in 2005.</p> <p>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. As of 2021, tourism revenues from the EU were the largest (13.7% of the total), although exposure to Russia and Ukraine remained high (12.2% and 13.2% respectively). Remittance inflows have been significantly diversified, with Russia accounting for 17.5% of the total in 2021, as opposed to 54% in 2013. 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. Following the signing of the DCFTA, the EU's share in foreign currency inflows (merchandise exports, remittances and tourism revenues) has increased from 19% in 2013 to 24% in 2021 (from 21% to 25% if we include FDI as of 9M21). Following Ukraine's plea to join the European Union as it battles Russia's invasion, Georgia and Moldova on 3 March 2022 submitted their applications to join the European Union. Georgia previously planned to apply to join the European Union in 2024. The formal assessment process of the applications was initiated on 7 March 2022 by the president of France and is still ongoing.</p> <p>China remains the largest destination country of Georgian exports in 2021 since claiming the position in 2020, accounting for 14.5% of total exports in 2021 (14.3% in 2020), as well as being the largest destination country of domestically produced Georgian exports with an 18.6% share (19.1% in 2020).</p>

CORONAVIRUS (COVID-19) RISK	
PRINCIPAL RISK/ UNCERTAINTY	<p>The Georgian Government took significant actions at the early stage of the COVID-19 outbreak, with border checks and travel restrictions followed by the first lockdown in March-May 2020. After gradually lifting restrictions since late April, the epidemiological situation worsened in Autumn, and a two-month partial lockdown was imposed spanning the period from end-November 2020 to February 2021. Since February, the economy was fully reopened for the better part of the year. Despite new COVID-19 cases rising again periodically, most notably in August and November 2021, as well as in the beginning of 2022 due to the spread of the Omicron variant, no new major restrictions have been imposed, and economic recovery has sustained pace, with the Georgian economy bouncing back strongly with a 10.6% y-o-y growth in 2021. While the above points to the ability to successfully manage a potential epidemiological deterioration, going forward, the successful execution of the vaccination programme will be crucial for building on the 2021 recovery, particularly in light of the emergence of new COVID-19 variants and increased population mobility. The vaccination programme commenced in March 2021, but as of 18 March 2022, only 43.6% of the total adult population were fully vaccinated. As is discussed below, the March-May 2020 lockdown in particular had a serious adverse effect on almost all of our businesses, and any new serious outbreak of COVID-19 or a similar pandemic that required significant new restrictions could do so again.</p> <ul style="list-style-type: none">At our healthcare services businesses almost all non-emergency services were slowed severely by the March-May 2020 lockdown. Following the lifting of COVID-19-related lockdown restrictions, the healthcare services business' revenue started to rebound in 2021. In 2021, healthcare services mobilised more than 20 of its facilities, with c.1,100 beds, across the country to treat COVID-19 patients. A growing number of admissions for regular elective care and outpatient services, along with COVID-19 treatments, contributed to revenue growth in 2021 (the Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients). Healthcare services is also actively engaged in testing patients for COVID-19 and is actively engaged and supports the government in the COVID-19 vaccination process. So, while the business has, since the lifting of the first lockdown, dealt quite successfully with multiple challenges it has confronted, even in the absence of restrictive new measures it continues to face a number of COVID-19 related risks going forward. Among these are:<ul style="list-style-type: none">The health of our own medical personnel affects healthcare services' ability to continue to deliver its services, and they are on the front line especially in the event of a renewed outbreak or a new, vaccine resistant variant;Adjusting to the new mix between COVID-19 related care and other care as COVID-19 recedes.In our water utility business, consumption by our higher paying business customers was dramatically reduced in 2020 with the lockdown and subsequent home working conditions. Following the rebound in economic activity the demand from business for water increased throughout 2021, getting close to pre-pandemic levels by end of the year. Renewed restrictive measures, however, would again negatively impact business consumption.The Group's education business was also significantly affected in 2020 by the lockdown and subsequent restrictive measures, and adjusted to distance learning which involved offering tuition discounts and roll-overs of fees for transportation and catering services. Given the improved epidemiological developments in Georgia, the schools provided on-campus learning during most of 2021. Schools in Tbilisi were reopened from 15 February 2021 and continued on-campus learning till the end of the year, except for September. During the distance learning period, schools offered 15%-25% discounts for tuition fees and roll-over of fees for transportation/catering services. While the education business seems to have developed a model for coping with COVID type restrictions, it is not as effective and attractive and profitable when distance learning is imposed.The Group's hospitality and commercial real estate businesses are the businesses that have been most affected by the COVID-19 outbreak, reflecting pandemic-related uncertainties from tourism and real estate sectors. We reacted quickly to the change in the environment and are in the process of exiting from these businesses. While we successfully completed the sale of selected commercial real estate properties as discussed on page 11 of this report, any serious deterioration of the epidemiological situation could adversely affect our ability to sell the remaining properties at attractive prices.

RISK OVERVIEW CONTINUED

CORONAVIRUS (COVID-19) RISK CONTINUED	
KEY DRIVERS/TRENDS	<p>Although vaccine development and the ongoing immunisation process have raised hopes of global recovery, exceptional uncertainty persists with respect to new COVID variants and vaccine take up rates. The coronavirus has proven to be a significant challenge for the Georgian economy, especially the tourism sector. Tourism revenues have displayed first signs of rebounding in the second half on 2021, reaching half of 2019 levels since July (58% of 2019 level in December 2021). Despite this, the outlook remains highly uncertain as any major turnaround is conditional on 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 globally and output is still trying to catch up to pre-pandemic trends. As a small open economy (external merchandise trade around 76% of GDP as of 9M21), Georgia is highly dependent on foreign currency inflows to finance its current account deficit. Therefore, a significantly delayed recovery in tourism revenues or a major fall in foreign investment sentiment would impact growth prospects substantially, raising the risk premium and upsetting the balance of payments. 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 both 2020 and 2021. 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.</p> <p>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.</p>
MITIGATION	<p>The resurgence in new COVID-19 cases in August-November 2021 and the beginning of 2022 has not been accompanied by new restrictive measures, economic slowdown or a substantial fall in consumer and investor sentiment, suggesting experience has been gained to aid managing a potential epidemiological deterioration without major negative spillovers. In a population of about 3.7 million, there have been 1.64 million confirmed cases, 1.59 million recovery cases and 16,630 deaths as of 18 March 2022. The vaccination campaign began on 15 March 2021, with healthcare workers and risk groups given priority. As of 18 March 2022, 47.2% of the total adult population were vaccinated at least once, while 43.6% were fully vaccinated. Booster doses are also available, with just over 228,500 people receiving a booster as of 18 March 2022. Various programmes were introduced to increase the vaccine take up with varying results, as the Government intends to keep on working on raising the vaccination level.</p> <p>Starting from 10 November 2021, citizens of Georgia can get booster doses of the three vaccines: Pfizer, Sinovac and Sinopharm. In addition, the Coordination Council approved the vaccination plan for children aged 12-15 years. Increasing the number of the vaccinated population, has been the primary goal of the National Center of Disease Control and Public Health (NCDC) in 2021. To support the vaccination campaign, the Government of Georgia introduced the incentive programme, under which, the citizens of Georgia aged 60 and above, received one-off promotional support with first dose vaccinations. The campaign was valid until the 31 December 2021.</p> <p>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. However, the deficit improved to 9.7% of GDP in 9M21, and is expected to improve further as the tourism sector begins recovery. Major sources of financing the current account deficit are remittance inflows (up 24.6% y-o-y in 2021) and merchandise exports (up 26.9% y-o-y), including a particularly strong performance from domestic merchandise exports (up 29.9% y-o-y). First signs of tourism recovery are also visible, as tourism revenues have reached around half of 2019 levels each month since July 2021 (58% of 2019 level in December 2021). International reserve assets increased by 9.2% y-o-y and totalled US\$ 4.2 billion at the end of December 2021, providing ample cover. The National Bank of Georgia sold US\$ 333 million in 2021 on the foreign exchange market, with the bulk of interventions coming in the first half of the year.</p> <p>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 427 million liquid assets and loans issued as of 31 December 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 in 2020: suspension of capital allocations together with optimisation of cash operating expenses. However, the improved epidemiological environment and strong economic recovery during 2021, 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.</p>

CURRENCY AND MACROECONOMIC ENVIRONMENT RISKS	
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	<p>The Group's operations are primarily located in, and most of its revenue is sourced from Georgia. Factors such as 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.</p> <p>The Lari floats freely against major currencies. After depreciating in 2020 due to capital outflows from the emerging and frontier markets, a sudden stop in tourism revenues and shrinking merchandise exports, as well as rapidly deteriorating expectations, the Lari gained some ground back in 2021. Following a period of stabilisation, the Lari began strengthening since mid-May 2021, and continued strengthening into 2022, appreciating by 7.9% compared to the beginning of 2021 and by 12.7% compared to the 2021 low at 24 February 2022. 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. The currency appreciation trend has reversed since the escalation of the Russia-Ukraine conflict, as the USD has been strengthening globally and extraordinary uncertainty has gripped the markets. Compared to 24 February 2022, Lari depreciated against US dollar by 6.8% as of 18 March 2022. Following rate cuts in 2020 to respond to the COVID-19 shock, NBG reversed the stance and hiked the policy rate by 250 basis points cumulatively to 10.5% in 2021, responding to high inflation and subsequent rising inflationary expectations. With COVID-19-induced supply-side bottlenecks and rising costs exacerbated by global food, energy and commodity prices surging to record-high levels after the Russian invasion of Ukraine, inflation is expected to remain elevated throughout 2022 in Georgia like elsewhere around the world.</p> <p>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.</p> <p>Real GDP growth has bounced back significantly in 2021, with the economy growing by 10.6% y-o-y in 2021, including a 28.9% y-o-y growth in 2Q21 on the back of pent-up demand. Even though high growth was aided by the low base effect, growth was high compared to 2019 as well, with 2021 real GDP standing at 103.2% of 2019 level. IMF increased the 2022 real GDP growth forecast to 5.8% (October 2021 WEO) 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 was significantly more positive compared to first quarter assessments.</p> <p>The current account deficit improved and reached 9.7% of GDP in 9M21, 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 and gradually converge to pre-pandemic levels.</p> <p>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 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. Fitch Ratings revised the negative outlook to stable in August 2021 (and reaffirmed the stable outlook in February 2022), while Moody's reaffirmed the stable outlook in September 2021.</p> <p>After repaying its ten-year, 6.875% coupon Eurobonds, issued in 2011, the Government priced US\$ 500 million five-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\$ 4.2 billion as of December 2021 and public debt declining well below the fiscal rule ceiling, major challenges stemming from the COVID-19 shock have been dealt with, albeit risks remain.</p>

RISK OVERVIEW CONTINUED

CURRENCY AND MACROECONOMIC ENVIRONMENT RISKS CONTINUED	
MITIGATION	<p>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.</p> <p>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.</p>
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, hydro power, 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 regulation. 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	<p>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.</p> <p>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.</p>
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 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 RISK	
PRINCIPAL RISK/ UNCERTAINTY	Risk that liabilities cannot be met, or new investments made, due to a lack of liquidity. Such risk can arise from not being able to sell an investment due to lack of demand from the market, from suspension of dividends from portfolio companies, from not holding 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 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 investment entity subsidiaries; 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	<p>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 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 LTV ratio of 30%. GCAP has adopted the following measures to manage its standalone credit profile:</p> <ul style="list-style-type: none">• 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 24.2% as of 31 December 2021; and• Recourse debt and guarantees are limited at GCAP and at each portfolio company level.

RISK OVERVIEW CONTINUED

PORTFOLIO COMPANY STRATEGIC AND EXECUTION RISKS	
PRINCIPAL RISK/ UNCERTAINTY	<p>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 risk in implementing these strategies.</p> <p>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.</p>
KEY DRIVERS/TRENDS	<p>Each of our private portfolio companies and our listed assets (Bank of Georgia) face their own risks. These include risks inherent to their industry, or to their industry particularly in Georgia, and each face significant competition. They also face the principal risks and uncertainties referred to in this table.</p> <p>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.</p>
MITIGATION	<p>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.</p> <p>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. The valuations are audited, increasing the credibility of fair valuation and limiting the risk of mispricing the asset. In addition, the valuation of private large portfolio companies (66.6% of total portfolio value) is performed by an independent valuation company on a semi-annual basis.</p> <p>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. 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.</p>

Emerging risks

The Group's risks are continually reassessed and reviewed through a horizon scanning process, with escalation and reporting to the Board. The horizon scanning process fully considers all relevant internal and external factors, and is designed to consider and capture the following risks: current risks which have not yet fully crystallised and which the Group do not have previous known experience of against which they can be assessed, and risks which are expected to crystallise in future periods, typically beyond one year.

In 2021, the Group has identified climate change as an emerging risk. Since the Group's businesses are very much dependent on such climate elements as precipitation, wind speed and air temperature, the Group's development will definitely be affected by climate change. This is critical to protecting and enhancing the value of our assets and we monitor our governance and risk management framework to ensure that sustainability-related risks in our portfolio remain an important part of our agenda and are treated as a priority by our portfolio company management teams. Risks and opportunities of our portfolio companies from climate change are discussed on pages 94-95 of this report. Our portfolio companies' approach and the mitigants to climate risk are discussed further under Resources and Responsibilities section on pages 84-97 and pages 43-51 of the Sustainability Report.

Potential UK corporate governance reform affecting UK listed companies and other UK public interest entities is identified as a possible emerging risk. This may include or result in attestation over internal controls over financial reporting which (for comparison) may be more extensive than US Sarbanes-Oxley (SOX) regulatory requirements, changes in regulator and regulatory powers and increased scrutiny over auditing and reporting requirements.

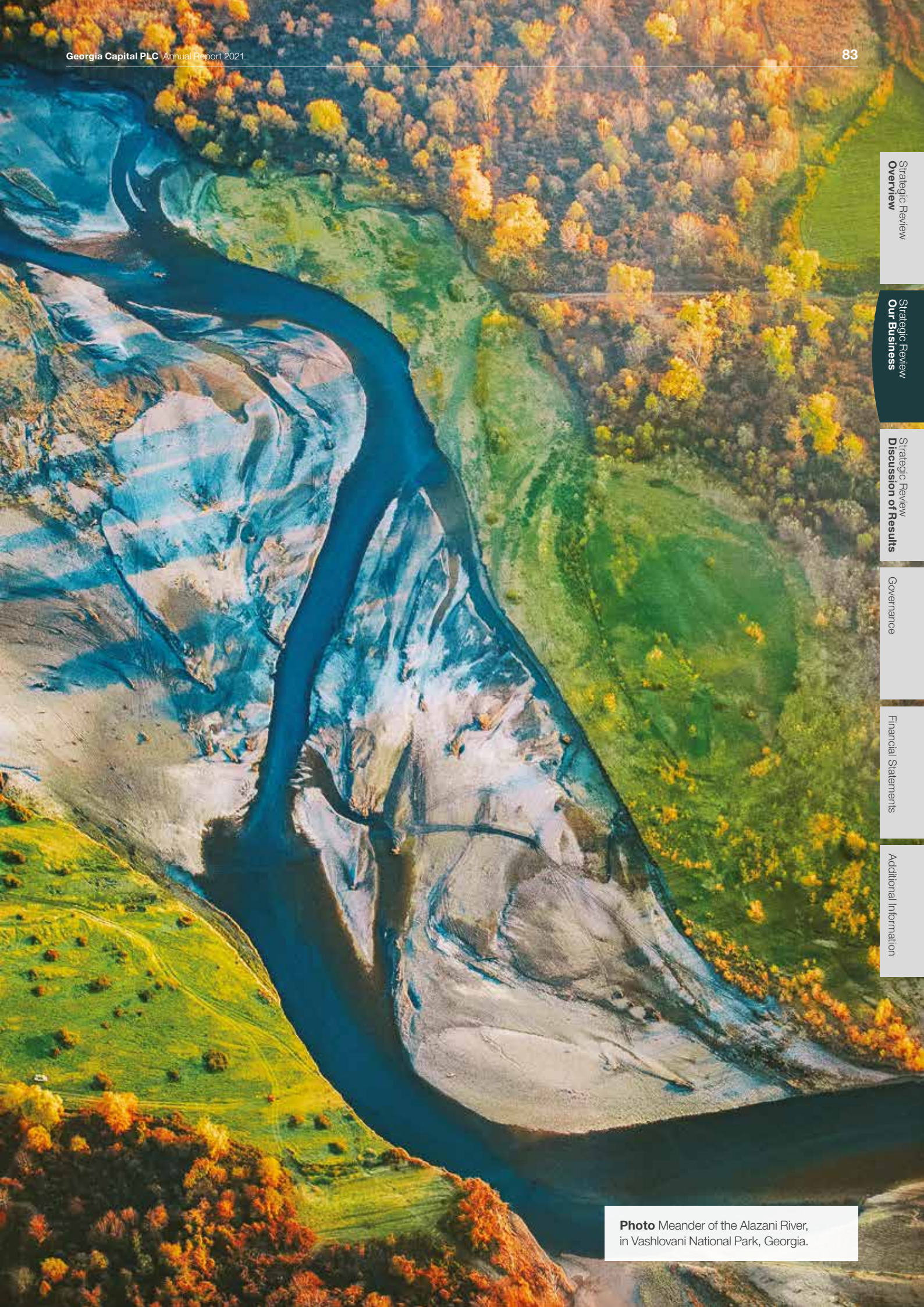


Photo Meander of the Alazani River, in Vashlovani National Park, Georgia.

Strategic Review Overview
Strategic Review Our Business
Strategic Review Discussion of Results
Governance
Financial Statements
Additional Information

RESOURCES AND RESPONSIBILITIES

ESG (“ENVIRONMENTAL, SOCIAL AND GOVERNANCE”) PRINCIPLES LIE AT THE HEART OF OUR BUSINESS

In order to effectively manage the Group's direct and indirect impact on society and the environment, the Board of Directors adopted a Code of Conduct and Ethics, as well as policies that relate to environmental and social matters, employees, anti-corruption and anti-bribery. We invite you to read more about these policies, practices and initiatives in the sections below and in conjunction with our Sustainability Report and the rest of the Annual Report. The non-financial information detailed under section 414CB of the Companies Act 2006, which aims to provide material and relevant information on the developments in Georgia Capital PLC’s ESG practices for the financial year ending 31 December 2021 is also cross referenced below.

Our Sustainability Report is available on our website: <https://georgiacapital.ge/ir/sustainability-reports>.

Copies of the Company’s policies can be found on our website: <https://georgiacapital.ge/governance/cgf/policies>.

As a Group, we are committed to a long-term investment strategy and building effective relationships with those businesses in which we invest. We maintain close relationships with the management of our private portfolio companies and as a consequence of our involved investment style, we manage our portfolio companies in the best interests of our shareholders and other stakeholders, fostering long-term relationships by providing high returns on investment. Additionally, we seek to contribute to wider society by encouraging the continuous development of our employees and contributing to the economic and social welfare of local communities while taking into account our

environmental footprint. With a portfolio of GEL 3.6 billion, we recognise that our decisions as a Group potentially impact a broad range of stakeholders, particularly within Georgia.

As an investment holding company with c.40 employees, Georgia Capital has a limited direct impact on the environment and the community in which it operates. However, we understand that the indirect impact of our investment undertakings might also be an important consideration for our stakeholders. To ensure the Group's commitment to sustainable finance, as an integral component of responsible corporate

governance, we follow our Environmental and Social Policy. The Group is committed to conducting its business in an environmentally, socially responsible and sustainable manner in order to reduce the environmental impact of its operations, while at the same time improving social performance to enhance long-term returns to its shareholders. Georgia Capital is also dedicated to achieving its strategic and investment objectives while behaving responsibly as an employer and as an international corporate citizen. We have recently adopted a formal Responsible Investment Policy and supporting documentation for the investment process.

Task force on Climate-related Financial Disclosures (TCFD)

The Board supports the recommended disclosures of the TCFD and Georgia Capital committed to making this disclosure in line with the TCFD recommendations and the Listing Rules which apply to UK premium listed companies in our 2021 Annual Report and the Sustainability Report. The TCFD disclosure was prepared with the guidance from an independent sustainability consulting company, Quarter Penny Consulting Limited. The Board is entrusted with providing oversight of climate-related risks and opportunities, aided by the Audit and Valuation Committee and the Investment Committee. Management are increasing their role in assessing and managing climate-related risks and opportunities. We have enhanced identification and monitoring of climate change risks through our risk management system. Disclosure of Scope 1, 2 and 3 greenhouse gas emissions and energy usage is shown on page 91 of this report. We are further considering what metrics and disclosures could be appropriate given the structure of our Group.

Details of Georgia Capital's response to the recommendations of the TCFD are set out on pages 92-97.

Non-Financial Information Statement

The Company is required to disclose certain information on the way we operate and manage social and environmental challenges. The following table summarises where you can find further information on each of the key areas of disclosure. Information on our policies can be found on our website at: <https://georgiacapital.ge/governance/cgf/policies>.

Reporting Requirement	Further detail	Annual Report page reference	Sustainability Report page reference	Relevant policies
Social matters	Promoting local community	Page 86	Page 12	Environmental and Social Policy Responsible Investment Policy
	Sponsorship and charity	Page 86	Page 16	
	Promoting and enhancing a healthy lifestyle	Page 87	Page 18	
	Sustainable procurement	Page 87	Page 19	
Employee matters	Our employees	Page 87	Page 21	Code of Conduct and Ethics Diversity Policy
	Talent attraction, training and development	Page 88	Page 23	
	Gender diversity	Page 88	Page 26	Whistleblowing Policy
	Human Rights Policy	Page 89	Page 28	Human Rights Policy
	Code of Conduct and Ethics	Page 89	Page 28	Anti-Bribery and Anti-Corruption Policy
Environmental matters	Emission disclosure and calculation methodology	Page 89	Page 30	Environmental and Social Policy
	Measures undertaken to improve the energy efficiency	Page 91	Page 34	Responsible Investment Policy

Our approach to responsible investment

As an investment holding company with c.40 employees, Georgia Capital has a limited direct impact on the environment and the community in which it operates. However, with a portfolio value of GEL 3.6 million, we have a strong opportunity to positively affect the environment and community through the decisions we make across our portfolio.

Georgia Capital has recently adopted a Responsible Investment Policy. The Policy is integrated into the investment and portfolio management processes and procedures and is supported by recently enhanced due diligence questionnaires. This Policy covers Georgia Capital's responsible investment approach and ongoing monitoring of the ESG re-assessments of portfolio companies. Georgia Capital monitors the portfolio companies' ESG performance and uses its resources to encourage the adoption of ESG best practices. It is supplemented with a dedicated Environmental and Social Policy.

Through the Responsible Investment Policy, ESG considerations are embedded into the deal process, from the initial investment stage to active ownership. Details on how we implement the Responsible Investment Policy can be found in our Sustainability Report.

INVESTING IN SOCIALLY AND ENVIRONMENTALLY ORIENTED INDUSTRIES

Our Group, as the largest employer in the Georgian private sector, is trusted to improve the future of our community by building sustainable businesses for tomorrow. We have a strong track record of investing and managing our portfolio responsibly, facilitated by operating according to our clear and proven governance model and an extensive network of top-quality talent. Our approach to ESG matters is reflected in the strategy and management principles of our portfolio companies, all of which adhere to sound ESG standards, as well as local policies and regulations.

We have been supportive of investments in socially and environmentally oriented businesses since 2008 when we first entered the healthcare market, with the aim of

modernising the healthcare infrastructure, closing service gaps in the country and increasing the overall quality of care. As a result, we have contributed to the development of the Georgian healthcare system and our society. Today GHG is the largest and the only fully-integrated healthcare provider in the fast-growing, predominantly privately-owned Georgian healthcare system. GHG businesses are the market leaders in the country in each operating segment: Healthcare Services, accounting for 20% of the country’s total hospitals bed capacity; Retail (pharmacy), with c.35% market share by revenue; and Medical Insurance, with 23% market share based on 3Q21 net insurance premiums.

Currently, we are investing in two key sectors that will benefit the sustainable development of Georgia: Renewable Energy and Education.

Our renewable energy business, owned through Georgia Global Utilities, has contributed to the transition towards a more sustainable and lower-carbon economy in Georgia. Through its green projects, the business has supported climate change mitigation, natural resources conservation and pollution prevention. Going forward,

the launch of hydro and wind power plants will enhance our renewable energy business' contribution to green energy production development.

Our education business has made a significant contribution to the country's education system and society. We acknowledge the importance and the substantial positive impact of quality education on society; therefore, we are committed to responsibly conducting our business activities and continue to support sustainable economic growth.

Despite being a small share of our total portfolio, our subscale “other” portfolio companies have a substantial positive impact on ESG matters. Our PTI business represents the largest network of mandatory periodic technical inspections throughout Georgia, accounting for 36% of the existing market. The business is directly engaged in greenhouse gas emissions and road accidents reduction in the country.

RESOURCES AND RESPONSIBILITIES CONTINUED

Committing to the Principals of the UN Global Compact

In February 2022, we became a signatory of the UN Global Compact and officially expressed our commitment to its Ten Principals. Many of our businesses already make a positive impact on the environment and societies in which they operate, including on some of the themes highlighted by the UN's Sustainable Development Goals (SDGs). Going forward we will further explore opportunities to align with the SDGs for the greater global effort.

GOVERNANCE

Georgia Capital recognises the importance of maintaining sound corporate governance practices and supports high standards of corporate governance in delivering value to our stakeholders. For full details of our governance structure and processes, please see the Corporate Governance section of the Annual Report.

SOCIAL MATTERS

The Group considers the interests of its main stakeholders when developing the strategy and the processes to improve its operations. We adhere to our Environmental and Social Policy published on the Group's website: <https://georgiacapital.ge/governance/cgf/policies> and we strive to contribute to society through: our business activities, by developing and investing in socially oriented products and services; implementing responsible approaches to our business operations; sponsorship; and charitable activities.

Promoting local community

Georgia Capital and its portfolio investments are committed to playing a positive role in our local community. Since the onset of COVID-19, our healthcare services business has played a significant role in managing the pandemic in the country. To support the Government and the

patients affected by COVID-19, in 2021 GHG mobilised more than 20 healthcare facilities, with a total aggregate number of c.1,100 beds, with trained medical personnel, isolated wards, intensive care and critical care units, to treat COVID-19 patients across Georgia. The business is also actively engaged in supporting the Government in the COVID vaccination process. Vaccination cabinets were allocated in 17 of our hospitals and 31 of our clinics. In September our clinics business opened the country's biggest private vaccination centre with 26 vaccinating rooms and an electronic management system, which offers a modern and comfortable service.

To raise awareness and promote the COVID-19 vaccination process in the country, the healthcare services business organised ten webinars, led by the country's well-known medical professionals, who provided in-depth information regarding vaccination benefits. The business initiated an outdoor campaign to positively impact public opinion where Georgian influencers shared the statistical data from our hospitals network experience on how vaccination helps to avoid possible COVID complications.

Some of our clinics are participating in a governmental project to treat remote COVID patients. They managed a total of 35,818 cases throughout the year. Clinics have also created a new model of online treatment by Viber groups, where doctors are available 24/7, providing online consultations for COVID infected patients. Furthermore, our clinics business provided more than 80,000 free phone and video consultations. The clinics business also introduced online consultations through specially created Facebook groups where patients can receive general recommendations from the best professionals in the field. Online "cabinets" comprise more than 23,000 members. So far, more than 7,000 queries were answered through social media.

In 2021, GHG won the Gold Award in the Environmental & Social Innovation category at European Bank for Reconstruction and Development (EBRD) Sustainability Awards 2021, for its new digital application – EKIMO. EKIMO is an innovative, independent and fully-integrated digital healthcare platform, that combines all components of primary healthcare: doctors, clinics, laboratories, radiology units, retail pharmacies and medical insurance. The application was launched in March 2020 and is open to any healthcare service provider or healthcare products seller in the country. EKIMO is completely free for all users and provides quick and easy access to the entire healthcare ecosystem, such as booking doctor appointments, online payments, online consultations and pharmacy delivery. Since its launch, EKIMO's network has expanded to 1,012 doctors from 90 different clinics, half of which are independent, third-party clinics.

P&C insurance business, Aldagi, completed its Digital Transformation Project, making all of its services and products available digitally. The new web application, applying artificial intelligence and blockchain technology, enabled the company to offer fully digital services to its customers. With the help of modern technologies an electronic insurance policy is issued in the client's name without physical contact or document exchange. As a result the user experience became more enjoyable and safer. For this initiative, Aldagi was acknowledged by the UN Global Compact Georgian Network and won the nomination of "Industry, Innovation and Infrastructure" at the Corporate Responsibility Awards 2020.

In 2021, Aldagi launched its sub-brand, "Backapp", which is the first insurance application available for Android and iOS operating systems in Georgia. The application was designed to raise awareness of safe driving and the importance of having auto insurance. The customers are able to buy a car insurance policy online from the application, without any physical contact with the insurance company. Backapp is an innovative product, offering a unique experience to the Georgian insurance industry.

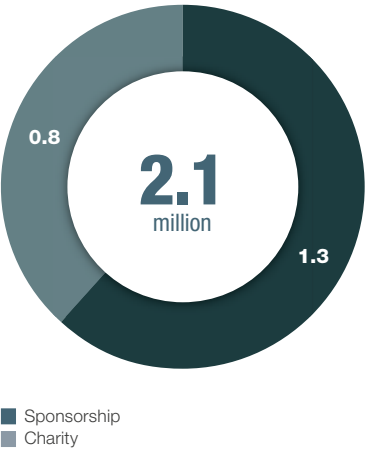
Sponsorship and charity

In 2021, the Group spent a total of GEL 2.1 million in financing sponsorship and charitable activities. As part of the sponsorship and charitable activities, the Group continues to focus on promoting and enhancing access to education, conserving nature, supporting people with disabilities and special needs, and facilitating innovative projects that focus on social good. The Group's sponsorship and charity activities encourage partnerships with various foundations and non-governmental organisations to deliver sustainable results and bring positive change. In doing so, we follow our undertakings in respect of social and community matters as set out in our Environmental and Social Policy.

In 2021, Georgia Capital continued to support the Fulbright programme and covered the education and travel expenses of one high-achieving student. Georgia Capital also extended the sponsorship programme to support the Caucasus Nature Fund (CNF), through our involvement in the Project of Maintenance of Caucasus Natural and Cultural Heritage. The fund helps to support the effective long-term management of the protected territories of Armenia, Azerbaijan and Georgia. Under the programme, GCAP will contribute GEL 10,000 annually for the next two years.

For more information on our portfolio companies' charitable activities please refer to our Sustainability Report.

Total sponsorship and charitable expenditure of the Group, 2021 (GEL million)



Promoting and enhancing a healthy lifestyle

Georgia Capital acknowledges the importance of a healthy lifestyle for its employees. During the COVID-19 pandemic, in line with local regulations and recommendations of the healthcare experts, most of the indoor and outdoor physical group activities were cancelled. Top management, as well as the departmental heads, have increased their support of the emotional well-being of our staff. We have encouraged an open dialogue with management and group chats on challenging topics. We believe that free expression and experience sharing is key for developing a healthy workforce.

Ensuring the safety of the workplace and providing healthy working conditions are amongst the Group's fundamental HR management principles. The Group pays particular attention to preventative measures, such as conducting regular staff training and medical check-ups, certifying workplaces and promoting a healthy lifestyle. In line with its principles, Georgia Capital signed an agreement with a safety consultancy company, which provided a dedicated safety inspector. The inspector conducted a safety audit, gave recommendations and delivered staff trainings. Our safety consultant provides systematic

monitoring to ensure compliance with globally accepted standards.

Safety measures against COVID-19 have been maintained throughout the year in line with recommendations and guidance of local healthcare experts. To avoid the spread of the disease, the Company encourages its employees to test daily against the COVID-19. The rapid tests are provided free of charge at the GCAP office.

Georgia Capital recognises the importance of mental health and is aware of the damaging impact that increased stress and anxiety can have on an individual. It is our practice to hold workshops to check on the employees' mental health and offer face-to-face counselling. Employees are encouraged to express their mental health concerns in an open manner and seek assistance. We provide opportunities for a flexible, remote and hybrid working environment. Respective teams at GCAP constantly track the workload of the employees to identify if the hiring of additional staff is required.

For details on how our portfolio companies support their employees' health and well-being, including occupational health and safety, please read our Sustainability Report.

Sustainable procurement

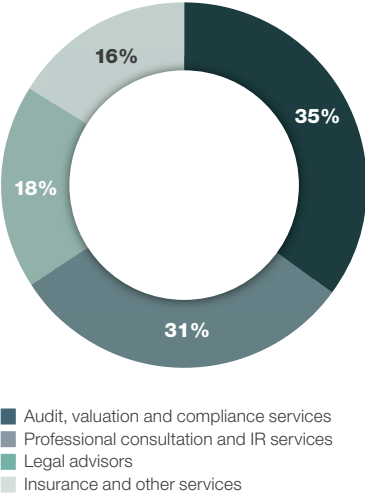
At Georgia Capital, we strive to exercise good corporate citizenship and we take into consideration the ESG practices of our suppliers. A large majority of GCAP's suppliers are professional advisors and consultants engaged in counselling Georgia Capital on various corporate matters. These are predominantly blue-chip, highly reputable international organisations with sound ESG policies and procedures, and low exposure to ESG-related risks. Considering the small number of suppliers at the GCAP level and our active engagement with them, we do not have a dedicated procurement policy. However, our existing policies and procedures ensure that an appropriate level of due diligence is conducted on prospective suppliers before they are appointed or any expenditure is committed. The nature of the due diligence is determined on a case-by-case basis. As a general rule, the procedure safeguards the assessment of risks associated with bribery and corruption, information and data security, human rights and employment practices, and other material aspects as determined during the assessment.

Georgia Capital aims to work with suppliers whose ESG practices are in line with our sustainability goals. We invite you to read more in our Sustainability Report.

In 2021, significant items for Georgia Capital PLC procurement expenditures were audit, valuation and compliance services, as well as services sourced from the professional consultations and IR services.

The breakdown of expenditures by type of suppliers is provided below.

Expenses by type of suppliers at Georgia Capital level, 2021



EMPLOYEE MATTERS

Our employees

Recruiting, developing and retaining talent is one of our most important priorities. We work towards that objective by communicating openly with our employees, providing training and opportunities for career advancement, rewarding our employees fairly and encouraging employees to give direct feedback to senior management. We recognise the importance of providing a supportive working environment with a healthy work/life balance for all our employees, both at the holding company level and across our portfolio companies. A key factor in our success is a cohesive and professional team, capable of accomplishing the Group's objectives. We are committed to attracting and identifying the best professionals, caring and planning for their needs, investing in their development and fostering their commitment. The Group develops and implements Human Resource (HR) policies and procedures which promote the key principles, areas, approaches and methods that are crucial for building Human Capital Management systems at each business level and at Georgia Capital level in line with the above-mentioned policies.

We maintain a Group-wide Code of Conduct and Ethics for our employees and other effective HR policies and procedures covering matters such as:

- staff administration, compensation and benefits.
- recruitment, development and training.
- diversity and anti-nepotism.
- succession planning, departure and dismissal.
- grievances.



RESOURCES AND RESPONSIBILITIES CONTINUED



We are committed to employee engagement and we believe that effective communication is key. We strive to provide our employees with a continuous flow of information, which includes our corporate culture, the Group’s strategy and performance, risks relating to its performance, such as financial and economic factors, and our policies and procedures. We provide information in a number of ways, including via managers, presentations, email, intranet and regular off-site meetings. There are feedback systems, such as frequent employee satisfaction surveys, which ensure that the opinions of our employees are taken into account when making decisions that are likely to affect their interests.

Employee feedback also helps to improve our community-focused approach. Amid COVID-19, to support the employees’ continuous development and engagement, we organised weekly online meetings initiated by the CEO. Meetings were attended by key management personnel. Following these sessions, further meetings were held by

Total number and rate of Company’s new employee hires and employee turnover (%)	New hires	New hires rate	Full turnover	Turnover rate
2020	4	9%	5	12%
2021	4	9%	5	12%

To manage our employees in a way that best supports both our business strategy and their professional growth, we seek to help them contribute to business performance through personal and professional development. Despite the slowdown of training activities due to the pandemic, Georgia Capital managed to maintain active engagement in the training process of its employees. In recent years we created a programme for the investment department in which participants are able to gain a good understanding about new developments in the investment field and refresh their knowledge. In addition to specific training courses, regular workshops are held in the Company which are linked to more complex matters, such as business approaches and best practices in related fields. In December 2021, Georgia Capital held a two-day meeting and training session for the legal teams at the portfolio companies on the new legislation “Law of Georgia on Entrepreneurs”. Besides in-house training, Georgia Capital provides designated training and certification

mid-level managers to cascade down the messages and information to those across all levels of staff at our businesses.

In 2021, we conducted our second employee satisfaction survey at the holding company level. According to the survey results, more than 95% of the participants enjoy working at Georgia Capital, more than 95% believe that their job responsibilities match their strengths, and more than 85% are highly or moderately satisfied with career growth opportunities at the Company. Survey participants also provided their recommendations on the following topics:

1. What Georgia Capital must continue to do;
2. What Georgia Capital must stop doing;
3. What Georgia Capital must start doing.

The results of the survey were fed back to management.

Our office remained open throughout the year as there were no lockdowns in 2021. Despite this, attendance at the office was voluntary. For our employees who selected to work from the office, we ensured that they were able to work in a safe environment, following local legislation and guidance. Distance and hybrid working environments facilitated staff engagement through online platforms.

In 2021, several employee engagement activities were performed at the GCAP holding company level and our portfolio companies. We invite you read more about the activities in our Sustainability Report.

programmes for various departments through third-party resources.

For details on how our portfolio companies train and provide continuous development to their employees, please read our Sustainability Report.

Gender diversity
Georgia Capital is fully committed to providing equal opportunities as an employer and prohibits unlawful and unfair discrimination. We believe that there are great benefits to be gained from having a diverse workforce. Although we do not set specific diversity targets at the Georgia Capital level, we seek to ensure that our corporate culture and policies, particularly our HR policies, create an inclusive work environment that helps to bring out the best in our employees. Georgia Capital’s Diversity Policy establishes a commitment to eliminating unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation.

Talent attraction, training and development
Georgia Capital Group is the largest employer in the Georgian private sector. Our approach to recruiting, developing and retaining our talent has been widely spread across our portfolio companies. In 2021, the Group hired 5,515 new employees (4,688 employees in 2020).

Sustained development of the Group’s businesses requires strengthening of the teams, both by using the Group’s own significant internal resources through staff development and rotation and by attracting external candidates. Our Recruitment Policy and relevant control procedures ensure an unbiased hiring process that provides equal employment opportunities for all candidates. All employees at Georgia Capital work on a full-time employment contract.

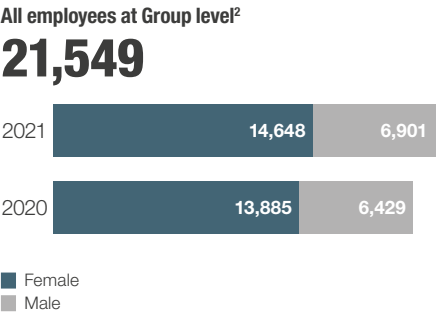
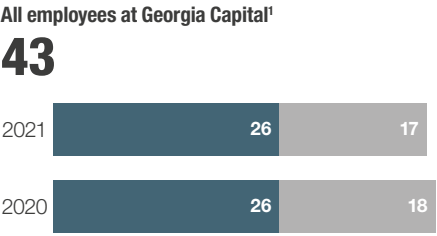
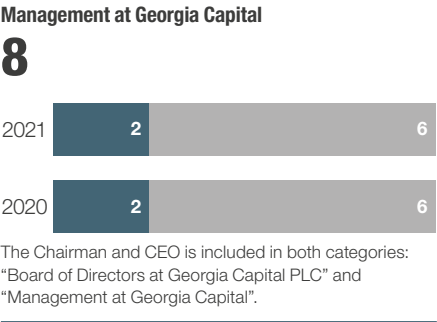
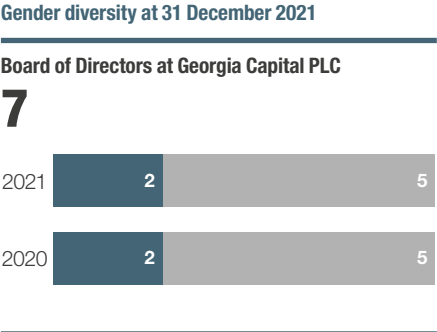
To attract young talent, we actively partner with leading Georgian business schools and universities, participate in job fairs and run extensive internships locally and internationally. The COVID-19 pandemic had a negative impact on employment prospects in Georgia. Reduced revenue streams and liquidity shortages have caused redundancies in many companies. However, Georgia Capital not only maintained its employees but also continued to promote its talent.

The Board embraces diversity in all its forms. Diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and balance in terms of skills, experience, independence and knowledge, amongst other factors, will be taken into consideration when seeking to make any new appointment within the business, whether an employee, client, supplier or contractor. On 31 December 2021, Georgia Capital, as an investment holding company, had a total of 43 employees, of which 26 are female, and 17 are male.

We are supportive of the ambition shown in recent reviews on diversity, including the Parker Review regarding ethnic diversity. The Board is currently in line with recommendations for UK boards, with Board member Maria Chatti-Gautier of Syrian heritage (Middle Eastern) and so representing an ethnically diverse background.

We are also supportive of the Davies Review, the Hampton-Alexander Review, and the

recently published FTSE Women Leaders Review regarding gender diversity, and seek to apply the UK Corporate Governance Code in this respect. We will continue to examine ways in which we can increase female and ethnic representation at Board and senior management levels.

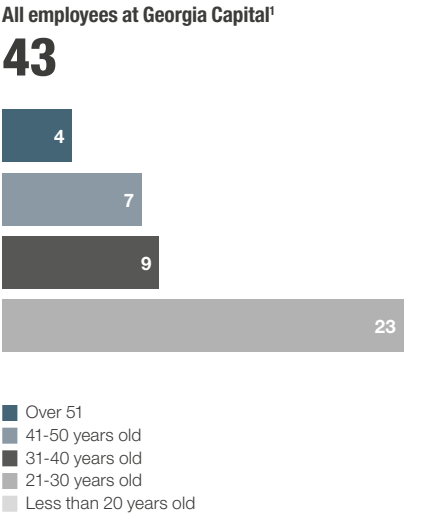
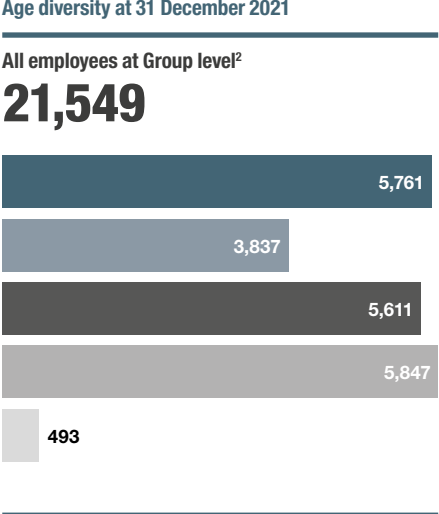


Human Rights Policy
The Human Resources Policy is an integral part of the employee on-boarding package at each business level with updates communicated electronically.

The Human Rights Policy is part of the Human Resources Policy and covers the following:

- Equal opportunities and anti-discrimination.
- Work environment free of harassment.
- Grievance Policy.

1 Employee numbers are presented at JSC Georgia Capital level.
2 Excluding temporary employees.



We recognise the importance of observing human rights and are committed to implementing socially responsible business practices. Our Human Rights Policy establishes priorities and puts control procedures in place to provide equal opportunities and prevent discrimination or harassment on any grounds, including disabilities. This Policy applies to all employees and includes procedures in relation to employment processes, training and development, procedures on recruitment and on the continuity of employment of employees who become disabled during their employment.

Code of Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy
The Group has a Code of Conduct and Ethics, as well as an Anti-Bribery and Anti-Corruption Policy, which are also applicable to the Group companies. As an organisation that is fully committed to the prevention of bribery and corruption, the Group ensures that appropriate internal controls are in place and operating effectively.

Anti-Bribery and Anti-Corruption Policy enforcement processes include:

- an anonymous whistleblowing hotline;
- an internal whistleblowing process;
- disclosure of gifts or other benefits, including hospitality offered to, or received by, the Group’s personnel;
- voluntary disclosure of corrupt conduct;
- third-party screening to identify the level of risk third parties might pose;
- informing the banks/partners/counterparties about anti-corruption and anti-bribery principles before commencement of business relations;
- ensuring that anti-bribery and anti-corruption clauses are incorporated in the agreements with customers and third parties;
- ensuring that anti-bribery and anti-corruption matters are included in contractual agreements with partners/ counterparties; and
- online training programme aiming to raise awareness of corruption and bribery issues among employees.

As part of the Group’s third-party screening to identify the level of risk, the Group conducts due diligence by indirect investigations, which include general research of the activities undertaken by the proposed business partners, research into their reputation and information on whether the company is a related party. The Compliance Officers (the General Counsel and UK General Counsel) have the authority to conduct periodic compliance checks of the operations of the Group. We are pleased to confirm that there have been no instances of violation of the Anti-Bribery and Anti-Corruption Policy in 2021.

ENVIRONMENTAL MATTERS
Emission disclosure and calculation methodology
In preparing our emissions data, we have used the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD), Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition 2016) as a reference source. We have also used the most recent Georgian electricity conversion factor taken from the JRC Guidebook – “How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries”, European Commission, Ispra, 2018, JRC113659. Further conversion factors have been taken from the UK Government’s “Greenhouse Gas Conversion Factors for Company Reporting 2021”. Energy consumption is disclosed in line with SECR requirements. The emissions disclosures are also prepared in accordance with the TCFD requirements.

RESOURCES AND RESPONSIBILITIES CONTINUED

Overview: The operations of Georgia Capital in London and Tbilisi have relatively low energy consumption. However, we recognise the evolving significance of emissions disclosures in the investment community and in line with our commitment to increasing transparency, we voluntarily disclose emissions for JSC Georgia Capital (intermediate Georgian holding company) and its portfolio investments. We have reported on all the emission sources listed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (Scopes 1 and 2). Additionally, we have reported on those emissions under Scope 3 that are applicable to our businesses' direct operations. All reported sources fall within our financial statements. We do not have responsibility for any emission sources that are not included in our financial statements.	What we report: <i>The Group's "central" operations:</i> Our reported data is collected in respect of the Group, including our offices and facilities in London and Tbilisi. Data on emissions resulting from travel is reported for business-related travel only but excludes commuting. As we do not have any joint ventures, sub-leased properties or offshore emissions these have not been included within the reported figures. The data has been obtained from the Group's locations using both invoices and site meter readings. Our leased office in the UK operates with only four employees and the annual consumption is less than 5MWh (in 2021, UK office's annual consumption was 4.1MWh and 3.6MWh for the 2020), the costs of which are included within the lease fees. The estimated electricity consumption of the UK office is included in Scope 2 emissions calculation.	The Group's portfolio: Data from our portfolio companies' Scope 1, 2 and 3 ¹ emissions have been aggregated and presented as a separate line item under Scope 3 emissions in accordance with the Greenhouse Gas Protocol. Scope 3 emissions for the year ended 31 December 2019 and 31 December 2020 have been updated retrospectively to reflect our approach. These have been reported for all our private investments, where the Group holds a controlling stake. Emissions from our listed asset, Bank of Georgia, have not been included in the calculations. BoG, as a UK listed company discloses Scope 1, 2 and 3 emissions in its annual filings, available at: https://bankofgeorgiagroup.com/reports/annual .
Summary of GCAP's greenhouse gas disclosure The table below summarises the various elements of our disclosure and details the particular greenhouse gas emissions and whether they are included or excluded.		
Element	Description	Included/Excluded
Scope 1 – Static fossil fuel	Combustion of fossil fuels, e.g. natural gas, fuel oils, diesel and petrol, in stationary equipment at owned and controlled sites.	Excluded – No such processes/equipment owned or operated by Group.
Scope 1 – Mobile fossil fuel	Combustion of petrol, diesel and aviation fuel in owned/operated vehicles.	Business travel has been included.
Scope 1 – Other emissions	Process emissions and refrigerant leakage.	Excluded – No such processes/equipment owned or operated by Group.
Scope 2 – Consumption of electricity	Consumption of electricity.	Included – Used electricity at owned and controlled sites using the most recent Georgia electricity conversion factor taken from the JRC Guidebook – How to Develop a Sustainable Energy and Climate Action Plan in the Eastern Partnership Countries, European Commission, Ispra, 2018, JRC113659. Also included are emissions of the UK office.
Scope 2 – Consumption of thermal energy	Direct consumption of heat, steam or cooling generated by others.	Excluded – No such thermal energy supplies are consumed by Group.
Scope 3	Combustion of petrol, diesel and aviation fuel in vehicles owned and operated by others.	Included – Air business travel (short-haul and long-haul); information on the class of travel is unavailable, hence, we used an "average passenger" conversion factor, with Radiative Forcing (RF). Included – Ground transportation, including taxis, coaches, trains, etc. owned and operated by others. Excluded – emissions from staff commuting.
	Investments	Included – Scope 1, 2 and 3 ¹ of our portfolio companies where we have a majority stake.

Emissions
Due to the impact of the coronavirus pandemic, the consumption of energy and therefore emissions by the Group and its portfolio companies has been atypical for almost two years, i.e. 2020 and 2021. As such, to enable useful year-on-year analysis of trends in emissions, it is necessary to go back to 2019 (the first full year GCAP existed) as the pandemic has distorted the years since then, making them unreliable for comparative purposes. It is hoped that in 2022 and certainly by 2023 emission patterns should have reverted back to pre-pandemic levels so it may not be until then that underlying trends in emissions can be confidently deduced.

1 Portfolio company Scope 3 emissions reported for business travel and employee commuting.

Total greenhouse gas emissions (tonnes CO ₂ e)			
Data for the period beginning 1 January 2019 and ended 31 December 2021			
	2019	2020	2021
Scope 1 – Static Fossil Fuel (emissions fuel combustion and facility operations)	–	–	–
Scope 1 – Mobile fossil fuel	84	59	60
Scope 2 (emissions from electricity, heat, steam and cooling purchased for own use)	13	2	3
Scope 3	76,736	38,074	40,579
Of which, air travel and ground transportation provided by third parties plus electricity	197	12	5
heat/steam cooling provided within lease and service agreements			
Of which, investment portfolio Scope 1, 2 and 3	76,539	38,062	40,574
Total greenhouse gas emissions	76,833	38,136	40,642
FTEs at JSC Georgia Capital level	39	44	43
Total greenhouse gas emissions per FTE ¹ (JSC Georgia Capital)	1,970.1	866.7	945.2
FTEs at JSC Georgia Capital and portfolio investments' level	21,439	20,314	21,549
Total greenhouse gas emissions per FTE ¹ (JSC Georgia Capital and portfolio investments' level)	3.58	1.88	1.89

SECR report
This report has been produced in accordance with the UK Government's policy on Streamlined Energy and Carbon Reporting (SECR). As determined by the Greenhouse Gas Protocol, the scope and boundary of the greenhouse gas emissions herein relate to those where we have operational control, i.e. those relating to our corporate offices in both London and Tbilisi.

Greenhouse gas emissions and energy data
The following table reports upon greenhouse gas emissions and energy data for the period January 2020 to December 2021. The prior reporting year has been included for comparative purposes.

	Prior reporting year (2020)	Current reporting year (2021)
Energy consumption (in kilowatt hours, kWh)		
Purchased electricity	25,946	27,852
Gas combustion	–	–
Transport fuel	185,635	199,457
Refrigerants	–	–
Total energy consumption (kWh) ²	211,581	227,309

	Total (2020)	Scope	Total (2021)	Scope
Emissions (per metric tonne of CO₂ equivalent, tCO₂e)				
Purchased electricity	2.5	2	2.6	2
Gas combustion	–	1	–	1
Transport ³	11	3	3	3
Refrigerant emissions	–	2	–	2
Total gross emissions	13.5	–	5.5	–
Intensity Ratio (tCO ₂ e per FTE)	1.68		1.57	

Quantification and reporting methodology
The greenhouse gas emissions and energy data presented above has been collated, calculated and presented using methodology following the Greenhouse Gas Protocol, and uses the 2021 Government Emission Conversion Factors for Company Reporting.

Intensity ratio
The intensity ratio used in the table above displays total gross emissions (tCO₂e) per FTE.

Measures undertaken to improve the energy efficiency
As an investment holding company with around 40 employees in Georgia and a further four in the UK, Georgia Capital has limited direct impact on the environment. However, we realise that the indirect impact through our investment undertakings might be an important consideration for our stakeholders. Over the last periods, Georgia Capital has introduced and implemented energy efficient solutions to further reduce energy consumption by conducting various activities across the Group. To be more environmentally responsible, our portfolio companies continue to implement energy-saving solutions, such as LED lights and other energy-efficient equipment, such as boilers and heating ventilation and air conditioning systems. The real estate business pioneered the introduction of energy efficient construction materials and our clinics business also joined in energy efficiency initiatives with one of the clinics switching to a solar power system – a renewable energy source. To minimise emissions and further contribute to eco-friendly energy consumption, two clinics replaced diesel-powered heating systems with gas heating systems. In our education business, one of our schools successfully introduced solar panels, and gradually other educational infrastructures will follow along. Our beverages business reduced its energy consumption and carbon footprint by the CO₂ recovery plant, alongside with the wastewater treatment plant. In addition, the company also introduced the Green Fridge policy which will help the business in sustaining the environment by reducing the carbon footprint of cooling bottled and canned products.

Details of environmental activities of our portfolio companies are reported in our Sustainability Report at <https://georgiacapital.ge/ir/sustainability-reports>.

1 FTE is stated excluding temporary employees.
2 Scope 1 and Scope 2 consumption data is converted in kWh. For the distance (km) conversion into kWh, we used a conversion factor for an average size car.
3 Transport emissions represent 1) business travel in employee-owned vehicles where the firm is responsible for purchasing the fuel, and 2) business travel in company owned vehicles.

RESOURCES AND RESPONSIBILITIES CONTINUED

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

In 2020, the GCAP Board made a commitment to prepare for financial disclosure of climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD).

During 2021, GCAP appointed independent consultant Quarter Penny Consulting Ltd to assist with the TCFD evaluation. Working with GCAP representatives they have developed a schedule for the phasing of activities described under the TCFD framework.

We consider climate-related risks and opportunities may arise from the perspectives of both the Group and our portfolio of investments. The evaluation of climate-related risks and opportunities, as with other risks, is iterative and evolving and we expect that our future disclosures will develop accordingly. At this time, we have completed a qualitative evaluation of the climate-related risks and opportunities for the Group.

GOVERNANCE

Board oversight

The Board is entrusted with providing oversight of climate-related risks and opportunities, aided by the Audit and Valuation Committee and the Investment Committee members of which also include Board members. These two Committees have the responsibility for assessing and managing climate-related risks and opportunities in relation to GCAP's direct operations and to our portfolio companies, as it affects matters within their remit.

Current, future and emerging risks are included within the standing item, "Discussion of risks", of the Audit and Valuation Committee and Board agendas. Risks, including those relating to climate change, are discussed, and implications for future strategy considered, semi-annually, in line with the annual and semi-annual reports.

The Board will be responsible for the approval of the climate-related metrics and targets that will be established by GCAP during the course of 2022. It will also be responsible for ensuring progress against agreed metrics and targets.

Management oversight

Within the management team, the Chief Financial Officer (CFO) supported by the finance team, is responsible for identifying risks, including climate change risks, in relation to the investment portfolio and including these in the valuation process. The Director of Investments (Dol), supported by the Investment Officers is responsible for identifying specific risks and opportunities at the initial investment stage.

Materiality may be considered in terms of matters that may have a material financial impact on the financial performance of GCAP (revenues, expenditures) and the financial position of the portfolio companies, as well as capital and financing implications (financial materiality). These matters may arise from different types of climate change-related physical and transitional risks.

The CFO and Dol report on monitoring of identified financial and climate-related risks and significant changes through its regular reports to the Management Board. Risks are escalated to the Audit and Valuation Committee.

The Board and management work together to develop and review the GCAP investment strategy and consider, among other aspects, climate-related issues. They are also responsible for setting a wide range of corporate policies and objectives, among them environmental and social policies, and for monitoring performance against objectives and targets.



Understanding climate related risks

In alignment with TCFD guidance for Board and senior management, a workshop was held on the topic of climate-related risks. The objectives of the workshop were to introduce the Board to the approach and methodology of evaluating potential climate-related risks and opportunities; to share the modelling scenarios and plausible outcomes with respect to physical and transitional risks; and to review the potential risks that should be considered further. The workshop was held in November 2021 and led by independent consultant Quarter Penny Consulting Ltd. It was attended by members of the Board, including the Chair of the Audit and Valuation Committee and Senior Independent Director, the Chair of the Investment Committee and the management team. It is noted that the Senior Independent Director was appointed the Republic of Georgia's first Environmental Ombudsman in 2019 and as such has specific knowledge of environmental matters including climate change.

For 2021, we are reporting our greenhouse gas emissions and energy use in line with the Greenhouse Gas Protocol, Scope 1, 2 and limited Scope 3.

During 2022, we will be considering suitable goals and targets that support the resilience of the portfolio with respect to climate change and in line with the Republic of Georgia Nationally Determined Contributions. These goals and targets will be appropriate to, and applied to:

- the Group; and
- the aggregated performance of the portfolio companies.

The finance team will be responsible for reporting upwards, via the management team to the Audit and Valuation Committee, on the progress made against the goals and targets.

STRATEGY

In support of the evaluation of climate-related risks and opportunities that may be present, a review of GCAP's direct operations and a macro-level review of the portfolio companies' operations was completed by the independent consultant Quarter Penny Consulting Ltd during 2021.

The work comprised an initial qualitative assessment of the climate-related impacts associated with the Group and portfolio companies. It is considered that indirect climate-related risks within the portfolio companies will be more significant than those present within the Group's operations. An early-stage scenario analysis was completed as part of the process towards understanding how the climate impacts identified in the qualitative assessment could present as financial risks to GCAP under different plausible future scenarios. The findings and potentially material risk implications of such findings (examples of which are provided below in section "Scenario analysis of plausible futures") will inform future strategy. However, it is noted that the current strategy already incorporates some consideration of climate change aspects (e.g. GCAP's focus upon renewable energy, 4.8% share of the portfolio at 31 December 2021).

Scenario analysis of plausible futures

Network for Greening the Financial System¹ (NGFS) scenarios were chosen for their relevance to the finance sector and to allow for comparability. Climate change scenarios for the Republic of Georgia were explored as follows:

- Current policies/(Business as Usual (BAU)) (policy ambition of >3°C by 2050).
- Delayed transition to net zero (policy ambition of 1.8°C by 2050).
- Orderly transition to net zero (1.5°C by 2050).

GCAP is investing over a three to five year horizon. With this in mind, the scenario outputs were considered by GCAP in the short term (year 2025), medium term (year 2030) and long term (year 2050).

Each NGFS scenario explores a different set of assumptions for how climate policy, emissions and temperatures evolve. The scenario descriptions using the REMIND-MAGPIE 2.1-4.2 model are as follows:

- Current Policies** (or BAU) where the modelled temperature in 2050 exceeds 3°C. This scenario is dominated by physical risks due to the resulting climate and weather pattern changes. Transition risks are muted as regulators and technology are not being driven to change beyond current plans. Georgia would experience a reduction in the overall volume of precipitation across the country, including a reduction in the volume of snowfall. Gradual snowmelt will be replaced by more intense rainfall run-off. This will result in landscape instability and heightened flood risk with the potential for infrastructure to be overwhelmed. In addition, there is an expectation of increasing the frequency of heatwaves.
- Delayed Transition 1.8°C** where the temperature rise is 1.8°C by 2050. Physical risks as described under the current policies scenario are still likely. Delayed transition implies that society remains slow to act but there is a more urgent response in the 2030s. Consequently, transition risks, especially those relating to regulation, occur mid-2030s and are swiftly implemented (not gradual or phased), for example, fuel use and carbon pricing. Technology will continue to evolve because R&D generally occurs over 10-15-year horizons, while consumer preferences and reputation may have more of an influence.
- Net Zero 1.5°C** is consistent with a temperature rise of 1.5°C, reflecting early, planned policy action. Transition risks will dominate this scenario in relation to regulation, technology and products. There is an expectation of rapid obsolescence of fossil fuel technologies and technology advancements that will contribute to the transition. Consumer preferences towards sustainable choices and reputation will drive changes in market demand. While physical risk profiles remain broadly similar up to 2030, they are lower than in other scenarios after this date.



Carbon prices (including taxation measures) are a key policy instrument for incentivising carbon emissions reduction. There is a direct relationship between the ambition (and stringency) of policies and the cost of emissions. The cost of emissions is also sensitive to the timing and implementation of the policies, the distribution of policies across all industrial sectors and the available technology, for example for CO₂ removal.

The carbon price in Georgia is a key variable in determining the future climate-related financial risk for GCAP. The projected carbon price over the short, medium and long term under the three plausible scenarios is shown in Table 1. Under current Policies, there is little change in the carbon price. However, there is a sharp increase in the carbon price occurring in about 2030-2035 under the Delayed Transition 1.8°C scenario. Under the Net Zero 1.5°C scenario, a carbon price in Georgia of US\$ 204/tonne by 2030 is projected.

Table 1: Modelled carbon price for Georgia (US\$/tonne)

NGFS modelled scenario	Projected carbon price			
	Year 2025	Year 2030	Year 2035	Year 2050
Current Policies	3	3	3	4
Delayed Transition 1.8°C	<1	<1	224	497
Net Zero 1.5°C	148	204	272	603

Based on the early-stage scenario modelling and a workshop session involving a range of GCAP stakeholders and Quarter Penny Consulting Ltd, initial tables of potentially material climate-related financial risks and opportunities for each scenario were prepared.

1 www.ngfs.net Network for Greening the Financial System NGFS Climate Scenarios for Central Banks and Supervisors June 2021.

RESOURCES AND RESPONSIBILITIES CONTINUED

An example summary table of the Delayed Transition 1.8°C scenario is presented as Table 2. In this example scenario, the increasing carbon price is likely to be material to each of the portfolio companies either directly or through their supply chains. In addition, potential financial impacts under this scenario may also arise associated with:

- Acute physical events for example, from increased flooding or land instability due to intense rainfall on operations or physical assets.
- Chronic physical changes to climate such as increased average temperatures affecting the condition or habitability of real estate assets, the physical condition of distribution networks, and/or community health.
- Adaptation of operations or assets to mitigate the effect of physical or transition risks. In this example, transition risks and, in particular, opportunities for the Group's investment strategy and portfolio may be driven by the Georgian Nationally Determined Contributions and the Georgian 2030 Climate Change Strategy and Action Plan (CCSAP) Strategy.

It is noted that under the plausible scenarios analysis, there will be little difference in the physical outcomes between Current Policies and Delayed Transition 1.8°C before 2050. But under the Delayed Transition 1.8°C scenario, there is significant potential for variation in near-term policy action which will introduce great uncertainty for businesses. As part of the TCFD programme in 2022 the qualitatively identified risks and opportunities will be further developed and quantified.

A narrative summary of qualitatively identified macro-level risks and opportunities under the Delayed Transition 1.8°C scenario and the potential impact of these risks is provided below. For each portfolio company, examples are given which are considered to have the potential to be material to the portfolio company, if not to the portfolio as a whole. The percentage value of the portfolio company within the portfolio is provided as a broad indicator of likely weighting.

Bank of Georgia 18.8% share of the portfolio at 31 December 2021

- **Risks** – Within the medium term, the rapid implementation of climate policy and regulation may result in sharply increasing direct regulatory expenses in relation to fixed assets such as the Bank's retail outlets.

- **Opportunities** – In the short term, and in mitigation, the Bank is already in the advanced stages of implementing energy efficiency programmes within its real estate (retail, office and data centres). By anticipating compliance with regulations relating to fuel efficiency standards, emissions-reducing regulations and building efficiency compliance, the Bank will minimise costs in relation to regulations. In addition, it will lower the energy expenditure and generate a financial benefit, especially where renewable energy is utilised. Additionally, the Bank is adopting digital technology to enable all forms of digital banking, potentially further reducing the need for fixed assets.

Bank of Georgia Group PLC is in the process of completing its own TCFD assessments, the results of which will be available publicly in Bank of Georgia Group PLC's Annual Report and Accounts 2021.

Healthcare Service 20.2% share of the portfolio at 31 December 2021

- **Risks** – A delayed transition, it is anticipated that in the medium-term carbon prices will remain low. After 2030, carbon prices may rise quickly year on year towards 2050. The implications of this will be financially more severe for carbon-intensive products, services and operations. This will result in increased costs of purchase relating to medical equipment and supplies particularly those originating out-of-country.
- **Opportunities** – In the short to medium term, commitment to a low carbon portfolio (e.g. low carbon hospitals) could have material benefits. A reduction in the portfolio's carbon intensity will mitigate future costs associated with increasing carbon prices.

Retail (pharmacy) 19.6% share of the portfolio at 31 December 2021

- **Risks** – The principal risks arise from physical aspects of climate change and may impact the physical assets (refer also to commercial real estate). Transition risks are considered to mainly relate to carbon pricing and the effect this will have on the supply chain, for example, the purchase of drugs and medicines. As the carbon price rapidly increases post-2030 (medium term) the prices of goods will increase. While this will be felt across the market and will not be unique to the portfolio, given the leading market share, this could result in reputational risk arising from consumer perception.

- **Opportunities** – There is a regulation opportunity for Georgia Healthcare Group in general. Being an early adopter of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce overall running costs in the medium term. Good energy management and the use of renewable energy will not only lower the energy expenditure and generate a financial benefit but will also reduce the carbon footprint of the operations.

Medical Insurance 1.6% share of the portfolio at 31 December 2021

- **Risks** – An increase in medical insurance claims may arise from both acute short-term weather conditions (flooding and in some regions landslides, heatwaves) and long-term chronic changes in weather such as increased average temperatures, impacting health. Failure of infrastructure may cause longer-term ill health from waterborne diseases. There is also a risk that the Government introduces a policy for insurers to maintain policy cover for the “uninsurable”, the costs of which may not be possible to pass on to the insured.
- **Opportunities** – Encouraging customers to prepare to be resilient with respect of climate risks, for example through premium incentives to have healthy lifestyles, may contribute to the business reputation and customer base.

P&C Insurance 5.8% share of the portfolio at 31 December 2021

- **Risks** – Carbon pricing is a fundamental component of the EU's new climate change agenda. Under the Delayed Transition 1.8°C scenario, carbon pricing is expected to rise sharply after 2030 (medium term). This will see a progressive rise in the cost of carbon-intensive products and services, logistics, distribution and any other operations within the supply chain associated with high carbon emissions. This will have implications for the cost of insurance, which may be passed on to the customer.
- **Opportunities** – Opportunities will likely arise from energy efficiency regulation which will force customers to upgrade their homes and vehicles and may require new product offerings.

Water Utility 19.3% share of the portfolio at 31 December 2021

- **Risks** – Acute physical risks may impact the utility assets. For example, in the short to medium term, extreme rain events may overwhelm infrastructure, causing damaged water treatment and sewage treatment plants. Pipelines are also at risk from such events, as the overall integrity is placed under pressure. These will require greater increased maintenance and repair costs. Landslides in more remote locations could cause further damage and may block access in some areas.
- **Opportunities** – In the medium term, decarbonisation of operations will enable the Water Utility operations to limit the cost consequences of carbon pricing and provide an advantage over more carbon-intensive competition.

Renewable Energy 4.8% share of the portfolio at 31 December 2021

- **Risks** – In the short to medium term, the infrastructure and transmission lines are clearly at risk from physical risks such as landslides, or extreme heat impacting the integrity of lines or pipes. However, for each of the HPPs and WPPs, the business has taken steps to improve the resilience of infrastructure to changes in climate.
- **Opportunities** – The renewable energy business generates electricity using renewable sources, and there are a number of policy and Government incentives for solar wind and hydropower generation in Georgia as part of the Georgian 2030 CCSAP. Renewable energy sources are considered to be the future of energy and are valued higher than traditional electricity generation companies.

Education 3.6% share of the portfolio at 31 December 2021

- **Risks** – The potentially material risks relate to transition type risks, in particular energy and air quality regulations, that may be introduced under this scenario at short notice in the medium term. Schools may be expected to retrofit heating and cooling measures/equipment to

meet regulations. In addition, energy requirements may arise in response to air conditioner use during prolonged heatwaves for example. These risks are expected of all real estate and are similar to those reported for the commercial real estate portfolio.

Auto Service

- **Risks** – Currently, vehicles on the market and in use in Georgia are mainly diesel and petrol-fuelled. Initially, in the short term, there will be a gradual switch to electric vehicles. After 2030, there will likely be a significant increase in the use of electric vehicles, abruptly reducing the need for emissions checks. Additionally, the anticipated rise of carbon pricing and adoption of border adjustment mechanisms after 2030 will affect Amboli's supply chain and trade of car consumables and parts. There will likely be an abrupt rise in distribution and retail costs as a result of increases in carbon pricing.
- **Opportunities** – In the short to medium term, it may be that there will be stricter emissions requirements. This may mean that more vehicles will need to be emissions-checked more regularly or be modified, causing demand at PTI centres.

Beverages

- **Risks** – In addition to physical risks (reduced rain, high-intensity events, prolonged heatwaves) affecting hops and grape production, the main identified risk relates to regulatory transition risk. In particular, carbon prices and border taxes such as the EU Carbon Border Adjustment Mechanism will adversely affect the prices of both incoming goods and exported products.

Housing Development, Hospitality and Commercial Real Estate

- **Risks** – Physical risks to property will occur. These include deterioration of asset integrity due to flooding or extreme heat. In the medium term (post-2030) assets that are not energy efficient will be hit by energy efficiency regulation for retrofitting and increased energy costs due to carbon pricing.
- **Opportunities** – Early adoption of fuel efficiency standards, emissions-reducing regulations and building efficiency compliance will reduce longer-term costs relating to regulations including a reduction in potential declines.

As stated previously, GCAP's period of investing is between two to five years, which is within the short-term horizon of the scenarios. Management is taking climate change risk into consideration when determining its investment strategy. We expect further emphasis to be placed upon climate resilience as our understanding of climate-related risks and opportunities matures. Management is also taking into consideration the resilience of its portfolio with respect to climate change risks as part of the portfolio strategy. This is described further in the Risk Management section.

Climate change is also reflected in the valuation assessments of the portfolio companies, as described in the Risk Management section on page 70. Going forward we will be exploring how to further incorporate climate change risk into our portfolio valuations. This may include an assessment of the influence of the projected carbon price under different scenarios, on the valuation of the portfolio. In addition, the use of shadow carbon pricing might be reviewed.

Other identified potential risks and opportunities will be evaluated by the investment and finance teams in discussion with the portfolio companies during the course of 2022 to determine their financial materiality (impact on financial performance including revenues and expenditures, and impact on financial position, assets and liabilities, capital and financing). Ahead of this evaluation exercise with the portfolio companies, it is already anticipated that material transition risks including energy and climate-related regulation and policy and potentially reputation risks will occur within the short to medium time frame.

2 Physical risks and opportunities are those that occur due to the physical manifestation of climate change – as chronic long-term climate changes or as acute episodic weather events.
3 Transition risks and opportunities are those related to the transition to a low carbon economy including legal/regulatory risks such as carbon prices, market supply and demand, reputation and technology (e.g. disrupters, improvements and replacement of technology that support the transition to a low carbon economy).

RESOURCES AND RESPONSIBILITIES CONTINUED

RISK MANAGEMENT

Climate change risk has been recognised by GCAP as an emerging risk. During the course of 2022, we will review its classification as part of our ongoing climate-related work, with particular reference to consideration of financial materiality of the range of physical and transitional risks that have, thus far, been identified qualitatively to be potentially material.

Investment stage

In 2021, the investment risk management process was updated to include consideration of climate-related risks, in line with the implementation of the Responsible Investment Policy. Procedures for identifying, describing and managing environmental and social risks and impacts (including those associated with climate change) have been incorporated into the investment process from the initial investment, through to the holding period.

GCAP has a staged approach to investment appraisal which becomes progressively more detailed. At the early stages of appraisal, the potential investment is screened against the GCAP Exclusion List. This list excludes businesses that generate more than 10% of their revenues from fossil fuels. Subsequent appraisal stages include evaluation of the carbon and energy emissions, as well as business strategy and plan elements in relation to carbon and energy management. These plan elements will consider alignment with the Georgian Government Climate Goals and incorporate the shadow carbon price.

Current portfolio

Climate change, and the risks relating to climate change, is reflected in the valuation assessments of the portfolio companies. Equity investments in Georgia Capital's portfolio companies are measured at fair values at each reporting date in accordance with IFRS 13, Fair Value Measurement. Private large portfolio companies are valued by applying a combination of an income approach (DCF) and a market approach (listed peer multiples and, in some cases, precedent transactions) in line with International Private Equity Valuation (IPEV) guidelines and methodology. 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, which consequently reflects the climate change-related considerations of the business. Market approach valuation methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses and for which the Company can determine a group of listed companies with similar characteristics. GCAP identifies the 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 (including the climate change risk). Valuation assessments of the large portfolio companies are performed by

an independent valuation firm on a semi-annual basis. Climate change risk is factored in the valuation assessments. Climate change risk is also embedded in the valuation of the investment stage and other portfolio companies as set out in the Valuation Methodology on page 103.

Understanding the relationship and potential impact of climate change and its associated risks across different risk categories will be a priority for GCAP risk management during 2022 as climate risk continues to be integrated into the risk management framework.

Evaluating macro-level risks:

For each of the portfolio companies, a macro-level review has been completed within the scenarios and time horizons (short, medium, and long). This has identified potential risks and opportunities within the portfolio companies, the financial materiality of which, or whether they are recognised and managed by the portfolio companies, has not yet been established.

- The determination of the financial materiality of the identified potential risks and opportunities will be progressed during 2022. The process might include among other activities:
- review of the scenarios selection and identified risks and opportunities with the portfolio companies;
 - application of the carbon prices to investee emission profiles to establish the impact; and
 - further discussion with the portfolio companies on how carbon price may be used to influence their strategy and impact on their business plans going forward – including cost of supplied materials, ability to pass through costs, and potential capex among other aspects.

The initial NGFS modelling scenarios will be re-run annually to assess changes, if any, that may occur in response to global or Republic of Georgia commitments and policies towards climate change. It is expected that the scenario analysis will become more quantitative, and the outputs will be further incorporated into the portfolio allocation/ investment strategy.

Monitoring and reporting:

Environment (including climate) and social risks and opportunities are managed through regular engagement with the portfolio companies. In 2021, a reporting protocol was developed for use on a semi-annual basis. Topics cover a range of aspects under the headings of Governance, Policies, Social, Environment, Carbon and Energy Management and Suppliers.

Capacity building:

Where appropriate, GCAP will support portfolio companies in training and upskilling the Investment Managers with respect to climate change terminology, risks and opportunities during 2022 and beyond.



TARGETS AND METRICS

GCAP has collated Scope 1, 2 and limited Scope 3 greenhouse gas emissions over the past few years.

In 2020 we focused on emissions derived from GCAP operations (Scope 1, 2 and limited 3). We reported on the emission sources listed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (Scopes 1 and 2). Additionally, we reported on those emissions under Scope 3 that are under our control and applicable to our business. All sources reported in 2020 fell within our financial statements.

For 2021, in accordance with the Greenhouse Gas Protocol and aligning with TCFD, we have taken the opportunity to present elements of the emissions derived from our portfolio companies (outside our financial statements). These are aggregated under Scope 3 – Investment emissions and are principally the Scope 1 and 2 emissions with limited Scope 3 (business travel and employee commuting) of the portfolio companies. The data set has been re-reported for 2019, 2020 and 2021.

Since the years 2020 and 2021 are atypical with respect to emissions due to the change in ways of working arising from COVID-19 measures, the 2019 data set will form the baseline data set. We note that the Group has also significantly changed its portfolio businesses since 2019, and further we have been working on improving data collection, which we expect to improve in quality each year, with regard to Scope 3 emissions.

GCAP is developing metrics and targets in relation to climate-related risks and opportunities for GCAP HoldCo (operational emissions) and GCAP's aggregated performance (financed emissions) of the portfolio.

During 2021, we reviewed appropriate metrics and targets to be aligned with the Republic of Georgia commitments to climate change.

- Metrics to be adopted are:
- 1) Absolute Portfolio Emissions (Scopes 1, 2 and 3); and
 - 2) the Weighted Average Carbon Intensity (WACI). WACI is useful to aid understanding of the portfolio's dependency on carbon. Depending on its application, it may be used to highlight particular aspects of the portfolio that bear the highest carbon inputs.

This year, like 2020, has been disrupted by COVID-19 and the emissions data is reflective of the modified working conditions. We will be working towards Science Based Targets (in alignment with TCFD guidance) for the Group and with the portfolio companies.



ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) overview

Management assesses the Group’s performance using a variety of measures that are not specifically defined under IFRS and are, therefore, referred to as APMs internally and throughout this document. Management monitors the Group’s performance on a regular basis based on developments in the Income Statement and NAV Statement prepared under the methodologies described below. Management believes that such statements provide an important view on Georgia Capital’s strategy and helpful insights into management’s decision-making. Management dedicates time to ensuring that the Group’s APMs are reported in a consistent and transparent way in accordance with the European Securities and Markets Authority (ESMA) published guidelines.

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

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

The Income Statement presents the Group’s results of operations for the reporting period. As we conduct most of our operations through JSC Georgia Capital, through which we hold our portfolio companies, the IFRS results provide little transparency on the underlying trends. To enable a comprehensive view of the combined operations of Georgia Capital PLC and JSC Georgia Capital (together referred to herein as “GCAP”) as if it were one holding company, we adjust the accounts (“adjusted IFRS 10 Income Statement”). A full reconciliation of the adjusted Income Statement, to the IFRS Income Statement is provided below.

Additionally, for the majority of our portfolio companies the fair value of our equity investment is determined by the application of a market approach (listed peer multiples and precedent transactions) and an income approach (DCF). Under the market approach, listed peer group earnings multiples are applied to the trailing 12-month (LTM) stand-alone IFRS earnings of the relevant business. Under the 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. As such, the stand-alone IFRS results and developments behind IFRS earnings of our portfolio companies are key drivers in their valuations. Following the Group discussion, we therefore also present unaudited IFRS financial statements for each portfolio company and a related brief results discussion.

Our adjusted IFRS 10 Income Statement and the stand-alone IFRS results for our portfolio companies may be viewed as APMs.

Net asset value (NAV) Statement

The Group makes indirect investments in portfolio companies, held through intermediate Georgian holding company, JSC Georgia Capital, which is the principal subsidiary of Georgia Capital PLC. The application of IFRS 10 requires us to fair value the intermediate holding company JSC Georgia Capital. This fair value approach, applied at the intermediate holding company level, effectively obscures the performance of our equity capital investments and associated transactions occurring in the intermediate holding company. The financial effect from the valuation of the underlying portfolio companies are aggregated into a single value. The breakdown of the value of JSC Georgia Capital is presented in Note 12 within the IFRS financial statements. To maintain transparency in our report and aid understanding we present a NAV Statement and respective reconciliation to the IFRS Balance Sheet in Note 5 (Segment information) of the IFRS financial statements. NAV disclosed under the NAV Statement is the same as IFRS equity value as at 31 December 2021. The NAV Statement is simply a “look through” of the IFRS 10 Balance Sheet to present the underlying performance.

The NAV Statement breaks down NAV into its components and provides roll-forward of the related changes between the reporting periods, including a snapshot of the Group’s financial position at the opening and closing dates. The NAV Statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Management closely monitors NAV in connection with capital allocation decisions. The following methodology underlies the presentation of the NAV for period-end dates:

- NAV is calculated at stand-alone GCAP level, which represents the aggregation of the stand-alone assets and liabilities of Georgia Capital PLC and JSC Georgia Capital.
- Holdings in listed and private portfolio companies are carried based on the following methodology:
 - Listed portfolio companies are carried at the period-end market values based on closing share prices on respective stock exchanges.

- Private portfolio companies are carried at fair value based on a valuation technique believed to be most appropriate to that investment as described in the valuation methodology on page 103.
- NAV per share represents total NAV divided by the number of outstanding shares at the end of the period, i.e. the number of issued shares at the end of the period less unawarded shares in GCAP’s management trust.

Management Income Statement

The Income Statement is an aggregation of GCAP’s stand-alone Profit and Loss Statement and fair value change of portfolio companies during the reporting period. The following methodology underlies the preparation of the Income Statement:

- The top part of the Income Statement (GCAP net operating income) represents the aggregation of the two stand-alone holding company accounts, which we call GCAP (i.e. the UK holding company Georgia Capital PLC and the Georgian holding company JSC Georgia Capital), the performance of which reflects the net result of a) dividend income accrual based on distributed or declared annual dividend proceeds from portfolio companies during the reporting period, b) interest income on liquid funds and loans issued, c) interest expenses on debt incurred at GCAP level (which consists of the bonds issued) and d) expenses incurred at GCAP level.
- Fair value change of portfolio companies (total investment return) represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV Statement. A detailed valuation methodology is described on page 103. We view fair value changes of portfolio companies as a metric to measure the total investment return of Georgia Capital’s holdings, which itself reflects value creation for shareholders.
- Following the aggregation of GCAP net operating income and total investment return, we arrive at management income before foreign exchange movements for the period.
- Below the income before foreign exchange movements line, to arrive at management net income, we present GCAP gains or losses from foreign exchange movements and other costs such as non-recurring or transactions costs if there are any in a reportable period.

APM summary

In October 2015, ESMA published guidelines about the use of APMs. These are financial measures such as KPIs that are not defined under IFRS. In the Strategic Review section of the Annual Report on pages 2 to 121, Georgia Capital describes its financial performance under the adjusted IFRS 10 Income Statement and also discloses the stand-alone IFRS results for the portfolio companies, which themselves can be viewed as APMs. A number of other measures are used which are also APMs, since they are derived from the management accounts. The applicable reconciliations to the IFRS equivalent where appropriate, is provided below and should be read alongside the adjusted IFRS 10 Income Statement to IFRS reconciliation. The table below lists all the APMs used within the Annual Report.

- Read more on **financial performance** in the **Strategic Review** on pages **105 to 121**.
- Read more on about the **use of APMs** in the **Discussion of Results** on pages **98 to 102**.

APM	Purpose	Calculation	Reconciliation to IFRS
NAV per share	The measure of per-share value of Georgia Capital.	NAV per share is calculated as NAV divided by the number of outstanding shares at the end of the period, i.e. issued shares at the end of the period less unawarded shares in management trust.	N/A
GCAP net operating income	A measure to reflect performance of the stand-alone GCAP and evaluate cash generating capacity on a holding company level.	GCAP net operating income reflects the net result of: a) dividend income accrual based on paid or declared annual dividend proceeds from portfolio companies to be collected during the year; b) interest income on liquid funds and senior loans issued; c) interest expenses on debt incurred at GCAP level; and d) operating expenses incurred at GCAP level.	The equivalent balance under IFRS and respective reconciliation are shown in the reconciliation of the Income Statement.
Total investment return	A metric to measure the value creation power of Georgia Capital from its investments.	Fair value change of portfolio companies (total investment return) represents fair value changes in the value of portfolio companies during the reporting period, as valued in the period-end NAV Statement.	The equivalent balance under IFRS and respective reconciliation are shown in the reconciliation of the Income Statement.
Net income	A performance metric to measure the value creation power of Georgia Capital during the period.	Aggregation of GCAP net operating income and total investment return less GCAP gains or losses from foreign exchange movements.	The equivalent balance under IFRS and respective reconciliation are shown in the reconciliation of the Income Statement.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

APM	Purpose	Calculation	Reconciliation to IFRS
EBITDA	Management uses EBITDA as a tool to measure the portfolio companies' operational performance and the profitability of those companies' operations. The Company considers EBITDA to be an important indicator of representative recurring operations.	Earnings before interest, taxes, non-recurring items, FX gain/losses, depreciation and amortisation.	N/A
GCAP net debt	A measure of the available cash to invest in the business and an indicator of the financial risk at GCAP level.	Net debt is calculated at GCAP level as follows: cash and liquid funds plus loans issued less gross debt; loans issued does not include investment type mezzanine loans.	N/A
Internal rate of return (IRR)	A metric to evaluate the historical track record of investments.	IRR for investments is calculated based on: a) historical contributions to the investment; less b) dividends received; and c) market value of the investment.	N/A
Multiple of invested capital (MOIC)	A measure to evaluate Georgia Capital's efficiency in allocating capital.	MOIC is calculated as follows: a) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date; and b) the denominator is the gross investment amount.	N/A
Return on invested capital (ROIC)	To evaluate a company's efficiency at allocating the capital under its control to profitable investments.	ROIC is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.	N/A
Return on average total equity (ROAE)	To measure the performance of a company based on its average shareholders' equity outstanding.	ROAE equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders for the same period.	N/A
Value creation/investment return	To measure the annual shareholder return on each portfolio company for Georgia Capital.	Aggregation of: a) change in beginning and ending fair values; b) gains from realised sales (if any); and c) 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.	N/A
GCAP's liquid funds	A measure to evaluate the Company's liquidity.	Includes marketable debt securities and issued loans.	

RECONCILIATION OF ADJUSTED IFRS MEASURES TO IFRS FIGURES

Reconciliation of FY21 adjusted Income Statement to IFRS Incomes Statement

The table below reconciles the adjusted Income Statement to the IFRS Income Statement. Adjustments to reconcile the adjusted Income Statement with the 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 profit in the IFRS Income Statement of Georgia Capital PLC.

GEL thousands, unless otherwise noted	Adjusted IFRS Income Statement	Adjustment	IFRS Income Statement
Dividend income	74,362	(59,881)	14,481
Interest income	23,140	(23,140)	–
Realised/unrealised (loss)/gain on liquid funds	(1,142)	1,142	–
Interest expense	(77,392)	77,392	–
Gross operating income/(loss)	18,968	(18,986)	–
Operating expenses (Administrative expenses, salaries and other employee benefits)	(36,484)	36,484	–
GCAP net operating (loss)/income	(17,516)	17,516	–
Transaction costs	–	(2,937)	(2,937)
Total investment return/ gain on investments at fair value	682,074	7,688	689,762
Administrative expenses, salaries and other employee benefits	–	(8,203)	(8,203)
Income before foreign exchange movements and non-recurring expenses	664,558	28,545	693,103
Transaction costs	(21,995)	21,995	–
Net foreign currency gain/(loss)	39,615	(39,837)	(222)
Non-recurring expenses	(785)	785	–
Net Income	681,393	11,488	692,881

Subtotals in the "adjustment" columns may not add up as they provide a reconciliation to the statements with different structures and subtotals.

Healthcare Services – reconciliation to IFRS 16 (2021)

Unaudited, GEL thousands, unless otherwise noted	Before IFRS 16	IFRS 16 effects	After IFRS 16
Income statement			
Gross profit	166,685	–	166,685
Operating expenses	(71,149)	1,880	(69,269)
EBITDA	95,536	1,880	97,416
Depreciation and amortization	(32,733)	(1,254)	(33,987)
Net interest income (expense)	(22,711)	(781)	(23,492)
Net gains/(losses) from foreign currencies	1,271	637	1,908
Net non-recurring income/(expense)	(6,125)	–	(6,125)
Profit before income tax expense	35,238	482	35,720
Income tax benefit/(expense)	–	–	–
Profit for the year from continuing operations	35,238	482	35,720
Profit from discontinued operations	–	–	–
Profit for the year	35,238	482	35,720
Cash flow statement			
Net cash flow from operating activities	78,379	2,000	80,379
Net cash flow from investing activities	(5,834)	–	(5,834)
Net cash flow from financing activities	(111,994)	(2,000)	(113,994)
Exchange (losses)/gains on cash equivalents	(1,849)	–	(1,849)
Total cash inflow/(outflow) from continuing operations	(41,298)	–	(41,298)
Total cash inflow/(outflow) from discontinued operations	–	–	–
Cash balance			
Cash, beginning balance	93,721	–	93,721
Cash, ending balance	52,423	–	52,423

RECONCILIATION OF ADJUSTED IFRS MEASURES TO IFRS FIGURES CONTINUED

Retail (pharmacy) – reconciliation to IFRS 16 (2021)

Unaudited, GEL thousands, unless otherwise noted	Before IFRS 16	IFRS 16 effects	After IFRS 16
Income statement			
Gross profit	203,068	–	203,068
Operating expenses	(126,874)	26,754	(100,120)
EBITDA	76,194	26,754	102,948
Depreciation and amortisation	(5,241)	(21,667)	(26,908)
Net interest income (expense)	(8,279)	(6,589)	(14,868)
Net gains/(losses) from foreign currencies	7,543	4,504	12,047
Net non-recurring income/(expense)	(411)	–	–
Profit before income tax expense	69,806	3,002	72,808
Income tax benefit/(expense)	(1,936)	–	(1,936)
Profit for the year	67,870	3,002	70,872
Cash flow statement			
Net cash flow from operating activities	80,016	26,754	106,770
Net cash flow from investing activities	(21,741)	–	(21,741)
Net cash flow from financing activities	(39,243)	(26,754)	(65,997)
Exchange (losses)/gains on cash equivalents	(1,272)	–	(1,272)
Total cash inflow/(outflow)	17,760	–	17,760
Cash balance			
Cash, beginning balance	36,856	–	36,856
Cash, ending balance	54,616	–	54,616

VALUATION METHODOLOGY

Equity investments in Georgia Capital's portfolio companies are measured at fair values at each reporting date in accordance with IFRS 13, Fair Value Measurement. Fair value, as defined in IFRS, is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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.

Equity investments in private portfolio companies

Large portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of large private portfolio companies at the reporting date starting from 2020. The independent valuation company possesses excellent reputation, extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods that are weighted to derive fair value range, with income approach being more heavily weighted than market approach. Management selects the most appropriate point in the provided fair value range at the reporting date.

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

Equity investments in private portfolio companies are valued by applying an appropriate valuation method, which makes maximum use of market-based public information, is consistent with valuation methods generally used by market participants and is applied consistently from period to period, unless a change in valuation technique would result in 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 judgements and in making the necessary estimates. Fair value of equity investment is determined using one of the valuation methods described below.

Listed peer group multiples

This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses and for which the Company can determine a group of listed companies with similar characteristics. The earnings multiple used in valuation is determined by reference to listed peer group multiples appropriate for the period of earnings calculation for the investment being valued. The Group identifies the 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-months earnings will be used for the purposes of valuation. Earnings are adjusted where appropriate for exceptional, one-off or otherwise adjustable items.

a. Valuation based on enterprise value

Fair value of equity investments in private companies can be determined as their enterprise value less net financial debt (gross face value of debt less cash) appearing in the most recent financial statements. Enterprise value is obtained by multiplying measures of a company's earnings by the listed peer group multiple (EV/EBITDA) for the appropriate period. The measures of earnings generally used in the calculation is recurring/adjusted EBITDA for the last 12 months (LTM EBITDA). In exceptional cases, where EBITDA is negative, peer EV/Sales (enterprise value to sales) multiple may be applied to last 12-months 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 applicable.
- Valuation based on enterprise value using peer multiples is used for profitable businesses within non-financial industries.

b. Equity fair value valuation

Fair value of equity investment in companies can be determined using the 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 FX gains/losses) for the last 12 months (LTM net income). The resulting fair value of equity is allocated between Georgia Capital and other shareholders of the portfolio company, if any. Fair valuation of equity using peer multiples can be used for businesses within the financial sector (e.g. insurance companies).

Discounted cash flow

Under the discounted cash flow (DCF) valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the business or market sector.

Net asset value

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

VALUATION METHODOLOGY CONTINUED

Price of recent investment

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

Exit price

Fair value of a private portfolio company in a sales process, where the price has been agreed but the transaction has not yet settled, is measured at the best estimate of expected proceeds from the transaction, adjusted pro-rata to the proportion of shareholding sold.

Validation

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

- Listed peer group multiples – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to respective metrics of the investment being valued depending on the industry of the company. The Company develops fair value range based on these techniques and analyses whether the fair value estimated above falls within this range.
- DCF – DCF valuation method is used to determine fair value of equity investment. Under DCF analysis unobservable inputs are used, such as estimates of probable future cash flows and internally-developed discounting rate of return. Based on DCF, the Company might make the upward or downward adjustment to the value of the valuation target as derived from the primary valuation method. If fair value estimated using DCF analysis significantly differs from the fair value estimate derived using the primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.
- In line with our strategy, from time to time, we may receive offers from interested buyers for our private portfolio companies, which would be considered in the overall valuation assessment, where appropriate.

Valuation of equity investments in private portfolio companies

The table below summarises fair valuation of equity investments in our private portfolio companies as at 31 December 2021.

GEL thousands	Valuation performed externally or internally	Valuation method	Multiple applied	Fair value
Large companies	Externally			2,407,264
Healthcare Services	Externally	DCF and EV/EBITDA	10.3x	731,819
Retail (pharmacy)	Externally	DCF and EV/EBITDA	9.3x	710,385
Water Utility	Externally	EXIT PRICE	8.9x	696,960
Insurance	Externally	DCF and P/E	12.0x-15.0x	268,100
Investment stage companies	Internally			303,136
Renewable Energy	Internally	SOTP (EV/EBITDA and replacement cost)	11.1x ¹	173,288
Education	Internally	EV/EBITDA	12.5x	129,848
Other companies	Internally	EV/EBITDA, EV/Sales, NAV, DCF		224,645

1 11.1x is blended multiple for Hydrolea HPPs, Mestiachala HPP and Qartli WPP.

FINANCIAL REVIEW

Financial performance highlights (IFRS)¹

GEL thousands, unless otherwise noted
(Unaudited)

Georgia Capital NAV overview	Dec-21	Dec-20	Change
NAV per share, GEL	63.03	48.12	31.0%
Net Asset Value (NAV) ²	2,883,622	2,212,292	30.3%
Total portfolio value	3,616,231	2,907,688	24.4%
Liquid assets and loans issued	426,531	284,272	50.0%
Net debt	(711,074)	(697,999)	1.9%

Georgia Capital performance	FY21	FY20	Change
Total portfolio value creation	756,436	479,485	57.8%
of which, listed businesses	164,109	(261,524)	NMF
of which, private businesses	592,327	741,009	-20.1%
Investments	18,296	194,665	-90.6%
Buybacks	25,089	6,033	NMF
Dividend income	74,362	29,870	NMF
Net income	681,393	308,512	NMF

Private portfolio companies' performance ¹	FY21	FY20	Change
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Large portfolio companies			
Revenue	1,551,099	1,235,045	25.6%
EBITDA	320,770	218,965	46.5%
Net operating cash flow	297,565	253,025	17.6%

Investment stage portfolio companies			
Revenue	75,027	68,385	9.7%
EBITDA	43,295	40,568	6.7%
Net operating cash flow	43,951	48,191	-8.8%

Total portfolio ³			
Revenue	1,963,708	1,586,816	23.8%
EBITDA	385,154	285,507	34.9%
Net operating cash flow	364,905	372,610	-2.1%

Key points

- Total portfolio value up 24.4% in FY21.
- NAV per share (GEL) up 31.0% and up 39.7% in GBP terms in FY21, reflecting outstanding performance across our portfolio companies and GEL's appreciation against foreign currencies during 2021. The NAV per share growth reflects:
 - GEL 164.1 million value creation in our listed asset, BoG, with a positive 7.4 ppts impact.
 - GEL 592.3 million value creation across our private portfolio companies with a positive 26.8 ppts impact.
- Aggregated revenues and EBITDA up 23.8% and 34.9% y-o-y respectively in FY21.
- Sale of an 80% interest in the water utility business to FCC Aqualia for US\$ 180 million with a 30% premium to its independent investment value at 30 June 2021.
- Sale of US\$ 45.0 million commercial real estate properties with an 11.3% premium to their book value as of 31 March 2021, translating into 2.1x MOIC in US\$ terms.
- Resumption of the share buyback and cancellation programme under which c.824 thousand shares were repurchased and cancelled in FY21.
- GEL 74.4 million dividends collected from the portfolio companies in FY21.
- Market Value Leverage (MVL) down 4.7 ppts to 24.2% in FY21.
 - MVL down to 19.2% when assuming full completion⁴ of the Water Utility sale as of 31 December 2021.

1 Please read more about “Alternative Performance Measures (APMs)” on pages 98-100.” 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 See page 197 for the reconciliation of Net Asset Value (NAV) to IFRS financial statements as at 31 December 2021.

3 The results of our five smaller businesses included in “other” portfolio companies (described on page 121) 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).

4 Assuming cash settlement from the Water Utility sale on 31 December 2021, and US\$ 95.4 million shareholder loan to Renewable Energy for the Eurobond redemption financing.

FINANCIAL REVIEW CONTINUED

Discussion of Group results

The 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 for the full year (31 December 2020 and 31 December 2021). The NAV Statement below breaks down NAV into its components and provides a roll forward of the related changes between the reporting periods.

GEL thousands, unless otherwise noted (Unaudited)	Dec-20	1. Value creation ¹	2a. Investment	2b. Buyback	2c. Dividend	3. Operating expenses	4. Liquidity/ FX/Other	Dec-21	Change %
Listed portfolio companies									
Bank of Georgia (BoG)	531,558	164,109	–	–	(14,481)	–	–	681,186	28.1%
Total listed portfolio value	531,558	164,109	–	–	(14,481)	–	–	681,186	28.1%
Listed portfolio value change %	30.9%	0.0%	0.0%	0.0%	-2.7%	0.0%	0.0%	28.1%	
Private portfolio companies									
Large companies	1,858,237	583,852	–	–	(39,881)	–	5,056	2,407,264	29.5%
Healthcare Services	571,656	171,708	–	–	(11,545)	–	–	731,819	28.0%
Retail (pharmacy)	552,745	169,100	–	–	(11,460)	–	–	710,385	28.5%
Water Utility	471,148	221,179	–	–	–	–	4,633	696,960	47.9%
Insurance (P&C and Medical)	262,688	21,865	–	–	(16,876)	–	423	268,100	2.1%
<i>of which, P&C Insurance</i>	<i>197,806</i>	<i>28,157</i>	–	–	<i>(14,881)</i>	–	<i>423</i>	<i>211,505</i>	<i>6.9%</i>
<i>of which, Medical Insurance</i>	<i>64,882</i>	<i>(6,292)</i>	–	–	<i>(1,995)</i>	–	–	<i>56,595</i>	<i>-12.8%</i>
Investment stage companies	302,964	1,632	17,415	–	(20,000)	–	1,125	303,136	0.1%
Renewable Energy	209,902	(21,463)	3,724	–	(20,000)	–	1,125	173,288	-17.4%
Education	93,062	23,095	13,691	–	–	–	–	129,848	39.5%
Other companies	214,929	6,843	881	–	–	–	1,992	224,645	4.5%
Total private portfolio value	2,376,130	592,327	18,296	–	(59,881)	–	8,173	2,935,045	23.5%
Private portfolio value change %	24.9%	0.8%	0.0%	0.0%	-2.5%	0.0%	0.3%	23.5%	
Total portfolio value (1)	2,907,688	756,436	18,296	–	(74,362)	–	8,173	3,616,231	24.4%
Total portfolio value change %	26.0%	0.6%	0.0%	0.0%	-2.6%	0.0%	0.3%	24.4%	
Net debt (2)	(697,999)	–	(18,296)	(25,089)	74,362	(21,852)	(22,200)	(711,074)	1.9%
<i>of which, Cash and liquid funds</i>	<i>175,289</i>	–	<i>(18,296)</i>	<i>(25,089)</i>	<i>74,362</i>	<i>(21,852)</i>	<i>87,903</i>	<i>272,317</i>	<i>55.4%</i>
<i>of which, Loans issued</i>	<i>108,983</i>	–	–	–	–	–	<i>45,231</i>	<i>154,214</i>	<i>41.5%</i>
<i>of which, Gross debt</i>	<i>(982,271)</i>	–	–	–	–	–	<i>(155,334)</i>	<i>(1,137,605)</i>	<i>15.8%</i>
Net other assets/(liabilities) (3)	2,603	–	–	–	–	(14,633)	(9,505)	(21,535)	NMF
of which, share-based comp.	–	–	–	–	–	(14,633)	14,633	–	0.0%
Net Asset Value (1)+(2)+(3)	2,212,292	756,436	–	(25,089)	–	(36,485)	(23,532)	2,883,622	30.3%
NAV change %	34.2%	0.0%	0.0%	-1.1%	0.0%	-1.6%	-1.1%	30.3%	
Shares outstanding ¹	45,977,247	–	–	(942,744)	–	–	717,859	45,752,362	-0.5%
Net Asset Value per share, GEL	48.12	16.45	(0.00)	0.45	(0.00)	(0.80)	(1.18)	63.03	31.0%
NAV per share, GEL change %	34.2%	0.0%	0.0%	0.9%	0.0%	-1.7%	-2.5%	31.0%	

In FY21, NAV per share (GEL) increased by 31.0%, reflecting a) GEL 164.1 million value creation in our listed asset, BoG, with a positive 7.4 ppts impact, b) GEL 592.3 million value creation across our private portfolio companies with a positive 26.8 ppts impact, c) share buybacks – in line with the ongoing share buyback and cancellation programme (+0.9 ppts impact), and d) GEL appreciation against US Dollar by 5.8%, resulting in a foreign currency gain of GEL 39.6 million on GCAP net debt (+1.8 ppts impact). These positive NAV per share growth contributors were partially offset by a number of items, including management platform related costs (-1.7 ppts impact), net interest expense (-2.5 ppts impact) and one-off fees related to the disposal of an 80% interest in water utility business (-1.0 ppts impact).

The value creation in our private portfolio was the largest contributor to the NAV per share growth in FY21:

- The outstanding performance of our large portfolio companies translated into GEL 583.9 million value creation and 26.4 ppts NAV per share growth, where the water utility, healthcare services, and retail (pharmacy) businesses contributed to the growth by 10.0 ppts, 7.8 ppts and 7.6 ppts, respectively (+25.4 ppts impact in aggregate).
- Value creation in the investment stage and other portfolio companies amounted to GEL 8.5 million in aggregate (+0.4 ppts impact).

Portfolio overview

Our portfolio value increased by 24.4% to GEL 3.62 billion in FY21, reflecting 23.5% and 28.1% growth in the value of our private and listed businesses, respectively. The private portfolio value growth of GEL 558.9 million mainly reflects the net impact of a) GEL 592.3 million value creation, b) investments of GEL 18.3 million predominantly in Education and Renewable Energy, and c) a decrease of GEL 59.9 million due to dividends received from the private portfolio companies at the GCAP level.

1) Value creation

BoG share price during 2021 increased by 36.7%, strongly supporting NAV growth with GEL 164.1 million value creation. The value creation of GEL 592.3 million on the private portfolio mainly reflects a) a GEL 654.7 million operating performance-related increase in the value of our private assets, partly supported by the strength of the Georgian economy throughout the year, and b) valuation of the water utility business at the sale price and revaluation of the minority interest in Retail (pharmacy) with GEL 114.3 million positive impact in aggregate. The value creation was partially offset by the markdown of investment in the 20MW power generating unit of Mestiachala HPP and a GEL 143.8 value decrease due to changes in valuation multiples and foreign currency exchange rates.

The table below summarises value creation drivers in our businesses in FY21:

Portfolio businesses	Operating performance ¹	Greenfields/ buyouts/ exits ²	Multiple change and FX ³	Value creation
GEL thousands, unless otherwise noted (Unaudited)	(1)	(2)	(3)	(1)+(2)+(3)
Listed				164,109
BoG				164,109
Private	654,728	81,374	(143,775)	592,327
Large portfolio companies	606,405	114,323	(136,876)	583,852
Healthcare Services	349,174	–	(177,466)	171,708
Retail (pharmacy)	105,706	40,501	22,893	169,100
Water Utility	167,957	73,822	(20,600)	221,179
Insurance (P&C and Medical)	(16,432)	–	38,297	21,865
<i>of which, P&C Insurance</i>	<i>21,338</i>	–	<i>6,821</i>	<i>28,159</i>
<i>of which, Medical Insurance</i>	<i>(37,770)</i>	–	<i>31,476</i>	<i>(6,294)</i>
Investment stage portfolio companies	28,198	(32,234)	5,668	1,632
Renewable Energy	5,917	(33,249)	5,869	(21,463)
Education	22,281	1,015	(201)	23,095
Other	20,125	(715)	(12,567)	6,843
Total portfolio	654,728	81,374	(143,775)	756,436

Enterprise value (EV) and equity value development of our businesses in FY21 are summarised in the following table:

GEL thousands, unless otherwise noted (Unaudited)	Enterprise value (EV)			Equity value			% Share in total portfolio
	31-Dec-21	31-Dec-20	Change %	31-Dec-21	31-Dec-20	Change %	
Listed portfolio				681,186	531,558	28.1%	18.8%
BoG				681,186	531,558	28.1%	18.8%
Private portfolio	4,628,048	4,333,143	6.8%	2,935,045	2,376,130	23.5%	81.2%
Large portfolio companies	3,332,718	2,846,664	17.1%	2,407,264	1,858,237	29.5%	66.6%
Healthcare Services	1,003,385	836,918	19.9%	731,819	571,656	28.0%	20.2%
Retail (pharmacy)	952,269	835,876	13.9%	710,385	552,745	28.5%	19.6%
Water Utility	1,129,902	930,892	21.4%	696,960	471,148	47.9%	19.3%
Insurance (P&C and Medical)	247,162	242,978	1.7%	268,100	262,688	2.1%	7.4%
<i>of which, P&C Insurance</i>	<i>211,505</i>	<i>197,806</i>	<i>6.9%</i>	<i>211,505</i>	<i>197,806</i>	<i>6.9%</i>	<i>5.8%</i>
<i>of which, Medical Insurance</i>	<i>35,657</i>	<i>45,172</i>	<i>-21.1%</i>	<i>56,595</i>	<i>64,882</i>	<i>-12.8%</i>	<i>1.6%</i>
Investment stage portfolio companies	568,195	608,298	-6.6%	303,136	302,964	0.1%	8.4%
Renewable Energy	428,248	489,269	-12.5%	173,288	209,902	-17.4%	4.8%
Education ⁴	139,947	119,029	17.6%	129,848	93,062	39.5%	3.6%
Other	727,135	878,181	-17.2%	224,645	214,929	4.5%	6.2%
Total portfolio	3,616,231	2,907,688	24.4%	24.4%	100.0%		

Listed businesses (18.8% of total portfolio value)

BoG (18.8% of total portfolio value) – In 2021, BoG delivered an annualised ROAE of 25.8% and strong 13.9% loan book growth y-o-y. The loan book growth was largely driven by continued strong loan origination levels in all segments, but predominantly in the consumer, micro and SME portfolios. Reflecting the strong economic recovery, in 2021, BoG’s share price increased by 36.7% to GBP 16.68 at 31 December 2021. In addition, GEL 14.5 million dividends were collected from the Bank in FY21 and, as a result, the market value of our equity stake in BoG increased by GEL 149.6 million to GEL 681.2 million. On 22 February 2022, the Bank announced its board’s intention to recommend a final dividend for 2021 of GEL 2.33 per ordinary share at the Bank’s 2022 Annual General Meeting. This will make a total dividend paid in respect of the Bank’s 2021 earnings of GEL 3.81 per share. BoG’s public announcement of their FY21 results is available at: <https://www.bankofgeorgiagroup.com/results/earnings>.

1 Please see definition in glossary on page 214.

1 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.
2 Greenfields/buyouts represent 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. Exits represent the difference between the latest reported fair value and the value of the disposed asset (or assets in the process of disposal) assessed at a sale price.
3 Change in the fair value attributable to the change in valuation multiples and the effect of exchange rate movement on net debt.
4 Enterprise value is presented excluding non-operational assets, added to the equity value of the education business at cost.

FINANCIAL REVIEW CONTINUED

Private large portfolio companies (66.6% of total portfolio value)¹

Valuation assessments of our large portfolio companies at year-end were performed by a third-party independent valuation firm, 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. The water utility business was valued at the sale price in line with the terms of the disposal.

Healthcare Services (20.2% of total portfolio value) – The 19.9% y-o-y increase in Healthcare Services EV to GEL 1,003.4 million in FY21 reflects the rebounding trend of regular elective care and outpatient services during 2021, which translated into an 82.9% and 71.8% y-o-y increase in the number of admissions at hospitals and clinics, respectively. This, coupled with the strong performance of the diagnostics business, led to 43.3% y-o-y growth in FY21 revenues. EBITDA (excl. IFRS 16) increased by 54.5% y-o-y in FY21. See page 112 for details. LTM EBITDA (incl. IFRS 16) increased by GEL 33.8 million to GEL 97.4 million in FY21. Net debt (incl. financial lease liabilities) remained largely flat in FY21 (down by GEL 3.2 million to GEL 226.9 million). The business paid GEL 11.5 million dividends in FY21. The result was the 28.0% increase in the equity value of the business to GEL 731.8 million in FY21, up from GEL 571.7 million in FY20, which translates into an implied LTM EV/EBITDA multiple (incl. IFRS 16) of 10.3x at 31 December 2021 (13.2x at 31 December 2020).

Retail (pharmacy) (19.6% of total portfolio value) – Retail (pharmacy) EV increased by GEL 116.4 million to GEL 952.3 million in FY21. Revenues were up by 15.2% y-o-y in FY21, reflecting a launch of new pharmacies and organic sales growth, resulting from an overall improvement in the Georgian macroeconomic environment. EBITDA (excl. IFRS 16) was up 8.3% y-o-y in FY21. See page 114 for details. LTM EBITDA (incl. IFRS 16) was up by GEL 10.5 million y-o-y to GEL 102.9 million in FY21. Net debt (incl. financial lease liabilities) was down by GEL 11.8 million y-o-y to GEL 118.4 million, reflecting an increased cash balance supported by the strong revenue growth of the business and improved collection of receivables during the year. The result was GEL 169.1 million value creation in FY21, which also included a GEL 40.5 million positive impact from the revaluation of the minority interest value following the renegotiated buyout terms (see page 12 for details). The business paid GEL 11.5 million dividends in FY21. Consequently, the equity value of GCAP's 67% holding as of 31 December 2021 increased from GEL 552.7 million in FY20 to GEL 710.4 million in FY21. The implied LTM EV/EBITDA (incl. IFRS 16) valuation multiple was 9.3x (up from 9.1x as of 31 December 2020).

Water Utility (19.3% of total portfolio value) – At year-end, Water Utility was valued at the sale price agreed with Aqualia (see page 8 for details). The consideration of US\$ 180 million for an 80% interest in the Water Utility translates into a US\$ 225 million (GEL 697.0 million) valuation for a 100% stake of the business. The implied LTM EV/EBITDA valuation multiple was 8.9x as at 31 December 2021 (down from 9.4x as at 31 December 2020). The operational performance of the business during the year was robust. Revenue increased by 56.0% y-o-y in FY21, leading to a 2.0x y-o-y increase in EBITDA. See page 116 for details. LTM EBITDA, previously used in Water Utility's multiple-based and DCF valuation, amounted to GEL 128.1 million as at 31 December 2021 (up by GEL 29.4 million y-o-y). Net debt decreased by GEL 26.8 million to GEL 432.9 million and EV was up by GEL 199.0 million to GEL 1,129.9 million, y-o-y in FY21.

Insurance (P&C and Medical) (7.4% of total portfolio value) – The insurance business combines: a) P&C Insurance valued at GEL 211.5 million and b) Medical Insurance valued at GEL 56.6 million.

P&C Insurance – Net premiums earned increased by 19.9% y-o-y to GEL 86.5 million in FY21, mainly reflecting the growth in the motor insurance line on the back of a boost in the retail client portfolio. The expense ratio was down by 5.2 ppts y-o-y to 32.4% in FY21, reflecting revenue growth and the well-controlled operating cost base of the business. The combined ratio stood at 80.8% in FY21, an improvement of 0.7 ppts y-o-y. Consequently, net income was up 7.4% y-o-y to GEL 18.3 million in FY21. See page 117 for details. LTM net income² was up by GEL 0.5 million y-o-y to GEL 17.6 million in FY21. The business paid GEL 14.9 million dividends in FY21. Consequently, the equity value of the P&C insurance business was assessed at GEL 211.5 million at 31 December 2021 (up from GEL 197.8 million at 31 December 2020). The implied LTM P/E valuation multiple was 12.0x at 31 December 2021 (up from 11.6x at 31 December 2020).

Medical Insurance – Net premiums earned increased by 4.2% y-o-y to GEL 72.4 million in FY21, predominantly driven by an increase in the prices of insurance policies. The net claims expenses were also up by 13.1% y-o-y in FY21, in line with the rebounding trend of elective healthcare services during 2021. As a result, the net income of the medical insurance business was down 41.3% y-o-y in FY21. See page 117 for details. LTM net income was down by GEL 2.6 million y-o-y to GEL 3.8 million in FY21. The business paid GEL 2.0 million dividends in FY21, and the equity value of the business was assessed at GEL 56.6 million at 31 December 2021 (down from GEL 64.9 million at 31 December 2020). The implied LTM P/E valuation multiple was 15.0x at 31 December 2021 (up from 10.1x at 31 December 2020).

Private investment stage businesses (8.4% of total portfolio value)

Renewable Energy (4.8% of total portfolio value) – The business is valued internally, based on a sum of the parts (EV/EBITDA and replacement cost). EV was down by 12.5% to GEL 428.2 million in FY21. Revenues and EBITDA were up 3.1% and 3.7% y-o-y in FY21, respectively, reflecting a 16.0% y-o-y increase of the generation levels at the power assets. See page 119 for details. FY21 valuation of the business reflects GEL 34.8 million negative impact from the mark down of investment in the 20MW power generating unit of Mestiachala HPP, which was flooded and taken offline in late July 2019. In line with the outcome of the comprehensive cost and feasibility assessment, the restoration process of the HPP has been suspended indefinitely. 30MW Mestiachala HPP, previously valued at cost, was valued based on LTM EV/EBITDA for the first time at year-end. The pipeline renewable energy projects continued to be measured at an equity investment cost of GEL 43.6 million in aggregate. Net debt decreased by GEL 24.4 million to GEL 255.0 million in FY21. The business paid GEL 20.0 million dividends in FY21 and as a result, the equity value of the business was assessed at GEL 173.3 million in FY21 (down from GEL 209.9 million in FY20).

Education (3.6% of total portfolio value) – The business is valued internally, based on LTM EV/EBITDA. Education EV increased by GEL 20.9 million to GEL 139.9¹ million in FY21. Revenues and EBITDA were up by 20.9% and 21.1% y-o-y in FY21, respectively, reflecting an expansion into the affordable education segment and an increase in average tuition revenue per learner and total enrolments during the year. In 2021, GCAP invested GEL 13.7 million in the education business. See page 120 for details. Revenues in the premium schools are denominated in foreign currency. The currency-adjusted LTM EBITDA was up by GEL 1.7 million to GEL 11.2 million and net debt was down by GEL 5.3 million to GEL 8.4 million, y-o-y in FY21. As a result, the education business was valued at GEL 129.8 million in FY21 (up from GEL 93.0 million in FY20). The valuation multiple remained unchanged at 12.5x in FY21.

Other businesses (6.2% 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 the real estate development (DCF) and hospitality and commercial real estate businesses (NAV). See performance highlights of other businesses on page 121. The portfolio had a combined value of GEL 224.6 million at 31 December 2021, up by 4.5% in FY21. The value creation of GEL 6.8 million reflects the net impact of a) GEL 49.5 million value creation in our beverages and auto service businesses, partially offset by b) GEL 37.1 million aggregated value reduction of the housing development and hospitality and commercial real estate businesses, the latter reflecting decreased revenue streams, associated with the divestment of a significant portion of commercial real estate assets, where proceeds were used to fully repay the outstanding US\$ 30 million bonds in 4Q21.

2) Investments²

In FY21, GCAP invested GEL 18.3 million predominantly in the investment stage businesses, in line with our announced capital allocation programme.

- GEL 3.7 million was allocated to Renewable Energy for the development of pipeline HPPs (Darchi and Zoti) and wind farm projects.
- GEL 13.7 million was allocated to the education business for the capacity expansion of the existing campus of Buckswood (mid-scale segment, GEL 4.0 million), the acquisition of the land and building of a new campus location, and capacity expansion of the existing campus of Green School (affordable segment, GEL 5.8 million), and the acquisition of an 81%³ equity interest in Georgian-Austrian School Pesvebi (GEL 3.9 million).

3) Buybacks

During 2021, 942,744 shares were bought back for a total consideration of GEL 25.1 million. 823,582 shares were repurchased under the ongoing share buyback and cancellation programme and 119,162 shares for the management trust. The total value of shares repurchased through the buyback and cancellation programme amounted to GEL 21.8 million (US\$ 7.0 million) in FY21.

4) Dividends⁴

In FY21, Georgia Capital collected GEL 74.4 million dividends, of which GEL 14.5 million was received from BoG, GEL 11.5 million from Healthcare Services, GEL 11.5 million from Retail (pharmacy), GEL 14.9 million from P&C Insurance, GEL 2.0 million from Medical Insurance, and GEL 20.0 million from Renewable Energy.

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. Gross debt was up 15.8% to GEL 1,137.6 million in FY21. The tap issuance also translated into improved liquidity, which coupled with robust dividend income, led to an increase in total cash and liquid funds balance up 50.0% to GEL 426.5 million at 31 December 2021. Overall, the net debt remained largely flat in FY21 (up 1.9% from 31 December 2020) and was impacted by a) investments of GEL 18.3 million, b) share buybacks of GEL 25.1 million, c) GCAP cash operating expenses of GEL 21.9 million, and d) net interest expense and fair value losses on liquid funds, in aggregate, of GEL 55.4 million. The impact was largely offset by GEL 74.4 million dividends received from the portfolio companies and foreign exchange gain of GEL 39.6 million in FY21.

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

GEL thousands, unless otherwise noted (Unaudited)	31-Dec-21	31-Dec-20	Change
Cash at banks	132,580	160,536	-17.4%
Internationally listed debt securities	137,215	14,098	NMF
Locally listed debt securities	2,522	655	NMF
Loans issued	154,214	108,983	41.5%
Total cash and liquid funds (a)	426,531	284,272	50.0%
Gross debt (b)	(1,137,605)	(982,271)	15.8%
Net debt (a)+(b)	(711,074)	(697,999)	1.9%

1 Please read more about valuation methodology on pages 103-104.
2 Adjusted for non-recurring items.

1 Excluding non-operational assets, added to the equity value of the education business at cost.
2 Investments are made at JSC Georgia Capital level, the Georgian holding company.
3 Georgia Capital has a call option on the 9% equity stake during the 12 months starting from August 2022.
4 Dividends are received at JSC Georgia Capital level, the Georgian holding company.

FINANCIAL REVIEW CONTINUED

Income Statement (Adjusted IFRS/APM)

Net income under IFRS was GEL 692.9 million in FY21. 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 31 December 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 pages 98-100 of this report. A full reconciliation of the adjusted Income Statement to the IFRS Income Statement is provided on pages 101-102.

GEL thousands, unless otherwise noted (Unaudited)	FY21	FY20	Change
Dividend income	74,362	29,870	NMF
Interest income	23,140	20,957	10.4%
Realised/unrealised (loss)/gain on liquid funds	(1,142)	(2,984)	-61.7%
Interest expense	(77,392)	(62,478)	23.9%
Gross operating income/(loss)	18,968	(14,635)	NMF
Operating expenses	(36,484)	(32,136)	13.5%
GCAP net operating income/(loss)	(17,516)	(46,771)	-62.5%
Fair value changes of portfolio companies			
Listed portfolio companies	149,628	(261,524)	NMF
of which, Georgia Healthcare Group PLC	–	(195,347)	NMF
of which, Bank of Georgia Group PLC	149,628	(66,177)	NMF
Private portfolio companies	532,446	711,139	-25.1%
Large portfolio companies	543,971	834,602	-34.8%
of which, Healthcare Services	160,163	393,797	-59.3%
of which, Retail (pharmacy)	157,640	374,322	-57.9%
of which, Water Utility	221,179	(14,567)	NMF
of which, Insurance (P&C and Medical)	4,989	81,050	-93.8%
Investment stage portfolio companies	(18,368)	93,803	NMF
of which, Renewable Energy	(41,463)	57,242	NMF
of which, Education	23,095	36,561	-36.8%
Other businesses	6,843	(217,266)	NMF
Total investment return	682,074	449,615	51.7%
Income before foreign exchange movements and non-recurring expenses			
Transaction costs	(21,995)	–	NMF
Net foreign currency gain/(loss)	39,615	(90,943)	NMF
Non-recurring expenses	(785)	(3,389)	-76.8%
Net income	681,393	308,512	NMF

GCAP's results reflect its gross operating income (loss) and its operating expenses and show GEL 17.5 million in net operating loss in FY21 compared to the GEL 46.8 million loss recorded in FY20. The gross operating income was up by GEL 33.6 million y-o-y to GEL 19.0 million in FY21. The improvement was mainly driven by increased dividend inflows from the portfolio companies. The dividend income by business is presented in the table below.

Dividends received by portfolio company

GEL '000, unless otherwise noted	FY21	FY20	Change
Bank of Georgia	14,481	–	NMF
Healthcare Services	11,545	–	NMF
Retail (pharmacy)	11,460	–	NMF
Water Utility	–	15,000	NMF
P&C Insurance	14,881	9,943	49.7%
Medical Insurance	1,995	–	NMF
Renewable Energy	20,000	4,927	NMF
Total dividend income	74,362	29,870	149.0%

The increase in net interest expense to GEL 54.3 million in FY21 at the GCAP level (GEL 41.5 million in FY20) partially offset the increased dividend inflows. The Eurobond tap issuance of US\$ 65 million on 16 March 2021 led to an increase in interest expense, up 23.9% y-o-y in FY21, which was not offset by the increase in interest income. GCAP earned an average yield of 5.4% on the average balance of liquid assets and issued loans of GEL 384.1 million in FY21 (6.7% on GEL 277.3 million in FY20).

The components of GCAP's operating expenses are shown in the table below.

GCAP operating expenses components

GEL thousands, unless otherwise noted (unaudited)	FY21	FY20	Change
Administrative expenses ¹	(11,380)	(10,477)	8.6%
Management expenses – cash-based ²	(10,471)	(8,978)	16.6%
Management expenses – share-based ³	(14,633)	(12,681)	15.4%
Total operating expenses	(36,484)	(32,136)	13.5%
of which, fund type expense ⁴	(12,541)	(11,030)	13.7%
of which, management fee ⁵	(23,943)	(21,106)	13.4%

GCAP management fee expenses have a self-targeted cap of 2% of Georgia Capital's market capitalisation. The LTM management fee expense ratio was 1.7% at 31 December 2021 (1.8%⁶ as of 31 December 2020). The total LTM operating expense ratio (which includes fund type expenses) was 2.6% at 31 December 2021 (2.8%⁶ at 31 December 2020).

Total investment return represents the increase (decrease) in the fair value of our portfolio. Total investment return was GEL 682.1 million in FY21, 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 107-109. The performance of each of our private, large and investment stage portfolio companies is discussed on pages 112-121.

The Group's net income (adjusted IFRS) also reflects the impact of GEL appreciation against US Dollar on GCAP's net foreign currency liability balance amounting to c.US\$ 252 million (GEL 781 million) at 31 December 2021. Net foreign currency gain was GEL 39.6 million in FY21. As a result of the movements described above, GCAP's adjusted IFRS net income was GEL 681.4 million in FY21.

Discussion of the statement of cash flows

2021 IFRS statement of cash flows is prepared at Georgia Capital PLC level and does not include JSC Georgia Capital's cash flows, since JSC Georgia Capital is measured at fair value under IFRS 10. Net cash flow used in operating activities was GEL 7.6 million in 2021 (GEL 7.1 million in 2020), reflecting salaries, general and administrative expenses incurred at the Georgia Capital PLC level. Net cash flow from investing activities was GEL 36.2 million in 2021 (GEL 21.2 million in 2020), reflecting dividend receipt and capital redemption to Georgia Capital PLC from JSC Georgia Capital during 2021. Net cash flow used in financing activities was GEL 22.1 million in 2021 (GEL 14.5 million in 2020), mainly reflecting the purchases of treasury shares. The IFRS statement of cash flows is included on page 181 of this report.

1 Includes expenses such as external audit fees, legal counsel, corporate secretary and other similar administrative costs.
2 Cash-based management expenses are cash salary and cash bonuses paid/accrued for staff and management compensation.
3 Share-based management expenses are share salary and share bonus expenses of management and staff.
4 Fund type expenses include expenses such as audit and valuation fees, fees for legal advisors, Board compensation and corporate secretary costs.
5 Management fee is the sum of cash-based and share-based operating expenses (excluding fund-type costs).
6 FY21 and FY20 ratios are calculated based on period-end market capitalisation due to significant price fluctuations during the respective periods in light of COVID-19.

FINANCIAL REVIEW CONTINUED

Discussion of portfolio companies’ results (stand-alone IFRS)

The following sections present the IFRS results and business development extracted from the individual portfolio company’s IFRS accounts for large and investment stage entities, where 2021 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 12 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 pages 98-104 for more background.

Large portfolio companies

Discussion of healthcare services business results

The healthcare services business, where GCAP owns 100% equity interests through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country’s total hospital bed capacity as of 31 December 2021. The 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”.

Key points/valuation drivers

- Revenues up 43.3% y-o-y in FY21, reflecting rebounding demand for regular elective care and outpatient services.
- Strong revenue trend combined with a well-controlled direct cost base translated into the gross profit growth, up 48.9% y-o-y in FY21.
- EBITDA margin (excl. IFRS 16) up 1.7 ppts y-o-y in FY21, reflecting a base effect of a state income tax subsidy for low salary range employees and one-off gains recorded in other operating income in 2020.
- Excluding the impact of state income tax subsidy and other operating income, EBITDA margin (excl. IFRS 16) was up by 6.3 ppts y-o-y in FY21.
- Operating cash down 3.2% y-o-y in FY21, reflecting increased working capital investments in 2021 due to the robust revenue growth of the business.
- Net debt was down 2.2% in FY21 to GEL 206.5 million as of 31 December 2021, reflecting strong cash flow generation of the business.
- As announced in October 2021, GHG signed a contract to gradually acquire 33% interest in its retail (pharmacy) business. The goodwill arising on the acquisition comprises GEL 50.4 million; however, since IFRS does not allow recognition of goodwill on minority acquisitions, the transaction resulted in a respective decrease of equity (as instructed per IFRS).
- GEL 11.5 million dividends¹ paid to GCAP in FY21.

FY21 performance (GEL thousands), Healthcare Services^{2,3} (Unaudited)

Income statement highlights	FY21	FY20	Change
Revenue, net⁴	406,230	283,447	43.3%
Gross profit	166,685	111,919	48.9%
<i>Gross profit margin</i>	<i>40.6%</i>	<i>39.2%</i>	<i>1.4ppts</i>
Operating expenses (excl. IFRS 16)	(71,149)	(50,093)	42.0%
EBITDA (excl. IFRS 16)	95,536	61,826	54.5%
<i>EBITDA margin (excl. IFRS 16)</i>	<i>23.3%</i>	<i>21.6%</i>	<i>1.7ppts</i>
Net profit/(loss) (excl. IFRS 16)	35,238	(11,210)	NMF
Cash flow highlights	FY21	FY20	Change
Cash flow from operating activities (excl. IFRS 16)	78,379	80,955	-3.2%
<i>EBITDA to cash conversion (excl. IFRS 16)</i>	<i>82.0%</i>	<i>130.9%</i>	<i>-48.9ppts</i>
Cash flow from/used in investing activities⁵	(38,347)	3,447	NMF
Dividends and intersegment loans issued/received	32,513	13,309	NMF
Free cash flow (excl. IFRS 16) ⁶	36,331	83,228	-56.3%
Cash flow from financing activities (excl. IFRS 16)	(111,994)	(15,169)	NMF
Balance sheet highlights	31-Dec-21	31-Dec-20	Change
Total assets	847,671	899,391	-5.8%
<i>of which, cash balance and bank deposits</i>	<i>52,423</i>	<i>93,721</i>	<i>-44.1%</i>
<i>of which, securities and loans issued</i>	<i>4,241</i>	<i>7,133</i>	<i>-40.5%</i>
Total liabilities	483,348	510,079	-5.2%
<i>of which, borrowings</i>	<i>263,161</i>	<i>312,036</i>	<i>-15.7%</i>
Total equity	364,323	389,312	-6.4%

1 In 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

2 The detailed IFRS financial statements are included in a supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>. See reconciliation to IFRS 16 on page 101.

3 All numbers in income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020.

4 Net revenue – gross revenue less corrections and rebates. Margins are calculated from gross revenue.

5 Of which – capex of GEL 33.4 million in FY21 (GEL 24.6 million in FY20); acquisition of subsidiaries/payment of holdback of GEL 12.1 million in FY21 (GEL 5.9 million in FY20); net proceeds from sale of an associate of GEL 3.4 million in FY21 (net proceeds from sale of subsidiary of GEL 32.8 million in FY20 (HTMC hospital – sold in August 2020)).

6 Operating cash flows less capex, less acquisition of subsidiaries/payment of holdback, plus net proceeds on sale of subsidiaries/associates.

Income statement highlights

The healthcare services business continues to be actively engaged in supporting the COVID-19 pandemic response in Georgia. Seven of our hospitals and 12 of our clinics continue receiving COVID patients, with a total aggregate number of c.1,100 beds across the country. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients. A growing number of admissions for regular elective care and outpatient services, along with COVID-19 treatments, contributed to robust revenue growth in FY21, outpacing even 2019 numbers.

- At our hospitals, the occupancy rate was up by 12.2 ppts y-o-y to 65.3% in FY21. Increased demand for elective and outpatient services also increased the number of admissions (including outpatient and COVID patients’ admissions) to hospitals by 82.9% y-o-y in FY21. These trends translated into hospitals y-o-y net revenue growth of 38.3% for the year. Revenue was up 29.1% in FY21 compared to FY19.
- At our clinics, similarly, the number of admissions was up by 71.8% y-o-y in FY21. The number of registered patients in Tbilisi increased by c.35,000 y-o-y to c.257,000 and by c.71,000 y-o-y to c.589,000 in FY21 across the country. This translated into clinics’ y-o-y net revenue growth of 52.2% in FY21. Clinics also significantly outperformed against 2019 performance, with revenues being up 59.9% in FY21 compared to FY19.
- The diagnostics segment, which, apart from regular diagnostics services, is also engaged in COVID-19 testing, increased its revenue by 109.6% y-o-y in FY21, reaching GEL 30.4 million. Approximately half of diagnostics revenue relates to COVID-19 testing and another half to regular lab tests. Revenue from COVID-19 testing was up 2.4x y-o-y in FY21, while the revenue from the regular lab tests was up by 79.9% y-o-y in FY21.

The developments described above translated into the strong 43.3% y-o-y net revenue growth in FY21 (also up 39.7% in FY21 compared to FY19).

- 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 rates¹. In FY21:
- The materials rate increased by 1.6 ppts y-o-y, reflecting increased consumption and prices of medical disposables and personal protective equipment at healthcare facilities due to the COVID-19 driven supply shortage. However, after implementing the new initiatives the materials direct rate started to stabilise in 4Q21.
 - The direct salary rate, on the other hand, showed a positive trend, declining by 3.1 ppts at hospitals and 1.8 ppts at clinics. The direct salary rate reflects COVID-19-related bonuses granted to our medical personnel as well as the expiration of a six-months state income tax subsidy, the latter effective from May 2020 till June 2021.
 - The cost of utilities was up 48.3%, resulting from increased tariffs on water, gas and electricity, effective since January 2021.

The result was the 40.6% gross margin in FY21, up 1.4 ppts y-o-y. Adjusted for the impact of state income tax subsidy, the gross profit margin was up by 3.5 ppts y-o-y in FY21.

Overall, the strong revenue trend combined with a well-controlled operating cost base for the year translated into positive operating leverage of 6.9 ppts in FY21 (adjusted to exclude other operating income, operating leverage stood at 24.4 ppts in FY21). This led to the 54.5% y-o-y growth in FY21 EBITDA (excl. IFRS 16) and the 1.7 ppts increase in EBITDA margin (excl. IFRS 16). Adjusted for the state subsidy impact and excluding other operating income, EBITDA margin (excl. IFRS 16) was up by 6.3 ppts y-o-y in FY21. In FY21 the EBITDA margin (excl. IFRS 16) at hospitals was 23.0% (up 1.2 ppts y-o-y), at clinics 19.9% (down 0.2 ppts y-o-y) and at diagnostics 23.8% (up 11.5 ppts y-o-y).

To curb the inflation pressure, the National Bank of Georgia continued tightening the monetary policy, with the refinancing rate being up 2.0 ppts in the last 12 months. Despite this, the full-year net interest expense was down 17.1% y-o-y, to GEL 22.7 million, reflecting the low level of net debt position of the business throughout the year.

Cash flow highlights

The first half of 2021 was relatively slow in terms of operating cash flow. It was affected by increased working capital needs due to the significant revenue growth posted by the business, as well as by the collection of receivables from the state due to the delay in the processing of bills during the preceding period, led by the high number of COVID cases in the country. In the second half, the business demonstrated a full turnaround in terms of cash flow generation. The result was the 3.2% decline in operating cash flow (excl. IFRS 16) in FY21. The cash conversion rate stood at 82.0%. Total capex amounted to GEL 33.4 million in 2021. The business paid GEL 11.5 million dividends in FY21 to GCAP.

1 The respective costs divided by gross revenues.

FINANCIAL REVIEW CONTINUED

Discussion of retail (pharmacy) business results

The retail (pharmacy) business, where GCAP owns 67% equity interests 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 349 pharmacies, of which 344 are in Georgia, and five are in Armenia.

Key points/valuation drivers

- Strong y-o-y growth in FY21 revenues (up 15.2%) and EBITDA (excl. IFRS 16) (up 8.3%), reflecting overall improvement in economic activity and continuing expansion of the pharmacy chain.
- Robust gross profit margin of 26.0% for the year, resulting from new high-margin contracts in the wholesale business.
- EBITDA margin at 9.7% in 2021, exceeding the targeted 9%+.
- Rebounding trend in cash flow from operating activities, in line with the enhanced revenue streams – up 21.1% y-o-y in FY21, with 105.0% EBITDA to cash conversion ratio.
- The business paid GEL 11.5 million dividends¹ to GCAP in FY21.

Added 36 pharmacies over the last 12 months, expanding from 313 to 349 stores.

FY21 performance (GEL thousands), Retail (pharmacy)²
(Unaudited)

Income statement highlights	FY21	FY20	Change
Revenue, net	782,409	679,437	15.2%
<i>of which, retail</i>	583,465	494,728	17.9%
<i>of which, wholesale</i>	198,944	184,709	7.7%
Gross profit	203,068	172,312	17.8%
Gross profit margin	26.0%	25.4%	0.6ppts
Operating expenses (excl. IFRS 16)	(126,874)	(101,925)	24.5%
EBITDA (excl. IFRS 16)	76,194	70,387	8.3%
EBITDA margin, (excl. IFRS 16)	9.7%	10.4%	-0.7ppts
Net profit (excl. IFRS 16)	67,870	32,531	108.6%
Cash flow highlights	FY21	FY20	Change
Cash flow from operating activities (excl. IFRS 16)	80,016	66,074	21.1%
EBITDA to cash conversion	105.0%	93.9%	11.1ppts
Cash flow used in investing activities ³	(21,741)	(1,963)	NMF
Free cash flow, (excl. IFRS 16) ⁴	63,470	60,759	4.5%
Cash flow from financing activities (excl. IFRS 16)	(39,243)	(37,090)	5.8%
Balance sheet highlights	31-Dec-21	31-Dec-20	Change
Total assets	522,814	464,644	12.5%
<i>of which, cash and bank deposits</i>	54,616	36,856	48.2%
<i>of which, securities and loans issued</i>	20,922	12,471	67.8%
Total liabilities	375,745	361,048	4.1%
<i>of which, borrowings</i>	89,844	88,608	1.4%
<i>of which, lease liabilities</i>	104,613	85,919	21.8%
Total equity	147,069	103,596	42.0%

Income statement highlights

The retail (pharmacy) business delivered 15.2% y-o-y revenue growth in FY21, reflecting expansion (adding 36 pharmacies over 12 months), organic sales growth (same-store revenue up 10.6% in FY21) as well as increased revenue from wholesale during the year. The retail revenue share in total revenue was 74.6% in FY21 (72.8% in FY20). The revenue from para-pharmacy as a percentage of retail revenue from the pharmacy was 35.3% in FY21 (34.7% in FY20).

Retail (pharmacy)'s key operating performance highlights for FY21 are noted below:

Unaudited	FY21	FY20	Change
Same store revenue growth	10.6%	6.1%	4.5ppts
Number of bills issued (mln)	29.0	27.6	5.3%
Average bill size (GEL)	18.9	16.8	12.2%

The 0.6 ppts increase in gross profit margin in FY21 reflects the strong economic recovery since 2Q21.

The business posted negative operating leverage (excl. IFRS 16) of 6.7 ppts in FY21, mainly reflecting 1) increased rent expense of pharmacies due to exchange rate developments (about 85% of rental contracts are denominated in US\$) as well as the expiration of six to 12-month discounts obtained from lessors for pharmacy leases at the initial stage of the pandemic; and 2) high marketing costs in 2021 associated to new projects and store openings. Along with increased salary expense mainly associated with the cancellation of the state tax subsidy, effective during May 2020 – June 2021, this translated into a y-o-y increase in the operating expenses (excl. IFRS 16) of 24.5% in FY21. The result was the 8.3% y-o-y increase in EBITDA (excl. IFRS 16) and the 0.7 ppts decline in EBITDA margin for the year.

The robust increase in net profit was also affected by interest expense, which was down 22.1% in FY21 (excl. IFRS 16) due to the 63.6% decrease in net debt position y-o-y as of 31 December 2021. The business also posted a GEL 7.5 million foreign currency gain in FY21 compared to GEL 13.2 million loss posted in the same period last year.

Due to the expansion of local business as well as opening new pharmacies internationally (currently in Armenia), the business is upgrading its core IT system which enables the company to implement a more efficient operating system for the warehouse, decrease the major operational risks and improve the day-to-day inventory management process. The implementation process will last approximately a year and a half, ending in June 2023, with the total estimated cost at around US\$ 3.2 million.

Cash flow and balance sheet highlights

Operating cash flow was up 21.1% y-o-y in FY21, led by increased retail revenues and increased collection of accounts receivables' balances, while the cash conversion rate stood at 105.0%. 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. The business paid GEL 11.5 million dividends to GCAP in FY21.

1 In 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

2 The detailed IFRS financial statements are included in a supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>. See reconciliation to IFRS 16 on page 102.

3 Of which – capex of GEL 14.3 million in FY21 (GEL 5.3 million in FY20); acquisition of subsidiaries/payment of holdback of GEL 2.3 million in 2021 (GEL 0 million in 2020).

4 Calculated by deducting capex and acquisition of subsidiaries/payment of holdback from operating cash flows.

FINANCIAL REVIEW CONTINUED

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 149MW. As of 31 December 2021 GCAP owned 100% of the business. In line with the disposal discussed on page 8, GCAP now holds a 20% economic interest in Water Utility through its 35% stake in JSC Georgia Global Utilities (GGU), the holding company of GCAP's water utility business and operational renewable energy assets.

Key points/valuation drivers

- EBITDA up 2.0x y-o-y in FY21, reflecting increased revenues from both water and electricity sales.
- FY21 water sales up by 47.1% y-o-y to GEL 183.3 million, led by revised tariffs and increased demand from legal entities.
- Significant increase in revenue from electricity sales, up 3.4x y-o-y in FY21, supported by more favourable hydrological conditions and higher water levels in Zhinvali HPP reservoir, compared to last year.
- FY21 cash flow from operating activities up by 71.3% y-o-y to GEL 95.6 million, in line with increased revenue streams from both water and electricity sales.

FY21 performance (GEL thousands), Water Utility¹ (Unaudited)

Income statement highlights	FY21	FY20	Change
Revenue	203,590	130,548	56.0%
Water supply	183,333	124,651	47.1%
Energy	20,257	5,897	NMF
Operating expenses	(69,946)	(61,733)	13.3%
EBITDA	128,102	62,546	104.8%
EBITDA margin	62.9%	47.9%	15.0ppts
Net (loss)/profit	34,032	(61,082)	NMF
Cash flow highlights	FY21	FY20	Change
Cash flow from operating activities	95,607	55,822	71.3%
Cash flow used in investing activities	(56,525)	(51,701)	9.3%
Free cash flow	39,082	4,120	NMF
Cash flow from financing activities	(33,431)	21,861	NMF
Balance sheet highlights	31-Dec-21	31-Dec-20	Change
Total assets	717,194	653,201	9.8%
of which, cash balance	59,894	55,577	7.8%
Total liabilities	600,352	574,179	4.6%
of which, long-term borrowings	510,119	498,555	2.3%
Total equity	116,842	79,022	47.9%

Income statement highlights

The business delivered a strong performance in FY21. Revenues increased by 56.0% y-o-y in FY21, reflecting a) an increased water sales revenues on the back of the tariff revision by the regulator for the 2021-2023 regulatory period, as well as the improved economic activities leading to higher water consumption and b) increased electricity sales, supported by improved water inflows at Zhinvali HPP reservoir due to better hydrological conditions compared to last year.

FY21 revenue from water sales was up by 47.1% y-o-y. 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 three-year regulatory period (2018-2020). The tariff increase translates into an annual growth of 36.3%² in allowed water revenue for the entire water utility business over the 2021-2023 period. Higher y-o-y water sales revenue in FY21 was further driven by increased demand from legal entities on the back of improved economic activities. FY21 water sales volumes to commercial customers were 27.8 million cubic meters, up by 5.9% y-o-y, approaching the pre-pandemic consumption levels.

FY21 revenue from electricity sales increased significantly, up by 3.4x y-o-y. The increase continued to be driven by improved water inflows and generation levels at Zhinvali HPP reservoir. Water utility business produced 332.4GWh of electricity in FY21, up by 45.4% y-o-y, which coupled with slightly higher y-o-y levels of self-produced electricity consumption of 185.2GWh, led to 2.8x growth in electricity sales volumes of 147.3GWh. Average selling prices of the electricity during FY21 amounted to 0.122 GEL/KWh, down by 6.2% y-o-y.

Operating expenses in FY21 were up by 13.3% y-o-y, mainly reflecting higher electricity and transmission costs, which were factored into the revised water tariff set by the regulator. As a result of the developments described above, EBITDA for FY21 more than doubled y-o-y to GEL 128.1 million.

Net interest expense was up by 5.7% y-o-y in FY21, and foreign exchange gain amounted to GEL 25.6 million, the latter reflecting local currency appreciation against foreign currencies. As a result, FY21 net profit amounted to GEL 34.0 million.

1 The detailed IFRS financial statements are included in a supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.
2 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.

Cash flow highlights

FY21 operating cash flow increased to GEL 95.6 million, up by 71.3% y-o-y. The improvement in operating cash flow was in line with the enhanced revenue streams from water and electricity sales. FY21 development capex remained broadly stable y-o-y at GEL 61.7 million. FY21 cash outflow from financing activities amounted to GEL 33.4 million, reflecting annual scheduled coupon payments of the US\$ 250 million green bonds. As a result of strong cash generation in FY21, cash balance stood at GEL 59.9 million as of 31 December 2021.

Discussion of insurance (P&C and medical) business results

The insurance business comprises a) a Property and Casualty (P&C) insurance business, owned through Aldagi and b) a medical insurance business, owned through GHG. The P&C insurance business is a leading player in the local insurance market with a 28.6% market share (up by 0.4 ppts y-o-y) in property and casualty insurance based on gross premiums as of 30 September 2021. P&C Insurance 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 23.0% market share based on 9M21 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. GCAP owns a 100% equity stake in both insurance businesses.

Total insurance business highlights

P&C insurance and Medical Insurance have a broadly equal share in total revenues, while P&C Insurance had an 83% share in total net profit in FY21. The increase in the loss ratio by 4.3 ppts y-o-y in FY21, was partially offset by the 1.9 ppts y-o-y reduction in the expense ratio during the year. Consequently, the combined ratio was up by 2.4 ppts y-o-y in FY21. Net profit was down by 5.9% y-o-y to GEL 22.0 million in FY21. As a result, ROAE was 20.8% in FY21 (23.8% in FY20). The insurance business provided GEL 16.9 million dividends to GCAP in FY21.

FY21 performance (GEL thousands), Insurance (P&C and Medical)¹ (Unaudited)

Income statement highlights	FY21	FY20	Change
Earned premiums, net	158,870	141,614	12.2%
of which, P&C Insurance	86,489	72,128	19.9%
of which, Medical Insurance	72,381	69,486	4.2%
Net underwriting profit	45,773	47,368	-3.4%
of which, P&C Insurance	34,216	31,242	9.5%
of which, Medical Insurance	11,557	16,126	-28.3%
Net profit	22,038	23,426	-5.9%
of which, P&C Insurance	18,265	17,002	7.4%
of which, Medical Insurance	3,773	6,424	-41.3%
Cash flow highlights	FY21	FY20	Change
Net cash flows from operating activities	24,320	30,958	-21.4%
of which, P&C Insurance	19,264	17,912	7.5%
of which, Medical Insurance	5,056	13,046	-61.2%
Free cash flow	23,641	31,616	-25.2%
of which, P&C Insurance	18,972	15,963	18.8%
of which, Medical Insurance	4,669	15,653	-70.2%
Balance sheet highlights	31-Dec-21	31-Dec-20	Change
Total assets	267,627	257,887	3.8%
of which, P&C Insurance	188,805	176,479	7.0%
of which, Medical Insurance	78,822	81,408	-3.2%
Total equity	116,464	101,507	14.7%
of which, P&C Insurance	84,234	69,443	21.3%
of which, Medical Insurance	32,230	32,064	0.5%

Discussion of results, P&C Insurance

Key points/valuation drivers

- Gross premiums written up by 20.8% y-o-y in FY21, reflecting a 15.3% y-o-y increase in the number of insurance policies written in FY21.
- A 19.9% y-o-y increase in earned premiums net in FY21, mainly resulting from growth in the motor insurance and credit life insurance lines.
- GEL 14.9 million dividends paid to GCAP in FY21 on the back of strong cash flow generation.
- Combined ratio down 0.7 ppts y-o-y in FY21, reflecting a decrease in the expense ratio by 5.2 ppts y-o-y in FY21.
- Net profit up by 7.4% y-o-y in FY21.

Income statement highlights

FY21 revenues increased by 19.9% y-o-y, mainly driven by the increase in the motor insurance line (excluding compulsory border third-party liability (MTPL) insurance) by GEL 7.7 million in FY21 on the back of a boost in the retail client portfolio. An increase in credit life insurance revenue by GEL 3.7 million y-o-y was the second-best contributor to the overall increase in FY21 revenues. An increase in the liability insurance business line by GEL 1.6 million y-o-y in FY21 also contributed to the overall growth, predominantly reflecting the increase in credit unemployment portfolio by GEL 0.8 million y-o-y. Similarly, GEL 1.1 million y-o-y growth in the FY21 agricultural insurance line also positively affected robust FY21 revenues.

1 The detailed IFRS financial statements are included in a supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

FINANCIAL REVIEW CONTINUED

In aggregate, despite COVID-19 impacts and changes in customer spending habits, net premiums written across the portfolio through direct sales channels was up by 15.9% y-o-y in FY21. The negative trend of declining MTPL premiums written reversed from 2Q21 and led to a 24.7% y-o-y growth in 4Q21 MTPL revenues. Worldwide vaccination and reopening of land borders are expected to support a gradual recovery in tourism. However, recovery of compulsory MTPL premiums to pre-pandemic levels are impeded by uncertainty around the lifting of travel restrictions set by neighbouring countries, recurring waves of COVID-19 and their slow vaccination rate.

At 31 December 2021, the distribution mix in FY21 gross premiums written is as follows: various direct sales channels and brokers have a majority share of 73% (74% in FY20), followed by partnership agreements with financial institutions of 25% (24% in FY20) and MTPL channels of 2% (2% in FY20), respectively.

P&C Insurance's key performance ratios for FY21 are noted below:

Key ratios, unaudited	FY21	FY20	Change
Combined ratio	80.8%	81.5%	-0.7ppts
Expense ratio	32.4%	37.6%	-5.2ppts
Loss ratio	48.4%	44.0%	4.4ppts
ROAE ¹	24.7%	24.8%	-0.1ppts

The FY21 y-o-y decreases in expense ratio reflects robust revenue growth while operating expenses remained largely flat, which translated into a decrease in the combined ratio of the respective periods. The increase in the FY21 loss ratio reflects higher passenger mobility and thus increased volume of motor claims in 1H21 due to the lifted pandemic-related lockdown restriction as well as the occurrence of several large property claims in 2H21. The volume of COVID-19-related credit life insurance claims incurred in FY21 amounts to GEL 4.3 million (GEL 1.1 million in FY20) and represents 31% of total life insurance claims (10% in FY20). As a result, P&C Insurance's net profit was up 7.4% y-o-y in FY21. Adjusted for the FX loss on the natural long position, net profit is up by 19.2% y-o-y in FY21.

Balance sheet and cash flow highlights

P&C Insurance's solvency ratio was 153% as of 31 December 2021, significantly above the required minimum of 100%. A 7.5% y-o-y increase in FY21 operating cash inflows resulted from higher underwriting cash flows, primarily reflecting strong cash flow generation from insurance premiums written and rigorous claims reimbursement procedures of the business. The business paid GEL 14.9 million dividends to GCAP in FY21.

Discussion of results, Medical Insurance

Key points/valuation drivers

- Earned premiums net up 4.2% y-o-y in FY21, reflecting increased prices of the insurance policies.
- On the back of increased demand for healthcare services, the loss ratio was up 6.3 ppts to 79.3% y-o-y in FY21.
- Insurance renewal rate at 78.0% in FY21 (73.4% in FY20).
- The number of insured clients at c.165,000 as of 31 December 2021, down from c.174,000 as of 31 December 2020.
- The business paid GEL 2 million in dividends to GCAP in FY21.

Income statement highlights

The increase in FY21 earned premiums net by 4.2%, reflects 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	FY21	FY20	Change
Total claims retained within the GHG	36.3%	37.3%	-1.0ppts
Total claims retained in outpatient	39.0%	41.7%	-2.7ppts

In FY21, the net claims expenses were GEL 57.4 million (up 13.1% y-o-y), of which GEL 24.3 million (42.3% of total) was inpatient, GEL 20.4 million (35.5% of total) was outpatient and GEL 12.7 million (22.2% of total) was related to pharmaceuticals. Reflecting a rebounding trend in the number of admissions at hospitals and clinics in 2021, compared to patient footprint slowdown at healthcare facilities last year due to the pandemic, the loss ratio was up 6.3 ppts to 79.3% in FY21. As a result, the combined ratio increased by 6.8 ppts y-o-y in FY21 to 97.4%. The business posted a net profit of GEL 3.8 million in FY21 (down 41.3% y-o-y).

Balance sheet and cash flow highlights

Operating cash flow decline is associated with the increased claims expense of the business. The business paid GEL 2 million dividends in FY21.

Investment stage portfolio companies

Discussion of renewable energy business results

The renewable energy business operates three wholly-owned commissioned renewable assets: 30MW Mestiachala HPP, 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.

Key points/valuation drivers

- FY21 revenue and EBITDA up by 3.1% and 3.7% y-o-y, respectively. Excluding the impact of one-off business interruption (BI) reimbursement accrual for 2020 revenues of 20MW Mestiachala HPP unit, FY21 revenue and EBITDA were up 13.0% and 17.4% y-o-y, respectively.
- Strong pick up in electricity generation levels, as FY21 generations increased y-o-y by 16.0%, while average electricity selling price amounted to US\$ 50.7 per MWh for the business in FY21 (US\$ 53.0 per MWh in FY20).
- In line with the outcome of the comprehensive cost and feasibility assessment, the restoration process of the 20MW power generating unit of Mestiachala HPP has been suspended and impairment in the amount of GEL 36.6 million was recorded.
- GEL 20.0 million dividends paid in FY21.

FY21 performance (GEL thousands), Renewable Energy¹ (Unaudited)

Income statement highlights	FY21	FY20	Change
Revenue	43,914	42,592	3.1%
<i>of which, PPA</i>	<i>31,732</i>	<i>28,584</i>	<i>11.0%</i>
<i>of which, non-PPA</i>	<i>11,577</i>	<i>9,757</i>	<i>18.7%</i>
<i>of which, BI reimbursement</i>	<i>605</i>	<i>4,251</i>	<i>-85.8%</i>
Operating expenses	(10,703)	(10,565)	1.3%
EBITDA	33,211	32,027	3.7%
<i>EBITDA margin</i>	<i>75.6%</i>	<i>75.2%</i>	<i>0.4ppts</i>
Non-recurring expenses ²	(41,249)	(10,577)	NMF
Net loss	(43,875)	(16,320)	NMF
Cash flow highlights	FY21	FY20	Change
Cash flow from operating activities	31,985	40,176	-20.4%
Cash flow used in investing activities	(16,335)	15,866	NMF
Cash flow used in financing activities	(39,474)	(29,185)	35.3%
<i>Dividends paid out</i>	<i>(20,000)</i>	<i>(4,927)</i>	<i>NMF</i>
Balance sheet highlights	31-Dec-21	31-Dec-20	Change
Total assets	405,932	482,986	-16.0%
<i>of which, cash balance</i>	<i>40,499</i>	<i>66,821</i>	<i>-39.4%</i>
Total liabilities	314,469	326,252	-3.6%
<i>of which, borrowings</i>	<i>305,536</i>	<i>318,269</i>	<i>-4.0%</i>
Total equity	91,463	156,734	-41.6%

Income statement highlights

FY21 revenue from electricity sales increased by 3.1% y-o-y (excluding the one-off BI reimbursement for 20MW Mestiachala HPP in 2020, the y-o-y increase in FY21 revenue was 13.0%). Strong top-line growth was driven mainly by improved hydrologic conditions at the power assets, as reflected in y-o-y growth of total generation levels of 16.0% in FY21. Moreover, the renewable energy business benefited from favourable average electricity selling prices, amounting to US\$ 50.7 per MWh in FY21 (US\$ 53.0 per MWh in FY20). Operating highlights by asset for FY21 are presented in the table below:

Unaudited, GEL '000, unless otherwise noted	Revenue from electricity sales	Change y-o-y	Electricity generation (GWh)	Change y-o-y
30MW Mestiachala HPP	13,533	7.0%	102.3	13.0%
21MW Qartli wind farm	17,460	-5.9%	83.3	-8.3%
20MW Hydrolea HPPs	12,316	72.3%	80.3	67.7%
Total	43,309	13.0%	265.8	16.0%

FY21 operating expenses remaining broadly stable at GEL 10.7 million. EBITDA increased by 3.7% y-o-y to GEL 33.2 million in FY21.

The business recorded GEL 23.1 million net interest expense in FY21, slightly down by 1.5% y-o-y, reflecting GEL appreciation against foreign currencies. In 2021, in line with the outcome of the comprehensive cost and feasibility assessment, the restoration process of the 20MW Mestiachala HPP has been suspended indefinitely and impairment in the amount of GEL 36.6 million was recorded. As a result of the developments described above, the business recorded GEL 43.9 million net loss in FY21.

1 Calculated based on net income, adjusted for non-recurring items and average equity, adjusted for preferred shares.

1 The detailed IFRS financial statements are included in a supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.
2 Consists of impairment of 20MW Mestiachala HPP unit (GEL 36.6 million) and costs associated with the disposal of the water utility business (see page 8 for details) – GEL 3.9 million.

FINANCIAL REVIEW CONTINUED

Cash flow highlights

FY21 operating cash flow amounted to GEL 32.0 million (down by 20.4% y-o-y). Excluding the one-off effect of BI reimbursement proceeds received from the insurance company, FY21 operation cash flow was up by 10.6% y-o-y. FY21 cash outflow from investing activities was at GEL 16.3 million, while FY20 investing cash inflow amounted to GEL 15.9 million, the latter mainly reflecting property damage reimbursement received from the insurance company for Mestiachala HPPs. FY21 cash outflow from financing activities increased to GEL 39.5 million from GEL 29.2 million in FY20, mainly reflecting increased dividend payments made to Georgia Capital on the back of the strong operational performance of the business. Renewable Energy made a dividend distribution of GEL 20.0 million in total in FY21. As a result, the cash balance of the renewable energy business amounted to GEL 40.5 million as of 31 December 2021.

Discussion of education business results

Our education business currently combines majority stakes in five private school brands and campuses, acquired in 2019-2021: 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% ownership¹) and Georgian-Austrian School Pesvebi LLC (81%² ownership), both well-positioned in the affordable education segment.

Key points/valuation drivers

- Revenue up by 20.9% y-o-y in FY21, reflecting a 12.6% y-o-y growth in average tuition revenue per learner in FY21 and increase in the number of learners by 25.1% y-o-y, the latter supported by the expansion of the business in the affordable segment.
- The increased number of learners translated into a utilisation rate of 62.2% in FY21 compared to last year’s 89.5%, reflecting the addition of a new capacity of 2,250 learners in the preceding quarter.
- Cash collection rates remained largely at prior year’s levels at 80.9%, translating into a 50.8% y-o-y increase in operating cash flow to GEL 11.9 million in FY21.
- GEL 23.0 million investments in the launch of new campus and expansion of existing campuses in affordable (construction completed), mid-scale and premium segments (construction is expected to complete before the start of the next academic year) and the acquisition of an 81% interest in Georgian-Austrian School Pesvebi, in FY21.

FY21 performance (GEL thousands), Education³
(Unaudited)

Income statement highlights	FY21	FY20	Change
Revenue	31,196	25,794	20.9%
Operating expenses	(21,090)	(17,446)	20.9%
EBITDA	10,106	8,348	21.1%
EBITDA margin	32.4%	32.4%	0.0ppts
Net income	11,489	3,148	NMF
Cash flow highlights	FY21	FY20	Change
Net cash flows from operating activities	11,881	7,877	50.8%
Net cash flows used in investing activities	(22,956)	(7,129)	NMF
Net cash flows from financing activities	14,303	78	NMF
Balance sheet highlights	31-Dec-21	31-Dec-20	Change
Total assets	138,080	110,541	24.9%
of which, cash	9,096	6,399	42.1%
Total liabilities	51,764	53,396	-3.1%
of which, borrowings	25,585	24,947	2.6%
Total equity	86,316	57,145	51.0%

Income statement highlights

Given the improved epidemiological developments in Georgia, the schools provided on-campus learning during most of FY21. Schools in Tbilisi were reopened from 15 February 2021 and continued on-campus learning till the end of the year, except for September. During the distance learning period, schools offered 15%-25% discounts for tuition fees and roll-over of fees for transportation/catering services.

Revenue in FY21 was up by 20.9% y-o-y. The expansion of the affordable segment through the acquisition and launch of a new campus contributes to 3.2% of the total revenue growth, while the rest is driven by growth in total enrolments and average fee per learner. Growth in average fee per learner is supported by tuition fee increases via contract renewals in line with grade-level progression for existing learners and enrolments of new learners.

The intakes remained strong for all grades with a 16.0% increase in the number of 1st graders to 376 learners in the 2021-2022 academic year, compared to 238 intakes of 1st graders in the 2020-2021 academic year. Overall, the total number of learners was up by 25.1% y-o-y to 3,148 learners at 31 December 2021. The utilisation rate as of 31 December 2021 was 62.2%, compared to last year’s 89.5%, reflecting the addition of a new capacity of 2,250 learners in 3Q21, which will be gradually utilised over the coming periods.

The business growth reflects an increase in operating expenses by 20.9% y-o-y in FY21. Consequently, EBITDA was up 21.1% y-o-y in FY21. Overall, the business posted GEL 11.5 million net income in FY21 (GEL 3.1 million in FY20), reflecting foreign currency exchange gains in FY21 compared to foreign currency exchange losses in FY20.

Cash flow highlights

Operating cash flow generation by the education business was up by 50.8% y-o-y to GEL 11.9 million in FY21. The schools managed to deliver strong cash collection rates before the start of the 2021-22 academic year. Overall, the combined cash collection rate for 2021-2022 tuition fees stood at 80.9% (80.9% at 31 December 2020), which was in line with the schools’ cash collection policies.

GEL 23.0 million cash outflow on investing activities in FY21 reflects investments in capacity expansion of the operational campuses of Buckswood by 240 learners, Green School by 450 learners and premium segment by 300 learners, acquisition of land and building for the new campus location of Green School with the capacity of 600 learners, and acquisition of an 81% interest in Georgian-Austrian School Pesvebi with 1,200 learner capacity.

Investments in 2021

In FY21, the education business expanded in the affordable segment through two investment projects:

- In August 2021, Georgia Capital signed a share purchase agreement to acquire an 81% equity interest in Georgian-Austrian School Pesvebi, which is located in a densely populated urban area in Tbilisi with a considerable residential apartment development pipeline. The school has a capacity of 1,200 learners and is one of the largest private schools in Georgia with recently renovated c.7,400 sq.m. building facilities and a 1.4ha land plot.
- The new (second) campus has been launched under the existing affordable brand in Group’s portfolio – Green School. The campus is located in the central district of Tbilisi. Despite its urban location, the school has a unique infrastructure with a 5ha land plot, offering an ecologically friendly environment and areas for outdoor activities. The new campus will provide education to 600 learners, with the potential to expand its capacity to 1,500-2,000 learners over the next years by utilising the existing premises. Also, the expansion project of Green School’s existing campus was successfully finalised in September 2021. The school increased its capacity from existing 1,250 learners to 1,700 learners for the 2021-2022 academic year.

Discussion of other portfolio results

The five businesses in our “other” private portfolio are Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services. They had a combined value of GEL 224.6 million at 31 December 2021, which represented only 6.2% of our total portfolio.

FY21 aggregated performance highlights (GEL thousands), Other portfolio

(Unaudited)	FY21	FY20	Change
Revenue	337,581	283,385	19.1%
EBITDA	21,089	25,973	-18.8%
Net cash flows from operating activities	23,390	71,392	-67.2%

The y-o-y growth in the aggregated revenues of our other businesses (up 19.1% in FY21) was led by strong performances of the beverages and auto service 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, hospitality and commercial real estate businesses – In FY21, revenue of the housing development business was up by 1.7% y-o-y, while the revenue of the hospitality and commercial real estate business was down by 32.9% y-o-y, the latter reflecting decreased revenue streams, associated with the divestment of a significant portion of commercial real estate assets. Aggregated EBITDA of these businesses were down by GEL 16.7 million y-o-y in FY21. In 2021 the housing development business remeasured the ongoing residential project budgets which led to an increase in expected development costs, mainly negatively impacted by inflated prices on construction materials. Consequently, due to the accounting treatment, this translated into a one-off GEL 16.3 million y-o-y decrease in EBITDA in FY21. In 2021, we successfully completed the sale to a combination of local and regional investors of selected commercial real estate assets for US\$ 45.0 million with an 11.3% premium (US\$ 4.6 million) to the book value as of 31 March 2021. The sale translates into 2.1x MOIC in US\$ terms. The proceeds from the sales were used to repay the US\$ 30 million bonds issued by the commercial real estate business. The book value of the remaining disposable assets is approximately US\$ 13.9 million as of 31 December 2021 and is split between commercial real estate assets (16%) and land plots (84%).

Beverages – The beverages business combines three business lines: a wine business, a beer business, and a distribution business.

- Wine business** – The net revenues of the wine business in FY21 were up 21.0% y-o-y to GEL 60.0 million and the gross profit margin improved by 0.4 ppts y-o-y to 43.6% in FY21, mainly attributable to increased sales on the local and international markets in 2021. Consequently, EBITDA of the business was up 23.5% y-o-y amounting to GEL 13.6 million in FY21.
- Beer business** – The net revenue of the beer business increased by 22.8% y-o-y to GEL 56.4 million in FY21. Beer and lemonade y-o-y sales (in hectolitre) were up 4.6% and 2.7x, respectively, in FY21. Consequently, the EBITDA of the business increased by 2.1x y-o-y amounting to GEL 4.9 million which reflects the strong revenue growth of the business. The solid performance of the business over the past two years translated into enhanced creditworthiness, and as a result, GCAP’s guarantee on the borrowing of beer business decreased by c.EUR 2.7 million to EUR 15.8 million in 2021.
- Distribution business** – Revenue of the distribution business increased by 20.6% y-o-y to GEL 114.1 million in FY21, yielding the FY21 y-o-y EBITDA growth of 45.6% to GEL 4.3 million.

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** – The PTI business demonstrated a solid performance growth with a 42.5% y-o-y revenue growth to GEL 15.4 million in FY21. Revenue growth was supported by an increase in total cars serviced, up by 37.8% y-o-y in FY21, out of which 76% were from primary checks. As a result, the EBITDA of the PTI business was up by 2.0x to GEL 8.5 million in FY21, with a y-o-y EBITDA margin growth of 15.8 ppts to 55.0% in FY21.
- Car services and parts business (Amboli)** – In FY21, Amboli’s revenue was up by 65.1% y-o-y to GEL 35.4 million, reflecting an increase in corporate and wholesale customer segments. Similarly, the FY21 gross profit was up by 85.2% y-o-y to GEL 7.9 million. As a result, the business posted GEL 2.5 million EBITDA in FY21, up by 2.4x from FY20.

1 80% equity stake in the existing campus and 90% in new campus launched under the existing affordable brand in 3Q21.
2 Georgia Capital has a call option on the 9% equity stake during the 12 months starting from August 2022.
3 The detailed IFRS financial statements are included in a supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

DIRECTORS' GOVERNANCE STATEMENT



Dear Shareholders
We are delighted to present our fourth Governance Statement. The Board continues to apply the UK Corporate Governance Code 2018 (“the Code”) in its entirety except for combining the roles of Chairman and CEO. The Nomination Committee and the Board continues to monitor the appropriateness of this structure. The Board is committed to the highest standards of corporate governance which we maintain as an anchor of the Group’s culture. While the ongoing COVID pandemic continued to pose challenges in 2021, the strong recovery of the Georgian economy combined with excellent execution by our portfolio companies led to gratifying results.

The Board’s principal focus in 2021 continued to be our oversight of the development of the Company’s strategy and its delivery by management. We engaged closely and intensively with management on the sale of the water utility business and are delighted with the outcome. With the conclusion of that process at year-end, we began 2022 with a strategy update the results of which will be announced in the coming weeks.

A key element of our governance structure is the direct engagement by the Investment Committee with our portfolio companies. All Directors are members of the Investment Committee. Due to the COVID-19 pandemic, the Investment Committee was unable to have face-to-face meetings with the management teams of our portfolio companies nor was it able to carry out site visits which the Investment Committee finds particularly useful. However, the meetings with Directors were replaced with direct engagement via teleconferencing and videoconferencing, and similar methods of engagement were used to remain in contact with stakeholders. We continued to keep our investors informed through regular online meetings and virtual conferences, in addition to the London Stock Exchange announcements and regular quarterly earnings reports and calls. We also were able to organise several investor road show visits this year and we look forward to the Investment Committee resuming face-to-face activities when appropriate during 2022.

The Board remains focused on the Company’s responsibilities to its stakeholders and the wider expectations of society. We devoted significant time this year to establishing its initial approach to ESG. The Board takes the view that good ESG processes should be a key component of the Company’s business and will take direct responsibility for continuing to develop our approach to ESG. There is more on ESG in the detailed report below, but amongst the key points to note on this subject is that going forward the Company will publish a separate Sustainability Report.

The entire Board remains committed to working with our management to ensure that our high standards extend beyond the boardroom and are



implemented throughout the business in the successful delivery of the Group’s strategic priorities.

Caroline Brown will not be seeking re-election to the Board at the forthcoming AGM and therefore will cease to be a Director of the Company from the conclusion of the AGM on 20 May 2022. Caroline joined us in May 2018 and has made an invaluable contribution to the Board and her experience and expertise has been of particular benefit to the Audit and Valuation Committee. Kim Bradley will join the Audit and Valuation Committee effective from 20 May 2022.

Irakli Gilauri
Chairman and Chief Executive Officer
24 March 2022

David Morrison
Senior Independent Non-Executive Director
24 March 2022

Statement of Compliance with the UK Corporate Governance Code

The Company is committed to maintaining standards of corporate governance. The Board believes that good corporate governance enhances performance, reduces risks and promotes the protection of our shareholders’ interests, and considers it essential to building a successful business for the longer term and ensuring positive relationships with our key stakeholders.

The Board has overall responsibility for governance and is accountable to its shareholders. This Governance Report describes how during 2021 the Board has applied the main principles and complied with the relevant provisions of the Code. The Code is publicly available at the website of the Financial Reporting Council (FCA) at www.frc.org.uk.

During the year we have undertaken a number of steps to ensure ongoing compliance with the Code, including receiving an analysis from the Company Secretary on the Company’s application of the provisions and principles throughout the year. We also continue to monitor our governance framework and underlying governance structures to ensure that they meet the needs of the business.

Throughout 2021, the Company considers that it has complied in full with the provisions of the Code with the exception of provision 9 which states that the roles of chair and chief executive should not be exercised by the same individual.

The Company’s Chairman, Irakli Gilauri, also serves as the Company’s Chief Executive Officer and is not considered by the Board to be independent. We set out below why we regard the joint Chairman and Chief Executive officer position to be appropriate for our Company and we also explain some of the measures we have put in place to ensure that no one individual is able to dominate the Board’s decision-making.

This statement, and the reports from the Board Committees, set out how we applied the Main Principles of the Code as required by LR 9.8.6. The Directors’ Report also contains information required to be disclosed under the FCA’s Listing Rules (LR) and Disclosure Guidance and Transparency Rules (DTR). To the extent necessary, certain information is incorporated into this Governance Report by reference.

Combined CEO and Chairman role

We acknowledge that our decision for the roles of Chairman and CEO to be exercised by one individual is not compliant with provision 9 of the Code. This matter continues to be reviewed by the Nomination Committee and the Board at least annually as part of the Board effectiveness evaluation exercise. On page 129 you will find the results of the Board evaluation conducted since the last Annual Report was published. A feature of this exercise was to determine how the current structure of combined Chairman/CEO contributes to the effectiveness of the operation of the Board and more widely to the Company as a whole. The Board believes that the current structure better serves our Company and its stakeholders and that it should continue. The basis for this conclusion is summarised below.

Georgia Capital is unusual as a listed company because we manage it first and foremost as a holding company focused on investing in and developing businesses, with the result that we hold and operate a highly diversified group of companies.

- Our central Group management structure is quite small (head office has around 40 employees). It is principally at the level of the central management team at which the Board and Investment Committee provide challenge, most importantly, on investment/divestment decisions through the Investment Committee as discussed below.
- The highly diverse portfolio of businesses, except for the very early stage ones, have an unusually strong measure of operational independence. Each of the private portfolio companies also has its own strong CEO who operates their business with a significant degree of operational independence, with principal oversight and strategic guidance exercised by Mr Gilauri or another member of the central Group management team. This includes, following the delisting of Georgia Healthcare Group PLC in 2020, our healthcare services and retail (pharmacy) businesses, which are overseen by Nikoloz Gamkrelidze, formerly CEO of the publicly listed group. Our fourth largest investment is 19.9% stake in Bank of Georgia Group PLC which has its own board composed mainly of Independent Non-Executive Directors which is independent from us.
- We believe that a Non-Executive Chairman in addition to a CEO in this environment could interfere with the lean Group structure. It would also add additional cost with no benefit given the factors set out above.

The Board is highly experienced and almost entirely independent.

- Other than the CEO, our Board is composed solely of Independent Non-Executive Directors, six in total during 2021. As there is only one Executive Director, and each Non-Executive Director approaches the Company with true independence, it is considered extremely unlikely that the Executive Director could form a block by convincing a sufficient number of independent Directors to support him. Our decisions at the Board level and the decisions of the Investment and Nomination Committees (on which the CEO sits) are typically reached through consensus, but ultimately it is a majority decision: the CEO does not have a veto and is heavily outnumbered by Independent Non-Executive Directors.
- The Non-Executive Directors are experienced business people of particular high quality for a FTSE Small/MidCap company and we would invite shareholders to consider their biographies and note the degree of real expertise and experience they bring to the Board. They have a diverse range of backgrounds and nationalities and each brings a fresh view and particular expertise to Board discussions. The Senior Independent Director, a former partner at a major US law firm, is highly experienced in the region and is the governance lead for the Board and the Non-Executive Directors. He also chairs the Audit and Valuation Committee, which since 31 December 2019 has an increased remit covering additional governance processes and decision-making required by investment entity accounting.

- Previous roles for the other Non-Executive Directors (as detailed in the biographies later in this section) include:
- career at Goldman Sachs specialising in real estate;
 - investment officer at a major investment fund;
 - career in banking, investment funds and investor relations;
 - membership and experience on a number of UK boards and qualified accountant; and
 - extensive management consulting and private equity experience.

The Investment Committee has a central role in the Company’s governance framework.

The Investment Committee plays the key role in making decisions on portfolio investments and exits, managing all aspects of investment policy and strategy. It scrutinises, challenges and ultimately either approves or rejects investment and divestment proposals and initiatives, including significant add-on investment for the existing portfolio companies. It also considers the commercial terms of Major Transactions (i.e. over GBP 2.5 million). All Board members sit on the Investment Committee, but it is chaired by a Non-Executive Director, not the Chairman/CEO. The Investment Committee, not management, had the final say on the sale of the water utility business.

The Group’s NAV is determined by the Audit and Valuation Committee. The Group’s key financial and investor communications metric is its NAV as approved by the Audit and Valuation Committee, a Committee comprised of all independent Directors on which the CEO does not sit. The report of the Audit and Valuation Committee on pages 137 to 142 describes scrutiny of valuations.

The Non-Executive Directors exercise key secondary oversight of the private portfolio businesses.

- Although we think of ourselves as a holding company and delegate day-to-day management to our portfolio companies and ongoing strategic advice to the Group Chairman/CEO and his central team, the private portfolio companies’ CEOs also present directly to the Board to update them and to seek approvals on the most important capital allocation and strategic matters. In that sense, the most important decisions of our private portfolio companies are reserved for the Board.
- The Directors also engage directly with senior management and the workforce in Georgia so that there are further unfiltered channels of access. As part of the regular quarterly meeting schedule of the Investment Committee, all Directors normally visit facilities and projects of the portfolio companies and meet with one or more of the portfolio companies’ CEO/executive management which provides direct and open access. These face-to-face visits have been curtailed during the pandemic and will be resumed once it is appropriate to do so. In 2021, the meetings with senior management and the workforce were replaced with direct engagement via teleconferencing and videoconferencing.

Given the structure of the Group the Board continues to believe the current combined Chairman/CEO structure best suits the Group. The structure was supported by shareholders at the time of the demerger from BGEO Group PLC and the Board notes that the shareholder engagement exercise in 2019, ongoing dialogue with shareholders and their approval of this structure at the 2021 AGM voting (voting 95.8% in favour) shows that its shareholders understand and support this approach. The Board will nevertheless keep the approach under regular review to ensure that it continues to best serve our stakeholders as the Group develops.

BOARD OF DIRECTORS

Biography



Irakli Gilauri

Chairman and Chief Executive Officer

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

Skills and experience: Irakli Gilauri formerly served as the CEO of BGEO Group from 2011 to May 2018. He joined as CFO of Bank of Georgia in 2004 and was appointed as Chairman of the Bank in September 2015, having previously served as CEO of the Bank since May 2006. Prior, he was an EBRD (European Bank for Reconstruction and Development) banker. Mr Gilauri has up to 20 years of experience in banking, investment and finance. He served as Director of Georgia Healthcare Group PLC (now Georgia Healthcare Group Limited) from August 2015. Mr Gilauri also sits on the Supervisory Board of JSC Georgia Capital.

Education: Mr Gilauri received his undergraduate degree in Business Studies, Economics and Finance from the University of Limerick, Ireland, in 1998. He was later awarded the Chevening Scholarship, granted by the British Council, to study at the Cass Business School of City University, London, where he obtained his MSc in Banking and International Finance.

Reasons for appointment: Irakli Gilauri brings significant insight of local and international strategic and commercial issues to the Board and has a distinguished career in corporate banking. Over the last decade, Mr Gilauri's leadership has been instrumental in creating major players in a number of Georgian industries, including banking, healthcare, utilities and energy, real estate, insurance and beverages. Mr Gilauri's local expertise and business experience, in working previously with both Georgia Healthcare Group PLC and BGEO Group PLC, alongside his strong understanding of the Georgian political, economic and cultural context, is invaluable to the Board.



David Morrison

Senior Independent Non-Executive Director

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

Skills and experience: Mr Morrison spent most of his career (28 years) at Sullivan & Cromwell LLP where he served as Managing Partner of the firm's Continental European offices. His practice focused on advising public companies in a transactional context, including capital raisings, IPOs and mergers and acquisitions. Mr Morrison is the author of several publications on securities law-related topics, and was recognised as a leading lawyer in Germany and France. Mr Morrison previously served as the Senior Independent Non-Executive Director of BGEO Group PLC from October 2011 until May 2018, and as a Non-Executive Director of Georgia Healthcare Group PLC from September 2015 until their delisting in August 2020, and served as Chairman of the Audit Committee (amongst other Committee roles) for both companies. In 2008, Mr Morrison turned his attention to conservation finance as the Founding CEO of the Caucasus Nature Fund (CNF), a charitable trust dedicated to wilderness protection in Georgia, Armenia and Azerbaijan. He now acts as Chair of CNF's supervisory board, as well as serving on the boards of three other conservation trusts he helped to create. A principal focus of his role for these charities is the investment of a portfolio of over US\$ 500 million in endowment capital. For almost two years in 2019-2020, David Morrison served as Georgia's first Environmental Ombudsman.

Education: Mr Morrison received his undergraduate degree from Yale College and his law degree from the University of California, Los Angeles. He was also a Fulbright scholar at the University of Frankfurt.

Reasons for appointment: With his background as a corporate finance and securities lawyer advising dozens of clients, including a large number of publicly held companies, David Morrison brings to the Board vast experience in corporate governance and compliance as well as a strong understanding of legal and regulatory issues. His work since 2008 has given him extensive regional experience, which includes in depth knowledge of ESG matters in Georgia. As an experienced Chairman of Audit Committees of premium listed companies, Mr Morrison has significant, direct experience of ensuring integrity in financial reporting and adequate risk management and internal control procedures. With its significant focus on financial disclosure and reporting, his career as a financial and securities lawyer prepared him well for his Audit and Valuation Committee duties.



Kim Bradley

Independent Non-Executive Director

Kim Bradley was appointed as an Independent Non-Executive Director of the Company on 24 February 2018. He also serves on the Remuneration and Nomination Committees, and as Chairman of the Investment Committee and sits on the Supervisory Board of JSC Georgia Capital. With effect from 20 May 2022, Mr Bradley will join the Audit and Valuation Committee.

Skills and experience: Mr Bradley served as an Independent Non-Executive Director of BGEO Group PLC from December 2013 until May 2018. He also served as Chairman of its Risk Committee and as a member of its Audit and Nomination Committees. Mr Bradley's prior experience includes 15 years as a professional in Goldman Sachs's Real Estate Principal Investments and Realty Management divisions, with a focus on investment in European real estate and distressed real estate and corporate debt, as well as two bank entities. Assets under management reached \$25 billion during this period and Mr Bradley's duties included participation on valuation committees on all asset types. In addition, Mr Bradley led Goldman Sachs' asset management affiliates in France, Italy and Germany, where his responsibilities included working closely with the Management and Control Division (internal audit) on both the scope and response to annual audits. He also has extensive experience with bank regulatory supervision and served as President of Societa Gestione Crediti, a Director of Capitalia Service Joint Venture in Italy and Chairman of the Shareholders Board at Archon Capital Bank Deutschland in Germany. Prior to Goldman Sachs, he served as a Senior Executive at GE Capital for seven years in the United States and Europe. Prior to GE Capital, Mr Bradley held senior executive positions at Manufacturers Hanover Trust (now part of JP Morgan) and Dollar Dry Dock Bank. He has also served as a Peace Corps volunteer and as a consultant with the US Agency for International Development in Cameroon. Mr Bradley is Managing Partner at Sabino Capital Partners LLC. Mr Bradley serves as a director of a mental health charity, Gould Farm.

Education: Mr Bradley holds an MA in International Affairs from the Columbia University School of International and Public Affairs and an undergraduate degree in English Literature from the University of Arizona. Post graduate education includes bank training in credit analysis and accounting.

Reasons for appointment: Kim Bradley has broad experience in governance and strategy working with investment entities and major banks across Europe, as well as significant experience in investing and post-investment asset and entity management. Additionally, Mr Bradley has had extensive experience in corporate distressed debt resolution including recapitalisation. Mr Bradley's experience and strong understanding of these areas makes him well suited to his role as Chairman of the Investment Committee and enables him to make an effective contribution to the oversight and improvement of the corporate value of the Group.



Jyrki Talvitie

Independent Non-Executive Director

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

Skills and experience: Mr Talvitie has worked in the financial industry for 30 years in banks as well as on both the buy and sell side of the markets. Prior to joining the Board, Mr Talvitie worked in Moscow for 14 years, his latest position being a Member of the Management Board of Magnit, a Russian publicly quoted retailer. Prior to Magnit, Mr Talvitie was in charge of Strategic Partners and Investors at Sberbank, one of the largest banks in Russia and top 15 in the world previously. Before Sberbank, Mr Talvitie was a Management Board Member at Russian Direct Investment Fund, Head of Investor Relations at VTB Bank and established and ran the Russian operations of East Capital, a Swedish private equity and asset management company, while also managing a financials fund. Prior to moving to Russia in 2003, Mr Talvitie worked for BNP Paribas in Paris, Bank of New York in London and Moscow as well as several Nordic banks both in Helsinki and Moscow. Mr Talvitie has extensive board experience, having served on over ten boards of both public and private companies in Georgia, Finland, Russia, Kazakhstan and Ukraine.

Education: Mr Talvitie holds an Executive MBA from London Business School as well as a Masters of Law from Helsinki University. Mr Talvitie also holds a Diploma in Company Direction from the Institute of Directors in London.

Reasons for appointment: Jyrki Talvitie has spent his career in the financial industries in the region, including in Georgia, and has a considerable breadth and variety of experience in corporate governance derived from his positions on the boards of various companies in the region. Mr Talvitie has a deep understanding of regional and international strategic issues which, complemented with his extensive board experience, is a valued asset to the Board.



Caroline Brown

Independent Non-Executive Director

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

Skills and experience: Dr Brown has managed divisions of FTSE 100 groups and AIM businesses with international industrial and technology operations and has worked as a corporate finance advisor to governments and corporations with BAML, UBS and HSBC. She has chaired audit committees of listed companies for the past 19 years. Dr Brown currently serves on the Boards of three other London Stock Exchange premium listed companies: IP Group plc, a FTSE250 financial services business and leading intellectual property commercialisation company; WAG Payments Solutions plc, a pan-European integrated payment and mobility platform focused on the commercial road transport industry; and Luceco plc, an industrial technology firm which designs, manufactures and distributes high quality and innovative electrical products, together with NYSE-listed Rockley Photonics Holdings Limited, a hi-tech business revolutionising blood sensing for medical applications using integrated silicon photonics and a new end-to-end platform for monitoring biomarkers non-invasively. In addition, she is a current member of the global Partnership Council of Clifford Chance, the Supervisory Board of the magic circle law firm.

Education: Dr Brown holds a first-class degree and PhD in Natural Sciences from the University of Cambridge and an MBA and MA from the City Business School, University of London. She is a Fellow of the Chartered Institute of Management Accountants and qualified as a Chartered Financial Analyst and a Chartered Director.

Reasons for appointment: Caroline Brown brings a strong understanding of corporate finance and accounting practices and is an experienced Chair of Audit Committees of UK listed companies. This significant and direct experience, alongside her accountancy experience and qualifications, is a strength to the Board and the Audit and Valuation Committee.



Massimo Gesua' sive Salvadori

Independent Non-Executive Director

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

Skills and experience: Dr Gesua' sive Salvadori is a bank analyst covering banking and other financial stocks globally. He works for Odey Asset Management, a London based hedge fund, which he joined in 2011. He is responsible for generating investment ideas and understanding broad trends. Dr Gesua' sive Salvadori worked as a management consultant at the London office of McKinsey and Co. between 2002 and 2011, specialising in financial services and served clients across different geographies in developed and emerging markets as part of the banking strategy practice.

Education: Dr Gesua' sive Salvadori, a native of Venice, obtained an MPhil. and a PhD from Oxford University, where he attended St. Antony's College. He graduated with a BSc in Economics from Warwick University. He attended the United World College of the Adriatic in Duino. His postgraduate studies were funded through scholarships by the Foreign and Commonwealth Office, the Economic Research council, the Fondazione Einaudi and the Ente Einaudi.

Reasons for appointment: Massimo Gesua' sive Salvadori's background in investment and his experience as a professional investor with financial markets, strategic issues and valuation techniques brings a breadth of knowledge to the Investment and Audit and Valuation Committees, of which he is a member, and makes him an important asset to the Board. His background as a management consultant is also valued in Board discussions.



Maria Chatti-Gautier

Independent Non-Executive Director

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

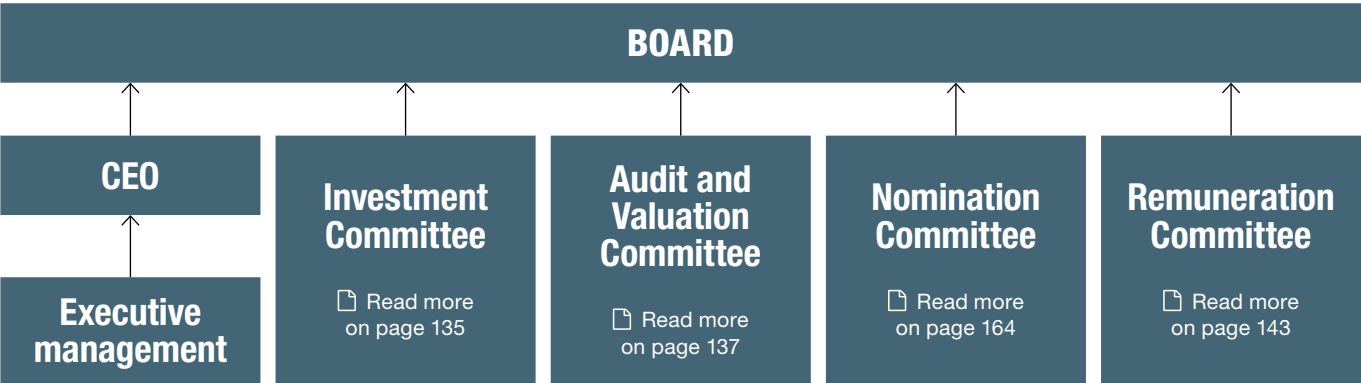
Skills and experience: Ms Chatti-Gautier is a senior investment manager with over 25 years of experience in private equity in prominent financial institutions, and has sat on the Boards of over 30 companies. She currently serves as Senior Advisor of Trail Management, an Independent Euro-Chinese Private Equity investment firm, where she invests in European midcap companies to develop them in China. Ms Chatti-Gautier started her career at Chase Manhattan Bank in Paris before joining BAI (Banque Arabe et Internationale d'investissement). She spent most of her career (15 years) at Natixis Private Equity, before moving to Oddo Private Equity. Her activities included sourcing, analysing, managing and monitoring a large number of investments and exits. Through her own consulting firm, Ms Chatti-Gautier has also advised various investment and fund raising programmes in Europe, Lebanon and the MENA region, including Drake Star Partners (known as LDA Jupiter previously). Ms Chatti-Gautier currently serves as a board member and member of the Audit Committee of Groupe Pizzorno Environnement, a leading French operator in the waste management business listed on Euronext. She is also a director of Buffet Crampon Group, a major producer of wind musical instruments.

Education: Ms Chatti-Gautier holds an MBA with major in Finance from Ecole des Hautes Etudes Commerciales-HEC, with joint MBA programmes from London Business School and NYU Stern.

Reasons for appointment: Maria Chatti-Gautier has extensive experience in all types of private equity transactions with a hands-on approach and leadership role in investment execution, build-up and exit strategies. Ms Chatti-Gautier's background in private equity and understanding of investment strategies, alongside her board experience makes her well suited to her role on the Board and a valuable addition.

CORPORATE GOVERNANCE FRAMEWORK

Our governance structure



Board size, composition and independence

The Board is comprised of seven Directors, six of whom are Independent Non-Executive Directors, and one executive Chairman – Irakli Gilauri, who also acts as the Company CEO. The responsibilities of the Board can be viewed on page 127.

Full Director biographies can be found here: <https://georgiacapital.ge/governance/board> and on pages 124-125 of this Annual Report.

We consider that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities, age and gender is important to effectively govern the business. The Board and its Nomination Committee works to ensure that the Board continues to have the right balance of skills, experience, independence and knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

Board appointments are made based on recommendations received from the Nomination Committee. In making these appointments, the Nomination Committee ensures that appointments and succession plans are made based on merit as well as other objective criteria, whilst ensuring the Board maintains the right balance of skills and knowledge needed to address its specific needs. Due consideration is also given to diversity in the wider sense, and the benefits that stem from having a diverse Board.

We believe our overall size and composition to be appropriate, having regard, in particular, to the independence of character and integrity of all of the Directors.

Each of our Non-Executive Directors occupies, and/or has previously occupied, senior positions in a broad range of relevant associated industries, bringing valuable external perspective to the Board’s deliberations through their experience and insight from other sectors enabling them to contribute significantly to decision-making. Some of these skills include:

- Banking, investment and finance sector experience.
- Leadership knowledge.
- Understanding of local and international strategic and commercial issues.

- Investor market knowledge.
- Experience of stakeholder engagement.
- Understanding of governance practices and regulatory framework.
- Familiarity with Georgian political, economic and cultural context.
- Experience of investment execution, exit strategies and private equity.

The relationship between Directors ensures that no individual, or group of individuals, is able to dominate the decision-making process, independence of thought is maintained and no undue reliance is placed on any individual.

We have assessed the independence of each of the six Non-Executive Directors and are of the opinion that each acts in an independent and objective manner. We consider that, under the Code, all of our Non-Executive Directors are independent and free from any relationship that could impair their judgement.

Our governance structure

We understand our responsibility to shareholders and stakeholders. We are dedicated to delivering shareholder value over the long term and promoting the success of the Company for the benefit of all shareholders through the management of the Group’s business.

The Georgia Capital Board is assisted in fulfilling its responsibilities by four Committees: Investment, Audit and Valuation, Nomination and Remuneration. The Terms of Reference are approved by each Committee and the Board and reviewed annually, and can be found at: <https://georgiacapital.ge/governance/cgf/terms>.

For further information about the Committees see the Investment Committee report on page 135, the Audit and Valuation Committee report on page 137, the Remuneration Committee report on page 143 and the Nomination Committee report on page 164.

The Board is responsible to shareholders for creating and delivering shareholder value over the long term through the oversight of the Group’s operations. Among our responsibilities are setting and overseeing the execution of the Group’s strategy within a framework of effective risk management and internal controls, demonstrating ethical leadership and upholding best practice corporate governance.

All decisions are made through Directors exercising independent objective judgement, and following open and rigorous challenge. While our ultimate focus is long-term growth, the Company also needs to deliver on short-term objectives and we seek to ensure that management strikes the right balance between the two.

Each Director also recognises their statutory duty to consider and represent the Company’s various stakeholders in its deliberations and decision-making. You can read more about how Directors had regard to their duties under section 172(1) of the Companies Act 2006 and how Directors performed these duties on page 66 of the Strategic Report.

Matters reserved for the Board

In order to ensure that we meet our responsibilities, specific key decisions have been reserved for approval by the Board.

- The key matters reserved to the Board are:
- The Group’s long-term objectives and strategy.
 - Shareholder engagement and general meetings.
 - Overall corporate governance arrangements including Board and Committee composition, Committee Terms of Reference, Directors’ independence and conflicts of interest.
 - Internal controls, governance and risk management frameworks.
 - Changes to the corporate or capital structure of the Company.
 - Annual Report and Accounts, and financial and regulatory announcements.
 - Significant changes in accounting policies or practices.
 - Annual budgets and financial expenditure.

A full formal schedule of matters specifically reserved for the Board can be found on our website at: <https://georgiacapital.ge/governance/cgf/schedule>.

Outside of these matters, the Board delegates authority for the day-to-day management of the business to the CEO. The CEO delegates aspects of his own authority, as permitted under the corporate governance framework, to the Management Board.

Operation of the Board

The Board continues to follow global travel restrictions in place during 2021 and have held all meeting with Directors via teleconference or via videoconference. In addition to the quarterly meetings, the Board also scheduled ad hoc meetings to discuss portfolio valuation, COVID-19 response and the sale of the water utility business.

We maintain a corporate calendar which sets out rolling agenda items that must be considered during the year. This annual schedule of items ensures that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle.

The Chairman/CEO receives regular input from the Non-Executive Directors ahead of each Board meeting in order to ensure that any matters they have raised are on the agenda to be discussed at the meeting. The Senior Independent Director supports the Chairman in his role, acts as an intermediary for other Non-Executive Directors when necessary and liaises with the Non-Executive Directors outside of the Board and Committee meetings. The Senior Independent Director met with the Non-Executive Directors without the Chairman present at least once during the year to appraise the Chairman’s performance.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Board activities during 2021

Details of the areas that the Board considered this year are set out below:

Strategy	<ul style="list-style-type: none">Ongoing consideration of the Company’s strategy.Regularly assessed portfolio company composition:<ul style="list-style-type: none">Reviewed and approved the disposal of the water utility business.Continued dispositions of properties in the real estate portfolio in line with the restructuring announced following the outbreak of the COVID-19 pandemic.Approved capital allocations to and discussed the capital allocation outlook for portfolio companies.Reviewed Group and portfolio company performance against strategy, particularly in light of the COVID-19 pandemic.Regularly reviewed the Georgian and regional political and economic climate, particularly in light of the COVID-19 pandemic and regional unrest including in relation to Ukraine.Commenced a share buyback and cancellation programme formally approved in August 2021.Reviewed the ESG matters and TCFD reporting implementation process.
Governance, assurance and risk management	<ul style="list-style-type: none">Focused on high level governance issues and developments that may have an effect on the Company’s strategy.Received reports from the Audit and Valuation, Nomination, Remuneration and Investment Committees.Conducted an externally facilitated Board evaluation looking at Board effectiveness and process.Considered external legislative and governance developments.Reviewed the Board Diversity Policy.Reviewed the proxy voting agency reports and the impact this would have on the Company.Reviewed and approved governance documents, including Terms of Reference for the Audit and Valuation Committee, Remuneration Committee, Nomination Committee, Investment Committee and Group level policies.
Financial reporting	<ul style="list-style-type: none">Received reports on the financial performance of the Company’s investments.On the recommendation of the Audit and Valuation Committee, reviewed and approved financial reporting including approval of Accounts, notice of AGM, half year and full year announcements and trading updates to the market.
ESG	<ul style="list-style-type: none">See below.
Succession	<ul style="list-style-type: none">Board and Committee succession planning.
Stakeholders	<ul style="list-style-type: none">Considered and implemented s172 duties:<ul style="list-style-type: none">Re-confirmed identity of different key stakeholder groups.Considered how Board decisions impact the interests and priorities of each group.Actively engaged with different stakeholders.
Investment matters	<ul style="list-style-type: none">Endorsed the work undertaken by the Investment Committee. See report on pages 135 to 136 for further detail.
Standing items	<p>Each quarter the following topics are usually discussed in the Board meeting:</p> <ul style="list-style-type: none">Financial update (with formal financial results announcements and trading updates to the market typically being approved in separate phone meetings).Monitoring of financial performance against budget.Macroeconomic developments, including a focus on both the Georgian and regional markets.An assessment of current and potential future risks to the Company.Regulatory and legislative updates, including corporate governance as appropriate.Updates from the Committee meetings, typically including at least an Audit and Valuation Committee report on accounting issues and valuations and Internal Audit.Business updates from selected portfolio companies. The entire Board sits on the Investment Committee, and every meeting reviews the investment pipeline and takes action as necessary on new investments or divestments.

ESG

As noted above, the Board devoted significant time this year to establishing its initial approach to ESG. The Board takes the view that good ESG processes should be a key component of the Company’s business and will take direct responsibility for continuing to develop our approach to ESG matters, and addressing ESG challenges.

- The Company engaged an external consultant to advise on the implementation and reporting of disclosures in line with TCFD recommendations and the Listing Rules. In addition, targets and other metrics will be established and climate-related risks and opportunities will be incorporated into the strategy. The Board has also established a Responsible Investment Policy, available on the website at <https://georgiacapital.ge/governance/cgf/policies>. The Policy underlines the Board’s commitment to conducting business in an environmentally, socially responsible and sustainable manner in order to reduce the environmental harm of the operations, while at the same time improving social impact to enhance long-term returns to our shareholders. See our separate Sustainability Report for a detailed overview.

Board and Committee meeting attendance

Details of Board and Committee meeting attendance in 2021 are as follows:

Members	Board	Audit and Valuation Committee	Nomination Committee	Remuneration Committee	Investment Committee
Irakli Gilauri	4/4 scheduled 6/6 ad hoc	n/a	1/1	n/a	4/4 scheduled 2/2 ad hoc
David Morrison	4/4 scheduled 6/6 ad hoc	4/4 scheduled 6/6 ad hoc	n/a	n/a	4/4 scheduled 2/2 ad hoc
Kim Bradley	4/4 scheduled 6/6 ad hoc	n/a	1/1	3/3	4/4 scheduled 2/2 ad hoc
Massimo Gesua' sive Salvadori	4/4 scheduled 6/6 ad hoc	4/4 scheduled 6/6 ad hoc	n/a	n/a	4/4 scheduled 2/2 ad hoc
Caroline Brown	4/4 scheduled 6/6 ad hoc	4/4 scheduled 6/6 ad hoc	n/a	n/a	4/4 scheduled 2/2 ad hoc
Jyrki Talvitie	4/4 scheduled 6/6 ad hoc	n/a	1/1	3/3	4/4 scheduled 2/2 ad hoc
Maria Chatti-Gautier	4/4 scheduled 6/6 ad hoc	n/a	1/1	3/3	4/4 scheduled 2/2 ad hoc

For Board and Committee meetings, Directors attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

Purpose, culture and values

The Board has a responsibility for the overall purpose, culture and values of the Company and their pursuit/development is at the core of each Board meeting.

The Board believe that there are three features of success that will allow the Company to capitalise on the fast-growing Georgian economy: access to capital, access to management and strong corporate governance. Our culture and values are designed to strengthen all of these.

Purpose

Georgia Capital's purpose is to provide investors with an opportunity to invest in the historically fast-growing Georgian economy by giving them access to attractive investments with long-term growth potential. The Company then seeks to develop these into viable independent businesses on which value can be realised through sale or otherwise. By investing in Georgia to create multiple strong private companies/ institutions, we will foster Georgia's development and help it succeed.

Culture

The Board continued to focus on developing, monitoring and assessing corporate culture and thinking about the ways in which our culture might serve as a long-term differentiator, both in terms of strategy and of recruitment and retention. We are proud of the culture that we have within Georgia Capital and recognise it is important to articulate this culture, and drive it and ensure that it permeates the entire business.

Helping Georgia to succeed is at the heart of Georgia Capital, and during the year the Board looked closely at our mission, vision and values and how we could reinforce this in shaping the Company's long-term strategy. The Board is of the view that this will benefit all of the Company's stakeholders.

In order to create the multiple strong private business institutions, we will continue with our plan to develop our leaders so that they become future entrepreneurs of Georgia, through personal and professional development. The Chairman/CEO held weekly update calls with key management personnel at Georgia Capital to share the vision and coordinate the Group's actions and priorities. The Chairman/CEO and Georgia Capital's key management personnel monitored portfolio companies' performance on at least a monthly basis and held monthly videoconferencing meetings, also reinforcing key messages. These messages are cascaded down from the management team to the wider employees.

We plan to develop our culture further in line with our purpose, by better aligning the business leaders' incentives to our value creation and realisation goals and by establishing metrics such as training data or absentee rates that we can use to begin to form a benchmark. We also hope to resume work on our GCAP Entrepreneurship Academy over the next year. Finally, the Board will continue to monitor and assess how well our culture and values are embedded across all parts of the Company.

Values

Being entrepreneurial

We believe our current culture is entrepreneurial in nature, and this is something that is grounded in our ability to see and seize opportunities and to develop business strategies whilst remaining disciplined and rational. All of our portfolio companies have been founded or substantially developed by entrepreneurs, and this is at the core of what we do. Our objective moving forward is to empower our people, continue to develop this spirit and pursue execution excellence in our businesses.

Having a learning mindset

We believe we are developing a learning mindset as part of our wider culture; however, we recognise that we need to improve the ways in which we communicate and give and provide feedback and help our people to develop. We are approaching this by looking at ways we can mentor and coach people throughout the organisation, and we aim to create an environment where independent thinking and curiosity are encouraged.

Maintaining the high standard of ethics

This has been an aspect of our culture that we have maintained since our inception, and it is a priority of ours to ensure it stays this way. In order to ensure we maintain a high level of ethics, we will draw on principles of transparency and accountability and seek to maintain the high standards of corporate governance.

Creating a culture relies on the participation and leadership of our Board of Directors, as this vision can then be communicated through executive management and onward to the wider businesses. By setting the tone at the top, establishing the core values of the Company and demonstrating our leadership, we are creating a culture that clearly sets an expectation that every employee acts ethically and transparently in all of their dealings. This, in turn, fosters an environment where business and compliance are interlinked.

Evaluation of Board performance

In 2021, Georgia Capital engaged Lintstock Ltd to facilitate a review of the Board's performance. Lintstock has previously undertaken Board Reviews for Bank of Georgia Group and Georgia Healthcare Group, but has no other connection with Georgia Capital or any of the Company's Directors.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

The first stage of the process involved Lintstock engaging with the Company Secretary to determine the scope of the evaluation, and to tailor survey content to the specific circumstances of the Board and the business. All Board members were then requested to complete online surveys addressing the performance of the Board, its Committees and the Chair; the anonymity of responses was guaranteed by Lintstock to encourage candid feedback. Directors were also invited to reflect on their own individual contribution to the Board, and to identify any personal training or development needs.

In addition to addressing core areas of governance, the exercise had a particular focus on the following areas, in the context of the ongoing COVID-19 pandemic:

- The Board's engagement with shareholders and portfolio companies, and the oversight of employee sentiment and the culture throughout the Group.
- The clarity of Georgia Capital's strategy, and the market changes that have the greatest potential to influence the Group's business model over the coming years.
- The Board's external focus on digital developments, the competitive landscape and geopolitical events, and their potential impact on the Group.
- Risk management and internal controls, and lessons that can be drawn from events over the last year to improve the Group's risk processes.
- Georgia Capital's focus on ESG, both at the Group-level and in its investment portfolio, and the pace at which ESG matters are being addressed by management.
- The structure of the Group at senior levels, the Board's oversight of succession plans and the Company's processes for developing and retaining talent.

Lintstock collated the Directors' feedback and produced narrative reports containing key observations and areas for development. The reports also provided comparisons to Lintstock's Governance Index, which contextualises the results of the Board Review with reference to Lintstock's wider client base.

The reports were considered at a subsequent Board meeting, and as a result of the Review, the Board agreed that a renewed focus on strategy was a priority for 2022. Succession planning would continue to be a subject for further development.

The process for evaluating the Chairman's performance
Given his role as Chairman and CEO, Irakli Gilauri's performance was evaluated. In addition, the full Board met to consider the Remuneration Committee's recommendations and Mr Gilauri's performance as Board Chairman. David Morrison as the Senior Independent Director led the overall review. The CEO was not present during the full Board's discussions around his own performance. The Board also reached consensus on his performance as Chairman as reflected in the favourable Board self-evaluation and the decision to recommend the maintenance of the current combined role of Chairman and CEO as discussed above.

The Board's objectives for 2022 are:

- completing a strategic review following the disposition of our water utility business, and continuous review of overall strategy of the Company in light of our purpose and values;
- mainstreaming our new ESG Policy and developing Key Performance Indicators relating to climate change risks and opportunities;
- maintaining focus on succession planning;
- monitoring and assessing culture and how this aligns with our purpose, values and strategy; and
- assuring continued active shareholder and stakeholder engagement.

Succession planning
Board appointments and senior management
We believe that effective succession planning mitigates the risks associated with the departure or absence of well-qualified and experienced individuals. We recognise this, and our aim is to ensure

that the Board and management are always well resourced with the right people in terms of skills and experience, in order to effectively and successfully deliver our strategy. We also recognise that continued tenure brings a depth of Company-specific knowledge that is important to retain.

The Board's Nomination Committee is responsible for both Director and senior management succession planning. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, including a review of other significant commitments Directors may have and, typically, a period of service in a board advisory role. More detail on the role and performance of the Nomination Committee is on pages 164 to 166.

Non-Executive Directors' terms of appointment
On appointment, our Non-Executive Directors are provided with a letter which sets out the terms and conditions of their directorship, including the fees payable and the expected time commitment. Each Non-Executive Director is expected to commit approximately 25-35 days per year to the role. An additional time commitment is required to fulfil their roles as Board Committee members and/or Board Committee Chairmen, as applicable. Having reviewed all Directors' current time commitments, we are confident that all Non-Executive Directors are sufficiently able to dedicate the amount of time necessary to contribute effectively to the Board.

The letters of appointment for our Non-Executive Directors are available for inspection at our Company's registered office address during normal business hours.

Prior to accepting any external appointments, Directors are required to seek the Board's approval. The Board believes that the other external directorships/positions held provide the Directors with valuable expertise which enhances their ability to act as a Non-Executive Director of the Company. Despite our Non-Executive Directors holding external directorships and other external positions, the Board believes they still have sufficient time to devote to their duties as a Director of the Company. In order to form a view of this, we conduct an annual review of individual Director's conflicts, which is recorded in the Conflicts of Interest Register, and as part of the review we consider other appointments held by each Director.

Stakeholder engagement
The Code reinforces and expands the requirements of the UK Companies Act for directors to remain mindful of their duties to consider the interests of key stakeholders. The Board understands the importance of effective engagement with stakeholders to gain an understanding of the issues that relate to each stakeholder and those that impact the Company so that the Board can appropriately consider these views and their concerns when having Board discussions, when considering the long-term success of the Company.

Over the year, the Board has restructured the meeting agendas to take account of each of the provisions in s172 of the Companies Act 2006, and focused on long-term value generation opportunities, taking into account political and macroeconomic circumstances and stakeholder considerations. Shareholders' considerations are sought out and then incorporated into our discussions and decisions. For example, members of the Board and management held approximately 400 calls with institutional investors and analysts, and participated in more than 10 online investor conferences, and the Company was able to arrange several investor road shows this year.

The table on pages 131-132 sets out our key relationships with stakeholders and how we have engaged with them over the financial year. The table also shows examples of how we have considered our stakeholders when making key decisions and how this has influenced certain decisions.

More information about how the Directors have discharged their duty under s172 of the Companies Act 2006 is available in the Strategic Report, on pages 66-68.

Key stakeholder	Activities undertaken throughout the year	How this stakeholder group influenced the Committee/Board agenda and decision-making
Investors	<p>Types of engagement</p> <ul style="list-style-type: none">• Meetings with the Chairman/CEO• Meetings and calls with the Advisor to the CEO• Investor Relations team• The London Stock Exchange announcements• Investor roadshows• Corporate website with investor section• AGM• Quarterly results• Senior Independent Director as intermediary• Meetings with Committee Chairs and other Non-Executive Directors• Annual Report <p>How the Board engages with investors We will engage with shareholders through the Company's forthcoming AGM to be held in May 2022, and will also continue to communicate with shareholders on important developments throughout the year. Our quarterly results are supported by a combination of presentations and conference calls briefing, as was the announcement of our annual results in February 2021. The Company has established a comprehensive shareholder engagement programme and encourages an open and transparent dialogue with existing and potential shareholders. For example, our UK General Counsel and our Company Secretary also have ongoing dialogue with shareholder advisory groups and proxy voting agencies.</p> <p>The Company was able to organise several investor road show visits this year.</p>	<ul style="list-style-type: none">• The Board receives feedback from investors via the Chairman/CEO and the CFO who are in regular contact with the Company's major shareholders. This feedback informed the Board's decision-making in respect of the buyback programme announced in August 2021 and the disposal of the water utility business announced in December 2021.• The Chairman/CEO, the CFO, the Advisor to the CEO and the Head of Investor Relations, each provide a standing invitation to shareholders to meet and discuss any matters they wish to raise.• The SID acts as an intermediary for shareholders.• Committee Chairs also make themselves available to answer questions from investors. The Non-Executive Directors attend regular investor days and are available to answer questions.• The Chairman has overall responsibility for ensuring that the Board understands the views of major shareholders. The Board is regularly kept informed of these views by the Chairman as well as executive management and the Investor Relations team and, to the extent deemed appropriate, the Company has taken active steps to adopt different ways of working in response to feedback received from shareholders and other stakeholders. Informal feedback from analysts and the Company's corporate advisors is also shared with the Board.• We hold regular meetings with JSC Georgia Capital's existing bondholders and actively engage with potential lenders to discuss our funding strategy. The Chairman/CEO, Senior Independent Director and members of the Board make themselves available to meet with institutional investors when requested.• Our comprehensive investor website https://georgiacapital.ge/ is updated and reviewed on a regular basis to ensure that information, including matters relating to sustainability, are up to date. It provides shareholders with access to the Company's results, press releases, investor presentations, analyst reports, details on our corporate governance and corporate and social responsibility framework and our leadership, as well as other information relevant to our shareholders. We also ensure that shareholders can access details of the Company's results and other news releases through the London Stock Exchange's Regulatory News Service.• Please refer to the Resources and Responsibilities section on page 84 of this report and the Sustainability Report for further details on investor-led engagement activities carried out throughout the year, and the output of that engagement.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Key stakeholder	Activities undertaken throughout the year		How this stakeholder group influenced the Committee/Board agenda and decision-making
Employees	Types of engagement <ul style="list-style-type: none">Nominated Non-Executive DirectorRegular town hallsOff-site and on-site meetingsFeedback systems, e.g. employee satisfaction surveys at our businesses		<ul style="list-style-type: none">Employee surveys are conducted across the portfolio companies, and this year we conducted an employee survey at holding company level. Since the survey, actions have been taken on some of the most important issues raised by employees.The Chairman and Senior Independent Director participated in an off-site meeting with GHG in October 2020.Management have been instructed to ensure that proposals to the Board and Investment Committee are made in line with stakeholders interests.The Nomination Committee will look at succession planning and ensuring a diverse pipeline in the future.Please refer to the Resources and Responsibilities section on page 84 of this report and the Sustainability Report for further details on workforce engagement activities carried out throughout the year, and the output of that engagement.
	How the Board engages with employees <p>The Board is encouraged to engage with employees outside of formal channels, and workforce engagement, before the COVID-19 pandemic, included visits to sites and portfolio company offices. Details of these visits are fed back to the Board so they are aware of any issues.</p> <p>We believe that communicating with our employees is vital and we provide information in a number of ways, including via managers, presentations, email, intranet and regular off-site meetings. We communicate information about our corporate culture, the Company's strategy and performance, risks relating to its performance, such as financial and economic factors, and our policies and procedures.</p> <p>The Board has oversight of whistleblowing and routinely receives reports arising from its operation.</p>		
Wider community and environment	Types of engagement <ul style="list-style-type: none">Investments to support diversified economyEngagement with local communitiesEducationCorporate websiteVolunteering		<ul style="list-style-type: none">Board agenda from time to time considers governmental issues that influence the wider Georgian market, which can influence key investment decisions.Investments are made in local businesses that will be beneficial to the Georgian economy. This is evidenced in the Company's Responsible Investment Policy.Please refer to the Resources and Responsibilities section on page 84 of this report and the Sustainability Report for further details on community engagement activities carried out throughout the year, and the output of that engagement.
	How the Board engages with the wider community <p>The Group considers the interests of its main stakeholders when developing the strategy and the processes to improve its operations. Investing in local businesses helps us to diversify and modernise the Georgian economy, and this can be seen in the development of our different portfolio companies.</p> <p>Our healthcare services business is driving the modernisation and improvement of healthcare in the country. Our water utility and renewable energy businesses are involved in infrastructure programmes and ongoing structural market reforms. Our auto service business contributes to overall cleaner air and improved vehicle safety.</p> <p>The Company believes that educating young people is extremely important for the development of the community as a whole. Georgia Capital is investing in schools to give more learners access to high-quality education and facilities.</p> <p>As part of our sponsorship and charitable activities, the Group is conserving nature, promoting and enhancing access to education, and supporting people with disabilities and special needs. Our Senior Independent Director volunteers as Chairman of the Caucasus Nature Fund, a charitable foundation providing financial and technical support to Georgia's national parks.</p>		

Directors' responsibilities

Statements explaining the responsibilities of the Directors for preparing the Annual Report and financial statements can be found on page 167 of this Annual Report.

A further statement is provided confirming that the Board considers the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Division of responsibilities

The Board has adopted written statements setting out the respective responsibilities of the Chairman, Senior Independent Director and Non-Executive Directors. A summary of the responsibilities of the Directors are set out below.

Chairman/CEO

- Guardian of the Board's decision-making process.
- Ensures the Board as a whole plays a full and constructive part in strategic decision making.
- Sets the Board agenda.
- Ensures the Board receives accurate, timely and clear information.
- Shapes the boardroom culture and sets clear expectations.
- Ensures a formal and rigorous evaluation of the Board takes place each year.
- Responsible for running the Company's business.
- Operational and strategic management of the Company.
- Develops the Group's strategy and commercial objectives.
- Leads communication with stakeholders.

Senior Independent Director

- Provides a sounding board for the Chairman and serve as a trusted intermediary for the other Directors.
- Responsibility for an orderly succession process for the Chairman.
- Available to Non-Executive Directors and shareholders if they have concerns which normal channels fail to resolve.
- Meets with other Non-Executive Directors for an annual appraisal of the Chairman's performance.

Non-Executive Directors

- Provide constructive challenge and specialist advice.
- Provide strategic guidance.
- Take into account the views of shareholders and other stakeholders.
- Scrutinise the performance of management.

Internal controls and risk management

The Company has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that the Company's objectives are attained. The Board is accountable for reviewing and approving the effectiveness of internal controls operated by the Company, including financial, operational and compliance controls, and risk management. The Board recognises its responsibility in respect of the Company's risk management process and system of internal control and oversees the activities of the Company's external auditors and the Group's risk management function (supported by the Audit and Valuation Committee).

A review of the Company's risk management approach is further discussed in the Strategic Report on pages 70 to 74.

For details on the management and mitigation of each principal risk see pages 75 to 82.

The Group's Viability Statement is detailed on pages 73.

Please refer to pages 137 to 142 for further detail in relation to the role of the Audit and Valuation Committee.

The Group's governance structure for risk management is illustrated on pages 70 to 74.

Board induction, ongoing training, professional development and independent advice

On appointment, each Director takes part in an induction programme, during which they meet members of senior management and receive information about the role of the Board and individual Directors, each Board Committee and the powers delegated to those Committees.

They are also advised by the Company Secretary and the UK General Counsel of the legal and regulatory obligations of a Director of a company listed on the London Stock Exchange. Induction sessions are designed to be interactive and are tailored to suit the needs of the individual, taking into account previous experience and knowledge.

We are committed to the continuing development of our Directors in order that they may build on their expertise and develop an ever more detailed understanding of the business and the markets in which the Company and its portfolio investments operate.

All Directors have access to the advice of the Company Secretary and the UK General Counsel, as well as independent professional advice, at the Company's expense, on any matter relating to their responsibilities.

Company Secretary

The Board has appointed Link Company Matters Limited to act as Company Secretary to Georgia Capital PLC. Link Company Matters Limited is one of the UK's largest professional services secretarial teams.

Re-election of Directors

All Directors are required under the Code to be elected or re-elected by shareholders at the Company's AGM in May 2022. The Board has set out in its Notice of Annual General Meeting the qualifications of each Director and support for election as applicable.

Workforce engagement

As mentioned elsewhere, the full Board, through the Investment Committee, regularly visits different sites and offices of portfolio companies, however, due to the COVID-19 pandemic, communication shifted to a virtual format, and regular site visits were replaced with regular management calls. Prior to the pandemic, most of the quarterly Board meetings were held in Georgia, and dinners with the management teams of portfolio companies were organised, which allowed for informal exchange. The Senior Independent Director also spends time outside Board meetings and meets informally with various staff. In October 2020, he and the Chairman participated in an off-site meeting of GHG with about a dozen of GHG's top management team. All Non-Executive Directors are encouraged to engage with employees outside of formal channels. Kim Bradley is the designated Non-Executive Director for employee engagement; however, due to the COVID-19 pandemic, he was unable to spend time in Georgia. Instead, Mr Bradley held regular discussions with the Chairman and members of the executive team, and in the initial discussions agreed that for both portfolio companies and GCAP employees the focus had to be on health and safety outside of our key overall business objectives which were held on a virtual platform.

Given that Georgia Capital is a relatively small holding company with a diverse number of portfolio companies, and given the relative independence of the portfolio companies, the steps and tools used to encourage employee engagement are developed within the companies (and shared as needed with other portfolio companies) as opposed to a "top down" initiative directed by Georgia Capital. The following is a brief summary of employee engagement activities undertaken at Georgia Capital and in our portfolio.

The Board intends to revert to its previous practice of holding quarterly meetings in Georgia as soon as the current restrictions on international travel are lifted.

CORPORATE GOVERNANCE FRAMEWORK CONTINUED

Please refer to the Resources and Responsibilities section on page 84 of this report and the Sustainability Report for further details on workforce engagement activities carried out throughout the year, and the output of that engagement.

Georgia Capital: As our people are our main asset, we invest a lot to help engage and motivate our staff. The Company has a small head office (c.40 people) and we encourage an open door policy – staff can approach management at any time with any concern.

Our office remained open throughout the year as there were no lockdowns in 2021. Despite this, attendance at the office was entirely voluntary. For our employees who decided to work from the office, we ensured that they were able to work in a safe environment, following local legislation and guidance. Distance and hybrid working environments facilitated staff engagement through online platforms. Regular weekly meetings organised by the CEO were held with senior and middle-management. Messages from these meetings were cascaded down to all employees.

- In 2021, the following workforce engagement activities were performed at the GCAP holding company level:
- Online seminar/contest about “staff engagement” across the respective departments of the portfolio companies. The goal of this seminar was to share best practices among portfolio companies and incentivise top performers. All participants received symbolic prizes and the event was concluded with dinner.
 - In the scope of performance management – exchanged upward, downward and peer feedback. Through performance evaluation and talent management process, several staff members were identified and promoted.
 - Several farewell events for the leaving employees were held at the office in line with COVID-19 social distancing measures.
 - Facilitate the planning process for “Nonviolent Communication” training for middle and top management.
 - In December, we conducted a Staff Satisfaction survey.
 - Employee recognition plan and social events.

Our portfolio companies are also actively pursuing workforce engagement activities individually. This was emphasised by the continuous sourcing of feedback. Along with an informative induction for new employees, the businesses supported information sharing via email, intranet, focus-groups and regular meetings (off-site meetings).

Additionally, our business leadership involved staff in the decision-making process through access to seminar-style talks and online portals. They continued online trainings, presentations, employee surveys, workshops and lectures for employees covering topics related to the challenges caused by the new reality and the pandemic. This initiative included offering them tools and instruments on how to overcome challenges, how to manage and motivate teams, and how to deal with stress and time management.

During 2021, our businesses, and especially Georgia Healthcare Group (GHG), largely focused on ensuring the performance and well-being of our employees throughout the organisation as the COVID-19 pandemic evolved, as well as “cultural transformations”. GHG also provided our employees with information about our corporate culture, company strategy and goals, performance-related risks, policies and procedures. To increase the sense of safety and support experienced by employees, each GHG company has continued the activities through the “COVID-19 coordination centre” which provides various support functions, such as:

- Workplace safety and health – continuous training sessions and on-job instructions for medical and non-medical employees;
- Open communication – senior managers recurring dialogue with employees via electronic platforms and on-site;
- Well-being support – conducting stress resilience webinars, providing psychological support;
- Promoted COVID-19 Vaccination campaign; and
- Hotline to provide free medical consultations.

Annual General Meeting

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting. All shareholders are invited to attend the AGM, where there is an opportunity for individual shareholders to question the Chairman and the Chairs of the principal Board Committees.

After the AGM shareholders can talk informally with the Directors.

As recommended by the Code, all resolutions proposed at the 2022 AGM will be voted on separately and the voting results will be announced to the London Stock Exchange and made available on the Company’s website as soon as practicable after the meeting. These will include all votes cast for and against and those withheld, together with all proxies lodged prior to the meeting. In the event that 20% or more of votes are cast against a resolution, an explanation will be provided in the announcement to the London Stock Exchange of the actions the Company will be taking to address shareholders’ concerns. A follow up announcement would then be made within six months of the AGM regarding feedback received from shareholders and the subsequent actions taken by the Company.

See page 215 for further shareholder information and page 130 for further information on shareholder engagement.

Diversity Policy

We value diversity in all forms in accordance with our Diversity Policy. More information on the Company’s Diversity Policy, its objectives, implementation and results can be found on pages 88-89.

INVESTMENT COMMITTEE REPORT



Kim Bradley
Chairman of the
Investment Committee

Dear Shareholders

I am delighted to report on the work of the Investment Committee (the Committee) during 2021. The Investment Committee was established to provide an independent and objective review of investment opportunities and performance, within the scope of its Terms of Reference.

The Investment Committee is central to the Company’s investment process. It plays the key role in making decisions on portfolio investments and exits, managing all aspects of investment policy and strategy. It scrutinises, challenges and ultimately either approves or disapproves investment and divestment proposals and initiatives, including significant add-on investment for the existing portfolio companies. It also considers the commercial terms of Major Transactions¹ and reviews the pipeline of investment opportunities ensuring that management retains strategic focus. The Committee is also a key part of Georgia Capital’s corporate governance framework – all Directors are members of the Investment Committee, which is chaired by me, an Independent Non-Executive Director and not the Chairman/CEO.

This year, the Committee focused on reviewing the strategies and business plans of some of the portfolio companies as well as a number of proposals from management.

Kim Bradley
Chairman of the Investment Committee
24 March 2022

INDEPENDENT AND OBJECTIVE REVIEW AND CHALLENGE OF THE GROUP’S INVESTMENTS

Composition

The composition of the Investment Committee is a matter for the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Investment Committee. Presently, all Directors are members of the Investment Committee.

Key purpose and responsibilities

The Investment Committee is responsible for managing all aspects of investment policy and its strategy for the Company and provides oversight of the Company’s investments within strategy and risk frameworks. In addition, the Investment Committee’s responsibilities include:

- selecting investment opportunities based upon recommendations of the executive management team; such recommendations to be based upon in-depth, rigorous analysis (of business plans, financial statements, projections, risks and rewards, fit with the Company’s strategy, etc.) as well as the legal structure of the investment;
- considering divestment opportunities based upon the recommendations of the executive management team; such recommendations to be based upon the review of the potential divestment target, assessment of the potential buyer universe, analysis of the optimal transaction structure and a detailed outline of institutionalised sales process to be followed;
- reviewing the material commercial and legal terms of relevant Major Transactions;
- assessing the risks and rewards and general attractiveness and suitability of proposed Major Transactions;
- where it deems appropriate, making investment and divestment recommendations and providing ongoing guidance on pricing, contractual negotiations and other considerations prior to signing;
- reviewing each Major Transaction and its development at least twice per year, or more often if necessary; and
- ensuring that management has the appropriate plans and controls in place, with the necessary resources and capability to manage the investment risk framework.

1 A “Major Transaction” is an investment opportunity, acquisition or disposal which is in excess of GBP 2.5 million.

INVESTMENT COMMITTEE REPORT CONTINUED

Key activities
The Investment Committee's role is to provide oversight of investment activity and challenge management where appropriate. As reported elsewhere in this Annual Report on page 127 an important part of this process is the visits to portfolio companies and the meetings with senior management that take place throughout the year, which gives members of the Committee real insight into the operations and is fundamental to the Board's approach to corporate governance. The COVID-19 pandemic again made these visits very difficult and all meetings have been held with Directors via teleconference or via videoconference. We look forward to the Committee resuming these face-to-face activities when appropriate during 2022. The Committee continued to revisit in detail the business plans and strategy of a number of portfolio companies, with particular attention on the impact of COVID-19.

Elsewhere in this Annual Report you will read about how the Company is responding to climate change and the new disclosures that it is required to make. The Committee has been driving this and in February 2022 approved a new Responsible Investment Policy. The Policy is integrated into our investment and portfolio management processes and procedures. This enables environmental and social aspects to be captured where they may directly or indirectly affect corporate and portfolio company performance.

In 2021, the Committee reviewed and approved the buyout of the minority shareholders in the retail (pharmacy) business, which will be spread out over a six-year period. Following the initial pharmacy businesses purchases in 2016 and 2017, GHG has held a 67% equity stake in the combined retail (pharmacy) business and had a call option on the minority stake, during the 12 months starting from January 2023. The remaining 33% minority stakeholders, who are also the managing partners of the retail business, had a put option for the minority stake also during the 12 months starting from January 2023. The exercise price of the call and put options were set at 6.0x and 4.5x EV/EBITDA multiples, respectively, in 2017, based on the preceding financial year's results at the time of the exercise. The parties have renegotiated the initial terms of the agreement and put/call options. Under the renegotiated terms, the minority buyout transaction will be executed in six tranches at 5.25x EV/EBITDA multiple. The buyout provides better visibility for GHG to manage its liquidity position through the newly agreed payment terms, whilst also allowing GHG to increase the dividend inflows from the retail (pharmacy) business.

The Committee also reviewed and approved the expansion of the K-12 education business in the affordable segment through the investment projects in (1) the acquisition of an 81% equity interest in Georgian-Austrian School Pesvebi, (2) the launch of a new (second) campus under the existing affordable brand – Green School and (3) the expansion of Green School's existing campus. The Committee also reviewed the performance and valuation of their investments including the wine industry, retail market and the banking sector. The review considered an updated wine investment strategy leading up to 2024 and the medium-term business plan and capital allocations of the proposed strategy.

In 2021, the Committee was regularly updated and consulted on the developments on the strategic priorities, announced in November 2020: a) realising the value of one large investment via a cash exit, and b) divestment of subscale "other" portfolio companies, that do not offer scalable growth potential. In 2021, the Company announced that its

wholly-owned subsidiary JSC Georgia Capital, which is the owner of Georgia Global Utilities, a holding company for the GCAP's water utility business and the operational assets of its renewable energy business, has agreed to sell an initial 80% of its equity interest in the water utility business to FCC Aqualia, by way of a two-stage transaction, for a cash consideration of US\$ 180 million. The transaction values the entire water utility business at US\$ 225 million, a 30% premium to its latest independent investment value at 30 June 2021, and marks the achievement of a key strategic priority with the successful completion of the full investment cycle of our strategy: to invest, grow and monetise via a cash exit. See page 8 for details.

Under the Committee's oversight, the Company also demonstrated progress on the divestment of subscale assets. Since June 2021, the Company successfully completed the sale to a combination of local and regional investors of selected commercial real estate assets for US\$ 45.0 million with an 11.3% premium (US\$ 4.6 million) to the book value as of 31 March 2021. The proceeds from the sale were used to repay the US\$ 30 million bonds issued by the commercial real estate business which matured on 31 December 2021. See page 11 for details.

In the Strategic Report (page 66), you will find a description of how the Directors discharge their duties under section 172 of the Companies Act 2006 when making decisions such as these. It is also worth noting that at each of its quarterly meetings the Investment Committee receives a detailed update on the regional and Georgian economy and the prevailing political and societal climate. This information is crucial to the Investment Committee's decision-making process.

The Investment Committee undertook an evaluation of its effectiveness. The evaluation concluded that overall the Investment Committee was performing effectively and its composition, being all the members of the Board, remained appropriate. In particular, having an Independent Director chair the Investment Committee continued to be a critically important element of the Company's corporate governance framework.

Despite the strong recovery of the Georgian economy from the shock of the COVID-19 pandemic, we expect 2022 to still be a challenging year as the uncertainties around new variants remain present. I look forward to reporting to you next year on how the Investment Committee continues to develop and the areas of work that it has focused on.

- Priorities for 2022**
- Closely monitor and collaborate with portfolio companies on recovery pace, given uncertainty over continued fiscal stimulus in 2022.
 - Disciplined exits of the subscale portfolio companies over the next 2-3 years.
 - Ongoing in-depth review of portfolio businesses and investment monitoring meetings that will complement the Investment Committee's annual oversight.
 - Focus on operational execution.
 - Focus on how investments are performing against the basis on which approval was given.
 - Ensuring portfolio monitoring and review metrics remain valid and appropriate; and
 - Monitor the implementation of the Responsible Investment Policy.

AUDIT AND VALUATION COMMITTEE REPORT



David Morrison
Chairman of the Audit and Valuation Committee

Dear Shareholders
As Chairman of the Audit and Valuation Committee (the Committee), I am pleased to present the Committee's report for the year ended 31 December 2021.

- In 2021, the Committee focused principally on oversight of valuations of private portfolio companies and related valuation policies and procedures. The Committee reviewed in detail quarterly, half-yearly and annual valuations of the Company's private portfolio companies and monitored compliance with the Valuation Policy and fair value measurement under IFRS 13. Other key areas of focus in 2021 included:
- the ongoing impact of the COVID-19-related economic crisis on the valuations of the Company's unquoted investments as well as the ongoing viability of the Company and its status as a going concern. Although the economy in Georgia has recovered to some extent, as in the rest of the world the pandemic continues to present challenges;
 - oversight of the independent valuations of our large private portfolio companies;
 - consideration of the appointment of the external auditor through a tender after the conclusion of the 2021 audit;
 - a review of a Bond Tap Transaction by JSC Georgia Capital for a US\$ 65 million tap on its existing US\$ 300 million Eurobond; and
 - a review of the financial reporting implications of and reports relating to the disposal of the water utility business.

The Committee has also continued to oversee the activities of the Internal Audit function, receiving reports of all internal audit activity and tracking follow up actions arising from those audits. Since completion of the GHG share exchange transaction in 2020, the Committee's oversight expanded to include the activities of the Internal Audit functions at the GHG businesses (Healthcare Services, Retail (pharmacy) and Medical Insurance), which have been reporting to Georgia Capital's Internal Auditor. Accordingly, in 2021, the Committee reviewed a detailed report on the internal audit function of GHG. In 2022 members of the Committee will meet with GHG's Clinical and Safety Committee to gain a more detailed understanding of the Clinical audit work within that business.

Shareholders will recall that following the demerger in 2018, the Company undertook a tender exercise for the provision of external audit and audit-related services for the three years (2019, 2020 and 2021) beginning with the review of Financial Statements for six months ending 30 June 2019 and audit of Financial Statements for the year ending 31 December 2019. Consequently, at the beginning of 2022, the Committee conducted a full

COMMITMENT TO COMPREHENSIVE AND TRANSPARENT REPORTING

tender process for the provision of external audit and audit-related services which is described in more detail later in this Report.

The Committee devotes significant time to its tasks and met ten times during the year. Unfortunately, given the pandemic, all of our meetings in 2021 were held virtually, although I was able to travel to Georgia to be with management for one of the meetings. Notwithstanding the limitations of virtual meetings, we believe that our work continued to be fully effective, and we will continue to take advantage of the efficiency of virtual meetings for some of our work even after face-to-face meetings and travel become possible again. Further details about our work are set out below.

David Morrison
Chairman of the Audit and Valuation Committee
24 March 2022

Introduction and key purposes and responsibilities
This report describes the functioning and activities of the Committee during the reporting period, including an overview of the key areas of activity and principal topics covered at each meeting of the Committee. On behalf of the Board, the Committee monitors the integrity of the Company's Annual Report and oversees the conduct of financial reporting and the valuation process that drives it. The Company met the investment entity definition in accordance with IFRS 10 from 31 December 2019 and as a result, measures its investments in portfolio companies at fair value (through profit or loss) effective from that date instead of consolidating them. The Committee also oversees internal control, risk management and Internal Audit, and supervises the work of our external auditor. The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board, all of which have been accepted during the year.

The Committee's Terms of Reference outline its primary roles and responsibilities. These Terms of Reference are subject to annual review.

Composition and operations of the Committee
The Committee members during the year were David Morrison (Chairman), Caroline Brown and Dr Massimo Gesua' sive Salvadori, all of whom are Independent Non-Executive Directors. For the purposes of the Code and Disclosure, Guidance and Transparency Rule 7.1, the Board is satisfied that all of its members of the Committee have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

A finance and securities lawyer whose practice for more than 25 years included a focus on financial reporting, Mr Morrison has both chaired and sat on audit committees of three premium listed companies over the last ten years. As reported elsewhere, Caroline Brown will not be seeking re-election to the Board at the forthcoming AGM and therefore ceases to be a Director of the Company from the conclusion of the AGM on 20 May 2022. I would like to thank Caroline for her invaluable help as a member of this Committee since the demerger. I am delighted that Kim Bradley will join the Committee from 20 May 2022. Kim brings to the Committee very significant experience having previously served as chairman of the BGEO Group PLC Risk Committee and as a member of its Audit and Nomination Committees. Kim spent 15 years at Goldman Sachs during which time he participated on valuation committees covering all asset types. He also led Goldman Sachs’ asset management affiliates in France, Italy and Germany, where his responsibilities included working closely with the Management and Control Division (internal audit) on both the scope and response to annual audits. This experience, together with Kim’s position as chairman of the Investment Committee will be of significant benefit and enhance the Committee’s oversight of valuation processes and its overall effectiveness. Massimo Gesua’ sive Salvadori’s extensive experience of valuations is particularly valuable to the Committee since the private portfolio companies’ valuation is the key area of focus in Georgia Capital’s financial accounting and reporting. His expertise and understanding of value drivers is highly beneficial for the Committee in discharging its responsibilities and will

continue to be important going forward. More detailed biographies of the Committee members are set out on pages 124-125. The Audit and Valuation Committee held ten meetings during the year, and the meeting attendance during the year can be seen on page 129. The Company Secretary is Secretary to the Committee and attends all meetings. Meetings are also attended by: the Chief Financial Officer, Head of Technical Accounting and Valuation, Head of Finance and Head of Internal Audit.

In addition, representatives of Ernst & Young LLP (EY), the Company’s external auditor were invited to attend several meetings of the Committee each year. On some occasions, invitations to attend are extended to other members of the Board and management where necessary, to provide a deeper level of insight into key issues and developments. The Committee also holds at least one meeting during each year with the external auditor and the Head of Internal Audit without management present to allow discussion of any issues of concern in more detail.

The Committee works to a planned programme of activities focused on key events in the annual financial reporting cycle and standing items that it considers regularly under its Terms of Reference. As has been the case in prior years, the Committee also reacts to business developments as they arise. Mr Morrison will be available at the AGM to respond to any questions from shareholders that may be raised on the Committee’s activities.

Activities of the Committee in 2021
The table below summarises the Committee activity during 2021.

Area of focus	Core activities
Financial reporting	<ul style="list-style-type: none">Reviewed the appropriateness and disclosure of accounting policies and practices.Reviewed the Annual Report and Accounts content and advised the Board on whether the Annual Report was fair, balanced and understandable.Reviewed the Company’s annual and interim financial statements and quarterly accounts relating to the Company’s financial performance, including the significant financial reporting policies and judgements contained in them and, in particular, the valuation of portfolio companies (see below).Reviewed and recommended to the Board for its approval the Going Concern and Viability Statements, including stress scenarios as a consequence of the economic impact of the COVID-19.Reviewed overall presentation of APMs, evaluated clarity of reconciliations and challenged the nature of adjusting items.
Valuation	<ul style="list-style-type: none">Ensured that the Valuation Policy is continuously and consistently applied.Ensured that the Valuation Policy complies with IFRS 13, Fair Value Measurement, and with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company.Provided oversight over independent valuation of large private portfolio companies.Reviewed quarterly, half-yearly and annual valuations including reports by an independent valuation firm of the Company’s portfolio investments prepared and presented to it by management and monitored the compliance with the Valuation Policy and IFRS 13, and in particular, ensured that the valuations reflected the climate change and COVID-19-related implications on the future business plans of portfolio companies.Considered the extent of valuation disclosure in the Company’s annual and interim reports.
Risk and control environment	<ul style="list-style-type: none">Reviewed and assessed the effectiveness of GCAP internal controls and risk management processes.Reviewed the results of risk identification and assessment work performed by management.Reviewed the Board’s approach to assessing the Company’s long-term viability.Reviewed reports from the external auditor which included considerations in respect of internal controls.Reviewed the Company’s principal risks and uncertainties statement included in the Annual Report and supporting stress test scenarios.Regularly monitored the internal and external environment to ensure that any new or emerging risk is identified in a timely manner and responded to appropriately. As a result of the principal risks assessment, no new risks relating to the Company and the portfolio businesses were identified. Risks relating to climate change and COVID-19 were monitored regularly throughout the year.
Internal Audit	<ul style="list-style-type: none">Reviewed reports of internal audits and monitored findings, action points and follow up actions arising from audit visits.A more detailed review of the internal audit functions within Georgia Healthcare Group.Approved 2022 Internal Audit Plan.Monitored and reviewed the effectiveness of the Company’s Internal Audit function.Approved the annual budget for the Internal Audit function.New Head of Internal Audit appointed.
External audit	<ul style="list-style-type: none">Monitored the effectiveness and performance of EY.Conducted an annual evaluation of external audit effectiveness.Reviewed and confirmed the objectivity and independence of the external auditor.Reviewed the 2021 Audit Plan including the approach, scope and risk assessments and significant audit risks.Agreed the terms of the external auditor’s engagement and fees.Approved the policy for non-audit fees and monitored compliance as well as independence in relation to the non-audit services.Considered and decided to conduct an external audit tender process for 2022.

Area of focus	Core activities
Governance	<ul style="list-style-type: none">Reviewed governance processes in place to oversee valuation of portfolio companies.Reviewed Terms of Reference of the Committee.Reviewed work of reporting accountant and listing documents in relation to the bond tap issue by JSC Georgia Capital.Reviewed the respective documents in relation to the disposal of the water utility business.Evaluated the effectiveness of the Committee.Reviewed proposed changes to the Company’s Non-Audit Services Policy to address new ethical standards announced by the FCA.
Significant accounting and financial judgement matters considered	How the Committee addressed the matter
Portfolio company fair value estimation and disclosure	<p>Reviewed quarterly, half-yearly and annual valuations of the Company’s portfolio investments presented to it by management. Reviewed and challenged assumptions and judgements applied by management. The Committee also reviewed and challenged the independence of the third-party valuation experts and the appropriateness of their scope of work.</p> <p>The Committee considered and challenged whether management followed appropriate valuation standards as reflected in the Valuation Policy and used appropriate judgement. The Committee also considered and challenged whether investment entity accounting remains appropriate. The Committee considered in discussions with the external auditor the methods used to account for significant or unusual valuations where different approaches are possible (unusual valuations include first-time valuations of the greenfield projects and valuation of a private portfolio companies at sale price). The Committee also challenged the implications relating to climate change and COVID-19 in the valuations of the Company’s portfolio investments. As a result, the Committee was satisfied with the appropriateness of valuation methods used and the reasonableness of assumptions and judgements applied in valuation.</p>
Going concern and viability	The Committee considered management’s assessment of the Company’s ability to continue as a going concern and its long-term viability taking into consideration the ongoing impact of the COVID-19 crisis. The Committee reviewed and challenged the robustness of stress testing, the inputs and assumptions made during the assessment and ensured that disclosures in the Annual Report and Accounts are appropriate. The Committee was satisfied with the reasonableness of the inputs and assumptions made during the assessment, as well as the sufficiency and appropriateness of disclosures.
Fair, balanced and understandable reporting	See below.

Key activity highlights
Financial reporting and valuation

The following discussion adds colour to the summary of the activities described in the table above. In each area of activity, the Committee considered the financial implications of a number of business developments, with a major focus on the impact of the COVID-19, the valuation of GHG Healthcare Services as its first full year as part of the private portfolio of Georgia Capital and the resulting adjustments to the Group’s strategy and refocusing of the portfolio.

A principal responsibility of the Committee is to consider the significant areas of complexity, judgement and estimation that have been applied in the preparation of the financial statements. This includes ensuring that the Annual Report and Accounts and the quarterly and half-year reporting, taken as a whole, are fair, balanced and understandable and comply with disclosure requirements as discussed in more detail below.

Over the course of the year the Committee received detailed reporting from the external auditor in respect of key areas of audit focus and these were in some instances discussed without management present. In addition, regular reports were received from the CFO on the financials and internal controls and where appropriate, reports and feedback from internal and external advisors were presented to the Committee to enhance the quality of our reporting.

As the investment portfolio comprises a number of private companies, the Committee and our external auditors spend a significant amount of time considering and challenging management’s valuations. The assessment of fair value is subjective and requires a number of significant and complex judgements to be made by management. In 2021, the Committee oversaw the independent valuations, performed by third-party valuation experts, establishing fair value ranges for all large private portfolio companies (Healthcare Services, Retail (pharmacy), Water Utility and Insurance) as at 30 June 2021 and 31 December 2021. For these businesses, the valuation methodology applied by the independent experts were reviewed in detail by the Committee,

as well as key assumptions used and the most appropriate point in the established range was selected for each business. For the “other” private portfolio companies, the Committee reviewed and challenged the valuation inputs selected by management as for prior periods. With the external auditors, the Committee reviewed in detail both (i) the auditors’ assessment of the methodologies applied by the independent valuation company for the large private portfolio companies and by management for the “other” assets, and (ii) the basis for their independent assessment of the valuations. The Committee also ensured that the valuations reflected the climate change and COVID-19-related implications on the future business plans of portfolio companies. Full details on our valuation policies and procedures which are overseen by the Committee can be found on page 73 (please see valuation workgroup) and page 103 (please see valuation methodology).

The finance team under the supervision of the Committee, considers the suitability of the accounting policies which have been adopted, ensuring that key reporting estimates and judgements were appropriate, including the assessment of appropriateness of continuing the investment entity accounting, and ensuring that the external auditors were afforded timely and full access to relevant information.

Using our own independent knowledge of the Company and its portfolio investments, but also taking into account the external auditor’s assessment of risk, the Committee has where necessary challenged the actions, estimates and judgements of management in relation to the preparation of the financial statements. When considering financial reporting, the Committee assesses compliance with relevant accounting standards, regulations and governance codes. In particular, the Committee continues its robust review of going concern and viability assessments under a number of scenarios.

Fair, balanced and understandable reporting
The Committee reviewed quarterly, half yearly and annual financial statements and performance updates. It assessed whether they provide a true and fair view of the Company’s affairs for the period and provide

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

shareholders with the necessary information in a fair, balanced and understandable way in order to enable them to assess the Company's position, performance, business model and strategy.

As part of that review, the Committee considered the APMs used by the Company, challenged management and is satisfied that these are appropriate. It also considered the prominence of the APMs in the reporting. The Committee confirmed that the requirements of the Disclosure, Guidance and Transparency Rules and the mandatory

guidelines issued by ESMA on APMs were met and the reconciliation between the APMs and the IFRS results was clear, balanced and understandable. You can read more about APMs, including the applicable IFRS reconciliations, on pages 98-102 of the Annual Report. In reviewing the 2021 Annual Report and Accounts, the Committee considered whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

When forming its opinion, the Committee considered the following questions in order to encourage challenge and assess whether the Annual Report was fair, balanced and understandable:

Is the Annual Report <i>fair</i> ?	<ul style="list-style-type: none">Is the whole story presented?Have any sensitive material areas been omitted?Are the KPIs disclosed at an appropriate level based on the financial reporting?
Is the Annual Report <i>balanced</i> ?	<ul style="list-style-type: none">Is there a good level of consistency between the front and back sections of the Annual Report?Is the Annual Report a document for shareholders and other stakeholders?Is there good level of balance between IFRS figures and APMs?
Is the Annual Report <i>understandable</i> ?	<ul style="list-style-type: none">Is there a clear and understandable framework to the Annual Report?Is the Annual Report presented in straightforward language and a user-friendly and easy to understand manner?Does the Annual Report provide sufficient information to understand the Company's performance, business and strategy, as well as its corporate governance and risk management frameworks?

- In making this assessment, we:
- satisfied ourselves that there was a robust process of review and challenge at different levels within the Company to ensure balance and consistency;
 - reviewed several drafts of the 2021 Annual Report and Accounts and directly reviewed the overall messages and tone of the Annual Report with the CEO and CFO; and
 - considered other information regarding the Company's performance and business presented to the Board during the period, both from management and the external auditor.

After consideration of all of this information, we are satisfied that, when taken as a whole, the Annual Report and Accounts is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Risk management and control environment: Internal Audit
The Committee assists the Board in fulfilling its responsibility to review the adequacy and effectiveness of the controls over financial reporting and risk. Where areas for improvement are identified, the Committee ensures that there are the correct processes in place to effectively take action to address them. Further information on risk management and internal controls can be found on pages 70-74.

The Committee is supported by a number of sources of internal assurance within the Company in order to discharge its responsibilities. As part of the regular reporting from the Chief Financial Officer and the Finance team regarding the operating performance of the portfolio companies, the strength of the internal control environment is considered. Management also provides updates on how risks, for example bribery and information security, are managed within particular business areas, and updates are presented to the Board or the Committee as appropriate. Further, during the year, the Internal Audit function continued to assist management to perform certain risk identification and assessment activities at the private portfolio companies, the results of which were presented and discussed at the Committee meetings.

The Committee monitors the scope and effectiveness of the Group's Internal Audit function. It also reviews, approves and oversees the implementation of the Internal Audit Plan, which is designed using a risk-based approach aligned with the overall strategy of the Group.

Throughout the year, we received regular reports from Internal Audit on the progress of the Internal Audit Plan and on the audits themselves, including significant findings as well as the corrective measures recommended to management. We also reviewed and monitored management's responsiveness to the corrective measures and found that, on the whole, management accepted recommendations and used them as a basis to improve processes.

The restrictions on travel in Georgia for part of the year due to the COVID-19 pandemic and remote working caused a slowdown in the internal audit programme. Although the majority of the planned internal audits have taken place, a few of the internal audit visits planned for 2021 have been incorporated into the 2022 Internal Audit Plan, which has been approved by the Committee. The Committee has satisfied itself that this change to the 2021 Internal Audit Plan did not give rise to any material increase in risk.

With respect to external assurance, over the course of the year the Audit and Valuation Committee reviews the regular interim reports from the external auditor, which include the external auditor's observations on risk management and internal financial controls identified as part of its audit.

The processes described above ensure that the effectiveness of the controls is reviewed on an ongoing basis, and we are pleased to report that no significant weaknesses in our risk management processes or internal controls were identified this year. Near the end of the year our Head of Internal Audit left the Company and Georgia to pursue an opportunity abroad. A new Head has been in place since December.

Internal Audit effectiveness
As noted above, the Committee continued, on behalf of the Board, to oversee the Internal Audit function, which serves as independent assurance over the adequacy of the systems and processes of risk management and control across the Company.

The Head of Internal Audit has direct access to the Committee and the opportunity to discuss matters with the Committee without other members of management present. We also monitor the resources dedicated to Internal Audit as well as the relevant qualifications and experience of the team.

We reviewed the effectiveness of the Internal Audit department by considering progress against the agreed plan, taking into account the need to respond to changes in the Company and its portfolio investments' business and the external environment. During the year, Internal Audit provided assurance across a range of areas, including the investment evaluation process in hospitality, budgeting and cost control in housing development, capital expenditures in water utility and the procurement cycle in various portfolio companies. We also considered the quality of the reporting by Internal Audit to the Committee and the ability of Internal Audit to address unsatisfactory results. On this basis, we concluded that the Internal Audit function is effective and respected by management, and that it conforms to the standards set by the Institute of Internal Auditors.

- External audit**
Oversight of the relationship between Georgia Capital and the external auditor, EY, is one of the Committee's key responsibilities. With respect to our responsibilities for the external audit process on behalf of the Board, we:
- approved the annual Audit Plan, which included setting the areas of responsibility, scope of the audit and key risks identified;
 - oversaw the audit engagement, including the degree to which the external auditor was able to assess key accounting and audit judgements;
 - reviewed the findings of the external audit with the external auditor, including the level of errors identified during the audit;
 - monitored management's responsiveness to the external auditor's findings and recommendations;
 - reviewed the qualifications, expertise and resources of the external auditor;
 - monitored the external auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements; and
 - reviewed audit fees.

Auditor
EY was appointed by the Board as the statutory auditor in 2018, following a competitive tender process, and was re-appointed by shareholders at the 2021 AGM.

Audit tender
For the audit of the Financial Statements in this Annual Report, the Company complied with the mandatory audit processes and the Committee complied with the responsibility provisions set out in terms of the Competition and Markets Authority Statutory Audit Services Order 2014 ("CMA Order") relating to: (a) putting the audit services engagement on tender every ten years; and (b) strengthening the accountability of the external auditors to the Committee, including: requiring that only the Committee is permitted to agree to the external auditors' fees and scope of services; influence the appointment of the audit engagement partner; make recommendations regarding the appointment of auditors; and authorise the auditors to carry out non-audit services. Following the demerger and our listing in May 2018, the Committee conducted a full tender amongst appropriate firms for the statutory audit and related services of the Group. The tender was for the provision of external audit and audit-related services for the three years (2019, 2020 and 2021) beginning with the review of Financial Statements for six months ending 30 June 2019 and audit of Financial Statements for the year ending 31 December 2019. Consequently, a further tender process has been conducted for the provision of external audit services for three years (2022, 2023 and 2024) beginning with the review of Financial Statements for six months ending 30 June 2022 and audit of Financial Statements for the year ending 31 December 2022 as described below.

Request for proposal
Requests for Proposals/Invitations to Tender (RFPs) were sent in the fourth quarter of 2021, including to firms outside of the "Big Four" audit companies. These were selected as those most likely to fulfil the criteria

- in particular for capability, competence and audit quality across their UK and Georgian teams. The RFP explained that the tender was for the periods stated above and that the auditor would also be subject to re-appointment at the Company's Annual General Meetings. The RFP outlined that Georgia Capital's objectives for the tender process were to:
- secure high-quality external audit services;
 - appoint a firm who will provide high standards of professional service; and
 - appoint a firm that will provide excellent value for money.

To ensure all participating firms had equal and sufficient information to understand the Group's business, the RFP provided general information about the business, timeline and description of tender process, outline of evaluation criteria, scope of work and tender response format. The RFP contained detailed information on the required contents of the proposals from the firms. We received responses from a number of companies who confirmed their willingness to participate in the tender process, confirmed their independence and signed non-disclosure agreements.

Tender process
All firms who confirmed participation had access to equal and sufficient information to understand the Group's business through data room, including historical financial information, Group structure, Group accounting policies, and risk management and internal audit processes outlines. The firms also had access to publicly available information, and to the management of Georgia Capital. All firms provided a proposal and were invited to present to the Committee in February-March 2022. All Committee members attended all face to face presentations alongside the CFO and Head of Technical Accounting and Valuation. Attendees from the firms were a combination of their UK and Georgian based teams, and each was given adequate time to present, including time for Q&As with the Audit and Valuation Committee.

- The RFP had set out the criteria that the Committee used in making a recommendation to the Board on auditor appointment. These were broken down as follows, with each section given equal weighting:
- capability and competence;
 - audit quality and service quality;
 - behaviour and deliverables; and
 - pricing.

A summary of the proposal was prepared for each firm and circulated to Committee members along with the full proposals. The Committee discussed the strengths and weaknesses of each firm. Based on this process, the Committee determined that PricewaterhouseCoopers LLP ("PwC") had the highest capability, competence and quality for the role. The Committee recommended two firms to the Board for it to consider for the provision of external audit and audit-related services indicating a preference for PwC. This recommendation was accepted by the Board and separate resolutions proposing PwC's appointment and determination of PwC's remuneration by the Audit and Valuation Committee will be proposed at the 2022 AGM. In making this recommendation, the Committee confirmed in accordance with clause 489(5) of the Companies Act that: (i) they were free from the influence of a third party; and (ii) there was no contractual term of the kind mentioned in The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 restricting the choice by the general meeting of shareholders as regards the appointment of a particular statutory auditor or audit firm. The results of the audit tender will also be communicated to shareholders via an RNS announcement. PwC has appointed Allan McGrath as our lead partner.

The external auditor is required to rotate the audit partner responsible for the Group at least every five years. Following the successfully completed tender for the provision of external audit services this year, the Group will be required to put the external audit contract out to tender no later than 2031.

AUDIT AND VALUATION COMMITTEE REPORT CONTINUED

Auditor effectiveness

We have an established framework for assessing the effectiveness of the external audit process. This includes:

- a review of the Audit Plan, including the materiality level set by the auditor and the process they have adopted to identify financial statements risks and key areas of audit focus;
- regular communications between the external auditor and both the Committee and management, including discussion of regular papers prepared by management and EY;
- regular discussions with EY (without management present) and management (without EY present) in order to discuss the external audit process;
- a review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached; and
- a review of the annual FRC Audit Quality Inspection Report of EY.

During the year an assessment of the effectiveness of the external auditor was conducted through the use of a questionnaire completed by all Committee members and also the Chief Financial Officer, members of the Finance team and the Company Secretary. The questionnaire addressed a number of issues including:

- the quality of the auditors' involvement and their understanding of the Company;
- co-ordination between the London and Tbilisi offices;
- governance and independence;
- audit scope, planning and execution; and
- quality of the challenge to management and the Committee from EY.

Feedback was positive overall, and areas in which EY could improve were identified. The results of the assessment were discussed between the Committee Chairman and the audit lead, Alistair Denton.

Auditor independence

The Committee has the responsibility for developing, implementing and monitoring policies and procedures on the use of the external auditor for non-audit services, which help to ensure that the external auditor maintains the necessary degree of independence and objectivity. This is supported by the Company's Non-Audit Services Policy.

The Committee has undertaken a formal assessment of EY's independence, which included a review of: a report from EY describing their arrangements to identify, report and manage any conflicts of interest, and their policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and the value and nature of non-audit services provided by EY. EY have confirmed that they believe they remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with their professional standards.

Non-Audit Services Policy

The Committee adopted a new Non-Audit Services Policy during 2021, safeguarding the external auditor's independence and objectivity. The provision of non-audit services by our external auditors aligns with current EU Statutory Audit regime and recent amendments to the UK Corporate Governance Code. Any work other than for audit or review of interim statements to be undertaken by the external auditor now requires authorisation by the Committee except in very narrow circumstances. The Company's Non-Audit Services Policy is available on our website at: <https://georgiacapital.ge/governance/cgf/policies>.

The ratio of non-audit fees to audit fees for 2021 is below 1:1. Non-audit fees relate to offering circular related work in connection with the disposal of water utility business. As indicated in Note 9 of the audited IFRS financial statements for 2021, the total fees paid to EY for the year ended 31 December 2021 was GEL 2.0 million. The Audit and Valuation Committee is of the view that engaging EY on occasions for non-audit work of this kind is the most efficient method of having those particular services delivered to the Company, and do not consider this work compromised the independence of the external auditor.

Compliance

During 2021, the Company complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the UK Corporate Governance Code.

Governance

Whistleblowing, conflicts of interest, anti-bribery and anti-corruption and data protection

The Committee conducts an annual review of the Company's policies in its remit, and it is the responsibility of the Committee to ensure that there is a robust governance framework and effective procedures are in place.

This included a review of the Whistleblowing Policy. Under the UK Corporate Governance Code, it is now the responsibility of the Board to have oversight of whistleblowing within the Company and accordingly, following its review of the Policy the Committee made an appropriate recommendation to the Board.

The Committee is responsible for the Conflicts Authorisation Policy through which we assess actual and potential conflicts of interest and assist the Board in its review of the permissibility of such conflicts. The Committee continues to monitor potential conflicts of interest and recommends to the Board to consider whether these should be authorised.

The Committee keeps under review the Company's Anti-Bribery and Anti-Corruption Policy and procedures and receives reports from management on a regular basis in relation to any actual or potential wrongdoing. There were no significant findings in 2021.

Committee effectiveness review

An internal review was facilitated by the Company Secretary, in reviewing the Committee's performance over the financial year. The effectiveness evaluation concluded that overall, the Committee was performing effectively and its composition remained appropriate.

Continuing education and training

The entire Board has received training on the current UK Corporate Governance Code, and regularly receives information and regulatory updates that could impact the work of the Committee.

Priorities for 2022

Our priorities for 2022 include among others, continued focus on:

- monitoring new and emerging risks, including the effects on the Group of the tragic war in Ukraine and the Company's and its portfolio investments' continued response to the COVID-19 pandemic and climate change;
- monitoring the appropriateness of the use and application of investment entity basis accounting in accordance with IFRS 10, with a focus on monitoring compliance with the Company's Valuation Policy, individual portfolio company valuations and the effectiveness of external valuations;
- ensuring continued integrity and balance in the Company's financial reporting;
- monitoring the control environment and its appropriate roll-out at the various portfolio companies, including oversight of the new Head of Internal Audit and his integration into the control environment;
- integration of clinical risk review in our risk control framework following the GHG buyout;
- the continued evolution of compliance with TCFD requirements;
- following developments on the planned enactment of legislation in the UK similar to the Sarbanes-Oxley Act in the US (UK SOX) and making preparations for compliance as appropriate; and
- completion of audit tender process and the appointment of the external auditor.

DIRECTORS' REMUNERATION REPORT



Jyrki Talvitie
Chairman of the
Remuneration Committee

Dear Shareholders

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021 and the renewed Directors' Remuneration Policy for your approval in accordance with the three-year cycle.

We continue to believe that our Executive Director should fully share the shareholder experience and we believe that our highly unusual shareholder-aligned approach to remuneration should be retained.

We continue to take into account strong shareholder support for and feedback on the existing structure and on the implementation of the existing Policy to date.

Given this, we are proposing that our existing Remuneration Policy be renewed for a further three years (the revised or renewed Policy). Irakli Gilauri's salary, as well as his performance-based remuneration, will continue to be comprised of deferred shares alone. Salary and the maximum opportunity for the performance-based remuneration (discretionary deferred shares) are set in a number of shares (rather than a cash figure, which could translate to a higher number of shares when awarded at a lower share price). Moreover, the renewed Policy retains the same number of shares for salary and for the maximum opportunity as we presented to shareholders for their approval three years ago – there is no increase in salary nor incentive.

2021 has been a transformational year for Georgia Capital, in which our financial outperformance targets have been exceeded and the agreed sale of the water utility business has been a significant strategic achievement. We invite you to read more about our pay structure, policy and pay for performance below.

Overview of the remuneration structure and shareholder views and engagement

The existing Directors' Remuneration Policy (the Policy) was passed in the 2019 AGM with 99% approval. The Directors' Remuneration Report received 98% approval at the 2021 AGM. The Committee has been strongly encouraged by this level of shareholder support. As noted above, we are not proposing any change to the existing Policy and we are seeking approval of the renewed Policy for a further three years.

The structure of the Policy follows relevant guidance including:

- Executive pension contributed by the Company to be the same as for employees (although our CEO Irakli Gilauri has waived his pension entitlement).

INNOVATIVE ALIGNMENT OF REMUNERATION WITH SHAREHOLDERS' INTERESTS AND EXPERIENCE

- Shareholding guidelines with an equivalent of 200% of salary (as compensation vests in tranches, the shareholding is built up organically). Shareholding requirements are to be maintained for two years post-employment.
- Both fixed salary and variable compensation vest over several years and Irakli Gilauri has no cash salary.
- Malus and clawback provisions are consistent with best practice and are detailed below. Unusually, malus may also be triggered in certain circumstances over the salary shares.

The annual salary for our current Executive Director is 200,000 deferred shares and the maximum discretionary opportunity is also 200,000 shares. The Remuneration Committee reserves discretion to vary the amount of any component in the package up to the limits set out in the Policy table in relation to new Executive Directors.

Ahead of proposing to ask shareholders to approve our current Policy, members of the Remuneration Committee (including myself) and the Senior Independent Director engaged extensively with our investors through a combination of letters, calls and meetings. Shareholder engagement has continued ahead of the renewal of the Policy. The Committee appreciated and actioned investor feedback on the enhanced disclosure of the CEO KPIs, weightings and of the range of minimum, threshold and maximum performance as included in the 2020 Directors' Remuneration Report and, as a result, has kept the same structure for this year's report. Pursuant to investor feedback this year, we have also increased the weighting on the key strategic KPIs.

Since the approval of the current Policy three years ago we note that shareholders and proxy advisory groups now prefer that companies explain the mechanisms of enforcement of their malus provisions. Accordingly, we wish to disclose that malus and clawback triggers are set out in the Executive Director's contract and therefore are legally enforceable. Furthermore, under the rules of the share plan, the trustee may cause shares to lapse (malus) or to be recovered (clawback) including in accordance with the provisions of the Executive Director's contract. Lastly, as part of each grant process, the Executive Director signs a confirmation that they agree to be bound by the terms and conditions set out in the rules of the share plan, including the malus and clawback provisions.

The Committee also confirms that the 200% Shareholding Requirement to be built up and held for two years post-employment, is included as an express provision in Irakli Gilauri's contract and further unvested shares (remuneration vests in tranches) are held in the employee benefit trust.

DIRECTORS’ REMUNERATION REPORT CONTINUED

What’s in this report

- This Directors’ Remuneration Report is split into two sections:
- The new Directors’ Remuneration Policy (set out on pages 146 to 153) which will be voted on at the 2022 AGM. Subject to approval by shareholders, the new Policy will apply from the date of the AGM.
 - The Annual Report on Remuneration (set out on pages 143 to 163) which includes the Annual Statement by the Chair of the Remuneration Committee, describes the implementation of Georgia Capital PLC Directors’ existing Remuneration Policy and discloses the amounts earned relating to the year ended 31 December 2021.

The report complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The report has been prepared in line with the recommendations of the Code and the requirements of the FCA Listing Rules.

Changes to the Policy

Given strong shareholder support, we are not proposing to make any change to the Policy. It is intended that the renewed Policy will be a continuation of the current Policy. Changes in wording are to illustrate the vesting years and to disclose that share plan rules covering malus and clawback have been implemented as promised in the current Policy.

2021 performance outcomes

The Remuneration Committee agreed that 2021 was a significant year for Georgia Capital in which, under Mr Gilauri’s leadership, the Group exceeded all financial targets. In addition to the Water Utility disposal, the following notable events took place:

- 1) demonstrating continued progress towards the Group priority to divest, over 2-3 years, the subscale portfolio companies which do not have the potential to reach GEL 500 million equity by the sale of US\$45 million commercial real estate properties with an 11.3% premium to their book value as of 31 March 2021, translating into 2.1x MOIC in US\$ terms;
- 2) buyout of the minority shareholders in the retail (pharmacy) business, agreed at renegotiated terms, which provides the path to GCAP’s 100% ownership and stretching over six-years/tranches at 5.25x EV/EBITDA multiple;
- 3) expansion of the education business in the affordable segment through several investments, in line with the capital allocation programme;
- 4) resumption of the Group’s share buyback and cancellation programme in August 2021 in line with its capital allocation framework; and
- 5) US\$ 65 million Eurobond tap issuance in March 2021 enhanced liquidity and demonstrated the Group’s superior access to international capital markets.

As the portfolio companies continued to deliver on their strategic priorities, NAV per share increased by an extraordinary 31% overall and 24% for the private portfolio value. The Committee notes that this is a key metric for shareholders and that this has more than doubled since the start of the COVID-19 pandemic.

GCAP standalone income far exceeded the outperformance budget at GEL 681 million. GCAP standalone flow of cash and liquid funds stood at GEL 97 million, even while the popular buyback programme was reinstated in line with the capital allocation programme. Expense ratio achieved the outperformance of the budget at 1.7%. The portfolio companies aggregate revenue increased to GEL 1,964 million and aggregate cash flow to GEL 365 million. The strategic priorities of the group were outperformed as detailed in the KPI table, and the portfolio companies achieved strong results in progressing towards their mid-to-long term priorities.

The Group’s key short-term strategic priority, as announced at the November 2020 Investor Day and which had received positive feedback from investors, was to dispose of one of its large portfolio companies. The disposal of the 80% stake in the water utility business was delivered ahead of time, and at a 30% premium to its independent valuation. The value achieved of US\$ 180 million, for 80% of the water utility business

represents a 30% premium to its independent investment value at 30 June 2021 and translates into 2.7x MOIC in US\$ (3.6x MOIC in GEL) and 20% IRR in US\$ (27% IRR in GEL). The disposal also has a very significant positive impact on the Group’s leverage profile, reducing the market value leverage from 24.2% as at 31 December 2021 to 19.2%.

The sale represents the Group’s most significant monetisation event to date and marks the completion of the full investment cycle for one of the Group’s large businesses, from acquisition and development to cash exit. The Remuneration Committee were pleased to note that the resolution on the transaction received 100% shareholder approval at the General Meeting on 31 January 2022.

The Committee consideration of the CEO’s performance in light of this and further against the KPIs is set out in “Basis for determining Mr Gilauri’s discretionary share compensation in respect of 2021” below.

Given this achievement of the number one strategic priority ahead of schedule and at a 30% premium to its independent investment value, whilst also noting overall pay for performance and the stakeholder experience, the Remuneration Committee decided to exercise their discretion and award a further 3.25% of maximum discretionary deferred shares opportunity (6,500 shares).

We note in respect of the stakeholder experience, no holding level companies’ employees were made redundant during the year. None of the Group companies required support from the Georgian or UK Governments and the furlough scheme has not been utilised. The foregoing applies to 2020 and 2021. In 2021, the Company also began a share buyback programme which continues to receive positive feedback from shareholders.

As explained in the Policy section above, Irakli Gilauri’s maximum bonus opportunity is linked to a number of fixed shares rather than a salary amount and therefore a fall in the Company’s share price does not result in a higher number of shares being awarded. There is no “windfall” effect. There is also no cash bonus and no LTIP.

For 2021, we have awarded Irakli Gilauri, our CEO, an annual bonus of 200,000 deferred shares which will vest over four years and are subject to a further one year holding period. The explanation of how this is decided is set out in section “Basis for determining Mr Gilauri’s discretionary share compensation in respect of 2021” below. We did not change our implementation of the Policy in 2021.

Other Remuneration Committee activities and workforce engagement

The Committee received updates on wider market trends on market overview of remuneration practices and topics of investor focus. While our remuneration structure remains highly unusual, it was noted that on key areas such as pension, shareholding guidelines and malus and clawback protections, the Company continued to implement best practice. The Committee also noted benchmarking and remuneration trends, such as the changes in incentives by type, their usage and by sector.

As part of its responsibilities and in conjunction with the renewed Policy to be put to shareholders, the Committee considered workforce compensation. This covered compensation, pension, benefits, leave and working hours, training and development and number of staff by salary band. This was covered at the holding company level, and the Committee also considered the same for the main portfolio businesses including Water Utility, Renewables, Healthcare, Pharmacy, Health Insurance, P&C Insurance, Education, Beverages, Hospitality, Commercial Real Estate, Auto Service and Distribution.

In early 2021, in response to employee consultation and feedback that the current workforce remuneration structure had a low levels of personal incentive and in order to be pro-active in executing the new Group strategy, the Committee oversaw the restructuring of portfolio companies’ executive management compensation. To effect this, the remuneration of certain portfolio companies CEOs and their executive management was adapted to a mix of phantom (proxy) portfolio company shares and cash salary, discretionary share bonus opportunity and discretionary cash bonus opportunity. The Company’s share salary element and the related bonus opportunity in Company shares was removed from these portfolio companies’ employee compensation.

Kim Bradley is the Company’s designated Non-Executive Director for workforce engagement, and one of the members of the Remuneration Committee. Employees are able to raise matters relating to the workforce (including remuneration) through Kim and further details of engagement with the workforce can be found on page 133 in the Corporate Governance Framework. There are only c.40 employees at the holding company level.

As detailed elsewhere in this report and in the Group’s newly launched Sustainability Report, the Group is currently further developing its understanding of climate change and approach to ESG. Kim Bradley attended a workshop with the TCFD consultants and management in November to understand and inform the Company’s developing approach. The correlation between ESG and the share price of companies is becoming increasingly established. From a remuneration perspective, the Committee notes that the majority of compensation delivered to executive management is in shares, or phantom (proxy) shares, which are deferred for several years. The Committee also retains ultimate discretion over performance-based remuneration. Therefore, the incentive structure for executive management is naturally geared towards the medium to long-term success of our Group and does not raise ESG risks by inadvertently motivating irresponsible behaviour.

Committee responsibilities and Non-Executive Director fees
From 31 December 2019 the remit of the Audit Committee increased, and it became the Audit and Valuation Committee at PLC level, as did the Committee at JSC level in line with the mirror board structure. In accordance with the Policy, the remuneration of Committee members may be reviewed from time to time, which may take into account the time, commitment and technical skills required of that role. Given the expanded role of the Audit Committees, it was determined that the Committee fees should increase. However, as stated in last year’s Annual Report, the Board froze the increase of fees during 2020 to reflect the impact of COVID-19. The fees of the members and Chair therefore increased from the later date of 1 January 2021 which reflected the increased responsibilities and time commitment of review and oversight of the Valuation Policy and its implementation, considering and challenging valuations, considering reporting on valuations and review and challenging procedures of valuation. Their work is summarised in the Audit and Valuation Committee report on pages 137 to 142. The fees of the Nomination Committee were also reinstated in 2021, having been waived in consideration of the COVID-19 pandemic from 1 April 2020 to 31 December 2020 (during which time the Chair only received the difference between his fee and the member’s fee).

The renewed Policy does not propose any changes to the section covering the Non-Executive Directors fees.

Effectiveness review

An external review of the Committee’s effectiveness was facilitated by Lintstock Ltd. The quality of information was very highly rated, and engagement with management was considered to be frank and detailed. Remuneration policy was considered to be heavily aligned to shareholder expectations due to the high proportion of share-based remuneration and the Committee considered that measures were set carefully to closely reflect Group strategy. The Committee wished nevertheless to continue to keep an open mind on its approach to remuneration and remain receptive to feedback. Further to the feedback of members of the Committee, the Committee considered that a deeper dive into the wider workforce remuneration would be a priority in 2022.

Jyrki Talvitie
Chairman of the Remuneration Committee
24 March 2022

DIRECTORS’ REMUNERATION REPORT CONTINUED

DIRECTORS’ REMUNERATION POLICY

Given strong shareholder support for the existing Policy in 2019, for our Remuneration Reports in 2019, 2020 and 2021 and in shareholder consultation, it is proposed that the existing Directors’ Remuneration Policy shall be renewed for a further three years. We have updated some of the notes to the Policy for illustrative purposes (with respect to the vesting years) and we have disclosed that share plan rules covering malus and clawback have been implemented as promised in the current Policy. **Changes are highlighted in gold below for convenience.**

The Remuneration Committee is satisfied that the Policy is highly aligned with the shareholder experience and functions as intended.

Subject to shareholder approval, the renewed Policy will take effect from the date of the 2022 AGM and will become formally effective for the three years following that date. It is a provision of the Policy that the Group will honour all pre-existing obligations and commitments that were entered into prior to the Policy taking effect. The terms of those pre-existing obligations and commitments may differ from the terms of the Policy and may include (without limitation) obligations and commitments under service agreements, deferred share remuneration schemes and pension and benefit plans.

The Remuneration Committee retains its discretion under the renewed Policy to make minor amendments to the Policy for regulatory exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining prior shareholder approval.

Executive Directors Remuneration Policy

The Policy provides for an Executive Director’s remuneration package to be comprised of the elements set forth below. For the avoidance of doubt, all references to Executive Directors refer to the Executive Directors of Georgia Capital PLC to cover the present Executive Director, Irakli Gilauri, and any future Executive Directors of Georgia Capital PLC whilst the Policy is in force. The compensation structure of executive management (who serve on the Management Board of JSC Georgia Capital, but who are not Executive Directors of Georgia Capital PLC) is set by the Remuneration Committee and is modelled on the Policy (except that they may receive a part of their salary in cash) but the Remuneration Committee is not bound by the Policy when setting their remuneration packages. The Remuneration Committee can set different vesting terms and conditions for the executive management team as the Remuneration Committee thinks appropriate.

Salary in the form of long-term deferred shares

Purpose and link to strategy	Opportunity	Operation
<ul style="list-style-type: none">To reflect the role and required duties, skills, experience and individual contribution to the Group whilst promoting long-term value creation and share price growth.	<ul style="list-style-type: none">The maximum number of deferred share salary shares is 200,000 per annum for Irakli Gilauri, of which 20,000 shares per annum are for his work as the CEO of Georgia Capital PLC and 180,000 shares per annum are for his work as a CEO of JSC Georgia Capital and its subsidiaries.The number of deferred share salary is fixed for the duration of the employment contracts with Georgia Capital PLC and JSC Georgia Capital.The maximum number of deferred share salary set for an Executive Director will be no more than the Remuneration Committee considers reasonable based on his/her duties, skills and experience, at the time when his/her salary is set, which will normally be at the time at which his/her service agreement(s) are entered into.	<ul style="list-style-type: none">The level of base salary for an Executive Director is fixed in his or her service agreement(s). The level of salary is reviewed by the Remuneration Committee when a service agreement is up for renewal.No cash salary. Salary is comprised entirely of long-term deferred shares (“deferred share salary”) in the form of nil-cost options annually in respect of the work year, and is usually expected to be awarded within one month of the end of the work year, although the Remuneration Committee retains the discretion to determine the timing of the award.Deferred share salary in respect of a work year will vest over five years with 20% vesting in each of the second, third, fourth, fifth and sixth years following the end of the work year. At vesting, the Executive Director will receive (in addition to the deferred share salary) cash payments equal to the dividends paid on the underlying shares between the beginning of the year immediately following the work year and the vesting date.Lapse provisions (natural malus) are built into the deferred share salary as set out in the “Service agreements and policy on payments for loss of office for our Directors” section below. Extended malus and clawback provisions do not apply to base salary as the Remuneration Committee considers that the discretionary deferred shares provide a sufficiently large pool from which to draw extended malus or clawback repayments, if necessary in the circumstances to do so.

Performance-based remuneration – discretionary deferred shares

Purpose and link to strategy	Opportunity	Operation
<ul style="list-style-type: none">To motivate and reward an Executive Director that meets or exceeds the KPIs set for him or her by the Remuneration Committee for the relevant period.Performance-based remuneration solely in the form of discretionary deferred shares (no cash bonus) in order to:<ul style="list-style-type: none">Closely align the interests of an Executive Director with shareholders.Minimise risk taking for short-term gain.Encourage long-term commitment to the Group.	<ul style="list-style-type: none">For Mr Gilauri, the maximum number of discretionary deferred shares that may be awarded is capped at 200,000 shares (i.e. 100% of deferred share salary).For an Executive Director (other than Mr Gilauri), the maximum opportunity in respect of the previous work year is 100% of total salary.	<ul style="list-style-type: none">Performance-based remuneration is awarded annually entirely in the form of nil-cost options over the Group shares subject to vesting (“discretionary deferred shares”). The Group does not award cash bonuses to Executive Directors of Georgia Capital PLC.The Remuneration Committee will determine annually whether an award is merited based on an Executive Director’s achievement of the KPIs set for the work year and the performance of the Group during the work year. If appropriate, where a strategic change or change in business circumstances has made one or more of the KPIs an inaccurate gauge of an Executive Director’s performance, the Remuneration Committee may decide to base its assessment on alternative measures. The outcome of an Executive Director’s performance and the Remuneration Committee’s determination will be reported in the Directors’ Remuneration Report for the work year in consideration.Any discretionary deferred shares are expected to be granted following the end of the work year and vest 25% in each of the second, third, fourth and fifth years following the end of the work year, although the Remuneration Committee retains the discretion to determine the timing of the award.Each tranche of vested discretionary deferred shares must then be held for a further one year.At vesting, an Executive Director receives cash payments equal to the dividends paid on the underlying shares between beginning of the year immediately following the work year and the vesting date.KPIs for an Executive Director are set towards the beginning of each work year and reflect each Executive Director’s targeted contribution to the Group’s overall key strategic and financial objectives for the coming work year. KPIs may also include non-tangible factors such as self-development, mentoring and social responsibility.There is no contractual right to discretionary deferred shares and the Remuneration Committee reserves the right to award no discretionary deferred share remuneration if the Group’s performance is unsatisfactory.Lapse provisions (natural malus) and extended clawback and malus applies under the circumstances as set out in the notes to this Policy table.

Pension

Purpose and link to strategy	Opportunity	Operation
<ul style="list-style-type: none">The Group is required to comply with pension requirements set by the Georgian Government.Pension provision is the same for all employees in the Group in Georgia.	<ul style="list-style-type: none">Pension provision will be in line with Georgian pension legislation, which may change from time to time.There is no provision for the recovery or withholding of pension payments.	<ul style="list-style-type: none">The same arrangement applies to employees across the Group in Georgia.In line with current Georgian legislation, an Executive Director and the Group each contribute 0-2% of total remuneration from JSC Georgia Capital and the Georgian Government contributes a further small amount currently 0-2% depending on income levels. However, Irakli Gilauri has agreed for pension contributions to be waived.Pension contributors will only increase above the level if mandated by Georgian legislation or if mandated by any other applicable legislation in any jurisdiction.

Benefits

Purpose and link to strategy	Opportunity	Operation
<ul style="list-style-type: none">Non-cash benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high-calibre talent.	<ul style="list-style-type: none">There is no prescribed maximum amount payable. The maximum amount payable depends on the cost of providing such benefits to an employee in the location at which the Executive Director is based.Shareholders should note that the cost of providing comparable benefits in different jurisdictions may vary widely.Disclosure of amounts paid will be provided in the implementation report and will be explained where the cost of benefit is significant.	<ul style="list-style-type: none">Benefits consist of: life insurance; health insurance; incapacity/disability insurance; Directors’ and Officers’ liability insurance; physical examinations; tax gross-ups and tax equalisation payments, company car and driver; mobile phone costs; personal security arrangements (if requested by the Executive Director); assistance with completing tax returns (where required); relocation costs for Executive Director and close family; and legal costs.

DIRECTORS’ REMUNERATION REPORT CONTINUED

Other Executive Director policies – shareholding requirements	
Purpose and link to strategy <ul style="list-style-type: none">• To further align Executive Directors’ interests with shareholders.• To ensure Executive Directors build and then maintain a significant shareholding over the long term.• To ensure departing Executive Directors make long-term decisions and maintain an interest in the ongoing success of the Group post-employment.	Operation <ul style="list-style-type: none">• Executive Directors are required to build and then maintain a shareholding equivalent to 200% of salary. Such amount to be built up within a five-year period from appointment as an Executive Director (the “Required Shareholding”).• For these purposes all beneficially owned shares as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares will count towards the Required Shareholding (as such awards are not subject to any performance conditions).• Executive Directors are to retain the lower of (i) the Required Shareholding or (ii) the shareholding at the time employment ceases, for a period of two years from the date on which employment ceases unless the Remuneration Committee determines otherwise.• In very exceptional circumstances, for example, in the event of a serious conflict of interest, the Remuneration Committee has the discretion to vary or waive the Required Shareholding but must explain any exercise of the discretion in the Group’s next Remuneration Report. It should be emphasised that there is no present intention to use the discretion.

Notes to the Policy table – Executive Directors

Deferred share salary

At present there is no cash salary. The Remuneration Committee may determine that some cash salary is appropriate for an incoming Director (see “Approach to recruitment remuneration”).

The deferred share salary comprises the most important element of the Executive Director’s fixed annual remuneration and is commensurate with the Executive Director’s role within the Group. Paying salary as deferred share compensation rather than as cash means that the Executive Director’s day-to-day actions are geared towards sustained Group performance over the long term. The deferred share salary component is neither a bonus nor an LTIP, it is salary fixed at the outset of each Executive Director’s service contract and is therefore not subject to performance targets or measures. The salary increases or declines in value depending on Group performance, aligning an Executive Director’s interests directly and naturally with those of the Group’s shareholders.

While it is not the current intention, the Remuneration Committee has the discretion under the Policy to increase the amount of deferred share salary for incoming Executive Directors (i.e. not for the current CEO) by 10%.

Performance-based remuneration

Performance is measured entirely through the discretionary deferred share compensation plan (see “Discretionary deferred remuneration”, below), which measures performance over the financial year. The vast majority of remuneration is inherently linked to performance and shareholder value as the vast majority of remuneration is in the form of deferred share salary and discretionary deferred shares. The Group does not operate an LTIP because it believes that there is sufficient long-term incentive built into its deferred share salary and discretionary deferred share remuneration.

Discretionary deferred remuneration

Performance is measured over the course of the financial year, and is paid in nil-cost options, which are granted following the financial year and vest 25% in each of the second, third, fourth and fifth years following the end of the work year. A further one year holding period from the date of vesting applies to the vested discretionary deferred shares. For example, any discretionary deferred remuneration in respect of **2022** will be granted in **2023** and the vesting schedule will be 25% in each of January **2024**, January **2025**, January **2026** and January **2027**, and are subject to a further holding period of one year on each tranche. Therefore, the total maximum vesting and holding period is five years from the end of the work year.

Performance measures are chosen to reflect strategic priorities for the Group and are chosen by the Remuneration Committee annually towards the start of the relevant performance year. The aggregate pool of shares available for each year for awards of discretionary deferred shares for the Executive Directors and the executive management team as a whole is determined annually by the Remuneration Committee in its absolute discretion, based on a number of factors including:

- financial objectives;
- strategic objectives; and
- people and culture objectives.

The Remuneration Committee does not utilise strict weighting of performance measures to ensure that flexibility is encouraged if, for example, strategic objectives evolve as the Group does or business circumstances change during the year. The Remuneration Committee believes that this flexibility ensures that the Board can work with an Executive Director so that he/she does not take excessive risk to achieve KPIs when, for example, markets have turned. The Remuneration Committee has the discretion to reduce awards, including to zero, when performance outcomes do not align to the shareholder experience. The precise measures will be determined by the Remuneration Committee and disclosed retrospectively in the Remuneration Report following the year of the Remuneration Committee’s determination.

As mentioned in the Policy table, the maximum value of discretionary deferred shares that the current CEO, Mr Gilauri, may be awarded in a given year for the remainder of his service contract with the Group is capped at the same number of shares as his total deferred share salary. In the event that it does introduce cash salary for a new Executive Director, the Remuneration Committee retains the discretion to determine how total salary is measured for the purposes of the cap in the Policy table.

Clawback and malus

Discretionary deferred shares are subject to malus, and clawback for up to two years from vesting, in the following circumstances:

- misconduct in the performance or substantial failure to perform duties;
- significant financial losses, serious failure of risk management or serious damage to the reputation of Georgia Capital PLC or JSC Georgia Capital, caused by misconduct or gross negligence (including inaction in performance of his/her duties by the Executive Director);
- material misstatement or material errors in the Financial Statements that relates to the area of responsibility of the Executive Director or can be attributed to their action (or inaction in performance of his/her duties);
- deliberately misleading Georgia Capital PLC or JSC Georgia Capital in relation to financial performance; and
- an award being made on the basis of erroneous or misleading data, provided that for payments based on erroneous or misleading data (other than where such error has been caused by fraud, wilful misconduct, deliberate action/inaction and/or gross negligence of the Executive Director), malus and clawback applies to discretionary deferred remuneration awarded for the year in question.

The above provisions form part of Mr Gilauri’s service contract. Further, the Group has also amended the Executive Equity Compensation plan to allow shares to be lapsed, including to zero, or clawed back in accordance with the provisions in the Executive Director’s contract.

For the Group’s current Executive Director, Mr Gilauri, the Group also has unusually strong malus provisions where all unvested shares (deferred share salary and discretionary deferred shares) lapse when the service contract is terminated under certain circumstances, including for cause such as gross misconduct, substantial and repeated failure to perform duties, fraud or conviction of a felony. This may be several years of salary deferred shares and discretionary deferred shares. Please see the “Termination of the JSC Georgia Capital service agreement” in the table below for more information.

Discretion

The Remuneration Committee retains a substantial degree of discretion in relation to the Policy. This includes:

- the determination of discretionary deferred shares, if any;
- selection of KPIs that will determine the discretionary deferred remuneration, which may vary from year to year in order to align with strategy and financial objectives;
- any adjustments required to an Executive Director’s KPIs during the work year when, for example, there has been a change in strategy or business circumstances which results in one or more of KPIs becoming an inaccurate gauge of performance; and
- the discretion to override any formulaic outcomes when it considers it reasonable in the circumstances to do so.

Equity compensation trust and dilution limits

An equity compensation trust (“Trust”) was established **by JSC Georgia Capital** for the purposes of satisfying deferred share salary and discretionary deferred share compensation in the form of nil-cost options awarded to Executive Directors and eligible members of the executive management team. The Trust was established in 2018.

Business expenses

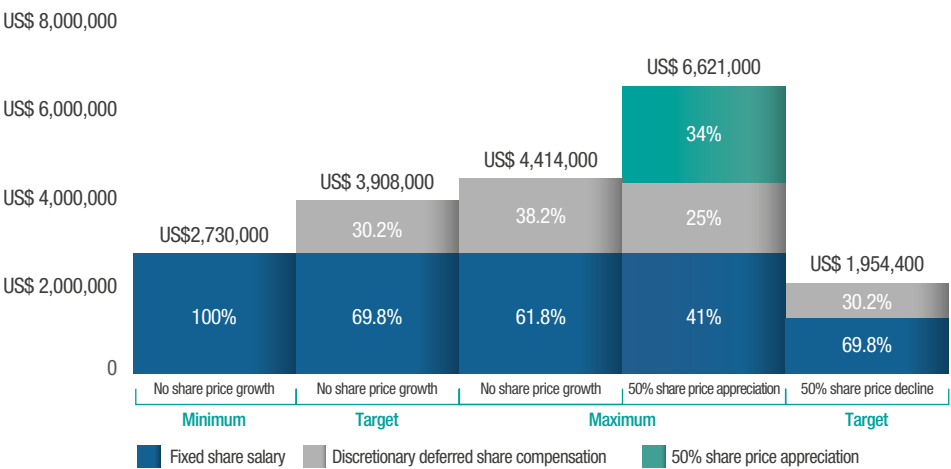
Executive Directors are reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contract, on provision of valid receipts.

DIRECTORS' REMUNERATION REPORT CONTINUED

Illustration of application of Remuneration Policy

The chart below shows an estimate of the remuneration that could be received by Mr Gilauri, the Group's sole Executive Director and CEO, in respect of **2022** under the proposed Policy at five different performance levels.

The 50% share price appreciation disclosure is made voluntarily by the Group (as performance measures are limited to one year) for investor information.



- Notes:
- Salary is comprised of deferred share salary and benefits. Mr Gilauri does not receive a cash salary and has waived all pension contributions. For illustration purposes, the value of the deferred share salary payable to Mr Gilauri is US\$ 2,730,000, calculated by reference to the share price of US\$ 13.65 on 12 July 2018, being the date of the Remuneration Committee meeting (the official share price of GBP 10.324 converted into US Dollars using an exchange rate of 1.3223, being the official exchange rate published by the Bank of England on the same date) to approve the contract.
 - For the purpose of calculating the value of discretionary deferred shares for illustration in this chart a share price of **US\$ 8.42 per share was used which was the share price of the most recent discretionary deferred remuneration award**. The actual value of the discretionary deferred share award in respect of the performance of the **2022** work year will be reported in the **2022** Annual Report and Accounts as at latest closing share price before the Remuneration Committee meeting at which the award is decided.
 - Minimum opportunity reflects a scenario whereby Mr Gilauri receives only fixed remuneration which is deferred share salary and benefits. No share price growth assumptions have been made.
 - On-target opportunity reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and 140,000 discretionary deferred shares, being 70% of the maximum opportunity. No share price growth assumptions have been made.
 - Maximum opportunity reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 100% being the number of shares granted under the deferred share salary. No share price growth assumptions have been made.
 - Maximum plus 50% share price growth reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 100% of the maximum opportunity and share price grows by 50%.
 - Target with 50% share price depreciation reflects a scenario whereby Mr Gilauri receives fixed remuneration (as described in 1 above) and discretionary deferred shares compensation award of 70% of the maximum opportunity and share price depreciates by 50%.
 - For long-term incentive awards, disclosure of the value of the award in the event of a 50% share price appreciation is required by the Companies (Miscellaneous Reporting) Regulations 2018. Such disclosure is not required for short-term incentive awards, such as those made by the Group, where performance measures are limited to one year, nor is it required for salary compensation in the form of shares. The reason for this is that an increase in the value of the deferred shares resulting from share price appreciation in the period through to the vesting date is not considered to constitute remuneration for the purposes of the regulations. However, the Group has decided to voluntarily disclose information showing the value of a 50% share price appreciation.

Approach to recruitment remuneration

Any new Executive Director appointed to the Board would be paid no more than the Remuneration Committee considers reasonably necessary to attract a candidate with the relevant skills and experience. His or her maximum remuneration package would comprise the components described in the Policy table above. The Remuneration Committee may, at its sole discretion and taking into account the role assumed by the new Executive Director, vary the amount of any component in the package up to the limits set out in the Policy table above in relation to new Executive Directors. In particular, the Remuneration Committee may determine it is appropriate to also pay a cash salary to a newly-appointed Director. Should the Remuneration Committee elect to pay some salary in cash, (a) a commensurate reduction will be made to the fixed share salary and (b) the Remuneration Committee retains the discretion to determine how total salary is measured for the purposes of the cap in the Policy table. These discretions will only be exercised to the extent required to facilitate the recruitment of the particular individual.

- In addition to the components and outside the limits set out in the Policy table, the Remuneration Committee may also decide to provide to an incoming Executive Director:
- Relocation support, tax support and legal fees depending on the individual's circumstances, including, where relevant, to his or her family. The Group has not set a maximum aggregate amount that may be paid in respect of any individual's relocation support, but it will aim to provide support of an appropriate level and quality on the best terms that can reasonably be obtained.
 - Upon the recommendation of the Remuneration Committee, a "buyout" incentive award intended to compensate the incoming Executive Director for any awards granted to an incoming Executive Director by a previous employer and which have been foregone as a result of the individual's employment with the Group. In these circumstances, the Group's approach will be to match the estimated current value of the foregone awards by granting awards of deferred share compensation which vest over a similar period to the awards being bought out or longer. The application of performance conditions and/or clawback provisions may also be considered, where appropriate. Such new awards may be granted in addition to any deferred share salary and discretionary deferred share compensation.

Service agreements and policy on payments for loss of office for our Directors

The Group's policy towards exit payments allows for a variety of circumstances whereby an Executive Director may leave the Group. The Remuneration Committee reserves the right to determine exit payments other than those set out below where appropriate and reasonable in the circumstances to do so, including where an Executive Director leaves by mutual agreement. The Remuneration Committee may decide to pay some or all of the Executive Director's legal fees in relation to the termination. In all circumstances, the Remuneration Committee does not intend to reward failure and will make decisions based on individual circumstances. The Remuneration Committee's objective is that any such agreements are determined on an individual basis and are in the best interests of the Group and shareholders at the time.

The following sections (1) and (2) summarise the termination and payments for loss of office provisions pursuant to Mr Gilauri's service agreement with Georgia Capital PLC and JSC Georgia Capital, respectively. The Remuneration Committee retains the discretion to apply different notice, termination and payment for loss of office provisions to incoming Executive Directors. The termination provisions of Non-Executive Director letters of appointment are described in section (3). The Executive Directors' service agreements and letters of appointment are kept for inspection by shareholders at the Group's registered office.

Notice periods

At the date of this Annual Report, Mr Gilauri is the sole Executive Director of the Group. Mr Gilauri has a service contract effective 29 May 2018 with Georgia Capital PLC for an indefinite term which is terminable by either party on not less than four months' notice unless for cause where notice served by the Group shall have immediate effect.

Mr Gilauri also has a service agreement with JSC Georgia Capital effective from 29 May 2018 for an employment term of five years from 29 May 2018 which is terminable by the Executive Director on not less than three months' notice.

Both documents with their amendments are available for inspection by shareholders at the Group's registered office.

(1) Termination of Georgia Capital PLC service agreement

In the event that an Executive Director's service agreement is terminated on notice, Georgia Capital PLC may put Mr Gilauri on garden leave for some or all of the notice period during or after which period he will receive a pro-rata portion of the deferred salary.

Georgia Capital PLC may terminate Mr Gilauri's employment early with immediate effect without notice or pay in lieu of notice in the case of, among other circumstances, his dishonesty, gross misconduct, conviction of an offence (other than traffic-related where a non-custodial penalty is imposed) or becoming of unsound mind.

The Company may also terminate the service agreement with immediate effect by payment in lieu of notice, in which case the payment in lieu of notice shall be solely in respect of deferred share salary payable for the unworked portion of the notice period.

The vesting and lapse provisions of the deferred share salary under the service agreement with the Company follow the provisions in the service agreement with JSC Georgia Capital **mutatis mutandis** (which are set out in the third column of the table below).

(2) Termination of JSC Georgia Capital (the "JSC") service agreement

This table sets out the default vesting and lapse provisions, but the Remuneration Committee retains the discretion to determine different treatment upon agreement with the Executive Director.

Termination reason	Separation payments	Vesting and lapse of awards
• Termination by the JSC for cause (e.g. gross misconduct, substantial and repeated failure to perform duties, fraud or conviction of a felony).	• Vested deferred share salary (including dividend equivalents) to termination date and holiday pay, unpaid business expenses and benefits.	• Any unvested awarded deferred share salary and discretionary deferred share compensation as at the date when the Executive Director ceases to be an Executive Director shall lapse.
• Termination by the JSC without cause.	• Six month's deferred share salary plus deferred share salary to termination date and any awarded but unpaid discretionary deferred shares (all awards including dividend equivalents), holiday pay, unpaid business expenses and benefits.	• Any unvested awarded deferred share salary and discretionary deferred share compensation shall vest immediately.
• Termination by the Chief Executive Officer for Good Reason.	• As above for Termination by the JSC without cause.	• As above for Termination by the JSC without cause.
• Termination by the Chief Executive Officer without Good Reason.	• Vested deferred share salary (including dividend equivalents) to termination date and any holiday pay, unpaid business expenses and benefits.	• Any unvested awarded deferred share salary and discretionary deferred share compensation as at the date when the Executive Director ceases to be an Executive Director shall lapse.

In the event of termination for cause, in accordance with the Malus and Clawback section above the Group may also look to clawback vested discretionary deferred shares.

In addition to the vesting and lapse provisions above, in certain other circumstances including if the Executive Director terminates by reason of death, disability, redundancy or retirement, there is a change of control or, at the end of the term of the service agreement, the Executive Director is not offered a new service contract upon substantially similar terms or continued Board membership, unvested awarded deferred share salary and discretionary deferred shares will vest immediately.

DIRECTORS’ REMUNERATION REPORT CONTINUED

The service contracts also permit the Group to put the Executive Director on garden leave for a period of up to four months from the intended date of termination, and during such time the Executive Director will receive a pro-rata portion of deferred share salary. The Executive Director is also subject to non-compete provisions for up to six months after the termination of his/her employment, which might be extended to two years in certain circumstances.

(3) Termination of Non-Executive Directors' appointments

Each Non-Executive Director is required to submit himself or herself for annual re-election at the AGM.

The letters of appointment for Non-Executive Directors provide for a one-month notice period although the Group may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Non-Executive Director has committed any material breach or non-observance of his or her obligations to the Group is guilty of fraud or dishonesty, brings the Group or him/herself into disrepute or is disqualified as acting as a Director, among other circumstances. Upon termination, the only remuneration a Non-Executive Director is entitled to is accrued fees as at the date of termination together with reimbursement of properly incurred expenses incurred prior to the termination date.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee does not formally consult employees when drawing up Directors' Remuneration Policy but in determining an Executive Director's remuneration, the Remuneration Committee considers:

- (i) the pay and employment conditions of senior management including executive management;
- (ii) any changes in pay and employment conditions across the Group as a whole;
- (iii) whether employees across the Group are personally satisfied with the way they are remunerated; and
- (iv) any feedback received during the year from the Human Resources department, executive management and other employees on the executive remuneration structure.

Differences in the remuneration policy for executives relative to the broader employee population

For a FTSE All-Share company of our size and depth making a meaningful impact on the Georgian economy, our Executive Directors must have the skills, experience, work ethic and attitude required to successfully execute our strategy, manage evolving public policy demands, meet our objectives and create value for shareholders over the long term. In order to recruit and retain this talent, we assess the value of remuneration against other FTSE companies of similar size and sector listed in the UK. Executive Directors are not currently paid cash, and therefore remuneration in the form of deferred shares forms all their compensation and totally aligns them to the shareholder experience.

The principles of remuneration for the Executive Directors and executive management are aligned; remuneration is designed to align remuneration with the performance of the Group and shareholder experience. In particular, the remuneration structure of the highest executive manager is close to that of the Executive Directors' (although among other matters, the vesting pattern may vary **and a modest cash salary is included for some**). Further, the majority of compensation delivered to executive management is also in shares or phantom shares; however, most are also entitled to a modest cash salary.

The compensation of employees in the Group, other than Executive Directors and executive management is benchmarked against the Georgian labour market, as this is the most relevant comparator. Our employees are offered competitive remuneration packages, which include benefits and the opportunity to participate in the pension scheme on the same terms as applicable to Executive Directors and executive management. Bonuses are usually paid in cash. The Remuneration Committee are regularly updated by the Human Resources department in respect to pay and conditions of the wider workforce.

Non-Executive Directors' remuneration policy

The table below sets out our Policy for the operation of Non-Executive Directors' fees and benefits of Georgia Capital PLC. Each Non-Executive Director also serves as a member of the Supervisory Board of JSC Georgia Capital. The fees for Non-Executive Directors are currently the same as those disclosed in the prospectus of the Group. It is proposed that, if the Policy is approved, the Non-Executive Director fees stated below will apply in each year that the Policy operates from the date of approval of the Policy.

Component	Purpose and link to strategy	Operation	Opportunity
Base cash fee	<ul style="list-style-type: none">Attract and retain high-performing Non-Executive Directors with the requisite skills, knowledge, experience, independence and other attributes to add value to the Group.	<ul style="list-style-type: none">Cash payment on a quarterly basis.The fee for the Chairman will be determined by the Remuneration Committee. Fees for Non-Executive Directors will be determined by the Board.The amount of remuneration may be reviewed from time to time by the above, which may take into account the time commitment, responsibilities and the technical skills required to make a valuable contribution to the Board, and by reference to comparators, benchmarking, results of the annual review and other guidance. The Board also reserves the right, in their discretion, to amend and vary the fees if there are genuinely unforeseen and exceptional circumstances which necessitate such review and in such circumstances any significant increase shall be the minimum reasonably required. The Board reserves the right to structure the Non-Executive Directors' fee differently in its absolute discretion.Non-Executive Directors are reimbursed for reasonable business expenses, including travel and accommodation, which are incurred in the course of carrying out duties.	<ul style="list-style-type: none">The maximum aggregate Georgia Capital PLC fees for all Non-Executive Directors which can be paid under Georgia Capital PLC's Articles of Association is GBP 750,000.A specific maximum has not been set for the individual base cash fee.The Senior Independent Non-Executive Director receives a higher base fee which reflects the extra time, commitment and responsibility.The Chairman receives a fee which reflects the extra time commitment and responsibility. However, no Chairman's fee is received when the Chairman and CEO roles are combined.The fees paid to each Non-Executive Director will be disclosed in the relevant reporting year's Annual Report.
Committee fees	<ul style="list-style-type: none">Compensate for additional time spent discharging Committee duties.	<ul style="list-style-type: none">Cash payment on a quarterly basis.The amount of remuneration for Committee membership is reviewed as above.	<ul style="list-style-type: none">The Chairman does not receive Committee fees.

Consideration of shareholder views
A shareholder consultation process was undertaken to gather investor feedback on the renewed Remuneration Policy, which also took into account investor support of the current Policy and support for the implementation of the Policy described in the Remuneration Reports. For the 2019 Policy (from which there are no substantial changes), a formal shareholder consultation process was undertaken in early 2019 to gauge investor feedback on the proposed policy and the Remuneration Committee members and the Senior Independent Director further engaged extensively with our investors through letters to shareholders, as well as where possible calls and face-to-face meetings with them on the renewed Policy in the United Kingdom, Europe and the US. Shareholders were generally supportive of the proposals and their feedback was taken into account during the development of the 2019 Policy and the 2022 Policy set out here as well as implementation of the Policy. Shareholder feedback was taken on board regarding disclosure of more detail on the KPIs and weightings, with Committee discretion retained.

DIRECTORS’ REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION

How the Remuneration Committee addressed the factors in provision 40 of the Code

The Remuneration Committee considered the requirements of the Code in determining the remuneration structure and Policy, taking each of the factors of provision 40 of the Code in turn:

Principle	Approach
Clarity	Remuneration arrangements are transparent and competitive. The remuneration policy describes the purpose, operation and maximum potential of each remuneration element and illustrates a range of potential outcomes for the Executive Director.
Simplicity	The rationale is simple – this structure focuses the Executive Director and senior management on sustainable, long-term performance of the Company by remunerating them wholly (in the case of the current Executive Director) or predominantly (with respect to senior management) in deferred shares.
Risk	By its nature, setting all of the CEO’s remuneration in shares which are deferred by up to six years from the start of the work year, the remuneration structure drives the CEO and senior management to mitigate reputational, behavioural and undue strategic risks as the outcome of such would be likely to affect the share price over the years. It also helps to avoid conflicts of interest. Further, the Executive Director’s salary and bonus is calculated by reference to a fixed maximum number of shares, rather than a monetary amount, which removes the risk that the Executive Director will receive a windfall in the event that the share price decreases.
Predictability	The range of possible values is set out in the Policy voluntarily, including the impact of share price appreciation and depreciation, to aid predictability. Further, by calculating the maximum opportunity to a fixed number of shares, the Company and its shareholders have certainty regarding the Executive Director’s and senior managements’ remuneration.
Proportionality	Outcomes reward performance proportionately by reference to performance targets. Further, to allow appropriate adjustment, the entire “bonus” is discretionary. For further considerations on proportionality, see section “Chief Executive’s pay and comparators” on pages 159 to 160.
Alignment to culture	The current Executive Director’s entire remuneration, which is comprised of deferred shares rather than cash, promotes alignment with culture and the long-term success of the Company. This is supported by the inclusion of mentoring and developing, as well as personal development, within the CEO’s performance KPIs.

Shareholder context

The Directors’ Remuneration Policy applicable to this section of the Annual Report on Remuneration was approved by shareholders at our AGM on 22 May 2019 (the 2019 Policy). The Directors Remuneration Policy received the following votes from shareholders.

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Directors’ Remuneration Policy	28,900,823	98.89	325,227	1.11	29,226,050	2,309,274

Set out below are the shareholder voting figures for the Directors’ Remuneration Report 2020 (including the Annual Statement of the Chairman of the Remuneration Committee) presented at our 2021 AGM.

Resolution	Votes for	%	Votes against	%	Total votes cast	Votes withheld
Approval of the Directors’ Remuneration Report	32,359,101	98.28	565,661	1.72	32,359,101	58,422

The Remuneration Committee and its Advisors

The Remuneration Committee is principally responsible to the Board for establishing a remuneration policy for the Executive Directors, the Chairman and designated members of the executive management team that rewards fairly and responsibly, and is designed to support the Company’s strategy and promote its long-term sustainable success. The Remuneration Committee ensures that performance-related elements of Executive Directors’ remuneration are transparent, stretching and rigorously applied. The Remuneration Committee’s full Terms of Reference are available on our website: <https://georgiacapital.ge/governance/cgf/terms>.

The Remuneration Committee is comprised of three Independent Non-Executive Directors: Jyrki Talvitie who serves as Chairman, Kim Bradley (designated Non-Executive Director for workforce engagement) and Maria Chatti-Gautier. The members’ attendance during 2021 is shown in the Board and Committee meetings attendance table on page 129. No changes to the composition of the Remuneration Committee were made in 2021.

In addition to the formal meetings held during the year, the Remuneration Committee participated in various discussions by videoconference outside of these meetings. Other attendees at the Remuneration Committee meetings who provided advice or assistance to the Remuneration Committee on remuneration matters from time to time included the CEO, the other Board members and the UK General Counsel. Attendees at the Remuneration Committee meetings do not participate in discussions or decisions related to their own remuneration, which helps avoid conflict of interest.

The Remuneration Committee did not use remuneration consultants in 2021 (or 2022 to date). The Remuneration Committee received additional advice on compliance from Baker & McKenzie LLP, the Company’s legal advisors. The Remuneration Committee is of the view that the advice received from Baker & McKenzie LLP is objective and independent.

Directors’ remuneration

Single total figure of remuneration for the Executive Director (audited)

The table below sets out the remuneration earned by Georgia Capital PLC’s sole Executive Director, Irakli Gilauri, in respect of his employment for the years ended 31 December 2021 and 31 December 2020. Mr Gilauri’s compensation as set out in the table below is in the form of deferred shares that vest in tranches with a vesting and holding period of up to six years from the beginning of the work year. The values shown in the table are calculated at a fixed share price as described in footnotes 2 and 4 to the table. The actual value of the compensation as it is received over time will fluctuate with increases and decreases in the value of the share price as illustrated in the graph on page 150.

	Cash ¹ salary (US\$)	Deferred share ² salary (US\$)	Taxable ³ benefits (US\$)	Pension ³ benefits (US\$)	Total fixed pay (US\$)	Discretionary deferred ⁴ shares (US\$)	Total Variable pay (US\$)	Single total figure (US\$)
2021	–	2,730,000	–	–	2,730,000	1,684,000	1,684,000	4,414,000
2020	–	2,730,000	–	–	2,730,000	1,168,000	1,168,000	3,898,000

- Notes:
- 1 Mr Gilauri does not receive a cash salary.
 - 2 Deferred share salary. The figures show the Georgia Capital PLC shares underlying nil-cost options granted in respect of the relevant year. 200,000 deferred salary shares were awarded for the work year 2021 and for the work year 2020. To discharge the UK tax and employee National Insurance contributions arising upon the grant of the salary shares, Georgia Capital PLC and the Executive Director agreed to waive his entitlement to such number of the salary shares as needed for the payment of the Executive Director’s UK tax and employee National Insurance contributions by the Company. Under this arrangement, the Executive Director waived his entitlement to 8,068 deferred salary shares with respect to work year 2021 and 7,953 deferred salary shares with respect to work year 2020. The value of US\$ 2,730,000 for the work years 2021 and 2020 is calculated by reference to the share price on 12 July 2018, being the date of the Committee meeting at which the deferred share salary was determined. The share price on 12 July 2018 was US\$ 13.65 per share (the official share price of GBP 10.324 converted into US dollars using an exchange rate of 1.3223, being the official exchange rate published by the Bank of England on the same date). Deferred share salary in respect of a work year will vest over six years (from the beginning of the work year) with 20% vesting in each of the second, third, fourth, fifth and sixth years following the end of the work year. Mr Gilauri does not receive any remuneration with respect to his role as Chairman of the Group.
 - 3 There are no taxable benefits or pension benefits for 2021 and 2020. Mr Gilauri has agreed for all pension contributions to be waived. Mr Gilauri was reimbursed for reasonable business expenses, on the provision of valid receipts in line with the approved Policy. No money or other assets have been received or are receivable by Mr Gilauri in respect of a period of more than one financial year.
 - 4 Discretionary deferred share remuneration. The figures show the value of Georgia Capital PLC shares underlying nil-cost options granted in respect of the bonus award for the year. For 2021, awards were granted over 200,000 shares. The value is calculated by reference to the share price on 24 January 2022, which is the date of the Remuneration Committee meeting which determined the discretionary deferred share award, being US\$ 8.42 per share (the official share price of GBP 6.25 converted into US dollars using an exchange rate of 1.3464 being the official exchange rate published by the Bank of England on the same date). For 2020, awards were granted over 160,000 shares. The value is calculated by reference to the share price on 5 February 2021, which is the last working day prior to the date of the Remuneration Committee meeting which determined the discretionary deferred share award on 8 February 2021, being US\$ 7.30 per share (the official share price of GBP 5.32 converted into US dollars using an exchange rate of 1.3724 being the official exchange rate published by the Bank of England on the same date). Discretionary deferred shares vest 25% in each of the second, third, fourth and fifth years following the end of the work year and are subject to a further holding period of a year.
 - 5 The number of shares awarded pursuant to the deferred share salary and discretionary deferred share remuneration is fixed at grant. No discretion has been exercised as a result of share price appreciation or depreciation. Discretionary deferred shares are subject to one-year targets and the Company does not operate a LTIP. No amount of the remuneration in 2021 is attributable to share price remuneration. No amounts were recovered or withheld in 2021. No dividend equivalents have been received.

As noted in the single total figure of remuneration table above, deferred share salary is calculated on the basis of US\$ 13.65 per share. This is because we disclose using the decision date for each element of remuneration, in this case the salary figure refers to the value of the shares on 12 July 2018, being the date of the Committee meeting at which the deferred share salary was determined.

However, the share price as at the last practicable date before the publishing of this Annual Report, 18 March 2022, was US\$ 7.89 per share (the official share price of GBP 5.99 converted into US dollars using an exchange rate of 1.3173, being the official exchange rate published by the Bank of England on the same day). Therefore, when calculated using the more recent price, the single total figure of the compensation is US\$ 3,156,000.

Alternative remuneration table showing the Executive Director’s 2021 and 2020 remuneration discounted for time value of money (unaudited)

For investor information, the alternative table below sets out the share remuneration earned by Irakli Gilauri in 2021 and 2020 as per the previous table (Single total figure of remuneration for the Executive Director) but taking into account the time value of money discounted at 15%, given that both the salary shares and discretionary deferred shares vest over a number of years. Further, the Executive Director may forfeit the shares on cessation of employment in certain circumstances.

	Deferred share salary (US\$)	Discretionary Deferred shares (US\$)	Total salary and discretionary deferred shares remuneration (US\$)
2021	1,590,845	1,044,998	2,635,843
2020	1,590,845	724,583	2,315,428

The following table sets out details of total remuneration for the Chairman and Chief Executive Officer, Mr Gilauri, for the years ended 31 December 2018 to 31 December 2021 and his discretionary compensation as a percentage of maximum opportunity.

	2018	2019	2020	2021
Single total figure of remuneration (US\$)	4,066,962	3,790,000	3,898,000	4,414,000
Discretionary compensation as a percentage of maximum opportunity (%)	85%	50%	80%	100%

Note: Maximum opportunity is 100% of total number of salary shares as set out in the section above and in accordance with the approved Policy.

Basis for determining Mr Gilauri’s discretionary deferred share compensation in respect of 2021

Mr Gilauri’s KPIs included financial targets, strategic targets and non-quantifiable components. The financial and strategic elements largely track the Group’s KPIs as he is expected to deliver the Group’s strategy. The non-quantifiable targets take into account factors such as leadership and mentoring, corporate culture and personal development. The Committee’s practice is to set ambitious financial targets, and would normally expect to award 70% of the maximum available for meeting the target, depending on the circumstances, including business and wider economic developments during the year. For strategic and development targets, measurement is more difficult, but here again we have high expectations of Mr Gilauri and would typically plan to award 70% of the maximum available for meeting these targets.

In accordance with the extended disclosure in last year’s Annual Report and subsequent complementary feedback from shareholders, this year we continue to provide full information to better explain how the KPIs link to strategic targets and to explain the weightings.

DIRECTORS' REMUNERATION REPORT CONTINUED

We also specifically link each KPI to the relevant Group priority and disclose ranges of targets for each KPI (threshold, target and maximum). We would typically expect to award 25% for threshold, 70% for target and 100% for outperformance for each KPI. The Group is young and non-financial strategic targets are also key. In response to investor feedback, we have increased the weightings on the key strategic priorities.

The individual KPI weightings are shown in the table below, which sets out the targets for Mr Gilauri's 2021 KPIs as well as a summary of the Committee's assessment of his performance against them. In line with the Policy, the Committee retains the discretion to increase or decrease the amount awarded. More details on performance is also provided in the table on the next page.

Group priorities:

Key new strategic priorities (as announced on Investor Day on 12 November 2020)

1. Realise the value of one of the large scale portfolio companies, through a trade sale, over 18-24 months from November 2020.
2. Divest subscale portfolio companies which do not have the potential to reach GEL 500 million equity value, over the next 2-3 years from November 2020.
3. Re-introduce the Group's share buyback and cancellation programme as soon as possible after the pandemic impact.

Continued secondary strategic priorities

4. Discipline when investing by buying at reasonable prices.
5. Institutionalising and developing portfolio.
6. Establishment of structured exit processes, engage in the active price discovery of portfolio assets held.
7. NAV per share growth (key metric for the Group).
8. Further diversifying access to capital.
9. Decrease share of listed assets in total portfolio to 20%.
10. Portfolio companies' strategic priorities.

Cultural and foundation for the future

11. Developing management talent in GCAP and its portfolio companies.
12. Strong corporate governance, efficient management structure.
13. Culture core values: being entrepreneurial, having a learning mindset, maintaining the highest standard of ethics.

KPI	Refers to Group priority above	Weighting	2021 target and range			Performance and evaluation	Weighted result
Financial targets			Threshold	Target	Outperformance		
NAV per share growth	7	35%; 10% for overall	11%	16%	21%	Overall NAV per share growth: 31% – far exceeded outperformance.	10%
		25% for private portfolio	10%	14%	20%	Private portfolio share growth: 24% – exceeded outperformance.	25%
NAV per share is the key metric for the Group.							
Financial targets continued			Threshold	Target	Outperformance		
Achieving budget of GCAP and portfolio companies, including cash flow generation	5, 10	15%	GEL mln 250	GEL mln 368	GEL mln 400	GCAP standalone net income: GEL 681 ¹ million – far exceeded outperformance budget.	15%
			GEL mln -200	GEL mln -104 ²	GEL mln 0	GCAP standalone new flow of cash and liquid funds of GEL 97 million inflows, while spending US\$ 7 million on share buybacks (not included in budget) and still managing to decrease GCAP's Market Value Leverage to 24% from 34% a year ago – far exceeded outperformance.	
			GEL mln 1,600	GEL mln 1,860	GEL mln 2,000	Portfolio companies aggregate revenue: GEL 1,964 million (up 24% vs FY20 and up 34% vs FY19) – approaching outperformance.	
			GEL mln 300	GEL mln 329	GEL mln 360	Total aggregated net operating cash flow: GEL 365 million - exceeded outperformance.	
Expense ratio	12	7.5%	2.3%	2%	1.7%	Achieved outperformance at 1.7%	7.5%

1. Adjusted IFRS/APM. A full reconciliation of the adjusted income statement to the IFRS income statement is provided on page 101.
2. Budgeted numbers, derived from the management accounts.

KPI	Refers to Group priority above	Weighting	2021 target and range			Performance and evaluation	Weighted result
Strategic targets			Threshold	Target	Outperformance		
Broaden access to capital including active seeking of price discovery of assets held (including progress on the new strategic priorities)	1, 2, 6, 8	20%	<div></div>			<p>Water Utility sale achieved, at a very impressive 30% premium over 30 June 2021 portfolio value (48% premium over 31 December 2020 portfolio value).</p> <p>Divestment of subscale portfolio companies – commercial real estate assets sold at 37% premium to NAV.</p> <p>US\$ 65 million Eurobond tap issue raised funding at 6.125% yield, demonstrated investor confidence and strengthened balance sheet.</p> <p>Successful launch of US\$ 10 million fixed income fund.</p>	20%
Disciplined pursuit of investment opportunities (including progress on the new strategic priorities)	1, 2	7.5%	<div></div>			Disciplined funding in: education (GEL 13.7 million), renewable energy (GEL 3.7 million) and auto services business (GEL 2.7 million). Commercial real estate portfolio sales worth US\$ 45 million (GEL 140 million) with an 11.3% premium to book value. Buy-out of retail (pharmacy) business minority shareholders at renegotiated/lower multiple resulting in c.GEL 40 million additional value creation for GCAP. No missed opportunities.	7.5%
Progress towards achieving mid-to-long-term strategic priorities in portfolio companies	9, 10	7.5%	<div></div>			Excellent results in the healthcare services, retail (pharmacy), water utility, beverages and auto services businesses demonstrating strong growth and performance against budget. FY21 aggregated portfolio company EBITDA up 35% vs FY20 (up 39% vs FY19) leading to value creation (excluding multiple change and FX) in private portfolio companies outperforming budget by 69% and reaching an all-time high annual amount of GEL 736 million.	6.25%
Active mentoring and development of management including successor(s)	11, 13	7.5%	<div></div>			Clear succession planning for top levels of management at GCAP and portfolio companies. This plan was effectively deployed during the management change at the real estate business, where the executive management was replaced in 2021 with the Group internal talent. The two most senior women in GCAP mentored further (and ultimately achieved promotion to the top levels).	5.5%
Maintain up-to-date succession planning process across the GCAP and portfolio companies						Rising to the challenges of the pandemic and continued successful mentoring of portfolio companies' top management in overcoming the challenging periods and taking advantage of emerging market opportunities.	
Continued personal development						Voluntary working from home/office election policy throughout 2021 for all GCAP employees despite no government lockdowns.	
						Continued prioritisation of self-development through feedback received from the Board and co-workers, as well as continued coaching of direct reports.	
TOTAL KPI PERFORMANCE ASSESSMENT							96.75%

DIRECTORS' REMUNERATION REPORT CONTINUED

As shown in the above KPI table, all financial metrics were outperformed, several greatly so. All strategic metrics were outperformed or between target and outperformance. The Remuneration Committee agreed that 2021 was a significant year for Georgia Capital, in which under Mr Gilauri's leadership the Group exceeded all targets. In addition to the Water Utility disposal, the following notable events took place in 2021:

- 1) demonstrated continued progress towards the Group priority 2 above, to divest, over 2-3 years, the subscale portfolio companies which do not have the potential to reach GEL 500 million equity by the sale of US\$ 45.0 million commercial real estate properties with an 11.3% premium to their book value as of 31 March 2021, translating into 2.1x MOIC in US\$ terms;
- 2) buyout of the minority shareholders in the retail (pharmacy) business as per the KPI above, agreed at renegotiated terms, which provides the path to GCAP's 100% ownership and stretching over six-years/tranches at 5.25x EV/EBITDA multiple;
- 3) expansion of the education business in the affordable segment through several investments, in line with the capital allocation programme;
- 4) resumption of the Group's share buyback and cancellation programme in August 2021, Group priority 3 above, in line with the capital allocation framework;
- 5) US\$ 65 million Eurobond tap issuance in March 2021 enhanced liquidity and demonstrated the Group's superior access to international capital markets; and
- 6) as the portfolio companies continued to deliver on their individual strategic objectives, NAV per share increased by 31.0% y-o-y in FY21 – the Committee notes that this is a key metric for shareholders and that this has more than doubled since the start of the COVID-19 pandemic.

The Group's key short-term strategic priority 1, as announced at the November 2020 Investor Day and which had received positive feedback from investors, was to dispose of one of its large portfolio companies. This was achieved successfully and within a challenging global environment. The disposal of the 80% stake in the water utility business was delivered ahead of time and at a 30% premium to its independent valuation. The value achieved of US\$ 180 million, for 80% of the water utility business represents a 30% premium to its independent investment value at 30 June 2021 and translates into 2.7x MOIC in US\$ (3.6x MOIC in GEL) and 20% IRR in US\$ (27% IRR in GEL). The disposal also has a very significant positive impact on the Group's leverage profile, reducing the market value leverage from 24.2% as at 31 December 2021 to 19.2%.

The sale represents the Group's most significant monetisation event to date and marks the completion of the full investment cycle for one of the Group's large businesses, from acquisition and development to cash exit. The Committee noted that the partnership with FCC Aqualia, the fourth largest water management company in Europe, brings international expertise to the Group and value creation upside on our minority interest in the business, whilst also benefiting Georgia's sustainable development.

Shareholders gave the resolution transaction 100% approval at the General Meeting in January 2022. The Committee also noted the following other stakeholder matters:

- the Group did not seek additional capital from its shareholders, and reinstated the buyback programme in line with the capital allocation framework;
- none of the Group companies required support from the Georgian or UK Governments; and
- the furlough scheme was not utilised and no holding companies' employees were made redundant.

The Remuneration Committee retains discretion to avoid formulaic outcomes and to assess the overall reasonableness of the rewards. Given the achievement of the number one strategic priority with great success as described above, and also taking into account above considerations and the outperformance against KPIs, the Remuneration Committee decided to exercise their discretion and award a further 3.25% of maximum discretionary deferred shares opportunity (6,500 shares). Taking this into account alongside achievement against KPIs as detailed in the KPI table and explanation above, the Remuneration Committee awarded the CEO in total 100% of the maximum number of discretionary deferred shares (200,000 deferred shares). The Committee is satisfied that the overall number of deferred discretionary shares awarded to for Mr Gilauri for FY21 was fair and appropriate in the circumstances.

Alignment with shareholders is built into the structure (by maximum bonus award being comprised of deferred shares only and the maximum awards being calculated based on a fixed number of shares, rather than by cash value). There is no cash bonus and no LTIP.

Percentage change in remuneration of Directors and employees

The following table sets out details of the percentage change in the remuneration awarded to the Directors, compared with the average percentage change in the per capita remuneration awarded to the employees at the holding companies' level only (c.40 employees) on a full-time equivalent basis as a whole, in line with the requirements in the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019.

Given the small number of employees employed by the Georgia Capital PLC entity is less than five and the Company's status as an investment entity under IFRS 10, we considered comparison against the holding companies' employees. See the single total figure of remuneration table on pages 154 to 155 for an explanation of deferred share salary, taxable benefits and discretionary deferred remuneration of Mr Gilauri. The year-on-year movements in Non-Executive Director fees are attributable to a number of factors including the different Committee roles undertaken by each Non-Executive Director over the period.

2021	Year-on-year change in pay for Directors compared to the employees at the holding companies level as a whole							
	Executive Director		Non-Executive Directors					
	Average employees	Irakli Gilauri	David Morrison	Kim Bradley	Jyrki Talvitie	Caroline Brown	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier
Total cash salary	6.5%	–	3.9%	3.9%	4.7%	5.0%	5.0%	36.2%
Total deferred share salary	-26.0%	0%	–	–	–	–	–	–
Taxable benefits	22.7%	–	–	–	–	–	–	–
Total bonus	23.1%	44.2%	–	–	–	–	–	–

2020	Year-on-year change in pay for Directors compared to the employees at the holding companies level as a whole							
	Executive Director		Non-Executive Directors					
	Average employees	Irakli Gilauri	David Morrison	Kim Bradley	Jyrki Talvitie	Caroline Brown	Massimo Gesua' sive Salvadori	Maria Chatti-Gautier
Total cash salary	11.0%	–	-3.7%	7.2%	-3.6%	-4.8%	-4.8%	N/A
Total deferred share salary	0%	0%	–	–	–	–	–	–
Taxable benefits	7.3%	–	–	–	–	–	–	–
Total bonus	20.0%	10.2%	–	–	–	–	–	–

- Notes:
- 1 Maria Chatti-Gautier was appointed to the Board of Directors of Georgia Capital PLC and to the Supervisory Board of JSC Georgia Capital, and the Remuneration and Nomination Committees, on 19 March 2020.
 - 2 On 19 March 2020, David Morrison, Caroline Brown and Massimo Gesua' sive Salvadori stepped down as members of the Nomination Committee.
 - 3 For the period of 1 April 2020 to 31 December 2020 the members of the Nomination Committee waived their fees, and for the Chairman of the Committee only the difference between the level of fees for the Chair against the member's fees was retained, to show solidarity with the impact of COVID 19.
 - 4 As reported in the Annual Report and Accounts for 2019, the fees of the Chair of the Investment Committee, Kim Bradley, were increased from 1 August 2019 due to the increased role of the Committee in overseeing the Group's activities.
 - 5 Jyrki Talvitie stepped up from being a member of the Remuneration Committees of the Company and the Supervisory Board, to Chair of the respective Committees on 16 January 2019.
 - 6 The Audit and Valuation Committee's responsibilities were increased from 31 December 2019; to show solidarity with the impact of COVID-19 the Committee did not receive an increase for year 2020, but the fees of the Chair and members were instead increased from 1 January 2021.
 - 7 The Company has less than five UK employees and the percentage changes could be considered to be distortive. Year-on-year change for UK employees from 2019 to 2020 for cash salary is 1.8%; deferred share salary is not applicable; taxable benefits is not applicable; and bonus is 30.1%. Year-on-year change for UK employees from 2020 to 2021 for cash salary is -2.7%; deferred share salary is not applicable; taxable benefits is not applicable; and bonus is -1.8%.

Details of fixed and discretionary deferred share remuneration granted during 2021

The table below sets out details of the nil-cost options over GCAP shares which have been granted to Mr Gilauri in 2021 in respect of the 2020 work year as reflected on a combined basis in accounts of Georgia Capital PLC and Georgia Capital JSC. Please note that the information presented in this section relates to the 2020 financial year.

	Deferred share salary	Discretionary deferred share remuneration
Number of underlying shares and basis on which award was made	200,000 granted pursuant to the 2019 Policy available at https://georgiacapital.ge/governance/cgf/policies	160,000 (with respect to his FY20 bonus) granted pursuant to the 2019 Policy available at https://georgiacapital.ge/governance/cgf/policies
Type of interest	Nil-cost option	Nil-cost option
Cost to Group (as reflected in accounts)	US\$ 2,730,000 ¹	US\$ 1,168,000 ²
Face value	US\$ 2,730,000 ¹ Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable).	US\$ 1,168,000 ² Cash payments equal to the dividends paid on the underlying shares will be made upon vesting (if applicable).
Percentage of award achievable if minimum performance achieved	100% of the award will be receivable, since the award is part of the Executive Director's salary for 2020 and accordingly is not subject to performance measures or targets over the vesting period.	100% of the award will be receivable, since the award is based on 2020 performance (and is not LTIP award) and accordingly is not subject to performance measures or targets over the vesting period.
Exercise price	Nil. The options form part of the Executive Director's salary under the Policy and so no payment is required upon exercise. The exercise price has not changed.	Nil. The options make up the entirety of the Executive Director's performance-based remuneration (with respect to his performance in the previous financial year) so no payment is required upon exercise. The exercise price has not changed.
Vesting period	20% in each of 2022, 2023, 2024, 2025 and 2026	25% in each of 2022, 2023, 2024 and 2025. Holding period of a further one year on each tranche.
Performance measures	None. See the 2019 Policy available at https://georgiacapital.ge/governance/cgf/policies	See the 2019 Policy available at https://georgiacapital.ge/governance/cgf/policies

- Notes:
- 1 Deferred share salary. The value is calculated as described in footnote 2 to the table of single total figure of remuneration for the Executive Director.
 - 2 Discretionary deferred share remuneration. The value is calculated as described in footnote 4 to the table of single total figure of remuneration for the Executive Director.

CEO pay and comparators

The Group has less than 250 UK employees and therefore is not required to disclose ratios of the CEO pay against the UK employees' pay (and indeed given it has less than five UK employees, to do so would be distortionary). Additionally, the delayed receipt of the Executive Director's salary and the bonus (in shares vesting across several years) means that the time value of money and also the risk of salary and bonus not vesting (due to malus but also in relation to shares lapsing in the event of early termination under certain circumstances) were factored in. When formulating the Policy we presented the overall package (without factoring in the time value of money or risk of lapse) to investors. The value of the salary shares and the potential dollar value of the maximum bonus opportunity (when calculated using recent share prices) has decreased year-on-year; the dollar figure remains as calculated at the decision date of the salary in line with IFRS and consistent with our previous disclosures. The downside risk that has materialised during the pandemic (as well as any upside that may materialise in future years) forms part of our approach to remuneration and its alignment with the shareholder experience.

DIRECTORS’ REMUNERATION REPORT CONTINUED

The Committee had also considered the fact that the CEO’s salary was 35% less than the CEO salary in our predecessor company, BGEO Group PLC.

Moreover for the renewed Policy retains the same number of shares for salary and for the maximum opportunity as was presented to shareholders for their approval three years ago - there is no increase in salary nor incentive.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the remuneration received by each Non-Executive Director in 2020 and 2021. From 1 April 2020 to 31 December 2020, the members of the Nomination Committee waived their fees (and only the additional fee received by the Chairman (as Chair) on top of the normal Committee fees was retained by the Chairman), to show solidarity with the impact of COVID-19. The normal fees were reinstated on 1 January 2021. The Audit and Valuation Committee’s responsibilities were increased from 31 December 2019 when the Audit Committee became the Audit and Valuation Committee. To show solidarity with the impact of COVID-19 the Committee did not receive an increase for year 2020, and instead the fees of the Chair and members were increased from 1 January 2021.

The Non-Executive Directors do not receive any variable remuneration or pension contributions.

	Georgia Capital PLC fees (US\$)		JSC Georgia Capital fees (US\$)		Total fees (US\$)	
	2021	2020	2021	2020	2021	2020
David Morrison	67,890	69,989	133,736	124,100	201,626	194,089
Massimo Gesua’ sive Salvadori	52,341	54,439	104,609	94,973	156,950	149,412
Kim Bradley	72,341	65,114	122,125	122,125	194,466	187,239
Caroline Brown	52,341	54,439	104,609	94,973	156,950	149,412
Jyrki Talvitie	65,481	58,254	94,973	94,973	160,454	153,227
Maria Chatti-Gautier	58,911	38,856	90,885	71,096	149,796	109,952
Total	369,305	341,090	650,937	602,240	1,020,242	943,330

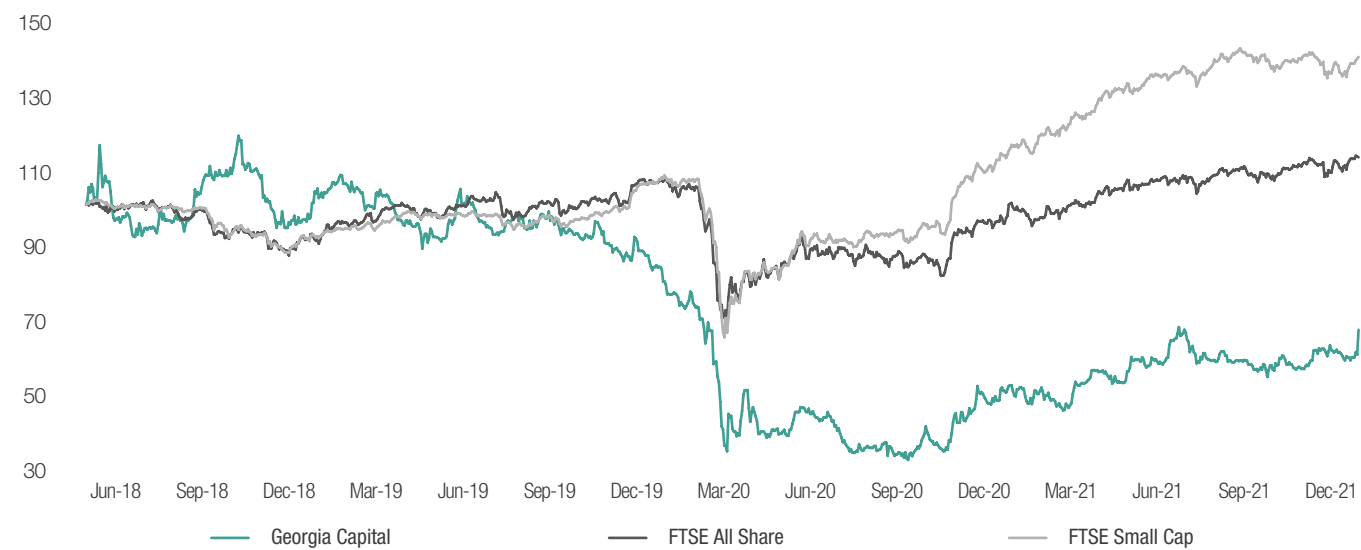
- Notes:
- On 19 March 2020, Maria Chatti-Gautier was appointed to the Board of Directors of Georgia Capital PLC and to the Supervisory Board of JSC Georgia Capital. Ms Chatti-Gautier was also appointed as a member of the Investment Committee, the Remuneration Committee and the Nomination Committee.
 - On 19 March 2020, David Morrison, Caroline Brown and Massimo Gesua’ sive Salvadori stepped down as members of the Nomination Committee.
 - For the period of 1 April 2020 to 31 December 2020 the members of the Nomination Committee waived their fees, and for the Chairman of the Committee only the difference between the level of fees for the Chair against the member’s fees was retained, as further explained above the table.
 - The Audit and Valuation Committee’s responsibilities were increased from 1 January 2021 to reflect the increase in responsibilities of the Committee, as further explained above the table.

Payments to former Directors and for loss of office

No payments were made to former Directors or for loss of office during the year ended 31 December 2021.

Total Shareholder Return

Georgia Capital PLC has been a member of the FTSE All Share Index since its premium listing in 29 May 2018. The following graph compares the Total Shareholder Return (TSR) of Georgia Capital PLC with the companies comprising the FTSE All Share Index and FTSE Small Cap Index for the period from 29 May 2018 until 31 December 2021.



Relative importance of spend on pay

The following table shows Georgia Capital’s actual spend on pay at the holding companies level only (c.40 employees in total) between 2020 and 2021. We considered comparison against these employees to be the most appropriate given the Company’s status as an investment entity under IFRS 10.

	Remuneration paid to all employees of the Group	Distribution to shareholders by way of buy-back
Year ended 31 December 2020 (US\$ thousands)	9,200	–
Year ended 31 December 2021 (US\$ thousands)	10,136	6,988
Percentage change	10.2%	N/A

- Notes:
- The Company did not make any significant distributions during 2020 and did not make any other significant distributions during 2021. The dollar amount is calculated using a 2021 average GEL/US\$ exchange rate.
 - In August 2021 the Group commenced a US\$ 10 million buyback programme in line with its capital allocation framework.

Share ownership requirement (audited)

Executive Directors are required to build over five years and maintain a shareholding equivalent to 200% of base salary. Mr Gilauri already holds above this requirement as at 31 December 2021 – see table and footnote 2 below. In accordance with the Policy, beneficially owned shares as well as unvested (net of tax) and vested deferred share salary and discretionary deferred shares count towards the requirement, noting that such unvested and vested shares are not subject to performance conditions after their grant.

Directors’ interests in shares (audited)

The following table sets forth the respective holdings of GCAP shares of each Director as at 31 December 2020 and 2021.

	As at 31 December 2020				As at 31 December 2021			
	Number of GCAP shares held directly	Number of vested but unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in GCAP shares	Number of GCAP shares held directly	Number of vested but unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Number of unvested and unexercised GCAP shares held under option through deferred share salary and discretionary deferred share compensation (all nil-cost options with no performance conditions)	Total number of interests in GCAP shares
Irakli Gilauri	914,138	–	686,821	1,600,959	1,112,395	–	823,192	1,935,587
David Morrison	66,368	N/A	N/A	66,368	66,368	N/A	N/A	66,368
Kim Bradley	35,383	N/A	N/A	35,383	35,383	N/A	N/A	35,383
Jyrki Talvitie	12,585	N/A	N/A	12,585	12,585	N/A	N/A	12,585
Caroline Brown	–	N/A	N/A	–	–	N/A	N/A	–
Massimo Gesua’ sive Salvadori	13,739	N/A	N/A	13,739	13,739	N/A	N/A	13,739
Marie Chatti-Gautier	–	N/A	N/A	–	6,860	N/A	N/A	6,860

- Notes:
- As at 31 December 2021, Mr Gilauri’s vested and unvested shareholding was 1,935,587 GCAP shares, representing approximately 4.1% of the Company’s share capital. In 2022, Mr Gilauri received awards of 200,000 salary deferred shares for the 2021 work year, out of which 8,068 shares were waived by Mr Gilauri to discharge the UK tax and employee National Insurance contributions. This will be reported in the 2022 Annual Report and Accounts and is not included in the table above, which is at 31 December 2021. The 200,000 discretionary deferred shares awarded to Mr Gilauri with respect to the FY21 performance year are also not included in the table above, as these were determined in 2022. None of Mr Gilauri’s connected persons have any interest in the shares of the Company.
 - In March 2021, Mr Gilauri exercised options in respect of 215,676 GCAP shares, of which 42,417 were withheld to satisfy tax liabilities. The net gain of these options was US\$ 1,336,133. As of 31 December 2021, all vested nil-cost options of the CEO were exercised.

The Remuneration Policy focuses on base salary in deferred salary shares and discretionary compensation in discretionary deferred shares. The long vesting periods naturally results in the Executive Director, Irakli Gilauri, building up large holdings of unvested nil-cost options. The Policy naturally results in Mr Gilauri and our executive management team holding a significant number of unvested shares and achieves a delay between performance and vesting. We believe these results are consistent with the principles of the Investment Association. As at 31 December 2021, Mr Gilauri met the shareholding requirement.

Under the 2019 Policy, the Group does not require Non-Executive Directors to hold a specified number of shares in GCAP. Notwithstanding this, some Non-Executive Directors have chosen to become shareholders. The Non-Executive Directors are not awarded incentive shares and are not remunerated in shares. Non-Executive Directors are not subject to a shareholding requirement.

There have been no changes in the Directors’ interests in shares in the Company between the end of the financial year and the last practicable date of 18 March 2022, with exception of Irakli Gilauri who as at 18 March 2022 holds total of 2,076,538 vested and unvested shares.

DIRECTORS’ REMUNERATION REPORT CONTINUED

Mr Gilauri’s interests in group debt securities

On 9 March 2018, Mr Gilauri acquired an aggregate principal amount of US\$ 1,000,000 notes issued by JSC Georgia Capital which are listed on the Irish Stock Exchange.

Details of Non-Executive Directors’ letters of appointment

Georgia Capital has entered into letters of appointment with each Non-Executive Director. The letters of appointment require Non-Executive Directors to provide one month’s notice prior to termination. The letters of appointment for the majority of current Non-Executive Directors are effective from 24 February 2018. Each Non-Executive Director is put forward for election at each AGM following his or her appointment. Continuation of a Non-Executive Director’s employment is conditional on his or her continued satisfactory performance and re-election by shareholders at each AGM.

A succession plan adopted by the Board provides for a tenure of six years on both the Georgia Capital PLC and JSC Georgia Capital Boards. Upon the expiry of such six-year tenure, the appointment of the relevant Non-Executive Director may cease at the next upcoming AGM.

Notwithstanding the foregoing, if the Board determines that, in order to maintain the balance of appropriate skills and experience required for the Board, it is important to retain a Non-Executive Director on the Board beyond the relevant six-year period, the Board may offer the Non-Executive Director a letter of appointment for an additional one-year term. Such a one-year “re-appointment” may be renewed no more than two times, with the effect that the usual six-year tenure may be extended to a maximum of nine years if circumstances were to warrant such extension.

Implementation of Remuneration Policy for 2022

Details of how the 2022 Policy will be implemented for the 2022 financial year are set out below.

For Irakli Gilauri

2022 fixed pay

Total deferred share salary	200,000 Georgia Capital deferred shares underlying nil-cost options.
Pension benefits	Mr Gilauri has agreed for all pension contributions to be waived. Details of the benefits received by Executive Directors are on page 147.

There are circumstances in which unvested deferred shares may lapse, and narrow circumstances in which such shares may vest immediately are set out in detail in the 2022 Policy.

2022 discretionary deferred share remuneration

Opportunity	Maximum is 100% of number of salary shares
Deferral terms	<p>The Committee will determine whether an award is merited based on an Executive Director’s achievement of the KPIs set by the Committee for the work year and the performance of the Group during the work year. If Mr Gilauri is awarded discretionary deferred shares with respect to the 2022 work year, the award will vest 25% in January of each of 2024, 2025, 2026 and 2027. Each tranche will be subject to a further holding period of one year.</p> <p>Upon vesting, Mr Gilauri will receive (in addition to the vested shares) cash payments equal to the dividends paid (if any) on the underlying shares between the beginning of the year immediately following the work year and the vesting date.</p>
Performance measures	For 2022, the Remuneration Committee has determined that the performance measures will be based on KPIs (see below). The Remuneration Committee has considered the detail of each KPI and ensured that measurable targets are included. The KPIs will be reviewed by the Remuneration Committee throughout the year and by the Board as appropriate.

See notes to the 2022 Policy for malus and clawback provisions.

2022 CEO KPIs

The 2022 KPIs were selected based on our strategy and ongoing key metrics. Consequently, the 2022 KPIs are as follows:

- NAV per share growth
- Achieving budget of GCAP and portfolio companies, including cash flow generation
- Expense ratio
- Broaden access to capital including seeking of price discovery of assets held (including strategic priority of divestment of subscale portfolio companies)
- Disciplined pursuit of investment opportunities and capital and asset allocation (including strategic priority of divestment of subscale portfolio companies)
- Progress towards achieving mid to long-term strategic priorities in portfolio companies
- Active mentoring and development of management including successors; Maintain up-to-date succession planning process across the GCAP and portfolio companies; Continued personal development

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and appropriate detail will therefore be disclosed in the 2022 Remuneration Report following the completion of the financial year. KPIs and targets will be reviewed and may be revised by the Remuneration Committee and the Board as appropriate throughout the year, subject to the terms of the Policy.

Non-Executive Director remuneration

The table below shows the fee structure for Non-Executive Directors for 2022. Non-Executive Directors’ fees are determined by the Board.

Component	Purpose and link to strategy	Operation	Opportunity
Base cash fee	<p>The fee for the Board is competitive enough to attract and retain individuals.</p> <p>The Chairman receives a fee which reflects the extra time committed and responsibility. However, no Chairman’s fee is received when Chairman and CEO roles are combined.</p> <p>The Senior Independent Non-Executive Director receives a higher base fee which reflects the extra time and responsibility.</p>	Cash payment on quarterly basis.	<p>The amount of remuneration may be reviewed from time to time by the Board.</p> <p>The fees may be amended and varied if there are genuinely unforeseen and exceptional circumstances. Any significant increase shall be the minimum reasonably required.</p> <p>The maximum aggregate for all Non-Executive Directors which may be paid by Georgia Capital PLC for the PLC fees is GBP 750,000 which is consistent with the current limit in the PLC’s Articles of Association.</p>
Cash fee for each Committee membership	Additional fee to compensate for additional time spent discharging Committee duties.	Cash payment on quarterly basis.	The amount of remuneration for the membership may be reviewed from time to time by the Board. The Chairman of the PLC does not receive any Committee fee.

Signed on behalf of the Remuneration Committee and the Board of Directors

Jyrki Talvitie

Chairman of the Remuneration Committee
24 March 2022

NOMINATION COMMITTEE REPORT



Jyrki Talvitie
Chairman of the Nomination Committee

Dear Shareholders
As Chairman of the Nomination Committee (the Committee), I am delighted to present the Committee's report for the year ended 31 December 2021.

The Committee's principal responsibility is to lead the process for appointing Directors to the Board and senior management positions. The Committee has maintained its focus on ensuring that the composition of the Board and its Committees remained appropriate for the Company. The Committee is satisfied, having taken into account the results of the Board evaluation, that the composition of the Board and Committees overall remain appropriate for the successful delivery of the Company's strategic and financial objectives. The Committee also concluded that the composition of the Audit and Valuation Committee continues to be appropriate notwithstanding the ever increasing responsibilities of the Audit and Valuation Committee.

The Committee continues to review rigorously the ongoing combination of the roles of Chairman and CEO and the Committee is satisfied that this remains the best structure for the Company. Mr Gilauri does not participate in these discussions.

DEVELOPING AND RECRUITING THE TALENT PIPELINE FOR A UNIQUE GROUP

The Board has since carried out a further evaluation, reported on later in this report, and the Committee is satisfied that the overall size and composition of the Board is appropriate for the Group and that it comprises the right combination of skills, experience and knowledge. The Committee remains satisfied that we have in place strong leaders across our portfolio companies. Succession planning will, however, continue to, be an important focus for the Committee in 2022 at both Board and senior management level.

I invite you to read more on the activities we have undertaken during 2021 in the following report.

Jyrki Talvitie
Chairman of the Nomination Committee
24 March 2022

The role of the Nomination Committee
The role of the Nomination Committee is to help ensure the Board comprises individuals who are best able to discharge the responsibilities of Directors, having regard to the highest standards of governance, the strategic direction of the Company and the Board's Diversity Policy.

We also help to ensure that the Company appoints excellent executive managers within our portfolio of companies, capable of successfully executing our strategic objectives.

- In summary, the key responsibilities of the Nomination Committee include:
- regular review of the composition of the Board and its Committees to ensure they are appropriately constituted and balanced in terms of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, skills, experience, independence and knowledge;
 - responsibility for identifying and nominating candidates for the approval by the Board to fill Board vacancies as and when they arise;
 - giving full consideration to succession planning for Directors, including the Chairman and CEO and other senior management, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
 - keeping under review the Group's leadership needs, both executive and non-executive, and ensuring plans are in place for senior management succession, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace; and
 - making recommendations to the Board concerning the re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code (the "Code"), having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and their independence, bearing in mind the need for progressive refreshing of the Board.

The Committee undertook a review of its Terms of Reference as a result of which some minor revisions were incorporated to ensure the responsibilities of the Committee were aligned to the Code and best practice in a manner appropriate for the Company. The full Terms of Reference of the Committee can be found on our website here: <https://georgiacapital.ge/governance/cgf/terms>.

Composition and meeting attendance
The composition of the Committee and the members' meeting attendance for the year 2021 are set out in the Board and Committee meeting attendance table on page 129, and the skills and experience each member contributes can be found on pages 124-125. Until 19 March 2020, the Nomination Committee consisted of all members of the Board. The Committee, having taken into account the results of the Committee's effectiveness evaluation in 2019, decided it would be more efficient to reduce its membership. As a consequence, the Committee now comprises me as Chairman, Kim Bradley, Maria Chatti-Gautier and Irakli Gilauri.

From time to time, when appropriate, other members of management may be invited to meetings to provide a fuller picture and deeper level of insight into key issues and developments.

The Committee also reviewed the time commitment of the Non-Executive Directors, taking into account any external directorships, length of service as well as independence of character and integrity. When considering this alongside the Company's strategic direction and the required skills and competencies required of the Board, the Committee recommends that each Non-Executive Director and the Chairman/CEO be elected at the 2022 AGM.

As reported elsewhere, Caroline Brown will not be seeking re-election to the Board at the forthcoming AGM and will therefore cease to be a Director of the Company from the conclusion of the AGM on 20 May 2022. Caroline joined the Board on the demerger of BGEO Group in 2018 and her advice and counsel has been highly valued. In particular, Caroline's experience and expertise have been of enormous help to the Audit and Valuation Committee. As a consequence of Caroline's

departure, the Committee will prioritise a review of the Board's composition. The review will take into account the results of the recent Board evaluation.

The Committee recommended to the Board that Kim Bradley join the Audit and Valuation Committee with effect from 20 May 2022. Kim previously served as chairman of the BGEO Group PLC Risk Committee and as a member of its Audit and Nomination Committees. Kim spent 15 years at Goldman Sachs during which he participated on valuation committees covering all asset types. He also led Goldman Sachs' asset management affiliates in France, Italy and Germany, where his responsibilities included working closely with the Management and Control Division (internal audit) on both the scope and response to annual audits. The Committee considered that this very relevant experience, together with Kim's position as chairman of the Investment Committee will be of significant benefit generally to the Audit and Valuation Committee and in particular enhance its oversight of valuation processes.

The Nomination Committee notes that financial expertise of the Audit and Valuation Committee's continuing members. David Morrison is a finance and securities lawyer whose practice for more than 25 years included a focus on financial reporting and who has both chaired and sat on audit committees over the last ten years. Massimo Gesua' sive Salvadori's extensive experience of valuations is particularly valuable to the Committee since the private portfolio companies' valuation is the key area of focus in Georgia Capital's financial accounting and reporting. Dr Gesua' sive Salvadori's expertise and understanding of value drivers is highly beneficial for the Committee in discharging its responsibilities and will continue to be important going forward.

The tenure for each of the Directors is four years at the date of this report (appointment February 2018), except for Maria Chatti-Gautier who has served two years (appointment March 2020). As part of a wider assessment, the Committee notes that David Morrison was previously a director of BGEO Group PLC from 2011 to 2018. The original business of Georgia Capital demerged from BGEO Group PLC, into a new group which listed in its own right in May 2018. Georgia Capital is a platform for buying, developing and selling businesses in Georgia. Importantly therefore, the nature of the business of Georgia Capital is substantially different to that of BGEO Group PLC at the date of the demerger, which primarily consisted of the regulated bank. The Committee has also taken into account that Mr Morrison has a background as a corporate lawyer which gives him a particular sensitivity to conflicts and independence questions. Taking all the foregoing into consideration, the Committee continues to determine that Mr Morrison is independent in character and judgement.

You can read more on the balance of the Board in the section on "Board size, composition, tenure and independence" on page 126.

Role of the Chairman of the Board
The Committee revisited the decision to combine the roles of Chairman and CEO. Notwithstanding that this is not compliant with provision 9 of the Code, the Committee and the Board continue to believe that the current structure better serves our Company and recommend that it should continue. Shareholders have, for the last three years, been supportive of this structure and from our discussions with shareholders, we believe this continues to be the case. The basis for this conclusion, and our shareholder engagement on this matter, is set out in the Directors' Governance Statement on page 123.

Inclusion and diversity
Our Board embraces diversity in all its forms and the Board understands the importance of developing a diverse pipeline for succession to senior management and the Board.

The Committee and the Board recognise the role that diversity has in promoting balanced decision-making which aligns with our values and strategy, and diversity of skills, background, experience, knowledge,

NOMINATION COMMITTEE REPORT CONTINUED

outlook, approach, gender, nationality and ethnicity, amongst other factors, will be taken into consideration when seeking to appoint a new director to the Board. Notwithstanding the foregoing, any Board appointment will always be based on merit.

Similarly, we are clear that diversity of outlook and approach, while inevitably being difficult to measure, may be equally important. We are supportive of the ambition shown in recent reviews on diversity, including the Parker Review regarding ethnic diversity. The Board is currently in line with recommendations for UK boards, with Board member Maria Chatti-Gautier of Syrian heritage (Middle Eastern) and so representing an ethnically diverse background.

We are also supportive FTSE Leaders Women’s Review regarding gender diversity, the latter being aimed primarily at FTSE 350 companies. The Committee will continue to examine ways in which we can become an increasingly diverse Board. The Committee will also be working to improve the gender balance of those in the senior management positions and their direct reports, as described in the Resources and Responsibilities section on page 84 and the Sustainability Report. The Committee will continue to explore what additional steps need to be taken to improve the ethnic diversity of the Board.

On 31 December 2021, Georgia Capital, as an investment holding company, had a total of 43 employees, of which 26 are females, and 17 are males. You can view our further gender diversity statistics on page 89 in the Resources and Responsibilities section and the Sustainability Report. In terms of diversity in nationality, the Board is currently composed of Directors from Georgia, the US, the UK, Italy, Finland and France.

The Committee is responsible for maintaining and assessing the effectiveness of the Company’s Diversity Policy and will be undertaking a review of this as part of its activities for 2022. You can read more about the established diverse culture and related activities during 2021 in the Resources and Responsibilities section on pages 87-89 and the Sustainability Report.

Succession planning and talent development
Succession planning at the Board and senior management level was an area of focus for the Committee during the year. Last year I reported on the creation of appropriate opportunities to develop high-performing individuals and to build diversity in senior roles across the business. We have continued to build on this initiative resulting in a talented pool of employees within Georgia Capital. We believe that focusing on their development is the best way to ensure a healthy and diverse pipeline of future leaders of the Company.

In addition, the Company pursues initiatives aimed at developing the entrepreneurial business leaders that Georgia Capital will require as it grows.

Training and Director induction
We are committed to the continuing development of our Directors in order that they may build on their expertise and develop an even more detailed understanding of the business and the markets in which our investments operate. All of our Directors participated in development sessions and presentations, although due to the ongoing restrictions on travel this year, site visits were very limited and were mainly carried out by the Director living in the country, Irakli Gilauri. The UK General Counsel and Group Company Secretary provide briefings as appropriate on regulatory and governance developments.

Each Director, upon appointment, receives a tailored induction to the Company and its various investments over the first six months of appointment, with the purpose of:

- building an understanding of the nature of the Company, its business and its markets;
- building a link with the Company’s people;
- building an understanding of the Company’s main relationships; and
- understanding the obligations and responsibilities of a Director of a UK premium listed company.

As part of the induction programme, each Director meets members of executive management and receives information about the role of the Board and individual Directors, each Board Committee and the powers delegated to these Committees. The new Director is also advised of the legal and other duties and obligations of a Director of a premium listed company.

Board and Committee Evaluation
On page 129 shareholders can find out more about the latest Board evaluation exercise. Having carried out internal evaluations in the previous two years, this year the Board engaged Lintstock Ltd to conduct an independent evaluation of the Board, the Board Committees, the Chairman and Directors.

The review of the Committee concluded that overall the Committee continued to perform effectively. The reduction in the size of the Committee had improved the effectiveness of the Committee in fulfilling its role. The Committee will increase its focus on succession planning in 2022.

Given his role as Chairman and CEO, Irakli Gilauri’s performance was also reviewed by the Remuneration Committee. In addition, the full Board met to consider the Remuneration Committee’s recommendations.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements and the Directors’ Remuneration Report, in accordance with applicable law and regulations.

Company law requires us to prepare financial statements for each financial year. As required, we have prepared the accompanying financial statements in accordance with UK-adopted international accounting standards (“IFRS”).

Under the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules, company financial statements are required to be prepared in accordance with UK-adopted international accounting standards (“IFRS”).

We must not approve the financial statements unless we are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the accompanying financial statements, we are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance;
- in respect of the Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards (“IFRS”) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors’ Report, Directors’ Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The financial statements of the Company are published on the Company’s website at <https://georgiacapital.ge/>. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards (“IFRS”) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

By order of the Board

Irakli Gilauri
Chairman and CEO
24 March 2022

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2021.

Please refer to the Corporate Governance Statement for further information on how we applied the UK Corporate Governance Code.

Strategic Report

The Strategic Report on pages 2 to 121 was approved by the Board of Directors on 24 March 2022 and signed on its behalf by Irakli Gilauri, Chairman and Chief Executive Officer.

Management Report

This Directors' Report together with the Strategic Report on pages 2 to 121 form the Management Report for the basis of DTR 4.1.5 R.

Directors

The names and biographies of the current Directors of the Company are shown on pages 124 to 125 and include their relevant experience. In accordance with the UK Corporate Governance Code, all the Directors will retire by rotation at the AGM and offer themselves for re-election.

The Directors' beneficial interests in ordinary shares of Georgia Capital as at 31 December 2021 are shown on page 161 together with any changes in those interests between the financial year end and the date on which this Directors' Report was approved by the Board.

Powers of Directors

The Directors may exercise all powers of the Company subject to applicable legislation and regulations and Georgia Capital's Articles of Association.

Information contained elsewhere in the Annual Report

Information required to be included in this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference:

Information	Location in Annual Report
Future developments	pages 2 to 121
Going Concern Statement	page 73
Viability Statement	pages 73 to 74
Risk management	pages 70 to 74
Principal risks and uncertainties	pages 75 to 82
Directors' Governance Statement	pages 122 to 123
The Board of Directors	pages 124 to 125
Investment Committee report	pages 135 to 136
Audit and Valuation Committee report	pages 137 to 142
Remuneration Committee report	pages 143 to 163
Remuneration Policy	page 146
Nomination Committee report	pages 164 to 166
Related party disclosures	page 210
Greenhouse gas emissions	page 91
Employee matters	pages 87 to 89
Environmental matters	pages 89 to 91
Share capital	page 199
Engagement with suppliers, customers and others in a business relationship with the Company	page 126
Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, foreign currency risk and financial instruments	pages 201 to 204

Information to be disclosed in accordance with Listing Rule 9.8.4R

The following information required to be disclosed in terms of Listing Rule 9.8.4R is not applicable unless stated otherwise:

- the amount of interest capitalised during the period under review and details of any related tax relief;
- information in relation to the publication of unaudited financial information;
- any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company;
- details of any non-pre-emptive issues of equity for cash by the Company or by any unlisted major subsidiary undertaking;
 - parent participation in a placing by a listed subsidiary;
 - any contract of significance in which a Director is or was materially interested;
 - any waiver of dividends by a shareholder; and
- details of any long-term incentive schemes.

Articles of Association

Georgia Capital PLC's (the "Company") Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. The process for the appointment and removal of Directors is included in the Company's Articles of Association. The Georgia Capital PLC Articles of Association are available on the Company's website: <https://georgiacapital.ge/governance/cgf/articles>.

Share capital and rights attaching to the shares

Details of the movements in share capital during the year are provided in Note 8 to the financial statements on page 199 of this Annual Report. As of 18 March 2022, there was a single class of 46,401,178 ordinary shares of 1 pence each in issue, each with one vote. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Holders of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

The Company is permitted to make market purchases of its own shares provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006.

Authority was given at the AGM of the Company on 25 May 2021 for the Company to purchase up to 7,180,777 (approximately 14.99%) of Georgia Capital's issued ordinary share capital excluding treasury shares as at 25 March 2021. This authority will expire at the conclusion of the Company's AGM in 2022 or, if earlier, the close of business on 25 June 2022.

A renewal of the authority to make market purchases will be sought from shareholders at each AGM of the Company. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

At the AGM of the Company on 25 May 2021, the Directors were given the power a) to allot shares up to a maximum nominal amount of GBP 159,679.28 (representing 15,967,928 ordinary shares), approximately one-third of the Company's issued share capital as at 25 March 2021, and b) to allot equity securities up to an aggregate nominal amount of GBP 159,679.28 in connection with an offer by way of a rights issue: (i) to holders of shares in proportion (as nearly as may be practicable) to their existing holdings; and (ii) to holders of other equity securities as required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities, such amount to be reduced by the aggregate nominal amount of shares allotted or rights

to subscribe for or to convert any securities into shares granted under paragraph (a), and subject to the Directors having the right to make such exclusions or other arrangements as they may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory. These authorities will expire at the conclusion of the 2022 AGM (or, if earlier, at the close of business on 25 August 2022) and approval will be sought at that meeting to renew a similar authority for a further year.

In August 2021, the Board approved a buyback programme whereby the Company would purchase up to 7,180,777 (approximately 14.99%) of Georgia Capital's issued ordinary share capital with the intention of all shares purchased pursuant to this programme were cancelled. Under this programme, the Company has repurchased 823,582 of its own shares during the financial year ended 31 December 2021 and from that date until 18 March 2022 being the latest practicable date prior to the publication of this Annual Report, a further 679,025 shares have been purchased. During the year ended 31 December 2021, 823,582 shares have been cancelled. In the period from 1 January 2022 until 18 March 2022 a further 548,748 shares have been cancelled. The Company will continue to cancel purchased shares under the buyback programme referred to above.

None of the ordinary shares carry any special rights with regard to control of Georgia Capital. There are no restrictions on transfers of shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing or pursuant to the Group's Inside Information Disclosure Policy;
- pursuant to the Company's Securities Dealing Policy and Code, whereby the Directors and designated employees require approval to deal in Georgia Capital's shares or cannot deal in certain periods; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

There are no restrictions on exercising voting rights save in situations where Georgia Capital is legally entitled to impose such a restriction (for example, under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to Georgia Capital). Georgia Capital is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

On 16 March 2021 the 100% subsidiary of Georgia Capital PLC, JSC Georgia Capital, placed US\$ 65 million (GEL 215.8 million) Eurobonds tap issue, to be consolidated and form a single series with the existing US\$ 300 million 6.125% senior notes due 2024 issued on 9 March 2018, of which the notes with par value of US\$ 4.2 million (GEL 13.8 million) were repurchased by JSC Georgia Capital at the issue date. The new notes were priced at par and were listed on the Global Exchange Market of the Irish Stock Exchange plc trading as Euronext Dublin.

Results and dividends

The Company made a profit before taxation of GEL 693 million. The Company's profit after taxation for the year was GEL 693 million.

Georgia Capital may by ordinary resolution declare dividends provided that no such dividend shall exceed the amount recommended by the Company's Directors. The Directors may also pay such interim dividends as appear to be justified by the profits of Georgia Capital available for distribution.

As Georgia Capital is a holding company, Georgia Capital relies primarily on dividends and other statutorily (if any) and contractually permissible payments from its subsidiaries to generate the funds necessary to meet its obligations and pay dividends to its shareholders.

The Company expects to be a cash generative business with the opportunity for attractive capital investment to enhance its growth prospects, both through organic investments and acquisitions. The Board intends to pursue a capital return policy that reflects this strategy whilst also delivering shareholders high quality, long-term dividend growth, through share buybacks or other potential exits. However, the Board may periodically reassess the Company's dividend policy and the payment of dividends (or quantum of the same) will depend on the Group's existing and future financial condition, results of operations, capital requirements, investment and divestment cycles, liquidity needs and other matters the Board considers relevant from time to time.

AGM

The arrangements for the Company's next Annual General Meeting and details of the resolutions to be proposed, together with explanatory notes, will be set out in the Notice of AGM to be published on the Company's website (<https://georgiacapital.ge/>).

Equity Settled Option Plan (ESOP)

The Company operates an employee benefit trust (EBT) (the "ESOP"), which holds ordinary shares on trust for the benefit of employees and former employees of the Group, and their dependants, and which is used in conjunction with the Group's employee share schemes. Whilst ordinary shares are held in the EBT, the voting rights in respect of these ordinary shares are exercised by the trustees of the EBT.

In accordance with the ESOP documentation, Sanne Fiduciary Services Limited has waived its right to receive any dividends. This waiver will remain in place indefinitely, unless otherwise instructed by Georgia Capital. The Company has committed that new shares issued in satisfaction of deferred share compensation from the time of the Company's listing on the premium segment of the London Stock Exchange will not exceed 10% of Georgia Capital's ordinary share capital over any ten-year period.

Conflicts of interest

In accordance with the Companies Act 2006, the Directors have adopted a policy and procedure for the disclosure and authorisation (if appropriate) of conflicts of interest, and these have been followed during 2021. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his or her duty under company law.

Directors' remuneration

Directors' fees are determined by the Remuneration Committee from time to time. The remuneration of Directors must be in accordance with the Directors' Remuneration Policy. A remuneration policy was put to the shareholders for approval at the 2019 AGM and remuneration is determined in accordance with that Policy. A remuneration policy will be put to a binding vote at the 2022 AGM, in accordance with section 439A of the Companies Act 2006.

The fees paid to the Non-Executive Directors in 2021 pursuant to their letters of appointment are shown on page 160. The fees paid to our sole Executive Director in 2021 pursuant to his service agreements with Georgia Capital are shown on pages 154-155.

Indemnity

Subject to applicable legislation, every current and former Director or other officer of the Company (other than any person engaged by the Company as auditor) shall be indemnified by the Company against (broadly) any liability in relation to Georgia Capital, other than (broadly) any liability to the Company or a member of the Company, or any criminal or regulatory fine. In addition, the Company has put in place Directors' and Officers' liability insurance.

DIRECTORS’ REPORT CONTINUED

Related party disclosures

Details of related party disclosures are set out in Note 14 to the financial statements on page 210 of this Annual Report.

Significant agreements

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

Presence outside of Georgia

We have our Company office in London, see page 215.

Employee disclosures

Our disclosures relating to the number of women in senior management, employee engagement and our policies on human rights, including employment of disabled persons, are included in the section “Employee matters” on pages 87 to 89.

Political donations

The Company did not make any political donations or expenditure during 2021. Authority to make political donations and incur political expenditure will be put to shareholder vote at the 2022 AGM.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics relating to the lawful and ethical conduct of the business, supported by the Company's core values. The Code of Conduct and Ethics has been communicated to all Directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Company operates. Our Code of Conduct and Ethics is available on our website: <https://georgiacapital.ge/governance/cgf/policies>.

Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditors of Georgia Capital will be put to shareholders at the upcoming AGM.

Major interests in shares

The table below lists shareholders with voting rights of more than 3% as of 31 December 2021.

Shareholder	Number of voting rights	% of voting rights
Allan Gray Ltd	2,596,224	5.51%
Schroder Investment Management Ltd	1,879,638	3.99%
M&G Investment Management Ltd	1,860,314	3.95%
Lazard Asset Management LLC	1,814,903	3.85%
Coeli Frontier Markets AB	1,813,120	3.85%

Source: Georgeson, Computershare

From the period 1 January 2022 up to and including 18 March 2022, there have been further notifications from JPMorgan Chase & Co to the Company in respect of interest in voting rights. As per the latest notification from JPMorgan Chase & Co, the investor holds 8.29% voting rights in the Company (of which, 2.14% of voting rights are attached to shares and 6.15% of voting rights are held through financial instruments). In addition, Allan Gray Ltd increased its holding to 6.20% of voting rights since 31 December 2021. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed. The respective regulatory filings by shareholders are available on GCAP’s website at: <https://georgiacapital.ge/ir/news/regulatory-announcements> and the London Stock Exchange website: www.londonstockexchange.com

Post balance sheet events

The first stage of the disposal of the water utility business, which considered the initial sale of a 65% equity interest in GGU (representing an 80% economic interest in the water utility business) was successfully completed on 3 February 2022 with the receipt of full sales proceeds and transfer of respective shares of GGU to Aqualia. See page 8 for details.

In addition, in January 2022, the Board approved an increase in the ongoing buyback and cancellation programme of an additional US\$ 5 million, which was further increased by US\$ 5 million in March 2022. See page 13 for details.

Following a significant Russian military build-up near the Russia-Ukraine border and months of rising tensions, on February 24 Russian troops crossed the border and the situation escalated into a war. It is expected that the war may lead to a negative impact on the Georgian economic growth in 2022. Details are set out in the Strategic Review section of this report.

Statement of disclosure of information to the auditor

We, the Directors confirm that, so far as we are aware, there is no relevant audit information of which the Company’s auditors are unaware and we have taken all steps that we reasonably believe should be taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company’s statutory auditors are aware of such information.

The Directors’ Report on pages 168 to 170 was approved by the Board of Directors on 24 March 2022 and signed on its behalf:

Link Company Matters Limited

Company Secretary
24 March 2022

INDEPENDENT AUDITOR’S REPORT

Opinion

We have audited the financial statements of Georgia Capital PLC (‘the Company’) for the year ended 31 December 2021 which comprise the Statement of Financial Position, Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company’s affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company’s financial close process, we confirmed our understanding of management’s going concern assessment process which included the preparation of the base case cash flow and the severe but plausible scenario covering the going concern period until 31 March 2023.
- We compared Management’s going concern assessment with that prepared for the prior year to identify any significant changes in assumptions. We assessed Management’s forecasting accuracy by comparing actual cashflows in 2021 with the prior year going concern assessment.
- Management’s assessment is based upon the combined cash and liquid assets of Georgia Capital PLC and Georgia Capita JSC which reflects Georgia Capital PLC’s control of Georgia Capital JSC. We obtained bank confirmations for Georgia Capital PLC and Georgia Capital JSC. We made inquiries of management, the Directors and the local EY statutory audit teams of the portfolio companies to identify whether the Company and Georgia Capital JSC have provided any material guarantees or loan commitments to its portfolio investments. We confirmed the existence of a financial guarantee of EUR 15.8m to the Beer business, and an obligation to extend loan of US\$ 95.4m issued to the Renewable Energy business arising as a consequence of the proposed disposal of Water Utility Business announced on 31 December 2021.
- We challenged whether there are restrictions inhibiting Georgia Capital JSC’s ability to provide liquidity support to Georgia Capital PLC through cash remittances required by considering both applicable law and the terms of the Eurobonds.
- We tested the inputs and key assumptions included in the base case and severe but plausible going concern forecasts and assessed the potential impact of COVID-19 and climate risk included in these scenarios. We applied additional downside sensitivities to the Company’s base case cash flow forecast key assumptions including dividend income, interest income and loan repayments anticipated from portfolio companies. We performed procedures to ensure the completeness of cash outflows including operating costs, Eurobond coupon payments and planned debt and equity allocations to portfolio companies.
- We confirmed the subsequent receipt of the proceeds from the disposal of the Water Utility business of US\$ 180m and challenged management to confirm the intended use of these proceeds, including an obligation to extend the US\$ 95.4m loan commitment provided in connection with the disposal of the Water Utility portfolio company.
- We considered the maturity of the US\$ 365 million Eurobond issued by Georgia Capital JSC which is due in 2024 and the covenants attached to it and confirmed that no early repayment is required during the going concern assessment period.
- We considered the financial position of Bank of Georgia presented in its Preliminary Announcement for the year ended 31 December 2021 given both the materiality of the Company’s investment in Bank of Georgia and that this is the only liquid quoted investment held. We considered subsequent movements in the Market Capitalisation of Bank of Georgia in light of the war in Ukraine and concluded that the decrease in the share’s price of Bank of Georgia does not result in deterioration of the liquidity position to an extent where the disposal proceeds of any investment would not provide mitigation to fund any liquidity shortfall during the going concern assessment period.
- We obtained and challenged Management’s assessment of the implications of the War in Ukraine on the activities of the Company, including the impact on its cash and liquid assets forecast over the going concern period.
- We reviewed the Company’s going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

We have observed that:

- The going concern scenarios modelled by management, including stress-testing, are consistent with our understanding of the financial position of the Company and its financial commitments to portfolio company investments.
- Management’s stress testing does not indicate any shortfall in available liquidity in either scenario below the US\$ 50 million liquid asset buffer established by the Board for risk management purposes.
- Subsequent to the year end, cash proceeds of US\$180 million were received in connection with the disposal of the Water Utility business. At present these funds have not been allocated by the Board albeit US\$ 95.4m million has been ringfenced for settlement of the GGU Eurobonds, and the Board have indicated to Investors that any surplus funds will be utilised for investment, deleveraging and capital return policies in the light of the prevailing economic outlook.

INDEPENDENT AUDITOR’S REPORT CONTINUED

- The impact of the war in Ukraine is not expected to have a material impact on the going concern assessment or the liquidity outlook of the Company given none of the portfolio companies are materially exposed to Russian, Belorussian or Ukrainian markets, except for the Wine business, which due to the size is not expected to be material overall for GCAP.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 March 2023.

In relation to the company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	Valuation of unquoted investments.
Materiality	Overall materiality of GEL 14.4 million which represents 0.5% of the Net Asset Value (2020: GEL 11.1 million which represents 0.5% of the Net Asset Value)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our determination of performance materiality determines our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

The annual report and accounts are prepared as an Investment Entity as defined by IFRS 10. We have audited the fair value of 100% of the investment portfolio indirectly held by Georgia Capital PLC through Georgia Capital JSC. All audit work, including the valuation of underlying portfolio investments, was performed directly by the Integrated audit engagement team. The scope and approach are consistent with our 2020 annual audit of the Company.

Integrated audit team

In establishing our overall approach to the audit, we considered that all significant elements of the Company’s finance and accounting function are situated and managed centrally in Georgia, and operate under one common internal control environment, and all operations of the Company are also managed from this location.

The Senior Statutory Auditor is based in the UK, but since the Company management and operations reside in Georgia, the engagement audit team operates as an integrated audit team including members from the UK, Georgia and Russia. All audit work performed for the purposes of the audit was undertaken by the integrated audit team.

As an integrated team all audit work was performed in a shared electronic workspace. The audit plan was developed jointly and both teams were involved in the execution of the plan and in the consideration of areas of significant judgement and estimation. The audit procedures in relation to the significant risk area, namely valuation of unquoted investments was planned and directed by the UK audit team, including UK valuation specialists. The Prospective Financial Information (‘PFI’) included within valuation models relating to unquoted investments was audited by the integrated team including EY Georgia audit team members with appropriate knowledge of the underlying portfolio companies.

Under normal circumstances, the Senior Statutory Auditor and other UK audit team members would visit Tbilisi, Georgia several times during the course of the audit. The purpose of these visits would be to discuss the audit approach with the integrated audit team members based in Tbilisi, Georgia and any issues arising from their work. In addition, the Senior Statutory Auditor would meet with Company management to challenge key assumptions in relation to fair valuation including appropriateness of methodology, the impact of climate risk, the assumptions underlying the going concern forecast and the disposal of Water Utility business.

In planning our audit, we assumed a worst-case scenario where travel restrictions and lockdowns would persist throughout the period of the audit. As a result, we included incremental procedures described below that enabled the engagement team to fulfil its responsibilities under auditing standards to evaluate, review and oversee the work of members of our integrated audit team in Tbilisi, Georgia on a remote basis.

Although initial plans were made to travel during the year end audit period in February, these were disrupted by Covid-19 travel restrictions which meant that the planned visit was unable to take place. In the absence of being able to travel to Tbilisi, Georgia, we undertook regular video calls with the Company’s management. We maintained an open dialogue with the Head of Internal Audit, management’s internal and external valuation specialists and environmental, social and governance specialists. The Senior Statutory Auditor and integrated audit team held virtual meetings with management of the largest portfolio companies. The purpose of these meetings was to ensure a comprehensive understanding of business performance in 2021, and to understand and challenge the key assumptions in relation to the prospective financial information in the context of the valuation of unquoted investments.

We held frequent video calls with the Georgia based members of our audit team during the key phases of the audit to discuss our audit approach, results and any issues arising from our work. We performed a remote review of working papers through the use of our audit software which facilitates the sharing of audit files across the Integrated audit team. The UK members of the Integrated audit team maintained an open communication with the Georgian members where appropriate during various stages of the audit and were responsible for the direction, review and oversight of the audit process on a remote basis.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Georgia Capital PLC. The Company has determined that the most significant future impacts from climate change on its operations will be from the following:

- carbon price increases which could have a negative impact on fuel intensive businesses such as the Healthcare business.
- the risk of disruption of distribution and supply chains as a result of physical events arising as a consequence of climate changes such as an increasing frequency of heatwaves or more intense rainfall run-off.

These are explained on pages 92-97 in the required Task Force for Climate related Financial Disclosures and on pages 75 to 82 in the principal risks and uncertainties, which form part of the “Other information,” rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in note 12 governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted International Accounting Standards. In note 12 to the financial statements supplementary sensitivity disclosures and narrative explanation of the impact of reasonably possible changes in key assumptions have been provided and significant judgements and estimates relating to climate change have been described in that same note.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 94 and 95 have been appropriately reflected in relation to the valuation of unquoted investments and associated disclosures. Details of our procedures and findings on the valuation of unquoted investments are included in our key audit matters below. We also challenged the Directors’ considerations of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of unquoted investments (GEL 2.935m, 2020: GEL 2.376m) <i>Refer to the Audit and Valuation Committee Report (pages 137-142); Accounting policies (pages 189-193); and Note 12 of the Financial Statements (pages 204-209).</i> The fair value of the investment portfolio is included within the valuation of the single direct subsidiary presented under the account ‘Equity investments at fair value’ in the statement of financial position. The investment portfolio includes a number of unquoted businesses. The discount which exists in relation to Georgia Capital PLC’s Market Capitalisation to Net Asset Value has remained significant (51%) at 31 December 2021 (2020: 48%). The size of this discount could be indicative of material overstatement of the unquoted portfolio companies’ fair value.	<p>Our procedures were performed by the Integrated audit team. Our procedures extended to testing 100% of the related balance.</p> <p>We obtained an understanding of management’s processes and controls for determining the fair valuation of unquoted investments.</p> <p>With the assistance of our UK valuation specialists, we:</p> <ul style="list-style-type: none">• compared management’s valuation methodology to IFRS and the IPEV guidelines. We sought explanations from management where there were judgments used in its application of the guidelines and assessed their appropriateness;• formed an independent range for the key assumptions used in the valuation of unquoted investments, namely, the discount rates, valuation multiples and the long-term growth rates, with reference to the relevant industry and market valuation considerations. We derived a comparative range of fair values for each investment using our comparative discount rate assumption in relevant cases, keeping all other inputs and assumptions consistent with that of Management;• corroborated key inputs in the valuation models, such as earnings and net debt to the board packs provided by the portfolio companies, confirmed with integrated team responsible for the audit of these entities and performed analytical review procedures to make sure the input data was reasonable;	<p>Our work included assistance from EY Valuation experts combined with a further review by EY audit team of the PFI including the application of sensitivities.</p> <p>Major judgments relate to determination of an appropriate valuation method, peer group and applicable earnings multiples, discount rates and cashflow projections.</p> <p>The transaction in relation to the Water Utility business provides corroborative evidence to support the fair values attributed to this business as at 31 December 2021.</p> <p>We consider the valuation methodologies selected to cross-check the values attributed to certain assets to be more appropriate as primary valuation methodologies than those adopted by management and management’s specialist.</p>

INDEPENDENT AUDITOR’S REPORT CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>The Company adopts a valuation methodology based on the International Private Equity and Venture Capital Valuation 2018 (“IPEV”) guidelines, in conformity with IFRS 13 Fair value measurements (“IFRS 13”). Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management, including in relation to the impact of climate risk.</p> <p>These judgments include in particular the selection of an appropriate valuation method, determination of peer Group and applicable earnings multiples, calculation of discount rates and the estimation of future maintainable earnings.</p> <p>There is the risk that management may influence these judgments in order to meet market expectations of the overall net asset value of the Company and also influence their compensation.</p>	<ul style="list-style-type: none">• we checked the mathematical accuracy of the valuation models;• We performed the following procedures on key judgments made by management in the calculation of fair value:<ul style="list-style-type: none">– evaluated the appropriateness of discount rates by performing independent calculation which provided corroborative evidence;– discussed with management of large portfolio investments the key assumptions applied to calculate future cash flows and terminal value and corroborated this to supporting documentation. We applied sensitivities to certain assumptions informed by our independent benchmarking of these assumptions. In determining those sensitivities, we considered, among other matters, historical accuracy of management’s forecasting;– evaluated the COVID-19 and climate risk impact on the valuations including challenge from climate and valuation specialists; and– evaluated whether the buyout of the minority shareholders in Pharmacy business provides contrary evidence in relation to the fair value of the Pharmacy business as at 31 December 2021.• We considered the difference between the Company’s market capitalisation and its Net Asset Value and challenged management’s considerations as to the reasons for that difference by performing an independent market analysis of peer companies trading metrics and reviewing the Edison Research analysts’ report dated 5 January 2022.• In respect of the agreement to sell 80% of the Water Utility business for US\$ 180 million, we inspected the terms and conditions of the SPA in relation to the disposal of the Water Utility business the context of the valuation attributed. We agreed the price per the signed SPA to valuation assigned for the Water Utility business;• We engaged our real estate valuation specialists to assist us testing the valuation of the real estate assets in the Commercial and Hospitality RE business which form the basis of the net asset value at which this particular business is valued. We read the property valuation report which covered a sample of properties, prepared by Management’s external property valuer and had a discussion with the property valuer and management to understand the key assumptions underpinning the valuation and changes in the Georgia real estate market, including COVID-19 implications.	<p>Based upon our audit procedures performed we have identified judgmental unadjusted audit differences relating to investment portfolio valuation which individually and in aggregate are immaterial in relation to the financial statements taken as a whole.</p> <p>We are satisfied that the disclosures in the financial statements are sufficient and appropriate.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<ul style="list-style-type: none">• We evaluated the experience and objectivity of management’s independent valuation specialists. We obtained an understanding of the work of management’s specialists and evaluated and concluded whether the results of the specialists’ work support the valuation assertion in the financial statements. We held video conference calls with management’s specialists and challenged the key assumptions and methodologies applied in the valuation of the investments.• We performed a stand back test by considering where the fair value of each portfolio company estimated by management sits within our range at both individual and the total portfolio level.• We assessed the disclosures against the requirements of IFRS 10 and IFRS 13.	

There are no changes in our key audit matters from the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be GEL 14.4 million (2020: GEL 11.1 million), which is 0.5% (2020: 0.5%) of Net Asset Value. We believe that Net Asset Value provides us with an appropriate basis for audit materiality as Net Asset Value is a key published performance measure and is the key metric used by investors, analysts and management in assessing and reporting on the overall performance of the Company. The materiality basis and percentage applied is consistent with our 2020 annual audit.

During the course of our audit, we reassessed initial materiality and increased the final materiality from our original assessment at planning of GEL 12.7 million. No additional testing was required due to an amendment in final materiality. This increase reflects our assessment based on the actual results for the current year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company’s overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely GEL 7.2 million (2020: GEL 5.5 million). We have set performance materiality at this percentage due to the estimation uncertainty of the valuation of unquoted investments in the statement of financial position.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Valuation Committee that we would report to them all uncorrected audit differences in excess of GEL 0.72 million (2020: GEL 0.56 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon:

- Strategic review section, including Georgia Capital Strategy, Market and Industry Overview, Capital Allocation and Managing Portfolio Companies, Portfolio Overview, S172 Statement, Risk Management, Risk Overview and Resources and Responsibilities, set out on pages 2 to 121;
- Governance section, including Directors’ Governance Statement, Board of Directors, Corporate Governance Framework, Investment Committee Report, Audit and Valuation Committee Report, Director’s Remuneration Report, Nomination Committee Report, Statement of Directors’ Responsibilities and Directors’ Report, set out on pages 122 to 170; and
- Additional information, including Abbreviations, Glossary and Shareholder information, set out on pages 212 to 216.

INDEPENDENT AUDITOR’S REPORT CONTINUED

The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 73 and 182-183;
- Directors’ explanation as to its assessment of the Company’s prospects, the period this assessment covers and why the period is appropriate set out on pages 73 and 182-183;
- Director’s statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on pages 73 and 182-183;
- Directors’ statement on fair, balanced and understandable set out on page 167;
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 75-82;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 70-74; and;
- The section describing the work of the audit and valuation committee set out on pages 137-142.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 167, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted Internal Accounting Standards, Companies Act 2006, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority requirements) together the corporate tax regime in both the UK and Georgia.
- We understood how Georgia Capital PLC is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Valuation Committee. We also reviewed correspondence between the Company and its regulators; reviewed minutes of the Board and its committees; and gained an understanding of the Company’s approach to governance, demonstrated by the Board’s approval of the Company’s governance framework and the Board’s review of the Company’s risk management framework and internal processes.
- We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the Company or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plans targets and their potential to influence management to manage earnings or influence the perceptions of investors.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company’s methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the regulators.
- We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk which included management, internal audit and legal enquiries, journal entry testing, analytical procedures, tests of detail and focused testing. In relation to the valuation of unquoted investments, we identified a risk that management may influence judgements. Our response included using specialists, considering contrary evidence and performing enquiries of management of material portfolio companies in relation to prospective financial information used in the valuation models, as set out in more details in the Key Audit Matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company in 2018, following a competitive tender process, and re-appointed by shareholders at the 2021 AGM to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. We were appointed as auditors by the Company and signed an engagement letter on 20 July 2021 and addendum dated 14 February 2022.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 31 December 2018 to 31 December 2021.
- The audit opinion is consistent with the additional report to the audit and valuation committee.

Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Denton (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor Leeds
24 March 2022

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

	Notes	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents*		7,200	855
Prepayments		406	426
Equity investments at fair value	6	2,881,373	2,213,290
Total assets		2,888,979	2,214,571
Liabilities			
Other liabilities		5,357	2,279
Total liabilities		5,357	2,279
Equity			
Share capital	8	1,547	1,574
Additional paid-in capital and merger reserve		238,311	238,311
Retained earnings		2,643,764	1,972,407
Total equity		2,883,622	2,212,292
Total liabilities and equity		2,888,979	2,214,571

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

The Company’s distributable reserves as at 31 December 2021 were GEL 1,293,084 (31 December 2020: 1,311,489).

The financial statements on page 178 to 181 were approved by the Board of Directors on 24 March 2022 and signed on its behalf by:

Irakli Gilauri
Chief Executive Officer

Georgia Capital PLC
Registered No. 1085240

The accompanying notes on pages 182 to 211 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

	Notes	2021	2020
Gains on investments at fair value	6	689,762	339,174
Dividend income	6	14,481	–
Transaction costs	12	(2,937)	–
Gross investment profit		701,306	339,174
Administrative expenses	9	(5,512)	(5,430)
Salaries and other employee benefits	9	(2,691)	(2,519)
Profit before foreign exchange and non-recurring items		693,103	331,225
Net foreign currency loss		(222)	(891)
Profit before income taxes		692,881	330,334
Income tax		–	–
Profit for the year		692,881	330,334
Other comprehensive income		–	–
Total comprehensive income for the year		692,881	330,334
Earnings per share:	8		
– basic		15.6533	8.2302
– diluted		15.2932	8.1966

The accompanying notes on pages 182 to 211 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
Profit for the year	–	–	330,334	330,334
Total comprehensive profit for the year	–	–	330,334	330,334
Increase in equity arising from share-based payments (Note 10)	–	–	552	552
Issue of share capital (Note 8)	254	138,011	–	138,265
Transaction costs recognised directly in equity (Note 8)	–	(8,563)	–	(8,563)
Purchase of treasury shares	–	–	(317)	(317)
31 December 2020	1,574	238,311	1,972,407	2,212,292

* As a result of acquiring an additional 29.4% interest in Georgia Healthcare Group PLC and increasing investment in GHG to 100%, the Company recognised merger reserve in the amount of GEL 138,011 in relation to this transaction.

	Share capital	Additional paid-in capital and merger reserve	Treasury Shares	Retained earnings	Total
31 December 2020	1,574	238,311	–	1,972,407	2,212,292
Profit for the year	–	–	–	692,881	692,881
Total comprehensive profit for the year	–	–	–	692,881	692,881
Increase in equity arising from share-based payments (Note 10)	–	–	–	534	534
Cancellation of shares (Note 8)	(27)	–	27	–	–
Purchase of treasury shares (Note 8)	–	–	(27)	(22,058)	(22,085)
31 December 2021	1,547	238,311	–	2,643,764	2,883,622

The accompanying notes on pages 182 to 211 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

	Notes	31 December 2021	31 December 2020
Cash flows from operating activities			
Salaries and other employee benefits paid		(2,173)	(2,109)
General, administrative and operating expenses paid		(5,442)	(4,966)
Net cash flows used in operating activities before income tax		(7,615)	(7,075)
Income tax paid		–	–
Net cash flow used in operating activities		(7,615)	(7,075)
Cash flows from investing activities			
Capital redemption from subsidiary	2	21,679	21,180
Dividends received	6	14,481	–
Cash flows from investing activities		36,160	21,180
Cash flows from financing activities			
Other purchases of treasury shares	8	(21,891)	–
Contributions under share-based payment plan	8	(194)	(317)
Transaction costs incurred in relation to share issuance	8	–	(14,215)
Net cash used in financing activities		(22,085)	(14,532)
Effect of exchange rates changes on cash and cash equivalents		(115)	39
Net increase/(decrease) in cash and cash equivalents		6,345	(388)
Cash and cash equivalents, beginning of the year		855	1,243
Cash and cash equivalents, end of the year		7,200	855

The accompanying notes on pages 182 to 211 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

1. Principal Activities

Georgia Capital PLC (“Georgia Capital”, 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 JSC Georgia Capital (“JSC GCAP”), which together make up a group (the “Group”), focused on buying, building and developing businesses in Georgia. The Group currently holds investments in six large and investment stage private businesses (i) a healthcare services business; (ii) a water utility business; (iii) a retail (pharmacy) business, (iv) an insurance business (P&C and medical insurance); (v) a renewable energy business and (vi) an education business; Georgia Capital also holds other small private businesses across different industries in Georgia, including housing development, hospitality and commercial property construction and development, wine and beer production, digital, auto service businesses through privately held subsidiaries and a 19.9% equity stake in LSE premium-listed Bank of Georgia Group PLC (“BoG”), a leading universal bank in Georgia. 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 42 Brook Street, London W1K 5DB, England, United Kingdom.

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

Shareholder	31 December 2021	31 December 2020
Allan Gray Ltd	6%	1%
M&G Investment Management Ltd	4%	6%
Eaton Vance	1%	6%
Others	89%	87%
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.

References to the Group are applied in these financial statements in the context of going concern assessment, segment, fair valuation and risk management disclosures.

2. Basis of Preparation

General

The financial statements have been prepared in accordance with UK-adopted international accounting standards (“IFRS”).

These financial statements are prepared under the historical cost convention except for investments in subsidiaries held at fair value through profit or loss (FVPL).

The financial statements are presented in thousands of Georgian Lari (“GEL”), except per-share amounts and unless otherwise indicated.

Investment entity status

On 31 December 2019 Georgia Capital concluded that it met the definition of investment entity as defined in IFRS 10 *Consolidated Financial Statements*. As per IFRS 10 an investment entity is an entity that:

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

As of 31 December 2021, the Company continues to meet the definition of investment entity. Further details on the investment entity status and underlying significant judgments are provided in notes 3, 4, 6 and 12 respectively.

Going concern

The Board of Directors of Georgia Capital has made an assessment of the 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 financial statements, i.e. the period ending 31 March 2023. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

2. Basis of Preparation continued

Going concern continued

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 31 March 2023. As a response to the COVID-19 uncertainties, during 2020, Georgia Capital was focused on limiting capital allocations, optimising operating expenses and accumulating and preserving cash. In 2021, portfolio companies delivered strong operating performance, which was reflected in dividend receipts and interest inflows from the portfolio companies towards Georgia Capital. On 16 March 2021 the 100% subsidiary of Georgia Capital PLC, JSC Georgia Capital, placed a US\$ 65 million (GEL 215.8 million) Eurobond tap issue, which was consolidated and forms a single series with the existing US\$ 300 million 6.125% senior notes due in March 2024.

The main source of cash inflow for GCAP PLC is capital redemption from JSC GCAP, which holds the liquid assets to support the liquidity needs of the Company as well. As at 31 December 2021, JSC GCAP holds cash in the amount of GEL 89,714, amounts due from credit institutions in the amount of GEL 35,667 and marketable debt securities and redeemable securities in the amount of GEL 79,716 and GEL 17,849 respectively (refer to note 12). Securities are considered to be highly liquid, as they are debt instruments listed on international and local markets. On 2 February 2022 the Group received US\$ 180 million (GEL 548 million) cash consideration for disposal of its controlling interest in the water utility business. The Group has a policy to maintain a US\$ 50 million liquid assets buffer at all times (note 11).

The liquidity needs of the Group during the going concern review period mainly consist of the coupon payments on JSC GCAP Eurobonds and the operating costs of running the holding companies, capital allocations to its portfolio companies, the buyback programme and loan commitment to the renewable energy business as part of the completion of the Water Utility sale transaction (described below). The liquidity outlook also assumes dividend income from the defensive businesses of the Group (healthcare, pharmacy, renewable energy, and insurance) and Bank of Georgia PLC. Capital allocations are assumed in relation to investment stage companies (Renewable Energy and Education).

On 2 February 2022 the JSC GCAP completed first stage in the proposed two-stage transaction, disposal of controlling interest in Georgia Global Utilities JSC (“GGU”) to FCC Aqualia for US\$ 180 million. Sale proceeds have been received on 2 February 2022. US\$ 6.7 million transaction related costs will be paid out of the proceeds in first quarter 2022. At the second stage of the transaction, which is anticipated to occur in the third quarter of 2022, GCAP will be issuing a US\$ 95.4 million loan to the renewable energy business in order to fund the redemption of Green Eurobonds held by GGU. This funding amount represents the pro-rata share of the Green Eurobonds which the Group is required to fund in accordance with the requirements of the Sale and Purchase Agreement. Initially, upon receipt, the USD 180 million (GEL 548 million) proceeds will be held as cash and liquid assets and will be invested in high yielding deposits of Georgian Banks and in debt securities, pending a review by Board to determine the appropriate investment, deleveraging and capital return policies in the light of the prevailing economic outlook, the share price and discount to net asset value. The results of Board review will be announced in May 2022, at Investor Day to be held by the Company.

War in Ukraine started on 24 February 2022, which lead to a severe sanction imposed to Russia and significant deterioration of Russian Ruble. It is expected that the war may lead to a negative impact on the Georgian economic growth in 2022. As the war is still waging, it is impossible to reliably assess the impact this may have on the Company's business as there is uncertainty over the magnitude of the impact on the economy in general. None of the portfolio companies are materially exposed to Russian, Belorussian or Ukrainian markets, except for Wine business, however due to the size of the wine business it is not expected to be material overall for GCAP and its liquidity outlook. GCAP’s exposure on liquid funds such as debt securities issued by affected countries, are not material.

A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: healthcare, pharmacy distribution and insurance businesses. Georgia Capital has an adequate liquidity position as at 31 December 2021. Management is also satisfied that Georgia Capital's liquidity forecast is comprehensive considering the continuing 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, in August 2021 the Board approved a US\$ 10 million share buyback and cancellation programme. In January 2022, the Board approved an increase in the ongoing buyback and cancellation programme of an additional US\$ 5 million in January 2022 and US\$ 5 million in March 2022. The programme continues for the 12-month period beginning 10 August 2021; respective cash flows are incorporated in the going concern assessment of the Company.

The Company has been increasingly assessing climate-related risk and opportunities that may be present to the Group. During the going concern period no significant risk has been associated to the Group and portfolio companies that would materially impact their ability to generate sufficient cash and continue as going concern.

In addition to the base case scenario described above, a further downside assessment has been prepared, which demonstrates that, even in a stressed scenario, which assumes no dividend inflows and only partial loan repayments from the portfolio businesses that have been most negatively affected by the COVID-19 whilst retaining forecast capital allocations, the existing cash and highly liquid debt investment securities, including US\$ 180 million (GEL 548 million) cash proceeds of GGU sale received on 2 February 2022, will be sufficient to cover the expected cash outflows of the holding companies for the going concern review period. Further to the loan commitment to the renewable energy business described above, Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with the exception of an EUR 16 million (31 December 2020: EUR 18 million) financial guarantee issued to a portfolio company owned by JSC GCAP. Management has assessed the probability of this guarantee being exercised as remote and has excluded it in the overall assessment accordingly. Georgia Capital does not have a primary mandate to deploy funds or divest assets within a specific time frame.

Based on the considerations outlined above, management of Georgia Capital concluded that going concern basis of preparation remains appropriate for these financial statements.

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued

Subsidiaries and associates

The total amount of investment in subsidiaries in the Company's statement of financial position as at 31 December 2021 was GEL 2,881,373 (as at 31 December 2020: 2,213,290) represented by direct investment in JSC Georgia Capital. As at 31 December 2021 and 31 December 2020 investment in JSC Georgia Capital (Note 12) is measured at fair value. As at 31 December 2021 and 31 December 2020 equity investments of JSC Georgia Capital include the following subsidiaries and associates:

Subsidiaries	Proportion of voting rights and ordinary share capital held		Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2021	31 December 2020					
JSC Georgia Capital	100.00%	100.00%	Georgia	Kazbegi street 3-5, Tbilisi	Investment	6/8/2015	–
JSC Georgia Real Estate	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Real estate	27/9/2006	–
m2 Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Real estate	17/8/2015	–
m2 Development, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Real estate	12/12/2019	–
Optima ISANI, LLC*	100.00%	100.00%	Georgia	14 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
Tamarashvili 13, LLC*	100.00%	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
m2 Skyline, LLC*	100.00%	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	24/7/2015	–
m2 at Kazbegi, LLC*	100.00%	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
m2 at Tamarashvili, LLC*	100.00%	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
m2 at Nutsubidze, LLC*	100.00%	100.00%	Georgia	82 Shalva Nutsubidze Str., Tbilisi	Real estate	21/5/2013	–
M Square Park, LLC	100.00%	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
Optima Saburtalo, LLC	100.00%	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
m2 at Chavchavadze, LLC*	100.00%	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
Land, LLC	100.00%	100.00%	Georgia	Between university and Kavtaradze st., Tbilisi	Real estate	3/10/2014	–
m2 at Nutsubidze 2, LLC (formerly m2 New District, LLC)	–	100.00%	Georgia	Kazbegi street 15, Tbilisi	Real estate	24/1/2020	–
JSC New Development	–	100.00%	Georgia	Kazbegi street 15, Tbilisi	Real estate	27/1/2020	–
m2 at Hippodrome, LLC	100.00%	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
Optima ISANI, LLC*	100.00%	100.00%	Georgia	14 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
Tamarashvili 13, LLC*	100.00%	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
m2 Skyline, LLC*	100.00%	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	24/7/2015	–
m2 at Kazbegi, LLC*	100.00%	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
m2 at Tamarashvili, LLC*	100.00%	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
m2 at Nutsubidze, LLC*	100.00%	100.00%	Georgia	82 Shalva Nutsubidze Str., Tbilisi	Real estate	21/5/2013	–
m2 at Chavchavadze, LLC*	100.00%	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
Optima, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Real estate	3/8/2016	–
BK Construction, LLC	–	50.00%	Georgia	Kazbegi street 15, Tbilisi	Construction	18/5/2017	2/6/2017
BK Production, LLC	–	50.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	27/6/2019	–
m2 Maintenance, LLC	100.00%	–	Georgia	Kazbegi street 15, Tbilisi	Real estate	20/7/2021	–
m2 at Mtatsminda Park, LLC	100.00%	–	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	31/12/2021	–
Georgia Real Estate Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Hospitality	17/8/2015	–
Amber Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Hospitality	10/12/2019	–
Kakheti Wine and Spa, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	23/04/2018	–
Gudauri Lodge, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	24/04/2018	–
m2 Svaneti, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	14/11/2018	–
m2 Hatsvali, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	17/4/2019	–
m2 Resort, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	11/2/2019	–
m2 Mtatsminda, LLC	100.00%	100.00%	Georgia	22 Zaal Dumbadze st., Tbilisi	Hospitality	16/10/2014	26/12/2017
Georgia Property Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Commercial assets	4/10/2018	–

2. Basis of Preparation continued

Subsidiaries and associates continued

Subsidiaries	Proportion of voting rights and ordinary share capital held		Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2021	31 December 2020					
Vere Real Estate, LLC	100.00%	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Commercial assets	4/3/2010	6/8/2018
Caucasus Autohouse, LLC	100.00%	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Commercial assets	29/3/2011	–
Georgia Hotels Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Hospitality	16/12/2019	–
m2, LLC	100.00%	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Hospitality/Real estate	12/2/2014	–
m2 Kutaisi, LLC	100.00%	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Hospitality	17/5/2017	–
m2 at Melikishvili, LLC	100.00%	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Hospitality	17/5/2017	–
Melikishvili Hotel Property, LLC	100.00%	–	Georgia	10 Melikishvili ave., Tbilisi	Hospitality	3/2/2021	–
m2 Zugdidi, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	7/11/2018	–
Georgia Commercial Assets, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi	Commercial assets	23/12/2020	–
Georgia Hospitality Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 3-5, Tbilisi	Hospitality	22/8/2018	–
Georgia Real Estate Management Group	100.00%	100.00%	Georgia	Georgia, Dusheti region, village Seturebi	Hospitality	12/5/2019	–
Gudauri, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	15/9/2015	–
JSC Georgian Renewable Power Company	–	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
JSC Geohydro	–	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
JSC Zoti Hydro	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	20/8/2015	–
JSC Caucasus Wind Company (formerly JSC Caucasian Wind Company)	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	14/9/2016	–
JSC Caucasus Solar Company (formerly JSC Caucasian Solar Company)	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	27/10/2016	–
Bakhvi 2, LLC	–	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	22/10/2015	8/23/2019
Racha Hydro, LLC	–	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	31/10/2019	–
Hydro S, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/1/2019	10/28/2019
Georgia Geothermal Company, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	16/12/2019	–
JSC A Group	100.00%	100.00%	Georgia	1, Berbuki str., Saburatio, Tbilisi	Various	20/9/2018	–
JSC Insurance Company Aldagi	100.00%	100.00%	Georgia	66A, David Aghmashenebeli Alley, Tbilisi	Insurance	11/8/1998	–
JSC Insurance Company Tao	100.00%	100.00%	Georgia	66A, David Aghmashenebeli Alley, Tbilisi	Insurance	22/8/2007	1/5/2015
Alliance, LLC	100.00%	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	1/8/1998	30/4/2012
Auto Way LLC	100.00%	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	27/12/2010	30/4/2012
JSC Carfest	75.00%	75.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Leasing	17/11/2017	–
JSC Greenway Georgia	100.00%	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
JSC GreenWash (formerly GreenWash, LLC)	75.00%	75.00%	Georgia	142, Akaki Belashvili str, Tbilisi	Car Wash	31/8/2018	–
Georgia Healthcare Group Limited (formerly GHG PLC)	100.00%	100.00%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
JSC Georgia Healthcare Group	100.00%	100.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	29/4/2015	–
JSC Insurance Company Imedi L	100.00%	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued

Subsidiaries and associates continued

Subsidiaries	Proportion of voting rights and ordinary share capital held		Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2021	31 December 2020					
JSC GEPHA	67.00%	67.00%	Georgia	142, A. Belashvili str, Tbilisi	Pharmacy and Distribution	19/10/1995	4/5/2016
JSC ABC Pharamcia (Armenia)	100.00%	100.00%	Armenia	Kievan Str. 2/8, Erevan, Armenia	Pharmacy and Distribution	28/12/2013	6/1/2017
ABC Pharamlogistics, LLC	100.00%	100.00%	Georgia	Peikrebi str. 14a, Tbilisi	Pharmacy and Distribution	24/2/2004	6/1/2017
JSC Iverta	100.00%	–	Georgia	A. Belashvili str. 142, Tbilisi	Pharmacy and Distribution	17/2/2021	–
AKG AVELIN QAN DEGHATUN, LLC (Armenia)	100.00%	–	Armenia	26/1 Vazgen Sargsyan Street, /Office 412/Yerevan 0010, Armenia	Pharmacy and Distribution	28/6/2019	–
JSC Georgian Logistics	100.00%	–	Georgia	A. Belashvili str. 142, Tbilisi	Other	8/10/2021	–
AZPHA, LLC (Azerbaijan)	100.00%	–	Azerbaijan	Azerbaijan, Baku, Sabunchu District, Bakikhanovi area, 131, A. Ahgaievi Street, Apartment 43	Pharmacy and Distribution	17/9/2021	–
Euroline LLC	100.00%	–	Georgia	Stanislavski str. 5, Tbilisi	Other	24/11/2021	14/12/2015
JSC Evex Hospitals	100.00%	100.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	1/8/2014	1/8/2014
EVEX-Logistics, LLC	100.00%	100.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	13/2/2015	–
New Clinic, LLC	100.00%	100.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	3/1/2017	20/7/2017
Caucasus Medical Center, LLC	99.80%	99.80%	Georgia	23, P. Kavtaradze Str., Tbilisi	Healthcare	12/1/2012	11/6/2015
JSC Pediatrics	100.00%	100.00%	Georgia	U. Chkeidze str. 10, Tbilisi	Healthcare	5/9/2003	6/7/2016
JSC Kutaisi Regional Mother and Infant Treatment-Diagnostic Centre (formerly JSC Kutaisi County Treatment and Diagnostic Center for Mothers and Children)	67.00%	67.00%	Georgia	Djavakhishvili str. 85, Kutaisi	Healthcare	5/5/2003	29/11/2011
West Georgia Medical Center, LLC (formerly LL Academician Z. Tskhakaia National Centre of Intervention Medicine of Western Georgia)	67.00%	67.00%	Georgia	A Djavakhishvili str. 83A, Kutaisi	Healthcare	9/12/2011	29/11/2011
NCLE Evex Learning Centre	100.00%	100.00%	Georgia	83A, Javakhishvili street, Tbilisi	Other	20/12/2013	20/12/2013
Emergency Service, LLC	85.00%	85.00%	Georgia	6 Building, 13/6 Lubiana str. Tbilisi	Healthcare	18/6/2013	8/5/2015
N(NL)E Blood Center	100.00%	–	Georgia	Javakhishvili str. N85/ Javakhishvili str. N83A, Kutaisi	Healthcare	23/12/2021	–
JSC Evex Clinics	100.00%	100.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	1/4/2019	–
Tskaltubo Regional Hospital, LLC	67.00%	67.00%	Georgia	16 Eristavi street, Tskhaltubo	Healthcare	29/9/1999	9/12/2011
LLC Alliance Med	100.00%	100.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	7/7/2015	20/7/2017
JSC Polyclinic Vere	98.35%	97.80%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	22/11/2015	25/12/2017
New Dent, LLC	75.00%	75.00%	Georgia	142, A. Belashvili str, Tbilisi	Healthcare	24/12/2018	–
JSC Mega-Lab	92.00%	92.00%	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	6/6/2017	–
LLC Patgeo-Union of Pathologists (formerly JSC Patgeo)	100.00%	100.00%	Georgia	Mukhiiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	27/9/2016
Scientific-Research Center – Mega-Lab N(N)LE	100.00%	–	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	25/5/2021	–
JSC Vabaco	67.00%	67.00%	Georgia	Bochorishvili str. 37, Tbilisi	Software Development	9/9/2013	28/9/2018
JSC Ekimo	67.00%	–	Georgia	A. Tsereteli ave. 123, Tbilisi	Other	14/12/2021	–
Dart, LLC	100.00%	–	Georgia	A. Belashvili str. 142, Tbilisi	Other	14/6/2021	–

2. Basis of Preparation continued

Subsidiaries and associates continued

Subsidiaries	Proportion of voting rights and ordinary share capital held		Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2021	31 December 2020					
JSC Georgian Global Utilities (formerly Georgian Global Utilities, LLC)	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	22/01/2020	31/12/2014
Georgian Water and Power, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	25/06/1997	31/12/2014
Rustavi Water, LLC	100.00%	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
Gardabani Sewage Treatment, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	20/12/1999	31/12/2014
Georgian Engineering and Management Company (GEMC), LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	20/03/2011	31/12/2014
JSC Saguramo Energy	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	11/12/2008	31/12/2014
JSC Svaneti Hydro	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/12/2013	–
Qartli Wind Farm, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	10/9/2012	30/12/2019
Georgian Energy Trading Company (GETC), LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy Sales	23/4/2019	–
Hydrolea, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/7/2012	28/10/2019
Geoenergy, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	26/1/2012	28/10/2019
Hydro Georgia, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	8/5/2012	28/10/2019
Darchi, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
Kasleti 2, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
JSC Georgian Beverages	100.00%	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
JSC Georgian Beverages Holding	87.39%	87.39%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Investment	17/12/2019	–
JSC Teliani Valley	100.00%	100.00%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
Teliani Trading (Ukraine), LLC	100.00%	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
Teliani Europe GmbH	100.00%	–	Germany	Kurfürstendamm 195 10707 Berlin	Distribution	15/6/2021	–
Georgia Logistics and Distribution, LLC	100.00%	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
Le Caucase, LLC	100.00%	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
Kupa, LLC	70.00%	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
Global Beer Georgia, LLC	100.00%	100.00%	Georgia	Tsiliani, Mtskheta Region	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
Kindzmarauli Marani, LLC	100.00%	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
Alaverdi, LLC	100.00%	100.00%	Georgia	Chumlaki, Gurjaani Region	Winery	8/4/2008	19/8/2019
Global Coffee Georgia, LLC	100.00%	100.00%	Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
New Coffee Company, LLC	100.00%	100.00%	Georgia	Tskneti Highway, 16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

2. Basis of Preparation continued
Subsidiaries and associates continued

Subsidiaries	Proportion of voting rights and ordinary share capital held		Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2021	31 December 2020					
Genuine Brewing Company, LLC	100.00%	100.00%	Georgia	7 Kotetishvili st, Tbilisi, 0108	Beer Production and Distribution	7/6/2011	7/2/2018
Craft and Draft, LLC	100.00%	100.00%	Georgia	Tsilkani, Mtskheta Region	Beer Production	20/2/2019	–
JSC Artisan Wine and Drinks	100.00%	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Wine distribution	26/8/2019	–
Amboli, LLC	90.00%	90.00%	Georgia	24, Leonidze st, Rustavi	Car Services	13/8/2004	25/6/2019
Redberry, LLC	60.00%	60.00%	Georgia	9, Tashkenti st, Tbilisi	Digital Services	29/8/2014	1/5/2019
Redberry International, LLC	100.00%	–	Georgia	Mtskheta str, 13a, Tbilisi	Digital Services	13/5/2021	–
Lunchoba, LLC	60.00%	60.00%	Georgia	22 Nutsubidze IV Micro-district	Catering Services	8/10/2018	–
Shabatoba, LLC	100.00%	100.00%	Georgia	8 Zurab Sakandelidze st, Tbilisi	Delivery Services	2/6/2020	–
JSC Carfest	25.00%	25.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
GCMF, LLC	100.00%	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Excess liquidity management company	2/5/2019	–
Georgia Education Group, LLC	100.00%	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	16/7/2019	–
Green School, LLC	90.00%	90.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	21/10/2019	–
JSC Green School Real Estate	100.00%	–	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	5/1/2019	–
Tbilisi Green School, LLC	80.00%	80.00%	Georgia	Didube-Chughureti/Dighomi massive IV, Building 5A, Apartment 35	Education	7/6/2011	22/8/2019
Modern School, LLC	90.00%	–	Georgia	N, Khudadovi str. 1b, Tbilisi	Education	18/8/2021	–
Georgian-Austrian School Pesvebi, LLC	90.00%	–	Georgia	D. Tavdadebuli str. 6, Tbilisi	Education	27/9/1995	20/8/2021
Buckwood International School – Tbilisi, LLC	80.00%	80.00%	Georgia	2, Dolidze str, Tbilisi	Education	24/8/2005	29/7/2019
Sakhli Tsknetshi, LLC	100.00%	100.00%	Georgia	Tskneti, Vake region, Tbilisi	Education	1/5/2005	–
British Georgian Academy, LLC	70.00%	70.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2006	23/7/2019
NNLE British International School of Tbilisi	100.00%	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2015	–
British International School of Tbilisi, LLC	100.00%	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	5/9/2019	–
British Georgian Academy – Okrokana, LLC	100.00%	–	Georgia	17, Leo Kvachadze str, Tbilisi	Education	16/9/2021	–
JSC Liberty Consumer	77.23%	77.23%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
JSC Intertour	99.94%	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006
JSC Oncloud	100.00%	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Digital Services	28/2/2020	–

2. Basis of Preparation continued
Subsidiaries and associates continued

Associates	Proportion of voting rights and ordinary share capital held		Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
	31 December 2021	31 December 2020					
Ytong Capital, LLC	–	28.90%	Georgia	15, Kipshidze str, Tbilisi, Georgia	Production	6/3/2015	30/10/2019
JSC Isani Parki Squadro, LLC	– 12.00%	6.00% –	Georgia Georgia	Kakheti Highway, Isani, Tbilisi Kostava street #74, Tbilisi, Georgia	Real estate Software Service	18/12/2017 2/3/2021	– 27/8/2021
N(NL)E Georgian Medical Tourism Council	28.60%	28.60%	Georgia	I-II floor, house N10, N 13, b. N1 almond Gardens Street, tskneti, Vake district, Tbilisi	Healthcare	16/5/2019	–
JSC Diflex	40.00%	–	Georgia	Shalikashvili str. 8, Tbilisi, Georgia	Software Development	11/12/2021	29/12/2016
NPO Healthcare Association	25.00%	25.00%	Georgia	Vazha-Pshavela Ave. 27b, Tbilisi, Georgia	Healthcare	25/3/2016	–
Complex-Med-Service, LLC	20.00%	–	Georgia	Tsinandali sts. 9, Tbilisi, Georgia	Healthcare	30/7/2021	18/11/2008
Insurance Informational Bureau, LLC	22.50%	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2008	–

* As of 31 December 2021 subsidiary of m2 at Hippodrome, LLC (31 December 2020: subsidiary of m2 Development, LLC)

During 2021 JSC Georgia Capital made a capital reduction to its 100% shareholder with total cash consideration of GEL 21,679 (2020: GEL 21,180).

3. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company in preparing its financial statements.

Fair value measurement

The Company measures investments in subsidiaries and other financial instruments, such as debt securities owned, equity investments and derivatives, if any, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 12.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within 90 days of the date of contract origination and are free from contractual encumbrances and readily convertible to a known amount of cash.

Financial assets

Initial recognition

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and FVPL.

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

3. Summary of Significant Accounting Policies continued

Financial assets continued

Initial recognition continued

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories under IFRS 9:

- Financial assets at amortised cost (cash and cash equivalents).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (currently, the Company does not have instruments classified under this category).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (currently, the Company does not have instruments classified under this category).
- Financial assets at FVPL (investments in subsidiaries).

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at FVPL include financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Investments in subsidiaries are classified at FVPL. Derivatives and financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes investments in subsidiaries.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. Summary of Significant Accounting Policies continued

Impairment of financial assets continued

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of shares at the grant date.

The cost of equity settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

3. Summary of Significant Accounting Policies continued

Share-based payment transactions continued

Equity-settled transactions continued

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Company purchases Georgia Capital's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at par value, with adjustment of premiums against retained earnings.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Dividend income

Dividend revenue is recognised when the Company's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of equity investment at fair value, financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the respective territories in which the Company operates.

According to the UK tax legislation, UK companies pay corporation tax on all its profits. UK corporate tax rate is 19%.

Functional, presentation currencies and foreign currency translation

The financial statements are presented in Georgian Lari, which is the presentation and functional currency of GCAP PLC and JSC GCAP. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as net foreign currency gain (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia (NBG) exchange rate on the date of the transaction are included in Net foreign currency gain (loss). The official NBG exchange rates at 31 December 2021 and 31 December 2020 were as follows:

	Lari to GBP	Lari to USD	Lari to EUR
31 December 2021	4.1737	3.0976	3.5040
31 December 2020	4.4529	3.2766	4.0233

3. Summary of Significant Accounting Policies continued

Adoption of new or revised standards and interpretations

The following interpretations and amendments that became effective for the annual reporting period ending on 31 December 2021 did not have any impact on the financial statements of the Company or the Company:

- *Amendments IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39: Interest Rate Benchmark Reform*
- *Amendments to IFRS 16 Covid-19 Related Rent Concessions*

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published by IASB but not yet adopted in the UK, that are not yet effective for the current reporting period and which the Company has not early adopted. Such standards that are expected to have an impact on the Company, or the impacts of which are currently being assessed, are as follows:

Amendments to IFRS 3: Reference to the Conceptual Framework
Amendments to IAS 1: Classification of Liabilities as Current or Non-current
Amendments to IAS 1: Disclosure of Accounting Policies
Amendments to IAS 8: Definition of Accounting Estimates
Amendments to IAS 12: Deferred tax on leases and decommissioning obligations
Amendments to IAS 16: Proceeds before Intended Use
Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
IFRS 17: Insurance Contracts

Annual Improvements 2018-2020 Cycle (issued in May 2020)

- *IFRS 1 First-time adoption of International Financial Reporting Standards*
- *IFRS 9 Financial instruments*
- *IFRS 16 Leases*
- *IAS 41 Agriculture*

4. Significant Accounting Judgements and Estimates

In the process of applying the Company's accounting policies, the Management Board use their judgement and make estimates in determining the amounts recognised in the financial statements. The most significant judgements and estimates are as follows:

Assessment of investment entity status

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVPL rather than consolidate them. The criteria which define an investment entity are, as follows:

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

The Group invests funds, originally obtained from its investors, in its private portfolio companies, obtains dividend inflows from its mature investments and once the businesses are developed, exits the investment ideally at a higher multiple (versus entry multiple) to monetise on capital appreciation gains. The Company reports to its investors on a fair value basis. All investments are reported at fair value in the Company's Annual Reports.

Georgia Capital PLC holds a single investment in JSC Georgia Capital (an investment entity on its own), which holds a portfolio of investments; although JSC Georgia Capital is wholly capitalised by Georgia Capital PLC, Georgia Capital PLC is funded by many investors who are unrelated to the entity and ownership in Georgia Capital PLC is represented by units of equity interests acquired through a capital contribution. Thus the judgement above refers to both entities in aggregation. The Board has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

Georgia Capital met the investment entity definition on 31 December 2019. As of 31 December 2021, the Company continues to meet the definition of investment entity. In making this assessment, the Company considered each criteria and characteristic described above as well as developments during the year, such as the disposal of the water utility and commercial businesses.

Fair valuation of the investment portfolio

The investment portfolio, a material asset of the Company, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in Note 12. Given the importance of this area, the Board has formed a separate Audit and Valuation Committee to review the valuations to be placed on portfolio companies, compliance with the valuation standards and usage of appropriate judgement. The detailed valuation process is disclosed in Note 12.

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

5. 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.

The healthcare services business owned through Georgia Healthcare Group (GHG), is the largest healthcare market participant in Georgia. The 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; and Diagnostics, operating the largest laboratory in the Caucasus region.

The retail (pharmacy) 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.

The 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.

The insurance business comprises a property and casualty (P&C) 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 in renewable energy and education businesses.

The renewable energy business principally operates three wholly-owned commissioned renewable assets. In addition, a pipeline of renewable energy projects is in an advanced stage of development.

The 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.

5. Segment Information continued

The following table presents the net asset value (NAV) of the Group's operating segments at 31 December 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	31 December 2021
Listed portfolio companies	531,558	164,109	–	–	(14,481)	–	–	681,186
BoG	531,558	164,109	–	–	(14,481)	–	–	681,186
Private portfolio companies	2,376,130	592,327	18,296	–	(59,881)	–	8,173	2,935,045
Large portfolio companies	1,858,237	583,852	–	–	(39,881)	–	5,056	2,407,264
Healthcare Services	571,656	171,708	–	–	(11,545)	–	–	731,819
Retail (pharmacy)	552,745	169,100	–	–	(11,460)	–	–	710,385
Water Utility	471,148	221,179	–	–	–	–	4,633	696,960
Insurance (P&C and Medical)	262,688	21,865	–	–	(16,876)	–	423	268,100
of which, P&C Insurance	197,806	28,157	–	–	(14,881)	–	423	211,505
of which, Medical Insurance	64,882	(6,292)	–	–	(1,995)	–	–	56,595
Investment stage portfolio companies	302,964	1,632	17,415	–	(20,000)	–	1,125	303,136
Renewable Energy	209,902	(21,463)	3,724	–	(20,000)	–	1,125	173,288
Education	93,062	23,095	13,691	–	–	–	–	129,848
Other portfolio companies	214,929	6,843	881	–	–	–	1,992	224,645
Total portfolio value	2,907,688	756,436	18,296	–	(74,362)	–	8,173	3,616,231
Net debt	(697,999)	–	(18,296)	(25,089)	74,362	(21,852)	(22,200)	(711,074)
of which, Cash and liquid funds	175,289	–	(18,296)	(25,089)	74,362	(21,852)	87,903	272,317
of which, Loans issued	108,983	–	–	–	–	–	45,231	154,214
of which, Gross debt	(982,271)	–	–	–	–	–	(155,334)	(1,137,605)
Net other assets/(liabilities)	2,603	–	–	–	–	(14,633)	(9,505)	(21,535)
Net Asset Value	2,212,292	756,436	–	(25,089)	–	(36,485)	(23,532)	2,883,622

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

5. Segment Information continued

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

NAV Statement	31 December 2019	1. Value Creation	2a. Investments	2b. Buybacks	2c. Dividends	2d. GHG Delisting	3. Operating Expenses	4. Liquidity Management/FX/Other	31 December 2020
Listed portfolio companies	1,027,814	(261,524)	138,265	–	–	(372,997)	–	–	531,558
GHG	430,079	(195,347)	138,265	–	–	(372,997)	–	–	–
BoG	597,735	(66,177)	–	–	–	–	–	–	531,558
Private portfolio companies	1,225,269	741,009	56,400	–	(29,870)	372,997	–	10,325	2,376,130
Large portfolio companies	648,893	859,545	–	–	(24,943)	372,997	–	1,745	1,858,237
Healthcare Services	–	393,797	–	–	–	177,859	–	–	571,656
Retail (pharmacy)	–	374,322	–	–	–	178,423	–	–	552,745
Water Utility	483,970	433	–	–	(15,000)	–	–	1,745	471,148
Insurance (P&C and Medical)	164,923	90,993	–	–	(9,943)	16,715	–	–	262,688
of which, P&C Insurance	164,923	42,826	–	–	(9,943)	–	–	–	197,806
of which, Medical Insurance	–	48,167	–	–	–	16,715	–	–	64,882
Investment stage portfolio companies	163,150	98,730	44,501	–	(4,927)	–	–	1,510	302,964
Renewable Energy	106,800	62,169	44,350	–	(4,927)	–	–	1,510	209,902
Education	56,350	36,561	151	–	–	–	–	–	93,062
Other portfolio companies	413,226	(217,266)	11,899	–	–	–	–	7,070	214,929
Total portfolio value	2,253,083	479,485	194,665	–	(29,870)	–	–	10,325	2,907,688
Net debt	(493,565)	–	(57,684)	(6,033)	29,870	–	(19,455)	(151,132)	(697,999)
of which, Cash and liquid funds	211,889	–	(57,684)	(6,033)	29,870	–	(19,455)	16,702	175,289
of which, Loans issued	151,884	–	–	–	–	–	–	(42,901)	108,983
of which, Gross debt	(857,338)	–	–	–	–	–	–	(124,933)	(982,271)
Net other assets/(liabilities)	(5,650)	–	1,284	–	–	–	(12,681)	19,650	2,603
Net Asset Value	1,753,868	479,485	138,265	(6,033)	–	–	(32,136)	(121,157)	2,212,292

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, and 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, with the exception of investment in GHG PLC made by GCAP PLC in 2020, which was further contributed to the equity of JSC GCAP. Refer to Notes 6 and 8; 2b. Buybacks – represent buybacks made by GCAP PLC and JSC GCAP in order to satisfy share compensation of executives and purchases under the buyback programme announced by GCAP PLC; 2c. Dividends – represents dividends received from portfolio companies by JSC GCAP; 2d. GHG Delisting – delisting and transfer of GHG to the private portfolio sub-segment in 2020; 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.

5. Segment Information continued

Reconciliation to IFRS financial statements:

	31 December 2021					NAV Statement
	Georgia Capital PLC	Aggregation with JSC Georgia Capital*	Elimination of double effect on investments	Aggregated Holding Company	Reclassifications**	
Cash and cash equivalents	7,200	89,714	–	96,914	(96,914)	–
Amounts due from credit institutions	–	35,667	–	35,667	(35,667)	–
Marketable securities	–	79,716	–	79,716	(79,716)	–
Investment in redeemable securities	–	17,849	–	17,849	(17,849)	–
Prepayments	406	–	–	406	(406)	–
Loans issued	–	154,214	–	154,214	(154,214)	–
Other assets, net	–	8,475	–	8,475	(8,475)	–
Equity investments at fair value	2,881,373	3,616,231	(2,881,373)	3,616,231	–	3,616,231
Total assets	2,888,979	4,001,866	(2,881,373)	4,009,472	(393,241)	3,616,231

Debt securities issued	–	1,095,433	–	1,095,433	(1,095,433)	–
Other liabilities	5,357	25,060	–	30,417	(30,417)	–
Total liabilities	5,357	1,120,493	–	1,125,850	(1,125,850)	–

Net debt	–	–	–	–	(711,074)	(711,074)
of which, Cash and liquid funds	–	–	–	–	272,317	272,317
of which, Loans issued	–	–	–	–	154,214	154,214
of which, Gross debt	–	–	–	–	(1,137,605)	(1,137,605)
Net other assets/(liabilities)	–	–	–	–	(21,535)	(21,535)

Total equity/NAV	2,883,622	2,881,373	(2,881,373)	2,883,622	–	2,883,622
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	31 December 2020					NAV Statement
	Georgia Capital PLC	Aggregation with JSC Georgia Capital*	Elimination of double effect on investments	Aggregated Holding Company	Reclassifications**	
Cash and cash equivalents	855	117,026	–	117,881	(117,881)	–
Amounts due from credit institutions	–	42,655	–	42,655	(42,655)	–
Marketable securities	–	13,416	–	13,416	(13,416)	–
Prepayments	426	–	–	426	(426)	–
Loans issued	–	108,983	–	108,983	(108,983)	–
Other assets, net	–	7,276	–	7,276	(7,276)	–
Equity investments at fair value	2,213,290	2,907,688	(2,213,290)	2,907,688	–	2,907,688
Total assets	2,214,571	3,197,044	(2,213,290)	3,198,325	(290,637)	2,907,688

Debt securities issued	–	980,932	–	980,932	(980,932)	–
Other liabilities	2,279	2,822	–	5,101	(5,101)	–
Total liabilities	2,279	983,754	–	986,033	(986,033)	–

Net debt	–	–	–	–	(697,999)	(697,999)
of which, Cash and liquid funds	–	–	–	–	175,289	175,289
of which, Loans issued	–	–	–	–	108,983	108,983
of which, Gross debt	–	–	–	–	(982,271)	(982,271)
Net other assets/(liabilities)	–	–	–	–	2,603	2,603

Total equity/NAV	2,212,292	2,213,290	(2,213,290)	2,212,292	–	2,212,292
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* For detailed breakdown of JSC Georgia Capital refer to Note 12.

** Reclassification to aggregated balances to arrive at the NAV specific presentation, such as: aggregating cash, marketable securities, investment in redeemable shares, repurchased GCAP bonds as cash and liquid funds, debt securities issued as gross debt and netting of other assets and liabilities.

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

5. Segment Information continued

The following table presents income statement information of the Group's operating segments for the year ended 31 December 2021:

	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	149,628	543,971	(18,368)	6,843	–	682,074	10,681	(2,993)	689,762
<i>Listed equity investments</i>	149,628	–	–	–	–	149,628	(149,628)	–	–
<i>Private investments</i>	–	543,971	(18,368)	6,843	–	532,446	160,309	(2,993)	689,762
Dividend income	14,481	39,881	20,000	–	–	74,362	(74,362)	14,481	14,481
Interest income	–	–	–	–	23,140	23,140	(23,140)	–	–
Transaction costs	–	–	–	–	(21,995)	(21,995)	19,058	–	(2,937)
Loss on liquid funds	–	–	–	–	(1,142)	(1,142)	1,142	–	–
Gross investment profit/(loss)	164,109	583,852	1,632	6,843	3	756,439	(66,621)	11,488	701,306
Administrative expenses	–	–	–	–	(11,380)	(11,380)	5,868	–	(5,512)
Salaries and other employee benefits	–	–	–	–	(25,104)	(25,104)	22,413	–	(2,691)
Interest expense	–	–	–	–	(77,392)	(77,392)	77,392	–	–
Profit/(loss) before provisions, foreign exchange and non-recurring items	164,109	583,852	1,632	6,843	(113,873)	642,563	39,052	11,488	693,103
Expected credit loss	–	–	–	–	(96)	(96)	96	–	–
Net foreign currency gain	–	–	–	–	39,711	39,711	(39,933)	–	(222)
Non-recurring expense	–	–	–	–	(785)	(785)	785	–	–
Profit/(loss) before income taxes	164,109	583,852	1,632	6,843	(75,043)	681,393	–	11,488	692,881
Income tax	–	–	–	–	–	–	–	–	–
Profit/(loss) for the year	164,109	583,852	1,632	6,843	(75,043)	681,393	–	11,488	692,881

The following table presents income statement information of the Group's operating segments for the year ended 31 December 2020:

	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
Losses/(gains) on investments at fair value	(261,524)	834,602	93,803	(217,266)	–	449,615	(132,009)	19,983	339,174
<i>Listed equity investments</i>	(261,524)	–	–	–	–	(261,524)	261,524	–	–
<i>Private investments</i>	–	834,602	93,803	(217,266)	–	711,139	(393,533)	19,983	339,174
Dividend income	–	24,943	4,927	–	–	29,870	(29,870)	–	–
Interest income	–	–	–	–	20,957	20,957	(20,957)	–	–
Loss on liquid funds	–	–	–	–	(2,984)	(2,984)	2,984	–	–
Gross investment (loss)/profit	(261,524)	859,545	98,730	(217,266)	17,973	497,458	(179,852)	19,983	339,174
Administrative expenses	–	–	–	–	(10,477)	(10,477)	5,047	–	(5,430)
Salaries and other employee benefits	–	–	–	–	(21,659)	(21,659)	19,140	–	(2,519)
Interest expense	–	–	–	–	(62,478)	(62,478)	62,478	–	–
(Loss)/profit before provisions, foreign exchange and non-recurring items	(261,524)	859,545	98,730	(217,266)	(76,641)	402,844	(93,187)	19,983	331,225
Provision	–	–	–	–	(114)	(114)	114	–	–
Net foreign currency loss	–	–	–	–	(90,829)	(90,829)	89,938	–	(891)
Non-recurring expense	–	–	–	–	(3,389)	(3,389)	3,389	–	–
(Loss)/profit before income taxes	(261,524)	859,545	98,730	(217,266)	(170,973)	308,512	254	19,983	330,334
Income tax	–	–	–	–	–	–	–	–	–
(Loss)/profit for the year	(261,524)	859,545	98,730	(217,266)	(170,973)	308,512	254	19,983	330,334

* Write-off of capitalised project development related expenses.

6. Equity Investments at Fair Value

	31 December 2021	31 December 2020
Subsidiaries (Note 12)	2,881,373	2,213,290
Equity investments at fair value	2,881,373	2,213,290
	2021	2020
At 1 January	2,213,290	1,758,197
Fair value gain and dividend income	704,243	339,174
Increase of investment in subsidiary*	–	138,265
Capital redemption (Note 2)**	(21,679)	(22,346)
Dividend income***	(14,481)	–
At 31 December	2,881,373	2,213,290

* During 2020 Georgia Capital PLC acquired the 29.4% remaining equity stake in GHG PLC, which was contributed to the equity of JSC Georgia Capital. Refer to Note 8.
** During 2021 JSC Georgia Capital made a capital reduction to its 100% shareholder with total consideration of GEL 21,679 (2020: GEL 22,346), of which cash consideration was GEL 21,679 (2020: GEL 21,180).
*** In 2021 JSC Georgia Capital paid a dividend to its 100% shareholder in the amount of GEL 14,481.

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 an investment entity. Georgia Capital PLC measures its investment in JSC Georgia Capital at FVPL. For the breakdown and detailed information regarding the equity investments at fair value, refer to Note 12.

7. Taxation

As at 31 December 2021 GCAP PLC has unrecognised tax asset (tax loss carried forward) in the amount of GEL 4,982 (31 December 2020: GEL 3,235). The Company does not recognise the deferred tax asset since it is not expected to be utilised in the foreseeable future, as the Company's income sources, fair value gains on equity investments and dividend income are not taxable in the UK.

The aggregate amount of temporary differences associated with investments in subsidiaries is GEL 1,350,681 (2020: GEL 660,920). The deferred tax liability has not been recognised as the Company controls the timing of reversal of these temporary differences and considers it probable that the temporary differences will not be reversed in the foreseeable future.

Applicable taxes in Georgia include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. Management believes that the Company is in compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

8. Equity

Share capital

As at 31 December 2021 issued share capital comprised of 47,080,203 authorised common shares (31 December 2020: 47,903,785), of which 47,080,203 were fully paid (31 December 2020: 47,903,785). Each share has a nominal value of 1 pence. Shares issued and outstanding as at 31 December 2021 are described below:

	Number of shares Ordinary	Amount
31 December 2019	40,169,775	1,320
Issue of share capital	7,734,010	254
31 December 2020	47,903,785	1,574
Cancellation of shares	(823,582)	(27)
31 December 2021	47,080,203	1,547

Share issue

On 19 May 2020 the Board of Directors of Georgia Capital PLC and the Independent Directors of Georgia Healthcare Group PLC announced that they had reached agreement on the terms of a recommended share exchange offer to be made by GCAP PLC for the entire issued or to be issued share capital of GHG not already owned by Georgia Capital ("the Offer"). On 8 July 2020, GCAP PLC announced that the Offer had been declared unconditional in all respects. Under the Offer GHG shareholder's had opportunity to exchange GHG shares for GCAP shares in the ratio of 1:0.2. As a result GCAP exchanged 7,734,010 new GCAP shares, with nominal value of GEL 254, for 38,670,406 existing GHG shares. The acquired additional investment in GHG was recognised at its fair value of GEL 138,265. The Group's interest in GHG increased to 100%. This investment was further contributed to the equity of JSC GCAP (Note 6). The Company incurred transaction costs of GEL 8,563 in relation to this transaction, which were recognised in the statement of changes in equity.

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

8. Equity continued

Treasury shares

In 2021, the Company paid cash consideration of GEL 22,085 (2020: GEL 317) for acquisition of treasury shares, of which GEL 194 (2020: GEL 317) was related to shares acquired for settlement of employee share-based payments and GEL 21,891 (2020: GEL nil) were other acquisitions made by the Company, including those under the share buyback programme in 2021.

During 2021, 823,582 treasury shares bought back under the buyback programme were cancelled. As at 31 December 2021 the number of treasury shares held in the Company's Management Equity Compensation Trust was 26,980 (2020: 30,572).

Earnings per share

	2021	2020
Basic earnings per share		
Profit for the year attributable to ordinary shareholders of the parent	692,881	330,334
Weighted average number of ordinary shares outstanding during the year	44,264,151	40,136,937
Earnings per share	15.6533	8.2302
Diluted earnings per share*		
Profit for the year attributable to ordinary shareholders of the parent	692,881	330,334
Weighted average number of diluted ordinary shares outstanding during the year	45,306,358	40,301,238
Diluted earnings per share	15.2932	8.1966

* Dilution effect arises from the Group's share-based compensation arrangements.

9. Salaries and Other Employee Benefits, and General and Administrative Expenses

	2021	2020
Salaries and bonuses	(2,098)	(1,873)
Equity compensation plan costs	(534)	(552)
Pension and social security costs	(59)	(94)
Salaries and other employee benefits	(2,691)	(2,519)

Refer also to the Resources and Responsibilities section on pages 84-97 and the Directors' Remuneration Report on pages 143-163 in the Group's Annual Report 2021. For total number of employees of Georgia Capital, refer to page 89 of the Resources and Responsibilities section in the Group's Annual Report 2021. For Directors' remuneration refer to page 160 of the Directors' Remuneration Report in the Group's Annual Report 2021. The Annual Report figures comprise of both holding company entities: Georgia Capital PLC and JSC Georgia Capital. The figures in the table above are for standalone Georgia Capital PLC.

General and administrative expenses

	2021	2020
Legal and other professional services	(5,193)	(5,158)
Occupancy and rent	(140)	(123)
Communication	(19)	(32)
Other	(160)	(117)
General and administrative expenses	(5,512)	(5,430)

Auditor's remuneration

Auditors' remuneration is included within legal and other professional services expenses above and comprises:

	2021	2020
Fees payable for the audit of the Company's current year annual report	1,414	1,200
Total audit fees	1,414	1,200
Audit related assurance services		
Review of the Company's interim accounts	–	156
Total audit related fees	–	156
Non-audit services		
Corporate finance services	626	474
Total other services fees	626	474
Total fees	2,040	1,830

The figures shown in the above table relate to fees paid by the Company to Ernst & Young LLP and its associates.

10. Share-based Payments

Executives' Equity Compensation Plan

In 2018, Georgia Capital introduced the Group's Executives' Equity Compensation Plan (EECP). Under the EECP, shares of the parent are granted to senior executives of the Company. In July 2018, the executives signed new five-year fixed contingent share-based compensation agreements with a total of 1,750,000 ordinary shares of Georgia Capital. The total amount of shares fixed to each executive are being awarded in five equal instalments during the five consecutive years starting January 2019, of which each award is subject to a six-year vesting period subject to continued employment within the Group during such vesting period. The fair value of the shares is determined at the grant date using available market quotations.

After Georgia Capital met the definition of investment entity on 31 December 2019, only the small portion of the CEO's share-based compensation which Georgia Capital PLC retains the obligation to settle is within scope of IFRS 2 in Georgia Capital's financial statements.

The following table illustrates the number and weighted average prices of, and movements in, shares awards granted to the CEO of Georgia Capital PLC during the year:

	2021	2020
Shares outstanding at 1 January	97,633	100,000
Vested during the year	(6,367)	(2,367)
Shares outstanding at 31 December	91,266	97,633

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2021 was 2.8 years (2020: 3.5 years).

The weighted average fair value of shares vested was GEL 24 (2020: GEL 34.2).

Expense recognition

The expense recognised for employee services received during 2021 and the respective increase in equity arising from equity-settled share-based payments was GEL 534 (2020: GEL 552).

11. Risk Management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to investment risk, credit risk, liquidity risk and market risk. It is also subject to operational risks and insurance risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure
Audit and Valuation Committee

The Audit and Valuation Committee of Georgia Capital PLC assists the Management Board of Georgia Capital in relation to the oversight of the Group's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the Internal Audit function and external auditor, reporting back to the Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and IS (including cyber-security) and assessed the effectiveness of the risk management and internal control framework.

It is responsible for reviewing and approving half-yearly and annual valuations of the Group's portfolio investments prepared and presented to it by the Management Board. The Committee will ensure that the Valuation Policy complies with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company.

Investment Committee

The Investment Committee ensures a centralised process-led approach to investment; and the over-riding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns. It oversees each step of the investment lifecycle, approves all investment, divestment and material portfolio decisions and ensures that investments are in line with Group's investment policy and risk appetite.

Management Board

The Management Board of Georgia Capital has overall responsibility for the Group's asset, liability and risk management activities, policies and procedures. The Management Board is comprised of senior managers of GCAP PLC and JSC GCAP. In order to effectively implement the risk management system, the Board of Directors delegates individual risk management functions to the Management Board, which in turn assigns specific functions to the various decision-making and execution bodies within the Group's portfolio entities.

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

11. Risk Management continued

Introduction continued

Risk management structure continued

Internal Audit

The Internal Audit department of Georgia Capital PLC is responsible for the annual audit of the Group's risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Group's internal control systems and detecting any infringements or errors on the part of the Group's departments and divisions. It examines both the adequacy of and the Group's compliance with those procedures. The Group's Internal Audit department discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Valuation Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and countries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board.

Risk mitigation

As part of its overall risk management, GCAP PLC and JSC GCAP may use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. Risks at portfolio company level are mitigated by instruments applicable to specific industries they operate in.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit terms by debtors for various portfolio companies are managed and monitored separately, given industry specifics in which respective entities operate.

Liquid financial instruments

Credit risk from balances with banks and financial institutions is managed by the Treasury department of GCAP PLC and JSC GCAP in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The table below demonstrates the Company's financial assets credit risk profile by external rating grades:

	31 December 2021			31 December 2020		
	BB+ to BB-	B+ to B-	Not graded	BB+ to BB-	B+ to B-	Not graded
Cash and cash equivalents	7,200	–	–	855	–	–
Total	7,200	–	–	855	–	–

Liquidity risk

Liquidity risk is the risk that the Company or any of its portfolio entities will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates daily monitoring of expected cash flows and liquidity needs.

In addition, the Group at all times holds a US\$ 50 million liquid asset buffer at the Georgian parent company level, with liquid assets defined as marketable debt securities, cash at bank and short-term and long-term deposits with financial institutions.

The Group manages the maturities of its assets and liabilities for better matching, which helps the Group additionally mitigate the liquidity risk. Maturities of the Company and each portfolio entity are managed separately. The major liquidity risks confronting the Group are the daily calls on its available cash resources in respect of supplier contracts, claims arising from insurance contracts and the maturity of borrowings.

11. Risk Management continued

Liquidity risk continued

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

Financial liabilities

31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other financial liabilities	5,357	–	–	–	5,357
Total undiscounted financial liabilities	5,357	–	–	–	5,357

Financial liabilities

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other financial liabilities	2,279	–	–	–	2,279
Total undiscounted financial liabilities	2,279	–	–	–	2,279

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group has exposure to market risks. GCAP PLC and JSC GCAP structure the levels of market risk it accepts through a market risk policy that determines what constitutes market risk. Risks associated with changes in fair value of equity investment and its implied fair value components are disclosed in Note 12.

Currency risk

GCAP PLC and JSC GCAP are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's principal transactions are carried out in Georgian Lari and its exposure to foreign exchange risk arises primarily with respect to US Dollar.

The Company is not directly exposed to material currency risk.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events at portfolio companies' level, which might affect their valuations recognised in the Company's statement of financial position. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. GCAP PLC and JSC GCAP cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Operating environment

Most of the Group's portfolio investments are concentrated in Georgia. As an emerging market, Georgia's business and regulatory infrastructure is less well-developed than that which would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian Government has taken a number of steps that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including a new Tax Code and procedural laws). In the view of the Board, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is, however, largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Georgia has elaborated climate change strategy. Georgia's 2030 Climate Change Strategy and Action Plan (Climate Change Strategy and Action Plan – CSAP, Climate Action Plan – CAP) are a planning and implementation mechanism for coordinated effort and planning towards meeting the nationally determined targets for climate change mitigation.

Capital management

Management monitors the Group's capital on a regular basis based on the statement of Net Asset Value (NAV) prepared on a fair value basis, which corresponds to equity attributable to shareholders of Georgia Capital PLC as at 31 December 2021 in the amount of GEL 2,883,622 (2020: GEL 2,212,292). The NAV statement breaks down NAV into its components, including fair values for the private businesses and follows changes therein, providing management with a snapshot of the Group's financial position at any given time. The NAV statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Management closely monitors NAV in connection with capital allocation decisions. Refer to Note 5.

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

11. Risk Management continued

Capital Management continued

The capital management objectives are as follows:

- to maintain the required level of stability of the Group thereby providing a degree of security to the shareholders;
- to manage capital needs such that Group does not depend on potentially premature liquidation of its listed investments;
- to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders; and
- to maintain financial strength to support new business growth and to satisfy the shareholders' requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the applicable financial covenants. To maintain or adjust the capital structure, the Group may adjust the amount of outstanding equity.

12. 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:

31 December 2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Equity investments at fair value	–	–	2,881,373	2,881,373
Assets for which fair values are disclosed				
Cash and cash equivalents	–	7,200	–	7,200

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.

12. Fair Value Measurements continued

Valuation techniques continued

Investment in subsidiaries

Equity investments at fair value include investment in subsidiary at FVPL 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 FVPL. Investments in investment entity subsidiaries and loans issued are accounted for as financial instruments at FVPL 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 NAV as of 31 December 2021 and 31 December 2020 is determined as follows:

	31 December 2021	31 December 2020
Assets		
Cash and cash equivalents	89,714	117,026
Amounts due from credit institutions	35,667	42,655
Marketable securities	79,716	13,416
Investment in redeemable securities	17,849	–
Equity investments at fair value	3,616,231	2,907,688
Of which listed investments:	681,186	531,558
<i>BoG</i>	681,186	531,558
Of which private investments:	2,935,045	2,376,130
Large portfolio companies	2,407,264	1,858,237
<i>Healthcare Services</i>	731,819	571,656
<i>Retail (pharmacy)</i>	710,385	552,745
<i>Water Utility</i>	696,960	471,148
<i>P&C Insurance</i>	211,505	197,806
<i>Medical Insurance</i>	56,595	64,882
Investment stage portfolio companies	303,136	302,964
<i>Renewable Energy</i>	173,288	209,902
<i>Education</i>	129,848	93,062
Other portfolio companies	224,645	214,929
Loans issued	154,214	108,983
Other assets	8,475	7,276
Total assets	4,001,866	3,197,044
Liabilities		
Debt securities issued	1,095,433	980,932
Other liabilities	25,060	2,822
Total liabilities	1,120,493	983,754
Net Asset Value	2,881,373	2,213,290

In measuring fair values of JSC Georgia Capital's investments, the 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 is considered to be the most appropriate point in the provided fair value range at the reporting date.

NOTES TO FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

12. Fair Value Measurements 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 judgements 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).

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 DCF 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.

12. Fair Value Measurements continued

Valuation techniques continued

Equity investments in private portfolio companies continued

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.

Exit price

Fair value of a private portfolio company in a sales process, where the price has been agreed but the transaction has not yet settled, is measured at the best estimate of expected proceeds from the transaction, adjusted pro-rata to the proportion of shareholding sold.

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 – the DCF 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 DCF 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.
- In line with our strategy, from time to time, we may receive offers from interested buyers for our private portfolio companies, which would be considered in the overall valuation assessment, where appropriate.

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 fair values to be ascribed at each reporting date to the Audit and Valuation Committee. The Audit and Valuation Committee is responsible for the review and approval of 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 31 December 2021 was consistent with the Company’s valuation process and policy. Management continues to monitor the impact that the COVID-19 pandemic has on the valuation of portfolio companies.

In addition, management analyses the impact of climate change on the valuations, such as by incorporation of known effects of climate risks to the future cash flow forecasts or through adjusting peer multiples the known differences in the climate risk exposure as compared to the investment being fair valued. As at 31 December 2021, management concluded that the effects of the climate risks are reflected in the peer multiples and discount rates used in the valuations as well as in the disclosed fair valuation sensitivities to changes in peer multiples and discount rates and that no specific adjustments are required in relation of the Group’s investment portfolio measurement and respective fair value sensitivity disclosures.

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

12. Fair Value Measurements 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:

31 December 2021

Description	Valuation technique	Unobservable input	Range (selected input)	Fair value
Loans issued	DCF	Discount rate	5.5%–16%	154,214
Equity investments at fair value				
Large portfolio				2,407,264
Healthcare Services	DCF, EV/EBITDA	EV/EBITDA multiple	6.9x–22.6x (10.3x)	731,819
Retail (pharmacy)	DCF, EV/EBITDA	EV/EBITDA multiple	6.8x–19.9x (9.3x)	710,385
Water Utility	Exit price	N/A	n/a	696,960
P&C Insurance	DCF, P/E	P/E multiple	8.0x–28.7x (12.0x)	211,505
Medical Insurance	DCF, P/E	P/E multiple	9.7x–16.6x (15.0x)	56,595
Investment stage				303,136
Renewable Energy	Sum of the parts	EV/EBITDA multiple	10.1x–19.6x (9.2x–12.5x)	173,288
Education	EV/EBITDA	EV/EBITDA multiple	7.3x–21.7x (12.5x)	129,848
Other	Sum of the parts	EV/EBITDA multiples	1.1x–17.1x (4.8x–9.8x)	224,645
		EV/Sales multiple	1.1x–2.7x (1.9x)	
		Cash flow probability	(90%–100%)	
		NAV multiple	(0.9x)	

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)	
		Cash flow probability	(90%–100%)	
		NAV multiple	(0.9x)	

12. Fair Value Measurements continued

Description of significant unobservable inputs to Level 3 valuations continued

Georgia Capital hired third-party valuation professionals to assess fair value of the large private portfolio companies as at 31 December 2020 and 31 December 2021 including Water Utility, P&C Insurance, Healthcare Services, Retail (pharmacy) and Medical Insurance. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects the most appropriate point in the provided fair value range at the reporting date. On 31 December 2021, Georgia Capital signed a SPA to dispose of 80% interest in the water utility business. Costs related to the transaction were GEL 2,937. At 31 December 2021 Georgia Capital measures its 100% share of the water utility business at the exit price, adjusted for shareholding percentage (2020: measured at a combination of income and market approach by the third party valuation professional). Further details on the transaction are provided in Note 15.

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 31 December 2021 decreased by 20% (2020: 20%), the amount of loans issued would have increased by GEL 3,174 or 2.1% (2020: decreased by GEL 1,494 or 1.4%). If the interest rates increased by 20% then loans issued would have decreased by GEL 2,938 or 1.9% (2020: increased by GEL 1,502 or 1.4%).

If the listed peer multiples used in the market approach to value unquoted investments as at 31 December 2021 decreased by 10% (2020: 10%), value of equity investments at fair value would decrease by GEL 110 million or 3% (2020: GEL 117 million or 4%). If the multiple increased by 10% (2020: 10%) then the equity investments at fair value would increase by GEL 121 million or 3% (2020: GEL 117 million or 4%).

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (2020: 50 basis points), the value of equity investments at fair value would increase by GEL 90 million or 2% (2020: GEL 91 million or 3%). If the discount rates increased by 50 basis points (2020: 50 basis points) then the equity investments at fair value would decrease by GEL 80 million or 2% (2020: 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 189 million or 5% (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 156 million or 4% (31 December 2020: GEL 166 million or 6%).

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis as at 31 December 2021 decreased by 10% (2020: 10%), value of equity investments at fair value would decrease by GEL 7 million or 0.2% (2020: GEL 12 million or 0.4%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 7 million or 0.2% (2020: GEL 12 million or 0.4%).

As set out in the description of significant unobservable inputs to Level 3 valuations the valuations have been prepared on the basis that climate change risks are reflected in the peer multiples and discount rates. Therefore, the sensitivities noted above in respect of peer multiples and discount rates include the risk arising from climate change.

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	Dividend Income	At 31 December 2021
Level 3 financial assets									
Equity investments at fair value (Note 6)	1,758,197	339,174	(22,346)	138,265	2,213,290	704,243	(21,679)	(14,481)	2,881,373

NOTES TO FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF GEORGIAN LARI)

13. Maturity Analysis

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

	31 December 2021		
	Less than 1 Year	More than 1 Year	Total
Cash and cash equivalents	7,200	–	7,200
Equity investments at fair value	–	2,881,373	2,881,373
Prepayments	406	–	406
Total assets	7,606	2,881,373	2,888,979
Other liabilities	5,357	–	5,357
Total liabilities	5,357	–	5,357
Net	2,249	2,881,373	2,883,622

	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

14. Related Party Disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm’s length basis.

There were no related party transactions as of 31 December 2021, other than capital redemption of GEL 21,679 (31 December 2020: 22,346) and dividend income of GEL 14,481 from JSC GCAP (31 December 2020: nil) increase of investment in subsidiary in 2020 in the amount of GEL 138,265 (Notes 6 and 8) and compensation of key management personnel disclosed below.

Compensation of key management personnel comprised the following:

	2021	2020
Salaries and other benefits	(1,307)	(1,232)
Share-based payments compensation	(534)	(552)
Total key management compensation	(1,841)	(1,784)

Key management personnel do not receive cash-settled compensation, except for fixed salaries. The number of key management personnel at 31 December 2021 was seven (2020: seven).

15. Events after the Reporting Period

Completion of first stage of disposal of the water utility business

On 2 February 2022 JSC GCAP, a wholly-owned subsidiary of the Company, completed the first stage in the proposed two-stage transaction; the disposal of its controlling interest in Georgia Global Utilities JSC to FCC Aqualia for US\$ 180 million (GEL 548 million). The full sale proceeds have been received on 2 February 2022.

This first stage represents the initial disposal of a 65% equity interest in GGU to Aqualia for US\$ 180 million (GEL 548 million), representing an 80% economic interest in the water utility business. JSC GCAP now holds a 35% equity interest in GGU, representing a 20% economic interest in the water utility business and a 100% economic interest in the renewable energy business. The completion of this stage follows (a) the approval obtained from the GCAP shareholders at the general meeting on 31 January 2022, (b) entry into the shareholders’ agreement between FCC Aqualia, JSC GCAP and GGU to regulate their respective rights and obligations as joint owners of GGU and (c) the satisfaction of the other conditions precedent to First Completion, as outlined in the circular to GCAP shareholders published on 6 January 2022.

The second stage of the transaction, the demerger of the renewable energy business, is expected to occur in July/August 2022 and will be conditional on receiving antitrust clearance and the redemption of GGU’s existing Eurobond. Upon completion of this second stage of the transaction, JSC GCAP will own 100% of GGU’s renewable energy assets and a 20% interest in GGU.

US\$ 10 million increase to the existing buyback programme

In January 2022, Company announced that its Board of Directors had approved an increase in the US\$ 10 million share buyback and cancellation programme of an additional US\$ 5 million. In March 2022, the buyback program was further increased by US\$ 5 million. Since the commencement of the buyback programme in August 2021, 1,502,607 shares with the total value of US\$ 12.8 million (GEL 39.8 million) have been repurchased, of which 1,372,330 shares have been cancelled. The programme continues for the 12-month period beginning 10 August 2021 and the shares continue to be purchased in the open market. The purpose of buyback is to reduce the share capital and the cancellation of the treasury shares is executed on a monthly basis.

War in Ukraine

As a result of the war in Ukraine, which started on 24 February 2022, many leading countries and economic unions have announced severe economic sanctions on Russia, including Russian banks, Russian entities and Russian individuals. Since the start of the war, there has been a significant depreciation of the Russian Ruble against foreign currencies, as well as a significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and material economic losses for Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Georgia. It is expected that the war may lead to a negative impact on Georgian economic growth in 2022, which might affect the future valuations of the private portfolio companies. As at 18 March 2022, fair value of listed investment in Bank of Georgia Group plc declined by 28%. As the war is still waging, it is impossible to reliably assess the impact this may have on the Company's business and value of its equity investment in JSC Georgia Capital as there is uncertainty over the magnitude of the impact on the economy in general. None of our private portfolio companies is materially exposed to Russian, Belorussian or Ukrainian markets, except for the Wine business. The magnitude of the impact cannot be reliably measured at this stage, however, due to the size of the wine business, it is not expected to be material overall for GCAP. The value of the wine business represented less than 2% of the total portfolio value as at 31 December 2021. GCAP’s exposure to liquid funds such as debt securities issued by affected countries is not material. The Company's management is closely monitoring the economic situation in the current environment. The Company considers the war in Ukraine, and related movements in the fair value of its equity investment in JSC Georgia Capital to be a non-adjusting post balance sheet event.

ADDITIONAL INFORMATION

ABBREVIATIONS

AGM	Annual General Meeting	MoU	Memorandum of Understanding
APM	Alternative performance measure	MTPL	Mandatory third-party liability insurance
BoG or BoGG	Bank of Georgia Group PLC	MW	Megawatt
CAGR	Compounded annual growth rate	NAV	Net asset value
COVID-19	The novel coronavirus	NBG	National Bank of Georgia
DCF	Discounted cash flow	NGO	Non-governmental organisation
DCFTA	Deep and Comprehensive Free Trade Agreement	NIM	Net Interest Margin
EBITDA	Earnings before interest, taxes, non-recurring items, FX gain/losses and depreciation and amortisation	NMF	Not meaningful to present
		NPLs	Non-performing loans
EECP	Executives' Equity Compensation Plan	NTM	Next twelve months
EFTA	European Free Trade Association	OECD	Organisation for Economic Co-operation and Development
EPS	Earnings per share	OPEX	Operating expenses
ESMS	Environmental and Social Risk Management Procedures	P&C	Property and Casualty
EUR	Euro	PLC	Public limited company
EV	Enterprise value	PPA	Power Purchase Agreement
EY	Ernst & Young	RAB	Regulatory Asset Base
FCF	Free cash flow	ROA	Return on assets
FDI	Foreign direct investment	ROAE	Return on average equity
FRC	Financial Reporting Council	ROE	Return on equity
FTA	Free Trade Agreement	ROIC	Return on invested capital
GBP	Great British Pound, national currency of the UK	SDGs	United Nations' Sustainable Development Goals
GDP	Gross domestic product	SMEs	Small and medium-size enterprises
GEL	Georgian Lari or Lari, national currency of Georgia	SOTP	Sum-of-the-parts valuation
GGU	Georgia Global Utilities	TBD	To be determined
GHG	Georgia Healthcare Group	TPP	Thermal power plant
HPP	Hydro power plant	TPL	Third-party liability insurance
IAS	International Accounting Standards	TSR	Total Shareholder Return
IASB	International Accounting Standards Board	UK	United Kingdom
IFC	International Finance Corporation	US\$/USD	United States dollar, national currency of the United States
IMF	International Monetary Fund	WACC	Weighted average cost of capital
IPO	Initial Public Offering	WPP	Wind power plant
LTIP	Long-Term Incentive Plan	WSS	Water supply and sanitation
LTM	Last 12 months	WWTP	Wastewater treatment plant
LTV	Loan to value ratio	y-o-y	Year-on-year
MOIC	Multiple of invested capital	YTD	Year to date

ADDITIONAL INFORMATION

REFERENCES

BGEO Group PLC	Former parent company of Georgia Capital PLC prior to demerger
Georgia Capital and “the Group”	Georgia Capital PLC and its portfolio companies as a whole
GCAP	The aggregation of stand-alone Georgia Capital PLC and stand-alone JSC Georgia Capital accounts
The Board	The Board of Directors of Georgia Capital PLC
The Code	The UK Corporate Governance Code published in 2018
The Directors	Members of Georgia Capital PLC Board of Directors
We/Our/Us	References to “we”, “our” or “us” are primarily references to the Group throughout this Report. However, the Group comprises of and operates through its subsidiaries which are legal entities with their own relevant management and governance structure (as set out in relevant parts of this Report).

ADDITIONAL INFORMATION
GLOSSARY

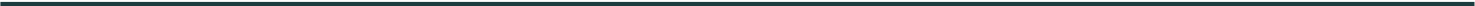
Alternative performance measures (APMs)	In this Annual Report management uses various APMs, which they believe provide additional useful information for understanding the financial performance of the Group. These APMs are not defined by International Financial Reporting Standards, and also may not be directly comparable with other companies who use similar measures. Management believes that these APMs provide the best representation of our financial performance as these measures are used by management to evaluate our operating performance and make day-to-day operating decisions.	LTV	Loan to value ratio: net debt divided by the portfolio value.
		Liquid assets and Loans issued	Liquid asset and loans issued in Georgia Capital include cash, marketable debt securities and issued short-term loans.
		Loss ratio	Equals net insurance claims expense divided by net earned premiums.
		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.
Combined ratio	Equals sum of the loss ratio and the expense ratio in the insurance business.	Net investment	Gross investments less capital returns.
Demerger	Georgia Capital PLC emerged as a separately listed company after demerger from its former Parent Company BGEO Group on 29 May 2018 (the demerger).	Number of shares outstanding	Number of shares in issue less total unawarded shares in JSC GCAP's management trust.
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 portfolio companies' operational performance and the profitability of these companies' operations. The Company considers EBITDA to be an important indicator of representative recurring operations.	MOIC	Multiple of invested capital is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs plus fair value of investment at reporting date, and ii) the denominator is the gross investment amount.
		Realised MOIC	Realised multiple of invested capital is calculated as follows: i) the numerator is the cash and non-cash inflows from dividends and sell-downs, ii) the denominator is the gross investment amount.
Expense ratio	Equals sum of acquisition costs and operating expenses divided by net earned premiums in the insurance business.	ROAE	Return on average total equity equals profit for the period attributable to shareholders divided by monthly average equity attributable to shareholders for the same period.
IRR	IRR for investments is calculated based on: a) historical contributions to the investment; b) dividends received; and c) fair value of the investment as at 31 December 2021.	ROIC	Return on invested capital is calculated as EBITDA less depreciation, divided by aggregate amount of total equity and borrowed funds.
		Value creation	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.


ADDITIONAL INFORMATION
SHAREHOLDER INFORMATION

Our website	All shareholders and potential shareholders can gain access to the Annual Report, presentations to investors, key financial information, regulatory news, share and dividend data, AGM documentation and other significant information about Georgia Capital at: https://georgiacapital.ge/ .
Our registered address	Georgia Capital PLC 42 Brook Street London W1K 5DB United Kingdom
Annual General Meeting	The Annual General Meeting of Georgia Capital PLC (the AGM) will be held at 12:30 pm (London time) on 20 May 2022 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA. Details of the date, time and business to be conducted at the AGM is contained in the Notice of AGM, which will be mailed to shareholders who have elected to receive hard copies of shareholder information and will be available on the Company's website: https://georgiacapital.ge/ .
Shareholder enquiries	Georgia Capital PLC's share register is maintained by Computershare Investor Services PLC. Any queries about the administration of holdings of ordinary shares, such as change of address or change of ownership, should be directed to the address or telephone number immediately below. Holders of ordinary shares may also check details of their shareholding, subject to passing an identity check, by visiting the Registrar's website: www.investorcentre.co.uk or by calling the Shareholder Helpline on: +44 (0) 370 873 5866.
	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS13 8AE United Kingdom +44 (0) 370 873 5866
Contact information	Georgia Capital PLC Investor Relations E-mail: ir@gcap.ge

Forward-looking statements
Certain statements in this Annual Report and Accounts contain 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, those described in “principal risks and uncertainties” included in this Annual Report and Accounts, see pages 75 to 82.
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.

NOTES





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